Interim Board of Directors' Report
for Q4 2014

Interpump Group S.p.A. and subsidiaries

Contents

	Page
Composition of corporate bodies	5
Interpump Group Organization Chart at 31 December 2014	7
Interim board of directors' report:	
- Directors' remarks on performance in 2014	11
- Directors' remarks on performance in Q4 2014	21
Financial statements and notes	27

This folder can be consulted at:
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 euro
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

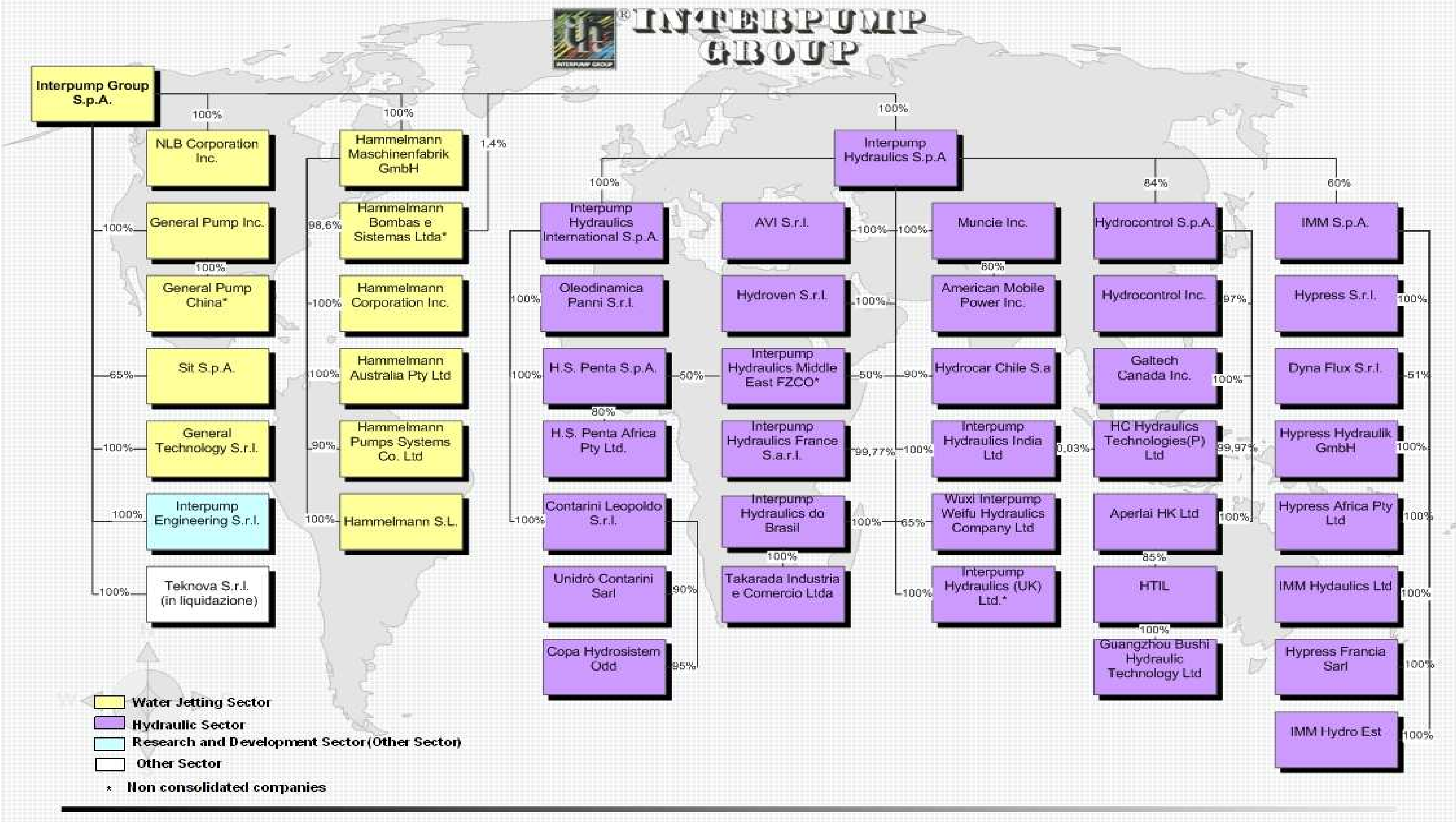
Alessandra Tronconi
Statutory auditor

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 31/12/2014



Interim board of directors' report

Directors' remarks on performance in 2014

KEY EVENTS OF THE YEAR

On 19 December 2014 a preliminary contract was signed for the acquisition of 100% of the Reggio Emilia based Walvoil Group, one of the key international players in the production and sale of hydraulic valves and directional controls. The forecast for Walvoil's 2014 results are: consolidated sales of around €140m and consolidated EBITDA in the region of €19m. The provisional net price was established at €100m, which is equivalent to 95% of the estimated price and will be adjusted in accordance with the net financial position at 31 December 2014, currently estimated at around €35m. The payment was made at the closing date of 15 January 2015 with 45% settled by the transfer of Interpump Group S.p.A. listed treasury stock and the remaining 55% paid in cash. Also, in accordance with consolidated EBITDA at 2014 year-end, the seller will receive an additional earnout of between €2m and €15m. The maximum amount will be paid if 2014 EBITDA is at least €21m.

Interpump sees the Walvoil acquisition as strategically critical because it:

- places Interpump among the top international players in hydraulic directional controls, which are of strategic importance in industrial hydraulic circuits;
- strengthens the Group's presence in the important agricultural applications sector;
- consolidates and expands presence on international markets thanks to Walvoil's production and commercial operations;
- extends the potential synergies with Interpump's Hydraulic Sector operations because Walvoil has production companies in the US, India, China, Brazil and South Korea, and sales operations in France and Australia.

The Hydrocontrol Group, acquired on 6 May 2013, and the IMM Hydraulics Group, acquired on 8 January 2014, were consolidated in 2014. Both companies are classified in the Hydraulic Sector but only the Hydrocontrol Group was present in 2013, although for just eight months. We invite you to refer to the 2013 Annual Financial Report for a description of the two acquisitions.

2014 showed a 20.8% rise in sales compared to 2013 (+6.2% like for like) resulting in a consolidated value of €672.0m. A breakdown of sales by business sector shows the Hydraulic Sector growing by 34.7% (+7.2% on a like for like basis) and growth of 5.1% in the Water Jetting Sector. In geographical terms, growth in Europe including Italy was 29.2%, with 14.0% in North America, 19.8% in the Far East and Oceania and 10.3% in the Rest of the World. The geographical breakdown shows like for like growth of 2.1% in Europe (including Italy), 12.3% in North America, 10.4% in the Far East and Oceania and 0.7% in the Rest of the World.

EBITDA reached €136.1m or 20.3% of sales in 2014, while in 2013 it was recorded at €105.2m (18.9% of sales) so the year on year increase was 29.4%. Like for like, EBITDA was up by 15.9% versus the prior year, reaching €121.8m or 20.6% of sales resulting in a 1.7 percentage point rise in the business margin.

EBIT stood at €104.4m or 15.5% of sales, while in 2013 it was recorded at €79.3 million (14.3% of sales) for a year on year increase of 31.6%. Like for like, EBIT was up by 19.1%, reaching €94.5m or 16.0% of sales, increasing the business margin by 1.7 percentage points.

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

Net profit for the period was €57.7m, 31.0% higher than the €44.1m booked in 2013.

Consolidated income statement for the year

(€/000)	*2014*	*2013*
Net sales	**671,999**	**556,513**
Cost of sales	(426,585)	(353,753)
Gross industrial margin	**245,414**	**202,760**
% on net sales	*36.5%*	*36.4%*
Other operating revenues	12,563	8,765
Distribution costs	(68,074)	(58,107)
General and administrative expenses	(80,517)	(70,441)
Other operating costs	(5,019)	(3,643)
EBIT	**104,367**	**79,334**
% on net sales	*15.5%*	*14.3%*
Financial income	8,144	4,941
Financial expenses	(19,504)	(12,865)
Adjustment of the value of investments carried at equity	102	(338)
Profit for the period before taxes	**93,109**	**71,072**
Income taxes	(35,367)	(26,985)
Consolidated net profit for the period	**57,742**	**44,087**
% on net sales	*8.6%*	*7.9%*
Due to:		
Parent company's shareholders	56,936	43,201
Subsidiaries' minority shareholders	806	886
Consolidated profit for the period	**57,742**	**44,087**
EBITDA*	**136,106**	**105,173**
% on net sales	*20.3%*	*18.9%*
Shareholders' equity	466,550	432,949
Net debt	151,969	88,684
Payables for the acquisition of investments	74,075	32,700
Capital employed	692,594	554,333
ROCE	**15.1%**	**14.3%**
ROE	**12.4%**	**10.2%**
Basic earnings per share	**0.541**	**0.413**

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

* = Since EBITDA is not identified as accounting measure in the context of the Italian accounting principles nor in the context of the international accounting standards (IAS/IFRS), the quantitative determination of EBITDA may not be unequivocal. EBITDA is a parameter used by company management to monitor and assess the organisation's operating performance. The management considers EBITDA to be a significant parameter for assessment of the company's performance since it is not influenced by the effects of the different criteria used to determine taxable income, amount and characteristics of capital employed and the 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

2014 net sales totalled €672.0m, 20.8% higher than 2013 sales, which were recorded at €556.5m (+6.2% like for like).

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
31/12/2014						
Hydraulic Sector	72,619	145,709	98,602	21,869	57,405	396,204
Water Jetting Sector	19,159	78,554	118,436	39,993	19,653	275,795
Total	91,778	224,263	217,038	61,862	77,058	671,999
31/12/2013						
Hydraulic Sector	58,010	86,838	82,468	15,952	50,830	294,098
Water Jetting Sector	19,759	79,981	107,969	35,688	19,018	262,415
Total	77,769	166,819	190,437	51,640	69,848	556,513
2014/2013 percentage changes						
Hydraulic Sector	+25.2%	+67.8%	+19.6%	+37.1%	+12.9%	+34.7%
Water Jetting Sector	-3.0%	-1.8%	+9.7%	+12.1%	+3.3%	+5.1%
Total	+18.0%	+34.4%	+14.0%	+19.8%	+10.3%	+20.8%

2014/2013 changes are shown below like for like:

Hydraulic Sector	+2.9%	+6.3%	+15.7%	+6.7%	-0.2%	+7.2%
Total	+1.4%	+2.4%	+12.3%	+10.4%	+0.7%	+6.2%

PROFITABILITY

The cost of sales accounted for 63.5% of turnover (63.6% in 2013). Production costs, which totalled €169.1m (€136.6m in 2013, which however did not include the costs of the IMM Hydraulics Group and included only eight months of the Hydrocontrol Group's costs), accounted for 25.2% of sales (24.5% in 2013). Like for like production costs were up by 8.1%. Costs for the purchase of raw materials and components sourced on the market, including changes in inventories, were €257.5m (€217.2m in 2013, which however did not include the costs of the IMM Hydraulics Group and only included eight months of the Hydrocontrol Group's costs). Like for like purchases increased by 2.3%. The incidence of purchase costs, including the change in inventories, was 38.3% compared to the 39.0% of 2013, reflecting a 0.7 percentage point improvement (1.4 percentage points on a like for like basis).

Like for like distribution costs rose by 2.2% with respect to 2013, while the associated incidence on sales fell by 0.4 percentage points. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 0.3 percentage points compared to 2013.

Like for like general and administrative expenses increased by 5.2% with respect to 2013, but their incidence on sales fell by 0.2 percentage points. With the inclusion of Hydrocontrol and IMM Hydraulics the incidence fell by 0.7 percentage points compared to 2013.

Total payroll costs were €157.7m (€133.0m in 2013, which however did not include payroll costs of the IMM Hydraulics Group and included those of the Hydrocontrol Group for just eight months). Like for like payroll costs rose by 4.8% due to a 6.8% per capita cost increase and a reduction of 55 in the average headcount. The average total number of Group employees in 2014 was 3,575 (2,943 like for like) compared to 2,998 in 2013 when the incidence of Hydrocontrol was reduced in the measure of eight twelfths since it was consolidated for only eight months in the year. The like for like reduction in the average headcount in 2014 breaks down as follows: minus 110 in Europe, plus 46 in the US and plus 9 in the Rest of the World (Brazil, China, India, Chile, Australia and South Africa).

EBITDA totalled €136.1m (20.3% of sales) compared to the €105.2m of 2013, which accounted for 18.9% of sales, reflecting a 29.4% increase. Like for like EBITDA was up by 15.9% to €121.8m or 20.6% of sales, increasing margins by 1.7 percentage points. The following table shows EBITDA for each business sector:

	31/12/2014 €/000	*% on total sales**	*31/12/2013 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	69,366	17.5%	41,387	14.1%	+67.6%
Water Jetting Sector	66,701	24.1%	63,747	24.2%	4.6%
Other Sector	39	n.s.	39	n.s.	n.s.
Total	***136,106***	***20.3%***	***105,173***	***18.9%***	***+29.4%***

* = 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 31 December 2014). Therefore, for the purposes of comparability the percentage is calculated on total sales rather than the sales shown earlier.

Like for like Hydraulic Sector EBITDA was up by 33.1% (17.5% of net sales).

EBIT stood at €104.4m (15.5% of sales) compared to the €79.3m of 2013 (14.3% of sales), reflecting an increase of 31.6%. Like for like EBIT was up by 19.1%, reaching €94.5m or 16.0% of sales, increasing margins by 1.7 percentage points. The positive trend of margins is the first result of the rationalisation process carried out in the Hydraulic Sector in 2013 and 2012.

Financial expenses for 2014 include €8.2m related to the adjustment of debt for the acquisition of equity investments, of which €3.5m for interest payable due to the release of the discount rate of the medium/long-term debt, and €4.7m due to the adjustment of the put options of companies whose performance was better than originally projected in the business plans. Financial expenses arising from this matter totalled €1.4m in 2013.

The tax rate for the year was 38.0% (identical tax rate in 2013).
Net profit totalled €57.7 million (€44.1m in 2013), reflecting growth of 31.0%. Basic earnings per share were 0.541 euro (0.413 euro in 2013), displaying an increase of 31.0%.

Capital employed increased from €554.3m at 31 December 2013 to €692.6m at 31 December 2014. The increase is due to the consolidation of IMM Hydraulics together with the expenditure and increase in working capital. ROCE stood at 15.1% versus the 14.3% achieved in 2013, thus proving that the acquisitions were antidilutive. ROE was 12.4% (10.2% in 2013).

CASH FLOW

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

	2014	*2013*
	€/000	*€/000*
Opening net financial position	**(88,684)**	**(74,549)**
Adjustment: opening net financial 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	96,763	65,282
Cash flow generated (absorbed) by the management of commercial working capital	(21,519)	(874)
Cash flow generated (absorbed) by other current assets and liabilities	(3,183)	(793)
Capital expenditure in tangible fixed assets	(32,654)	(27,794)
Proceeds from sales of tangible fixed assets	1,512	708
Increase in other intangible fixed assets	(3,000)	(2,665)
Received financial income	637	1,502
Other	(266)	(1,084)
Free cash flow	***38,290***	***34,282***
Acquisition of investments, including received debt and net of treasury stock assigned	(53,266)	(23,836)
Net receipt from Hydrocontrol concentration operation	-	1,720
Receipts for the sale of investments and lines of business	796	1,277
Dividends paid	(18,166)	(18,524)
Outlays for purchase of treasury stock	(38,299)	(21,441)
Proceeds from sale of treasury stock to the beneficiaries of stock options	4,626	11,995
Proceeds from the sale of financial assets	1,017	919
Loan repayments from (disbursals to) non-consolidated subsidiaries	21	(41)
Cash flow generated (used)	***(64,981)***	***(13,649)***
Exchange rate differences	1,854	(717)
Net financial position at period end	**(151,969)**	**(88,684)**

Net liquidity generated by operations totalled €96.8m (€65.3m in 2013), reflecting an increase of 48.2%. Free cash flow was €38.3m (€34.3m in 2013) resulting in growth of 11.7%. Capital expenditure was settled in 2014 in the amount of €32.7m, of which €8.9m due to the state of completion of the Hammelmann plant construction project and hence overall €4.9m higher than in 2013. This was accompanied by higher absorption of commercial working capital of €20.6m deriving from the rise in sales, which had, in contrast, fallen in 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:

	31/12/2014	31/12/2013	01/01/2013
	€/000	€/000	€/000
Cash and cash equivalents	87,159	105,312	115,069
Bank payables (advances and STC amounts)	(27,770)	(20,932)	(10,614)
Interest-bearing financial payables (current portion)	(64,298)	(61,371)	(87,303)
Interest-bearing financial payables (non-current portion)	(147,060)	(111,693)	(91,701)
Total	**(151,969)**	**(88,684)**	**(74,549)**

At 31/12/2014 all financial covenants on loans had been amply complied with.

The Group also has debts for the acquisition of investments and contractual commitments for the purchase of residual interests in subsidiaries totalling €74.1m (€32.7m at 31/12/2013). €7.4m of the foregoing amounts concerns the acquisition of equity investments (€6.0m at 31/12/2013) and €66.6m is related to contractual agreements for the acquisition of residual interests in subsidiaries (€26.7m at 31/12/2013). The change compared to the prior reporting period is due, on the one hand, to the new put options associated with the acquisition of IMM Hydraulics, and to the exercise by minority shareholders 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 €81.2m, of which €39.8m through the acquisition of investments (€60.5m in 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 (€7.2m in 2014 and €6.4m in 2013). Net of these latter amounts and the assets assumed through the acquisition of equity investments, capital expenditure in the strictest sense stood at €34.2m in 2014 (€27.8m in 2013) and, with the exception of €10.9m for the construction of new production facilities (primarily related to the new production plant in Germany), 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 €6.2m, of which €2.8m through the acquisition of investments (€6.5m in 2013, of which €3.9m through the acquisition of investments) and refer mainly to expenditure for the development of new products and the allocation to trademarks 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 Consolidated Financial statements at 31 December 2014.

CHANGES IN THE GROUP STRUCTURE IN 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.

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.

In 2014 Interpump Hydraulics S.p.A. acquired an additional 18.39% 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., thus achieving the condition of full ownership. The exercise involved an initial outlay for the Group of €9.1m and the divestment of 439,530 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 €2.9m has already been included among payables for the acquisition of investments.

EVENTS OCCURRING AFTER 31 DECEMBER 2014

No atypical or unusual transactions have occurred since the close of the year such that would require mention in this report or call for changes to the consolidated financial statements at 31 December 2014.

Directors' remarks on performance in Q4 2014

Q4 consolidated income statements

(€/000)	*2014*	*2013*
Net sales	**161,934**	**139,020**
Cost of sales	(103,635)	(89,868)
Gross industrial margin	**58,299**	**49,152**
% on net sales	*36.0%*	*35.4%*
Other operating revenues	4,172	2,456
Distribution costs	(17,617)	(14,614)
General and administrative expenses	(21,608)	(17,520)
Other operating costs	(1,916)	(674)
EBIT	**21,330**	**18,800**
% on net sales	*13.2%*	*13.5%*
Financial income	2,090	(457)
Financial expenses	(9,509)	(2,819)
Adjustment of value of investments carried at equity	315	(51)
Profit for the period before taxes	**14,226**	**15,473**
Income taxes	(6,574)	(6,329)
Consolidated profit for the period	**7,652**	**9,144**
% on net sales	*4.7%*	*6.6%*
Due to:		
Parent company's shareholders	7,560	8,990
Subsidiaries' minority shareholders	92	154
Consolidated profit for the period	**7,652**	**9,144**
EBITDA*	**30,421**	**25,539**
% on net sales	*18.8%*	*18.4%*
Shareholders' equity	466,550	432,949
Net debt	151,969	88,684
Payables for the acquisition of investments	74,075	32,700
Capital employed	692,594	554,333
Unannualized ROCE	**3.1%**	**3.4%**
Unannualized ROE	**1.6%**	**2.1%**
Basic earnings per share	**0.073**	**0.085**

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 parameter in the context of the Italian accounting principles or in the context of the international accounting standards (IAS/IFRS), its quantitative determination 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.

The scope of consolidation in Q4 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 Q4 2014 totalled €161.9m, up by 16.5% with respect to sales in the equivalent period of 2013 (€139.0m). Like for like growth was 6.3%.

The following table gives a breakdown of net sales in Q4 by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Q4 2014						
Hydraulic Sector	17,791	32,753	25,617	5,427	13,160	94,748
Water Jetting Sector	5,216	20,021	26,410	10,591	4,948	67,186
Total	23,007	52,774	52,027	16,018	18,108	161,934
Q4 2013						
Hydraulic Sector	16,094	24,421	20,396	4,326	11,905	77,142
Water Jetting Sector	4,668	19,284	23,572	7,919	6,435	61,878
Total	20,762	43,705	43,968	12,245	18,340	139,020
2014/2013 percentage changes						
Hydraulic Sector	+10.5%	+34.1%	+25.6%	+25.5%	+10.5%	+22.8%
Water Jetting Sector	+11.7%	+3.8%	+12.0%	+33.7%	-23.1%	+8.6%
Total	+10.8%	+20.8%	+18.3%	+30.8%	-1.3%	+16.5%

2014/2013 changes are shown below like for like:

Hydraulic Sector	-2.0%	-6.5%	+25.4%	+8.3%	-1.7%	+4.5%
Total	+1.1%	-1.9%	+18.2%	+24.8%	-9.2%	+6.3%

PROFITABILITY

The cost of sales accounted for 64.0% of turnover (64.6% in Q4 2013). Production costs, which totalled €43.5m (€35.7m in Q4 2013, which however did not include IMM Hydraulics), accounted for 26.8% of sales (25.7% in the equivalent period of 2013). On a like for like basis production costs rose by 12.3%. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €60.2m (€54.2m in the equivalent period of 2013, which however did not include IMM Hydraulics). Like for like purchase costs fell by 1.0%. The percent incidence of purchase costs, including the change in inventories, was 37.2% compared to the 39.0% in Q4 2013 (the percent incidence of like for like purchase costs is 36.3%).

Distribution costs rose by 8.0% like for like with respect to Q4 2013, with a 0.2 percentage point rise of the incidence on sales.

Like for like general and administrative expenses increased by 17.3% with respect to Q4 2013, while the incidence on sales was 1.3 percentage points higher. The increase is mainly due to *(i)* the costs of the due diligence and legal assistance for the Walvoil acquisition, *(ii)* higher amortization of intangible fixed assets resulting from the start of amortization of the capitalised costs relating to several new product development projects (new pumps series) and the differential between the cost of the IMM acquisition and its shareholders' equity allocated to trademarks, *(iii)* director bonuses which were not fully disbursed in 2013 but instead exerted a dual favourable effect on the fourth quarter because they had been set aside in the first nine months and then partially reversed in the final quarter when it became clear that several parameters had not been reached, and finally *(iv)* the higher personnel costs (costs for in-work training, recruitment costs and other costs not included in remuneration costs). Net of these aspects, which globally resulted in higher costs in the amount of €1.5m compared to Q4 2013, general expenses rose by 8.5%, with an incidence on sales that remained substantially unchanged (+0.2 percentage points).

EBITDA totalled €30.4m (18.8% of sales) compared to the €25.5m of Q4 2013, which accounted for 18.4%/sales reflecting a 19.1% increase. The business margin therefore rose by 0.4 percentage points in Q4. Like for like, EBITDA was up by 10.6% reaching €28.2m or 19.1% of sales, resulting in a 0.7 percentage point rise in the business margin. The following table shows EBITDA for each business sector:

	Q4 2014 €/000	*% on total sales**	*Q4 2013 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	14,201	15.0%	10,265	13.3%	+38.3%
Water Jetting Sector	16,173	24.0%	15,260	24.5%	+6.0%
Other Sector	47	n.s.	14	n.s.	n.s.
Total	***30,421***	***18.8%***	***25,539***	***18.4%***	***+19.1%***

* = 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.

Hydraulic Sector EBITDA was up by 17.1% like for like (14.9% of sales).

EBIT stood at €21.3m (13.2% of sales) compared to the €18.8m of Q4 2013 (13.5% of sales), reflecting an increase of 13.5%. On a like for like basis EBIT grew by 6.9% to €20.1m, or 13.6% of sales.

Financial expenses for 2014 included €6.4m concerning the adjustment of debt related to the acquisition of equity investments, of which €1.8m for interest payable due to the release of the discount rate of the medium/long-term debt and €4.7m due to the adjustment of the put options of companies whose performance was better than originally projected in the business plans. Financial expenses arising from this matter totalled €0.4m in 2013.

The tax rate in Q4 2014 was 46.2% (40.9% in Q4 2013). The increase is due to financial expenses related to the adaptation of the put options, which are not tax-deductible.

The fourth quarter closes with consolidated net profit of €7.7m (€9.1m in Q4 2013), influenced by extraordinary financial expenses related to the adjustment of debt for the acquisition of investments as illustrated above.

Basic earnings per share were 0.073 euro (0.085 euro in Q4 2013).

Sant'Ilario d’Enza (RE), 13 February 2015

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), 13 February 2015

Carlo Banci
Manager responsible for drafting
company accounting documents

Financial statements and notes

Consolidated balance sheet

(€/000)	*Notes*	*31/12/2014*	*31/12/2013*
ASSETS			
Current assets			
Cash and cash equivalents		87,159	105,312
Trade receivables		135,634	113,726
Inventories	4	182,463	145,994
Tax receivables		10,477	6,029
Derivative financial instruments		-	42
Other current assets		6,855	5,582
Total current assets		**422,588**	**376,685**
Non-current assets			
Property, plant and equipment	5	209,173	150,668
Start-up	1	279,373	234,792
Other intangible assets		24,649	23,755
Other financial assets		1,740	2,072
Tax receivables		2,456	3,071
Deferred tax assets		22,035	19,525
Other non-current assets		634	565
Total non-current assets		**540,060**	**434,448**
Assets held for sale		515	-
Total assets		***963,163***	***811,133***

(€/000)	*Notes*	*31/12/2014*	*31/12/2013*
LIABILITIES			
Current liabilities			
Trade payables		80,273	69,985
Payables to banks		27,770	20,932
Interest-bearing financial payables (current portion)		64,298	61,371
Derivative financial instruments		169	279
Tax payables		11,665	5,723
Other current liabilities		38,123	45,524
Provisions for risks and charges		4,162	3,972
Total current liabilities		**226,460**	**207,786**
Non-current liabilities			
Interest-bearing financial payables		147,060	111,693
Liabilities for employee benefits		14,940	11,942
Deferred tax liabilities		33,436	26,458
Other non-current liabilities		72,605	18,774
Provisions for risks and charges		1,949	1,531
Total non-current liabilities		**269,990**	**170,398**
Liabilities held for sale		163	-
Total liabilities		**496,613**	**378,184**
SHAREHOLDERS' EQUITY	6		
Share capital		53,871	55,003
Legal reserve		11,323	11,323
Share premium reserve		100,894	125,039
Reserve for valuation of hedging derivatives at fair value		(19)	(27)
Reserve for restatement of defined benefit plans		(5,273)	(3,396)
Translation provision		3,809	(19,084)
Other reserves		296,090	257,828
Group shareholders' equity		**460,695**	**426,686**
Minority interests		5,855	6,263
Total shareholders' equity		**466,550**	**432,949**
Total shareholders' equity and liabilities		***963,163***	***811,133***

Consolidated income statement for the year

(€/000)	*Notes*	*2014*	*2013*
Net sales		**671,999**	**556,513**
Cost of sales		(426,585)	(353,753)
Gross industrial margin		**245,414**	**202,760**
Other net revenues		12,563	8,765
Distribution costs		(68,074)	(58,107)
General and administrative expenses		(80,517)	(70,441)
Other operating costs		(5,019)	(3,643)
Ordinary profit before financial charges		**104,367**	**79,334**
Financial income	7	8,144	4,941
Financial expenses	7	(19,504)	(12,865)
Adjustment of the value of investments carried at equity		102	(338)
Profit for the period before taxes		**93,109**	**71,072**
Income taxes		(35,367)	(26,985)
Consolidated profit for the period		**57,742**	**44,087**
Due to:			
Parent company's shareholders		56,936	43,201
Subsidiaries' minority shareholders		806	886
Consolidated profit for the period		**57,742**	**44,087**
Basic earnings per share	8	0.541	0.413
Diluted earnings per share	8	0.531	0.408

Comprehensive consolidated income statements for the year

(€/000)	*2014*	*2013*
Consolidated profit for the year (A)	**57,742**	**44,087**
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the year		
Accounting of interest rate hedging derivatives recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivatives for the year	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for recognition of fair value to reserves in the prior period	50	495
Total	*50*	*495*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivatives for the year	(27)	14
- Minus: Adjustment for reclassification of profits (losses) to the income statement	(14)	(91)
- Minus: Adjustment for recognition of fair value to reserves in the prior period	-	-
Total	*(41)*	*(77)*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*23,275*	*(11,049)*
Profits (losses) of companies carried at equity	*68*	*(126)*
Related taxes	*(1)*	*(111)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**23,351**	**(10,868)**
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the year		
Profit (loss) deriving from the restatement of defined benefit plans	*(2,640)*	*(774)*
Related taxes	*726*	*212*
Total Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period, net of the tax effect (C)	**(1,914)**	**(562)**
Comprehensive consolidated profit for the year (A) + (B) + (C)	**79,179**	**32,657**
Due to:		
Parent company's shareholders	77,960	32,121
Subsidiaries' minority shareholders	1,219	536
Comprehensive consolidated profit for the year	**79,179**	**32,657**

Q4 consolidated income statements

(€/000)	*Notes*	*2014*	*2013*
Net sales		**161,934**	**139,020**
Cost of sales		(103,635)	(89,868)
Gross industrial margin		**58,299**	**49,152**
Other net revenues		4,172	2,456
Distribution costs		(17,617)	(14,614)
General and administrative expenses		(21,608)	(17,520)
Other operating costs		(1,916)	(674)
Ordinary profit before financial charges		**21,330**	**18,800**
Financial income	7	2,090	(457)
Financial expenses	7	(9,509)	(2,819)
Adjustment of investments carried at equity		315	(51)
Profit for the period before taxes		**14,226**	**15,473**
Income taxes		(6,574)	(6,329)
Net profit for the period		**7,652**	**9,144**
Due to:			
Parent company's shareholders		7,560	8,990
Subsidiaries' minority shareholders		92	154
Consolidated profit for the period		**7,652**	**9,144**
Basic earnings per share	8	0.073	0.085
Diluted earnings per share	8	0.071	0.084

Comprehensive consolidated income statements for Q4

(€/000)	*2014*	*2013*
Consolidated profit for the period (A)	**7,652**	**9,144**
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 prior period	-	66
Total	-	*66*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	(18)	13
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for recognition of fair value to reserves in the prior period	-	-
Total	*(18)*	*13*
Profits (Losses) arising from the conversion to euro of foreign companies' financial statements	*6,127*	*(4,464)*
Profits (losses) of companies carried at equity	*24*	*(47)*
Related taxes	*5*	*(23)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**6,138**	**(4,455)**
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period		
Profit (loss) deriving from the restatement of defined benefit plans	*(2,640)*	*(774)*
Related taxes	*726*	*212*
Total Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period, net of the tax effect (C)	**(1,914)**	**(562)**
Comprehensive consolidated profit for the period (A) + (B) + (C)	**11,876**	**4,127**
Due to:		
Parent company's shareholders	11,691	4,118
Subsidiaries' minority shareholders	185	9
Comprehensive consolidated profit for the year	**11,876**	**4,127**

Consolidated cash flow statement

(€/000)	*2014*	*2013*
Cash flow from operating activities		
Pre-tax profit	93,109	71,072
Adjustments for non-cash items:		
Capital losses (Capital gains) from the sale of fixed assets	(1,519)	(1,543)
Capital losses (Capital gains) from the sale of business divisions and equity investments	(406)	-
Amortization and depreciation, impairment and reinstatement of value	30,085	23,719
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	1,370	1,047
Loss (Profit) from investments	(102)	338
Net change in risk funds and allocations for employee benefits	(147)	(1,902)
Outlays for tangible fixed assets destined for hire	(7,180)	(6,413)
Proceeds from the sale of fixed assets granted for hire	3,792	3,354
Net financial charges	11,360	7,924
Other	-	(45)
	130,362	97,551
(Increase) decrease in trade receivables and other current assets	(6,435)	(7,232)
(Increase) decrease in inventories	(14,145)	(3,112)
Increase (decrease) in trade payables and other current liabilities	(4,121)	8,677
Interest paid	(5,823)	(5,697)
Currency exchange gains realised	1,185	(50)
Income taxes paid	(28,961)	(26,522)
Net cash from operating activities	**72,062**	**63,615**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(47,784)	(41,225)
Disposal of investments and lines of business including transferred cash	796	1,277
Net receipt from Hydrocontrol concentration operation	-	1,720
Capital expenditure in property, plant and equipment	(32,575)	(27,321)
Proceeds from sales of tangible fixed assets	1,512	708
Increase in intangible fixed assets	(3,000)	(2,665)
Receipts for the realisation of financial investments in insurance policies	-	919
Received financial income	637	1,502
Other	879	(189)
Net liquidity used in investing activities	**(79,535)**	**(65,274)**
Cash flows of financing activity		
Disbursals (repayments) of loans	28,325	(17,043)
Dividends paid	(18,166)	(18,524)
Outlays for purchase of treasury stock	(38,299)	(21,441)
Sale of treasury stock for the acquisition of equity investments	7,026	30,132
Proceeds from sale of treasury stock to beneficiaries of stock options	4,626	11,995
Disbursals (repayments) of shareholder loans	(248)	(172)
Change in other financial assets	1,017	-
Loans repaid (granted) by/to non-consolidated subsidiaries	21	(41)
Payment of financial leasing instalments (principal portion)	(4,306)	(2,503)
Net liquidity generated (used by) financing activities	**(20,004)**	**(17,597)**
Net increase (decrease) of cash and cash equivalents	**(27,477)**	**(19,256)**

(€/000)	*2014*	*2013*
Net increase (decrease) of cash and cash equivalents	**(27,477)**	**(19,256)**
Exchange differences from the translation of cash of companies in areas outside the EU	2,445	(1,050)
Opening cash and cash equivalents of companies consolidated line by line for the first time	41	231
Cash and cash equivalents at the beginning of the year	84,380	104,455
Cash and cash equivalents at the end of the year	**59,389**	**84,380**

Cash and cash equivalents can be broken down as follows:

	31/12/2014 €/000	31/12/2013 €/000
Cash and cash equivalents from the balance sheet	87,159	105,312
Payables to banks (current account overdrafts and advances subject to collection)	(27,770)	(20,932)
Cash and cash equivalents from the cash flow statement	59,389	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 31 December 2012	*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 assigned and exercisable stock options	-	-	1,047	-	-	-	-	1,047	-	1,047
Purchase of treasury stock	(1,441)	-	(20,000)	-	-	-	-	(21,441)	-	(21,441)
Sale of treasury stock to the beneficiaries of stock options	1,309	-	10,686	-	-	-	-	11,995	-	11,995
Sale of treasury stock for payment of equity investments	2,339	-	27,792	-	-	-	-	30,131	-	30,131
Dividends paid	-	-	-	-	-	-	(18,029)	(18,029)	(495)	(18,524)
Allocation of the residual profit of 2012	-	1,166	-	-	-	-	(1,166)	-	-	-
Purchase of additional stakes in Penta Africa	-	-	-	-	-	-	(193)	(193)	-	(193)
Acquisition of residual stake in Golf	-	-	-	-	-	-	12	12	(102)	(90)
Acquisition of Hydrocontrol	-	-	-	-	-	-	-	-	491	491
Comprehensive Profit (loss) for 2013	-	-	-	306	(546)	(10,841)	43,202	32,121	536	32,657
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 assigned and exercisable stock options	-	-	1,370	-	-	-	-	1,370	-	1,370
Purchase of treasury stock	(1,986)	-	(36,313)	-	-	-	-	(38,299)	-	(38,299)
Sale of treasury stock to the beneficiaries of stock options	482	-	4,144		-	-	-	4,626	-	4,626
Sale of treasury stock for payment of equity investments	372	-	6,654	-	-	-	-	7,026	-	7,026
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)	-
HC Hydraulics Technologies(P) Ltd acquisition effect	-	-	-	-	-	-	-	-	(1)	(1)
Acquisition of IMM	-	-	-	-	-	-	-	-	71	71
Comprehensive Profit (loss) for 2014	-	-	-	8	(1,877)	22,893	56,936	77,960	1,219	79,179
Balances at 31 December 2014	*53,871*	*11,323*	*100,894*	*(19)*	*(5,273)*	*3,809*	*296,090*	*460,695*	*5,855*	*466,550*

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 interim board of directors' report at 31 December 2014 was approved by the Board of Directors meeting held on this day (13 February 2015).

Basis of preparation
The interim board of directors' report at 31 December 2014 was drawn up in compliance with the international accounting standards (IAS/IFRS) utilised 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 interim board of directors' report at 31 December 2014 should be consulted together with the consolidated annual financial statements for the year ending 31 December 2013.

Preparation of interim financial statements 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.

The interim report is presented in thousands of euro. The Group adopts the cost of goods sold (COGS) 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, revised 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 today's date the competent bodies of the European Union have terminated the approval process related to the new standards and amendments applicable to financial statements starting as from 1 July 2014, while for the other standards and amendments the approval process required for their adoption is still under way. On the basis of analysis currently in progress no significant impacts are predicted from the 2015 adoption of the new applicable standards and amendments.

Notes to the consolidated Financial Statements at 31 December 2014

		Page
1.	Consolidation basis and goodwill	43
2.	Sector information	47
3.	Acquisition of investments	53
4.	Inventories and breakdown of the Inventories allowance	54
5.	Property, plant and equipment	54
6.	Shareholders' equity	54
7.	Financial income and charges	55
8.	Earnings per share	56
9.	Transactions with related parties	57
10.	Disputes, potential liabilities and potential assets	60
11.	Fair value measurements	60

1. Consolidation basis and goodwill

At 31 December 2014 the scope of consolidation includes the Parent company (which is included in the Water Jetting Sector) and the following subsidiaries:

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/12/14*
General Pump Inc.	Minneapolis (USA)	Water Jetting	1,854	100.00%
General Technology S.r.l.	Reggio Emilia	Water Jetting	100	100.00%
Hammelmann 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	100.00%
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	4,120	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	47	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	100.00%
Hypress Africa Pty Ltd (10)	Boksburg (South Africa)	Hydraulic	796	100.00%
Dyna Flux S.r.l. (10)	Sori (GE)	Hydraulic	40	51.00%

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/12/14*
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 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, which was acquired on 8 January 2014, was consolidated for the first time. The Hydrocontrol Group, which was acquired on 6 May 2013, was consolidated for twelve months in 2014 and for eight 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, the Hydrometal line of business which was divested on 28 February 2014 was consolidated for the entire year in 2013, while in 2014 it was consolidated for just two months. The overall effect on the year of these changes 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 the 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 related 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 comprehensive 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 the income statement.

Changes in goodwill in 2014 were as follows:

Company:	Balance at 31/12/2013	Increases (Decreases) for the period	Changes due to foreign exchange differences	Reclass.	Balance at 31/12/2014
- High pressure pumps division	37,194	-	635	(37,829)	-
- Very high pressure pumps division	88,807	-	3,820	(92,627)	-
- Water Jetting Sector	-	-	-	130,456	130,456
Total Water Jetting Sector	*126,001*	*-*	*4,455*	*-*	*130,456*
- Power Take-offs and Hydraulic Pumps Division	64,858	35,329	2,123	(102,310)	-
- Cylinders Division	43,933	2,674	-	(46,607)	-
- Hydraulic Sector	-	-	-	148,917	148,917
Total Hydraulic Sector	*108,791*	*38,003*	*2,123*	*-*	*148,917*
Total goodwill	*234,792*	*38,003*	*6,578*	*-*	*279,373*

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

Goodwill was reclassified in 2014 further to the combination of the CGUs.

At 31 December 2013 the Interpump Group was composed of four cash generating units:

- High pressure pumps division;
- Very high pressure pumps division;
- Power take-offs and hydraulic pumps division;
- Cylinders division.

This grouping was consistent with the internal reports submitted to top management and with the presentation of the Group results to the market and to the financial community, recognising the existence of independent cash generating units and reflecting the chronological progress of the Group's process of external growth through acquisitions.

Over the years, in order to exploit existing synergies in full the acquired companies have been integrated with the companies already existing within the Group in terms of manufacturing and distribution (cross-selling). In recent years this integration process has accelerated significantly in response to the 2009 world recession whose effects remain all too evident in 2014, with the aim of recovering efficiency and gaining market share. This is the case, for example, of the production and distribution of cylinders, which was originally the exclusive domain of the companies in the Cylinders Division (acquired between 2008 and 2009 and all based in India), which subsequently started to be handled also by other companies in the Division for power take-offs and other hydraulic components CGU. The consequence of this integration strategy was the transfer of part of the margins and costs from the Cylinders Division to the Division for Power Take-Offs and other hydraulic components, makes it impossible to clearly distinguish the individual generations of the two mentioned CGUs, which is why it was no longer considered appropriate to continue to keep them separate and it was decided that the correct approach was to treat them as a single CGU (Hydraulic Sector).

Likewise, Interpump Group S.p.A. (which forms part of the High-pressure pumps division) is manufacturing important components for very high-pressure pumps for NLB that were previously purchased externally, while the mechanical section and shafts are now manufactured by IPG. In addition, the market is increasingly demanding pumps with high power (expressed in horsepower *hp*), which translates into higher pressure and/or higher flow rates. Originally, the maximum power of the pumps manufactured by Interpump Group S.p.A was 150 hp, while now the Group markets pumps of up to 450 hp manufactured also by Hammelmann, a company operating in the very high pressure pumps division. The consequence is that the production and sales integration between the two CGUs is destined to increase still further and therefore also in this case the appropriate action is to combine the two original CGUs into a single CGU (Water Jetting Sector).

Reporting of operating activities is already structured in the two sectors – Water Jetting and Hydraulic – as reported to the market in the annual financial reports and the interim board of directors' reports.

The impairment test was conducted both with the four CGUs configuration, in the same manner as in prior years, and with two CGUs, following the reclassification described above. In both cases no requirement emerged for writedowns of goodwill.

The impairment test was conducted using the discounted cash flow (DCF) method net of taxation. The projected cash flows utilised in the calculation of the DCF were determined on the basis of 5-year business plans that take account of the various reference scenarios and on the basis of growth forecasts in the various markets. In particular, despite the persistence of extreme uncertainty on several of the Group's reference markets (the Europe area first and foremost) that are showing little sign of economic recovery or even displaying negative trends (as in Italy, where, for example, a further shrinkage of the economy has been recorded with the consequent negative effects on the market in terms of sales and profitability) the Group considers that the sales policies undertaken, with the ever greater integration between its production and distribution networks, will make it possible to offset negative macroeconomic effects and increase sales by around 4% on average for the Water Jetting Sector and around 6% - 7% for the Hydraulic Sector CGU, driven by the rise in sales of the IMM Group in the US through distribution company Muncie, thus again confirming the Interpump Group's winning strategy of integration between the production and commercial networks. Profit (EBIT) is projected to grow on average as a consequence of the rise in sales on the one hand, and of the restriction of the costs contemplated in the business plans on the other. The price of raw materials is expected to remain stable or, in some cases, to decrease slightly with respect to the values recorded in 2014. In terms of the balance sheet projected figures point to an increase in commercial working capital, while expenditure is expected to remain in line with 2014. The forecast cash flows calculated in this manner were reduced by a discount factor in order to take into consideration the risk that the future plans could prove to be impracticable. WACC was measured for the various CGUs after tax as follows:

CGU	WACC
Water Jetting Sector	4.82%
Hydraulic Sector	5.81%
Weighted average cost of capital	5.25%

The WACC utilized in 2013 was 5.56%. In addition, a sensitivity analysis was carried out in compliance with the requirements of the joint document issued by Banca d'Italia, Consob, and ISVAP on 3 March 2010. Reducing the projected cash flows of each CGU by 10% would not have resulted in the need to write down goodwill, and nor would increasing the cost of capital utilised to actualize the predicted flows by 50 basis points. Moreover, as an additional positive element supporting the recoverability of goodwill, Interpump Group's stock market capitalization is far higher than the Group's Shareholder's equity throughout 2014.

2. Business sector information
Business sector information is supplied with reference to the operating sectors. We also present the information required by IFRS by geographical area. The information on business sectors reflects the Group's internal reporting structure.

The values of components or products transferred between sectors are the effective sales prices between Group companies, which correspond to the selling prices to primary 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 sheet metal drawing, shearing and pressing 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 lines 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 lines 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 31 December 2014
(twelve months)

	Hydraulic Sector		Water Jetting Sector		Other		Elimination entries		**Interpump Group**	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net sales external to the Group	396,204	294,098	275,795	262,415	-	-	-	-	671,999	556,513
Sales between sectors	187	50	1,162	935	2,777	2,646	(4,126)	(3,631)	-	-
Total net sales	**396,391**	**294,148**	**276,957**	**263,350**	**2,777**	**2,646**	**(4,126)**	**(3,631)**	**671,999**	**556,513**
Cost of sales	(267,173)	(201,036)	(160,766)	(153,778)	(1,739)	(1,745)	3,093	2,806	(426,585)	(353,753)
Gross industrial margin	**129,218**	**93,112**	**116,191**	**109,572**	**1,038**	**901**	**(1,033)**	**(825)**	**245,414**	**202,760**
% on net sales	*32.6%*	*31.7%*	*42.0%*	*41.6%*	*n.s.*	*n.s.*			*36.5%*	*36.4%*
Other net revenues	9,446	5,851	3,385	3,178	38	103	(306)	(367)	12,563	8,765
Distribution costs	(38,226)	(29,622)	(29,856)	(28,485)	-	-	8	-	(68,074)	(58,107)
General and administrative expenses	(48,802)	(40,887)	(32,001)	(29,773)	(1,045)	(973)	1,331	1,192	(80,517)	(70,441)
Other operating costs	(2,169)	(3,266)	(2,850)	(377)	-	-	-	-	(5,019)	(3,643)
Ordinary profit before financial charges	**49,467**	**25,188**	**54,869**	**54,115**	**31**	**31**	**-**	**-**	**104,367**	**79,334**
% on net sales	*12.5%*	*8.6%*	*19.8%*	*20.5%*	*n.s.*	*n.s.*			*15.5%*	*14.3%*
Financial income	4,562	2,153	5,550	4,023	1	1	(1,969)	(1,236)	8,144	4,941
Financial expenses	(15,391)	(8,025)	(6,075)	(6,070)	(7)	(6)	1,969	1,236	(19,504)	(12,865)
Dividends	-	-	8,500	5,500	-	-	(8,500)	(5,500)	-	-
Adjustment of investments carried at equity	92	(263)	(4)	(75)	-	-	14	-	102	(338)
Profit for the period before taxes	**38,730**	**19,053**	**62,840**	**57,493**	**25**	**26**	**(8,486)**	**(5,500)**	**93,109**	**71,072**
Income taxes	(17,345)	(9,818)	(17,894)	(17,032)	(128)	(135)	-	-	(35,367)	(26,985)
Consolidated profit	**21,385**	**9,235**	**44,946**	**40,461**	**(103)**	**(109)**	**(8,486)**	**(5,500)**	**57,742**	**44,087**
Due to:										
Parent company's shareholders	20,632	8,376	44,893	40,434	(103)	(109)	(8,486)	(5,500)	56,936	43,201
Subsidiaries' minority shareholders	753	859	53	27	-	-	-	-	806	886
Consolidated profit for the period	**21,385**	**9,235**	**44,946**	**40,461**	**(103)**	**(109)**	**(8,486)**	**(5,500)**	**57,742**	**44,087**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	18,905	14,696	11,172	9,015	8	8	-	-	30,085	23,719
Other non-monetary costs	2,641	3,088	3,264	2,387	-	-	(14)	-	5,891	5,475

Interpump Group business sector information
(amounts shown in €/000)
<u>Q4</u>

	Hydraulic 2014	Hydraulic 2013	Water Jetting 2014	Water Jetting 2013	Other 2014	Other 2013	Elimination entries 2014	Elimination entries 2013	**Interpump Group** 2014	**Interpump Group** 2013
Net sales external to the Group	94,748	77,142	67,186	61,878	-	-	-	-	161,934	139,020
Sales between sectors	24	27	299	304	2,118	1,909	(2,441)	(2,240)	-	-
Total net sales	**94,772**	**77,169**	**67,485**	**62,182**	**2,118**	**1,909**	**(2,441)**	**(2,240)**	**161,934**	**139,020**
Cost of sales	(65,873)	(53,508)	(38,070)	(36,718)	(1,723)	(1,680)	2,031	2,038	(103,635)	(89,868)
Gross industrial margin	**28,899**	**23,661**	**29,415**	**25,464**	**395**	**229**	**(410)**	**(202)**	**58,299**	**49,152**
% on net sales	*30.5%*	*30.7%*	*43.6%*	*41.0%*	*n.s.*	*n.s.*			*36.0%*	*35.4%*
Other net revenues	3,319	1,695	941	843	1	11	(89)	(93)	4,172	2,456
Distribution costs	(9,709)	(7,975)	(7,913)	(6,639)	-	-	5	-	(17,617)	(14,614)
General and administrative expenses	(12,855)	(10,607)	(8,895)	(6,980)	(352)	(228)	494	295	(21,608)	(17,520)
Other operating costs	(774)	(533)	(1,142)	(141)	-	-	-	-	(1,916)	(674)
Ordinary profit before financial charges	**8,880**	**6,241**	**12,406**	**12,547**	**44**	**12**	**-**	**-**	**21,330**	**18,800**
% on net sales	*9.4%*	*8.1%*	*18.4%*	*20.2%*	*n.s.*	*n.s.*			*13.2%*	*13.5%*
Financial income	866	(803)	1,772	725	-	-	(548)	(379)	2,090	(457)
Financial expenses	(7,939)	(1,941)	(2,115)	(1,253)	(3)	(4)	548	379	(9,509)	(2,819)
Adjustment of investments carried at equity	279	(43)	22	(8)	-	-	14	-	315	(51)
Profit for the period before taxes	**2,086**	**3,454**	**12,085**	**12,011**	**41**	**8**	**14**	**-**	**14,226**	**15,473**
Income taxes	(2,789)	(2,430)	(3,749)	(3,847)	(36)	(52)	-	-	(6,574)	(6,329)
Consolidated profit	**(703)**	**1,024**	**8,336**	**8,164**	**5**	**(44)**	**14**	**-**	**7,652**	**9,144**
Due to:										
Parent company's shareholders	(830)	867	8,371	8,167	5	(44)	14	-	7,560	8,990
Subsidiaries' minority shareholders	127	157	(35)	(3)	-	-	-	-	92	154
Consolidated profit for the period	**(703)**	**1,024**	**8,336**	**8,164**	**5**	**(44)**	**14**	**-**	**7,652**	**9,144**
<u>Further information required by IFRS 8</u>										
Amortization, depreciation and write-downs	4,981	4,061	3,506	2,631	3	2	-	-	8,490	6,694
Other non-monetary costs	745	456	1,089	804	-	-	(14)	-	1,820	1,260

Financial position
(amounts shown in €/000)

	Hydraulic		Water Jetting		Other		Elimination entries		**Interpump Group**	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets by sector	**522,600**	**396,460**	**452,719**	**379,298**	**1,739**	**1,722**	**(101,569)**	**(71,659)**	**875,489**	**705,821**
Non-current assets held for sale	**515**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**515**	**-**
Subtotal of assets of the sector (A)	**523,115**	**396,460**	**452,719**	**379,298**	**1,739**	**1,722**	**(101,569)**	**(71,659)**	**876,004**	**705,821**
Cash and cash equivalents									87,159	105,312
Total assets									**963,163**	**811,133**
Liabilities of the sector	**214,213**	**160,548**	**68,791**	**60,880**	**1,825**	**1,719**	**(101,582)**	**(71,659)**	**183,247**	**151,488**
Non-current liabilities held for sale	**163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**163**	**-**
Subtotal of liabilities of the sector (B)	**214,376**	**160,548**	**68,791**	**60,880**	**1,825**	**1,719**	**(101,582)**	**(71,659)**	**183,410**	**151,488**
Debts for the payment of investments									74,075	32,700
Payables to banks									27,770	20,932
Interest-bearing financial payables									211,358	173,064
Total liabilities									**496,613**	**378,184**
Total assets, net (A-B)	**308,739**	**235,912**	**383,928**	**318,418**	**(86)**	**3**	**13**	**-**	**692,594**	**554,333**
Further information required by IFRS 8										
Investments carried at equity	76	990	463	158	-	-	-	-	539	1,148
Non-current assets other than financial assets and deferred tax assets	300,160	217,668	215,950	194,959	175	224	-	-	516,285	412,851

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

(amounts shown in €/000)	12 months 2014	12 months 2013	Q4 2014	Q4 2013
Net sales external to the Group	315,157	294,098	80,576	77,142
Sales between sectors	187	50	24	27
Total net sales	**315,344**	**294,148**	**80,600**	**77,169**
Cost of sales	(210,289)	(201,036)	(55,952)	(53,508)
Gross industrial margin	**105,055**	**93,112**	**24,648**	**23,661**
% on net sales	*33.3%*	*32.7%*	*30.6%*	*30.7%*
Other net revenues	8,004	5,851	3,099	1,695
Distribution costs	(29,538)	(29,622)	(7,863)	(7,975)
General and administrative expenses	(42,380)	(40,887)	(11,801)	(10,607)
Other operating costs	(1,520)	(3,266)	(439)	(533)
Ordinary profit before financial charges	**39,621**	**25,188**	**7,644**	**6,241**
% on net sales	*12.6%*	*8.6%*	*9.5%*	*8.1%*
Financial income	3,869	2,153	736	(803)
Financial expenses	(11,895)	(8,025)	(6,574)	(1,941)
Adjustment of investments carried at equity	92	(263)	279	(43)
Profit for the period before taxes	**31,687**	**19,053**	**2,085**	**3,454**
Income taxes	(14,706)	(9,818)	(2,554)	(2,430)
Consolidated profit	**16,981**	**9,235**	**(469)**	**1,024**
Due to:				
Parent company's shareholders	16,275	8,376	(614)	867
Subsidiaries' minority shareholders	706	859	145	157
Consolidated profit for the period	**16,981**	**9,235**	**(469)**	**1,024**

Cash flows for the year by business sector are as follows:

€/000	Hydraulic Sector 2014	Hydraulic Sector 2013	Water Jetting Sector 2014	Water Jetting Sector 2013	Other Sector 2014	Other Sector 2013	Total 2014	Total 2013
Cash flows from:								
Operating activities	43,529	26,398	28,387	36,924	146	293	72,062	63,615
Investing activities	(61,341)	(50,217)	(18,241)	(14,979)	47	(78)	(79,535)	(65,274)
Financing activities	19,379	24,585	(38,881)	(41,682)	(502)	(500)	(20,004)	(17,597)
Total	1,567	766	(28,735)	(19,737)	(309)	(285)	(27,477)	(19,256)

Investing activities of the Hydraulic Sector in 2014 include €47,267k associated with the acquisition of equity investments (€41,199k in 2013).
Financing activities for 2014 include intercompany loans from the Water Jetting Sector to the Hydraulic Sector to finance new acquisitions in the amount of €28,646k (€34,132k in 2013). Moreover, cash flows of Water Jetting Sector financing activities in 2014 include outlays for the purchase of treasury shares in the amount of €38,299k (€21,441k in 2013), proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €4,626k (€11,995k in 2013), the value of treasury stock transferred for the acquisition of investments in the amount of €7,026k (€30,132k in 2013), and the payment of dividends for €18,108k (€18,066k in 2013).

3. Acquisition of investments

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

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	3,287	-	3,287
Trade receivables	14,317	-	14,317
Inventories	12,627	-	12,627
Tax receivables	390	-	390
Other current assets	450	-	450
Property, plant and equipment	28,228	11,460	39,688
Other intangible assets	313	2,490	2,803
Financial assets	552	-	552
Non-current tax receivables	166	-	166
Deferred tax assets	2,586	-	2,586
Other non-current assets	113	-	113
Trade payables	(10,287)	-	(10,287)
Payables to banks	(14,492)	-	(14,492)
Financial payables to banks - loans (current portion)	(2,997)	-	(2,997)
Leasing payables (current portion)	(729)	-	(729)
Tax payables	(1,156)	-	(1,156)
Other current liabilities	(2,035)	-	(2,035)
Financial payables to banks - loans (medium-/long-term portion)	(7,366)	-	(7,366)
Leasing payables (medium-/long-term portion)	(1,416)	-	(1,416)
Liabilities for employee benefits (severance indemnity provision)	(965)	-	(965)
Deferred tax liabilities	(1,195)	(4,380)	(5,575)
Other non-current liabilities	(166)	-	(166)
Minority interests' equity	(71)	-	(71)
Provision for risks and charges	(250)	-	(250)
Net assets acquired	19,904	9,570	29,474
Goodwill related to the acquisition			36,529
Total net assets acquired			**66,003**
Total amount paid in treasury stock			2,561
Total amount paid in cash			15,606
Amount due in medium/long-term			47,836
Total acquisition cost			**66,003**
Total amount paid in cash			15,606
Acquired net financial indebtedness			23,713
Payables for commitments to acquire minority interests			47,836
Total change in the net financial position including changes in debt for the acquisition of investments			**87,155**

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

With respect to the situation presented in the interim board of directors' report for Q2 2014, a price adjustment has been carried out that confirmed the estimate made at the time. Moreover, further to the expenditure carried out and to more thorough investigation of the potential of the hoses market, the business plan utilised to measure the put option in the name of the shareholder owner of 40% has been adjusted. Therefore, the value of the put option value was set at €47.8m with allocation to goodwill of the difference compared to the first calculation, because the window that allows alteration of the purchase price recognition in the balance sheet captions was still valid until 31 December 2014.

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

	31/12/2014	*31/12/2013*
	€/000	€/000
Inventories gross value	200,399	161,232
Allowance for inventories	(17,936)	(15,238)
Inventories	182,463	145,994

Changes in the allowance for inventories were as follows:

	2014	*2013*
	€/000	€/000
Opening balances	15,238	11,892
Exchange rate difference	558	(216)
Change to consolidation basis	627	3,269
Allocations for the period	2,513	1,734
Utilisations in the period due to surpluses	-	(365)
Utilisations in the period due to losses	(1,000)	(1,076)
Closing balance	17,936	15,238

5. Property, plant and equipment

Purchases and disposals

In 2014 Interpump Group acquired assets for €81,183k, of which €39,775k through the acquisition of equity investments (€60,479k in 2013, of which €26,272k through the acquisition of equity investments). Assets disposed of in 2014 had a net carrying value of €3,685k (€2,519k in 2013). The divested assets generated a net capital gain of €1,519k (€1,543k in 2013).

Contractual commitments

At 31 December 2014 the Group had contractual commitments for the purchase of tangible fixed assets for €361k (€13,699k at 31 December 2013, of which €10,200k in relation to the new Hammelmann plant).

6. Shareholders' equity

Share capital

The share capital is composed of 108,879,294 ordinary shares with a unit face value of 0.52 euro for the total amount of 56,617,232.88 euro. In contrast, share capital recorded in the financial statements amounts to €53,871k 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 31 December 2014 Interpump S.p.A. held 5,281,095 treasury shares in the portfolio corresponding to 4.85% of the capital stock, acquired at an average unit cost of 8.9437 euro. Further to the Walvoil acquisition, 4,004,341 treasury shares were divested on 15 January 2015.

Treasury stock purchased
The amount of treasury stock held by Interpump Group S.p.A. is recorded in an equity provision. In 2014 the Group acquired 3,819,682 treasury shares for €38,299k (2,771,426 treasury shares purchased in 2013 for €21,441k).

Treasury stock sold
In the framework of the exercise of stock options a total of 926,560 options were exercised generating proceeds of €4,626k (2,517,162 options exercised for €11,995k in 2013). Moreover, in 2014 a total of 276,000 shares were divested to cover part of the investment in IMM and 439,530 shares 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 2013 to pay for 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

The breakdown for the year is as follows:

	2014 €/000	2013 €/000
Financial income		
Interest income	642	1,541
Foreign exchange gains	6,579	2,258
Earnings from valuation of derivative financial instruments	146	1,098
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	742	-
Other financial income	35	44
Total financial income	8,144	4,941

	2014 €/000	2013 €/000
Financial expenses		
Interest expense on loans	6,636	6,362
Interest expense on put options	3,465	985
Foreign exchange losses	4,326	4,361
Losses from valuation of derivative financial instruments	70	434
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	4,693	403
Other financial charges	314	320
Total financial charges	19,504	12,865
Total financial charges, net	11,360	7,924

The breakdown for Q4 2014 is shown below:

	2014 €/000	2013 €/000
Financial income		
Interest income	172	208
Foreign exchange gains	1,862	513
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	15	(1,405)
Earnings from valuation of derivative financial instruments	28	192
Other financial income	13	35
Total financial income	2,090	(457)
Financial expenses		
Interest expense on loans	1,444	1,662
Interest expense on put options	1,763	(41)
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	4,669	403
Foreign exchange losses	1,508	657
Losses from valuation of derivative financial instruments	-	19
Other financial charges	125	119
Total financial charges	9,509	2,819
Total financial charges, net	7,419	3,276

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:

Twelve months	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	56,936	43,201
Average number of shares in circulation	105,257,907	104,502,653
Basic earnings per share (€)	0.541	0.413

Q4	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	7,560	8,990
Average number of shares in circulation	103,673,022	105,688,502
Basic earnings per share for the quarter (€)	0.073	0.085

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:

Twelve months	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	56,936	43,201
Average number of shares in circulation	105,257,907	104,502,653
Number of potential shares for stock option plans (*)	2,006,055	1,350,773
Average number of shares (diluted)	107,263,962	105,853,426
Diluted earnings per share (€)	0.531	0.408

Q4	2014	2013
Consolidated profit for the period attributable to Parent company shareholders (€/000)	7,560	8,990
Average number of shares in circulation	103,673,022	105,688,502
Number of potential shares for stock option plans (*)	2,081,406	1,811,355
Average number of shares (diluted)	105,754,428	107,499,857
Earnings per diluted share for the quarter (€)	0.071	0.084

(*) 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 on the Group's consolidated income statements for 2014 and 2013 are shown below:

	2014					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	671,999	4,702	-	2,657	7,359	1.1%
Cost of sales	426,585	403	-	18,103	18,506	4.3%
Other revenues	12,563	3	-	2	5	0.0%
Distribution costs	68,074	210	-	1,429	1,639	2.4%
General & admin. expenses	80,517	-	-	768	768	1.0%
Financial income	8,143	9	-	-	9	0.1%
Financial expenses	19,504	-	-	8	8	0.0%

(€/000)	2013 Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	556,513	6,471	-	1,257	7,728	1.4%
Cost of sales	353,753	392	-	14,442	14,834	4.2%
Other revenues	8,765	9	-	5	14	0.2%
Distribution costs	58,107	357	-	1,273	1,630	2.8%
General & admin. expenses	70,441	-	-	927	927	1.3%
Financial income	4,941	44	-	-	44	0.9%
Financial expenses	12,865	-	-	16	16	0.1%

The effects on the consolidated statement of financial position at 31 December 2014 and 2013 are described below:

(€/000)	31 December 2014 Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	135,634	3,915	-	392	4,307	3.2%
Other current assets	6,856	5	-	-	5	0.1%
Other non-current financial assets	1,740	340	-	-	340	19.5%
Trade payables	80,273	101	-	3,049	3,150	3.9%
Current interest bearing financial payables	64,298	-		409	409	0.6%

(€/000)	31 December 2013 Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	113,726	4,520	-	815	5,335	4.7%
Other financial assets financial assets	2,072	1,495	-	26	1,521	73.4%
Trade payables	69,985	101	-	3,060	3,161	4.5%
Current interest bearing financial payables	61,371	-	-	571	571	0.9%
Short-term provision for risks and charges	5,503	739	-	-	739	13.4%

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

(€/000)	Receivables		Revenues	
	31/12/2014	31/12/2013	2014	2013
HS Penta Africa Pty Ltd*	-	1,069	-	2,044
Interpump Hydraulics Middle East	2,464	2,188	3,103	1,892
Galtech Canada Inc.*	-	277	-	1,095
General Pump China Inc.	245	135	656	551
Interpump Hydraulics (UK)	780	583	591	721
Hammelmann Bombas e Sistemas Ltda	431	266	355	140
Syscam Gestion Integrada*	-	2	-	37
Total subsidiaries	*3,920*	*4,520*	*4,705*	*6,480*

(€/000)	Payables		Costs	
	31/12/2014	31/12/2013	2014	2013
General Pump China Inc.	44	54	454	423
Hammelmann Bombas e Sistemas Ltda	55	47	157	326
Interpump Hydraulics Middle East	2	-	2	-
Total subsidiaries	*101*	*101*	*613*	*749*

(€/000)	Loans		Financial income	
	31/12/2014	31/12/2013	2014	2013
Interpump Hydraulics (UK)	205	192	7	6
Interpump Hydraulics Middle East	105	105	2	2
General Pump China Inc.	-	20	-	-
Hammelmann Bombas e Sistemas Ltda	30	30	-	-
Syscam Gestion Integrada*	-	-	-	36
Total subsidiaries	*340*	*347*	*9*	*44*

* = fully consolidated at 31/12/2014

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

Transactions with other related parties
Transactions with other related parties concern the leasing of facilities owned by companies controlled by the current shareholders and directors of Group companies for the amount of €5,002k (€4,875k in 2013) and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for €102k (€156k in 2013). Costs for rentals were recorded under the cost of sales in the amount of €3,951k (€3,768k in 2013), under distribution costs in the amount of €882k (€880k in 2013) and under general and administrative expenses in the amount of €169k (€227k in 2013). Consultancy costs were recorded in distribution costs in the amount of €60k and in general and administrative expenses for €42k (€60k in distribution costs and €96k in general administrative expenses in 2013)

Moreover, further to the signing of building rental contracts with other related parties, at 31 December 2014 the Group has commitments of €21,495k (€16,395k at 31 December 2013). The increase at 31 December 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 at 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 utilised to establish the fair value and subdivided on the basis of the recurrence of 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 price quotations mentioned in the above point, which are directly (prices) or indirectly (price derivatives) observable on the market;
- Level 3 inputs that are not based on empirical market data.

The following table shows the financial instruments measured at fair value at 31 December 2014, broken down by level.

(€/000)	Level 1	Level 2	Level 3	Total
Other financial assets available for sale	26	-	-	26
Total assets	**26**	**-**	**-**	**26**
Derivatives payable:				
- *Plain vanilla forwards*	-	28	-	28
- Interest rate swaps and interest rate collars	-	141	-	141
Total liabilities	**-**	**169**	**-**	**169**

No transfers between levels were carried out in 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 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 adopted 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 31 December 2014 (last available trading day);
- the fair value of the interest rate swaps is calculated utilising the discounted cash flow model: the input data used by this model are interest rate curves at 31 December 2014 and the current interest rate fixings;
- the fair value of interest rate collars is calculated using an option pricing model (Black & Scholes): the input data used by this model are the interest rate curves, the current interest rate fixings and the implicit volatility surface calculated starting from caps and floors quoted at 31 December 2014.

In application of IFRS 13, 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.