Annual Financial Report
as at 31 December 2014

Contents

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

2014 Board of Directors' Report

Financial Highlights of the Interpump Group

	31/12/2014 (€/000)	31/12/2013 (€/000)	31/12/2012[a] (€/000)	31/12/2011[b] (€/000)	31/12/2010 (€/000)
Consolidated net revenues	671,999	556,513	527,176	471,619	424,925
Foreign sales	86%	86%	86%	84%	80%
EBITDA (Earnings before interest, tax, depreciation and amortization)	136,106	105,173	105,876	94,614	74,100
EBITDA %	20.3%	18.9%	20.1%	20.1%	17.4%
Consolidated operating profit	104,367	79,334	84,049	75,650	54,689
Operating profit %	15.5%	14.3%	15.9%	16.0%	12.9%
Consolidated net profit	57,742	44,087	53,226	42,585	27,381
Cash flow from operations	72,058	63,615	53,288	40,750	64,749
Net debt	226,044 [c]	121,384 [c]	102,552 [c]	145,975 [c]	147,759 [c]
Consolidated shareholders' equity	466,550	432,949	396,876	315,160	291,459
Debt/Equity ratio	0.48	0.28	0.26	0.46	0.51
Investment during the year in tangible and intangible fixed assets	44,818	36,853	23,196	18,759	12,167
Average headcount	3,575	2,998	2,685	2,436	2,492
ROE	12.4%	10.2%	13.4%	13.5%	9.4%
ROCE	15.1%	14.3%	16.8%	16.4%	12.5%
EPS - €	0.541	0.413	0.556	0.439	0.284
Dividend per share - €	0.180	0.170	0.170	0.120	0.110

ROE: Consolidated net profit / Consolidated shareholders' equity
For ROE measurement purposes, the net profit for 2005 is stated net of capital gains on discontinued operations.

ROCE: Consolidated operating profit / (Consolidated shareholder's equity + Net debt)
In 2007 the denominator included the extraordinary dividend payable of €/000 16,594.

Dividends refer to the year of formation of the distributed profit.

* 0.690 of which extraordinary

** 0.230 of which extraordinary

[a] Following application of the amendment to IAS 19, the data has been restated.

[b] Continuing operations.

[c] Inclusive of the debt arising from the acquisition of investments.

	31/12/2009	31/12/2008	31/12/2007	31/12/2006	31/12/2005[(b)]
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
Consolidated net revenues	342,924	424,513	432,195	364,876	331,608
Foreign sales	79%	80%	79%	76%	74%
EBITDA (Earnings before interest, tax, depreciation and amortization)	46,856	86,986	94,255	79,144	67,985
EBITDA %	13.7%	20.5%	21.8%	21.7%	20.5%
Consolidated operating profit	29,194	75,666	82,231	69,715	57,384
Operating profit %	8.5%	17.8%	19.0%	19.1%	17.3%
Consolidated net profit	13,980	40,161	42,913	41,592	27,074
Cash flow from operations	69,594	38,088	44,698	37,876	31,705
Net debt	201,833 [(c)]	228,264 [(c)]	186,173	137,464	127,701
Consolidated shareholders' equity	242,796	177,951	147,131	155,888	156,679
Debt/Equity ratio	0.83	1.28	1.38	0.88	0.82
Investment during the year in tangible and intangible fixed assets	12,484	18,793	13,831	13,066	8,100
Average headcount	2,427	2,036	1,882	1,617	1,589
ROE	5.8%	22.6%	29.2%	26.6%	17.3%
ROCE	6.6%	18.6%	23.5%	23.8%	20.2%
EPS - €	0.187	0.545	0.567	0.542	0.363
Dividend per share - €	-	-	0.430**	0.180	0.840*

SIGNIFICANT EVENTS DURING THE YEAR

The record results achieved by the Group in 2013 and 2012 were overtaken in 2014, while 2015 is viewed with optimism following the recent acquisition of Walvoil. 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. The Hydraulic Sector expanded during 2014, both in terms of sales (+34.7% compared with 2013) and profitability (+67.6% compared with 2013). This was due to the purchase of the IMM Group, the consolidation of the Hydrocontrol Group for a full 12 months in 2014, and the positive effect of work to rationalize the sector that began in prior years. Interpump Group's consolidated data for 2014 therefore includes the full-year results of IMM, which was not part of the Group in 2013. In addition, the consolidated 2014 data for the Interpump Group includes Hydrocontrol for 12 months rather than 8 months in 2013, given that acquisition of the company was not completed until 6 May 2013. In order to ensure consistent comparison with the consolidated data for 2013, the following information is provided using the same scope of consolidation. IMM has been included in the Hydraulic Sector for segment information purposes. 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.

Once again, the Interpump Group confirmed its established growth strategy during 2014, combining internal expansion with a targeted M&A strategy in order to accelerate growth and create value for the shareholders. Consistent with this, 60% of IMM (Hydraulic Sector) was acquired in early January 2014. The new subsidiary, based in Atessa (CH), manufactures hydraulic hoses and fittings. IMM has a production subsidiary in Romania and distribution subsidiaries in the UK, France, Germany and South Africa. The activities of the IMM Group greatly complement those of the Hydraulic Sector, enabling the range of products offered to be extended further. The expansion of the Hydraulic Sector continued during 2014 with the purchase of residual interests in subsidiaries (18.39% of Interpump Hydraulics International and 35% of Hydrocar Chile) and the signature, in late December, of a preliminary contract for the acquisition of 100% of the Walvoil Group (Hydraulic Sector) based in Reggio Emilia. This Group is one of the largest international players in the production and commercialization of valves and hydraulic directional controls. The preliminary results of Walvoil for 2014 include: consolidated sales of around €140m and consolidated EBITDA in the region of €19m. The provisional net price of €100m, being 95% of the estimated price, will be adjusted with reference to the net financial position at 31 December 2014, which is currently estimated at around €32m. Payment was made on the closing date, 15 January 2015, with €54.2m settled in cash and the balance by the transfer of listed shares in Interpump Group S.p.A.. Also, based on the final consolidated EBITDA for 2014, the sellers will receive an additional earn-out 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 the Group's presence in 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.

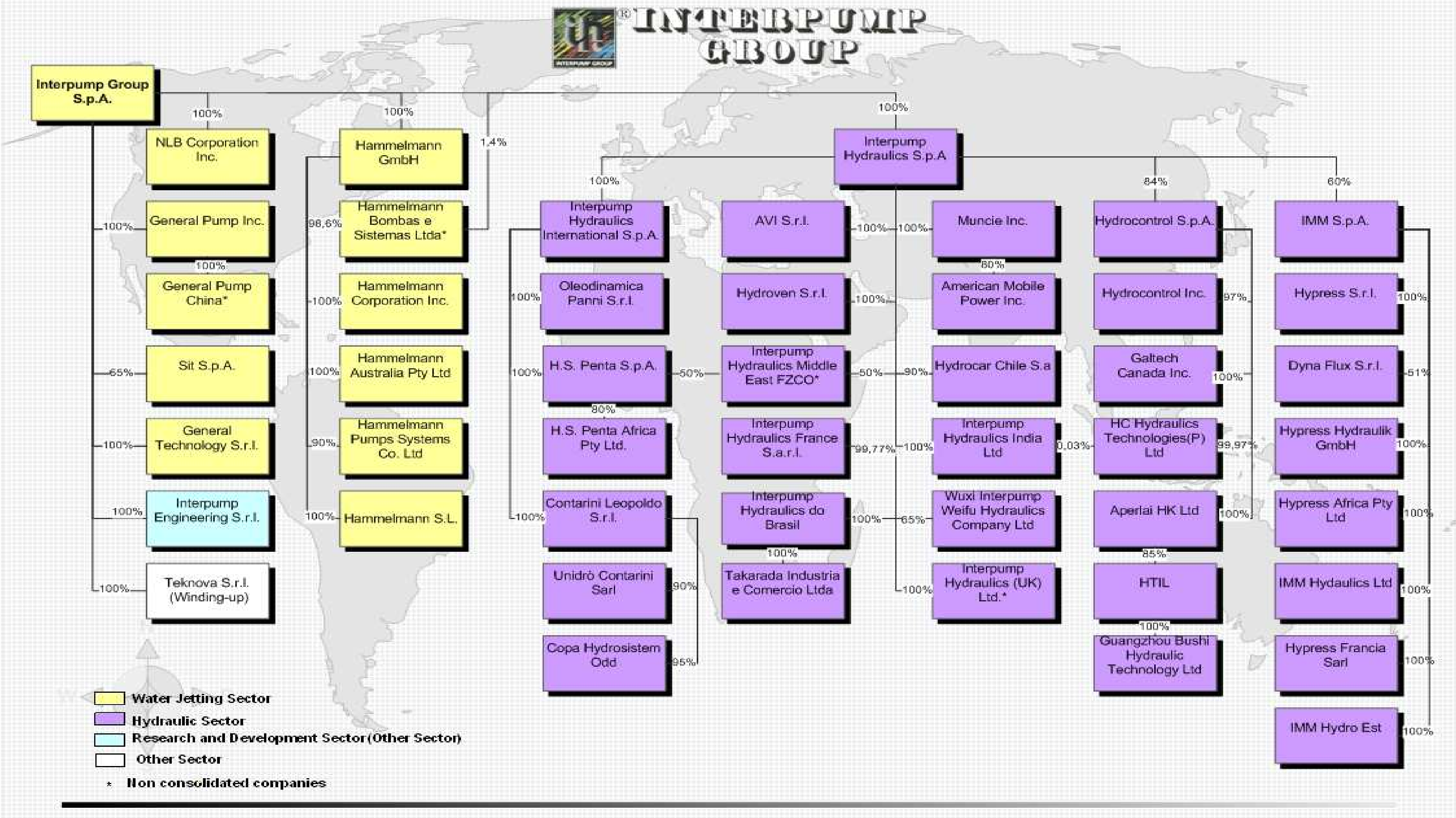
In the Water Jetting Sector, the development of pumps for new applications is continuing, especially in the field of process pumps. Construction of the new Hammelmann plant was completed during 2014, with a total investment of €15.4m (€8.9m in 2014 and €6.5m in 2013), and the company has moved into the new building.

EBITDA reached €136.1m or 20.3% of sales in 2014. In 2013, EBITDA was €105.2m (18.9% of sales). The year on year increase was therefore 29.4%. EBITDA was up by 15.9% like for like, 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. In 2013 EBIT was recorded at €79.3 million (14.3% of sales). This figure reflects growth 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.

Net profit for the year was €57.7m, 31.0% higher than the €44.1m booked in 2013. The net profit for 2014 was penalized by the revaluation of options to purchase additional equity interests in subsidiaries by €4.7m, due their better than expected results.

Organizational chart as at 31/12/2014



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 year before taxes	**93,109**	**71,072**
Income taxes	(35,367)	(26,985)
Consolidated net profit for the year	**57,742**	**44,087**
% on net sales	*8.6%*	*7.9%*
Attributable to:		
Parent company's shareholders	56,936	43,201
Subsidiaries' minority shareholders	806	886
Consolidated net profit for the year	**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 year / Consolidated shareholders' equity

* = Since EBITDA is not identified as an accounting parameter in 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 organization'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, the amount and characteristics of capital employed and the related depreciation 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).

Breakdown of sales by business sector and geographical area:

(€/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 on sales 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 Revenues Sector	39	n.s.	39	n.s.	n.s.
Total	***136,106***	***20.3%***	***105,173***	***18.9%***	***+29.4%***

* = Total sales also include sales to other Group companies, while the sales analyzed previously are exclusively those external to the group (see Note 5 to the Annual Financial Report 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 release of the discounting effect on 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. The financial expenses reported in 2013 due to release of the discounting effect on the above payables was €1.4m.

The effective 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%.

In compliance with CONSOB Communication no. 6064293 of 28 July 2006, we draw your attention to the fact that no atypical and/or unusual transactions were carried out in 2014.

CASH FLOW

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

	2014 *€/000*	*2013* *€/000*
Opening net financial position	**(88,684)**	**(74,549)**
Adjustment: net cash position of newly consolidated companies	(158)	231
Adjusted opening net financial position	**(88,842)**	**(74,318)**
Cash flow from operations	95,813	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	(2,236)	(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	(263)	(1,084)
Free cash flow	***38,290***	***34,282***
Acquisition of equity investments, inclusive of received debt and net of divested treasury stock	(53,266)	(23,836)
Net receipt from Hydrocontrol concentration operation	-	1,720
Receipts from the sale of investments, including disposal of the associated debt	796	1,277
Dividends paid	(18,166)	(18,524)
Outlays for the 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
Loans granted to (repayments from) non-consolidated subsidiaries	21	(41)
Cash flow generated (used)	***(64,981)***	***(13,649)***
Exchange rate differences	1,854	(717)
Net financial position at year end	**(151,969)**	**(88,684)**

Net liquidity generated by operations totalled €95.8m (€65.3m in 2013), reflecting an increase of 46.7%. 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 disposal of equity investments in 2014 refers to the proceeds from the sale of the Hydrometal line of business, €0.7 million, and to collection of the third and final installment on the sale of Hydrocar Roma S.r.l.. The disposal of equity investments in 2013 related to the collection of the third and final tranche of the sale of the investment in Unielectric S.p.A., €1.2 million, and for the remainder, to the second installment on the sale of Hydrocar Roma S.r.l..

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
Payables to banks	(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 fully 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.

GROUP BALANCE SHEET

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).

Below we give the reclassified balance sheet on the basis of cash flows obtained/used:

	31/12/2014 (€/000)	*%*	*31/12/2013 (€/000)*	*%*
Trade receivables	135,634		113,726	
Net inventories	182,463		145,994	
Other current assets	17,784		11,653	
Trade payables	(80,273)		(69,985)	
Short-term tax payables	(11,665)		(5,723)	
Short-term portion for provisions for risks and charges	(4,162)		(3,972)	
Other short-term liabilities	(34,195)		(29,806)	
Net working capital	**205,586**	**29.7**	**161,887**	**29.2**
Net intangible and tangible fixed assets	233,722		174,423	
Goodwill	279,373		234,792	
Other financial fixed assets	1,740		2,072	
Other non-current assets	25,125		23,161	
Liabilities for employee benefits	(14,940)		(11,942)	
Medium/long-term portion for provisions for risks and charges	(1,949)		(1,531)	
Other medium/long-term liabilities	(36,063)		(28,529)	
Total net fixed assets	**487,008**	**70.3**	**392,446**	**70.8**
Total capital employed	**692,594**	**100**	**554,333**	**100**
Financed by:				
Shareholders' equity for the Group	460,695		426,686	
Minority interests	5,855		6,263	
Total shareholders' equity	**466,550**	**67.4**	**432,949**	**78.1**
Cash and cash equivalents	(87,159)		(105,312)	
Payables to banks	27,770		20,932	
Short-term interest-bearing financial payables	64,298		61,371	
Short-term payable for purchase of investments	4,097		15,997	
Total short term financial payables (cash)	**9,006**	**1.3**	**(7,012)**	**(1.3)**
Medium/long-term interest-bearing financial payables	147,060		111,693	
Medium/long-term payable for the acquisition of equity investments	69,978		16,703	
Total medium/long-term financial payables	**217,038**	**31.3**	**128,396**	**23.2**
Total sources of financing	**692,594**	**100**	**554,333**	**100**

Interpump Group's equity structure is balanced, with a leverage index of 0.48 (0.28 at 31 December 2013). The leverage index is calculated as the ratio between the short and medium/long-term financial payables and shareholders' equity inclusive of minority interests.

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.

RESEARCH AND DEVELOPMENT

The purpose of the Research and Design Center (Interpump Engineering S.r.l.) is to centralize the design and development of new high pressure pumps, hydraulic pumps and hydraulic components. During 2014, the Center completed five projects concerning new families of high pressure pumps and new versions of pumps for various applications (such as for the mud deriving from the lifting of oil). It also designed a manual hydraulic pump for the Hydraulic Sector and three valves: two for the Water Jetting Sector and one for the Hydraulic Sector. There are also several projects currently under way for new high and very-high pressure pumps, valves for the Water Jetting Sector and pumps and other hydraulic components. Research and development was conducted also within Interpump Hydraulics for the Hydraulic Sector and in Hammelmann for very high pressure Pumps Division.

Group strategy over the next few years is to continue with high levels of expenditure in the area of research and development in order to assure renewed impetus to structured growth. Research costs have been capitalized in accordance with their multi-annual usefulness. The development costs capitalized in 2014 amount to €/000 1,936 (€/000 1,742 in 2013), while the costs charged to the income statement amount to €/000 10,751 (€/000 9,319 in 2013).

ENVIRONMENT

The Interpump Group is engaged exclusively in mechanical engineering and components assembly activities that are not accompanied by the emission of pollutants into the environment. The production process is performed in compliance with statutory legislation.

EXPOSURE TO RISKS, UNCERTAINTIES AND FINANCIAL RISK FACTORS

The Group is exposed to the normal risks and uncertainties of any business activity. The markets in which the Group operates are world niche markets in many cases, with limited dimensions and few significant competitors. These market characteristics constitute a significant barrier to the entry of new competitors, due to significant economy of scale effects against the backdrop of somewhat uncertain economic returns for potential new entrants. The Interpump Group enjoys a position of world leadership in the fields of high and very-high pressure pumps and power take-offs: these positions reduce the risks and uncertainties of the business venture.

The financial risk factors are described in note 4 of the Annual Financial Report.

CORPORATE GOVERNANCE

In relation to corporate governance, Interpump Group's model is based on the provisions of the Code of Corporate Governance promoted by Borsa Italiana S.p.A., published in July 2014, to which Interpump Group has adhered. The above-mentioned report can be consulted on the Group website www.interpumpgroup.it in the Corporate Governance section.

The following table provides information on the number of shares held by the directors and statutory auditors, as required by art. 79 of CONSOB Resolution no.11971/1999 ("Issuers' Regulation"):

Name	Company issuer	Number of shares held at end of of the year year	Number of shares purchased/ subscribed	Number of shares sold	Number of shares held at end of of the year year
Fulvio Montipò					
Held directly	Interpump Group S.p.A.	420,200	-	-	420,200
Paolo Marinsek					
Held directly	Interpump Group S.p.A.	-	293,869	293,869	-

Changes in the year relate to the exercise of stock options.

The quotaholders of Gruppo IPG Holding S.r.l., based in Milan have signed a new Shareholders' Agreement that governs quotas representing the entire quota capital of Gruppo IPG Holding S.r.l.

The Shareholders' Agreement contains constraints and limitations on the transfer of holdings and the purchase of shares, and agreements for the exercise of voting rights in Gruppo IPG Holding S.r.l. and in Interpump Group S.p.A. The Agreement is effective until 7 November 2015. At 31/12/2014 Gruppo IPG Holding S.r.l. held 25.7248% of the share capital including treasury stock. The owners of Gruppo IPG Holding S.r.l. comprise the Montipò family, MAIS S.p.A. (controlled by Isabella Seragnoli) and Tamburi Investment Partners.

Excerpts from the Shareholders' Agreement and from the Bylaws of Gruppo IGP Holding S.r.l. can be consulted on the Group website at www.interpumpgroup.it in the Corporate Governance section.

STOCK OPTION PLANS

With the aim of motivating Group management and promoting participation in the goal of value creation for shareholders, there are currently three stock option plans in existence, one approved by the Shareholders' Meeting of 20 April 2006 (**2002/2009** plan), one approved by the Shareholders' Meeting of 21 April 2010 (**2006/2012** plan), and one approved by the Shareholders' Meeting of 30 April 2013 (**2013/2015** plan).

The **2006/2009** plan is addressed to a number of directors and group employees and involves the assignment of up to 4,000,000 options, to be allocated over the next 4 years, using the company's treasury stock at an exercise price equal to the greater of the current market value at the time of allocation or the book value. Assignment depends on share prices reaching preestablished stock market quotations and/or the achievement of specific financial parameters and personal targets. The options can be exercised after three years from the grant date. At 31 December 2014 the situation of the plan was as follows:

Number of rights assigned	2,999,296
Number of shares purchased	(1,925,572)
Total number of options not yet exercised	1,073,724

The beneficiaries of the options were:

	Price per share for the exercise of options	Vesting period	Number of rights assigned at start of year	Number of rights matured in the year	Number of shares purchased in the year	Number of options exercisable at year end
Directors of the Parent Company						
❑ Fulvio Montipò	€ 7.2884	01.05.2010-31.05.2015	215,033	-	-	215,033
	€ 5.4047	01.05.2011-31.05.2016	215,191	-	-	215,191
	€ 3.7524	01.11.2012-31.05.2017	80,000	-	-	80,000
	€ 3.7524	01.05.2010-31.12.2017	300,000	-	-	300,000
❑ Paolo Marinsek	€ 7.2884	01.05.2010-31.05.2015	73,869	-	(73,869)	-
Other beneficiaries (employees)	€ 7.2884	01.05.2010-31.05.2015	218,000	-	(110,000)	108,000
	€ 5.4047	01.05.2011-31.05.2016	385,691	-	(302,691)	83,000
	€ 3.7524	01.11.2012-31.05.2017	91,000	-	(91,000)	-
	€ 3.7524	01.07.2010-31.12.2017	115,500	-	(43,000)	72,500
Total			1,694,284	-	(620,560)	1,073,724

The Shareholders' Meeting of 21 April 2010 approved the adoption of a new incentive plan designated "Interpump **2010/2012** Incentive Plan". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 3,000,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among the subjects with significant roles or functions. The exercise price has been set at € 3.75 per share. The options can be exercised between 30 June 2013 and 31 December 2016. The conditions for the exercise of the options are connected to the arrival at specific parameters related to the financial statements and performance of Interpump Group shares. Since the targets of the plan were accomplished the 2,860,000 options assigned have matured, as resolved by the Board of directors' meetings held on 15 March 2011 and 24 April 2012.
At 31 December 2014 the situation of the plan was as follows:

Number of rights assigned	2,860,000
Number of shares purchased	(1,503,000)
Total number of options not yet exercised	1,357,000

The beneficiaries of the options were:

	Price per share for the exercise of options	Vesting period	Number of rights assigned at start of year	Number of rights matured in the year	Number of shares purchased in the year	Number of options exercisable at year end
Directors of the Parent Company						
❑ Fulvio Montipò	€ 3.75	01.07.2013-31.12.2016	1,000,000	-	-	1,000,000
❑ Paolo Marinsek	€ 3.75	01.07.2013-31.12.2016	320,000	-	(220,000)	100,000
Other beneficiaries (employees)	€ 3.75	01.07.2013-31.12.2016	343,000	-	(86,000)	257,000
Total			1,663,000	-	(306,000)	1,357,000

The Shareholders' Meeting of 30 April 2013 approved the adoption of a new incentive plan designated "Interpump **2013/2015** Incentive Plan". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,000,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among the subjects with significant roles or functions. The exercise price has been set at € 6.00 per share. The options can be exercised between 30 June 2016 and 31 December 2019. The next meeting of the Board of Directors, held on 30 April 2013, set a figure of 2,000,000 for the number of options to be assigned, divided by the total number of options in each tranche (500,000 for the first tranche, 700,000 for the second tranche and 800,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of Interpump Group stock. The same Board of Director's meeting assigned 1,000,000 options to Interpump Group S.p.A. director Fulvio Montipò and 320,000 options to director Paolo Marinsek, the exercise of which is subject to the fulfilment of the above conditions. Moreover, the same Board of Directors meeting conferred on the Chairman and the Deputy Chairman of Interpump Group, separately, the power to specify the beneficiaries of the further 680,000 options. 550,000 options were assigned to the other beneficiaries on 29 October 2013.

RELATIONS WITH GROUP COMPANIES AND TRANSACTIONS WITH RELATED PARTIES

With regard to transactions entered into with related parties, including intra-group transactions, we point out that they 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 relations with related parties, including the information required by CONSOB communication of 28 July 2006, is given in Note 35 to the Annual Financial Report.

In its meeting held on 10 November 2010 the Board of Directors of Interpump Group S.p.A. approved the Procedure for Transactions with Related Parties in application of the new legislation enacted to implement the relevant European Council Directive and Consob Regulation relating to it. For more details, we invite you to refer to the report on corporate governance and the ownership structure, which is available on the website www.interpumpgroup.it in the Corporate Governance section.

TREASURY STOCK

Information on treasury stock is given in Note 22 of the Annual Financial Report.

RECONCILIATION WITH THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

Reconciliation of consolidated net equity and net profit ascribable to the Parent company's shareholders with those relative to the individual financial statements of the Parent company is as follows:

	Shareholders' equity at 31/12/2014	Net profit as 2014	Shareholders' equity at 31/12/2013
Parent Company's financial statements	247,020	33,955	256,949
Difference between the book value of consolidated investments and their valuation according to the net equity method	214,752	23,255	170,540
Greater book value of a building owned by the Parent Company	196	(4)	200
Elimination of Parent Company's intra-group income	(1,273)	(270)	(1,003)
Total consolidation adjustments	213,675	22,981	169,737
Shareholders equity and result ascribable to the Parent Company's Shareholders	460,695	56,936	426,686

GROUP COMPANIES

At 31 December 2014 the Interpump Group is led by Interpump Group S.p.A., which holds direct and indirect controlling interests in 48 companies (one in liquidation) operating in two business segments (known as the Hydraulic Sector and the Water Jetting Sector).

The Parent company, with registered offices in Sant'Ilario d'Enza, mainly produces high and very high pressure plunger pumps for water and in lower extent high pressure washers, which are classified in the Water Jetting Sector.

The main data of the consolidated subsidiaries is presented in the table below, whereas for the Parent Company this can be taken from the financial statements attached hereto.

Companies consolidated line by line	Share capital (€/000)	Percent stake	Head office	Main activity	Sales €/million 31/12/2014	Sales €/million 31/12/2013	Average number of employees 2014	Average number of employees 2013
Hammelmann GmbH	25	100%	Oelde - Germany	High pressure systems and pumps (Water Jetting Sector)	83.1	85.6	316	309
Muncie Power Products Inc.	784	100%	Muncie - USA	Power take-offs and hydraulic pumps (Hydraulic Sector)	82.9	73.5	319	289
Hydrocontrol S.p.A.	1,350	84%	Osteria Grande (BO)	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	67.8	48.0 *	419	326 *
NLB Corporation Inc.	12	100%	Detroit - USA	High pressure systems and pumps (Water Jetting Sector)	67.4	62.7	226	232
IMM Hydraulics S.p.A.	520	60%	Atessa (CH)	Production and sale of hydraulic hoses and fittings (Hydraulic Sector)	48.9	-	238	-
Interpump Hydraulics S.p.A.	2,632	100%	Calderara di Reno (BO)	Power take-offs and hydraulic pumps (Hydraulic Sector)	44.0	47.1	206	273
General Pump Companies Inc.	1,854	100%	Minneapolis – USA	Distributor of high pressure pumps (Water Jetting Sector)	42.1	38.2	58	54
Oleodinamica Panni S.r.l.	2,000	100%	Tezze sul Brenta (VI)	Production and sale of hydraulic cylinders (Hydraulic Sector)	35.8	23.8	189	133
Cover S.r.l. (a)	-	-	Gazzo Veronese (VR)	Production and sale of hydraulic cylinders (Hydraulic Sector)	-	9.2	-	51
HS Penta S.p.A.	4,244	100%	Faenza (RA)	Production and sale of hydraulic cylinders (Hydraulic Sector)	30.4	29.5	121	123
Hammelmann Corporation Inc.	39	100%	Miamisburg - USA	Sale of high pressure systems and pumps (Water Jetting Sector)	20.2	21.3	29	25
Contarini Leopoldo S.r.l.	47	100%	Lugo (RA)	Production and sale of hydraulic cylinders (Hydraulic Sector)	20.0	19.1	100	97
Wuxi Interpump Weifu Hydraulics Company Limited	2,095	65%	Wuxi - China	Sales of hydraulic pumps and power takeoffs and valves (Hydraulic Sector)	16.2	12.0	96	89
IMM Hydraulics Ltd	1	100%	Halesowen – UK	Sale of hydraulic hoses and fittings (Hydraulic Sector)	13.4	-	51	-
Hydroven S.r.l.	200	100%	Tezze sul Brenta (VI)	Sale of ancillary products for industrial vehicles, hydraulic pumps and power takeoffs (Hydraulic Sector)	10.9	9.9	35	38
American Mobile Inc.	3,410	80%	Fairmont - USA	Production and sale of hydraulic cylinders (Hydraulic Sector)	10.2	8.5	65	56
Hydrocar Chile S.A.	129	90%	Santiago - Chile	Sale of hydraulic pumps and power takeoffs (Hydraulic Sector)	8.7	10.8	62	70
Hydrocontrol Inc.	763	97%	Minneapolis – USA	Sale of hydraulic valves and directional controls (Hydraulic Sector)	8.3	4.1 **	14	8 **
Hammelmann Australia Pty Ltd	472	100%	Melbourne - Australia	Sale of high pressure systems and pumps (Water Jetting Sector)	8.2	8.4	19	22
Interpump Hydraulics India Private Ltd	682	100%	Hosur - India	Production and sale of power takeoffs and hydraulic pumps (Hydraulic Sector)	7.3	6.4	73	74

Companies consolidated line by line	Share capital (€/000)	Percent stake	Head office	Main activity	Sales €/million 31/12/2014	Sales €/million 31/12/2013	Average number of employees 2014	Average number of employees 2013
Hammelmann Pump System Co. Ltd	871	90%	Tianjin - China	Sale of high pressure systems and pumps (Water Jetting Sector)	6.7	4.7	16	16
IMM Hydro Est	3,155	100%	Catcau Couj Napoca – Romania	Production and sale of hydraulic hoses and fittings (Hydraulic Sector)	6.5	-	79	-
Takarada Industria e Comercio Ltda	4,375	100%	Caxia do Sul - Brazil	Power take-offs and hydraulic pumps (Hydraulic Sector)	6.3	6.9	82	86
Guangzhou Bushi Hydraulic Tech. Ltd	3,720	100%	Guangzhou - China	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	6.1	3.6 **	73	35
Hypress Hydraulics GmbH	52	100%	Meinerzhagen - Germany	Sale of hydraulic hoses and fittings (Hydraulic Sector)	6.0	-	15	-
General Technology S.r.l.	100	100%	Reggio Emilia	Accessories for high pressure pumps and high pressure washers (Water Jetting Sector)	5.6	5.4	21	21
HC Hydraulics Technologies(P) Ltd	4,120	100%	Bangalore - India	Production and sale of hydraulic valves and directional controls (Hydraulic Sector)	5.2	2.6 **	56	35 **
A.V.I. S.r.l.	10	100%	Varedo (MB)	Sale of ancillary products for industrial vehicles, hydraulic pumps and power takeoffs (Hydraulic Sector)	5.2	5.1	14	13
Copa Hydrosystem Odd	3	95%	Trojan - Bulgaria	Production and sale of hydraulic cylinders (Hydraulic Sector)	5.0	2.4	79	46
Golf Hydrosystem Odd (b)	-	-	Sofia - Bulgaria	Production and sale of hydraulic cylinders (Hydraulic Sector)	-	2.2	-	30
Interpump Hydraulics France S.a.r.l.	76	99.77%	Petre-Metz - France	Sale of hydraulic pumps and power takeoffs (Hydraulic Sector)	4.4	4.5	19	19
SIT S.p.A.	105	65%	Sant'Ilario d'Enza (RE)	Sheet metal drawing, blanking, and pressing (Water Jetting Sector)	4.0	4.0	22	23
Unidro S.a.r.l.	8	90%	Barby - France	Production and sale of hydraulic cylinders (Hydraulic Sector)	3.7	3.5	11	10
HS Penta Africa Pty Ltd.	-	80%	Johannesburg - South Africa	Production and sale of hydraulic cylinders (Hydraulic Sector)	3.6	-	16	-
Hypress France S.a.r.l.	3,616	100%	Lyon (France)	Sale of hydraulic hoses and fittings (Hydraulic Sector)	3.6	-	14	-
Interpump Engineering S.r.l.	76	100%	Reggio Emilia	Research and development (Other Revenues Sector)	2.8	2.6	14	14
Galtech Canada Inc.	76	100%	Terrebonne Quebec - Canada	Sale of hydraulic valves and directional controls (Hydraulic Sector)	2.7	-	10	-
Hammelmann S. L.	500	100%	Zaragoza - Spain	Sale of high pressure systems and pumps (Water Jetting Sector)	2.4	1.8	5	5
Hypress Africa PTY Ltd	796	100%	Boksburg – South Africa	Sale of hydraulic hoses and fittings (Hydraulic Sector)	2.2	-	28	-

Companies consolidated line by line	Share capital (€/000)	Percent stake	Head office	Main activity	Sales €/million 31/12/2014	Sales €/million 31/12/2013	Average number of employees 2014	Average number of employees 2013
Dyna Flux S.r.l.	40	51%	Sori (GE)	Sale of hydraulic hoses and fittings (Hydraulic Sector)	0.6	-	4	-
Hypress S.r.l.	50	100%	Atessa (CH)	Rental of line of business (Hydraulic Sector)	-	-	2	-
Interpump Hydraulics International S.p.A.	14,162	100%	Calderara di Reno (BO)	Holding company for Cylinders Hub (Hydraulic Sector)	-	-	-	-
Interpump Hydraulics do Brasil Partecipacoes Ltda	13,837	100%	San Paolo - Brazil	Holding company for Takarada Industria e Comercio Ltda (Hydraulic Sector)	-	-	-	-
Aperlai HK Ltd	77	100%	Hong Kong - China	Holding company for Hydrocontrol in China (Hydraulic Sector)	-	-	-	-
HTIL	98	85%	Hong Kong - China	Sub-holding company for Hydrocontrol in China (Hydraulic Sector)	-	-	-	-
Teknova S.r.l. (in liquidation)	362	100%	Reggio Emilia	Not trading (Other Revenues Sector)	-	-	-	-

(a) = absorbed by Oleodinamica Panni S.r.l. as from 01/01/2014;
(b) = absorbed by Copa Hydrosystem Odd as from 01/01/2014;
* = Sales and the average headcount relate to 12 months for the companies absorbed by Hydrocontrol S.p.A. (Galtech S.p.A. and MTC S.r.l.) and to 8 months for Hydrocontrol S.p.A. (acquired on 6 May 2013) and they constitute the effective contribution to the 2013 consolidated financial statements;
** = Sales and the average headcount relate to 8 months (investments acquired on 6 May 2013) and they constitute the effective contribution to the 2013 consolidated financial statements.

Companies not consolidated line by line	Share capital (€/000)	Percent stake	Head office	Main activity
General Pump China	111	100%	Ningbo - China	Marketing of components (Water Jetting Sector)
Hammelmann Bombas e Sistemas Ltda	739	100%	San Paolo - Brazil	Sale of high pressure systems and pumps (Water Jetting Sector)
Interpump Hydraulics Middle East FZCO	294	100%	Dubai	Sale of hydraulic cylinders and hydraulic pumps (Hydraulic Sector)
Interpump Hydraulics UK Ltd	13	100%	Birmingham – UK	Sale of hydraulic pumps and power takeoffs (Hydraulic Sector)

EVENTS OCCURRING AFTER THE END OF THE YEAR AND BUSINESS OUTLOOK

15 January 2015 was the closing date for the acquisition of the Walvoil Group, as described at the start of this report.

A 52.72% interest in Inoxihp S.r.l., based in Nova Milanese (MB), was acquired on 17 March 2015. This company produces high pressure and very high pressure water installations, with a leadership position in applications for the steel industry. The 2014 sales of Inoxihp amounted to €10.8m, with EBITDA in excess of 30% of sales. The price agreed was €8.6m, including the positive net financial position at 31 December 2014 of €0.7m. Of this amount, €6.5m was settled in cash and the balance by the transfer of 156,160 shares in Interpump Group S.p.A. The minority quotaholder is entitled to sell the remaining 47.28% as follows: 10% at any time and 37.28% subsequent to approval of the 2025 financial statements, at a price based on the average of the results reported in the two annual financial statements prior to the date of exercising the put option.

This acquisition enables Interpump, world leader in high pressure and very high pressure pumps, to strengthen its position in the steel sector and benefit from significant production and distribution synergies.

Considering the short time span since 31 December 2014, the adverse economic situation in world markets and the short period of time historically covered by the order portfolio, we do not yet have sufficient information to make a reliable forecast of trends in 2015, for which positive results are anyway predicted in terms of sales and profitability.

FURTHER INFORMATION

In relation to the regulatory prescriptions in terms of conditions for listing in relation to subsidiaries incorporated under or governed by laws of non-EU countries, we draw your attention to the following changes with respect to 31 December 2013:

- Interpump Hydraulics do Brasil Partecipacoes Ltda, Takarada Industria e Comercio Ltda and Wuxi Interpump Weifu Hydraulics Company Ltd. have been included among the companies of significant importance to the consolidated financial statements, following their inclusion in the audit plan, even though they have not individually exceeded the limits established in art. 151 of the Issuers' Regulation;
- Guangzhou Bushi Hydraulics Technology Ltd, originally included to comply with the cumulative limits prescribed by art. 151 of the Issuers' Regulation, has now been removed from the audit plan.

The Interpump Group is made up of a large number of member companies including those of small size, and has direct presence in more than 10 countries worldwide. This generally means that the audit plan must be added to each year with companies that, although they do not individually exceed the limits set down in art. 151 of the Issuers' Regulation, must anyway be included in order to comply with the cumulative limits prescribed in the same article.

It should be noted that the Parent Company is not subject to activities of management or coordination. The resolution of the Interpump Group S.p.A. Board of Directors of 12 June 2008 acknowledges that "Interpump Group S.p.A." is not subject to the management or coordination of the shareholder "Gruppo IPG Holding S.r.l." because:

- the shareholder has no means or facilities for the execution of such activities, having no employees or other personnel capable of providing support for the activities of the board of directors;
- that the shareholder does not prepare the budgets or business plans of Interpump Group S.p.A.;
- it does not issue any directives or instructions to its subsidiary, nor does it require to be informed beforehand or to approve either its most significant transactions or its routine administration;
- there are no formal or informal committees or work groups in existence, formed of representatives of Gruppo IPG Holding and representatives of the subsidiary.

At the date of this report no changes had occurred in relation to conditions stated above.

Interpump Group S.p.A. belongs to a domestic tax group together with Teknova S.r.l. and Interpump Hydraulics S.p.A. In addition, Interpump Hydraulics International S.p.A., HS Penta S.p.A., Contarini Leopoldo S.r.l. and Oleodinamica Panni S.r.l. are members of another domestic tax group, while IMM S.p.A. and Hypress S.r.l. belong to a third.

Pursuant to the terms of art. 3 of Consob Resolution no. 18079 of 20 January 2012, Interpump Group S.p.A. chose to adhere to the opt-out regime provided for by art. 70, par. 8, and art. 71, par. 1-bis, of Consob Reg. no. 11971/99 (as amended), thus making use of the faculty of derogation from the obligation to publish the informative documents prescribed at the time of significant operations of mergers, break-ups, capital increases by means of the conferment of assets in kind, acquisitions and divestments.

Sant'Ilario d'Enza (RE), 19 March 2015

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

Consolidated Financial Statements at 31/12/2014

Interpump Group S.p.A. and subsidiaries

Consolidated statement of financial position

(€/000)	*Notes*	*31/12/2014*	*31/12/2013*
ASSETS			
Current assets			
Cash and cash equivalents	7	87,159	105,312
Trade receivables	8, 31	135,634	113,726
Inventories	9	182,463	145,994
Tax receivables		10,477	6,029
Derivative financial instruments	10, 31	-	42
Other current assets	12, 31	6,855	5,582
Total current assets		**422,588**	**376,685**
Non-current assets			
Property, plant and equipment	13	209,073	150,668
Goodwill	14	279,373	234,792
Other intangible assets	15	24,649	23,755
Other financial assets	16, 31	994	2,072
Tax receivables		2,456	3,071
Deferred tax assets	17	22,035	19,525
Other non-current assets		1,380	565
Total non-current assets		**539,960**	**434,448**
Assets held for sale	11	615	-
Total assets		***963,163***	***811,133***

(€/000)	*Notes*	*31/12/2014*	*31/12/2013*
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	8, 31	80,273	69,985
Payables to banks	18, 31	27,770	20,932
Interest-bearing financial payables (current portion)	18, 31	64,298	61,371
Derivative financial instruments	10, 31	169	279
Tax payables		11,665	5,723
Other current liabilities	19, 31	38,123	45,524
Provisions for risks and charges	20	4,162	3,972
Total current liabilities		**226,460**	**207,786**
Non-current liabilities			
Interest-bearing financial payables	18, 31	147,060	111,693
Liabilities for employee benefits	21	14,940	11,942
Deferred tax liabilities	17	33,436	26,458
Other non-current liabilities		72,605	18,774
Provisions for risks and charges	20	1,949	1,531
Total non-current liabilities		**269,990**	**170,398**
Liabilities held for sale	11	163	**-**
Total liabilities		**496,613**	**378,184**
SHAREHOLDERS' EQUITY			
Share capital	22	53,871	55,003
Legal reserve	23	11,323	11,323
Share premium reserve	23	101,237	125,039
Reserve for valuation of hedging derivatives at fair value	23	(19)	(27)
Reserve for restatement of defined benefit plans		(5,273)	(3,396)
Translation reserve	23	3,809	(19,084)
Other reserves	23	295,747	257,828
Group shareholders' equity		**460,695**	**426,686**
Minority interests	24	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	26	(426,585)	(353,753)
Gross industrial margin		**245,414**	**202,760**
Other net revenues	25	12,563	8,765
Distribution costs	26	(68,074)	(58,107)
General and administrative expenses	26, 27	(80,517)	(70,441)
Other operating costs	26	(5,019)	(3,643)
Ordinary profit before financial charges		**104,367**	**79,334**
Financial income	28	8,144	4,941
Financial expenses	28	(19,504)	(12,865)
Adjustment of the value of investments carried at equity		102	(338)
Profit for the year before taxes		**93,109**	**71,072**
Income taxes	29	(35,367)	(26,985)
Consolidated net profit for the year		**57,742**	**44,087**
Due to:			
Parent company's shareholders		56,936	43,201
Subsidiaries' minority shareholders		806	886
Consolidated profit for the year		**57,742**	**44,087**
Basic earnings per share	30	0.541	0.413
Diluted earnings per share	30	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 derivative financial instruments 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 year	50	495
Total	*50*	*495*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments 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 year	-	-
Total	*(41)*	*(77)*
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*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 year, 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 year, 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**

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, loss and reinstatement of assets	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 provisions and provisions 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	(5,503)	(7,232)
(Increase) decrease in inventories	(14,145)	(3,112)
Increase (decrease) in trade payables and other current liabilities	(4,107)	8,677
Interest paid	(5,823)	(5,697)
Currency exchange gains realized	1,185	(50)
Taxes paid	(29,911)	(26,522)
Net cash from operating activities	**72,058**	**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 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 realization of financial investments in insurance policies	-	919
Received financial income	637	1,502
Other	883	(189)
Net liquidity used in investing activities	**(79,531)**	**(65,274)**

(€/000)	*2014*	*2013*
Cash flows of financing activity		
Disbursal (repayment) of loans	28,325	(17,043)
Dividends paid	(18,166)	(18,524)
Outlays for purchase of treasury stock	(38,299)	(21,441)
Transfer of treasury stock for the acquisition of equity investments	7,026	30,132
Proceeds from the sale of treasury stock to beneficiaries of stock options	4,626	11,995
Repayment (disbursal) of loans by/to non-consolidated subsidiaries	21	(41)
Change in other financial assets	1,017	-
Disbursal (repayment) of loans from (to) shareholders	(248)	(172)
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)**
Opening cash and cash equivalents of companies consolidated line by line for the first time	41	231
Exchange differences from the translation of cash of companies in areas outside the EU	2,445	(1,050)
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**

For reconciliation of cash on hand refer to note 33.

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
Transfer 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)	-	(35,970)	-	-	-	(343)	(38,299)	-	(38,299)
Sale of treasury stock to the beneficiaries of stock options	482	-	4,144	-	-	-	-	4,626	-	4,626
Transfer 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*	*101,237*	*(19)*	*(5,273)*	*3,809*	*295,747*	*460,695*	*5,855*	*466,550*

Notes to the annual financial report

1. 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.

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.

The annual report at 31 December 2014, prepared on a going concern basis, was approved at the meeting of the Board of Directors held on 19 March 2015 (today).

2. Scope of the consolidation

The 2014 consolidation basis includes the Parent Company and the following subsidiaries consolidated on a line-by-line basis (with the information required on the basis of DEM/6064293 of 28/07/2006):

		31/12/2014			
		Share capital	*Shareholders' Equity*	*Profit 2014*	*Percent stake*
Company	*Head office*	*€/000*	*€/000*	*€/000*	*at 31/12/14*
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	2,632	99,643	7,985	100.00%
Muncie Power Prod. Inc. (1)	Muncie (USA)	784	52,290	11,176	100.00%
American Mobile Power Inc. (5)	Fairmount (USA)	3,410	7,941	1,390	80.00%
Hammelmann GmbH	Oelde (Germany)	25	103,841	14,923	100.00%
Hammelmann Corporation Inc. (2)	Miamisburg (USA)	39	10,706	2,087	100.00%
Hammelmann S. L. (2)	Zaragoza (Spain)	500	1,632	397	100.00%
Hammelmann Pumps Systems Co Ltd (2)	Tianjin (China)	871	4,447	795	90.00%
Hammelmann Australia Pty Ltd (2)	Melbourne (Australia)	472	5,574	561	100.00%
NLB Corporation	Detroit (USA)	12	75,361	5,109	100.00%
Interpump Engineering S.r.l.	Reggio Emilia	76	678	176	100.00%
General Pump Inc.	Minneapolis (USA)	1,854	16,629	3,555	100.00%
General Technology S.r.l.	Reggio Emilia	100	2,204	142	100.00%
SIT S.p.A.	S.Ilario d'Enza (RE)	105	1,042	(76)	65.00%
Interpump Hydraulics France S.a.r.l. (1)	Ennery (France)	76	1,627	217	99.77%
Hydroven S.r.l. (1)	Tezze sul Brenta (VI)	200	2,918	544	100.00%
AVI S.r.l. (1)	Varedo (MI)	10	1,670	219	100.00%
Interpump Hydraulics International S.p.A. (1)	Calderara di Reno (BO)	14,162	122,216	4,179	100.00%
HS Penta S.p.A (3)	Faenza (RA)	4,244	9,986	854	100.00%
HS Penta Africa Pty Ltd (10)	Johannesburg (South Africa)	-	869	342	80.00%
Oleodinamica Panni S.r.l. (3)	Tezze sul Brenta (VI)	2,000	20,348	4,057	100.00%
Contarini Leopoldo S.r.l. (3)	Lugo (RA)	47	6,915	1,341	100.00%
Unidro S.a.r.l. (4)	Barby (France)	8	2,807	379	90.00%
Copa Hydrosystem Odd (4)	Troyan (Bulgaria)	3	4,064	720	95.00%
Hydrocar Chile S.A. (1)	Santiago (Chile)	129	5,449	465	90.00%

Company	Head office	31/12/2014 Share capital €/000	Shareholders' Equity €/000	Profit 2014 €/000	Percent stake at 31/12/14
Hydrocontrol S.p.A. (1)	Castel S.Pietro Terme (BO)	1,350	27,471	3,244	84.00%
Hydrocontrol Inc. (7)	Minneapolis (USA)	763	608	610	97.00%
HC Hydraulics Technologies(P) Ltd (7)	Bangalore (India)	4,120	4,610	611	100.00%
Aperlai HK Ltd (7)	Hong Kong	77	69	3	100.00%
HTIL (8)	Hong Kong	98	1,871	255	85.00%
Guangzhou Bushi Hydraulic Technology Ltd (9)	Guangzhou (China)	3,720	7,263	1,207	100.00%
Galtech Canada (7)	Terrebonne (Canada)	76	951	327	100.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (1)	Wuxi (China)	2,095	9,999	1,498	65.00%
Interpump Hydraulics India Private Ltd (1)	Hosur (India)	682	7,957	650	100.00%
Interpump Hydraulics do Brasil Partecipacoes Ltda (1)	San Paolo (Brazil)	13,837	10,062	1	100.00%
Takarada Industria e Comercio Ltda (6)	Caxia do Sul (Brazil)	4,375	3,730	(87)	100.00%
IMM Hydraulics S.p.A. (1)	Atessa (CH)	520	21,854	3,973	60.00%
IMM Hydraulics Ltd (11)	Hallesowen (UK)	1	2,898	517	100.00%
Hypress Hydraulics GmbH (11)	Meinerzhagen (Germany)	52	1,806	140	100.00%
Hypress Africa PTY Ltd (11)	Boksburg (South Africa)	796	896	36	100.00%
Hypress France S.a.r.l (11)	Lyon (France)	3,616	668	(394)	100.00%
IMM Hydro Est (11)	Catcau Couj Napoca (Romania)	3,155	5,595	852	100.00%
Dynaflux S.r.l. (11)	Sori (GE)	40	118	(23)	51.00%
Hypress S.r.l.	Atessa (CH)	50	74	15	100.00%
Teknova S.r.l. (winding up)	Reggio Emilia	362	(13)	(14)	100.00%

The data given in this table concern financial statements prepared for the purpose of drafting the annual financial report in compliance with international financial reporting standards (IFRS) and they may differ from the statutory accounts prepared in compliance with local financial reporting standards.

(1) = controlled by Interpump Hydraulics S.p.A.
(2) = controlled by Hammelmann GmbH
(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 HS Penta S.p.A.
(11) = controlled by IMM Hydraulics S.p.A.
The other companies are controlled directly by Interpump Group S.p.A.

The IMM Hydraulics Group acquired on 8 January 2014 has been consolidated for the first time. The Hydrocontrol Group, which was acquired on 6 May 2013, has been consolidated for twelve months in 2014 and for eight months in 2013.

Despite their modest size and in consideration of their development plans for the coming years, HS Penta Africa PtY Ltd and Galtech Canada Inc. have also been consolidated on a line-by-line basis 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 the years ended 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. The minority shareholders of HS Penta Africa are required to sell their residual interests (20%) and HS Penta is obliged to purchase them, between September 2013 and September 2017, on the basis of the average results of the company in the last two financial statements for the years ended before the exercise of the option. In addition, IMM Hydraulics' minority shareholder is entitled to dispose of its holdings starting from the approval of the 2017 financial statements up to the 2025 financial statements on the basis of the average results of the company in the last two financial statements for periods closed before exercise of the option or the results of the prior year in relation to the occurrence of defined conditions.

In compliance with the requirements of IFRS 3, Hydrocontrol, American Mobile Power, HS Penta Africa and IMM Hydraulics have been consolidated in full, recording a payable representing the present value of the exercise price of the options determined with reference to a business plan. Any changes in the payable representing the present value of the exercise price that occur within 12 months of the date of acquisition, as a result of additional or better information, will be recorded as an adjustment of goodwill, while any changes after 12 months from the date of acquisition will be recognised in the income statement.

3. Accounting standards adopted

3.1 Reference accounting principles

The annual financial report at 31 December 2014 was drafted in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. "IFRS" also means the International Accounting Standards ("IAS") currently in force and all the interpretative documents issued by the IFRS Interpretation Committee, previously denominated International Financial Reporting Interpretations Committee ("IFRIC") and still earlier known as the Standing Interpretations Committee ("SIC").

The consolidated financial statements are drafted in thousands of euro. The financial statements are drafted according to the cost method, with the exception of financial instruments, which are measured at fair value.

Preparation of financial statements in compliance with IFRS (International Financial Reporting Standards) calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues. The final results may differ from the results obtained using estimates of this type. The captions of the financial statements that call for more subjective appraisal by the directors when preparing estimates and for which a change in the conditions underlying the assumptions utilized could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees, and liabilities for the acquisition of investments included under other liabilities.

The Group's income statement is prepared by functional areas (also called the "cost of sales" method), this form being considered more representative than presentation by type of expense, this information being specified in the notes to the annual financial report. The chosen form, in fact, complies with the internal reporting and business management methods. For a more comprehensive analysis of the Group's economic results we invite you to refer to the Board of Director's Report submitted together with the Annual financial report at 31/12/2014.

The cash flow statement was prepared with the indirect method.

3.1.1 Accounting principles, amendments and interpretations in force as from 1st January 2014

As from 2014 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB and approved by the competent bodies of the European Union:

- *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.

3.1.2 Accounting principles, amendments and interpretations 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 their fair value through profit or loss, rather than to consolidate 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.

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

- *IFRS 9 – Financial instruments.* The IASB published this standard on 12 November 2009. It was then repeatedly amended, first on 28 October 2010, then in mid-December 2011 and finally on 24 July 2014. The new standard, which is applicable from 1 January 2018, constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities, and for the derecognition of 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 December 2012 IASB issued a series 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", which is an interim standard relating to the "Rate-regulated activities" project. IFRS 14 allows

exclusively first-time adopters of IFRS to continue recognizing amounts associated with rate regulation in compliance with the accounting policies previously adopted. In order to improve comparability with entities that already apply IFRS 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.

3.2 Consolidation principles

(i) Subsidiaries

Companies are defined as subsidiaries when the parent company has the direct or indirect power to direct their management in such a way as to obtain benefits from the exercise of said activity. The definition of control takes account also of potential voting rights which are currently freely exercisable or convertible. Said potential voting rights are not considered for the purposes of the consolidation process at the time of attribution to minority interests of the economic result and the portion of shareholders' equity pertaining to them. The financial statements of several subsidiaries were not consolidated in consideration of their limited significance; these investments are carried in accordance with the principles illustrated in note 3.10.

The financial statements of subsidiaries are consolidated starting from the date on which the Group acquires control, and deconsolidated from the date on which control is relinquished.

Acquisitions of stakes in subsidiary companies are recorded in accordance with the purchase account method. The acquisition cost corresponds to the current value of the acquired assets, shares issued, or liabilities assumed at the date of acquisition. Ancillary expenses associated with the acquisition are generally recognized in the income statement when they are incurred. The excess of the acquisition cost with respect to the amount of pertinence to the Group of the current value of the net assets acquired is recognized under balance sheet assets as goodwill. Any negative goodwill is recorded in the income statement at the date of acquisition. After the Group has obtained control of an entity, the subsequent acquisition of stakes in said entity that result in a surplus acquisition cost with respect to the amount attributable to the Group are recognized as equity transactions.

For the purposes of consolidation of subsidiaries, the method of global integration is adopted, i.e. assuming the entire amount of equity assets and liabilities and all the costs and revenues irrespective of the percentage of control. The accounting value of consolidated equity investments is therefore eliminated against the related interest in their shareholders' equity. The portions of shareholders' equity and profits of minority interests are shown respectively in a specific caption under shareholders' equity and on a separate line of the consolidated income statement. When the losses ascribable to minority shareholders in a consolidated subsidiary exceed the minority interests, the excess and all further losses attributable to minority shareholders are ascribed to the Parent Company's shareholders, with the exception of the part for which the minority shareholders have a binding obligation to cover the loss with additional expenditure and are capable of doing so. If the subsidiary subsequently makes a profit, such profits are attributable to the Parent Company shareholders up to the amount of the losses of the minority shareholders that were previously covered.

(ii) Associated companies
Associated companies are companies in which the Group exerts a significant influence without exerting control over their management. The consolidated financial statements include the portion of profits and losses of associated companies in relation to the interest held, evaluated with the net equity method on the date on which the significant influence on the management arose until the date of cessation of said influence. As per the above situation applicable to subsidiary companies, the acquisition of stakes in associated companies is also recognized on the basis of the purchase account method; in this case, any excess of acquisition cost with respect to the portion of pertinence to the Group of the current value of the net assets acquired is incorporated in the value of the investment.

(iii) Investments in other companies
Investments in other companies constituting financial assets held for sale are measured at their fair value, if this can be established, and the gains and losses deriving from the change in fair value are recognized directly in equity until investments are divested or have suffered a value impairment; at that time, the overall gains or losses previously recognized in equity are recognized in the income statement for the year. Investments in other companies for which the fair value is not available are recorded at cost after deducting any impairment losses.

(iv) Transactions eliminated in the consolidation process
Intra-group balances and gains and losses arising from intra-group transactions are omitted in the consolidated financial statements. Intra-group gains deriving from transactions with associated companies are omitted in the valuation of the investment with the net equity method. Intra-group losses are only omitted in the presence of evidence that they have not been incurred in relation to third parties.

3.3 Business sector information

The business sectors in which the Group operates are determined on the basis of the reporting utilized by Group top management to make decisions, and they have been identified as the Water Jetting Sector, which basically includes high and very-high pressure pumps and very high pressure systems, and the Hydraulic Sector, which includes power take-offs, hydraulic cylinders, directional controls and hydraulic valves, hydraulic hoses and fittings, and other hydraulic components. With the aim of providing more comprehensive disclosure, information is provided for the geographical areas in which the Group operates, namely Italy, the Rest of Europe (including non-EU European countries), North America, the Far East and Oceania, and the Rest of the World.

3.4 Treatment of foreign currency transactions

(i) Foreign currency transactions
The functional and presentation currency adopted by the Interpump Group is the euro. Foreign exchange transactions are translated into euro on the basis of the exchange rates in force on the date that the related transactions were carried out. Monetary assets and liabilities are translated at the exchange rate in force on the balance sheet reference date. Foreign exchange differences arising from the translation are recognized in the income statement. Non-monetary assets and liabilities valued at historic cost are translated at the exchange rates in force on the date of the related transactions. Monetary assets and liabilities stated at fair value are translated into euro at the exchange rate in force on the date in respect of which the relative fair value was determined.

(ii) Translation to euro of financial statements in foreign currencies
Assets and liabilities of companies residing in countries other than EU countries, including adjustments deriving from the consolidation process relative to goodwill and adjustments to fair value generated by the acquisition of a foreign company outside the EU, are translated at the exchange rates in force on the reporting date. Revenues and costs of the same companies are translated at the average exchange rate in force in the year, which approximates the exchange rates in force on the dates on which the individual transactions were carried out. Foreign exchange differences arising from translation are allocated to a specific equity reserve designated Translation Reserve. At the time of disposal of a foreign economic entity, accumulated exchange differences reported in the Translation Reserve will be recognized in the income statement.

The exchange rates used for the translation to euro of the amounts booked to the income statements and balance sheets of companies with functional currency other than the euro are as follows:

	2014 averages	At 31 December 2014	2013 averages	At 31 December 2013
US Dollar	1.329	1.214	1.328	1.379
Australian Dollar	1.472	1.483	1.378	1.542
UK Pound	0.806	0.779	-	-
Brazilian Real	3.121	3.221	2.869	3.258
Indian Rupee	81.041	76.719	77.930	85.366
Chilean Pesos	756.933	737.297	658.324	724.769
Chinese Yuan	8.186	7.536	8.165	8.349
Canadian Dollar	1.466	1.406	-	-
Romanian Leu	4.444	4.483	-	-
South African Rand	14.404	14.035	-	-
Hong Kong Dollar	10.302	9.417	10.302	10.693

3.5 Non-current assets held for sale and discontinued operations

Non-current assets held for sale and any assets and liabilities pertaining to lines of business destined for sale are valued at the lower of their book value at the time these items were classified as held for sale, and their fair value, net of the costs of sale. Any impairments recorded in application of said principle are recorded in the income statement, both in the event of write-downs for adaptation to the fair value and also in the case of profits and losses deriving from future changes of the fair value.

Company complexes which represent a large portion of the Group's assets are classified as discontinued operations at the time of their disposal or when they fit the description of assets held for sale, if said requirements existed previously.

3.6 Property, plant and equipment

(i) Owned assets
Property, plant and equipment are measured at their historic cost and reported net of accumulated depreciation (see next point *iv*) and impairment losses (see heading 3.9). The cost of goods produced internally includes the cost of raw materials, directly related labor costs, and a portion of indirect production costs. The cost of assets, whether purchased externally or produced internally, includes the ancillary costs that are directly attributable and necessary for use of the asset and, when they are significant and in the presence of contractual obligations, the current value of the cost estimated for the dismantling and removal of the related assets.

Financial charges relative to loans utilized for the purchase of tangible fixed assets are recorded in the income statement on an accruals basis if they are not specifically allocated to the purchase or construction of the asset, otherwise they are capitalized.

Assets held for sale are valued at the lower of the fair value net of ancillary sales charges and their book value.

(ii) Assets held through financial leasing
Assets held through financial leasing agreements, for which the Group has assumed practically all the risks and benefits associated with membership, are recognized as Group assets. These assets are valued at the lower of the fair value and the discounted value of the

leasing installments at the time of signing of the agreement, net of accumulated depreciation (see following point *iv*) and the impairment value (see section 3.9). The corresponding liability in relation to the lessor is recorded in the financial statements under financial debts, reduced on the basis of the plan for repayment of the principal amounts. Financial leasing installments are booked in accordance with the method outlined in section 3.22.

(iii) Subsequent costs
The replacement costs of certain parts of assets are capitalized when it is expected that said costs will result in future economic benefits and they can be measured in a reliable manner. All other costs, including maintenance and repair costs, are ascribed to the income statement when they arise.

(iv) Depreciation
Depreciation is charged to the income statement on a straight-line basis in relation to the estimated residual useful life of the associated asset. Land is not depreciated. The estimated useful life of assets is as follows:

- Property	20-25 years
- Plant and machinery	12.5 years
- Industrial and commercial equipment	3-6 years
- Other assets	3-8 years

The estimated useful life of the assets is reviewed on an annual basis, and any changes in the rates of depreciation are applied where necessary for future depreciation charges.

For assets purchased and/or that became operational in the year, depreciation is calculated utilizing annual rates reduced by 50%. Historically this method was represented by the effective utilization of said assets.

3.7 Goodwill

For acquisitions made after 1 January 2004, goodwill represents the excess amount of the purchase cost with respect to the Group portion of the fair value of current and potential assets and liabilities at the date of purchase.

Goodwill is recorded at cost, net of impairment losses.

Goodwill is allocated to the cash generating units of the financial flows and is no longer amortized as from 1 January 2004 (date of transition to IFRS). The book value is measured in order to assess the absence of impairment (see section 3.9). Goodwill related to non-consolidated subsidiaries and associates is included in the value of the investment.

Any negative goodwill originating from acquisitions is entered directly in the income statement.

3.8 Other intangible assets

(i) Research and development costs
Research costs for the acquisition of new technical know-how are ascribed to the income statement when they arise.

Development costs relating to the creation of new products/accessories or new production processes are capitalized if the Group's companies can prove:

- the technical feasibility and intention of completing the intangible asset in such a way that it is available for use or for sale;

- their ability to use or sell the asset;
- the forecast volumes and realization values indicate that the costs incurred for development activities will generate future economic benefits;
- said costs are measurable in a reliable manner;
- and the resources exist to complete the development project.

The capitalized cost includes the cost of raw materials, directly related labor costs and a portion of indirect costs. Capitalized development costs are valued at cost, net of accumulated amortization, (see next point *v*) and impairment (see section 3.9). Other development costs are ascribed to the income statement when they arise.

(ii) Loan ancillary costs
Loan ancillary costs are treated as outlined in section 3.16. Ancillary costs relating to loans still to be paid out are recorded as current assets and deducted from the loan amounts after payment has been received.

(iii) Other intangible assets
Other intangible assets, all having a defined useful life, are valued at cost and recorded net of accumulated amortization (see next point *v*) and impairment (see section 3.9).

Trademarks and patents, which constitute almost the entirety of this caption, are amortized as follows: the Hammelmann trademark and NLB trademark and patents and the American Mobile trademark are amortized over 15 years, this period being considered representative of the expected useful life, in consideration of their positions as world leaders in their respective markets. In contrast, the trademarks of companies in the Cylinders Division and the Hydrocontrol trademark are amortized over 7 years due to the different competitive force in this market. The IMM trademark is amortized over 5 years in view of the specific characteristics of the market for hoses and fittings.

Software licenses are amortized over their period of utilization (3-5 years).

The costs incurred internally for the creation of trademarks or goodwill are recognized in the income statement when they are incurred.

(iv) Subsequent costs
Costs incurred subsequently relative to intangible fixed assets are capitalized only if they increase the future economic benefits of the specific capitalized asset, otherwise they are entered in the income statement when they are sustained.

(v) Amortization/depreciation
Amortization amounts are recorded in the income statement on a straight-line basis in accordance with the estimated useful life of the capitalized assets to which they refer. The estimated useful life of assets is as follows:

- Patents and trade marks	5-15 years
- Development costs	5 years
- Granting of software and other licenses	3-5 years

The useful life is reviewed on an annual basis and any changes in the rates are made, where necessary, for future amounts.

3.9 *Impairment* of assets

The book values of assets, with the exception of inventories (see section 3.14), financial assets regulated by IAS 39, deferred tax assets (see section 3.18), and non-current assets held for sale regulated by IFRS 5, are subject to measurement at the balance sheet reference date in order to identify the existence of possible indicators of impairment. If the valuation process identifies the presence of such indicators, the estimated recoverable value of the asset is calculated using the methods indicated in the following point (*i*).

The estimated recoverable value of goodwill and intangible assets that have not yet been used is estimated at intervals of no longer than once a year or more frequently if specific events occur that point to the possible existence of impairment.

If the estimated recoverable value of the asset or its cash generating unit is lower than its net book value, the asset to which it refers is consequently adjusted for impairment loss with entry into the income statement.

Adjustments for impairment losses made in relation to the cash generating units are allocated initially to goodwill, and, for the remainder, to other assets on a proportional basis.

Goodwill is tested for impairment on a yearly basis even if there are no indicators of potential impairment.

(i) Calculation of presumed impairment loss
The presumed recovery value of securities held to maturity and financial receivables recorded with the criterion of the amortized cost is equivalent to the discounted value of estimated future cash flows; the discounted rate is equivalent to the interest rate envisaged at the time of issue of the security or the emergence of the receivable. Short-term receivables are not discounted to current value.

The presumed recovery value of other assets is equal to the higher of their net sale price and their value in use. The value in use is equivalent to the projected future cash flows, discounted to present value at a rate, including tax, that takes account of the market value, of interest rates and specific risks of the asset to which the presumed realization value refers. For assets that do not give rise to independent cash flows the presumed realization value is determined with reference to the cash generating unit to which the asset belongs.

(ii) Reinstatement of impairment losses
An impairment relative to securities held to maturity and financial assets recorded with the criterion of the amortized cost is reinstated when the subsequent increase in the presumed recovery value can be objectively related to an event that occurred in a period following the period in which the impairment loss was recorded.

An impairment relative to other assets is reinstated if a change has occurred in the estimate used to determine the presumed recovery value.

Impairment is reinstated to the extent of the corresponding book value that would have been determined, net of depreciation/amortization, if no impairment loss had ever been recognized.

Impairment relative to goodwill can never be reinstated.

3.10 Investments

Investments in associated companies are valued with the net equity method as specified by IAS 28.

Investments in other companies are classified among financial instruments available for sale in accordance with the requirements of IAS 39, even if the Group has not manifested any intention of divesting the relative holdings.

Investments in other companies, including investments in subsidiaries, which, because of their negligible significance have not been consolidated, are entered at their fair value.

Should any impairment of value arise at the balance sheet reference date in comparison to the value determined according to the above method, the investment in question will be written down.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits, and securities having original maturity date of less than three months. Current account overdrafts and advances with recourse are deducted from cash only for the purposes of the cash-flow statement.

3.12 Current financial assets, Receivables and Other current assets

Current financial assets, trade receivables and other current assets (excluding derivative financial instruments) are recorded, at the time of their initial entry, on the basis of the purchase cost inclusive of ancillary costs (fair value for the initial entry).

Subsequently, available for sale financial assets are assessed at their fair value (market value). Gains or losses deriving from the valuation are recognized in equity up to the moment in which the financial asset is sold, at which time the gains or losses are recorded in the income statement. If the market value of the financial assets cannot be reliably determined, they are entered at their purchase cost.

Accounts receivable, with due date within normal commercial terms or that accrue interest at market rates, are not discounted to current value and are entered at amortized cost net of a bad debt provision booked as a direct deduction from the receivables in question to bring the valuation to the presumed realizable value (see section 3.9). Accounts receivable with due dates beyond normal commercial terms are initially entered at their fair value and subsequently at the amortized cost using the method of the effective interest rate, net of the relative value impairments.

3.13 Derivative financial instruments

It is Group policy to avoid subscribing speculative derivative financial instruments, although, when derivative financial instruments fail to meet the requirements set down for the accounting of hedging derivatives (hedge accounting) in IAS 39, changes to the fair value of such instruments are booked to the income statement as financial charges and/or income.

Derivative financial instruments are brought to account using hedge accounting methods when:

- formal designation and documentation of the hedge relation is present at the start of the hedge;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured and the hedge is highly effective during the periods of designation.

The methods used to recognize derivative financial instruments depend on whether or not the conditions and requirements of IAS 39 are fulfilled. Specifically:

(i) Cash flow hedges
In the case of a derivative financial instrument for which formal documentation is provided of the hedging relation of the variations in cash flows originating from an asset or liability of a

future transaction (underlying hedged variable), considered to be highly probable and that could impact on the income statement, the effective hedge portion deriving from the adaptation of the derivative financial instrument to fair value is recognized directly in equity. When the underlying hedged item is delivered or settled, the relative provision is derecognized from equity and attributed at the recording value of the underlying element. The ineffective portion, if present, of the change in value of the hedging instrument is immediately ascribed to the income statement under financial expenses and/or income.

When a hedging financial instrument expires, is sold, terminated, or exercised, or the company changes the relationship with the underlying variable, and the forecast transaction has not yet occurred although it is still considered likely, the relative gains or losses deriving from adjustment of the financial instrument to fair value are still retained in equity and are recognized in the income statement when the transaction takes place in accordance with the situation described above. If the forecast transaction related to the underlying risk is no longer expected to occur, the relative gains or losses of the derivative contract, originally deferred in equity, must be taken to the income statement immediately.

(ii) Hedges of monetary assets and liabilities (Fair value hedges)
When a derivative financial instrument is used to hedge changes in value of a monetary asset or liability already recorded in the financial statements that can impact on the income statement, the gains and losses relative to the changes in the fair value of the derivative instrument are taken to the income statement immediately. Likewise, the gains and losses relative to the hedged item modify the book value of said item and are recognized in the income statement.

3.14 Inventories

Inventories are valued at the lower of purchase cost and the presumed realization value. The cost is determined with the criterion of the average weighted cost and it includes all the costs incurred to purchase the materials and transform them at the conditions in force on the date of the balance sheet. The cost of semi-finished goods and finished products includes a portion of indirect costs determined on the basis of normal production capacity. Write down provisions are calculated for materials, semi-finished goods and finished products considered to be obsolete or slow moving, taking account of their expected future usefulness and their realization value. The net realization value is estimated taking account of the market price during the course of normal business activities, from which the costs of completion and costs of sale are subsequently deducted.

3.15 Share capital and Treasury stock

In the case of purchase of treasury stock, the price paid, inclusive of any directly attributable ancillary costs, is deducted from share capital for the portion concerning the nominal value of shares and from shareholders' equity for the surplus portion. When said treasury shares are resold or reissued, the price collected, net of any directly attributable ancillary charges and the relative tax effect, is recorded as share capital for the portion concerning the nominal value of shares and as shareholders' equity for the surplus.

3.16 Interest-bearing financial payables

Interest-bearing financial payables are initially recorded at their fair value, net of ancillary charges. After the original entry, interest-bearing financial payables are valued with the amortized cost criterion; the difference between the resulting value and the discharge value is entered in the income statement during the term of the loan on the basis of the amortization plan.

3.17 Liabilities for employee benefits

(i) Defined contribution plans
The Group participates in defined pension plans with public administration or private plans on a compulsory, contractual, or voluntary basis. The payment of contributions fulfills the Group's obligations towards its employees. The contributions therefore constitute costs of the period in which they are due.

(ii) Defined benefit plans

Defined benefits for employees disbursed on termination of their employment with the Group or thereafter, and which include severance indemnity of Italian companies, are calculated separately for each plan, using actuarial techniques to estimate the amount employees have accrued in the year and in previous years. The resulting benefit is discounted to present value and recorded net of the fair value of any relative assets. The discount rate at the balance sheet reference date is calculated as required by IAS 19 with reference to the market yield of high quality corporate bonds. Exclusively the securities released by corporate issuers included in rating class "AA" are considered, in the assumption that this class identifies a high rating level in the framework of a group of "Investment Grade" securities and thereby excluding higher risk securities. Considering that IAS 19 makes no explicit reference to a specific product sector, we opted for a composite market curve that summarizes the market conditions existing at the date of valuation of the securities issued by companies operating in various sectors including utilities, telecommunications, finance, banking and industrial. The 2014 market rates curve showed a reduction compared to that of 2013 as a consequence of the improvement in macro-economic conditions. The calculation is performed on an annual basis by an independent actuary using the projected unit credit method.

In the event increases in the benefits of the plan, the portion of the increase pertaining to the previous period of employment is entered in the income statement on a straight line basis in the period in which the relative rights will be acquired. If the rights are acquired immediately, the increase is immediately recorded in the income statement.

Actuarial profits and losses are recognized in a specific equity reserve on an accrual basis.

Until 31 December 2006 the severance indemnity provision (TFR) of Italian companies was considered to be a defined benefits plan. The rules governing the provision were amended by Law no. 296 of 27 December 2006 (“2007 Finance Act”) and by subsequent Decrees and Regulations enacted in the initial months of 2007. In the light of these changes, and in particular with reference to companies with at least 50 employees, the TFR severance indemnity should now be classified as a defined benefits plan exclusively for the portions accrued prior to 1 January 2007 (and not yet paid out at the date of the financial statements), while after that date TFR should be considered as a defined contributions plan.

(iii) Stock options
On the basis of the stock option plan currently in existence, certain employees and directors are entitled to purchase the treasury shares of Interpump Group S.p.A. The options are measured at their fair value, which is entered in the income statement and increased by the cost of personnel and directors with a matching entry in the share premium reserve. The fair value is measured at the grant date of the option and recorded in the income statement in the period that runs between said date and the date on which the options become exercisable

(vesting period). The fair value of the option is determined using the applicable options measurement method (specifically, the binomial lattice model), taking account the terms and conditions at which the options were granted.

3.18 Income taxes

Income taxes disclosed in the income statement include current and deferred taxes. Income taxes are generally disclosed in the income statement, except when they refer to types of items that are recorded directly under shareholders' equity. In this case, the income taxes are also recognized directly in equity.

Current taxes are taxes that are expected to be due, calculated by applying to the taxable income the tax rate in force at the balance sheet reference date and the adjustments to taxes of prior years.

Deferred taxes are calculated using the liability method on the timing differences between the amount of assets and liabilities in the consolidated financial statements and the corresponding values recognized for tax purposes. Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of the balance sheet for the following year.

Deferred tax assets are recognized exclusively in the event that it is probable that in future years sufficient taxable incomes will be generated for the realization of said deferred taxes.

3.19 Provisions for risks and charges

In cases where the Group has a legal or substantial obligation resulting from a past event, and when it is probable that the loss of economic benefits must be sustained in order to fulfill such an obligation, a specific provision for risks and charges is created. If the temporal factor of the envisaged loss of benefits is significant, the amount of the future cash outflows is discounted to present values at a rate, gross of taxes, that takes account of the market interest rates and the specific risk of the liability referred to.

(i) Product warranty provision
Liabilities for warranty repairs are allocated to the specific product warranty provision at the time of sale of the products. The provision is determined on the basis of historic data describing the cost of warranty repairs.

(ii) Restructuring provision
A restructuring provision is formed exclusively in the event that the Group has approved a formal and detailed restructuring plan and has started to implement it or has published it before the balance sheet reference date. In other cases, the future costs are not set aside.

(iii) Onerous contracts
When the forecast future benefits of a contract are less than the non-eliminable costs relative to it, a specific provision is created equivalent to the difference.

3.20 Current financial payables, Trade payables and Other debts

Trade payables and other debts, the relative due date of which is within normal commercial terms, are not discounted to present value and are entered at the amortized cost representative of their discharge value.

Current financial liabilities include the short term portions of financial debts, inclusive of debts for cash advances and other financial liabilities. Financial liabilities are measured at their amortized cost according to the effective interest method.

Financial assets hedged by derivative financial instruments taken out to hedge the interest rate risk are valued at their current value in accordance with the methods specified for hedge accounting.

3.21 Revenues

(i) Revenues from the sale of goods and services
Revenues from the sale of goods are entered in the income statement when the risks and benefits connected to the ownership of the goods are substantially transferred to the purchaser. Revenues for services rendered are recognized in the income statement on the basis of the percentage of completion at the balance sheet reference date.

(ii) State grants
State grants are recorded as deferred revenue under other liabilities at the time in which there exists a reasonable certainty that they will be disbursed and in which the Group has fulfilled all the necessary conditions to obtain them. Grants received against costs sustained are recorded in the income statement systematically in the same periods in which the relative costs are incurred.

3.22 Costs

(i) Rental and leasing installments
Rental and operating leasing installments are recorded in the income statement on an accrual basis.

(ii) Financial leasing installments
Financial leasing installments are entered, in the amount of the capital portion, in reduction of the financial debt, while the interest portion is entered in the income statement.

(iii) Financial income and charges
Financial revenues and charges are recorded on an accrual basis in accordance with the interest matured on the net value of the relative financial assets and liabilities, using the effective interest rate. Financial charges and income include currency exchange gains and losses and gains and losses on derivative instruments to be charged to the income statement (see section 3.13).

4. Financial risk management

The business of the Group is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk, liquidity risk, price risk and cash flow risk. The risk management programme is based on the unpredictability of financial markets and it aims to minimize any negative impact on the group's financial performance. Interpump Group utilizes derivative financial instruments to hedge exchange and interest rate risks. The Group does not take out derivative financial instruments with speculative aims, in compliance with the rulings established by the procedure approved by the Board of Directors. Based on this procedure, financial risk hedging is managed by a central department in the parent company in cooperation with individual operating units.

(a) Market risks

(i) Exchange rate risk

The Group does business internationally and is exposed to exchange rate risk originating from business conducted in US dollars and Australian dollars. The exchange rate risks are generated in relation to forecasts of future commercial transactions and the recognition of assets and liabilities.

To manage exchange rate risk generated by forecasts of future commercial transactions stated in a currency other than the Group's functional currency (euro), group companies use plain vanilla forward contracts or purchase options, as advised by the Finance Committee. The counterparts of these contracts are primary international financial institutions with high ratings.

In particular, the Group's exposure to the US dollar principally relates to the sales made to its US subsidiaries and, to a lesser extent, to sales made to third parties. The exposure to the Australian dollar reflects the sales made to a subsidiary. Historically, Group policy has been to hedge these exposures on a systematic basis. Commencing from 2013, Group strategy changed with the decision to hedge solely if the exchange rates are deemed to be favorable, based on a matrix of values established beforehand by top management, thus ensuring maintenance of the favorable condition for a time period of between three and six months. Although the exchange rate reached and even exceeded the established values considered favorable during 2014, top management decided not to start hedging, except for isolated, individual transactions. This approach was adopted in order to benefit from the weakness of the euro, following the expansionary policy adopted by the ECB in order to tackle the risks of economic stagnation and even deflation in the Euro area.

The Group also has limited exposures in Chinese renminbi, Brazilian reals, Indian rupees and UK pounds as a result of commercial transactions between Group companies. The Group has decided not to hedge these exposures.

In relation to financial exposures, €2.9m was collected during 2014 against loans granted in currencies other than those utilized by the debtor companies. At 31 December 2014, €2.5m still remains to be collected against loans granted in currencies other than those utilized by the debtor companies. Once again in 2014, the Group decided not to hedge this exposure.

The Group is exposed to translation risk in relation to the net assets of its subsidiaries based outside the Eurozone. Considering the strategic importance of these subsidiaries, the assets of which are not expected to be realized in the short term, it was decided that hedge contracts were not necessary in this case.

(ii) *Interest rate risk*

Interest rate risk derives from medium/long-term loans granted at floating rates. Current Group policy is to monitor the gradient of the interest-rate curves, in order to assess possible hedging opportunities.

(b) ***Credit risk***
The Group does not have any significant credit concentrations. It is Group policy to sell to customers only after their credit potential has been checked and hence within predefined credit limits. Historically, the group has not incurred any major losses for bad debts.

(c) ***Liquidity risk***
Prudent management of liquidity risk involves the retention of an appropriate level of cash on hand and sufficient access to lines of credit. Because of the dynamic nature of the Group's business, which results in frequent targeted acquisitions, it is Group policy to have access to revolving lines of stand-by credit that can be utilized at short notice.

(d) ***Price and cash flow risk***
The group is subject to constant changes in metal prices, especially brass, aluminium, steel, stainless steel and cast iron. Group policy is to hedge this risk where possible by way of medium-term commitments with suppliers, or by means of stocking policies when prices are low, or by entering into agreements with customers to transfer the risk to them.

The Group invests a significant part of its available liquidity in restricted bank deposits and deposit accounts, in order to optimize financial management. The Group does not hold listed securities that would be subject to stock market fluctuations. Despite the high level of cash investment carried out by the Group, the revenues and cash flows of Group operating activities are only marginally influenced by changes in interest generating assets.

Further quantitative information on the financial risks to which the Group is exposed is given in Note 32 "Information on financial risks".

5. 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 provided about business sectors reflects the Group's internal reporting structure.

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

Sector information includes directly attributable costs and costs allocated on the basis of reasonable estimates. The holding costs, i.e. remuneration of directors, statutory auditors and functions of the Group's financial management, control and internal auditing, and also consultancy costs and other related costs, were booked to the sectors on the basis of sales.

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 hoses, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. On a marginal level, the Water Jetting Sector also includes operations of drawing, shearing and pressing sheet metal and the manufacture and sale of cleaning machinery.

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

Interpump Group business sector information
Cumulative at 31 December 2014 (twelve months)
(Amounts shown in €/000)

	Hydraulic		Water Jettingr		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)	10	(75)	-	-	-	-	102	(338)
Profit for the year before taxes	**38,730**	**19,053**	**62,854**	**57,493**	**25**	**26**	**(8,500)**	**(5,500)**	**93,109**	**71,072**
Income taxes	(17,345)	(9,818)	(17,894)	(17,032)	(128)	(135)	-	-	(35,367)	(26,985)
Consolidated profit for the year	**21,385**	**9,235**	**44,960**	**40,461**	**(103)**	**(109)**	**(8,500)**	**(5,500)**	**57,742**	**44,087**
Due to:										
Parent company's shareholders	20,632	8,376	44,907	40,434	(103)	(109)	(8,500)	(5,500)	56,936	43,201
Subsidiaries' minority shareholders	753	859	53	27	-	-	-	-	806	886
Consolidated profit for the year	**21,385**	**9,235**	**44,960**	**40,461**	**(103)**	**(109)**	**(8,500)**	**(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	3,250	2,387	-	-	-	-	5,891	5,475

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Other revenues		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	**522,500**	**396,460**	**452,719**	**379,298**	**1,739**	**1,722**	**(101,569)**	**(71,659)**	**875,389**	**705,821**
Assets held for sale	**615**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**615**	**-**
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**	**68,778**	**60,880**	**1,825**	**1,719**	**(101,569)**	**(71,659)**	**183,247**	**151,488**
Liabilities held for sale	**163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**163**	**-**
Subtotal of liabilities of the sector (B)	**214,376**	**160,548**	**68,778**	**60,880**	**1,825**	**1,719**	**(101,569)**	**(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**	**383,941**	**318,418**	**(86)**	**3**	**-**	**-**	**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	300,060	217,668	215,950	194,959	175	224	-	-	516,185	412,851

The Hydraulic Sector is compared as follows, like for like:

(amounts shown in €/000)	2014	2013
Net sales external to the Group	315,157	294,098
Sales between sectors	187	50
Total net sales	**315,344**	**294,148**
Cost of sales	(210,289)	(201,036)
Gross industrial margin	**105,055**	**93,112**
% on net sales	*33.3%*	*32.7%*
Other net revenues	8,004	5,851
Distribution costs	(29,538)	(29,622)
General and administrative expenses	(42,380)	(40,887)
Other operating costs	(1,520)	(3,266)
Ordinary profit before financial charges	**39,621**	**25,188**
% on net sales	*12.6%*	*8.6%*
Financial income	3,869	2,153
Financial expenses	(11,895)	(8,025)
Adjustment of the value of investments carried at equity	92	(263)
Profit for the year before taxes	**31,687**	**19,053**
Income taxes	(14,706)	(9,818)
Consolidated profit for the year	**16,981**	**9,235**
Due to:		
Parent company's shareholders	16,275	8,376
Subsidiaries' minority shareholders	706	859
Consolidated profit for the year	**16,981**	**9,235**

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

€/000	Hydraulic Sector		Water Jetting Sector		Other revenues Sector		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash flows from:								
Operating activities	43,369	26,398	28,543	36,924	146	293	72,058	63,615
Investing activities	(61,181)	(50,217)	(18,397)	(14,979)	47	(78)	(79,531)	(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).

Geographical sectors

The Group's sector-based operations are divided into five geographical areas, even though management is conducted on a global level.

A breakdown of sales by geographical area is provided below:

	2014 (€/000)	%	2013 (€/000)	%	Growth
Italy	91,778	14	77,769	14	+18.0%
Rest of Europe	224,263	33	166,819	30	+34.4%
North America	217,038	32	190,437	34	+14.0%
Far East and Oceania	61,862	9	51,640	9	+19.8%
Rest of the World	77,058	12	69,848	13	+10.3%
Total	671,999	100	556,513	100	+20.8%

Data by geographical sector on the basis of the location of non-concurrent assets other than financial assets and deferred tax assets are as follows:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Italy	324,445	250,458
Rest of Europe	96,229	82,363
North America	82,581	68,839
Far East and Oceania	4,450	4,149
Rest of the World	9,226	7,042
Total	516,931	412,851

The geographical areas operations are assigned to depends on the nationality of the company performing them. No companies have operations in more than one area.

6. Acquisition of investments

Hydrocontrol Group

The fair value of the assets and liabilities secured in 2013 with the acquisition of Hydrocontrol, which, as permitted by IFRS 3, were measured on a provisional basis at 31 December 2013, can be considered final at 31 December 2014, since the procedures for checking the parameters used to determine the final price have been completed and the counterparts have reached an agreement. Considering the advanced stage of the negotiations an adjustment was recorded at June 2014 in favour of Interpump in the amount of €1,336k, corresponding to the part of the adjustment agreed between the parties, which was offset against the residual debt for payment of the provisional price of €3,340k already booked to the 2013 financial statements. The continuation of discussions led to the final determination on 30 September of a further price adjustment in favor of Interpump Group of an additional €727k, this amount too being offset against the original residual debt for payment of the provisional price, which therefore amounted to €1,277k at the end of September 2014. Since the window allowed by IFRS 3 to amend the acquisition price allocation to the balance sheet captions ended on 30 June 2014, the additional price adjustment of €727k was recognized in the consolidated income statement as financial income.

IMM Hydraulics Group

The amounts are expressed in thousands of euro (the exchange rates adopted to translate the financial statements of the 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 trademark, 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 Q1 2014, a price adjustment has been made that confirmed the estimate made at that time. Moreover, following the investment made and a more thorough understanding of the potential of the hoses market, the business plan utilised to measure the put option in favor of the 40% shareholder has been adjusted. Accordingly, the value of the put option has been set at €47.8m, with allocation to goodwill of the difference compared to the first calculation, because the window that allowed changes to the purchase price allocation to be recognized in the balance sheet was open until 31 December 2014.

7. Cash and cash equivalents

	31/12/2014 (€/000)	31/12/2013 (€/000)
Cash flow	158	296
Repurchase agreements	505	560
Bank deposits	86,496	104,456
Total	87,159	105,312

Bank deposits include €/000 19,967 in US dollars ($/000 24,243), €/000 7,814 in Chinese renminbi (CNY/000 58,886), €/000 1,546 in Australian dollars (AUD/000 2,293), €/000 1,115 in Indian rupees (INR 85,586), €/000 838 in Brazilian reals (BRL/000 2,698), €/000 349 in South African rand (ZAR/000 4,899) and €/000 781 in other minor currencies.

At 31 December 2014, the total nominal value of bank deposits was €18.9 million at an average fixed rate of 1.26%.

Throughout 2014 the Group proceeded with its policy of optimization of finance management by investing surplus cash in bank deposits restricted for up to three months. The careful policy adopted by the Group during 2014 resulted in an average yield from the investment of liquidity of 0.7%. This was lower than the 1.1% achieved in 2013 due, in the main, to the lower returns offered by financial institutions.

8. Trade receivables

	31/12/2014 (€/000)	31/12/2013 (€/000)
Trade receivables, gross	141,719	118,399
Bad debt provision	(6,085)	(4,673)
Trade receivables, net	135,634	113,726

Changes in the bad debt provision were as follows:

	2014 (€/000)	*2013* (€/000)
Opening balances	4,673	3,889
Exchange rate difference	83	(55)
Change to consolidation basis	398	1,099
Provisions in the year	1,492	954
Decreases in the year due to surpluses	(1)	(132)
Drawdowns in the year	(560)	(1,082)
Closing balance	6,085	4,673

Provisions in the year are booked under other operating costs.

No trade receivables or payables are due after one year.

9. Inventories

	31/12/2014 (€/000)	31/12/2013 (€/000)
Raw materials and components	42,201	34,269
Semi-finished products	60,322	51,974
Finished products	79,940	59,751
Total inventories	182,463	145,994

Inventories are net of the depreciation provision that changed as indicated below:

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

10. Derivative financial instruments

Interest-rate hedges

The Group adopts a procedure, approved by the Board of Directors, which identifies the derivative financial instruments to be used to hedge against the risk of interest rate fluctuations. These instruments are as follows: *Interest Rate Swaps (IRS), Forward Rate Agreements (FRA) and options on interest rates (Caps & Floors).*

Current Group policy is to assess the opportunities offered by the market in relation to the possibility to arrange interest rate swaps on economically advantageous conditions. However, considering the limited average duration of medium/long-term loans, it was not deemed necessary to hedge interest-rate risks during 2014.

Hydrocontrol, which was acquired at the start of May 2013, had arranged six hedges in prior years for a total amount of €11.8m. The residual hedges outstanding at 31 December 2014 amount to €4.7m. The instruments arranged, Interest Rate Swaps (IRS) and Interest Rate Collars, have been recorded in the consolidated financial statements as macro hedges since they do not comply with all the requirements for hedging contracts set down in IAS 39.

The fair values of the derivatives hedging interest-rate risk at the end of the year are:

	31/12/2014 Notional (€/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional (€/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
Interest rate collars for hedging of loans	3,000	-	120	3,000	-	33
IRS hedges on loans	1,686	-	21	11,910	-	246
Total	4,686	-	141	14,910	-	279

The classification of the fair value of exchange risk hedge derivatives in accordance with the profit and loss method is as follows:

	31/12/2014 Notional (€/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional (€/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
Derivatives that do not comply with the conditions required by IAS 39 to qualify as hedges	4,686	-	141	14,910	-	279
Total derivative financial instruments hedging interest-rate risks	4,686	-	141	14,910	-	279

Exchange-rate hedges

The Group is principally exposed to:

- the US dollar for sales made in USD of:
  - high pressure pumps;
  - various hydraulic components;
  - very high pressure systems and pumps;
- the Australian dollar for sales of very high pressure systems and pumps made in AUD.

The hedges arranged in 2014 solely related to the sale of high pressure pumps to third parties and all took the form of plain vanilla forward contracts.

The fair values of the derivatives hedging exchange-rate risk at the close of the year were as follows:

	31/12/2014 Notional ($/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional ($/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
Plain vanilla forwards to hedge the sales of high pressure pumps	696	-	28	1,150	-	-
Plain vanilla forwards to hedge the sales of very high pressure systems and pumps	-	-	-	2,367	29	-
Total derivative financial instruments to hedge against the USD exchange rate risk	696	-	28	3,517	29	-

	31/12/2014 Notional (AUD/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional (AUD/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
Plain vanilla forwards to hedge the sales of very high pressure systems and pumps	-	-	-	300	13	-
Total derivative financial instruments to hedge AUD exchange rate risk	-	-	-	300	13	-

The plain vanilla forwards used to hedge exchange-rate risks were all recognised using the cash flow hedging method. At the time of preparing the financial statements no situations of over-hedging were identified.

Cash flow hedges

The net effects recognized in the income statement include €4k relating to management of the exchange-rate risk.

The Interpump Group exchange risk management policy involves the hedging of future sales and customer purchase orders when deemed appropriate. The maximum time span in which it is predicted that the cash flows will originate is 6 months. It is therefore reasonable to assume that the related hedge effect deferred to the fair value reserve will be recognized in the income statement in the following year.

During 2014 the Group released previously deferred profits from equity to the income statement totaling €10k, net of the theoretical tax effect. This amount was booked as an increase in net sales of €14k and as an adjustment to deferred taxation of €4k.

The ineffective element of cash flow hedging transactions in 2014 and 2013 was negligible.

Fair value hedges

The profits and losses deriving from the valuation of derivative financial instruments in compliance with the rules of fair value hedging and the profits and losses ascribable to the relative hedged elements are shown in the following table:

	2014 (€/000)	2013 (€/000)
Net profits (losses) on derivative instruments used to hedge against exchange risks	-	98
Change in the fair value of other underlying elements	-	(47)
Net profits (losses)	-	51

Fair values

The net profit recognized in the income statement from derivative instruments that do not comply with the parameters of IAS 39 amounted to €61k (€337k in 2013). This was mainly due to a reduction in the notionals and related solely to the management of rate risks.

The main methods and assumptions made in the estimation of fair value are outlined below.

Derivatives

The fair value of derivative financial instruments is calculated considering market parameters at the date of these financial statements and using 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 (last available trading day);
- the fair value of the interest rate swaps is calculated utilizing the discounted cash flow model: the input data used by this model comprises the interest rate curves at 31 December and the current interest rate fixings;
- the fair value of interest rate collars is calculated utilizing an option pricing model (Black & Scholes): the input data used by this model comprises the interest rate curves, the current interest rate fixings and the implied volatility surface calculated with reference to listed caps and floors at 31 December.

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

Investments in other companies

The fair value is essentially represented by the cost, written down if necessary to take account of any value impairments.

Interest-bearing financial payables

The fair value is based on the predicted cash flows for the principal amount and interest.

Financial leasing payables

The fair value is represented by the discounted value of future cash flows generated by the payment of installments; the interest rate utilized is the market rate for similar transactions.

Receivables/Payables

For receivables and payables due within twelve months the carrying value is assumed as the fair value. The fair value of other receivables and payables is the discounted nominal value if the temporal factor and notional value are significant.

Interest rates utilized to obtain the fair value

To establish the fair value, the Group utilities the interest rate curve at 31 December plus a suitable spread. The interest rates utilized are as follows:

	31/12/2014 %	31/12/2013 %
Derivative financial instruments (euro)	0,14/1,52	0,45/2,75
Derivative financial instruments (USD)	0,08/2,71	0,08/3,94
Derivative financial instruments (AUD)	-	2,55/5,04
Interest bearing financial payables in euro	Euribor+1.10/2.00	Euribor+0.80/2.70
Financial leasing agreements	4.5	3.5
Financial assets	1.9	3.4
Payables	5.0	5.0

At 31 December 2014, cash on hand in the amount of € 18,9 million was held at a fixed interest rate while the remainder was held at floating rate, as were financial and bank debts.

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

- Level 1 quotations recorded on an active market for assets and liabilities subject to measurement;
- Level 2 inputs other than the price quotations mentioned in the above point, which are directly (prices) or indirectly (price derivatives) observable in 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	-	21	-	21
- Interest rate collars	-	120	-	120
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.

11. Assets and liabilities held for sale

The assets held for sale at 31 December 2014 comprise an industrial building, with related installations, for which a preliminary sale contract had already been signed. The sale was completed in February 2015. The carrying amount at 31 December 2014 was lower than the fair value of the building, net of selling costs.

The liabilities held for sale are represented by the deferred tax liability recognised in relation to the assets held for sale.

12. Other current assets

	31/12/2014 (€/000)	31/12/2013 (€/000)
Accrued income and prepayments	3,189	2,467
Short-term receivables from the sale of equity investments	746	-
Other receivables	1,855	2,058
Other current assets	1,065	1,057
Total other current assets	6,855	5,582

13. Property, plant and equipment

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 31 December 2012					
Cost	52,757	141,411	43,187	33,731	271,086
Accumulated depreciation	(17,681)	(83,393)	(36,572)	(20,913)	(158,559)
Net book value	35,076	58,018	6,615	12,818	112,527
Changes in 2013					
Opening net book value	35,076	58,018	6,615	12,818	112,527
Exchange rate differences	(313)	(1,469)	(183)	(773)	(2,738)
Change in scope of consolidation	5,966	16,019	2,240	2,047	26,272
Additions	7,692	15,604	2,524	8,387	34,207
Disposals	(35)	(395)	(48)	(2,041)	(2,519)
Reclassified	-	(138)	204	(67)	(1)
Reclassification from assets held for sale	2,048	73	-	-	2,121
Write-downs	-	-	-	-	-
Depreciation charge	(1,647)	(11,085)	(2,962)	(3,507)	(19,201)
Closing net book value	48,787	76,627	8,390	16,864	150,668
At 31 December 2013					
Cost	68,812	181,287	53,370	44,454	347,923
Accumulated depreciation	(20,025)	(104,660)	(44,980)	(27,590)	(197,255)
Net book value	48,787	76,627	8,390	16,864	150,668

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
Changes in 2014					
Opening net book value	48,787	76,627	8,390	16,864	150,668
Exchange rate differences	781	2,410	359	2,096	5,646
Change in scope of consolidation	23,903	14,978	392	502	39,775
Additions	11,189	17,876	3,884	8,459	41,408
Disposals	(5)	(1,411)	(294)	(1,975)	(3,685)
Reclassified	3	220	(525)	294	(8)
Reclassification from assets held for sale	(594)	(20)	(1)	-	(615)
Depreciation capitalized	-	(24)	(3)	(5)	(32)
Depreciation charge	(1,992)	(15,040)	(3,356)	(3,696)	(24,084)
Closing net book value	82,072	95,616	8,846	22,539	209,073
At 31 December 2014					
Cost	104,767	222,569	58,033	55,298	440,667
Accumulated depreciation	(22,695)	(126,953)	(49,187)	(32,759)	(231,594)
Net book value	82,072	95,616	8,846	22,539	209,073

The cost of assets under construction, included in the net book values disclosed in the previous table, is as follows:

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 1 January 2013	970	1,340	604	64	2,978
At 31 December 2013	5,798	1,032	530	72	7,432
At 31 December 2014	138	1,758	719	51	2,666

The following value, included in the net book value of assets disclosed above, is associated with financial leasing agreements:

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 1 January 2013	2,279	5,053	25	168	7,525
At 31 December 2013	4,331	6,513	108	284	11,236
At 31 December 2014	2,250	10,392	145	540	13,327

Depreciation of €/000 20,948 was charged to the cost of sales (€/000 16,490 in 2013), €/000 621 to distribution costs (€/000 549 in 2013) and €/000 2,515 for general and administrative costs (€/000 2,162 in 2013).

At 31 December 2014 the Group had contractual commitments for the purchase of tangible fixed assets totaling €/000 287 (€/000 13,699 at 31/12/2013).

14. Goodwill

Changes in goodwill in 2014 were as follows:

Company:	Balance at 31/12/2013	Increases (Decreases) in the year	Changes due to foreign exchange differences	Reclassified	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 the part associated with the cylinders division relates to adjustment of the put options.

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

At 31 December 2013 the Interpump Group comprised 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, the effects of which 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 Italy), 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 to transfer part of the margins and costs from the Cylinders Division to the Division for Power Take-Offs and other hydraulic components, making it impossible to clearly distinguish the individual flows of the two mentioned CGUs. This explains why it was no longer considered appropriate to continue keeping them separate, but rather to treat them as a single CGU (Hydraulic Sector).

Likewise, Interpump Group S.p.A. (which forms part of the High pressure pumps division) now produces important components of very high pressure pumps for NLB, previously purchased externally, as well as the mechanical section and shafts. 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 the Group now markets pumps of up to 450 hp, which includes those manufactured 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 into a single CGU (Water Jetting Sector).

Operational reporting is already structured to address 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 the writedown of goodwill.

The impairment test was conducted using the Discounted Cash Flow method (DCF) net of taxation. Expected cash flows utilized in the calculation of 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 the extreme uncertainty of several of the Group's reference markets (the Europe area first and foremost) that are showing little sign of economic recovery or even 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 the production and distribution networks, will make it possible to offset negative macroeconomic effects and increase sales by around 4% for the Water Jetting Sector and around 6% - 7% for the Hydraulic Sector, since the latter still has room for recovery following the financial crisis. For periods after 2019, a perpetual growth rate of 1% was used for the "Hydraulic Sector" and of 1.5% for the "Water Jetting Sector", because of the greater defensibility of this business area. The forecast cash flows determined 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, *after tax*, was measured for the various CGUs as follows:

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

The WACC utilised 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 expected 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 Shareholders' equity throughout 2014.

15. Other intangible assets

	Product development costs (€/000)	*Patents trademarks and industrial rights* (€/000)	*Other intangible assets* (€/000)	*Total* (€/000)
At 31 December 2012				
Cost	18,514	30,228	2,959	51,701
Accumulated amortization	(11,338)	(15,575)	(2,642)	(29,555)
Net book value	7,176	14,653	317	22,146
Changes in 2013				
Opening net book value	7,176	14,653	317	22,146
Exchange rate differences	(49)	(300)	(16)	(365)
Change in scope of consolidation	3	3,599	260	3,862
Increases	1,742	178	726	2,646
Decreases	-	-	(17)	(17)
Reclassified	(55)	(1)	57	1
Write-downs	-	-	-	-
Amortization charge	(1,451)	(2,715)	(352)	(4,518)
Closing book value	7,366	15,414	975	23,755
At 31 December 2013				
Cost	20,099	33,530	5,446	59,075
Accumulated amortization	(12,733)	(18,116)	(4,471)	(35,320)
Book value	7,366	15,414	975	23,755
Changes in 2014				
Opening net book value	7,366	15,414	975	23,755
Exchange rate differences	125	643	34	802
Change in scope of consolidation	98	2,595	110	2,803
Increases	1,936	170	1,304	3,410
Decreases	-	-	(128)	(128)
Reclassified	(12)	8	12	8
Write-downs	(124)	-	-	(124)
Amortization charge	(1,824)	(3,401)	(652)	(5,877)
Closing net book value	7,565	15,429	1,655	24,649
At 31 December 2014				
Cost	22,792	37,011	7,372	67,175
Accumulated amortization	(15,227)	(21,582)	(5,717)	(42,526)
Net book value	7,565	15,429	1,655	24,649

The cost of assets in progress, included in the net book values disclosed in the previous table, is as follows:

	Product development costs (€/000)	*Patents trademarks and industrial rights* (€/000)	*Other intangible assets* (€/000)	*Total* (€/000)
At 1 January 2013	4,386	2	-	4,388
At 31 December 2013	4,491	2	293	4,786
At 31 December 2014	2,487	8	135	2,630

Amortization was charged in full to general and administrative costs.

Product development costs consist exclusively of capitalized internal costs.

16. Other financial assets

This item comprises:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Investments in non-consolidated subsidiaries	539	1,148
Investments in other companies	74	42
Loans to non-consolidated subsidiaries	340	347
Other loan receivables	5	499
Other	36	36
Total	994	2,072

The following changes were recorded:

	2014 (€/000)	*2013* (€/000)
Opening balance	2,072	1,840
Exchange rate differences	30	(57)
Increases for the year	302	541
Change in the value of investments measured at fair value	1	8
Line-by-line consolidation of GITOP	-	(643)
Line-by-line consolidation of HS Penta Africa Pty Ltd	(319)	-
Line-by-line consolidation of Galtech Canada Inc.	(468)	
Absorption of Syscam Gestion Integrada S.A. by Hydrocar Chile	(319)	
Change in the scope of consolidation	552	553
Decreases for the year	(857)	(170)
Closing balance	994	2,072

Breakdown of the value of investments in non-consolidated subsidiaries:

Company	31/12/2014 (€/000)	% stake	31/12/2013 (€/000)	% stake
Galtech Canada Inc.	-	-	468	100%
Syscam Gestión Integrada S.A.	-	-	203	60%
General Pump China	270	100%	158	100%
HS Penta Africa Pty Ltd	-	-	319	80%
Interpump Hydraulics (UK) Ltd	-	100%	-	100%
Hammelmann Bombas e Sistemas	193	100%	-	100%
Interpump Hydraulics Middle East FZCO	76	100%	-	100%
Total non-consolidated subsidiaries	*539*		*1,148*	

General Pump China, Interpump Hydraulics (UK) Ltd, Interpump Hydraulics Middle East FZCO and Hammelmann Bombas e Sistemas are all subsidiaries, but they have not been consolidated in 2014 and 2013 in view of their limited size.

Despite their modest size and in consideration of their development plans for the coming years, HS Penta Africa PtY Ltd and Galtech Canada Inc. have been consolidated on a line-by-line basis for the first time in 2014.

Syscam Gestion Integrada was absorbed by Hydrocar Chile S.a. in May 2014.

Hammelmann GmbH paid €/000 471 to Hammelmann Bombas e Sistemas Ltda in 2014 as an increase in capital. Hammelmann Bombas e Sistemas Ltda was formed in order to have a distributor in Brazil capable of achieving more effective market penetration.

Interpump Hydraulics Middle East FZCO, with headquarters in Dubai, is controlled in the measure of 50% by Interpump Hydraulics S.p.A. and 50% by HS Penta S.p.A. The incorporation of this company, which took place at the end of 2011, forms part of the Group's strategy of growth in areas with the greatest potential and fastest rate of development. Interpump Hydraulics Middle East FZCO has not been consolidated in 2014 or 2013, since its operations only began recently. The company closed its first financial year with a profit in 2014, enabling the provision for investment risks of €195k recorded in 2013 to be released.

The value of the investment in Interpump Hydraulics UK Ltd, a distribution company based in Birmingham UK incorporated at the end of 2012 with the aim of guaranteeing direct presence of the Group on the important UK market, was reduced to zero and a provision for risks was created in the amount of €/000 523 in accordance with the losses incurred during the start-up stage.

17. Deferred tax assets and liabilities

The changes in deferred tax assets and liabilities during the year are indicated below:

	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
	(€/000)	(€/000)	(€/000)	(€/000)
At 31 December of the previous year	19,525	16,707	26,458	22,456
Exchange rate differences	390	(168)	1,767	(574)
Change in the scope of consolidation	2,603	3,792	5,579	4,146
Charged to income statement in the year	(956)	(689)	49	647
Reclassified	(18)	-	(18)	-
Reclassification from liabilities held for sale	-	-	(163)	-
Charged to net equity	491	(117)	(236)	(217)
At 31 December 2014	22,035	19,525	33,436	26,458

Deferred tax assets/liabilities recorded directly in equity refer to the measurement of the fair value of derivative financial instruments recorded using the hedge accounting method, and to the restatement of defined benefit plans.

Deferred tax assets and liabilities refer to the following items of the balance sheet:

	Deferred tax assets		Deferred tax liabilities	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	(€/000)	(€/000)	(€/000)	(€/000)
Property, plant and equipment	5,895	5,577	22,638	17,679
Intangible fixed assets	563	659	9,947	8,310
Investments	429	423	12	1
Inventories	6,857	5,753	-	-
Receivables	696	565	-	-
Liabilities for employee benefits	765	242	39	214
Derivative instruments	8	13	-	4
Provisions for risks and charges	1,243	811	-	-
Losses to be carried forward	3,289	3,289	-	-
Other	2,290	2,193	800	250
Total	22,035	19,525	33,436	26,458

No deferred tax liabilities were recorded for reserves qualifying for tax relief as they are not expected to be distributed (see note 21).

18. Interest-bearing financial payables and bank payables

The main loans are all subject to the following financial covenants, calculated on the consolidated values:

- Net financial indebtedness / Shareholders' equity;
- Net financial indebtedness / EBITDA;
- EBITDA / Financial charges.

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

	31/12/2014 (€/000)	31/12/2013 (€/000)
Current		
Payables to banks	27,770	20,932
Bank loans	62,278	57,305
Financial leasing agreements	1,635	3,495
Other	385	571
Total current interest bearing financial payables	64,298	61,371
Non-current		
Bank loans	143,605	108,022
Financial leasing agreements	3,455	3,671
Total non-current interest bearing financial payables	147,060	111,693

At 31 December 2014 all loans were at floating rates, with the exception of a single loan for €/000 11,574. Hedge contracts were taken out on several of the loans for the total amount of €/000 4,686 (see note 10).

Bank payables and loans include €/000 4,670 in currencies other than the euro, mainly in US dollars and Brazilian reals and connected with foreign subsidiaries. Amounts in currencies other than the euro are as follows:

(€/000)	Payables to banks	Current interest-bearing financial payables	Non-current interest-bearing financial payables	Total
US Dollar	1,502	172	764	2,438
Brazilian Real	-	316	365	681
Indian Rupee	377	89	-	466
UK Pound	294	40	40	374
Hong Kong Dollar	-	331	-	331
Canadian Dollar	-	169	18	187
South African Rand	23	69	25	117
Chilean Pesos	-	44	32	76
Total	2,196	1,230	1,244	4,670

See note 10 for details of interest rates.

At 31 December 2014 debts for finance leases can be broken down as follows:

(€/000)	31 December 2014 Within the year	Between one and five years	Beyond five years	Total	31 December 2013 Within the year	Between one and five years	Beyond five years	Total
Outstanding installments on finance leasing contracts	1,875	2,578	1,534	5,987	3,759	4,190	-	7,949
Interest	(240)	(433)	(224)	(897)	(264)	(519)	-	(783)
Present value of finance lease payables	1,635	2,145	1,310	5,090	3,495	3,671	-	7,166

At 31 December 2014 the Group held several active finance leasing contracts for industrial buildings, plant and machinery, the carrying value of which, totalling €/000 13,327 (€/000 11,236 at 31 December 2013), has been booked under Property, plant and equipment (Note 13).

Non-current financial payables have the following due dates:

	31/12/2014 (€/000)	31/12/2013 (€/000)
From 1 to 2 years	41,456	36,355
From 2 to 5 years	98,755	69,590
Beyond 5 years	6,849	5,748
Total	147,060	111,693

The Group has the following lines of credit that were unused at year-end:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Export advances and Italian portfolio	86,329	74,915
Current account overdrafts	17,010	23,426
Medium/long-term loans	153,688	48,034
Total	257,027	146,375

19. Other current liabilities

	31/12/2014 (€/000)	31/12/2013 (€/000)
Payables related to the acquisition of investments	4,097	15,997
Other short-term payables	33,593	29,369
Other	433	158
Total	38,123	45,524

Other short-term payables mainly concern amounts due to personnel, directors, statutory auditors and social security institutions.

20. Provisions for risks and charges

Changes were as follows:

(€/000)	Product warranties	Agents' termination indemnity	Sales returns	Investment risks	Restructuring charges	Other	Total
Balance at 31/12/2013	2,561	439	129	1,065	533	776	5,503
Exchange difference	109	-	16	20	-	69	214
Increase in the year	850	36	-	164	504	265	1,819
Surplus released to the income statement	(342)	-	-	-	-	-	(342)
Change in the scope of consolidation	-	139	-	-	-	66	205
Reclassified	-	32	-	-	(8)	(32)	(8)
Utilizations in the year	(111)	(52)	(26)	(400)	(683)	(8)	(1,280)
Balance at 31/12/2014	3,067	594	119	849	346	1,136	6,111

The balance of other provisions at 31/12/2014 refers to various disputes or estimated liabilities in group companies.

The closing balance is disclosed as shown below in the balance sheet:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Current	4,162	3,972
Non-current	1,949	1,531
Total	6,111	5,503

In addition to the comments provided in Note 16, the provision for investment risks includes an additional allocation of €/000 326 made in prior years, associated with a potential liability connected to investments in other companies.

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.

21. Liabilities for employee benefits

Liabilities for defined benefit plans

The following movements were recorded in liabilities:

	2014 (€/000)	2013 (€/000)
Liabilities at 1 January	11,942	11,008
Amount charged to the income statement in the year	277	285
Reclassifications to other current liabilities	(28)	(2)
Recognition in equity of actuarial results	2,642	1,117
Change to consolidation basis	965	776
Payments	(858)	(1,242)
Liabilities at 31 December	14,940	11,942

The following items were recognized in the income statement:

	2014 (€/000)	2013 (€/000)
Current service cost	229	207
Financial expenses	48	78
Past service cost	-	-
Total recognized in the income statement	277	285

Items recognized in the income statement were booked as follows:

	2014 (€/000)	2013 (€/000)
Cost of products sold	93	98
Distribution costs	47	33
General and administrative expenses	89	76
Financial expenses	48	78
Total	277	285

Liabilities for defined benefit plans (Severance indemnity - TFR) were established with the following actuarial assumptions:

	Unit of measurement	2014	2013
Discount rate	%	1.46	3.01
Expected increase in rate of remuneration*	%	3.10	3.33
Percentage of employees expected to resign (*turnover*)**	%	2.43	1.87
Annual cost-of-living increase	%	1.5	2.0
Average period of employment	Years	12.50	12.60

* = restricted to companies with less than 50 employees.
** = average annual resignation percentage, all causes, in the first ten years following the assessment.

22. Share capital

The share capital at 31 December 2014 was composed of 108,879,294 ordinary shares with a unit par value of €0.52 for a total amount of €56,617,232.88. In contrast, share capital recorded in the financial statements amounted to €/000 53,871 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. Further to the Walvoil acquisition, 4,004,341 treasury shares were divested on 15 January 2015.

Changes in treasury stock over the past two years have been as follows:

	Number
Balance at 31/12/2012	*7,349,239*
2013 purchases	2,771,426
Sale of shares to finance subsidiaries' purchases	(4,500,000)
Sale of shares for the exercise of stock options	(2,517,162)
Balance at 31/12/2013	*3,103,503*
2014 purchases	3,819,682
Sale of shares to finance subsidiaries' purchases	(715,530)
Sale of shares for the exercise of stock options	(926,560)
Balance at 31/12/2014	*5,281,095*

Taking treasury stock into consideration, the following changes were recorded in the number of shares in circulation:

	2014 Number of shares	2013 Number of shares
Ordinary shares in existence at 1 January	108,879,294	108,879,294
Treasury stock	(3,103,503)	(7,349,239)
Shares in circulation at 1 January	105,775,791	101,530,055
Treasury stock purchased	(3,819,682)	(2,771,426)
Treasury stock sold	1,642,090	7,017,162
Total shares in circulation at 31 December	103,598,199	105,775,791

The aims identified by the Group in the management of capital are the creation of value for all shareholders and supporting development of the group, both through internal means and by means of targeted acquisitions. The Group therefore intends to maintain an adequate level of capitalization, which simultaneously makes it possible to generate a satisfactory economic return for shareholders and to guarantee the economically effective access to external sources of borrowing. The Group constantly monitors the evolution of the debt to equity ratio and the generation of cash through its industrial operations. In order to attain the aforementioned goals, the Group constantly monitors the cash flows generated by the business sectors in which it operates, both through improvement or maintenance of profitability, and careful management of working capital and of other expenditure. Capital is construed as both the value provided by Interpump Group shareholders (share capital and share premium reserve, totalling €/000 155,108 at 31 December 2014 and €/000 180,042 at 31 December 2013), and the value generated by the Group in terms of the results of operations (other reserves and legal reserve, including profit for the year, overall equivalent to €/000 307,070 at 31 December 2014 and €/000 269,150 at 31 December 2013, excluding the translation provision, the reserve for restatement of defined benefit plans, and the provision for fair value measurement of derivative hedges).

Treasury stock purchased

The amount of treasury stock held by Interpump Group is recorded in an equity provision. The Group acquired 3,819,682 treasury shares in 2014 for €/000 38,299 at an average price of €10.0269 (the Group purchased 2,771,426 treasury shares in 2013 for the total amount of €/000 21,441).

Treasury stock sold
In the framework of the execution of stock option plans a total of 926,560 options were exercised resulting in a receipt of €/000 4,626 (2,517,162 options were exercised for €/000 11,995 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 (4,500,000 treasury shares were divested in 2013 to pay for part of the investment in Hydrocontrol).

Stock options
The fair value of the 2010/2012 and 2013/2015 stock option plans was recorded in the 2014 and 2013 financial statements in compliance with IFRS 2. Costs of €/000 1,370 (€/000 1,047 in 2013) relating to the stock option plans were therefore recognized in the 2014 income statement, with a matching entry in the share premium reserve. Said costs represent the portion for the year of the value of the options assigned to employees and directors, established at the allocation date, corresponding to the value of the services rendered by the latter in addition to normal remuneration.

Items recognized in the income statement were booked as follows:

	2014 (€/000)	2013 (€/000)
Cost of products sold	54	9
Distribution costs	130	39
General and administrative expenses	1,186	999
Total	1,370	1,047

Changes in the share premium reserve were as follows:

	2014 €/000	2013 €/000
Share premium reserve at 1 January	125,039	105,514
Increase due to income statement recognition of the fair value of stock options granted	1,370	1,047
Increase on divestment of treasury stock in payment for acquisitions of subsidiaries	6,654	27,792
Increase for the disposal of treasury stock further to the exercise of stock options	4,144	10,686
Utilization to cover purchase of treasury stock	(35,970)	(20,000)
Share premium reserve at 31 December	101,237	125,039

The Shareholders' Meeting held on 20 April 2006 approved a stock option plan ("*2006/2009* stock option plan"), which is described in detail in the Board of Directors' Report. The options are exercisable as shown in the following table:

	No. of options granted	Vesting period	Exercise price (€)
First tranche	323,033	01/05/2010 – 31/05/2015	7.2884
Second tranche	298,191	01/05/2011 – 31/05/2016	5.4047
Third tranche	80,000	01/11/2012 – 31/05/2017	3.7524
Fourth tranche	372,500	01/07/2010 – 31/12/2017	3.7524
Total	1,073,724		

Changes in options are as follows:

	2014 Number of options	2013 Number of options
Options assigned at 1 January	1,694,284	2,415,596
Options granted in the year	-	-
Options exercised in the year	(620,560)	(721,312)
Total options assigned at 31 December	1,073,724	1,694,284
Of which:		
- vested at 31 December	1,073,724	1,694,284
- not vested at 31 December	-	-
Total options assigned at 31 December	1,073,724	1,694,284

The Shareholders' Meeting held on 21 April 2010 approved the adoption of an incentive plan denominated "*2010/2012* Interpump Incentive Plan", which is also described in detail in the Board of Directors' Report accompanying the consolidated financial statements. The exercise price has been set at € 3.75 per share. The options can be exercised between 30 June 2013 and 31 December 2016. The changes in options during 2014 and 2013 are indicated below:

	2014 Number of options	2013 Number of options
Options assigned at 1 January	1,663,000	2,860,000
Options granted in the year	-	-
Options exercised in the year	(306,000)	(1,197,000)
Total options assigned at 31 December	1,357,000	1,663,000
Of which:		
- vested at 31 December	1,357,000	1,663,000
- not vested at 31 December	-	-
Total options assigned at 31 December	1,357,000	1,663,000

The Shareholders' Meeting held on 30 April 2013 approved the adoption of a new incentive plan denominated "*2013/2015 Interpump Incentive Plan*". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of 2,000,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among the subjects with significant roles or functions. The exercise price has been set at € 6.00 per share. The options can be exercised between 30 June 2016 and 31 December 2019. The next meeting of the Board of Directors held on 30 April 2013 set a figure of 2,000,000 for the number of options to be assigned, divided by the total number of options in each tranche

(500,000 for the first tranche, 700,000 for the second tranche and 800,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters. The same Board of Director's meeting assigned 1,000,000 options to Interpump Group S.p.A. director Fulvio Montipò and 320,000 options to director Paolo Marinsek, the exercise of which is subject to the fulfillment of the above conditions. Moreover, the same Board of Directors meeting conferred on the Chairman and the Deputy Chairman of Interpump Group, separately, the power to specify the beneficiaries of the further 680,000 options. 550,000 options were assigned to the other beneficiaries on 29 October 2013.

The fair value of the stock options and the actuarial assumptions utilized in the binomial lattice model are as follows:

2006-2009 Plan - First tranche

	Unit of measurement	
Number of shares assigned	no.	826,935
Grant date		May 2007
Exercise price	€	7.2884
Vesting date		1 May 2010
Fair value per option at the grant date	€	1.8187
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	23
Expected average duration of the plan life	years	7.7
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using the linear interpolation of swap rates at 31/5/2007)	%	From 4.36 to 4.3745

2006-2009 Plan - Second tranche

	Unit of measurement	
Number of shares assigned	no.	827,361
Grant date		May 2008
Exercise price	€	5.4047
Vesting date		1 May 2011
Fair value per option at the grant date	€	1.2431
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	23
Expected average duration of the plan life	years	7.7
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using the linear interpolation of swap rates at 17/04/2008)	%	From 4.445 to 4.496

<u>2006-2009 Plan - Third tranche</u>

	Unit of measurement	
Number of shares assigned	no.	275,000
Grant date		April/July 2009
Exercise price	€	3.7524
Vesting date		1 November 2012
Fair value per option at the grant date	€	0.57306
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	7.83
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using the linear interpolation of swap rates at 30/06/2009)	%	From 3.258 to 3.395

<u>2006-2009 Plan - Fourth tranche</u>

	Unit of measurement	
Number of shares assigned	no.	1,100,000
Grant date		March 2010
Exercise price		3.7524
Vesting date		1 July 2010
Fair value per option at the grant date	€	0.92286
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	7.75
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using the linear interpolation of swap rates in 2010)	%	From 2.899 to 3.069

<u>2010//2012 Plan</u>

First assignment	Unit of measurement	
Number of shares assigned	no.	2,320,000
Grant date		21 April 2010
Exercise price		3.7500
Vesting date		1 July 2013
Fair value per option at the grant date	€	0.89555
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.666
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using the linear interpolation of swap rates on 21 April 2010)	%	From 2.63 to 2.83

Second assignment	Unit of measurement	
Number of shares assigned	no.	540,000
Grant date		07 July 2010
Exercise price		3.7500
Vesting date		1 July 2013
Fair value per option at the grant date	€	1.08964
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.5
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated by means of a linear interpolation of swap rates at 7 July 2010)	%	From 2.29 to 2.49

2013//2015 Plan

First assignment	Unit of measurement	
Number of shares assigned	no.	1,320,000
Grant date		30 April 2013
Exercise price		6.0000
Vesting date		1 July 2016
Fair value per option at the grant date	€	1.8631
Expected volatility (expressed as the weighted average of the volatility values utilized in construction of the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.666
Expected dividends (compared with share value)	%	2.5
Risk free interest rate (calculated by means of a linear interpolation of Euro Swap rates at 30 April 2013)	%	From 0.91 to 1.06

Second assignment	Unit of measurement	
Number of shares assigned	no.	550,000
Grant date		29 October 2013
Exercise price		6.0000
Vesting date		1 July 2016
Fair value per option at the grant date	€	2.8916
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.166
Expected dividends (compared with share value)	%	2.5
Risk free interest rate (calculated using a linear interpolation of Euro Swap rates at 29 October 2013)	%	From 1.38 to 1.57

The expected volatility of the underlying variable (Interpump Group share) is a measure of the prospect of price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the mean square annualized deviation of compound returns of the Interpump Group share through time.

23. Reserves

Reserve for valuation of hedging derivatives at fair value
This includes net accumulated changes in the fair value of derivative financial instruments classified as hedges and recorded using the hedge accounting method.

Translation provision
This provision consists of exchange gains generated by the translation of the financial statements of foreign subsidiaries based outside the EU and from variations in goodwill ascribable to these companies, again as a result of exchange rate fluctuations.

Reserve for restatement of defined benefit plans
Includes the actuarial component of defined benefit plans (TFR).

Classification of net equity depending on possibility of utilization

(amounts in €/000)	Amount	Possibility of utilization	Available portion	Tax payable in the event of distribution	Summary of utilizations over the past three years	
					to cover losses	for other reasons
Share capital	56,617	B	-	-	-	-
Nominal value of treasury stock in portfolio	(2,746)					
Total share capital	53,871					
Capital reserves						
From Parent Company's financial statements:						
Legal reserve	6,860	B	-	-	-	-
Share premium reserve	43,595	A,B,C	43,595	-	-	3,749
Total from Parent Company's financial statements	50,455		43,595			
Consolidation entries	36					
Total from consolidated financial statements	50,491					
Profit reserves:						
From Parent Company's financial statements:						
Legal reserve	4,463	B	-	-	-	-
Share premium reserve	56,804	A,B,C	55,786	1,687	-	2,404
Extraordinary reserve	46,378	A,B,C	44,726	-	-	2,382
Reserve for share capital reduction	2,746	-	-	-	-	-
First Time Adoption Reserve	(42)		-	-	-	-
Fair value reserve	(18)	-	-	-	-	-
Reserve for restatement of defined benefit plans	(1,592)	-	-	-	-	-
Profit for the year	33,955	A,B,C	33,955	-	-	-
Total from Parent Company's financial statements	142,694		134,467			
Consolidation entries	213,639					
Total from consolidated financial statements	356,333					
Reserve for treasury stock held	47,233	-	-	-	-	75,568
Treasury shares	(47,233)					
Non-distributable portion*			(4,872)			
Remaining distributable portion			173,190			

A: for capital increase B: for coverage of losses C: for distribution to shareholders

*= represents the non-distributable portion destined to cover deferred costs that have not yet been amortized.

Utilizations refer to dividends, purchase of treasury stock and reductions of reserves for other causes and do not include transfers between reserves. In particular, with reference to the changes that occur red in the past three years note that the drawdowns of the treasury shares reserve refer to purchases of treasury stock, while drawdowns from the share premium reserve refer to the sale of treasury shares at a price below their carrying value and the drawdowns from the extraordinary reserve refer to integration of the 2012 dividend.

On the basis of Italian tax legislation the reserves and profits are freely distributable and do not attract tax even in the case of distribution, on the condition that the reserves and residual profits exceed the negative components of income ascribed exclusively in the tax return; otherwise, distributed reserves and profits would be subject to tax in the measure in which the residual reserves and profits were lower than the negative components of income that have been ascribed exclusively to the tax return. At 31 December 2014, this condition has been complied with in full, hence no taxes were payable in the event of distribution of the parent company's entire profits for the year and the entirety of available reserves, beyond the taxes already indicated in the prior statement.

Breakdown of components recorded directly in equity

	2014			2013		
(amounts in €/000)	Pre-tax amount	Taxes	Amount net of taxes	Pre-tax amount	Taxes	Amount net of taxes
Accounting of derivatives hedging interest rate risks in compliance with the cash flow hedging method	50	(14)	36	495	(136)	359
Recognition of derivatives hedging exchange-rate risk using the cash flow hedging method	(41)	13	(28)	(77)	25	(52)
Profit (Loss) arising from translation of the financial statements of foreign companies	23,275	-	23,275	(11,049)	-	(11,049)
Profit (Loss) of companies carried at equity	68	-	68	(126)	-	(126)
Actuarial Profits (Losses) associated with restatement of defined benefits plans	(2,640)	726	(1,914)	(774)	212	(562)
Total	**20,712**	**725**	**21,437**	**(11,531)**	**101**	**(11,430)**

24. Minority shareholders' equity

This is the portion of consolidated shareholders' equity pertaining to minority shareholders of the consolidated subsidiaries. The following changes were recorded:

(€/000)	Interpump Hydraulics Group	Interpump Hydraulics International Group	Hydrocontrol Group	IMM Group	Sit	Hammelmann Pump System	Share of intragroup profits included inventories	Total
Balance at 31/12/2013	4,785	468	552	-	427	323	(292)	6,263
Change in the consolidation basis	-	-	-	71	-	-	-	71
Dividends paid to third parties	(58)	-	-	-	-	-	-	(58)
Interests acquired	(1,870)	(58)	(1)	-	-	-	-	(1,929)
Effect of share exchanges	289	-	-	-	-	-	-	289
Changes recognized directly in equity	-	-	-	(2)	(35)	-	-	(37)
Exchange rate difference	1	-	405	-	-	44	-	450
Profit (loss) of the year minority interests	572	74	237	(11)	(27)	80	(119)	806
Balance at 31/12/2014	3,719	484	1,193	58	365	447	(411)	5,855

The subsidiaries with minority interests are not individually or cumulatively significant to the Interpump Group.

25. Other net revenues

	2014 (€/000)	2013 (€/000)
Reimbursement of expenses	4,897	4,260
Income from the sale of waste and scrap	2,973	1,907
Capital gains on the sale of equity investments and lines of business	499	-
Income from the sale of know-how and technical drawings	1,500	-
Utilization of surplus provisions and allocations	343	691
Capital gains from the sale of property, plant and equipment	161	292
Refunds from insurance	114	84
Other	2,076	1,531
Total	12,563	8,765

26. Costs by nature

	2014 (€/000)	2013 (€/000)
Raw materials and components	257,509	217,158
Personnel and temporary staff	161,870	135,289
Services	72,890	61,600
Amortization / depreciation (notes 13 and 15)	29,961	23,719
Directors' and statutory auditors' remuneration	7,690	6,819
Hire purchase and leasing charges	10,322	8,908
Provisions / impairment of tangible and intangible fixed assets (notes 13, 15 and 20)	1,778	2,120
Other operating costs	38,175	30,331
Total cost of sales, distribution costs, general and administrative expenses, other operating costs and impairment losses of tangible and intangible fixed assets	580,195	485,944

In accordance with the requirements of article 149-duodecies if the Issuers' Regulation as amended by Consob Resolution no. 15915 of 3 May 2007 published in the Official Journal of the Italian Republic no. 111 of 15 May 2007 (S.O. no. 115), the remuneration amounts for 2014 are listed below for services rendered to the Group by the independent auditors and the entities belonging to the network of said independent auditing company:

- assignments for auditing of the parent company €/000 123;
- assignments for auditing of subsidiaries €/000 532;

The above amounts are included under Other costs within general and administrative expenses.

27. Directors' and statutory auditors' remuneration

The emoluments of the Directors and Statutory Auditors of Interpump Group S.p.A. for the execution of their functions, also in the companies included in the perimeter of consolidation, are as follows:

	2014 (€/000)	2013 (€/000)
Directors	3,885	3,367
Statutory auditors	182	182
Total remuneration	4,067	3,549

The amounts include the emoluments resolved by the Shareholders' Meeting, the emoluments established by the Board of Directors for directors with special duties, including bonuses and the remunerative component deriving from stock option plans, represented by the fair value of the options calculated at the time of their allocation, for the portion relating to the year, as well as any remuneration due by way of severance indemnities. The difference with respect to 2013 reflects full achievement by the directors of the 2014 bonuses, which were only partially achieved in 2013.

28. Financial income and charges

	2014 €/000	2013 €/000
Financial income		
Interest income	652	1,541
Financial income to adjust estimate of debt for commitment to purchase residual stakes in subsidiaries	742	-
Foreign exchange gains	6,579	2,258
Earnings from valuation of derivative financial instruments	146	1,098
Other financial income	25	44
Total financial income	8,144	4,941
Financial expenses		
Interest expense on loans	6,636	6,362
Interest expense on put options	3,465	985
Financial charges to adjust estimated debt for commitment to purchase residual stakes in subsidiaries	4,693	403
Foreign exchange losses	4,326	4,361
Losses from measurement of derivative financial instruments	70	434
Other financial charges	314	320
Total financial charges	19,504	12,865
Total financial charges, net	11,360	7,924

The interest expense on put options relates to the release of the discounting effect on payables for the purchase of equity investments.

The financial charges incurred to adjust estimated debt for the commitment to purchase residual stakes in subsidiaries reflect the higher future cost of the put options relating to companies that have performed better than originally envisaged in their business plans. Conversely, the financial income recorded to adjust estimated debt for the commitment to purchase residual stakes in subsidiaries reflect the lower future cost of the put options concerned.

29. Income taxes

The tax rate for the year was 38.0% (38.0% in 2013 as well).

Taxes recognized in the income statement can be broken down as follows:

	2014 (€/000)	2013 (€/000)
Current taxes	(34,483)	(25,713)
Current taxes of prior financial years	121	64
Deferred taxes	(1,005)	(1,336)
Total taxes	(35,367)	(26,985)

Deferred tax recognized in the income statement can be broken down as follows:

	2014 (€/000)	2013 (€/000)
Deferred tax assets generated in the year	2,524	1,564
Deferred tax liabilities generated in the year	(2,147)	(2,075)
Deferred tax assets transferred to the income statement	(3,483)	(2,253)
Deferred tax liabilities recognized in the income statement	2,096	1,428
Deferred tax assets resulting from change in rate	2	-
Deferred tax liabilities resulting from change in rate	3	-
Derecognized deferred tax assets	-	-
Deferred taxes not calculated in previous years	-	-
Total deferred taxes	(1,005)	(1,336)

The reconciliation of taxes calculated on the basis of the nominal rates in force in the different countries and the effective tax burden is a follows:

	2014 (€/000)	2013 (€/000)
IRES/National tax		
Profit before taxes from the income statement	93,109	71,072
Theoretical taxes at the Italian rate (27.5%)	25,605	19,545
Effect of different rates applicable to foreign subsidiaries	(292)	(1,168)
Tax on dividends from consolidated companies	1,211	1,301
Higher (Lower) taxes resulting from the valuation of investments using the equity method	(28)	95
Higher tax for non-deductible stock option costs	104	35
Lower taxes due to IRAP deduction relating to expenses for employees and similar for the year	(727)	(504)
Lower taxes due to IRAP deduction on interest expenses in the year	(99)	(58)
Taxes relating to previous years (current plus deferred)	(70)	(38)
Higher taxes on financial expenses relative to discounting of debts for the purchase of investments and related adjustments	2,008	297
Higher (Lower) taxes for non-taxable revenues and non-deductible costs	(394)	(95)
Total IRES/National tax	*27,318*	*19,410*

	2014 (€/000)	2013 (€/000)
IRAP/Local income taxes		
Profit before taxes from the income statement	93,109	71,072
Theoretical taxes at the Italian rate (3.9%)	3,631	2,772
Effect of different rates applicable to foreign subsidiaries	1,854	2,484
Higher taxes for non-deductible payroll costs	1,928	1,842
Higher taxes for non-deductible directors' emoluments	264	236
Higher taxes due to non-deductible financial expenses	358	279
Higher tax resulting from valuation of investments using equity method	(5)	14
Taxes relating to previous years (current plus deferred)	(26)	(26)
Higher (Lower) taxes for non-taxable revenues and non-deductible costs	45	(26)
Total IRAP/Local income taxes	*8,049*	*7,575*
Total income taxes recognized in the income statement	*35,367*	*26,985*

Interpump Group S.p.A. belongs to a domestic tax group together with Teknova S.r.l. and Interpump Hydraulics S.p.A. In addition, Interpump Hydraulics International S.p.A., HS Penta S.p.A., Contarini Leopoldo S.r.l. and Oleodinamica Panni S.r.l. are members of another domestic tax group, while IMM S.p.A. and Hypress S.r.l. belong to a third.

30. Earnings per share

Basic earnings per share

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

	2014	2013
Consolidated profit for the year 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

Diluted earnings per share

Diluted earnings per share are calculated on the basis of diluted consolidated profit for the year attributable to the parent company's shareholders, divided by the weighted average number of ordinary shares in circulation adjusted by the number of potentially dilutive ordinary shares. The calculation is as follows:

	2014	2013
Consolidated profit for the year 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

(*) calculated as the number of shares assigned for in-the-money stock option plans multiplied by the ratio between the difference of the average value of the share in the year and the exercise price at the numerator, and the average value of the share in the year at the denominator.

31. Information on financial assets and liabilities

Financial assets and liabilities, broken down by the categories identified by IAS 39, are summarized in the following table:

(€/000)	At the fair value recorded in the Income Statement		*Financial assets at 31/12/2014*		*Financial liabilities at 31/12/2014*		
	Initially*	IAS 39	Loans and receivables	Held for sale	Valued at the amortized cost	Total	Fair value
Trade receivables	-	-	135,634	-	-	135,634	135,634
Other current assets	-	-	3,667	-	-	3,667	3,667
Other financial assets	-	-	345	613	-	958	958
Trade payables	-	-	-	-	(80,273)	(80,273)	(80,273)
Payables to banks	-	-	-	-	(27,289)	(27,289)	(27,289)
Current interest bearing financial payables	-	-	-	-	(64,298)	(64,298)	(64,298)
Derivative instruments payable	-	(141)	-	-	-	(141)	(141)
Other current liabilities	-	-	-	-	(37,690)	(37,690)	(37,690)
Non-current interest-bearing financial payables	-	-	-	-	(147,060)	(147,060)	(147,060)
Other non-current liabilities	-	-	-	-	(72,605)	(72,605)	(72,605)
Total	-	(141)	139,646	613	(429,215)	(289,097)	(289,097)

* = designated as such at the time of initial recording.

** = classified as held for trading according to the requirements of IAS 39.

(€/000)	At the fair value recorded in the Income Statement Initially*	IAS 39	*Financial assets at 31/12/2013* Loans and receivables	Held for sale	*Financial liabilities at 31/12/2013* Valued at the amortized cost	Total	Fair value
Trade receivables	-	-	113,726	-	-	113,726	113,726
Other current assets	-	-	3,115	-	-	3,115	3,115
Other financial assets	-	-	846	1,160	-	2,006	2,006
Trade payables	-	-	-	-	(69,985)	(69,985)	(69,985)
Payables to banks	-	-	-	-	(20,670)	(20,670)	(20,670)
Current interest bearing financial payables	-	-	-	-	(61,371)	(61,371)	(61,371)
Derivative instruments payable	-	(279)	-	-	-	(279)	(279)
Other current liabilities	-	-	-	-	(45,366)	(45,366)	(45,366)
Non-current interest-bearing financial payables	-	-	-	-	(111,693)	(111,693)	(110,268)
Other non-current liabilities	-	-	-	-	(18,774)	(18,774)	(18,774)
Total	-	(279)	117,687	1,160	(327,859)	(209,291)	(207,866)

* = designated as such at the time of initial recording.
** = classified as held for trading according to the requirements of IAS 39.

The accounting value of financial assets and liabilities is substantially the same as their fair value.

The 2014 consolidated income statement reports fair value earnings of €/000 113 (€/000 355 in 2013) and fair value losses of €/000 25 (€/000 18 in 2013) on derivative financial instruments, which, although arranged for hedging purposes, failed to meet all the requirements of IAS 39 in order to be considered hedges. These financial instruments comprise interest rate swaps and interest rate collars. Note 10 gives the methods for calculation utilized to establish the fair value of derivative financial instruments and their maturity dates.

Loans and receivables generated costs and revenues. Revenues refer to exchange rate gains for €/000 3,335 (€/000 1,509 in 2013). In contrast, costs refer to bad debts for €/000 1,549 (€/000 956 in 2013), included in the face of the income statement adopted under other operating costs, to foreign exchange losses for €/000 1,582 (€/000 2,575 in 2013).

Also financial liabilities valued at the amortized cost generated costs and revenues in the Income Statement. Revenues refer to exchange rate gains €/000 1,496 (€/000 730 in 2013), while costs refer to currency exchange losses for €/000 1,037 (€/000 1,786 in 2013) and the portion of ancillary charges initially incurred to obtain the loans and then distributed on the basis of the loan duration according to the financial method. In 2014 the value of these expenses booked to the income statement totalled €/000 761 (€/000 433 in 2013).

Financial assets and liabilities that are not designated at fair value recorded in the Income Statement (all those indicated in the previous table with the exception of those appearing in the first two columns) generated, respectively, interest receivable for €/000 795 (€/000 316 in 2013) and interest payable for €/000 14,033 (€/000 7,559 in 2013); in addition, general and administrative expenses include commission amounts and bank charges for €/000 1,006 (€/000 866 in 2013).

32. Information on financial risks

The company is exposed to financial risks associated with its activities:

- market risk (mainly related to currency exchange rates and interest rates) since the Group does business internationally and is exposed to the exchange risk;
- credit risk connected with business relations with customers;
- liquidity risk, with special reference to the availability of financial resources and access to the lending market and financial instruments in general;
- price risk in relation to metal price fluctuations that constitute a significant portion of the raw materials purchase price.

The Group is not exposed to significant risk concentrations.

As described in Note 4 "Financial risks management", the Interpump Group constantly monitors the financial risks to which it is exposed so that the potential negative effects can be evaluated in advance and appropriate actions can be taken to mitigate them.

The following section provides reference qualitative and quantitative indications concerning the uncertainty of such risks for the Interpump Group.

The quantitative data given below are not to be construed as forecasts; specifically, the sensitivity analyses concerning market risks are unable to reflect the complexity and correlated relations of markets that may derive from each prospected change.

Exchange risk

The Group is exposed to risks deriving from fluctuations in currency exchange rates that can impact on the economic result and shareholders' equity value. Specifically:

- wherever Group companies generate revenues in currencies other than the currencies in which the respective costs are denominated, exchange rate fluctuations can impact on the relative companies' operating profit.
  In 2014 the total amount of cash flows directly exposed to exchange risks corresponded to approximately 10% of Group turnover (approximately 8% in 2013).
  The main exchange rates to which the Group is exposed are:
  - EUR/USD concerning sales of high pressure pumps and very high pressure systems in dollars in North America through the Group's distribution companies;
  - EUR/USD concerning sales in dollars of various hydraulic components on the South American market;
  - EUR/AUD concerning sales in Australian dollars of very high pressure systems in Australia through one of the Group's distribution companies;
  - EUR/GBP concerning sales in British pounds of hoses and fittings in the UK through one of the Group's distribution companies;
  - Chilean Peso/USD, concerning sales in dollars of various hydraulic components in South America;
  - Renminbi/USD, Renminbi/euro and Indian Rupee/euro in relation to sales in dollars and euros of hydraulic pumps on the North American and Indian markets;
  - Real/Euro concerning sales in euro of hydraulic components on the Brazilian market through the local subsidiary.

  The Interpump Group has adopted a policy of hedging commercial transactions denominated in foreign currency, in the framework of which the most effective derivative instruments for the achievement of the preset goals have been identified and the relative responsibilities, duties and system of delegations have been defined.

Historically, Group policy has been to hedge systematically the sales made in dollars on the American market, which represented in absolute terms the majority of the Group's currency sales. Commencing from 2013, Group strategy changed with the decision to hedge solely if the exchange rates are deemed to be favorable, based on a matrix of values established beforehand by top management, thus ensuring maintenance of the favorable condition for a time period of between three and six months. Although the exchange rate reached and even exceeded the established values considered favorable during 2014, top management decided not to start hedging, except for isolated, individual transactions. This approach was adopted in order to benefit from the weakness of the euro, following the expansionary policy adopted by the ECB.

The exchange risk hedging policy involved about 54% of the commercial flows denominated in foreign currency in 2013, but less than 1% in 2014.

- Whenever Group companies sustain costs denominated in foreign currencies other than the currencies of denomination of the relative revenues, fluctuations in the exchange rates can affect the operating profit of the companies in question.

  In 2014 the total amount of cash flows directly exposed to exchange risks corresponded to approximately 11% of Group turnover (10% in 2013) and mainly involved the USD/EUR exchange rate. Current Group policy in relation to foreign currency purchases is to avoid systematic hedging, given the costs associated with processing a large number of transactions with numerous counterparts that are mostly Group companies. Specifically, the total value of such purchases has not yet reached a level that would enable the benefits of stabilizing the exchange rate to offset the costs of arranging the related hedges. However, the Group monitors this phenomenon constantly both in relation to exchange rate trends and also the evolution of business.
- Again in relation to commercial activities, the Group companies can be in a position wherein they hold commercial receivables or payables denominated in currencies other than the account currency of the holding entity. Fluctuations in exchange rates can therefore result in the realization or assessment of positive or negative exchange differences. As highlighted earlier, it is Group policy to hedge exposure deriving from trade receivables and keep constant track of the effectiveness of hedging exposures deriving from trade receivables.
- In relation to financial exposure, wherever the monetary outflows/inflows are denominated in a currency other than the account currency utilized by the creditor/debtor company, fluctuation of the exchange rates can impact negatively on the net profits of said companies.

  In relation to financial exposures, €2.9m was collected during 2014 against loans granted in currencies other than those utilized by the debtor companies. At 31 December 2014, €2.5m still remains to be collected against loans granted in currencies other than those utilized by the debtor companies. Once again in 2014, the Group decided not to hedge this exposure.
- Several Group subsidiaries are situated in non-EU countries, notably the US, Chile, Australia, China, India, Brazil and Romania. Since the Group's functional currency is the euro, the income statements of these companies are translated into euro at the average exchange rate of the year. Changes in exchange rates can impact on the corresponding value of revenues, costs and economic result in euro.
- The assets and liabilities of consolidated companies whose account currency is different from the euro can assume different equivalent euro values depending on the rates of exchange. As provided for by the reference accounting principles, the effects of changes in the exchange rate are recognized directly in equity in the Translation reserve. The Group

monitors the main exposures to translation risk; at the date of the financial statements no hedges have been arranged in relation to these exposures.

The nature and structure of the exposures to exchange-rate risk did not vary significantly during 2014 and 2013. The Group's hedging policies did however change at the end of 2013, when the Company decided not to arrange new hedges in view of the weakening of the Euro linked to the expansionary policies adopted by the ECB.

Exchange risk sensitivity analysis

The potential loss deriving from the change in the fair value of financial assets and liabilities caused by a hypothetical and sudden increase in the value of the euro of 10% with respect to the main foreign currencies would be approximately €/000 1,368 (€/000 1,707 in 2013).

The sensitivity analysis did not take account of changes in the receivables and payables in relation to which the hedge operations have been set up. It is reasonable to assume that the fluctuation in exchange rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

Interest rate risk

Group companies use external financial resources in the form of debt and employ cash on hand available in bank deposits. Changes in the market interest rate influence the cost and return of various forms of financing and investment, thus impacting on the Group's level of financial expenses.

It is Group policy to monitor the changes in the rate curves, in order to assess the need to hedge part of the outstanding loans. As more fully described in note 10, loans for which the interest range is hedged total €/000 4,686 at 31/12/2014, comprising derivative instruments taken over from newly-acquired companies.

At 31 December 2014, liquidity of € 18.9 million is held in the form of unrestricted deposits at a fixed interest rate, while the remainder is held at floating rates, consistent with the Group's financial payables and bank debt.

Sensitivity analysis relative to the interest rate risk

The effects on the Group of a hypothetical and sudden upswing in interest rates of 50 basis points would be higher financial expenses, net of the increase in financial income, totalling €/000 501 (€/000 503 in 2013). It is reasonable to assume that a 50 basis points decrease in interest rates would produce an equivalent effect, although this time in terms of lower financial expenses. The sensitivity analysis did not take account of loans in relation to which hedges have been taken out, those at fixed interest rates and liquidity invested at fixed rates. It is reasonable to assume that the fluctuation in interest rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

Credit risk

The maximum theoretical credit risk exposure of the Group at 31 December 2014 and 2013 is represented by the carrying value of the financial assets recorded in the financial statements.

However, historically the Group has never suffered any significant bad debts (0.2% of sales in 2014 and 2013). This is because Group companies generally grant extended payment terms only to their long-term customers of known solubility and reliability. In contrast, after having passed an initial credit rating analysis, new customers are required to make payments in advance or to open a letter of credit for amounts due.

Individual write-downs are applied in relation to positions, if of significant magnitude, in relation to which an objective condition of uncollectability is present for all or part of the outstanding amount. The amount of the write-down takes account of an estimate of the recoverable flows and the associated collection date, and the expenses and costs for future debt recovery. Collective provisions are allocated in relation to receivables that are not subject to individual write-downs, taking account of the historic exposure and statistical data.

At 31 December 2014 the Loans and Receivables booked under financial assets for the purposes of IFRS 7 totalled €/000 139,646 (€/000 117,687 at 31/12/2013), and they include €/000 6,085 related to written down receivables (€/000 4,675 at 31/12/2013); on the residual amount payments overdue by less than three months were €/000 27,291 (€/000 20,227 at 31/12/2013), while those overdue beyond three months totalled €/000 12,776 (€/000 7,252 at 31/12/2013). In relation to receivables overdue by less than three months guarantees received total €/000 257 (€/000 1,180 at 31/12/2013), while in relation to receivables overdue by more than three months the guarantees received totalled €/000 160 (€/000 123 in 2013).

The Group is not exposed to any significant concentrations of sales. In fact, in 2014 the top customer in terms of sales accounted for about 1% (about 2% in 2013), while the top 10 customers accounted for 8% of total sales (8% in 2013). The concentration is similar on the sector level because the top customer in terms of sales accounts for around 2% in both the Water Jetting Sector and the Hydraulic Sector, while the top 10 customers account for 12% of the Water Jetting Sector and 14% of the Hydraulic Sector.

Liquidity risk

The liquidity risk can arise if it becomes impossible to obtain, at acceptable economic conditions, the financial resources needed for the Group's business operations.

The two main factors that define the Group's liquidity situation are the resources generated by or used in operating and spending activities, and the characteristics of expiry and renewal of debt or liquidity of financial investments and the relative market conditions.

The Group has adopted a series of policies and processes aimed at optimizing the management of resources in order to reduce the liquidity risk:

- retention of an appropriate level of cash on hand;
- diversification of the banks with which the Group operates;
- access to adequate lines of credit;
- negotiation of covenants on the consolidated level;
- monitoring of the prospective conditions of liquidity in relation to the corporate process.

The maturity characteristics of interest bearing financial debts and bank debts are described in Note 18.

Management considers that the currently available funds and lines of credit, in addition to resources that will be generated by operating and financing activities will allow the Group to meet requirements deriving from investing activities, management of working capital and repayment of debts at the natural due date, in addition to ensuring the pursuit of a strategy of growth also by means of targeted acquisitions able to create value for shareholders. Cash on hand at 31 December 2014 totals € 87.2 million. Cash on hand, combined with the significant cash generation from operations that the Group has been able to realize in 2014 are definitely factors that will make it possible to reduce Group exposure to the liquidity risk. In consideration of the high level of cash held in 2014 and 2013, the Group took out repurchase agreements, locked-up bank deposits and savings accounts in order to optimize finance management. The decision to maintain a high level of liquidity was adopted in order to minimize the liquidity risk, which is considered important given the current state of uncertainty of the economy, and to pick up on any opportunities for acquisitions that may arise.

Price risk

The Group is exposed to risks deriving from fluctuations in the prices of metals that can impact on economic results and profit margins. Specifically, the incidence of costs for the purchase of metals was 23% of total Group purchase costs of raw materials, semi-finished products and finished products in 2014 (21% also in 2013). The main metals utilized by the Group include brass, aluminium, copper, steel, stainless steel, cast iron, and, to a lesser extent, copper, sheet metal and mild steel. With respect to 31 December 2013, prices of raw materials used by the Group did not increase significantly and even fell in some cases. The Group constantly monitors the trend of the prices of these materials in the attempt to adopt the most effective policies to reduce the potential exposure to this risk.

The Group sectors feature differing levels of propensity towards the risk of fluctuations in the prices of metals, notably:

- in the Water Jetting Sector the cost of metals constituted approximately 13% of costs for the purchase of raw materials, semi-finished products and finished products in 2014 (15% in 2013). The metals utilized are primarily brass, steel, stainless steel, aluminium and copper. The policy is to leave the cost of storage of materials to vendors; this means that the risk is hedged by means of orders for periods and quantities made at fixed price. At 31 December 2014 there were agreements in place covering 27% of the projected consumption of brass and 14% of the projected consumption of aluminium for 2015 (in 2013, 61% coverage of the projected consumption of brass and 58% coverage of the projected consumption of aluminium in relation to 2014). The percentages of coverage of the predicted consumption of brass and aluminium rise still further to 45% and to 61% if, in addition to the agreements signed, we consider also the stocks of brass and aluminium on hand at 31/12/2014;
- the cost of metals in the Hydraulic Sector constituted around 29% of purchase costs for raw materials, semi-finished products and finished products in 2014 (27% in 2013). The metals utilized are primarily steel, aluminium, mild steel and iron. The prices of these commodities, with the exception of aluminium, are not historically sensitive to significant fluctuations. The Group therefore considers that a strategy aimed at accurate analysis of price trends is sufficient to mitigate the price risk. In relation to aluminium, no hedging transactions are undertaken because of the limited effect of such operations on purchase prices.

Generally the selling prices of the various Group companies are reviewed once a year.

33. Notes to the cash flow statement

Property, plant and equipment

In 2014 the Group purchased buildings, plant and machinery totalling €/000 41,408 (€/000 34,207 in 2013). This investment involved payments of €/000 39,755, including the purchase of assets for subsequent rental and considering the dynamics of the payables incurred for this reason (€/000 33,734 in 2013).

Cash and cash equivalents

This item 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

Net financial position and cash flow statement

For the amount and detail of the main components of the net financial position and the changes that occurred in 2014 and 2013 we invite you to refer to the "Cash Flow" section of the Board of Directors' Report.

34. Commitments

At 31/12/2014 the Group had commitments to purchase raw materials totalling €/000 306 (€/000 161 at 31/12/2013).

Furthermore, the Group also has commitments to purchase tangible assets totalling €/000 287 (€/000 13,699 at 31/12/2013).

The Group has signed rental and hire purchase agreements primarily regarding buildings, machinery, cars and computers. The total outlay in 2014 was €/000 10,518 (€/000 9,320 in 2013). At 31/12/2014, the following commitments were outstanding:

	(€/000)
Due within 1 year	9,005
Due from 1 to 2 years	8,133
Due from 2 to 5 years	18,074
Due beyond 5 years	6,089
Total	41,301

35. Transactions with related parties

The Group entertains relations with unconsolidated subsidiaries and other related parties at arm's length conditions considered to be normal in the respective reference markets, taking account of the characteristics of the goods and services rendered. Transactions between Interpump Group S.p.A. and its consolidated subsidiaries, which are related parties of the company, were eliminated in the consolidated financial statements and are not described in this note.

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 the 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 and admin. expenses	80,517	-	-	768	768	1.0%
Financial income	8,143	9	-	-	9	0.1%
Financial expenses	19,504	-	-	8	8	0.0%

	2013					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on the 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 and 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 the 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%
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 the financial statements caption
Trade receivables	113,726	4,520	-	815	5,335	4.7%
Other non-current financial assets	2,072	1,495	-	26	1,521	73.4%
Trade payables	69,985	101	-	3,060	3,161	4.5%
Interest-bearing financial payables	61,371	-	-	571	571	0.9%
Provision for short-term 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*

* = consolidated line-by-line at 31/12/2014
** = absorbed by Hydrocontrol in May 2014

Financial income in 2013 includes dividends received from Syscam Gestione Integrada of €/000 36.

Relations with associates

The Group does not hold any 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 2013 is due to the renewal of several rental contracts which therefore extended the period of commitment for the Group.

36. Events occurring after the close of the year

15 January 2015 was the closing date for the acquisition of Walvoil S.p.A., as illustrated in the Board of Directors' Report.

The disposal of the assets reported as held for sale in the 2014 annual report was completed on 20 February 2015, with a capital gain of €162k before taxation.

Annex 1

Attestation of the consolidated financial statements pursuant to art. 81-(3) of Consob regulation no. 11971 (which refers to art. 154-(2) para. 5 of the Consolidated Finance Act) of 14 May 1999 and subsequent amendments

1. The undersigned Paolo Marinsek and Carlo Banci, respectively Executive Director and Manager responsible for the drafting of company accounting documents of Interpump Group S.p.A.,, taking account also of the provisions of art. 154-(2), subsections 3 and 4 of legislative decree no. 58 of 24 February 1998, attest to:
   – adequacy in relation to the characteristics of the business and
   – effective application

   of the administrative and accounting procedures for the formation of the consolidated financial statements during 2014.

2. In addition, it is confirmed that consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the year ended 31 December 2014, which show consolidated total assets of €963,163 thousand, consolidated net profit of €57,742 thousand and consolidated shareholder's equity of €466,550 thousand:
   a) correspond to the results of the company books and accounting entries;
   b) were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of Ruling (CE) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002, and the provisions issued in implementation of art. 9 of legislative decree 38/2005 and the contents are suitable for providing a truthful and fair representation of the equity, economic and financial situation of the company and the group of companies included in the scope of consolidation;
   c) the Board of Directors' report contains a reliable analysis of performance and results and the situation of the issuer and the companies included in the consolidation together with a description of the main risks and uncertainties to which they are exposed.

Sant’Ilario d’Enza (RE), 19 March 2015

Paolo Marinsek	Carlo Banci
Deputy Chairman and	Manager responsible for drafting
Chief Executive Officer	the company's accounting documents

Report of the board of statutory auditors on the consolidated financial statements at 31 December 2014

Shareholders,

This report concerns the consolidated financial statements of Interpump Group SpA, which show a net profit of €/000 57,742, including €/000 806 related to minority interests.

We received the consolidated financial statements within the legally prescribed terms, together with the board of directors' report, the separate financial statements for 2014 and the associated report. They were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

Except as specified below, the work of the Board of Statutory Auditors did not extend to the consolidated financial statements as specifically envisaged by law (Italian legislative decree 58/1998 and art. 41, para. 3, of the Italian legislative decree no. 127/1991).

On these grounds, we:

- have verified and monitored, within the scope of our remit, the adequacy of the company's organizational structure (with special regard to the existence of a function responsible for relations with subsidiaries) and the observance of the principles of correct administration, by means of direct checks and through information gathered from the persons in charge of the administrative function and meetings held with representatives of the independent auditors appointed to perform the legal audit of the accounts, Reconta, Ernst & Young SpA, with the aim of assuring the reciprocal exchange of significant data and information;
- have ascertained the methods adopted to identify the scope of consolidation, the consolidation principles, and the procedures adopted for the purpose of consolidation, which are compliant with IFRS prescriptions;
- have checked compliance with legal provisions regulating the consolidated financial statements and board of directors' report, and, with special reference to the latter, its adequacy in representing the financial position and economic performance of the companies subject to consolidation, the trend of operating activities in the year and their foreseeable evolution, and also consistency of the report with the contents of the consolidated financial statements;
- have acknowledged that the financial statements of the main subsidiaries, for the purpose of formation of the consolidated financial statements, were examined by the bodies and/or parties responsible for the control of individual companies, in compliance with their respective legal systems, and by the independent auditors in the framework of the procedures adopted for auditing of the consolidated financial statements;
- have examined the independent auditors' report dated 31 March 2015, which contains no qualifications or emphasis of matter;
- have examined the attestation given by the Chief Executive Officer and the Manager responsible for preparing the company's accounting documents, pursuant to art. 81-*(3)* of Consob Regulation no. 11971/1999 as amended and art. 154-*(2)* of Italian legislative decree 58/1998.

As part of our general supervisory role, we identified no significant events requiring disclosure in this report.

To complete this report you are invited to read our comments on the separate financial statements of Interpump Group S.p.A. for the year ending 31 December 2014, containing all the information required by the Italian stock exchange regulatory body.

It is our opinion that the structure of the consolidated financial statements is technically correct and overall in compliance with the specific regulatory framework and that the financial statements provide an accurate representation of the Interpump Group's economic and financial situation, as well as its results, in conformity with the regulations governing consolidated financial statements referenced above.

We also deem the board of directors' report on Group operations to be an accurate representation that is consistent with the consolidated financial statements.

S. Ilario d'Enza, 1 April 2015

The Board of Statutory Auditors

Pierluigi De Biasi

Alessandra Tronconi

Paolo Scarioni

Building a better working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Interpump Group S.p.A. and its subsidiaries, (the "Interpump Group") as of 31 December 2014 and for the year then ended, comprising the statement of financial position, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the cash flows statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Interpump Group S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated 25 March 2014.

3. In our opinion, the consolidated financial statements of the Interpump Group at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Interpump Group for the year then ended.

4. The Directors of Interpump Group S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Board of Directors' Report and the Report on Corporate Governance and the Ownership Structure published in the section "Corporate Governance" of Interpump Group S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Board of Directors' Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by

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CONSOB. In our opinion, the Board of Directors' Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Ownership Structure , are consistent with the consolidated financial statements of the Interpump Group at 31 December 2014.

Bologna, 31 March 2015

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

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

Interpump Group S.p.A.

Annual Financial Statements
at 31 December 2014

CONTENTS

2014 Board of Directors' Report
of Parent Company Interpump Group S.p.A.

As in previous years, the operations of Interpump Group S.p.A. consisted, in addition to ordinary industrial activities, in the strategic and management coordination of the Group, in the drive to optimize the Group's financial flows, and in research activities and the selection of equity investments to acquire with the aim of accelerating the Group's expansion.

The purchase of 60% of IMM, a company based in Atessa (CH) that manufactures hydraulic hoses and fittings, was completed by Interpump Hydraulics on 8 January 2014. IMM has a production subsidiary in Romania and distribution subsidiaries in the UK, France, Germany and South Africa. IMM Group's business is highly synergic with respect to the activities of the Interpump Group's Hydraulic Sector. With the acquisition of IMM, Interpump Hydraulics further extends its range of products in the hydraulic sector. For more information on the acquisition of the IMM Group we invite you to refer to note 7 of the consolidated financial statements.

The expansion of the Hydraulic Sector continued during 2014 with the purchase by Interpump Hydraulics of residual interests in subsidiaries (18.39% of Interpump Hydraulics International and 35% of Hydrocar Chile) and the signature by Interpump Group, on 19 December 2014, of a preliminary contract for the acquisition of 100% of the Walvoil Group based in Reggio Emilia. This group is one of the largest international players in the production and commercialization of valves and hydraulic directional controls. The forecast results of Walvoil for 2014 include: consolidated sales of around €140m and consolidated EBITDA in the region of €19m. The provisional net price of €100m, being 95% of the estimated price, will be adjusted with reference to the net financial position at 31 December 2014, which is currently estimated at around €32m. Payment was made on the closing date, 15 January 2015, with €54.2m settled in cash and the balance by the transfer of listed shares in Interpump Group S.p.A. Also, in accordance with consolidated EBITDA at 2014 year-end, the seller will receive an additional earn-out 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 Austria.

1 Profitability

Interpump Group S.p.A. booked net revenues of € 77.1 million (€71.4 million in 2013), reflecting growth of 8.0%. The analysis by geographic area of the revenues from sales and services is given in the commentary on this item in the notes to the financial statements.

The cost of sales accounted for 63.2% of turnover (66.7% in 2013). Production costs, which totalled 24.3 million euro (21.1 million euro in 2013) accounted for 31.5% of sales (29.5% in 2013). The purchase costs of raw materials and components sourced on the market, including changes in inventories, totalled € 24.4 million (€ 26.5 million in 2013). The incidence of purchase costs was 5.5 percentage points lower than in 2013. In order to improve the accounting presentation of the transformation costs of certain aluminium items, these costs were reclassified during the year as processing costs (within the production costs) rather than as purchasing costs. The different classification has increased production costs by 1.2 percentage points and lowered purchasing costs by 1.2 percentage points. The additional reduction in the incidence of purchasing costs was due to a slight fall in the cost of raw materials and to the careful management of purchases.

Commercial costs were 20.0% higher than in 2013 and their incidence on sales rose by 0.5 percentage points. The principal increase in commercial costs related to trade fairs (mainly due to two events not attended in 2013) and the associated travel costs incurred by personnel, as well as to increased commissions.

General and administrative costs were 15.8% higher than in 2013 and their incidence on sales rose by 1.2 percentage points. The increase was mainly due to the greater amortization of intangible assets, due to the start of amortization of the costs capitalized in relation to certain product development projects (new families of pumps), and to an increase in directors' bonuses, which were not recognized in full in 2013. Net of these aspects, which globally resulted in higher costs in the amount of €1.0m compared to 2013, general expenses rose by 6.7%, with an incidence on sales that remained substantially unchanged (-0.1 percentage points).

Total payroll costs were €20.2 million (€18.3 million in 2013) for an average number of 362 employees (354 employees in 2013). The 10.6% rise in payroll costs was due to an 8.0% per capita cost increase, due to wage increases and greater recourse to overtime working, and an increase of 8 in the average headcount.

The reconciliation of the income statement to obtain interim values is shown below:

	2014 (€/000)	*% on sales*	*2013 (€/000)*	*% on sales*
Ordinary profit before financial charges	39,101		24,241	
Dividends	(27,143)		(14,332)	
Impairment losses on investments	14		11	
Operating profit (EBIT)	***11,972***	***15.5%***	***9,920***	***13.9%***
Amortization, depreciation and write-downs	3,940		3,098	
Gross operating profit (EBITDA)	***15,912***	***20.6%***	***13,018***	***18.2%***

EBIT stood at 12.0 million euro or 15.5% of sales compared to the 9.9 million euro of 2013 (13.9% of sales), with an increase of 20.7%.

EBITDA totalled €15.9 million or 20.6% of sales, compared to the €13.0 million in 2013, which represented 18.2% of sales, with an increase of 22.2%.

The year to 31 December 2014 closed with a net profit of 34.0 million euro (19.3 million euro in 2013) influenced by the events summarized in the following table:

	2014 (€/000)	2013 (€/000)
Net profit disclosed in income statement	33,955	19,276
Income taxes	4,995	3,585
Earnings before tax	38,950	22,861
Impairment losses on investments	14	11
Earnings before tax after impairment losses on investments (A)	38,964	22,872
Dividends from subsidiaries (B)	(27,143)	(14,332)
Earnings before tax after impairment losses on investments and dividends (A+B)	***11,821***	***8,540***
Income taxes	(4,995)	(3,585)
Taxes relating to previous years	3	(27)
Taxes on dividends	708	197
Net profit adjusted for impairment losses on investments and dividends	***7,537***	***5,125***

The tax rate for the year, based on the earnings before tax adjusted for impairment losses on investments and dividends, was 36.2% compared with 40.0% in 2013, due in the main to the lower incidence of IRAP. For more comprehensive information on changes between the 2014 and 2013 tax rate refer to Note 27 of the financial statements.

2 Statement of financial position

Below we give the reclassified balance sheet on the basis of cash flows obtained/used:

	31/12/2014 (€/000)	*%*	*31/12/2013 (€/000)*	*%*
Trade receivables	12,801		10,678	
Net inventories	13,232		8,762	
Other current assets	7,298		1,060	
Trade payables	(11,191)		(10,118)	
Short-term tax payables	(3,577)		(931)	
Other short-term liabilities	(4,844)		(4,254)	
Net working capital	**13,719**	**3.8**	**5,197**	**1.6**
Net intangible and tangible fixed assets	24,919		23,862	
Goodwill	32,506		32,506	
Investments	193,955		191,997	
Other financial fixed assets	98,800		70,705	
Other non-current assets	2,693		2,752	
Liabilities for employee benefits	(4,151)		(3,566)	
Medium/long-term portion for provisions for risks and charges	(23)		(7)	
Other medium/long-term liabilities	(817)		(805)	
Total net fixed assets	**347,882**	**96.2**	**317,444**	**98.4**
Total capital employed	**361,601**	**100.0**	**322,641**	**100.0**
Financed by:				
Total shareholders' equity	**247,020**	**68.3**	**256,949**	**79.6**
Cash and cash equivalents	(22,841)		(39,879)	
Payables to banks	408		143	
Short-term interest-bearing financial payables	22,896		25,519	
Total short-term financial payables (cash on hand)	**463**	**0.1**	**(14,217)**	**(4.4)**
Total medium/long-term financial payables	**114,118**	**31.6**	**79,909**	**24.8**
Total sources of financing	**361,601**	**100.0**	**322,641**	**100.0**

The reclassified face of the balance sheet adopted makes it possible to assess the capital soundness of the company, highlighting its capacity to maintain a condition of financial equilibrium in the medium/long-term.

3 Capital expenditure

Capital expenditure on tangible fixed assets was €3.4 million (€3.8 million in 2013) and related to the normal renewal and modernization of plant and equipment. The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamics of payments.

Increases in intangible assets amounted to €1.6 million (€1.5 million in 2013), mostly concerning the product development costs recharged by Interpump Engineering.

4 Loans

Net financial indebtedness as at 31 December 2014 was €114.6 million (€65.7 million at 31/12/2013). Changes in the year are listed in the table below:

	2014 (€/000)	2013 (€/000)
Opening net cash position	**(65,692)**	**(56,542)**
Cash flow from operations	10,879	9,588
Liquidity generated (absorbed) by commercial working capital	(4,750)	(40)
Liquidity generated (absorbed) by other current assets and liabilities	(149)	(458)
Net expenditure in tangible and intangible fixed assets	(3,602)	(5,977)
Received financial income	2,050	2,357
Other	(466)	(642)
Free cash flow	*3,962*	*4,828*
Proceeds (payments) from the disposal (purchase) of investments	(46)	1,167
Purchase of treasury stock	(38,299)	(21,441)
Proceeds from sales of treasury stock for stock options	4,626	11,995
Dividends received from subsidiaries	21,448	14,330
Dividends paid	(18,108)	(18,029)
Change in other financial assets	179	-
Reimbursement (Disbursement) of loans from (to) subsidiaries	(22,651)	(2,000)
Cash flow generated (used)	*(48,889)*	*(9,150)*
Net financial position at end of year	**(114,581)**	**(65,692)**

The net cash position breaks down as follows:

	31/12/2014 (€/000)	31/12/2013 (€/000)	01/01/2013 (€/000)
Cash and cash equivalents	22,841	39,879	70,485
Payables to banks	(408)	(143)	(51)
Interest-bearing financial payables (current portion)	(22,896)	(25,519)	(51,435)
Interest-bearing financial payables (non-current portion)	(114,118)	(79,909)	(75,541)
Total	**(114,581)**	**(65,692)**	**(56,542)**

At 31 December 2014 all the loan covenants had been amply complied with.

5 Relations with subsidiaries

The company also operates through subsidiaries with which it entertains commercial and financial relationships. These relations are detailed in the table below (amounts expressed in €/000):

	Receivables		Revenues	
	31/12/2014	31/12/2013	2014	2013
Subsidiaries:				
General Pump Inc.	1,909	1,934	18,696	15,829
NLB Corporation Inc.	359	172	971	1,091
General Technology S.r.l.	360	294	822	763
General Pump China Inc.	244	116	630	529
Interpump Hydraulics India Ltd	522	521	483	442
Interpump Engineering S.r.l.	26	5	119	85
Hammelmann S. L.	46	20	108	102
Interpump Hydraulics S.p.A.	1,899	564	32	24
AVI S.r.l.	20	4	30	17
Hammelmann Bombas e Sistemas Ltda	24	-	24	-
Unidro Contarini Sarl	8	1	17	1
Hydroven S.r.l.	2	4	12	17
Hammelmann Pump System Co. Ltd	-	-	10	-
Interpump Hydraulics Middle East FZCO	9	1	9	1
H.S. Penta Africa Pty Ltd	-	28	8	27
Hydrocontrol S.p.A.	5	-	5	6
Contarini Leopoldo S.r.l.	5	-	5	3
Interpump Hydraulics (UK) Ltd	4	-	4	25
IMM S.p.A.	3	-	4	-
HS Penta S.p.A.	12	14	3	4
Oleodinamica Panni S.r.l.	3	1	3	3
Hammelmann GmbH	6,059	58	-	-
Muncie Power Inc.	9	-	-	-
Teknova S.r.l. (winding up)	7	1	-	-
American Mobile Power Inc.	1	-	-	-
Cover S.r.l.	-	-	-	3
SIT S.p.A.	-	-	-	2
Total	*11,536*	*3,738*	*21,995*	*18,974*

The amount due from Hammelmann GmbH at 31/12/2014 includes €6,000k for dividends declared but not yet paid, as well interest due on the intercompany loan. The amounts due from General Technology S.r.l., Interpump Hydraulics S.p.A., H.S. Penta S.p.A. and Teknova S.r.l. include, in addition to the trade receivables component, also the uncollected part of financial income, amounting, respectively, to €6k, €740k, €9k and €7k. The receivable from Interpump Hydraulics S.p.A. includes €1,142k in relation to membership of the Italian domestic tax group. All other receivables refer to relations of a commercial nature governed at arm's length conditions.

	Payables		Costs	
	31/12/2014	31/12/2013	2014	2013
Subsidiaries:				
General Technology S.r.l.	263	367	5,369	5,265
Interpump Engineering S.r.l.	510	522	763	775
SIT S.p.A.	32	65	220	220
Hammelmann GmbH	-	-	165	148
Interpump Hydraulics S.p.A.	436	1,227	65	8
General Pump Inc.	4	-	57	18
General Pump China Inc.	-	-	53	31
Interpump Hydraulics India Ltd	-	-	8	-
NLB Corporation Inc.	-	-	5	-
Hydroven S.r.l.	-	-	1	-
Total subsidiaries	*1,245*	*2,181*	*6,706*	*6,465*

The account payable to Interpump Hydraulics S.p.A. refers to the inclusion in the Italian tax consolidation regime in the amount of €/000 411. All other payables refer to relations of a commercial nature governed at arm's length conditions.

Financial relations are as outlined below (amounts shown in €/000):

		Financing	Interest income	
	31/12/2014	31/12/2013	2014	2013
Subsidiaries:				
Interpump Hydraulics S.p.A.	94,090	64,645	1,945	1,217
Hammelmann GmbH	4,000	4,000	105	121
HS Penta S.p.A.	-	800	19	16
General Technology S.r.l.	500	1,050	18	11
Teknova S.r.l. (winding up)	210	210	5	3
Total	*98,800*	*70,705*	*2,092*	*1,368*

The intercompany loans outstanding at 31 December 2014 earn interest at Euribor (3 or 6 months) uplifted by 225 basis points.

The following dividends have been credited to the income statement (amounts expressed in €/000):

	2014	2013
Interpump Hydraulics S.p.A.	8,000	5,000
Hammelmann GmbH	12,000	5,000
NLB Corporation Inc.	3,610	3,064
General Pump Inc.	3,032	767
Interpump Engineering S.r.l.	500	500
Total	*27,142*	*14,331*

All the dividends declared by subsidiaries had been collected by 31 December 2014, except for the €6,000k due from Hammelmann GmbH.

6 Transactions with related parties

These operations are described in note 31 of the financial statements.

7 Exposure to risks and uncertainties and Financial risk factors

The company is exposed to the normal risks and uncertainties of any business activity. The markets in which the company operates are world niche markets of moderate size and with few competitors. These market characteristics constitute a significant barrier to the entry of new competitors, due to significant economy of scale effects against the backdrop of somewhat uncertain economic returns for potential new entrants. The company retains world leadership positions that mitigate the risks and uncertainties of the business activity.

These financial risk factors are described in note 3 of the financial statements.

8 Environment

The Interpump Group is engaged exclusively in mechanical engineering and components assembly activities that are not accompanied by the emission of pollutants into the environment. The production process is performed in compliance with statutory legislation.

9 Further information

The Research and Design Centre (Interpump Engineering S.r.l.), set up to centralize design and development of new products, completed 5 projects for Interpump Group S.p.A. during 2014. These related to new families of high pressure pumps and new versions of pumps for various applications (such as for the mud deriving from the lifting of oil). It is company policy to continue to invest heavily in research and development in future years in order to add further impetus to organic growth. Interpump Engineering S.r.l. charged €/000 1,983 for the aforesaid work, €/000 1,251 of which was capitalized in intangible fixed assets in accordance with their multi-annual usefulness (€/000 1,846 in 2013, of which €/000 1,160 capitalized).

At 31 December 2014 the company held 5,281,095 treasury shares in the portfolio corresponding to 4.85% of the capital, acquired at an average unit cost of € 8.9437.

With regard to stock option plans and the shares of the company and of subsidiaries held by directors, statutory auditors, and general managers, you are invited to consult the 2014 Board of Directors' Report, which is attached to the consolidated financial statements.

In 2013 the company renewed its adherence to the national tax consolidation which, in addition to Interpump Group S.p.A., includes Teknova S.r.l. and Interpump Hydraulics S.p.A.

The company is not subject to management and coordination activities; Gruppo IPG Holding S.r.l., with registered office in Milan, is the company that drafts the consolidated financial statements that include data of Interpump Group S.p.A. and its subsidiaries. The consolidated financial statements are available from the Milan business register.

Pursuant to the terms of art. 3 of Consob Resolution no. 18079 of 20 January 2012, Interpump Group S.p.A. chose to adhere to the opt-out regime provided for by art. 70, par. 8, and art. 71, par. 1-bis, of Consob Reg. no. 11971/99 (as amended), thus making use of the faculty of derogation from the obligation to publish the informative documents prescribed at the time of significant operations of mergers, break-ups, capital increases by means of the conferment of assets in kind, acquisitions and divestments.

10 Events occurring after the end of the year and the business outlook

15 January 2015 was the closing date for the acquisition of the Walvoil Group, as described at the start of this report.

A 52.72% interest in Inoxihp S.r.l., based in Nova Milanese (MB), was acquired on 17 March 2015. This company produces high pressure and very high pressure water installations, with a leadership position in applications for the steel industry. The 2014 sales of Inoxihp amounted to €10.8m, with EBITDA in excess of 30% of sales. The price agreed was €8.6m, including the positive net financial position at 31 December 2014 of €0.7m. Of this amount, €6.5m was settled in cash and the balance by the transfer of 156,160 shares in Interpump Group S.p.A. The minority quotaholder is entitled to sell the remaining 47.28% as follows: 10% at any time and 37.28% subsequent to approval of the 2025 financial statements, at a price based on the average of the results reported in the two annual financial statements prior to the date of exercising the put option.

This acquisition enables Interpump, world leader in high pressure and very high pressure pumps, to strengthen its position in the steel sector and benefit from significant production and distribution synergies.

Considering the short time since 31 December 2014, and in the light of the short period of time historically covered by the order portfolio, we do not yet have enough information to make a reliable forecast of expected trends in the current year. No other events occurred such as to deserve mention in this report, and the company's business proceeded smoothly.

11 Proposal to the Shareholders' Meeting

In relation to the profit for the year of € 33,954,990, we propose:

- assigning a dividend of € 0.18 for each of the shares in circulation including the right as per art. 2357-(3) subsection 2 of the Italian Civil Code;
- booking the remaining amount to the extraordinary reserve, since the legal reserve now stands at one fifth of the share capital.

Sant'Ilario d'Enza (RE), 19 March 2015

For the Board of Directors

Fulvio Montipò

Chairman and Chief Executive Officer

Annual Financial Statements at 31 December 2014
of Parent Company Interpump Group S.p.A.

INTERPUMP GROUP S.p.A.
Registered Office: S. Ilario d'Enza (RE)
Via E. Fermi 25
Share Capital: € 56,617,232.88
Reggio Emilia Court - Company Register no. 117217
Tax code 11666900151
VAT number 01682900350

Statement of financial position

Euro	Notes	31/12/2014	31/12/2013
ASSETS			
Current assets			
Cash and cash equivalents	4	22,841,455	39,878,606
Trade receivables	5, 21	12,800,896	10,677,638
Dividends receivable		6,000,000	-
Inventories	6	13,232,294	8,761,998
Tax receivables		518,322	442,037
Other current assets	8, 21	780,123	618,131
Total current assets		**56,173,090**	**60,378,410**
Non-current assets			
Property, plant and equipment	9	20,046,743	18,955,508
Goodwill	10	32,505,900	32,505,900
Other intangible assets	11	4,871,975	4,907,046
Investments in subsidiaries	12	193,954,953	191,996,730
Other financial assets	13, 21	98,800,340	70,704,990
Tax receivables		1,047,939	1,383,629
Deferred tax assets	14	1,635,351	1,355,522
Other non-current assets		10,089	13,659
Total non-current assets		**352,873,290**	**321,822,984**
Total assets		***409,046,380***	***382,201,394***

Euro	Notes	31/12/2014	31/12/2013
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	5, 21	11,191,941	10,118,474
Interest-bearing financial payables (current portion)	15, 21	23,304,303	25,662,079
Derivative financial instruments	7	27,742	77,805
Tax payables		3,576,766	931,489
Other current liabilities	16, 21	4,816,498	4,175,232
Total current liabilities		**42,917,250**	**40,965,079**
Non-current liabilities			
Interest-bearing financial payables	15, 21	114,117,678	79,909,049
Liabilities for employee benefits	18	4,151,478	3,565,857
Deferred tax liabilities	14	817,045	805,447
Provisions for risks and charges	17	22,968	7,000
Total non-current liabilities		**119,109,169**	**84,287,353**
Total liabilities		**162,026,419**	**125,252,432**
SHAREHOLDERS' EQUITY			
Share capital	19	53,871,063	55,003,411
Legal reserve	20	11,323,447	11,323,447
Share premium reserve	20	100,399,959	124,202,044
Reserve for restatement of defined benefit plans		(1,592,193)	(1,084,695)
Reserve for valuation of hedging derivatives hedges	20	(18,254)	(27,367)
Other reserves	20	83,035,939	67,532,122
Total shareholders' equity		**247,019,961**	**256,948,962**
Total shareholders' equity and liabilities		***409,046,380***	***382,201,394***

Income statement

Euro	*Notes*	*2014*	*2013*
Net sales	23	**77,090,216**	**71,380,667**
Cost of sales	25	(48,738,883)	(47,601,757)
Gross industrial margin		**28,351,333**	**23,778,910**
Other net revenues	24	1,365,026	1,230,195
Distribution costs	25	(4,594,133)	(3,827,273)
General and administrative expenses	25	(12,963,974)	(11,191,777)
Impairment losses on assets	11, 12	(153,876)	(11,000)
Other operating costs	25	(45,882)	(70,000)
Dividends		27,142,599	14,331,654
Ordinary profit before financial charges		**39,101,093**	**24,240,709**
Financial income	26	4,902,842	3,046,834
Financial expenses	26	(5,054,329)	(4,425,933)
Profit for the year before taxes		**38,949,606**	**22,861,610**
Income taxes	27	(4,994,616)	(3,585,203)
Net profit for the year		**33,954,990**	**19,276,407**
Basic earnings per share	28	0.323	0.184
Diluted earnings per share	28	0.317	0.182

Comprehensive income statements

(€/000)	*2014*	*2013*
Net profit (A)	**33,955**	**19,276**
Other comprehensive profit (loss) that will be subsequently reclassified in profit for the year		
Accounting of interest rate hedging derivatives recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivatives in the year	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	-
- Minus: Adjustment for recognition of fair value to reserves in the year	37	386
Total	*37*	*386*
Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivatives in the year	(26)	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	-	(84)
- Minus: Adjustment for recognition of fair value to reserves in the year	-	-
Total	*(26)*	*(84)*
Related taxes	*(2)*	*(79)*
Total other profit (loss) that will be subsequently reclassified in profit for the year, net of the tax effect (B)	**9**	**223**
Other profit (loss) that will not be subsequently reclassified in profit for the year		
Profit (Loss) deriving from the restatement of defined benefit plans	*(700)*	*(214)*
Related taxes	*192*	*59*
Total other profit (loss) that will not be subsequently reclassified in profit for the year, net of the tax effect (C)	**(508)**	**(155)**
Comprehensive net profit (A) + (B) + (C)	**33,456**	**19,344**

Cash flow statement

(€/000)	**2014**	**2013**
Cash flow from operating activities		
Pre-tax profit	38,950	22,862
Adjustments for non-cash items:		
Capital gains from the sale of fixed assets	(1)	(9)
Loss on adjustment of investment disposal price	46	-
Amortization and depreciation of tangible and intangible fixed assets	3,936	3,098
Costs ascribed to the income statement relative to stock options, that do not involve monetary outflows for the Group	992	919
Impairment losses (write-back of impairment losses) on assets	14	11
Net change in risk funds and allocations to provisions for employee benefits	(111)	(198)
Dividends ascribed in the income statement	(27,143)	(14,331)
Net financial charges	151	1,379
	16,834	13,731
(Increase) decrease in trade receivables and other current assets	(2,486)	(49)
(Increase) decrease in inventories	(4,470)	986
Increase (decrease) in trade payables and other current liabilities	2,057	(1,435)
Taxes paid	(3,656)	(1,140)
Interest paid	(2,820)	(3,261)
Currency exchange gains realised	521	258
Net cash from operating activities	**5,980**	**9,090**
Cash flows from investing activities		
Payment on capital account to Interpump Hydraulics on transfer of treasury stock to support acquisition of the outstanding interest in Interpump Hydraulics International	(1,581)	-
Proceeds from the sale of Unielectric net of ancillary expenses paid and price adjustments	(46)	1,167
Outlays for purchase of treasury stock	(38,299)	(21,441)
Proceeds from sales of treasury stock for stock options	4,626	11,995
Disposal of treasury stock in relation to the acquisition of Hydrocontrol	-	30,131
Disposal of treasury stock in relation to the acquisition of 60% of IMM	2,561	-
Disposal of treasury stock in relation to the acquisition of the remaining Interest in Interpump Hydraulics International	4,465	-
Capital expenditure in property, plant and equipment	(2,261)	(4,448)
Proceeds from sales of tangible fixed assets	1	12
Increase in intangible fixed assets	(1,342)	(1,541)
Received financial income	2,050	2,357
Other	179	(10)
Net liquidity generated (used) by investing activities	**(29,647)**	**18,222**

(€/000)	2014	2013
Cash flows of financing activity		
Dividends received from subsidiaries	21,448	14,330
Dividends paid	(18,108)	(18,029)
(Disbursal) Repayment of intra-group loans	(28,096)	(32,131)
Disbursals (repayments) of loans	31,120	(22,180)
Net liquidity generated (used by) financing activities	**6,364**	**(58,010)**
Net increase (decrease) of cash and cash equivalents	**(17,303)**	**(30,696)**
Cash and cash equivalents at the beginning of the year	**39,736**	**70,434**
Cash and cash equivalents at the end of the year	**22,433**	**39,736**

For reconciliation of cash on hand refer to note 29.

Statement of changes in shareholders' equity

	Share capital	*Legal reserve*	*Share premium reserve*	*Reserve for restatement of defined benefit plans*	*Reserve for valuation of hedging derivatives at fair value*	*Other reserves*	*Total shareholders' equity*
Balances at 1 January 2013	*52,796*	*10,158*	*104,677*	*(929)*	*(250)*	*67,450*	*233,902*
Allocation of 2012 profit	-	*1,165*	-	-	-	*(1,165)*	-
Distribution of the dividend	-	-	-	-	-	*(18,029)*	*(18,029)*
Recognition in the income statement of the fair value of the stock options assigned and exercisable by Interpump Group S.p.A. employees	-	-	*919*	-	-	-	*919*
Fair value measurement of the stock options assigned to and exercisable by employees of subsidiaries	-	-	*128*	-	-	-	*128*
Purchase of treasury stock	*(1,441)*	-	*(20,000)*	-	-	-	*(21,441)*
Sale of treasury stock to the beneficiaries of stock options	*1,309*	-	*10,686*	-	-	-	*11,995*
Transfer of treasury stock for the acquisition of equity investments	*2,339*	-	*27,792*	-	-	-	*30,131*
Comprehensive net profit for the year	-	-	-	*(155)*	*223*	*19,276*	*19,344*
Balances at 31 December 2013	*55,003*	*11,323*	*124,202*	*(1,084)*	*(27)*	*67,532*	*256,949*
Distribution of the dividend	-	-	-	-	-	*(18,108)*	*(18,108)*
Recognition in the income statement of the fair value of the stock options assigned and exercisable by Interpump Group S.p.A. employees	-	-	*992*	-	-	-	*992*
Fair value measurement of the stock options assigned to and exercisable by employees of subsidiaries	-	-	*378*	-	-	-	*378*
Purchase of treasury stock	*(1,986)*	-	*(35,970)*	-	-	*(343)*	*(38,299)*
Sale of treasury stock to the beneficiaries of stock options	*482*	-	*4,144*	-	-	-	*4,626*
Transfer of treasury stock for the acquisition of equity investments	*372*	-	*6,654*	-	-	-	*7,026*
Comprehensive net profit for the year	-	-	-	*(508)*	*9*	*33,955*	*33,456*
Balances at 31 December 2014	*53,871*	*11,323*	*100,400*	*(1,592)*	*(18)*	*83,036*	*247,020*

Notes to the financial statements of Interpump Group S.p.A.

1. General information

Interpump Group S.p.A. is a company incorporated under Italian law with registered offices in Sant'Ilario d'Enza (RE), listed on the Milan Stock Exchange.

The company manufactures and markets high and very high pressure plunger pumps, and has controlling interests in 48 companies. Interpump Group S.p.A. has production facilities in Sant'Ilario d'Enza (RE). For more specific information on the group's operations, refer to the Board of Directors' Report provided with the consolidated financial statements.

The financial statements at 31 December 2014, drafted on the basis of the going concern assumption, were approved by the Board of Directors in the meeting held on this day (19 March 2015).

2. Accounting standards adopted

2.1 Reference accounting standards

The consolidated financial statements at 31 December 2014 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. "IFRS" also means the International Accounting Standards ("IAS") currently in force and all the interpretative documents issued by the IFRS Interpretations Committee, previously denominated International Financial Reporting Interpretations Committee ("IFRIC") and still earlier known as the Standing Interpretations Committee ("SIC").

The figures of Balance sheet and Income statement are shown in euro, while the other schedules and notes are shown in thousands of euro. The financial statements are drafted according to the cost method, with the exception of financial instruments, which are carried at fair value.

Preparation of a report in compliance with IFRS (International Financial Reporting Standards) calls for judgments, estimates, and assumptions that effect assets, liabilities, costs and revenues. The final results may differ from the results obtained using estimates of this type. The captions of the financial statements that call for more subjective appraisal by the directors when preparing estimates and for which a change in the conditions underlying the assumptions utilized could have a significant effect on the financial statements are: goodwill, amortization and depreciation of fixed assets, deferred tax assets and liabilities, the allowance for doubtful accounts and the allowance for inventories, provisions for risks and charges, defined benefit plans for employees.

The company's income statement is prepared by functional areas (or cost of sales), this form being considered more representative than presentation by type of sales, this information being specified in the notes to the financial statements. The chosen form, in fact, complies with the internal reporting and business management methods. For a more comprehensive analysis of the Group's economic results, we invite you to refer to the Board of Director's Report submitted together with the 2014 Consolidated Financial Statements.

The cash flow statement was prepared with the indirect method.

2.1.1 Accounting standards, amendments and interpretations in force as from 1 January 2014

As from 2014 the company has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

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

2.1.2 Accounting standards, amendments and interpretations taking effect as from 1 January 2014 but not relevant for the company

- *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 their fair value through profit or loss, rather than to consolidate 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 – Levies.* 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).

2.1.3 Accounting standards and amendments not yet applicable and not adopted early by the company

- *IFRS 9 – Financial instruments.* The IASB published this standard on 12 November 2009. It was then repeatedly amended, first on 28 October 2010, then in mid-December 2011 and finally on 24 July 2014. The new standard, which is applicable from 1 January 2018, constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities, and for the derecognition of 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 December 2012 IASB issued a series 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", which is an interim standard relating to the "Rate-regulated activities" project. IFRS 14 allows exclusively first-time adopters of IFRS to continue recognizing amounts associated with rate regulation in compliance with the accounting policies previously adopted. In order to improve comparability with entities that already apply IFRS 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.

2.2 Sector information

The business sectors in which the Group operates are determined on the basis of the reporting utilized by Group top management to make decisions, and they have been identified as the Water Sector, which basically includes high and very-high pressure pumps and very high pressure systems, and the Oil Sector, which includes power take-offs, gear pumps, hydraulic cylinders, directional controls, valves, hoses and fittings, and other hydraulic components. Interpump Group S.p.A. operates entirely in the Water Jetting Sector so it was not considered necessary to present the associated sector information.
With the aim of providing more comprehensive disclosure, information is provided for the geographical areas in which the company operates, namely Italy, the Rest of Europe (including non-EU European countries) and the Rest of the World.

2.3 Treatment of foreign currency transactions

(i) Foreign currency transactions

The functional and presentation currency adopted by Interpump Group S.p.A. is the euro. Foreign exchange transactions are translated into euro on the basis of the exchange rates in force on the date that the related transactions were carried out. Monetary assets and liabilities are translated at the exchange rate in force on the balance sheet reference date. Foreign exchange differences arising from the translation are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rates in force on the date of the related transactions. Monetary assets and liabilities stated at fair value are translated to euro at the exchange rate in force on the date in respect of which the relative fair value was determined.

2.4. Non-current assets held for sale and discontinued operations

Non-current assets held for sale and any assets and liabilities pertaining to lines of business or consolidated investments held for sale, are measured at the lower of their book value at the time of classification of said captions as "held for sale", and their fair value, net of the costs of sale.

Any impairments recorded in application of said principle are recorded in the income statement, both in the event of write-downs for adaptation to the fair value and also in the case of profits and losses deriving from future changes of the fair value.

Investments that fit the definition of discontinued operations are classified as discontinued operations at the time of their disposal or when they fit the description of assets held for sale, if said requirements existed previously.

2.5 Property, plant and equipment

(i) Owned assets
Property, plant and equipment are valued at the historic cost and disclosed net of accumulated depreciation (see next point *iii*) and impairment losses (see section 2.8). The cost of goods produced internally includes the cost of raw materials, directly related labor costs, and a portion of indirect production costs. The cost of assets, whether purchased externally or produced internally, includes the ancillary costs that are directly attributable and necessary for use of the asset and, when they are significant and in the presence of contractual obligations, the current value of the cost estimated for the dismantling and removal of the related assets.

Financial charges relative to loans utilized for the purchase of tangible fixed assets are recorded in the income statement on an accruals basis if they are not specifically allocated to the purchase or construction of the asset, otherwise they are capitalized.

Assets held for sale are valued at the lower of the fair value net of ancillary charges to the sale and their book value at the time of classification of said captions as held for sale.

(ii) Subsequent costs
The replacement costs of certain parts of assets are capitalized when it is expected that said costs will result in future economic benefits and they can be measured in a reliable manner. All other costs, including maintenance and repair costs, are ascribed to the income statement when they arise.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis in relation to the estimated residual useful life of the associated asset. Land is not depreciated. The estimated useful life of assets is as follows:

- Buildings	25 years
- Plant and machinery	12.5 years
- Industrial and commercial equipment	4 years
- Other assets	4-8 years

The estimated useful life of the assets is reviewed on an annual basis, and any changes in the rates of depreciation are applied where necessary for future depreciation charges.

For assets purchased and/or that became operational in the year, depreciation is calculated utilizing annual rates reduced by 50%. Historically, this method of calculation has been representative of the effective use of the assets in question.

2.6 Goodwill

Goodwill represents the portions of the merger deficit paid under this name and originating in the merger operations of previous years and allocated to this item on the basis of an independent survey.

Goodwill is recorded at cost, net of impairment losses. Goodwill is allocated to a single cash generating unit and is no longer amortized as from 1 January 2004. The book value is measured in order to assess the absence of impairment (see section 2.8).

2.7 Other intangible assets

(i) Research and development costs

Research costs for the acquisition of new technical know-how are ascribed to the income statement when they arise.

Development costs relating to the creation of new products/accessories or new production processes are capitalized if the company can prove:

- the technical feasibility and intention of completing the intangible asset in such a way that it is available for use or for sale;
- their ability to use or sell the asset;
- the forecast volumes and realization values indicate that the costs incurred for development activities will generate future economic benefits;
- said costs are measurable in a reliable manner;
- and the resources exist to complete the development project.

The activity of new products development is handled by the subsidiary Interpump Engineering S.r.l. The capitalized cost is determined by the invoices received for this type of activity. Capitalized development costs are valued at cost, net of accumulated amortization, (see next point *v*) and impairment (see section 2.8). Other development costs are ascribed to the income statement when they arise.

(ii) Loan ancillary costs

Loan ancillary costs are deducted from the nominal amount of the loan and handled as outlined in section 2.14.

(iii) Other intangible assets
Other intangible assets, all having a defined useful life, are valued at cost and recorded net of accumulated amortization (see next point *v*) and impairment (see section 2.8).

Software licenses are amortized over their period of utilization (5 years).

The costs incurred internally for the creation of trademarks or goodwill are recognized in the income statement when they are incurred.

(iv) Subsequent costs
Costs incurred subsequently relative to intangible fixed assets are capitalized only if they increase the future economic benefits of the specific capitalized asset, otherwise they are entered in the income statement when they are sustained.

(v) Amortization/depreciation
Amortization amounts are recorded in the income statement on a straight-line basis in accordance with the estimated useful life of the capitalized assets to which they refer. The estimated useful life of assets is as follows:

Patents and trade marks	3 years
Development costs	5 years
Granting of software licenses	5 years

The useful life is reviewed on an annual basis and any changes in the rates are made, where necessary, for future amounts.

2.8 Impairment of assets

The book values of assets, with the exception of inventories (see section 2.12), financial assets regulated by IAS 39, deferred tax assets (see section 2.16), and non-current assets held for sale regulated by IFRS 5, are subject to measurement at the balance sheet reference date in order to identify the existence of possible indicators of impairment. If the valuation process identifies the presence of such indicators, the presumed recoverable value of the asset is calculated using the methods indicated in the following point (*i*).

The presumed recovery value of goodwill and intangible assets that have not yet been used is estimated at intervals of no longer than once a year or more frequently if specific events occur that point to the possible existence of impairment. If the estimated recoverable value of the asset or its cash generating unit is lower than its net book value, the asset to which it refers is consequently adjusted for impairment loss with entry into the income statement.

Goodwill is systematically measured (impairment test)at least once a year or more as prescribed by IAS 36.

(i) Calculation of presumed impairment loss
The presumed recovery value of securities held to maturity and financial receivables recorded with the criterion of the amortized cost is equivalent to the discounted value of estimated future cash flows; the discounted rate is equivalent to the interest rate envisaged at the time of issue of the security or the emergence of the receivable. Short-term receivables are not discounted to current value.

The presumed recovery value of other assets is equal to the higher of their net sale price and their value in use. The value in use is equivalent to the projected future cash flows, discounted to a rate, including taxes, that takes account of the market value of interest rates and the specific risks of the asset to which the presumed realization value refers. For assets that do not give rise to independent cash flows the presumed realization value is determined with reference to the cash generating unit to which the asset belongs.

(ii) Reinstatement of impairment losses
An impairment relative to securities held to maturity and financial assets recorded with the criterion of the amortized cost, is reinstated when the subsequent increase in the presumed recovery value can be objectively related to an event that occurred in a period following the period in which the impairment loss was recorded.

An impairment relative to other assets is reinstated if a change has occurred in the estimate used to determine the presumed recovery value.

Impairment is reinstated to the extent of the corresponding book value that would have been determined, net of depreciation/amortization, if no impairment loss had ever been recognized.

Impairment relative to goodwill can never be reinstated.

2.9 Investments

Investments in subsidiaries and associates are measured at cost.

Should any impairment of value arise at the balance sheet reference date in comparison to the value determined according to the above method, the investment in question will be written down.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits, and securities having original maturity date of less than three months. Current account overdrafts and advances with recourse are deducted from cash only for the purposes of the cash-flow statement.

2.11 Current financial assets, Receivables and Other current assets

Current financial assets, trade receivables and other current assets (excluding derivative financial instruments) are recorded, at the time of their initial entry, on the basis of the purchase cost inclusive of ancillary costs (fair value for the initial entry).

Subsequently, financial assets available for sale are assessed at their fair value. Gains or losses deriving from the valuation are recognized in equity up to the moment in which the financial asset is sold, at which time the gains or losses are recorded in the income statement. If the market value of the financial assets cannot be reliably determined, they are entered at their purchase cost.

Accounts receivable, with due date within normal commercial terms or that accrue interest at market rates, are not discounted to current value and are entered at amortized cost net of a bad debt provision booked as a direct deduction from the receivables in question to bring the valuation to the presumed realizable value (see section 2.8). Accounts receivable with due dates beyond normal commercial terms are initially entered at their fair value and subsequently at the amortized cost using the method of the effective interest rate, net of the relative value impairments.

2.12 Inventories

Inventories are valued at the lower of purchase cost and the presumed realization value. The cost is determined with the criterion of the average weighted cost and it includes all the costs incurred to purchase the materials and transform them at the conditions in force on the date of the balance sheet. The cost of semi-finished goods and finished products includes a portion of indirect costs determined on the basis of normal production capacity. Write down provisions are calculated for materials, semi-finished goods and finished products considered to be obsolete or slow moving, taking account of their expected future usefulness and their realization value. The net realization value is estimated taking account of the market price during the course of normal business activities, from which the costs of completion and costs of sale are subsequently deducted.

2.13 Share capital and Treasury stock

In the case of purchase of treasury stock, the price paid, inclusive of any directly attributable ancillary costs, is deducted from share capital for the portion concerning the nominal value of shares and from shareholders' equity for the surplus portion. When treasury shares are sold or reissued, the price collected, net of any directly attributable ancillary charges and the associated tax effect, is recorded as share capital for the portion concerning the nominal value of shares and as shareholders' equity for the surplus.

2.14 Interest-bearing financial payables

Interest-bearing financial payables are initially recorded at their fair value, net of ancillary charges. After the original entry, interest-bearing financial payables are valued with the amortized cost criterion; the difference between the resulting value and the discharge value is entered in the income statement during the term of the loan on the basis of the amortization plan.

2.15 Liabilities for employee benefits

(i) Defined contribution plans
The company participates in defined pension plans with public administration or private plans on a compulsory, contractual or voluntary basis. The payment of contributions fulfills the company's obligations towards its employees. The contributions therefore constitute costs of the period in which they are due.

(ii) Defined benefit plans
Defined benefit plans for employees - disbursed at the time of termination of the period of employment with the company or thereafter - that include severance indemnity, are calculated separately for each plan, estimating the amount of the future benefit that the employees have accrued during the year and in previous years by means of actuarial techniques. The resulting benefit is discounted to present value and recorded net of the fair value of any relative assets. The discount rate at the balance sheet reference date is calculated as required by IAS 19 with reference to the market yield of high quality corporate bonds. Exclusively the securities released by corporate issuers included in rating class "AA" are considered, in the assumption that this class identifies a high rating level in the framework of a group of "Investment Grade" securities and thereby excluding higher risk securities. Considering that IAS 19 makes no explicit

reference to a specific product sector, we opted for a composite market curve that summarizes the market conditions existing at the date of valuation of the securities issued by companies operating in various sectors including utilities, telecommunications, finance, banking and industrial. The 2014 market rates curve showed a reduction compared to that of 2013 as a consequence of the improvement in macro-economic conditions. The calculation is performed on an annual basis by an independent actuary using the projected unit credit method.

In the event increases in the benefits of the plan, the portion of the increase pertaining to the previous period of employment is entered in the income statement on a straight line basis in the period in which the relative rights will be acquired. If the rights are acquired immediately, the increase is immediately recorded in the income statement.

Actuarial profits and losses are recognized in a dedicated equity reserve on an accrual basis.

Until 31 December 2006 the severance indemnity provision (TFR) of Italian companies was considered to be a defined benefits plan. The rules governing the provision were amended by Law no. 296 of 27 December 2006 (“2007 Finance Act”) and by subsequent Decrees and Regulations enacted in the initial months of 2007. In the light of these changes, and in particular with reference to companies with at least 50 employees, as is the case of Interpump Group S.p.A., the TFR severance indemnity provision should now be classified as a defined benefits plan exclusively for the portions accrued prior to 1 January 2007 (and not yet paid out at the date of the financial statements), while after that date TFR should be considered as a defined contributions plan.

(iii) Stock options

On the basis of the stock option plan currently in existence, certain employees and directors are entitled to purchase the treasury shares of Interpump Group S.p.A. The options are measured at their fair value, which is entered in the income statement and increased by the cost of personnel and directors with a matching entry in the share premium reserve. The fair value is measured at the grant date of the option and recorded in the income statement in the period that runs between said date and the date on which the options become exercisable (vesting period). The fair value of the option is determined using the applicable options measurement method (specifically, the binomial lattice model), taking account the terms and conditions at which the options were granted.

The remuneration component deriving from stock option plans with Interpump Group S.p.A. shares as the underlying, in accordance with the matters envisaged by interpretation IFRIC 11, is recognized as a capital grant disbursed to subsidiaries wherein the beneficiaries of the stock option plans are employees and consequently recorded as an increase of the relative value of the shareholdings, with a matching entry recorded directly in equity.

2.16 Income tax

Income taxes disclosed in the income statement include current and deferred taxes. Income taxes are generally disclosed in the income statement, except when they refer to types of items that are recorded directly under shareholders' equity. In this case, the income taxes are also recognized directly in equity.

Current taxes are taxes that are expected to be due, calculated by applying to the taxable income the tax rate in force at the balance sheet reference date and the adjustments to taxes of prior years.

Deferred taxes are calculated using the liability method on the temporary differences between the amount of assets and liabilities in the financial statements and the corresponding values recognized for tax purposes. Deferred taxes are calculated in accordance with the envisaged method of transfer of timing differences, using the tax rate in force at the reference date of years in which the timing differences arose.

Deferred tax assets are recognized exclusively in the event that it is probable that in future years sufficient taxable incomes will be generated for the realization of said deferred taxes.

2.17 Provisions for risks and charges

In cases wherein the company has a legal or substantial obligation resulting from a past event, and when it is probable that the loss of economic benefits must be sustained in order to fulfill such an obligation, a specific provision for risks and charges is created. If the temporal factor of the envisaged loss of benefits is significant, the amount of the future cash outflows is discounted to present values at a rate, gross of taxes, that takes account of the market interest rates and the specific risk of the liability referred to.

2.18 Current financial liabilities, Trade payables and Other debts

Trade payables and other debts, the relative due date of which is within normal commercial terms, are not discounted to present value and are entered at the amortized cost representative of their discharge value.

Current financial liabilities include the short term portions of financial debts, inclusive of debts for cash advances and other financial liabilities. Financial liabilities are measured at their amortized cost according to the effective interest method. Financial assets hedged by derivative financial instruments taken out to hedge the interest rate risk are valued at their current value in accordance with the methods specified for hedge accounting.

2.19 Revenues

(i) Revenues from the sale of goods and services
Revenues from the sale of goods are entered in the income statement when the risks and benefits connected to the ownership of the goods are substantially transferred to the purchaser. Revenues for services rendered are recorded in the income statement on the basis of the percentage of completion at the balance sheet reference date.

(ii) Dividends
Dividends are recognized in the income statement on the date they became payable, and are classified under ordinary earnings before interest and tax because they are considered to represent the ordinary holding activities performed by the company.

2.20 Costs

(i) Rental and leasing installments
Rental and operating leasing installments are recorded in the income statement on an accrual basis.

(ii) Financial income and charges
Financial income and charges are recorded on an accrual basis in accordance with the interest matured on the net value of the relative financial assets and liabilities, using the effective

interest rate. Financial income and charges include foreign exchange gains and losses and gains and losses on derivative instruments booked to the income statement (see section 3.2).

3. Financial risk management

3.1 Financial risk factors

The business of the company is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk and liquidity risk. The financial risks management programme is based on the unpredictability of financial markets and it is aimed at minimizing any negative impact on the company's financial performance. Interpump Group S.p.A. uses derivative financial instruments to hedge against exchange and interest rate risks. The company does not hold derivative financial instruments of a speculative nature, in compliance with the rulings established by the procedure approved by the Board of Directors.

(a) Market risks

(i) Exchange rate risk

The company does business internationally and is exposed to the exchange risk related to business conducted in US dollars. In this context, the company invoices its US subsidiaries and a major US customer in dollars. As from the end of 2013 the company decided to no longer systematically hedge a prudentially determined part of projected sales in dollars, but rather to arrange hedges exclusively in the case of exchange rates deemed to be favorable, on the basis of a matrix of values established beforehand by top management, thus ensuring maintenance of this condition for a time period of between three and six months. Although the exchange rate reached and even exceeded the established values considered favorable during 2014, top management decided not to start hedging, except for isolated, individual transactions. This approach was adopted in order to benefit from the weakness of the euro, following the expansionary policy adopted by the ECB.

(ii) Interest rate risk

Interest rate risk derives from medium/long-term loans granted at floating rates. Current company policy is to monitor the gradient of the interest-rate curves, in order to assess possible hedging opportunities.

(b) Credit risk

The company does not have any significant concentrations of receivables. It is company policy to make sales to customers following a careful assessment of their credit rating and therefore within preset credit limits. Historically, the company has not had to support any significant losses on receivables.

(c) Liquidity risk

Prudent management of liquidity risk involves the retention of an appropriate level of cash on hand and sufficient access to lines of credit. Because of the dynamic nature of the company's business, which results also in frequent targeted acquisitions, it is company policy to ensure access to revolving stand-by lines of credit that can be utilized at short notice.

(d) Price and cash flow risk

The company is subject to constant changes in metal prices, especially brass, aluminium, copper and steel. It is company policy to hedge this risk where possible by way of

medium-term commitments with suppliers or stockpiling policies when prices are at the low point of their cycle.
The company invests a significant part of its available liquidity in restricted bank deposits and deposit accounts, in order to optimize financial management. Despite the high level of cash investment carried out by the company, the revenues and cash flows of the company's operating activities are only marginally influenced by changes in interest generating assets.

Further quantitative information on the financial risks to which the company is exposed is given on Note 22 "Information on financial risks".

3.2 Accounting methods for derivative financial instruments and hedged transactions

As already pointed out, the company avoids subscribing speculative derivative financial instruments; however, when derivative financial instruments fail to meet the requirements for hedge accounting set down in IAS 39, changes in the fair value of such instruments are booked to the income statement as financial charges and/or income.
Derivative financial instruments are brought to account using hedge accounting methods when:

- formal designation and documentation of the hedge relation is present at the start of the hedge;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured and the hedge is highly effective during the periods of designation.

The methods used to recognize derivative financial instruments depend on whether or not the conditions and requirements of IAS 39 have been fulfilled. Specifically:
(i) Cash flow hedges
In the case of a derivative financial instrument for which formal documentation is provided of the hedging relation of the variations in cash flows originating from an asset or liability of a future transaction (underlying hedged variable), considered to be highly probable and that could impact on the income statement, the effective hedge portion deriving from the adaptation of the derivative financial instrument to fair value is recognized directly in equity. When the underlying hedged item is delivered or settled, the relative provision is derecognized from equity and attributed at the recording value of the underlying element. The ineffective portion, if present, of the change in value of the hedging instrument is immediately ascribed to the income statement under financial expenses and/or income.

When a hedging financial instrument expires, is sold, terminated, or exercised, or the company changes the relationship with the underlying variable, and the forecast transaction has not yet occurred although it is still considered likely, the relative gains or losses deriving from adjustment of the financial instrument to fair value are still retained in equity and are recognized in the income statement when the transaction takes place in accordance with the situation described above. If the forecast transaction related to the underlying risk is no longer expected to occur, the relative gains or losses of the derivative contract, originally deferred in equity, must be taken to the income statement immediately.

(ii) Hedges of monetary assets and liabilities (Fair value hedges)
When a derivative financial instrument is used to hedge changes in value of a monetary asset or liability already recorded in the financial statements that can impact on the income statement, the gains and losses relative to the changes in the fair value of the derivative instrument are taken to the income statement immediately. Likewise, the gains and losses relative to the hedged item modify the book value of said item and are recognized in the income statement.

4. Cash and cash equivalents

	31/12/2014 (€/000)	31/12/2013 (€/000)
Cash flow	7	6
Bank deposits	22,834	39,873
Total	22,841	39,879

Bank accounts include €/000 225 held in US dollars ($/000 274).

At 31 December 2014 bank deposits include €10.2 million at an average fixed rate of 0.25%. The interest rate on ordinary bank deposits in the year was approximately 0.22% (0.27% in 2013), while the rate on other instruments (locked-in bank deposits and savings accounts) used as a form of investment for cash exceeding normal requirements was on average approximately 0.96% (2.05% in 2013).

5. Trade receivables

	31/12/2014 (€/000)	31/12/2013 (€/000)
Trade receivables, gross	13,176	10,994
Bad debt provision	(375)	(316)
Trade receivables, net	12,801	10,678

Changes in the bad debt provision were as follows:

	2014 (€/000)	*2013* (€/000)
Opening balances	316	361
Provisions in the year	64	70
Utilisations in the year due to losses	(5)	(115)
Closing balance	375	316

Provisions in the year are booked under other operating costs.

Receivables denominated in US dollars total €/000 2,269 ($/000 2,746). No receivables at 31 December 2014 are hedged against the risk of exchange-rate fluctuations.

No trade receivables or payables are due after one year.

6. Inventories

	31/12/2014 (€/000)	31/12/2013 (€/000)
Raw materials and components	5,198	3,469
Semi-finished products	5,630	4,238
Finished products	2,404	1,055
Total inventories	13,232	8,762

Inventories are stated net of an allowance for inventories totalling €/000 1,146 (€/000 946 at 31/12/2013) allocated to cover materials considered to be obsolete and slow moving stock. Changes in the inventories allowance were as follows:

	2014 (€/000)	*2013* (€/000)
Opening balances	946	769
Provisions in the year	200	177
Utilisations in the year due to losses	-	-
Closing balance	1,146	946

7. Derivative financial instruments

Interest rate hedging

The company adopts a procedure, approved by the Board of Directors, which identifies the derivative financial instruments to be used to hedge against the risk of interest rate fluctuations. These instruments are as follows: Interest Rate Swaps (IRS), Forward Rate Agreements (FRA) and options on interest rates (Caps & Floors).

Company policy is currently to assess the opportunities offered by the market in relation to the possibility to take out Interest Rate Swaps at economically advantageous conditions.

The fair values of exchange risk derivative hedges at the close of the year were as follows:

	31/12/2014 Notional (€/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional (€/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
IRS hedges on loans	-	-	-	7,910	-	78
Total	-	-	-	7,910	-	78

Classification of the fair value of exchange risk hedge derivatives in accordance with the profit and loss method is as follows:

	31/12/2014 Notional (€/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional (€/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
IRS that do not comply with the conditions required by IAS 39 to qualify as hedges	-	-	-	7,910	-	78
Total derivative financial instruments hedging interest-rate risks	-	-	-	7,910	-	78

Exchange rate risk hedging

The company is subject to exposure to the US dollar for sales in the US

– of high pressure pumps to General Pump;
– of a mechanical component to NLB;
– of high pressure pumps to customers outside the Interpump Group.

The hedges arranged solely related to the sale of high pressure pumps to third parties and all took the form of plain vanilla forward contracts.

The fair values of exchange rate risk derivative hedges at the close of the year were as follows:

	31/12/2014 Notional ($/000)	31/12/2014 Positive fair value (€/000)	31/12/2014 Negative fair value (€/000)	31/12/2013 Notional ($/000)	31/12/2013 Positive fair value (€/000)	31/12/2013 Negative fair value (€/000)
Plain vanilla forwards hedging sales of high pressure pumps	696	-	28	1,150	-	-
Total derivative financial instruments to hedge against the USD exchange rate risk	696	-	28	1,150	-	-

The plain vanilla forwards used to hedge exchange-rate risks were all recognised using the cash flow hedging method. At the time of drafting of the financial statements no situations of overhedging were identified.

Cash flow hedges

The net effects recognized in the income statement include €4k relating to management of the exchange-rate risk.

The company exchange risk management policy involves the hedging of future commercial cash flows when deemed appropriate. The maximum time span in which it is predicted that the cash flows will originate is 6 months. It is therefore reasonable to assume that the relative hedge effect suspended in the Provision for valuation of hedging derivatives at fair value will be recorded in the income statement in the next year.

The ineffectiveness deriving from cash flow hedging transactions in 2014 and in 2013 was negligible.

Fair value hedges

The profits and losses deriving from the measurement of derivative financial instruments in compliance fair value hedge rules and the profits and losses ascribable to the associated hedged elements are shown in the following table:

	2014 (€/000)	2013 (€/000)
Net profit (loss) on derivative instruments utilized to hedge against exchange risks	-	34
Change in the fair value of the other underlying elements	-	3
Profit (loss), net	-	37

Fair values

The net profit recognized in the income statement from derivative instruments that do not comply with the parameters of IAS 39 amounted to €29k (€348k in 2013). This related solely to the management of rate risks.

The main methods and assumptions made in the estimation of fair value are outlined below.

Derivatives
The fair value of derivative financial instruments is calculated considering market parameters at the date of these financial statements and using 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 (last available trading day);
- the fair value of the interest rate swaps is calculated utilizing the discounted cash flow model: the input data used by this model comprises the interest rate curves at 31 December and the current interest rate fixings;

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

Interest-bearing financial payables
The fair value is based on the projected cash flows for the principal amount and the interest.

Receivables/Payables
For receivables and payables due within twelve months the carrying value is assumed as the fair value. The fair value of other receivables and payables is the discounted nominal value if the temporal factor and notional value are significant.

Interest rates utilized to obtain the fair value
To establish the fair value, the company uses the interest rate curve plus an appropriate spread. The interest rates utilized are as follows:

	31/12/2014 %	31/12/2013 %
Derivative financial instruments (euro)	0,14/1,52	0,45/2,75
Derivative financial instruments (USD)	0,08/2,71	0,08/3,94
Interest bearing financial payables in euro	Euribor+1.10/2.00	Euribor+0.80/2.70
Financial leasing agreements	N/a	N/a
Financial assets	1.9	3.4

At 31 December 2014, cash on hand in the amount of € 10,2 million was held at a fixed interest rate while the remainder was held at floating rates, as were financial and bank debts.

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

- Level 1 quotations recorded on an active market for assets and liabilities subject to measurement;
- Level 2 inputs other than the price quotations mentioned in the above point, which are directly (prices) or indirectly (price derivatives) observable in 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
Derivatives payable:				
- Plain vanilla forwards	-	28	-	28
Total liabilities	**-**	**28**	**-**	**28**

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 company did not perform any non-recurring fair value measurements in 2014.

8. Other current assets

This item comprises:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Accessory charges for the acquisition of investments not yet completed	397	-
Other receivables	247	495
Accrued income and prepayments	136	123
Total	780	618

9. Property, plant and equipment

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 1 January 2013					
Cost	7,575	25,918	12,193	2,561	48,247
Accumulated depreciation	(3,007)	(17,676)	(10,338)	(2,092)	(33,113)
Net book value	4,568	8,242	1,855	469	15,134
Changes in 2013					
Opening net book value	4,568	8,242	1,855	469	15,134
Increases	6	2,566	1,041	201	3,814
Disposals	-	-	-	(3)	(3)
Depreciation charge	(117)	(1,118)	(724)	(153)	(2,112)
Reclassification from assets held for sale	2,048	74	-	-	2,122
Closing net book value	6,505	9,764	2,172	514	18,955
At 31 December 2013					
Cost	10,138	29,088	13,226	2,704	55,156
Accumulated depreciation	(3,633)	(19,324)	(11,054)	(2,190)	(36,201)
Net book value	6,505	9,764	2,172	514	18,955
Changes in 2014					
Opening net book value	6,505	9,764	2,172	514	18,955
Increases	13	2,440	888	58	3,399
Disposals	-	-	-	-	-
Depreciation charge	(119)	(1,212)	(824)	(152)	(2,307)
Closing net book value	6,399	10,992	2,236	420	20,047
At 31 December 2014					
Cost	10,151	31,514	14,114	2,734	58,513
Accumulated depreciation	(3,752)	(20,522)	(11,878)	(2,314)	(38,466)
Net book value	6,399	10,992	2,236	420	20,047

The cost of assets under construction, included in the net book values disclosed in the previous table, is as follows:

	Land and buildings (€/000)	*Plant and machinery* (€/000)	*Equipment* (€/000)	*Other assets* (€/000)	*Total* (€/000)
At 1 January 2013	-	885	593	-	1,478
At 31 December 2013	-	444	397	-	841
At 31 December 2014	-	1,686	499	-	2,185

There are no finance leasing contracts in existence.

Depreciation of €/000 2,065 was charged to the cost of sales (€/000 1,982 in 2013) and €/000 242 for general and administrative expenses (€/000 130 in 2013).

At 31 December 2014 the company had contractual commitments for the purchase of tangible assets equal to €/000 100 (€/000 2,875 at 31/12/2013).

10. Goodwill

Goodwill consists of the merger surplus, as described in section 2.6.

The impairment test was conducted using the Discounted Cash Flow method (DCF) net of taxation. The projected cash flows used in the DCF calculation were determined on the basis of a 5-year business plan that takes account of the various reference scenarios and on the basis of growth forecasts in the various markets. A perpetual growth rate of 1.5% was used for periods after 2019. The forecast cash flows determined 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, *after tax*, was measured at 4.82%. At 31/12/2013 the WACC was 6.44%. 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. Even reducing the projected cash flows of the CGU by 10% would not have led to any impairment, and nor would an 0.5% increase in the cost of capital used to actualize the projected cash flows. For a complete and more detailed analysis of goodwill, refer to Note 15 in the Consolidated Financial Statements at 31/12/2014.

11. Other intangible assets

	Product development expenses (€/000)	*Other intangible assets* (€/000)	*Total* (€/000)
At 1 January 2013			
Cost	13,151	564	13,715
Accumulated amortization	(8,856)	(506)	(9,362)
Net book value	4,295	58	4,353
Changes in 2013			
Opening net book value	4,295	58	4,353
Increases	1,160	381	1,541
Impairment losses	(55)	55	-
Amortization charge	(932)	(54)	(986)
Closing net book value	4,468	440	4,908
At 31 December 2013			
Cost	14,256	1,000	15,256
Accumulated amortization	(9,788)	(560)	(10,348)
Book value	4,468	440	4,908
Changes in 2014			
Opening net book value	4,468	440	4,908
Increases	1,251	342	1,593
Impairment losses	(140)	-	(140)
Amortization charge	(1,317)	(172)	(1,489)
Closing net book value	4,262	610	4,872
At 31 December 2014			
Cost	15,507	1,342	16,849
Accumulated amortization	(11,245)	(732)	(11,977)
Net book value	4,262	610	4,872

As described in section 2.7, product development costs refer to invoices received from the subsidiary Interpump Engineering S.r.l. for new product development. The invoices are capitalized in the portion that complies with the criteria imposed by IAS 38, in addition, wherever future recoverability of the projects is deemed to be impossible, they are written down.

The other intangible assets mainly relate to the cost of developing the new management information software, the implementation of which commenced in 2013 and was completed during 2014.

The cost of assets under construction, included in the net book values disclosed in the previous table, is as follows:

	Product development expenses (€/000)	*Other intangible assets* (€/000)	*Total* (€/000)
At 1 January 2013	2,436	-	2,436
At 31 December 2013	2,183	289	2,472
At 31 December 2014	1,028	-	1,028

Amortization of €/000 1,489 (€/000 986 in 2013) was booked entirely to general and administrative costs.

12. Investments in subsidiaries

(€/000)	Balance at 31 December 2013	Increases due to assignment of stock options	Increases	Impairment losses	Balance at 31 December 2014
Subsidiaries:					
NLB Corporation Inc.	62,048	-	-	-	62,048
General Pump Companies Inc.	8,903	-	-	-	8,903
Interpump Hydraulics S.p.A.	91,312	-	1,581	-	92,893
Hammelmann GmbH	26,032	-	-	-	26,032
Interpump Engineering S.r.l.	138	-	-	-	138
General Technology S.r.l.	2,095	-	-	-	2,095
Teknova S.r.l. (in liquidation)	1	-	-	(1)	-
SIT S.p.A.	814	-	-	-	814
Hammelmann Bombas e Sistemas Ltda	13	-	-	-	13
Fair value of stock options of subsidiaries' employees	640	378	-	-	1,018
Total subsidiaries	*191,996*	*378*	*1,581*	*(1)*	*193,954*

All the equity investments held by Interpump Group S.p.A., with the exception of the investment in Sit S.p.A., are considered, starting from the date of acquisition, as financial assets since they correspond to financial instruments available for sale.

As required by IFRIC 11, which came into force on 1 January 2010, share-based payment agreements (stock option plans) were recorded, the subject of which is equity instruments of the parent company in favour of the employees of its subsidiaries. The fair value of the stock options assigned to and exercisable by employees of subsidiaries of €/000 378 was added to the value of the investments, with the increase in the share premium reserve as a matching entry.

The increase in equity investments reflects the payment on capital account made to Interpump Hydraulics S.p.A. in relation to the disposal of treasury stock on acquisition of the outstanding shares in Interpump Hydraulics International S.p.A..

The impairment of Teknova S.r.l. (in liquidation) is due to adaptation to the book value of shareholders' equity, following losses for the year.

13. Other financial assets

The only item included under other financial assets relates to loans to subsidiaries, a breakdown of which is given in Note 5 of the "2014 Board of Directors' Report of Parent Company Interpump Group S.p.A.".

14. Deferred tax assets and liabilities

The changes in the year of deferred tax assets and liabilities are listed below:

	2014 Deferred tax assets (€/000)	*2013 Deferred tax assets (€/000)*	*2014 Deferred tax liabilities (€/000)*	*2013 Deferred tax liabilities (€/000)*
At 1 January	1,355	1,861	805	906
Charged to income statement in the year	171	(400)	93	(16)
Charged to net equity	109	(106)	(81)	(85)
At 31 December	1,635	1,355	817	805

Deferred tax assets and liabilities can be booked to the following items of the balance sheet:

	31/12/2014 Deferred tax assets (€/000)	*31/12/2013 Deferred tax assets (€/000)*	*31/12/2014 Deferred tax liabilities (€/000)*	*31/12/2013 Deferred tax liabilities (€/000)*
Property, plant and equipment	195	232	708	711
Intangible fixed assets	154	163	-	-
Inventories	360	297		-
Receivables	28	26	83	-
Investments	365	365	12	12
Liabilities for employee benefits	(11)	-	-	493
Shareholders' equity				
- derivative financial instruments	8	10	-	-
- liabilities for employee benefits	110	-	-	(411)
Other	426	262	14	-
Total	1,635	1,355	817	805

Deferred tax assets/liabilities recorded directly in equity refer to the measurement of the fair value of derivative financial instruments recorded using the hedge accounting method, and to the remeasurement of the liability for employee benefits in relation to the actuarial component.
No deferred tax liabilities were recorded for reserves qualifying for tax relief as they are not expected to be distributed (see note 20).

15. Interest-bearing financial payables and bank payables

The main loans are all subject to the following financial covenants, calculated on the consolidated values:

- Net financial indebtedness / Shareholders' equity;

- Net financial indebtedness / EBITDA;
- EBITDA / Financial charges.

At 31/12/2014 all financial covenants had been amply respected.

Non-current financial payables have the following due dates:

	31/12/2014 (€/000)	31/12/2013 (€/000)
From 1 to 2 years	30,968	25,812
From 2 to 5 years	83,150	54,097
Beyond 5 years	-	-
Total	114,118	79,909

The average interest rate on loans in 2014 was approximately 2.2% (2.7% in 2013).

At 31/12/2014 all loans were at floating-rates.

The company has the following lines of credit which were unused at year-end:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Current account overdrafts and export advances	14,045	33,845
Medium/long-term loans	147,375	38,500
Total	161,420	72,345

16. Other current liabilities

This item comprises:

	31/12/2014 (€/000)	31/12/2013 (€/000)
Payables to personnel	2,285	1,621
Payables to social security institutions	1,170	1,312
Customer advances	291	546
Customer credit balances	192	271
Customers for credit notes to issue	85	12
Payables for remuneration of directors/auditors	779	368
Other	14	45
Total	4,816	4,175

17. Provisions for risks and charges

The provisions for risks and charges include €10k relating to agents' termination indemnities following an increase of €3k during 2014, and €13k relating to the provision for investment risks recorded during the year in relation to the impairment of Teknova S.r.l. (in liquidation). The balance of €23k (€7k in 2013) is classified entirely in the non-current part of the statement of financial position.

18. Liabilities for employee benefits

Liabilities for defined benefit plans

The following movements were recorded in liabilities:

	2014 (€/000)	2013 (€/000)
Liabilities at 1 January	3,566	3,529
Amount charged to the income statement in the year	14	23
Recognition in equity of actuarial results	700	215
Payments	(128)	(201)
Liabilities at 31 December	4,152	3,566

The following items were recognized in the income statement:

	2014 (€/000)	2013 (€/000)
Current service cost	-	-
Financial expenses	23	23
Past service cost	-	-
Total recognized in the income statement	23	23

Refer to the "Board of Directors' Report" in chapter “1. Profitability” for a breakdown of labor costs.

The average number of employees broken down by category is as follows:

	2014	2013
Executives	8	8
Middle management	7	7
White collar	63	63
Blue collar	272	275
Fixed-contract personnel	12	1
Total	362	354

Liabilities for defined benefit plans (Severance indemnity - TFR) were established with the following actuarial assumptions:

	Unit of measurement	2014	2013
Discount rate	%	1.46	3.01
Expected increase rate of remuneration	%	n.a.	n.a.
Percentage of employees expected to resign before retirement age (*turnover*)*	%	3.00	2.41
Annual cost-of-living increase	%	1.5	2.0
Average period of employment	Years	15.61	15.82

* = average annual resignation percentage, all causes, in the first ten years following the assessment.

19. Share capital

The share capital at 31 December 2014 was composed of 108,879,294 ordinary shares with a unit par value of €0.52 for a total amount of €56,617,232.88. In contrast, share capital recorded in the financial statements amounted to €/000 53,871 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. Further to the Walvoil acquisition, 4,004,341 treasury shares were divested on 15 January 2015.

Changes in treasury stock over the past two years have been as follows:

	Number
Balance at 31/12/2012	*7,349,239*
2013 purchases	2,771,426
Sale of shares to finance subsidiaries' purchases	(4,500,000)
Sale of shares for the exercise of stock options	(2,517,162)
Balance at 31/12/2013	*3,103,503*
2014 purchases	3,819,682
Sale of shares to finance subsidiaries' purchases	(715,530)
Sale of shares for the exercise of stock options	(926,560)
Balance at 31/12/2014	*5,281,095*

Taking treasury stock into consideration, the following changes were recorded in the number of shares in circulation:

	2014 Number of shares	2013 Number of shares
Ordinary shares in existence at 1 January	108,879,294	108,879,294
Treasury stock	(3,103,503)	(7,349,239)
Shares in circulation at 1 January	105,775,791	101,530,055
Treasury stock purchased	(3,819,682)	(2,771,426)
Treasury stock sold	1,642,090	7,017,162
Total shares in circulation at 31 December	103,598,199	105,775,791

The aims identified by the company in the management of capital are the creation of value for all shareholders and supporting development of the group, both through internal means and by means of targeted acquisitions. The company therefore intends to maintain an adequate level of capitalization, which simultaneously makes it possible to generate a satisfactory economic return for shareholders and to guarantee the economically effective access to external sources of borrowing. The company constantly monitors the evolution of the level of debt in relation to shareholders' equity and the generation of cash through its industrial operations. In order to attain the aforementioned goals, the company constantly monitors the cash flows generated, both through improvement or maintenance of profitability, and through careful management of working capital and investment. Capital is construed as both the value provided by Interpump Group shareholders (share capital and share premium reserve, totalling €/000 154,271 at 31 December 2014 and €/000 179,205 at 31 December 2013), and the value generated by the company in terms of the results of operations (other reserves and legal reserve, including profit for the year, overall equivalent to €/000 94,359 at 31 December 2014 and €/000 78,856 at 31

December 2013, excluding the reserve for restatement of defined benefit plans and the provision for fair value measurement of derivative hedges).

Treasury stock purchased
The amount of treasury stock held by Interpump Group is recorded in an equity provision. The company acquired 3,819,682 treasury shares in 2014 for €/000 38,299 at an average price of €10.0269 (the company purchased 2,771,426 treasury shares in 2013 for the sum of €/000 21,441).

Treasury stock sold
In the framework of the execution of stock option plans a total of 926,560 options were exercised resulting in a receipt of €/000 4,626 (2,517,162 options were exercised for €/000 11,995 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 (4,500,000 treasury shares were divested in 2013 to pay for part of the investment in Hydrocontrol).

Stock options
The fair value of the 2010/2012 and 2013/2015 stock option plans was recorded in the 2014 and 2013 financial statements in compliance with IFRS 2. Costs of €/000 992 (€/000 919 in 2013) relating to the stock option plans were therefore recognized in the 2014 income statement, with a matching entry in the share premium reserve. Said costs represent the portion for the year of the value of the options assigned to employees and directors, established at the allocation date, corresponding to the value of the services rendered by the latter in addition to normal remuneration.

Items recognized in the income statement were booked as follows:

	2014 (€/000)	2013 (€/000)
Cost of products sold	-	-
Trade expenses	87	30
General and administrative expenses	905	889
Total	992	919

Changes in the share premium reserve were as follows:

	2014 €/000	2013 €/000
Share premium reserve at 1 January	124,202	104,677
Increase due to income statement recognition of the fair value of stock options granted	992	919
Increase due to the recognition in equity of the fair value of stock options assigned to employees of subsidiaries	378	128
Increase for the disposal of treasury stock further to payment for acquisitions of subsidiaries	6,654	27,792
Increase for the disposal of treasury stock further to the exercise of stock options	4,144	10,686
Utilization to cover purchase of treasury stock	(35,970)	(20,000)
Share premium reserve at 31 December	100,400	124,202

The Shareholders' Meeting held on 20 April 2006 approved a stock option plan ("*2006/2009* stock option plan"), which is described in detail in the Board of directors' report attached to the consolidated financial statements. The options are exercisable as shown in the following table:

	No. of options granted	Vesting period	Exercise price (€)
First tranche	323,033	01/05/2010 – 31/05/2015	7.2884
Second tranche	298,191	01/05/2011 – 31/05/2016	5.4047
Third tranche	80,000	01/11/2012 – 31/05/2017	3.7524
Fourth tranche	372,500	01/07/2010 – 31/12/2017	3.7524
Total	1,073,724		

Changes in options are as follows:

	2014 Number of options	2013 Number of options
Options assigned at 1 January	1,694,284	2,415,596
Options granted in the year	-	-
Options exercised in the year	(620,560)	(721,312)
Total options assigned at 31 December	1,073,724	1,694,284
Of which:		
- vested at 31 December	1,073,724	1,694,284
- not vested at 31 December	-	-
Total options assigned at 31 December	1,073,724	1,694,284

The Shareholders' Meeting held on 21 April 2010 approved the adoption of an incentive plan denominated "*2010/2012* Interpump Incentive Plan", which is also described in detail in the Board of Directors' Report accompanying the consolidated financial statements. The exercise price has been set at € 3.75 per share. The options can be exercised between 30 June 2013 and 31 December 2016. The changes in options during 2014 and 2013 are indicated below:

	2014 Number of options	2013 Number of options
Options assigned at 1 January	1,663,000	2,860,000
Options granted in the year	-	-
Options exercised in the year	(306,000)	(1,197,000)
Total options assigned at 31 December	1,357,000	1,663,000
Of which:		
- vested at 31 December	1,357,000	1,663,000
- not vested at 31 December	-	-
Total options assigned at 31 December	1,357,000	1,663,000

The Shareholders' Meeting held on 30 April 2013 approved the adoption of a new incentive plan designated "*2013/2015* Interpump Incentive Plan". The plan, which is based on the free assignment of options that grant the beneficiaries the right, on the achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to the maximum number of

2,000,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company’s ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among the subjects with significant roles or functions. The exercise price has been set at € 6.00 per share. The options can be exercised between 30 June 2016 and 31 December 2019. The next meeting of the Board of Directors held on 30 April 2013 set a figure of 2,000,000 for the number of options to be assigned, divided by the total number of options in each tranche (500,000 for the first tranche, 700,000 for the second tranche and 800,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters. The same Board of Director's meeting assigned 1,000,000 options to Interpump Group S.p.A. director Fulvio Montipò and 320,000 options to director Paolo Marinsek, the exercise of which is subject to the fulfillment of the above conditions. Moreover, the same Board of Directors meeting conferred on the Chairman and the Deputy Chairman of Interpump Group, separately, the power to specify the beneficiaries of the further 680,000 options. 550,000 options were assigned to the other beneficiaries on 29 October 2013.

The fair value of the stock options and the actuarial assumptions utilized in the binomial lattice model are as follows:

2006-2009 Plan - First tranche

	Unit of measurement	
Number of shares assigned	no.	826,935
Grant date		May 2007
Exercise price	€	7.2884
Vesting date		1 May 2010
Fair value per option at the grant date	€	1.8187
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	23
Expected average duration of the plan life	years	7.7
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using a linear interpolation of swap rates at 31/5/2007)	%	From 4.36 to 4.3745

2006-2009 Plan - Second tranche

	Unit of measurement	
Number of shares assigned	no.	827,361
Grant date		May 2008
Exercise price	€	5.4047
Vesting date		1 May 2011
Fair value per option at the grant date	€	1.2431
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	23
Expected average duration of the plan life	years	7.7
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using a linear interpolation of swap rates at 17/04/2008)	%	From 4.445 to 4.496

2006-2009 Plan - Third tranche

	Unit of measurement	
Number of shares assigned	no.	275,000
Grant date		April/July 2009
Exercise price	€	3.7524
Vesting date		1 November 2012
Fair value per option at the grant date	€	0.57306
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	7.83
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using a linear interpolation of swap rates at 30/06/2009)	%	From 3.258 to 3.395

2006-2009 Plan - Fourth tranche

	Unit of measurement	
Number of shares assigned	no.	1,100,000
Grant date		March 2010
Exercise price		3.7524
Vesting date		1 July 2010
Fair value per option at the grant date	€	0.92286
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	7.75
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using a linear interpolation of swap rates in 2010)	%	From 2.899 to 3.069

2010//2012 Plan

First assignment	Unit of measurement	
Number of shares assigned	no.	2,320,000
Grant date		21 April 2010
Exercise price		3.7500
Vesting date		1 July 2013
Fair value per option at the grant date	€	0.89555
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.666
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using a linear interpolation of swap rates at 21 April 2010)	%	From 2.63 to 2.83

Second assignment	Unit of measurement	
Number of shares assigned	no.	540,000
Grant date		07 July 2010
Exercise price		3.7500
Vesting date		1 July 2013
Fair value per option at the grant date	€	1.08964
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.5
Expected dividends (compared with share value)	%	4
Risk free interest rate (calculated using a linear interpolation of swap rates at 7 July 2010)	%	From 2.29 to 2.49

2013//2015 Plan

First assignment	Unit of measurement	
Number of shares assigned	no.	1,320,000
Grant date		30 April 2013
Exercise price		6.0000
Vesting date		1 July 2016
Fair value per option at the grant date	€	1.8631
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.666
Expected dividends (compared with share value)	%	2.50
Risk free interest rate (calculated using a linear interpolation of Euro Swap rates at 30 April 2013)	%	From 0.91 to 1.06

Second assignment	Unit of measurement	
Number of shares assigned	no.	550,000
Grant date		29 October 2013
Exercise price		6.0000
Vesting date		1 July 2016
Fair value per option at the grant date	€	2.8916
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30
Expected average duration of the plan life	years	6.166
Expected dividends (compared with share value)	%	2.50
Risk free interest rate (calculated using a linear interpolation of Euro Swap rates at 29 October 2013)	%	From 1.38 to 1.57

The expected volatility of the underlying variable (Interpump Group share) is a measure of the prospect of price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the mean square annualized deviation of compound returns of the Interpump Group share through time.

20. Reserves

Reserve for valuation of hedging derivatives at fair value
This includes net accumulated changes in the fair value of derivative financial instruments classified as hedges and recorded using the hedge accounting method.

Reserve for restatement of defined benefit plans
Includes the actuarial component of defined benefit plans (TFR).

Classification of net equity depending on possibility of utilization

(amounts in €/000)	Amount	Possibility of utilization	Available portion	Tax payable in the event of distribution	Summary of utilizations over the past three years	
					to cover losses	for other reasons
Share capital						
Subscribed and fully paid-up share capital	56,617	B	-	-	-	-
Nominal value of treasury stock in portfolio	(2,746)	-	-	-	-	-
Total share capital	53,871					
Capital reserves						
Legal reserve	6,860	B	-	-	-	-
Share premium reserve	43,595	A,B,C	43,595	-	-	3,749
Total capital reserves	50,455		43,595			
Profit reserves:						
Legal reserve	4,463	B	-	-	-	-
Share premium reserve	56,804	A,B,C	55,786	1,687	-	2,404
Extraordinary reserve	46,378	A,B,C	44,726	-	-	2,382
Reserve for share capital reduction	2,746	-	-	-	-	-
First Time Adoption Reserve	(42)	-	-	-	-	-
Reserve for valuation of hedging derivatives at fair value	(18)	-	-	-	-	-
Reserve for restatement of defined benefit plans	(1,592)					
Profit for the year	33,955	A,B,C	33,955	-	-	-
Total profit reserves	142,694		134,467			
Reserve for treasury stock held	47,233	-	-	-	-	75,568
Treasury shares	(47,233)	-	-	-	-	-
Non-distributable portion*			(4,872)			
Remaining distributable portion			173,190			

A: for capital increase B: for coverage of losses C: for distribution to shareholders

*= represents the non-distributable portion destined to cover deferred costs that have not yet been amortized.

We draw your attention to the fact that €/000 12,987 of the share premium reserve qualifies for tax relief in that it was fiscally formed from the revaluation reserve, Law 342/2000 and Law 266/2005.

Utilizations refer to dividends, purchase of treasury stock and reductions of reserves for other causes and do not include transfers between reserves. In particular, with reference to the changes that occur red in the past three years note that the drawdowns of the treasury shares reserve refer to purchases of treasury stock, while drawdowns from the share premium reserve refer to the sale of treasury shares at a price below their carrying value and the drawdowns from the extraordinary reserve refer to integration of the 2012 dividend.

On the basis of tax legislation the reserves and profits are freely distributable and do not attract tax even in the case of distribution, on the condition that the reserves and residual profits exceed the negative components of income ascribed exclusively to the tax return; otherwise, distributed reserves and profits are subject to tax in the measure in which the residual reserves and profits are lower than the negative components of income that have been ascribed exclusively to the tax return. At 31 December 2014, this condition has been complied with in full, hence no taxes were payable in the event of distribution of the parent company's entire profits for the year and the entirety of available reserves, beyond the taxes already indicated in the prior statement.

Breakdown of components recorded directly in equity

	2014			2013		
(€/000)	Pre-tax amount	Taxation	Amount net of taxes	Pre-tax amount	Taxation	Amount net of taxes
Accounting of derivatives hedging interest rate risks in compliance with the cash flow hedging method	37	(10)	27	386	(106)	280
Recognition of derivatives hedging exchange-rate risk recorded in compliance with the cash flow hedging method	(26)	8	(18)	(84)	27	(57)
Restatement of defined benefit plans	(700)	192	(508)	(214)	59	(155)
Total	**689**	**190**	**(499)**	**88**	**(20)**	**68**

21. Information on financial assets and liabilities

Financial assets and liabilities, broken down by the categories identified by IAS 39, are summarized in the following tables:

			Financial assets at 31/12/2014	*Financial liabilities at 31/12/2014*		
(€/000)	At the fair value recorded in the Income Statement		Loans and receivables	Valued at the amortized cost	Total	*Fair value*
	Initially*	IAS 39				
Trade receivables	-	-	12,801	-	12,801	12,801
Dividends receivable	-	-	6,000	-	6,000	6,000
Other current assets	-	-	644	-	644	644
Other financial assets	-		98,800	-	98,800	98,800
Trade payables	-	-	-	(11,192)	(11,192)	(11,192)
Current interest bearing financial payables	-	-	-	(23,304)	(23,304)	(23,304)
Other current liabilities	-	-	-	(4,816)	(4,816)	(4,816)
Non-current interest-bearing financial payables	-	-	-	(114,118)	(114,118)	(114,118)
Total	-	-	118,245	(153,430)	(35,185)	(35,185)

* = designated as such at the time of initial recording.
** = classified as held for trading according to the requirements of IAS 39.

			Financial assets at 31/12/2013	*Financial liabilities at 31/12/2013*		
(€/000)	At the fair value recorded in the Income Statement		Loans and receivables	Valued at the amortized cost	Total	*Fair value*
	Initially*	IAS 39				
Trade receivables	-	-	10,678	-	10,678	10,678
Other current assets	-	-	495	-	495	495
Other financial assets	-		70,705	-	70,705	70,705
Trade payables	-	-	-	(10,118)	(10,118)	(10,118)
Current interest bearing financial payables	-	-	-	(25,519)	(25,519)	(25,519)
Derivative instruments - Payables	(78)	-	-	-	(78)	(78)
Other current liabilities	-	-	-	(4,175)	(4,175)	(4,175)
Non-current interest-bearing financial payables	-	-	-	(79,909)	(79,909)	(79,371)
Total	(78)	-	81,878	(119,721)	(37,921)	(37,383)

* = designated as such at the time of initial recording.
** = classified as held for trading according to the requirements of IAS 39.

The accounting value of financial assets and liabilities is substantially the same as their fair value.

The 2014 income statement reports fair value earnings of €/000 65 (€/000 364 in 2013) and fair value losses of €/000 25 (€/000) on derivative financial instruments, which, although arranged for hedging purposes, failed to meet all the requirements of IAS 39 in order to be considered hedges. Note 7 gives the methods for calculation utilized to establish the fair value of derivative financial instruments.

Loans and receivables generated revenues and costs. Revenues refer to exchange rate gains for €/000 832 (€/000 103 in 2013). In contrast, the costs refer to exchange losses in the amount of

€/000 49 (€/000 297 in 2013), to bad debts for €/000 64 (€/000 70 in 2013) classified under other operating costs.

Financial liabilities measured at the amortized cost generated costs relative to the portion of ancillary expenses initially incurred to obtain the loans and subsequently distributed throughout the duration of the loan in accordance with the financial method. In 2014 the value of these expenses booked to the income statement totalled €/000 720 (€/000 433 in 2013).

Financial assets and liabilities that are not designated at fair value through profit or loss (in the case of Interpump Group S.p.A., all those indicated in the above tables) generated interest income of €/000 2,092 (€/000 1,367 in 2013) and interest expense of €/000 2,552 (€/000 3,421 in 2013); in addition, general and administrative expenses include commissions and bank charges of €/000 96 (€/000 96 in 2013 as well).

22. Information on financial risks

The company is exposed to financial risks associated with its activities:

- market risks (mainly related to currency exchange rates and interest rates) since the company does business internationally and is exposed to the exchange risk deriving from exposure to the US dollar;
- credit risk connected with business relations with customers;
- liquidity risk, with special reference to the availability of financial resources and access to the lending market and financial instruments in general;
- price risk in relation to metal price fluctuations that constitute a significant portion of the raw materials purchase price.

The company is not exposed to significant concentrations of risk.

As described in Note 3 "Management of financial risks" the company constantly monitors the financial risks to which it is exposed in such a way as to make an advance assessment of potential negative effects and take appropriate actions to mitigate them.

The following section contains reference qualitative and quantitative indications regarding the uncertainty of these risks for Interpump Group S.p.A.

The quantitative data given below are not to be construed as forecasts; specifically, the sensitivity analyses concerning market risks are unable to reflect the complexity and correlated relations of markets that may derive from each prospected change.

Exchange risk

The company is exposed to risks arising from fluctuations in currency exchange rates, which may affect economic results. Specifically:

- for revenues denominated in currencies other than the currencies in which the respective costs are denominated, exchange rate fluctuations can impact on the company's operating profit.
  In 2014 the total amount of cash flow exposed directly to exchange risks was approximately 26% of company sales (approximately 24% in 2013).
  The exchange rates to which the company is exposed are EUR/USD, in relation to sales in dollars of high pressure pumps in North America through General Pump Inc., which is sited in this important market, and in direct relation to an important US customer. Moreover, in recent years the company has also begun billing in USD to its other US subsidiary, NLB Inc., even though the amounts are as yet modest.

The Interpump Group has adopted a policy of hedging commercial transactions denominated in foreign currency, in the framework of which the most effective derivative instruments for the achievement of the preset goals have been identified and the relative responsibilities, duties and system of delegations have been defined.

In relation to the exposure in dollars for sales on the American market to General Pump Inc., it has historically been company policy to hedge a prudentially determined portion of predicted sales for periods of four to eight months. In the second half of 2013 the company partially modified its hedging strategy, choosing to take out hedges only when the exchange rate reached certain levels deemed to be favorable, thus ensuring the continuation of this condition for a time period of between three and six months. Although the exchange rate reached and even exceeded the established values considered favorable during 2014, top management decided not to start hedging in order to benefit from the weakness of the euro, following the expansionary policy adopted by the ECB.

In relation to exposures in dollars for sales on the American market to subsidiary NLB Inc., the company has decided for the present not to hedge them because it considers that they have not yet reached a level such as to allow the benefits associated with the stabilization of the exchange rates to cover the costs connected with setting up the associated hedges.

In relation to the exposure in dollars for sales on the American market to customers outside the Interpump Group, company policy until 2013 has been to hedge the receivable or foreign currency collected in the event of payment in advance, that arose further to the sales projections agreed with the customer. Also in this case, in the second half of 2013 the hedging policy was changed due to the decision to take out hedges only in the presence of exchange rates deemed to be favorable. This approach was continued during 2014.

The exchange risk hedging policy involved about 84% of the commercial flows denominated in foreign currency in 2013, but less than 1% in 2014.

- Again in relation to commercial activities, the company may be in a position wherein it holds commercial receivables denominated in currencies other than the account currency. Fluctuations in exchange rates can therefore result in the realization or assessment of positive or negative exchange differences. It is company policy, as previously specified, to hedge exposure deriving from trade receivables.
- In relation to financial exposure, wherever the monetary outflows are denominated in a currency other than the account currency, fluctuation of the exchange rates can impact the net profits of the company negatively. At 31 December 2014 and 31 December 2013 the company had no financial exposures in foreign currency.

The nature and structure of the exposures to exchange-rate risk did not vary significantly during 2014 and 2013. The company's hedging policies did however change at the end of 2013, when it decided, firstly, not to arrange new hedges unless the exchange rates were considered favorable and, secondly, during 2014, even in the presence of favorable rates, when it decided not to arrange new hedges ahead of an expected further weakening of the Euro due to the expansionary policies adopted by the ECB.

Exchange risk sensitivity analysis

The potential profit deriving from the change in the fair value of financial assets and liabilities caused by a hypothetical and immediate increase in the value of the euro of 10% with respect to the US dollar would be in the order of approximately €/000 225 (potential profit of €/000 184 in 2013).

The sensitivity analysis did not take account of changes in the receivables and payables in relation to which the hedge operations have been set up. It is reasonable to assume that the fluctuation in exchange rates could produce an opposite economic effect on the derivative financial instruments of an amount that is identical to the change in the underlying hedged transactions thereby effectively offsetting the fluctuation.

Interest rate risk

It is company policy to monitor the changes in the rate curves, in order to assess the need to hedge part of the outstanding loans. Currently, no loans are hedged against interest-rate risk. At 31 December 2014, cash on hand in the amount of € 10,2 million was held at a fixed interest rate (without time constraints), while the remainder was held at floating rates, as were financial and bank debts. In addition, in 2014 and in prior years the company granted loans to its subsidiaries in the amount of €98.8 million (€70.7 million at 31/12/2013), mainly to finance the Group's process of expansion through acquisitions. As described in Note 5 of the Board of directors' report attached to the financial statements, all the loans were granted at floating rates.

Sensitivity analysis relative to the interest rate risk

The effects of a hypothetical and instantaneous upward variation in interest rates of 50 basis points would provide Interpump Group S.p.A. with higher financial expenses, net of the increase in financial income of €/000 130 (higher financial expenses of €/000 90 in 2013). It is reasonable to assume that a 50 basis points decrease in interest rates would produce an equivalent effect, although this time in terms of lower financial expenses.

Credit risk

The maximum theoretical credit risk exposure of the company at 31 December 2014 and 2013 is represented by the accounting value of the financial assets recorded in the financial statements.

Historically the company has not suffered any significant losses on receivables. This is because the company generally allows extended payments only to its long-term customers, whose solubility and economic stability is known. In contrast, after having passed an initial credit rating analysis, new customers are required to make payments in advance or to open a letter of credit for amounts due.

Individual write-downs are applied in relation to positions, if of significant magnitude, in relation to which an objective condition of uncollectability is present for all or part of the outstanding amount. The amount of the write-down takes account of an estimate of the recoverable flows and the associated collection date, and the expenses and costs for future debt recovery. Collective provisions are allocated in relation to receivables that are not subject to individual write-downs, taking account of the historic exposure and statistical data.

At 31 December 2014, Loans and Receivables from financial activities total €/000 118,245 (€/000 81,878 at 31/12/2013), and include €/000 375 for written down receivables (€/000 316 at 31/12/2013); amounts overdue by less than three months are €/000 2,233 (€/000 1,516 at 31/12/2013), while those overdue beyond three months total €/000 544 (€/000 601 at 31/12/2013).

The company is not exposed to significant concentrations of sales, although the top customer in terms of turnover accounted for approximately 24% of sales in 2014 (22% in 2013), given that the customer in question is a member of the Interpump Group. The top customer outside the Group accounted for approximately 4% in 2014 (5% in 2013) while the top 10 customers accounted for 19% (23% in 2013).

Liquidity risk

The liquidity risk can arise if it becomes impossible to obtain, at acceptable economic conditions, the financial resources needed for the company's business operations. The two main factors that define the company's liquidity situation are the resources generated by or used in business activities and investment, and the characteristics of expiry and renewal of debt or liquidity of financial investments and the relative market conditions.

The company has adopted a series of policies and processes aimed at optimizing the management of resources in order to reduce the liquidity risk:

- retention of an appropriate level of cash on hand;
- diversification of the banks with which the company operates;
- access to adequate lines of credit;
- negotiation of covenants on the consolidated level;
- monitoring of the prospective conditions of liquidity in relation to the corporate process.

The characteristics of maturity of interest bearing financial debts and bank debts are described in note 15.

Management considers that the currently available funds and lines of credit, in addition to resources generated by operating and financing activities, will allow the company to meet requirements deriving from investing activities, management of working capital and repayment of debts at their natural due dates, in addition to ensuring the pursuit of a strategy of growth, also by means of targeted acquisitions capable of creating value for shareholders. Cash on hand at 31 December 2014 totals € 22.8 million. Cash on hand and the cash generated by the company in 2014 are both factors that serve to reduce the company's exposure to the liquidity risk. In consideration of the high level of cash held, in 2014 and in 2013 the company invested in restricted and unrestricted deposits in order to optimize finance management. The decision to maintain a high level of cash was adopted in order to minimize the liquidity risk, which is considered important given the current state of uncertainty of the economy, and to pick up on any acquisition opportunities that may arise.

Price risk

Interpump Group S.p.A. is exposed to risks deriving from price fluctuations of metals, which may affect economic results and profitability. Specifically, the purchase cost of metals accounted for 18% of the company purchase cost of raw materials, semi-finished products and finished products (28% in 2013). The main metals utilized by the company include brass, aluminium, steel and stainless steel.

Company policy is to transfer the cost of stocking materials to suppliers; in this scenario the risk is hedged by means of orders for specific periods and quantities agreed at a fixed price; at 31 December 2014 signed commitments were in place covering 34% of expected brass consumption and 18% of expected aluminium consumption for 2015 (82% coverage of brass consumption forecasts and 60% coverage of forecast aluminium consumption at 31/12/2013), 34% of steel consumption (41% at 31/12/2013) and 51% of stainless steel consumption predicted for next year (50% at 31/12/2013). In addition, at 31 December 2014 stocks covered about 16% of the expected consumption of brass (8% at 31/12/2013), 41% of the consumption of aluminium (9% at 31/12/2013), 22% of the consumption of steel (7% at 31/12/2013) and 2% of the consumption of stainless steel (7% at 31/12/2013).

Generally speaking the company reviews selling prices on a once-yearly basis.

23. Net sales

The following table gives a breakdown of sales by geographical area:

	2014 (€/000)	2013 (€/000)
Italy	14,884	14,851
Rest of Europe	20,324	18,825
Rest of the World	41,882	37,705
Total	77,090	71,381

Details of net sales in each invoicing currency are provided below:

	2014 (€/000)	2013 (€/000)
Euro	57,309	54,295
USD	19,778	17,086
GBP	3	-
Total	77,090	71,381

Sales in USD refer primarily to invoices issued to the US subsidiaries General Pump Inc. and NLB Corporation Inc.

24. Other net revenues

	2014 (€/000)	2013 (€/000)
Capital gains on the sale of tangible assets	1	9
Revenues from consultancy	44	44
Sale of scrap	178	189
Reimbursement of expenses	486	480
Other	656	508
Total	1,365	1,230

25. Costs by nature

	2014 (€/000)	2013 (€/000)
Raw materials and components	24,436	26,531
Personnel and temporary staff	20,459	18,342
Services	10,396	8,280
Amortization / depreciation (notes 9 and 11)	3,796	3,098
Directors' and statutory auditors' remuneration	3,650	3,151
Hire purchase and leasing charges	237	249
Provisions / impairment of tangible and intangible fixed assets (notes 9, 11 and 17)	143	2
Other operating costs	3,366	3,038
Total cost of sales, distribution costs, general and administrative expenses, other operating costs and impairment losses of tangible and intangible fixed assets	66,483	62,691

The emoluments of the Directors and Statutory Auditors of Interpump Group S.p.A. in 2014 were, respectively, €/000 3,528 and €/000 122 and they include remuneration resolved by the Shareholders' Meeting, the remuneration established by the Board of Directors for directors vested with special offices, including bonuses and the remunerative component deriving from stock option plans represented by the fair value of the options calculated at the time of their allocation, for the portion relating to the year.

26. Financial income and charges

	2014 (€/000)	2013 (€/000)
Financial income		
Interest income	2,255	2,231
Foreign exchange gains	2,580	122
Earnings from valuation of derivative financial instruments	68	694
Total	4,903	3,047
Financial expenses		
Interest expenses	3,272	3,893
Other financial charges	14	23
Foreign exchange losses	1,734	297
Losses from valuation of derivative financial instruments	34	213
Total	5,054	4,426

27. Income taxes

The reconciliation of taxes calculated on the basis of the nominal rates in force and the effective tax burden is a follows:

	2014 (€/000)	2013 (€/000)
IRES		
Profit before taxes from the income statement	38,950	22,862
Theoretical taxes at nominal rate (27.5%)	10,711	6,287
Lower taxes for non-taxable dividends	(6,841)	(3,562)
Higher taxes due to non-deductible write-downs of investments	4	3
Lower taxes due to IRAP deduction relating to expenses for employees and similar	(153)	(153)
Lower taxes due to IRAP deduction on interest expenses	(28)	(28)
Higher taxes on absorption of difference between severance indemnities under IFRS and those determined using fiscal criteria	82	-
Taxes for prior financial years	3	(13)
Other	116	75
Total IRES	3,894	2,609
IRAP/Local income taxes		
Profit before taxes from the income statement	38,950	22,862
Theoretical taxes at nominal rate (3.9%)	1,519	892
Lower taxes for non-taxable dividends	(1,058)	(559)
Higher taxes for non-deductible payroll costs	485	443
Higher taxes for non-deductible directors' emoluments	130	110
Higher taxes due to non-deductible financial expenses	7	54
Taxes for prior financial years	-	(14)
Other	18	50
Total IRAP (Local income taxes)	1,101	976
Total income taxes recognized in the income statement	4,995	3,585

Note that together with Teknova S.r.l. and Interpump Hydraulics S.p.A., the company has chosen to form a domestic tax group.
Taxes recognized in the income statement can be broken down as follows:

	2014 (€/000)	2013 (€/000)
Current taxes	(5,070)	(3,228)
Current taxes of prior financial years	(3)	27
Deferred taxes	78	(384)
Total taxes	(4,995)	(3,585)

Deferred tax recognized in the income statement can be broken down as follows:

	2014 (€/000)	2013 (€/000)
Deferred tax assets generated in the year	526	327
Deferred tax liabilities generated in the year	(97)	(12)
Deferred tax assets transferred to the income statement	(355)	(727)
Deferred tax liabilities recognized in the income statement	4	28
Total deferred taxes	78	(384)

28. Earnings per share

Basic earnings per share

Earnings per share are calculated on the basis of profit for the year divided by the weighted average number of ordinary shares during the year as follows:

	2014	2013
Profit for the year attributable to shareholders (€/000)	33,955	19,276
Average number of shares in circulation	105,257,907	104,502,653
Basic earnings per share for the year	0.323	0.184

Diluted earnings per share

Diluted earnings per share are calculated on the basis of diluted profit of the year attributable to the parent company's shareholders, divided by the weighted average number of ordinary shares in circulation adjusted by the number of potentially dilutive ordinary shares. The calculation is as follows:

	2014	2013
Profit for the year attributable to shareholders (€/000)	33,955	19,276
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
Earnings per diluted share at 31 December (€)	0.317	0.182

(*) calculated as the number of shares assigned for in-the-money stock option plans multiplied by the ratio between the difference of the average value of the share in the year and the exercise price at the numerator, and the average value of the share in the year at the denominator.

29. Notes to the cash flow statement

Property, plant and equipment

In 2014 the company purchased property, plant and equipment totalling €/000 3,399 (€/000 3,814 in 2013). This expenditure involved the payment of €/000 2,261, inclusive of the payment of past debts for the same purpose and net of payables deferred to the following year (€/000 4,448 in 2013).

Cash and cash equivalents

This item can be broken down as follows:

	31/12/2014 (€/000)	31/12/2013 (€/000)	01/01/2013 (€/000)
Cash and cash equivalents from the balance sheet	22,841	39,879	70,485
Payables to banks (for current account overdrafts and advances subject to collection and accrued expenses for interest payable)	(408)	(143)	(51)
Cash and cash equivalents from the cash flow statement	22,433	39,736	70,434

Net financial position and cash-flow statement

For the amount and details of the main components of the net financial position and the changes that occurred in 2014 and 2013 we invite you to refer to the "Loans" section of the Board of Directors' Report.

30. Commitments

The company has commitments to purchase tangible assets totalling €/000 100 (€/000 2,875 at 31/12/2013).
Interpump Group S.p.A. has signed rental and hire purchase agreements mainly for warehouses, offices, and cars. The total outlay in 2014 was €/000 343 (€/000 362 in 2013). At 31/12/2014, the following commitments were outstanding:

	€/000
Due within 1 year	304
Due from 1 to 2 years	271
Due from 2 to 5 years	688
Due beyond 5 years	218
Total	1,481

31. Transactions with related parties

Transactions involving top management
The company did not carry out economic transactions with related parties during 2014. In 2013, consultancy services provided by associates and directors of the parent company and subsidiaries amounted to €75 thousand, while the amounts due to them at 31/12/2013 totaled €21 thousand. With regard to transactions with Group companies we invite you to refer to chapter 5 of the Board of Directors' Report.

The transactions mentioned above were carried out at arm's length conditions.

32. Events occurring after the close of the year

With regard to Interpump Group S.p.A., no further events occurred after 31 December 2014 such that require mention in this report, while we invite you to refer to the "Board of Directors' Report" of the consolidated financial statements at 31 December 2014 with regard to events after the close of the hear concerning the Group.

Annex 1

Attestation of the annual financial statements pursuant to art. 81-(3) of Consob regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations

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

   of the administrative and accounting procedures for formation of the financial statements during 2014.

2. In addition, it is confirmed that the annual financial statements of Interpump Group S.p.A for the year ended 31 December 2014, showing total assets of €409,046 thousand, net profit of €33,955 thousand and shareholders' equity of €247,020 thousand:
   a) correspond to the results of the company books and accounting entries;
   b) were prepared in compliance with the international accounting standards approved by the European Commission further to the enforcement of Ruling (CE) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002, and the provisions issued in implementation of art. 9 of legislative decree 38/2005 and the contents are suitable for providing a truthful and fair representation of the equity, economic and financial situation of the company;
   c) the Board of Directors' report contains a reliable analysis of performance and results and the situation of the issuer together with a description of the main risks and uncertainties to which it is exposed.

Sant'Ilario d'Enza (RE), 19 March 2015

Paolo Marinsek	Carlo Banci
Deputy Chairman and	Manager responsible for preparing
Chief Executive Officer	the company's accounting documents

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Interpump Group S.p.A. on the financial statements at 31 December 2014, pursuant to art. 2429, subsection 2, of the Italian civil code and art. 153 of Italian legislative decree 58/1998 (Consolidated Finance Act).

Shareholders,

We have performed the supervisory activities required by art. 2429, subsection 2 of the Italian Civil Code and art. 153 of Italian legislative decree 58/1998, taking account also of the principles of conduct prescribed by the "Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili" (national councils of certified public accountants) and the CONSOB communication of 6 April 2001, as amended. Throughout 2014 we performed the duties prescribed by art. 149 of Italian legislative decree 58/1998 and we are therefore in a position to disclose the following matters.

Pursuant to the law, the Company is required to present consolidated financial statements.

The separate financial statements at 31 December 2014 were prepared in compliance with the IAS/IFRS approved by the International Accounting Standards Board and endorsed by the European Union.

The explanatory notes describe in detail the accounting policies adopted for the preparation of the financial statements.

1. We attended the meetings of the board of directors, during which we were informed by the directors of the activities performed and the operations of the greatest economic and financial significance under discussion and executed by the company and/or by its subsidiaries, in compliance with art. 150 of Italian legislative decree 58/1998.

The principal economic and financial transactions carried out by the company during 2014 were reported in press releases and described in the Report on operations. In particular:

a) purchase of 60% of IMM (Hydraulics Sector), a company that manufactures hydraulic hoses and fittings, by Interpump Hydraulics S.p.A. on 8 January 2014.
b) purchase of residual interests in subsidiaries (18.39% of Interpump Hydraulics International and a further 35% of Hydrocar Chile).
c) signature on 19 December 2014 of a preliminary contract for the acquisition of 100% of the Reggio Emilia based Walvoil Group (Hydraulics Sector), an important international player in the production and sale of hydraulic valves and directional controls. This transaction was closed on 15 January 2015.

In addition, a 52.72% interest in Inoxihp S.r.l., based in Nova Milanese (MB), was acquired on 17 March 2015. This company produces high pressure and very high pressure water installations, with a leadership position in applications for the steel industry.

2. We have ascertained that the foregoing operations were in compliance with the law and the Bylaws, that they did not conflict with the resolutions passed by the shareholders' meeting and that they were consistent with the principles of proper administration.

3. During 2014 and subsequent to year end, we did not receive information from the Board of Directors or the Auditing Firm about any atypical and/or unusual transactions with third parties, related parties or group companies.

4. With regard to intercompany transactions and related party transactions, the directors have provided specifications and precise information in the board of directors' report and in the notes to the 2014 separate financial statements, specifying the following matters in particular:

a) the company carried out transactions on arm's-length terms with other Group companies and with top management, as described in section 5 of the board of directors' report and in note 31 to the separate financial statements;

b) the company has a number of stock option plans, the most recent of which approved at the shareholders' meeting on 30 April 2013, designed to provide incentives to and increase the loyalty of company management. The stock option plans are described in detail in note 19 to the separate financial statements.

The company has issued a specific report containing the remuneration disclosures required by statutory legislation.

5. With regard to intercompany transactions, the board of directors' report - to which reference is made - describes the characteristics of commercial and financial relations entertained with subsidiaries and associates; we consider that the amounts in question are congruous and that the transactions carried out were in line with the interests of the company.

6. The Independent auditing firm Reconta Ernst & Young S.p.A. issued its report on 31 March 2015 in compliance with the requirements of articles 14 and 16 of Italian legislative decree 39/2010, wherein it attests that the annual financial statements provide a clear and fair view of the financial position, results and cash flows of the company in the year under examination.

The independent auditors also judged the information given in the board of directors' report on operations and in the corporate governance report to be in compliance with the financial statements, as required by the amendments introduced by Italian legislative decree 173/2008.

7. We have received no complaints pursuant to art. 2408 of the Italian civil code .

8. Neither Reconta Ernst & Young SpA nor other entities associated with that firm were engaged to perform any professional work other than the audit and certification of the financial statements.

9. We have expressed our opinions in relation to the incentive plans (including the stock option plans) and the remuneration amounts as per art. 2389, no. 3, of the Italian civil code, and their consistency with the general remunerations policy; also, pursuant to the requirements of art. 3.C.5 of the code of corporate governance, we have checked the correct application of the verification criteria and procedures utilized by the board of directors to evaluate the independence of its members.

10. The board of statutory auditors met 8 times during the year and attended 8 meetings of the board of directors; we also attended 6 meetings of the internal control and risks committee and the shareholders' meeting.

11. Within the scope of our remit we have verified and monitored observance of the principles of correct administration by means of direct checks and through information gathered from the persons in charge of the various company functions and meetings with representatives of the independent auditors held in order to allow the reciprocal exchange of relevant data and information. No anomalies or matters to be submitted to your attention have emerged in this context.

12. Within the scope of our remit we have also verified and monitored the adequacy of the company's organizational structure, which we found to be commensurate with the size of the company. This has allowed, also through meetings with the persons in charge of the company functions and representatives of the independent auditors, the comprehensive collection of information concerning compliance with the principles of diligent and correct administrative conduct.

13. We evaluated the adequacy of the company's corporate governance and administrative and accounting system and the reliability of the latter in providing a true and faithful representation of all aspects of the company's operations, by means of: (i) examination of reports of the

manager responsible for drafting company accounting documents on the administrative and accountancy structure and on the corporate governance system and the financial reporting process; (ii) information gathered from the managers of the related company functions; (iii) relations with the administrative bodies of subsidiaries pursuant to subsections 1 and 2 of art. 151 of Italian legislative decree 58/1998; (iv) participation in the works of the control and risks committee (in compliance with the code of corporate governance). No anomalies and/or issues have emerged from the activities performed that could be construed as indicators of inadequacy of the corporate governance system.

14. On the basis of the provisions contained in art. 19 of Italian legislative decree no. 39 of 27 January 2010, the board of statutory auditors - identified by said provisions as the audit committee - has also supervised:

- the financial reporting process;

- the legal audit of the annual accounts and the consolidated financial statements;

- the independence of the auditing firm.

There were no elements and/or qualified remarks requiring mention in this report.

15. The board of statutory auditors considers that the administrative-accounting system is capable of assuring correct representation of the operating events for preparation of the company's accounting documents.

16. The company has issued its subsidiaries with the instructions necessary to comply with the disclosure obligations prescribed in art. 114, subsection 2, of Italian legislative decree 58/1998.

Said instructions appear to be adequate in relation to statutory legal requirements.

17. We have verified, through direct checks and by analyzing information obtained from the independent auditors, the full observance of legal requirements concerning the formation of the separate financial statements and the attached board of directors' report. Specifically, we checked to ensure that no exceptions were made pursuant to art. 2423, subsection 4, of the Italian civil code.

18. With reference to corporate governance and the methods of tangible implementation of the rules set down by the code of corporate governance issued by Borsa Italiana, the company's methods of adherence are described in the corporate governance report, with whose contents we are in agreement.

19. In the activities of supervision and control no major events emerged requiring notification to the supervisory bodies or disclosure in this report.

20. In acknowledging that the separate financial statements at 31 December 2014, which we received within the legally prescribed terms, together with the board of directors' report, show a net profit for the year of €33,954,990, in consideration of the matters illustrated above and taking account of the report issued by the independent auditors, we express our agreement with the proposal made by the board of directors, both with regard to the approval of the separate financial statements and also with regard to the proposal for distribution of profit for the year.

* * * * *

S.Ilario d'Enza, 1 April 2015

THE BOARD OF STATUTORY AUDITORS

Pierluigi De Biasi

Alessandra Tronconi

Paolo Scarioni

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

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

1. We have audited the financial statements of Interpump Group S.p.A. as of 31 December 2014 and for the year then ended, comprising the statement of financial position, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the cash flows statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Interpump Group S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated 25 March 2014.

3. In our opinion, the financial statements of Interpump Group S.p.A. at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Interpump Group S.p.A. for the year then ended.

4. The Directors of Interpump Group S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Board of Directors' Report and the Report on Corporate Governance and the Ownership Structure published in the section "Corporate Governance" of Interpump Group S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Board of Directors' Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by

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CONSOB. In our opinion, the Board of Directors' Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Ownership Structure , are consistent with the financial statements of Interpump Group S.p.A. at 31 December 2014.

Bologna, 31 March 2015

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

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