

## INTERPUMP GROUP S.p.A.

Registered office: S. Ilario d'Enza (RE)

Via E. Fermi, 25

Share Capital: €41,558,535.20 fully paid-up

### Informative document in accordance with art. 71 of the Regulation implementing Legislative Decree D.L. 24 February 1998 no. 58 governing the issuers of listed securities

	Interpump Group <u>31/12/2004</u>	Hammelmann Group <u>31/12/2004</u>
	€000	€000
Net consolidated revenues	535,306	49,018
EBITDA (Income before interest, taxes, depreciation/amortization and provisions )	79,349	10,685
EBITDA %	14.8%	21.9%
Consolidated operating profit	61,804	9,893
Operating profit %	11.5%	20.3%
Consolidated net profit	8,396	5,860
Cash flow from operations	48,001	5,907
Financial indebtedness (liquidity), net	211,644	(2,139)
Consolidated shareholders' equity	172,366	25,696
Debt/Equity ratio	1.23	n.s.
Net investments in intangible and tangible fixed assets in the year	17,392	1,916
Average number of employees	2,360	285
ROE	16.1%	22.8%
ROCE	17.6%	42.0%
Average number of outstanding shares	77,106,176	n.s.
EPS - €	0.322	n.s.
Dividend per share - €	*0.130	0

Interpump Group S.p.A. (hereinafter the “Issuer” or “Interpump Group”) consolidated data were drawn up in accordance with the accounting principles and the valuation criteria indicated by the provisions of the Italian Civil Code, interpreted and integrated by the accounting principles stated by the “Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri” (National Councils of Certified Public Accountants), by the documents issued by the Italian Accounting Body (O.I.C.) and, when not sufficient, by those established by the International Accounting Standards Board (IASB). Hammelmann Group consolidated data were drawn up in accordance with the German Commercial Code. Pro-forma consolidated financial statements were not drawn up for the reasons shown below.

ROE: (Net profit + amortization and write-down of goodwill + Minority interests)/Consolidated shareholders' equity

ROCE: Operating profit/(Consolidated shareholder's equity + Financial indebtedness – Treasury stock)

EPS: (Earnings per share adjusted for goodwill amortization and write-down)

\* proposed by the Board of Directors, pending approval by the Shareholders' Meeting

The dividends refer to the year when the distributed profits were formed.

## Contents

1. Important notice .....	page 3
2. Information relative to the operation .....	page 3
2.1 Concise description of the time limits and methods of the operation.....	page 3
2.2 Reasons for and purpose of the operation.....	page 4
3. Significant effects of the operation.....	page 4
4. Economic, capital and financial data relative to the assets purchased.....	page 5
5. Pro-forma economic, capital and financial data.....	page 8
5.1 Considerations regarding pro-forma consolidated data .....	page 8
5.2 Considerations regarding the allocation of consolidation differences .....	page 9
6. Interpump Group business outlook .....	page 10
6.1 General indications on the trend of Interpump Group business activities from 31/12/2004 .....	page 10
6.2 Realistic forecast of results for the year.....	page 11

## 1. Important notice

The Hammelmann Group is active in a sector in which no rapid or sudden changes in technology or production are foreseen and has a relatively low level of exposure to competition with Asian economies, notably China.

Therefore the risk profile of the investment is relatively low and can be considered within the confines of normal business risks.

## 2. Information on the operation

### 2.1 Concise description of the methods and terms of the operation

2.1.1 In operational terms the Hammelmann Group is composed of Hammelmann Maschinenfabrik GmbH (Germany) and subsidiaries Hammelmann Corporation (USA), Hammelmann S.L. (Spain), Hammelmann Pumps and Systems Tianjin Ltd. Co. Ltd (China) and Hammelmann Australia PTY Ltd. Production is concentrated in the German company in Oelde (Westfalia), while subsidiaries operate as trading companies and provide after-sales services. The Australian subsidiary is dormant.

The Hammelmann Group is a world leader in the production of very high-pressure pumps. Hammelmann Maschinenfabrik GmbH, incorporated in 1949 by the father of the current sellers, manufactures high-pressure systems and pumps of up to 4,000 bar. Hammelmann systems are used for cleaning surfaces, ships, various types of pipes, and also for removing burr, cutting and removing cement, asphalt, and paint coatings on stone, cement or metal surfaces. The company also manufactures pumping systems used in a wide range of industrial sectors for the conveyance of fluids.

2.1.2 Hammelmann Maschinenfabrik GmbH is controlled by a holding company, Hammelmann Holding GmbH & Co. KG. The unlimited liability shareholder of this company (*Komplementärin*) is Hammelmann Holding Verwaltungs GmbH and, at the time of acquisition its limited liability shareholders (*Kommandisten*) were Gisela, Gerda and Petra Hammelmann, daughters of the Group founding partner. Gisela Hammelmann was also the sole shareholder of Hammelmann Holding Vervetlungs GmbH. The contract of sale was drafted to regulate the purchase – by means of a special vehicle denominated Interpump (Deutschland) GmbH – of the entirety of the holdings in Hammelmann Holding GmbH & Co. and Hammelmann Holding Vervetlungs GmbH (hereinafter the "Investments").

The acquisition was carried out a price of 91.5 million euro, fully paid in cash at the time of sale on 5 April 2005. The purchase contract grants to Interpump Group S.p.A. the entitlement to profit as from 1 January 2005. In relation to this entitlement the vendors received, by way of a premium on the price, interest for the period from 1 January 2005 until the date of purchase, at an annual interest rate of 4%, for a total amount of 952,603 euro, which was paid at the time of the sale.

The price was established as a multiple of consolidated EBITDA and EBIT for 2004. The Enterprise Value (EV), on the basis of the liquidity as at 31/12/2004 and including the above mentioned interest paid, totalled 90.315 million euro, equivalent to 8.4 times EBITDA and 9 times EBIT. The considerations underpinning the determination of the

price were conducted within the Interpump Group without the aid of external consultants.

The merger is planned of the holding companies Interpump (Deutschland) GmbH, Hammelmann Holding GmbH & Co. KG and Hammelmann Holding Verwaltungs GmbH with the operating company Hammelmann Maschinenfabrik GmbH. This merger will not affect the Interpump Group consolidated financial statements and it will not have any tax effect. The company resulting from the merger will be denominated Hammelmann Maschinenfabrik GmbH.

- 2.1.3 The operation has been covered by a loan for 120 million euro, granted by a pool of banks coordinated by S. Paolo Imi S.p.A.

## 2.2 *Motivations and aims of the operation*

- 2.2.1 Interpump Group is the world's primary manufacturer of high-pressure hydraulic pumps and is also engaged, although to a lesser extent, in the segment of very high-pressure hydraulic pumps.

The acquisition of Hammelmann enables Interpump Group to assume the position of European leader and consolidate its position as a world leader in the segment of very high-pressure hydraulic pumps (up to 4000 bar).

- 2.2.2 The Hammelmann range of products is complementary rather than a duplication of the Interpump Group range. Therefore within the next few months we plan to start exploiting synergy in terms of purchases of raw materials and basic components and in distribution through the cross-selling of Hammelmann and Interpump Group products by the respective distributors. There are currently no manufacturing rationalisation initiatives nor any special reorganisations planned, except for the foregoing merger.

## 2.3 *Relations with the company that is the subject of the operation and with parties from whom the assets have been purchased*

- 2.3.1 At the time of the transaction, Interpump Group did not have any relations with the companies involved, either directly or indirectly.

- 2.3.2 There are no other relations between Interpump Group S.p.A. and its subsidiaries, its managers and directors, and the previously described parties from which the Hammelmann Group was purchased, with the exception of the agreement between three members of the Hammelmann family, who managed the Group up to the date of the acquisition, in order to regulate the pursuit of relations with the Group up to 31/12/2005, and leasing relations of industrial buildings utilised by Hammelmann Group companies. The agreed remuneration for the members of the Hammelmann family globally stand at 1,520 €000, while the leasing charges for the Oelde and Daytona facilities (USA) were respectively 1,090 €000 and 250 \$/000 p.a.

## 2.4 *Documents at the disposal of the general public*

- 2.4.1 For more detailed information on the Hammelmann Group refer to the website [www.hammelmann.de](http://www.hammelmann.de)

## 3. **Significant effects of the operation**

- 3.1 The acquisition of Hammelmann consolidates the Interpump Group in the very high-pressure pumps segment, characterised by high levels of technology and know-how. This consolidation cannot be readily achieved internally except by allocating very substantial capital investment and very ample timeframes – with no reasonable certainty of success. Therefore the acquisition of Hammelmann definitely constitutes the surest and fastest route towards the achievement of a position of leadership in this potentially profitable market segment.
- 3.2 In the context of the Interpump Group Hammelmann will continue to enjoy the maximum independence. As already mentioned, the most immediate synergy will be sought in the areas of purchasing and product distribution. In addition, the Group will assist Hammelmann in optimising the financial structure, in management control and in internal auditing, in addition to determining the strategic lines for future development.

#### 4 Economic, capital and financial data relative to the assets purchased

##### 4.1 *Economic, capital and financial data relative to the acquired investment*

- 4.1.1 The Hammelmann Group has prepared consolidated financial statements only from 2004, including also comparative data. The figures of the consolidated balance sheet and income statement as at 31/12/2004 are shown above with comparative data from the previous year (amounts shown in €000).

##### Consolidated balance sheet

<b>Assets</b>	31/12/2004	31/12/2003
<i>Fixed assets</i>		
Intangible fixed assets	30	35
Tangible fixed assets	3,910	2,782
Financial fixed assets:		
Investments in subsidiaries	884	389
Loans to subsidiaries	<u>110</u>	<u>110</u>
<i>Total fixed assets</i>	<u>4,934</u>	<u>3,316</u>
<i>Current assets</i>		
<i>Inventories</i>		
	<u>15,927</u>	<u>15,170</u>
Trade receivables	9,262	8,056
Receivables from subsidiaries	113	795
Other current assets	<u>1,753</u>	<u>1,534</u>
<i>Total receivables and other current assets</i>	<u>11,128</u>	<u>10,385</u>
Cash	3,077	6,767
Cash equivalents	<u>1,358</u>	<u>1,938</u>
<i>Cash and cash equivalents</i>	<u>4,435</u>	<u>8,705</u>
<i>Total current assets</i>	<u>31,490</u>	<u>34,260</u>
Accrued income and prepayments	<u>104</u>	<u>57</u>
<b>Total assets</b>	<b><u>36,528</u></b>	<b><u>37,633</u></b>

31/12/2004 31/12/2003

**Liabilities and Shareholders' equity**

*Shareholders' equity*

Share Capital	4,100	4,100
Other reserves	753	742
Retained earnings	<u>20,843</u>	<u>15,232</u>
<i>Total shareholders' equity</i>	<u>25,696</u>	<u>20,074</u>

*Provisions for risks and charges*

Retirement benefits and similar rights	2,625	2,389
Deferred taxes	343	755
Provision for other risks and charges	<u>2,487</u>	<u>3,056</u>
<i>Total provisions for risks and charges</i>	<u>5,455</u>	<u>6,200</u>

*Liabilities*

Amounts payable to banks	2,296	1,648
Advances	382	509
Trade payables	1,591	1,041
Payables to parent companies	3	6,712
Other liabilities	<u>1,105</u>	<u>1,449</u>
<i>Total liabilities</i>	<u>5,377</u>	<u>11,359</u>
<b>Total liabilities and shareholders' equity</b>	<b><u>36,528</u></b>	<b><u>37,633</u></b>

Consolidated income statement (amounts shown in €000)

	2004	2003
Net sales	48,770	46,669
Changes in inventories of finished and semi-finished products	(1,529)	(124)
Increase on internal work capitalised under fixed assets	102	-
Other operating revenues	<u>1,062</u>	<u>749</u>
<i>Total revenues</i>	<u>48,405</u>	<u>47,294</u>
Material purchase costs	15,229	15,514
Personnel expenses	15,372	15,024
Amortisation and depreciation	792	919
Other operating costs	<u>7,120</u>	<u>6,892</u>
<i>Operating profit</i>	9,893	8,945
Interest income	181	161
Interest expenses	(259)	(406)
Write-downs of financial assets	<u>(133)</u>	<u>(2)</u>
<i>Pretax profit</i>	9,682	8,698
Income taxes	<u>(3,822)</u>	<u>(3,588)</u>
<i>Consolidated net profit</i>	<u>5,860</u>	<u>5,110</u>

The balance sheet and income statement of Hammelmann Group, which have been drawn up include the financial statements as at 31/12/2004 of Hammelmann Maschinenfabrik GmbH and subsidiaries Hammelmann Corporation (U.S.A.) and Hammelmann S. L. (Spain), which have not yet been approved by the companies' boards of directors. Subsidiaries Hammelmann Pumps and Systems Tianijin Ltd. Co. Ltd (China) and Hammelmann Australia PTY Ltd have not been consolidated because the former is of minimum significance and the consolidation would have led to charges that are out of proportion with respect to the usefulness in terms of information, while the latter company is dormant.

The accounting principles adopted, as announced on the inside front cover of this document, are as specified by the Commercial Code of the German Republic.

Tangible fixed assets include the building of the Spanish subsidiary for 600 €000 and, for the remaining plant, machinery, equipment and other assets. Other industrial buildings are rented.

The "Investments" item includes the book value of investments in Hammelmann Pumps and Systems Tianijin Ltd. Co. Ltd (China) (883 €000) and Hammelmann Australia PTY Ltd (1 €000).

Inventories are valued at the lower amount of either cost or market value. The cost of raw materials was calculated by taking account of average cost, inclusive of accessory charges.

In the case of goods produced internally, the cost of production includes the cost of raw materials, external work carried out, utilities, directly related labour costs as well as general production and industrial costs in an amount reasonably attributable to such products. Financial charges and general expenses are excluded. Moreover, in the case of semi-finished products and work in progress, the production cost is determined on the basis of their stage of completion.

This valuation conforms to German tax regulations, while there is no requirement to include overhead expenses in the valuation of semi-finished products and finished products in the statutory financial statements. Hammelmann Maschinenfabrik GmbH made use of this faculty in 2003. Therefore, for the sake of uniformity the inventory value was calculated in accordance with the fiscal criteria that best represent the real value.

The item "Other current assets" includes 1,682 €000 relative to an insurance policy covering the pension fund for members of the Hammelmann family. With a total amount of 2,612 €000, the pension fund is recorded under provisions for retirement benefits and similar rights. On the basis of contractual agreements with the sellers the insurance policy and the liability for pensions, both of which relative to Hammelmann family members, will be transferred in the next few weeks to another Hammelmann family company that is not included in the scope of consolidation, acquired by Interpump Group against payment of the difference of 930 €000.

Turnover in 2004 showed an increase of 4.5%. EBITDA, recorded at 10,685 €000 (21.9% of sales) increased by 8.3% with respect to the figure of 9,864 €000 (21.1% of sales) in 2003. Operating profit increased by 10.6% of sales with respect to 2003, reaching 9,893 €000 (20.3% of sales), while the same parameter was recorded at 8,945 €000 (19.2% of sales) last year.

Earnings totalled 5,860 €000 (5,110 €000 in 2003), reflecting an increase of 14.7%.

4.1.2 The financial statements at 31 December 2004 and 2003 were not audited by an international audit firm; however the statutory financial statements of Hammelmann Maschinenfabrik GmbH, which represent more than 90% of the consolidated net sales, were submitted to a local auditing company (Dr. Knieper und Partner), which subsequently issued an unqualified audit report on March 11, 2005.

4.1.3 Data for the first half of 2004 are not available.

4.1.4 The consolidated cash flow is as follows:

	31/12/2004
	€000
Net profit for the period	5,860
Amortisation and depreciation	792
Net change in provisions for risks and charges	<u>(745)</u>
<i>Cash flow from operations</i>	5,907
Changes in commercial working capital	(731)
Change in other current assets and liabilities	<u>(610)</u>
<i>Operating cash flow</i>	<u>4,566</u>
<i>Investment activities</i>	
Expenditure on tangible and intangible fixed assets	(1,916)
Expenditure on equity investments	(495)
Other	<u>(364)</u>
<i>Cash flow used for investment activities</i>	<u>(2,775)</u>
<i>Financing activities</i>	
Repayment of shareholders' financing	(6,712)
Increase/(Repayment) of bank loans	648
Other	3
<i>Cash flow used in financing activities</i>	<u>(6,061)</u>
<b>Net change in cash and cash equivalents</b>	<b><u>(4,270)</u></b>
<i>Cash and cash equivalents at the beginning of the period</i>	<u>8,705</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>4,435</u></b>

## 5. Pro-forma economic, capital and financial data

### 5.1 Considerations on pro-forma consolidated data

Interpump Group acquired the Hammelmann Group on 5/4/2005. The Hammelmann Group has never drawn up consolidated accounts since it was not obliged to do so by the provisions of German law. In order to bring the acquisition transaction to a close, Hammelmann has drawn up consolidated financial statements as at 31 December 2004 in accordance with German accounting standards, which differ from both Italian and International standards (IAS/IFRS).

It is not therefore possible to prepare pro-forma financial statements for 2004 because of the differences existing between the accounting standards applied. Moreover, at the time of the acquisition there were no relations of an economic and/or capital nature between the Hammelmann Group and the Interpump Group. Pro-forma adjustments would therefore have been restricted to the allocation of the consolidation difference, apart from the increase in borrowing for the price paid.

The Hammelmann Group will be consolidated from 1 April 2005; therefore the income statement will be consolidated for 3 months in Interpump Group's half year report.

The Issuer will prepare the half year report and relative second quarter report (the Issuer is obliged to draft the quarterly report because it is listed in the STAR segment of the Italian Exchange), with reference to international accounting standards.

For this purpose it was decided to embark on the preparation of an IAS/IFRS consolidated report for the Hammelmann Group at 31/3/2005. This will involve the transition of the Hammelmann Group from German to International accounting standards.

With regard to the above situation, drafting of pro-forma consolidated financial statements at 31/12/2004 in accordance with uniform Italian accounting statements would have been ineffective in terms of disclosure because such a document would not be compatible with any subsequent documents. A derogation in respect of the obligation to submit pro-forma consolidated data has therefore been requested and obtained by means of CONSOB communication dated 15/04/2005.

## 5.2 *Considerations on the allocation of the consolidation difference*

As illustrated above, the Issuer recognised a consideration of euro 91.5 million to the purchaser for the equity investments. In addition interest was paid from 1/1/2005 to the date of acquisition in the amount of 0.9 million euro which, in compliance with the provisions of international accounting standards, must be added to the price. We also draw your attention to the fact that an extraordinary bonus was granted to employees in the amount of 3 million euro, which, net of the estimated tax effect of 1 million euro, must be added to the price as established by IFRS no. 3. Finally, direct accessory charges in the form of legal costs, advisor fees and the cost of the due diligence assessment of the auditing company are to be added to the purchase cost. Therefore, considering the book value of consolidated shareholders' equity at 31/12/2004 of 25.7 million euro on the basis of a prudential forecast of profit for the first quarter of 2005 and the previously described accessory costs, the consolidation difference can be initially estimated in the region of 68 million euro at the current date.

The book value of consolidated shareholders' equity at 31/12/2004 must however be adjusted to take account of fiscal interference and the adaptation to international accounting standards, as adopted by the Interpump Group. The main items in the financial statements currently affected by the elimination of fiscal interference and adaptation to international accounting standards are as follows:

- accumulated amortization/depreciation;
- inventory write-down provision;
- bad debt provision;
- product warranty provision;
- deferred taxes.

Quantification of the relative effects has just started, because due diligence auditing was carried out with reference to German accounting principles in accordance with agreements entered into with the sellers. From initial results the book value of shareholders' equity appears undervalued with respect to international accounting standards. Therefore the consolidation difference should be reduced further to these adjustments.

Also the activity of valuation of the Hammelmann brand name is currently in progress, in order to assign a portion of the consolidation difference to this item. We do not currently have any information concerning quantification of the relative value.

## **6. Interpump Group business outlook**

### *6.1 General indications on the trend of Interpump Group business activities from 31/12/2004.*

Performance for the first quarter of 2005 will be described in detail in the quarterly report, which will be approved by the Board of Directors on 13 May.

Currently we can offer the following preliminary considerations:

- turnover of sectors other than the consumer segment of the Cleaning Sector increased by 5%; specifically, sales of high and very high-pressure pumps increased by approximately 20%, while the Hydraulic Sector saw a rise in sales of around 15%;
- turnover of the Cleaning Sector consumer segment fell by 39.5% from 57.2 million euro in the 2004 first quarter to the current figure of 34.7 million euro. This decrease is mainly due to the exceptional sales recorded in the first three months of 2004 with continuing high sales during the second quarter followed by a second half that was a steep downturn because of the different timescale of orders with respect to 2003 due to full stocks held in the warehouses of our main customers. For this reason the first half of 2005 can be expected to reflect a gradual return to normal conditions in reference to the times of orders in this segment;
- overall turnover decreased by approximately 11% with respect to the first quarter of 2004 because of the reasons illustrated above in relation to the consumer segment and, to a lesser extent, because of the negative effect of a further loss in value of the dollar, in the amount of around 2.3 million euro;
- in the past, Interpump Group has always had order portfolio visibility of no later than four weeks with the exception of the consumer segment, although the latter is typically subject to frequent advances and postponements of requested delivery dates. In this segment, the order portfolio is in line with 31/3/2004, while with regard to other sectors, the portfolio for high- and very high-pressure pumps and the hydraulic sector shows an upturn;
- sale prices have increased on average by approximately 1/2%;
- the purchase costs of raw materials are now slowing following the increases recorded during 2004;
- the net financial indebtedness as at 31/3/2005 amount to 199.6 million euro, improving by 12 million euro with respect to the 211.6 million euro recorded at 31/12/2004.

6.2 *Realistic forecast for results of the year.*

Interpump Group has never published forecast data because of the very limited visibility of the order portfolio. However, the information currently in our possession points to probable growth of the industrial and hydraulic sectors with respect to 2004, while performance in the cleaning sector will depend to a large extent on the evolution of the consumer segment, which is particularly unpredictable and subject to higher volatility than other group segments. This segment will follow a downward trend over the first half for the reasons discussed above, while the second half could see a certain measure of growth (potentially substantial).

Sant'Ilario d'Enza, 20 April 2005

Interpump Group S.p.A.  
Giovanni Cavallini  
Deputy Chairman and Chief Executive Officer