

**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

Reggio Emilia Court - Company Register no. 117217

Tax code 11666900151

VAT No. 01682900350

**PROSPECTUS**

concerning the sale of the investment held by  
Interpump Group S.p.A. and Teknova S.r.l. in

**IP CLEANING S.p.A.**

The Prospectus is made available to the public at the company registered offices and at the offices of Borsa Italiana S.p.A. on 14 June 2005 in compliance with art. 71 of the Issuers' Regulations (Consob Resolution 11971 of 14.5.1999 and subsequent amendments and integrations)

## Overview of pro-forma consolidated equity, economic, and financial data and data per share

(amounts expressed in thousands of euro)	Interpump Group Financial Statements <u>31/12/2004</u> €000	IP Cleaning Group deconsolidation adjustments <u>31/12/2004</u> €000	Adjustments due to effects of contractual provisions <u>31/12/2004</u> €000	Interpump Group Pro-forma <u>31/12/2004</u> €000
Net consolidated revenues	535,306	(263,495)	-	271,811
EBITDA (Earnings before interest, tax, depreciation and amortisation)	79,349	(30,874)	-	48,475
EBITDA %	14.8%	-	-	17.8%
Consolidated operating profit	61,804	(22,475)	-	39,329
Operating profit %	11.5%	-	-	14.5%
Consolidated net profit	8,396	(2,601)	263	6,058
Operating cash flow	18,656	5,317	57	24,030
Net financial indebtedness	211,644	(153,845)	(50,649)	7,150
Consolidated shareholders' equity	172,366	(31,400)	80,036	221,002
Debt/Equity ratio	1.23	-	-	0.03
Investments in intangible and tangible fixed assets in the year	17,392	(9,855)	-	7,537
Average number of employees	2,360	1,062	-	1,298

### Per-share data

(values in euro per share)

Ordinary consolidated economic result after tax (including minority profits)	0.149	-	-	0.099
Consolidated net profit	0.109	-	-	0.079
EPS	0.322	-	-	0.232
Operating cash flow	0.242	-	-	0.312
Consolidated shareholders' equity	2.235	-	-	2.866
ROE	16.1%	-	-	8.8%
ROCE	17.6%	-	-	20.2%
Dividend per share - €	0.130	-	-	0.130
Average number of shares in circulation	77,106,176	-	-	77,106,176

ROE: (Net profit + amortisation and write-down of goodwill + Minority interests)/Consolidated shareholder's equity

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

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

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

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## **1. Important notes**

With the sale of the IP Cleaning Group on 30 May 2005 Interpump Group reduced its business risk profile and, with reference to the consumer segment, its exposure to currency exchange risks because sales in dollars and the risk related to the concentration of customers were mainly referred to this segment. In 2004, the weakening of the dollar had a significant effect, as described in the Board of Directors' Report accompanying the Group's consolidated financial statements: operating profit decreased by 10.7 million euro, 83% of which was attributable to the Cleaning sector. The consumer segment was also characterised by concentration of sales channels, especially on the US market, where a small number of distribution chains cover almost the entire breadth of the market.

The Industrial Sector (high and very high-pressure pumps) and the Hydraulic Sector constitute divisions associated with high technology level and high profitability in which no rapid or sudden changes in technology or production are foreseen and they enjoy a relatively low level of exposure to competition with Asian economies, notably China.

The counter party was provided with the usual contractual guarantees for transactions involving the sale and purchase of shares, with a maximum indemnity limit of 55 million euro, a relative franchise of 3 million euro, including an absolute franchise of 2 million euro. As better detailed hereafter in this Prospectus the price is subject to possible adjustment deriving from the process of assessment of net financial indebtedness; it is not foreseen that any substantial changes will ensue from said process.

Another risk situation of the operation is constituted by the recoverability of the 10 million euro loan granted to X Equity S.p.A., i.e. the company that made the acquisition, due at the time of realisation of the investment by X Equity S.p.A. or anyway within a maximum term of 10 years.

The operation has already been disclosed to the market by means of a press release issued on 18 April 2005. Therefore, the positive conclusion of the transaction on 30 May 2005 did not influence the trading price of Interpump Group shares significantly.

## **2. Information concerning the operation**

### *2.1 Concise description of the time limits and methods of the operation*

The Cleaning Sector, subject to disposal, comprises IP Cleaning S.p.A. and all its equity investments, and hence the following companies: Soteco S.p.A., IP Gansow GmbH, Euromop S.p.A., Ready System S.r.l., Pulex S.r.l., Portotecnica S.A., Western Floor Private Ltd, IP Cleaning Industria e Comercio Ltda, Gansow France E.ur.l., Soteco Benelux BVBA, InterClean Assistance S.A. and IP Cleaning Espana S.L. On 17 May 2005 Interpump Group S.p.A. proceeded to buy back the investments in Unielectric S.p.A. and SIT S.p.A. from IP Cleaning S.p.A. for 15.2 million euro, within the framework of agreements concerning the overall operation. The IP Cleaning Group manufactures cleaning machines for the professional segment (cold and hot water high-pressure washers, wet/dry vacuum cleaners, floor sweepers, floor scrubbers, professional cleaning trolleys and window cleaning equipment), and for the consumer segment (DIY high-pressure washers). The main outlet markets are Europe for the professional segment and North America for the consumer segment.

The price for 100% of IP Cleaning S.p.A. was determined on the basis of an Enterprise Value (EV) of 220 million euro (net of 15.2 million euro for the buy-back of Unielectric S.p.A. and SIT S.p.A.) minus the divested group's financial indebtedness, which was estimated at 145 million euro. The Enterprise Value (EV) valuation was executed internally without seeking the opinion of independent valuers. The calculated value corresponds to approximately 10 times EBIT.

The price will be subject to adjustment on the basis of the average permanent financial indebtedness of the four quarters from 30 June 2004 to 31 March 2005 within 45 working days from the operation closing date, i.e. within 2 August next. The provisional price was paid at the closing date.

Moreover, on 17 May 2005 IP Cleaning S.p.A. resolved to issue 100 "B" category shares with a face value of 1 euro, subscribed and released by Interpump Group S.p.A., which is not subject to sale, which provide entitlement to the appointment of two directors and one auditor of IP Cleaning S.p.A.. The shares represent 0.001% of the share capital of IP Cleaning S.p.A.. Interpump Group S.p.A. invested 12.5 million euro (or 17.3% of the newco share capital) in the share capital of X Equity S.p.A., (the vehicle for the acquisition) thereby acquiring the entitlement to appoint two directors and one auditor of X Equity S.p.A.. Interpump Group S.p.A. also granted a loan of 10 million euro to X Equity S.p.A. with capitalised interest calculated at the Euribor rate increased by a spread of 5.875 percentage points from 1 January 2006, while the interest rate for 2005 is 1%. The loan will be repayable at the time of realisation of the investment by X Equity S.p.A. or within the term of 10 years at the latest.

The contract also envisages the sale, after six months from the conclusion of the transaction, of the Interpump Engineering S.r.l. line of business (Interpump Engineering is a subsidiary of Interpump Group S.p.A.) dedicated to research and development in the Cleaning Sector, for a price of 166 thousand euro.

Another contract clause stipulates that after three years from the conclusion of the transaction a contract be signed whereby Interpump Group undertakes to distribute, exclusively to IP Cleaning for a period of two years, those of its products that are covered by the terms of the non-competition agreement described in the following heading 2.3.1.

The proceeds from the operation will be used to reduce indebtedness.

## 2.2 *Motivations and aims of the operation*

This operation forms part of strategic repositioning process of Interpump Group intended to concentrate the Group's activities in the most technological and profitable business sectors. The recent acquisition of the German company Hammelmann, world leader in the very high pressure hydraulic pumps sector, is a primary factor in this context. The strategy for the future pivots around the strengthening of the Industrial and Hydraulic Sectors, also through targeted acquisitions.

## 2.3 *Relations with the companies involved in the operation and the parties to which the assets have been transferred*

### 2.3.1 Relations with the companies involved in the operation

The agreements entered into between Interpump Group and X Equity S.p.A. are as follows:

- IP Cleaning S.p.A. is obliged to continue to purchase high pressure pumps as the main components of its high pressure washers from Interpump Group S.p.A. for a

period of five years from the date of conclusion of the operation (this provision is renewable for a further period of three years); Interpump Group S.p.A. will continue to guarantee the current terms of sale to IP Cleaning S.p.A. for the same period. Selling prices will be subject to the changes made to the general price list of Interpump Group S.p.A. In 2004 IP Cleaning S.p.A. purchased high-pressure pumps from Interpump Group S.p.A. for a total value of 2.8 million euro.

- IP Cleaning S.p.A. is obliged to continue to purchase electric motors and windings, as high-pressure washer components, from Unielectric S.p.A. (a subsidiary of Interpump Group S.p.A.) for five years from the operation closing date (this provision is renewable for a further three years). Selling prices will be subject to the changes made to the general price list of Unielectric S.p.A. In 2004 IP Cleaning S.p.A. purchased electric motors and windings from Unielectric for a total value of 11.9 million euro.
- Interpump Group S.p.A. is prohibited from competing in the Cleaning Sector for a period of three years from date of conclusion of the operation. However, Interpump Group S.p.A. shall still be entitled to continue to manufacture and market the high pressure washers that it currently manufactures and sells, providing it refrains from developing new products in the sector and it undertakes not to double its turnover compared to 2004, when sales of these products generated a total of 13 million euro.
- For six months from the operation closing date Interpump Engineering S.r.l. (a subsidiary of Interpump Group S.p.A.) is obliged to continue to supply of research and development services to the IP Cleaning Group under the same conditions as those currently in force. After this term the Interpump Engineering S.r.l. division dedicated to R&D activities in the Cleaning Sector will be sold to IP Cleaning S.p.A. for 166 thousand euro, this price being identical to the price paid in 2001 at the time of acquisition of the holdings in Interpump Engineering S.r.l., said price being subject to assessment by an independent valuator at the time.
- For six months from the closing date of the operation Interpump Group S.p.A. undertakes to supply accounting and trade fair organisation services to IP Cleaning S.p.A and its subsidiaries. These services will be invoiced at cost.

Moreover, we point out that in 2004 the IP Cleaning Group issued invoices to another company of the Interpump Group (US distributor) for 7.8 million euro, and that at 31 December 2004 a residual amount of 0.9 million euro is still outstanding for these sales. The contract of sale does not contain any specific clauses for these transactions. All the above-mentioned commercial transactions were carried out at normal market conditions.

There are no other relations between Interpump Group S.p.A., its subsidiaries, its managers and directors, and the parties to which the IP Cleaning Group was sold.

### 2.3.2 Relations with the parties to which the assets have been transferred

IP Cleaning S.p.A. was acquired by X Equity S.p.A., the share capital of which is held in two equity funds: BS Private Equity and MCC Sofipa Equity Fund, plus a 1.7% stake held by the management of IP Cleaning S.p.A. and 17.3% by Interpump Group S.p.A., which did not hold any relations with the companies involved in the operation, either directly or indirectly, at the time of the transaction.

Finally, as already indicated, Interpump Group S.p.A. also granted a loan of 10 million euro to X Equity S.p.A.

## 2.4 Documents available to the general public

This Prospectus, the Interpump Group S.p.A. financial statements at 31 December 2004, and the IP Cleaning S.p.A. financial statements at the same date have been placed at the disposal of the public at the registered offices of Interpump Group S.p.A.

For more detailed information on the IP Cleaning Group, refer to the website [www.ipcleaning.com](http://www.ipcleaning.com).

## 3. Significant effects of the operation

### 3.1 Significant effects on the activity of the issuer

The sale of the Cleaning Sector makes it possible for Interpump Group S.p.A. to concentrate its business in the Industrial sector, also thanks to the recent acquisition of Hammelmann, and in the Hydraulic sector, freeing up resources to fuel growth in these two business areas.

### 3.2 Implications concerning commercial and financial relationships and provision of services between Group member companies

The agreements described in the previous heading 2.3.1 make it possible to proceed with the current commercial relationships between Interpump Group and IP Cleaning Group companies without any substantial changes - at least in the medium term. The IP Cleaning Group was already independently structured in financial terms so the sale has no impact in relation to financial considerations.

## 4. Pro-forma consolidated financial position and results of the Interpump Group

### 4.1 Pro-forma consolidated Balance Sheet, Income Statement, and Statement of Cash Flow generated by operations

#### 4.1.1 Pro-forma consolidated Balance sheet, Income statement, and Statement of Cash Flow generated by operations relative to the year ending 31 December 2004

The following tables present the consolidated balance sheet at December 31, 2004, the consolidated income statement, and cash flow generated by pro-forma consolidated operations for the year than ended of the Interpump Group in order to provide a comprehensive overview of the effects of the sale of the equity investment in IP Cleaning S.p.A..

The presentation includes:

- the Interpump Group consolidated financial statement as at and for the year ending 31 December 2004;
- pro-forma adjustments relative to the deconsolidation of the IP Cleaning Group;
- pro-forma adjustments relative to the effects of the provisions included in the contract of sale of the equity investment in IP Cleaning S.p.A. and described under heading 2.1;
- the Interpump Group pro-forma consolidated financial statements as at and for the year ending 31 December 2004.

In order to draft pro-forma data, the balance sheet and the income statement, the above-indicated data have been presented in a concise layout reflecting the format recommended by the Italian Civil Code. In addition, the Company also deemed it appropriate to present the reclassified financial statements that the Interpump Group usually discloses to the market at the time of its periodic financial reports; said reclassified financial statements are provided under heading 4.4 of this Prospectus.

## Pro-forma consolidated balance sheet

(amounts expressed in thousands of euro)	Interpump Group	IP Cleaning Group deconsolidation adjustments	Notes	Adjustments due to the effect of contractual provisions	Interpump Group pro-forma
	31-12-04	31-12-04		31-12-04	31-12-04
<b>ASSETS</b>					
<i>Fixed assets</i>					
Intangible fixed assets	129,965	(61,315)		-	68,650
Tangible fixed assets	105,928	(58,212)		-	47,716
Financial fixed assets					
- equity investments	2,876	(16,094)	1,4,6	19,444	6,226
- financial receivables	2,672	(573)	2	10,000	12,099
- treasury stock	<u>27,957</u>	-		-	<u>27,957</u>
Total financial fixed assets	<u>33,505</u>	<u>(16,667)</u>		<u>29,444</u>	<u>46,282</u>
<i>Total fixed assets</i>	<u>269,398</u>	<u>(136,194)</u>		<u>29,444</u>	<u>162,648</u>
<i>Assets forming part of working capital</i>					
Inventories	107,344	(51,061)		-	56,283
Receivables					
- receivables from customers, subsidiaries and associates	96,200	(39,549)		-	56,651
- tax receivables	12,700	(5,882)		-	6,818
- receivables for deferred tax assets	10,932	(5,135)		-	5,797
- receivables from others	<u>1,624</u>	<u>(1,026)</u>		-	<u>598</u>
Total receivables	121,456	(51,592)		-	69,864
Financial assets other than fixed assets: treasury stock	5,296	-		-	5,296
Cash	<u>22,390</u>	<u>(8,521)</u>	2,3,4,5,7,8	<u>107,483</u>	<u>121,352</u>
<i>Total assets forming part of working capital</i>	<u>256,486</u>	<u>(111,174)</u>		<u>107,483</u>	<u>252,795</u>
<i>Accrued income and prepayments</i>	<u>6,377</u>	<u>(5,153)</u>		-	<u>1,224</u>
<b>TOTAL ASSETS</b>	<b><u>532,261</u></b>	<b><u>(252,521)</u></b>		<b><u>136,927</u></b>	<b><u>416,667</u></b>
<b>LIABILITIES</b>					
<i>Shareholders' equity</i>					
Share Capital	43,694	-		-	43,694
Share-premium reserve	14,757	-		-	14,757
Legal reserve	8,747	-		-	8,747
Reserve for treasury stock held	33,253	-		-	33,253
Other reserves and profits brought forward	54,161	(21,772)	5,6,7,8,9	80,036	112,425
Reserve for translation difference	(7,884)	69		-	(7,815)
Profit (loss) for the period	<u>8,396</u>	<u>(2,591)</u>		-	<u>5,805</u>
Total shareholders' equity for the Group	<u>155,124</u>	<u>(24,294)</u>		<u>80,036</u>	<u>210,866</u>
Minority shareholders' equity	<u>17,242</u>	<u>(7,106)</u>		-	<u>10,136</u>
<i>Total shareholders' equity</i>	<u>172,366</u>	<u>(31,400)</u>		<u>80,036</u>	<u>221,002</u>
<i>Provisions for risks and charges</i>	12,225	(6,172)		-	6,053
<i>Staff severance indemnities</i>	16,838	(7,402)		-	9,436
<i>Payables</i>					
- amounts payable to banks	204,689	(78,435)		-	126,254
- amounts payable to other financial institutions	28,324	(27,442)	9	834	1,716
- amounts payable to shareholders	54	(54)		-	-
- advances	382	(333)		-	49
- amounts payable to suppliers, subsidiaries and ass.	75,035	(92,051)	3	56,000	38,984
- taxes payable	6,054	(2,426)	8	57	3,685
- social security charges payable	4,233	(2,239)		-	1,994
- other payables	<u>10,792</u>	<u>(4,021)</u>	1,7	-	<u>6,771</u>
Total payables	<u>329,563</u>	<u>(207,001)</u>		<u>56,891</u>	<u>179,453</u>

(amounts expressed in thousands of euro)	Interpump Group  31-12-04	IP Cleaning Group deconsolidation adjustments  31-12-04	<i>Notes</i>	Adjustments due to the effect of contractual provisions 31-12-04	Interpump Group pro-forma  31-12-04
<i>Accrued expenses and deferred income</i>	<u>1,269</u>	<u>(546)</u>		-	<u>723</u>
<b>TOTAL LIABILITIES</b>	<b><u>532,261</u></b>	<b><u>(252,521)</u></b>		<b><u>136,927</u></b>	<b><u>416,667</u></b>
<b>MEMORANDUM ACCOUNTS</b>					
Security pledges	4,132	-		-	4,132
Surety granted to others	16,926	(5,383)		-	11,543
Other memorandum accounts	<u>53,068</u>	<u>(25,663)</u>		-	<u>27,405</u>
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b><u>74,126</u></b>	<b><u>(31,046)</u></b>		<b>=</b>	<b><u>43,080</u></b>

## Pro-forma consolidated Income Statement

(amounts expressed in thousands of euro)	Interpump Group	IP Cleaning Group deconsolidation adjustments	Notes	Adjustments due to the effect of contractual provisions	Pro-forma Interpump Group
	31-12-04	31-12-04		31-12-04	31-12-04
<i>Sales and other revenues</i>					
Revenues from the sale of goods and services	533,186	(262,260)		-	270,926
Changes in inventories of work in progress, semi-finished and finished products	1,970	4,074		-	6,044
Increase of internal work capitalised under fixed assets	2,100	(1,038)		-	1,062
Other revenues and income	<u>2,725</u>	<u>(1,356)</u>		-	<u>1,369</u>
<i>Total sales and other revenues</i>	<u>539,981</u>	<u>(260,580)</u>		-	<u>279,401</u>
<i>Cost of production</i>					
Raw materials, consumables and supplies	260,662	(125,106)		-	135,556
Services	106,659	(69,853)		-	36,806
Use of third-party assets	5,272	(2,619)		-	2,653
Personnel expenses	89,620	(37,158)		-	52,462
Amortisation, depreciation and write-downs:	34,485	(12,919)		-	21,566
Changes in inventories of raw materials, consumables and supplies	(6,573)	6,821		-	248
Allocation to risk provisions	272	(180)		-	92
Other provisions	610	(473)		-	137
Sundry operating costs	<u>3,790</u>	<u>(1,191)</u>		-	<u>2,599</u>
<i>Total cost of production</i>	<u>494,797</u>	<u>(242,678)</u>		-	<u>252,119</u>
<i>Difference between sales and other revenues and the cost of production</i>	<u>45,184</u>	<u>(17,902)</u>		-	<u>27,282</u>
<i>Financial income and expense</i>					
Other financial income	1,338	(686)	2	393	1,045
Interest and other financial charges	(10,842)	5,429		-	(5,413)
Foreign exchange gains (losses)	70	(294)		-	(224)
<i>Total financial income (charges)</i>	<u>(9,434)</u>	<u>4,449</u>		<u>393</u>	<u>(4,592)</u>
<i>Adjustments made to financial assets values</i>					
Revaluations of investments	461	(27)		-	434
Write-downs of investments	<u>(165)</u>	<u>150</u>		-	<u>(15)</u>
<i>Total adjustments to financial assets values</i>	<u>296</u>	<u>123</u>		-	<u>419</u>
<i>Extraordinary income and expenses</i>					
Extraordinary income	737	(482)		-	255
Extraordinary expenses	<u>(2,199)</u>	<u>1,787</u>		-	<u>(412)</u>
<i>Total extraordinary income (expenses)</i>	<u>(1,462)</u>	<u>1,305</u>		-	<u>(157)</u>
<i>Profit for the period before taxes</i>	<u>34,584</u>	<u>(12,025)</u>		<u>393</u>	<u>22,952</u>
<i>Income taxes for the period</i>					
Current taxes	(20,385)	6,243	2	(130)	(14,272)
Deferred taxes	<u>(2,908)</u>	<u>1,796</u>		-	<u>(1,112)</u>
<i>Total income taxes for the period</i>	<u>(23,293)</u>	<u>8,039</u>		<u>(130)</u>	<u>(15,384)</u>
<i>Net profit for the period before minority interests</i>	<u>11,291</u>	<u>(3,986)</u>		<u>263</u>	<u>7,568</u>
(Profit) / Loss for the period pertaining to minority interests	<u>(2,895)</u>	<u>1,385</u>		-	<u>(1,510)</u>
<i>Net profit (loss) for the period</i>	<u>8,396</u>	<u>(2,601)</u>		<u>263</u>	<u>6,058</u>

## Statement of pro-forma consolidated cash flow generated by operations

(amounts expressed in thousands of euro)	Interpump Group	IP Cleaning Group deconsolidation adjustments	Notes	Adjustments due to the effect of contractual provisions	Pro-forma Interpump Group
	31-12-04	31-12-04		31-12-04	31-12-04
Net profit for the period	8,396	(2,591)		-	5,805
Minority interests	2,895	(1,385)		-	1,510
Non cash items:					
Amortisation and depreciation of intangible and tangible fixed assets	26,804	(12,394)		-	14,410
Write-down of goodwill	6,443	-		-	6,443
Changes in staff severance indemnity	1,099	(461)		-	638
Changes in the provision for deferred taxes and deferred tax assets	2,995	(2,048)		-	947
Losses (profits) of non-consolidated equity investments	(296)	(123)		-	(419)
Losses (gains) from sales of fixed assets	(465)	61		-	(404)
Other write-downs of fixed assets	171	-		-	171
Change in other provisions	<u>(41)</u>	<u>277</u>		=	<u>236</u>
<i>Cash flow from operations</i>	<u>48,001</u>	<u>(18,664)</u>		=	<u>29,337</u>
Cash flow obtained (used) through (in) net operating working capital	<u>(29,345)</u>	<u>23,981</u>	3	<u>57</u>	<u>(5,307)</u>
<i>Operating cash flow</i>	<u>18,656</u>	<u>5,317</u>		<u>57</u>	<u>24,030</u>

Net financial indebtedness as at 31 December 2004 is detailed below:

(amounts expressed in thousands of euro)	Interpump Group	IP Cleaning Group deconsolidation adjustments	Adjustments due to the effect of contractual provisions	Pro-forma Interpump Group
	31-12-04	31-12-04	31-12-04	31-12-04
Cash and cash equivalents	(22,390)	8,521	(107,483)	(121,352)
Payables to banks within one year for current account overdrafts and advances	47,173	(41,870)	-	5,303
Current portion of medium-long-term financing	61,673	(76,215)	56,000	41,458
Accrued interest	<u>967</u>	<u>(435)</u>	=	<u>532</u>
Total short-term financial indebtedness	<u>87,423</u>	<u>(109,999)</u>	<u>(51,483)</u>	<u>(74,059)</u>
Medium/long-term financial payables	-	-	834	834
Medium/long-term financing	<u>124,221</u>	<u>(43,846)</u>	=	<u>80,375</u>
Total medium/long-term financial indebtedness	<u>124,221</u>	<u>(43,846)</u>	<u>834</u>	<u>81,209</u>
<i>Total net indebtedness</i>	<u>211,644</u>	<u>(153,845)</u>	<u>(50,649)</u>	<u>7,150</u>

## 4.1.2 Explanatory notes to the pro-forma consolidated data

### 4.1.2.1 Scope of presentation of the pro-forma consolidated data

The pro-forma consolidated data were set out on the basis of the drafting principles for pro-forma data given in Consob communication no. 1052803 dated 5 July 2001, in order to provide a retroactive indication, in the consolidated financial statements of Interpump Group for 2004, of the theoretical effects of the sale of the equity investment in IP Cleaning S.p.A. as though the transaction had taken place in 2004.

In particular, pro-forma consolidated data were set out on the basis of the following criteria:

- commencement of equity effects as at 31 December 2004 in the pro-forma consolidated balance sheet;
- commencement of economic effects from 1 January 2004 in the pro-forma consolidated income statement.

The pro-forma data represent the result of the application of specific hypotheses. The information should not be necessarily considered to be representative of the results that would have been obtained if the transactions considered in drafting the pro-forma data had effectively occurred in the reference financial year. Moreover, the pro-forma data should not be construed as a forecast with regard to the future trend of the Interpump Group's financial position and results.

In consideration of the different purposes of the pro-forma data with respect to the data contained in normal financial statements, and since the effects have been calculated using different criteria with reference to the balance sheet and the income statement, the pro-forma consolidated balance sheet and income statement must be interpreted separately without attempting to find connections between the two documents.

### 4.1.2.2 Accounting principles and valuation criteria used in preparing the pro-forma consolidated data

The accounting principles and the valuation criteria used in preparing the pro-forma adjustments and for drafting the pro-forma consolidated data are consistent with those applied in drafting the consolidated financial statements of Interpump Group as at and for the year ended 31 December 2004.

The process of conversion to IFRS (International Financial Reporting Standards), started in 2004 by Interpump Group, is currently nearing completion. The company intends to present the half-year report in compliance with IAS 34, and make use of the derogation granted by the new article I.A. 2.12.6 of the Stock Exchange Code of regulations, which enables companies to omit the preparation of the second quarterly financial report providing they present an half-year report in compliance with IFRS within 90 days from 30 June. Taking account of the fact that the process of conversion to IFRS had not yet been completed at the date of preparation of the present Prospectus, and that the auditing process of the independent audit company of the IFRS reconciliation statements of consolidated shareholders' equity as at 1 January 2004 and 31 December 2004 and consolidated net income for the year ended 31 December 2004 was started recently, the company considers that the objective information currently available is insufficient to allow the pro-forma consolidated

financial statements and the relative explanatory notes to be drafted in compliance with IFRS. We therefore draw your attention to the fact that the sale transaction will be effectively reflected in the 2005 consolidated financial statements, which will be drafted in compliance with IFRS (which differ from the principles utilised for preparation of the present pro-forma consolidated data). In this regard, Interpump Group S.p.A. deemed it necessary to seek a verbal opinion also from Italian stock market regulator CONSOB, which expressed its agreement with the decision taken by the company.

#### 4.1.2.3 Basic hypotheses used for the calculation of pro-forma data

As illustrated in heading 2.1, the operation was completed by the sale of 99.999% of IP Cleaning S.p.A. shares for 90.3 million euro, 75.1 million euro of which in cash and 15.2 million euro in consideration of the debt arising from the repurchase of Unielectric S.p.A. and SIT S.p.A. At the same time, Interpump Group S.p.A. reinvested 12.5 million euro in the capital of purchasing company X Equity S.p.A. and granted a 10 million euro interest-bearing loan to the same.

The overall capital gain of the Operation at the date of execution, estimated at 55.7 million euro, was determined as follows (amounts expressed in thousands of euro):

Sale price	90,295
IP Cleaning Group book value as at 31 December 2004	(24,370)
IP Cleaning Group profit in the first quarter of 2005	<u>(1,009)</u>
<i>Gross capital gain</i>	<i>64,916</i>
Adjustment of the book value of the investment in X Equity S.p.A. as at 31 December 2004	(8,284)
Adjustment of the value of the investment in X Equity S.p.A. in relation to IP Cleaning Group profit generated in the first quarter of 2004	175
Recognition of the capital gain on the future sale of the Interpump Engineering S.r.l. line of business, net of related taxes	116
Ancillary charges of the Operation	<u>(1,250)</u>
<i>Net capital gain as at 31 March 2005</i>	<u><u>55,673</u></u>

We draw your attention to the following in relation to the capital gain:

- the sale price does not include the effect of the possible adjustment deriving from the process of assessment, described earlier in this document, of the net financial position of the divested companies, which will be terminated within 45 business days from the conclusion of the operation. However no substantial changes of the price are foreseen due to the effect of this assessment. In addition, the price does not include the effect of any indemnity payments which cannot currently be calculated, deriving from the usual contractual guarantees granted as illustrated in the previous heading "Important notes";
- the capital gain was calculated on the basis of IP Cleaning Group book value as at 31 March 2005, which is the nearest date to the date of execution of the contract of sale (30 May 2005) for which the necessary accounting information is available. Consequently, the effective capital gain that will be calculated for the purposes of preparation of the consolidated financial statements for 2005 will differ from the capital gain presented in this document, which was calculated at 31 March 2005, because of the portion of net profit of the IP Cleaning Group that refers to the period from 1 April 2005 to 30 May 2005, and also because of the effects deriving

from the process of conversion relative to the adoption of international accounting standards;

- no taxes were calculated in relation to the capital gain because the divested equity investment complies with all the parameters of the *participation exemption regime*.

It should however be emphasised that the economic effect of the sale will be reflected in the consolidated income statement of the Interpump Group for 2005 both by the net capital gain and also by the net profit generated by the IP Cleaning Group, calculated at the date of the sale. Therefore, if the IP Cleaning Group generates a profit in the period from 1 January 2005 to 30 May 2005 (following the trend that emerges from the result for the first quarter of 2005), the capital gain on the sale attributable to the Interpump Group will be reduced by the same amount, even though the total effect of the sale on the consolidated income statement will remain unchanged.

On the basis of the information available at the time of drafting the pro-forma consolidated balance sheet and income statement, we consider it to be reasonable to predict that the capital gain will not differ significantly from the value given in this document, with the exception of any changes that may emerge due to the adoption of international accounting standards.

On the basis of the drafting criteria of the pro-forma consolidated balance sheet and income statement, the capital gain arising from the sale is entered under the caption "Other reserves and profits carried forward" of Group consolidated shareholders' equity, while it has no effect on the pro-forma consolidated income statement.

The discrepancy between the book value of the IP Cleaning Group at 31 March 2005 and the book value assigned to the same on 31 December 2004, equivalent to consolidated net profit for the first quarter of 2005 (834 thousand euro), was entered under medium-term liabilities in the caption "Payables to other financial institutions", as expressly required by the pro-forma data drafting criteria.

Additional basic hypotheses used for the processing of pro-forma data are described below:

- in accordance with the provisions of the drafting criteria for pro-forma data, it was hypothesised that the sale of the IP Cleaning Group (composed of parent company IP Cleaning S.p.A. and subsidiaries Soteco S.p.A., IP Gansow GmbH, Euromop S.p.A., Ready System S.r.l., Pulex S.r.l., Portotecnica S.A., Western Floor Private Ltd, IP Cleaning Industria e Comercio Ltda, Gansow France E.ur.l., Soteco Benelux BVBA, Interclean Assistance S.A. and IP Cleaning Espana S.L.) took place, with reference to the balance sheet, on 31 December 2004 and, with reference to the income statement, on 1 January 2004;
- the repurchase by Interpump Group S.p.A. of the investments in Unielectric S.p.A. and Sit S.p.A., previously held by IP Cleaning S.p.A., for a total of 15.2 million euro, has been represented;
- the overall amount of the sale (90.3 million euro), was recorded under the caption "Cash" for the part collected (75.1 million euro), while the residual part of 15.2 million euro was set off against the debt that Interpump Group S.p.A. had accrued with IP Cleaning S.p.A. for the acquisition of Unielectric S.p.A. and Sit S.p.A.. This offset took place on the basis of a contractual agreement;
- the collection by Interpump Group S.p.A. of 56 million euro, which took place on 21 March 2005, relative primarily to the receivable due to Interpump Group S.p.A.

from IP Cleaning S.p.A. for the sale of the equity investment in Soteco S.p.A., which took place during 2004, was recorded under the caption "Cash". This hypothesis is in line with the assumptions used to determine the amount for the sale of the equity investment in IP Cleaning S.p.A., given that the debt relative to the acquisition of Soteco S.p.A. is contractually relevant for the purpose of the determination of the net financial position of the companies subject to sale;

- the investment in X Equity S.p.A. was recorded for 17.3% of the company's share capital, equivalent to 12.5 million euro. The value of the investment was subsequently adjusted in the amount of 8.1 million euro as a balancing entry for the capital gain on the sale, in order to record a value corresponding to the 17.3% fraction of the divested IP Cleaning Group calculated using the equity method, thereby disclosing the real effects of the transaction rather than merely the formal aspects. This residual value, equal to 4.4 million euro, was assumed to be the purchase value of the investment, which was valued at cost;
- the interest-bearing loan of 10 million euro granted to X Equity S.p.A. was recorded;
- the economic effects deriving from the cash received were not taken into account, with the exception of interest income calculated on the loan granted to X Equity S.p.A. Interest income was calculated for 2005 according to contractual conditions;
- the sale was recorded of the Interpump Engineering S.r.l. line of business engaged in R&D activities for the IP Cleaning Group. The related assets, liabilities, revenues and costs were recorded, in the pro-forma tables, in the "IP Cleaning Group deconsolidation adjustments" column. The price for the sale of the Interpump Engineering, S.r.l. line business, equal to 0.2 million euro, was recorded as an increase of the caption "Cash";
- ancillary expenses, estimated at 1.3 million euro, refer to costs sustained for legal expenses and the fees due to the independent audit company for the assessment of the net financial position of the divested companies, and were deducted from the capital gain on sale and the "Cash" caption.

The pro-forma data were drafted on the basis of the foregoing hypotheses and in accordance with the methods described below.

All the transferred assets and liabilities were identified in the context of the transfer to the purchaser of category "A" shares relative to IP Cleaning S.p.A. for a total number of 10,900,000 ordinary shares having a face value of 1 euro each, representing 99.999% of the company's share capital. Ownership of the divested shares was divided as follows between Interpump Group S.p.A. and Teknova S.r.l., company in which Interpump Group S.p.A. holds shares equivalent to the entire share capital:

- Interpump Group S.p.A.: 10,065,000 "A" shares equal to 92.339% of IP Cleaning S.p.A. share capital;
- Teknova S.r.l.: 835,000 "A" shares equal to 7.660% of IP Cleaning S.p.A. share capital.

Interpump Group S.p.A. continues to hold 100 "B" shares as described earlier in this document in point 2.1.

We then proceeded to draft the pro-forma consolidated balance sheet of Interpump Group on the basis of the hypotheses described above. Specifically, the transferred assets and liabilities were deducted from the consolidated balance sheet of Interpump Group at 31 December 2004, simultaneously recording the collection of the sale price; these effects are shown in the following columns:

- “IP Cleaning Group deconsolidation adjustments”, which includes the divested assets and liabilities. In this context we point out that the values included in this column do not represent the pro-forma financial position of the IP Cleaning Group because they include effects attributable to the deconsolidation and effects attributable to the transaction;
- “Adjustments due to the effect of contractual provisions”, which includes the pro-forma entries arising as a consequence of the signing of the contract of sale.

As pointed out earlier, the capital gain generated by the sale is shown within a specific caption of Interpump Group pro-forma consolidated shareholders' equity as at 31 December 2004.

With regard to the income statement, we proceeded to eliminate the costs and revenues of the divested companies, recording these effects in the “IP Cleaning Group deconsolidation adjustments” column. For the above-stated reasons, the values included in this column do not represent the pro-forma income statement of the IP Cleaning Group (merely by way of example, sales are shown net of both sales to Interpump Group and sales made by Interpump Group to the divested IP Cleaning Group; if these values were to be included, IP Cleaning Group 2004 sales would total approximately 292.3 million euro). The column “Adjustments due to the effect of contractual provisions” includes only the recognition of interest income as more fully described in “Note 2” of the next heading 4.1.2.4.

The capital gain generated by the sale did not affect the Interpump Group pro-forma consolidated income statement.

The statement of the cash flow generated by the pro-forma consolidated operations as at 31 December 2004 was drafted on the basis of pro-forma data as at 31 December 2003, and shows the changes occurring in 2004 excluding the divested assets and other pro-forma adjustments.

#### 4.1.2.4 Notes to the pro-forma adjustments

In order to facilitate reading and comprehension of the pro-forma adjustments included in the column “Adjustments due to the effect of contractual provisions”, each adjustment within the pro-forma consolidated tables has been assigned with a number identifying a corresponding specific note describing the main operations carried out. The notes are as follows:

Note 1: Repurchase of the investments in Unielectric S.p.A. and Sit S.p.A. by Interpump Group S.p.A. generating an amount of a 15,228 thousand euro debt due to IP Cleaning S.p.A.;

Note 2: Interpump Group S.p.A. loan of 10 million euro to X Equity S.p.A. In the Income Statement interest receivable has been recorded in the amount of 393 thousand euro, resulting in higher tax charges of 130 thousand euro.

- Note 3: Payment by IP Cleaning S.p.A. to Interpump Group S.p.A. of the 56 million euro account receivable related mainly to the sale of Soteco S.p.A.
- Note 4: Interpump Group S.p.A. investment in the share capital of X Equity S.p.A. in the amount of 12.5 million euro or 17.3% of total share capital;
- Note 5: Recording of the ancillary charges connected with the operation, estimated at 1,250 thousand euro. The gross capital gain and cash on hand were adjusted to take account of ancillary charges;
- Note 6: Adjustment of the value of the investment in X Equity S.p.A. by 8,284 thousand euro for the reasons set down in heading 4.1.2.3 of this Prospectus;
- Note 7: Recognition of the capital gain related to the sale of IP Cleaning S.p.A.. The sale price of 90,295 thousands euro is recorded in the amount of 75,067 thousand euro under cash on hand while the residual amount is entered to offset the debt that Interpump Group S.p.A. had incurred for the acquisition of the investments in Unielectric S.p.A. and Sit S.p.A. The gross capital gain recorded for the sale of IP Cleaning Group is 65,106 thousand euro;
- Note 8: Recognition of the capital gain related to the sale of the Interpump Engineering S.r.l. line of business. Transfer of the division, which will attract a price of 166 thousand euro, will result in a gross capital gain which, calculated with reference to data at 31 December 2004, totals 173 thousand euro. Taxes have been calculated on this amount. We believe that the capital gain recorded at the date of effective sale of the division will not differ significantly from the amount stated above.
- Note 9: Recognition of the difference of 834 thousand euro between the value of the IP Cleaning Group at 31 March 2005 and at 31 December 2004. This difference was entered under medium-term liabilities in the caption "Payables to other financial institutions", with a balancing entry under capital gain.

The pro-forma data were calculated on the basis of the Interpump Group consolidated financial statements at 31 December 2004, which are subject to audit by the independent auditor KPMG S.p.A., pursuant to art. 156 of Italian Legislative Decree no. 58 of 24 February 1998.

#### 4.1.2.5 Reconciliation between Interpump Group's consolidated shareholders' equity and net profit and pro-forma consolidated shareholders' equity and net profit

(amounts expressed in thousands of euro)	Group shareholders' equity at 31 December 2004	Group net profit at 31 December 2004
<i>Historic consolidated shareholders' equity and net profit</i>	<i>155,124</i>	<i>8,396</i>
Total capital gain from the operation	55,673	-
Change in reserve for translation	69	-
Economic effect following deconsolidation of the divested IP Cleaning Group	-	(2,591)
Net profit of the Interpump Engineering line of business dedicated to research and development activities for the IP Cleaning Group	-	(10)
Recognition of interest receivable net of theoretical fiscal effect	-	<u>263</u>
Total pro-forma adjustments	<u>55,742</u>	<u>(2,338)</u>
<i>Pro-forma consolidated shareholders' equity and net profit</i>	<u><i>210,866</i></u>	<u><i>6,058</i></u>

## 4.2 Pro-forma indicators per share of Interpump Group

### 4.2.1 Historic and pro-forma data per share

The following section contains historic and pro-forma data per share, in comparative form, at 31 December 2004. The average number of circulating shares, totalling 77,106,176 at 31 December 2004, remains unchanged in the pro-forma analysis.

(amounts in euro per share)	Historic data	Pro-forma data
Ordinary consolidated economic result after tax (including minority profits) <sup>(1)</sup>	0.149	0.099
Consolidated net profit EPS <sup>(2)</sup>	0.109	0.079
Operating cash flow	0.322	0.232
Consolidated shareholders' equity	0.242	0.312
ROE <sup>(3)</sup>	2.235	2.866
ROCE <sup>(4)</sup>	16.1%	8.8%
	17.6%	20.2%

<sup>(1)</sup> = Net profit for the period + net extraordinary Income (expenses) net of the related fiscal effect

<sup>(2)</sup> = (Earnings per share adjusted for goodwill amortisation and write-down)

<sup>(3)</sup> = (Net profit + amortisation and write-down of goodwill + Minority interests)/Consolidated shareholders' equity

<sup>(4)</sup> = Operating profit/(Consolidated shareholders' equity + Financial indebtedness – Treasury stock)

### 4.2.2 Comment on changes of the pro-forma indicators per share with respect to Interpump Group historic data

The changes in the pro-forma indicators per share are connected to the exclusion of the results of the IP Cleaning Group from Group results. We draw your attention to the significant increase in ROCE and the equally significant decrease in

indebtedness in a situation that creates the prerequisites for the pursuit of a policy of acquisitions and shareholder remuneration.

#### *4.3 Audit Report on pro-forma financial position and results*

The report of the independent auditors, KPMG S.p.A., containing an assessment of the fairness of the basic hypotheses adopted for drafting the pro-forma consolidated balance sheet and income statement of the Interpump Group, the correct application of the accounting method used, and the correctness of the accounting standards utilised for drafting of the data, is attached to this document.

#### *4.4 Pro-forma reclassified consolidated balance sheet and income statement*

As already stated in heading 4.1.1 of this Prospectus, the company deemed it to be appropriate to supply in attachment also the reclassified pro-forma consolidated balance sheet and income statement in accordance with the layouts normally used for disclosure to the market at the time of the periodic reports. We point out that these reclassified statements are provided not to explain the pro-forma adjustments, which are already described in point 4.1 of this Prospectus, but rather to supply an additional analytical tool that serves to improve the quality of the information supplied here.

## Pro-forma reclassified consolidated income statement

	Interpump Group	IP Cleaning Group deconsolidation adjustments	Adjustments due to the effect of contractual provisions	Pro-forma Interpump Group
(amounts expressed in thousands of euro)	31/12/2004	31/12/2004	31/12/04	31/12/2004
Net revenues	535,306	(263,495)	-	271,811
Purchases, net of change in inventories	(251,366)	122,174	-	(129,192)
<i>Gross industrial margin</i>	<u>283,940</u>	<u>(141,321)</u>	-	<u>142,619</u>
Personnel expenses	(88,654)	36,672	-	(51,982)
Other operating costs	(115,937)	73,775	-	(42,162)
<i>Gross operating profit</i>	<u>79,349</u>	<u>(30,874)</u>	-	<u>48,475</u>
Operating amortisation / depreciation and allocations	(17,545)	8,399	-	(9,146)
<i>Operating profit</i>	<u>61,804</u>	<u>(22,475)</u>	-	<u>39,329</u>
Amortisation and write-down of goodwill	(16,412)	4,573	-	(11,839)
Amortisation of the consolidation difference allocated to buildings	(208)	-	-	(208)
Financial income (charges), net	(7,151)	3,229	393	(3,529)
Exchange differences	70	(294)	-	(224)
Financial discounts granted to customers	(2,353)	1,514	-	(839)
Adjustments of investments to the equity method and adjustments of financial assets	296	123	-	419
Extraordinary income (charges), net	(1,462)	1,305	-	(157)
<i>Profit before taxes and minority interests</i>	<u>34,584</u>	<u>(12,025)</u>	<u>393</u>	<u>22,952</u>
Income taxes	(23,293)	8,039	(130)	(15,384)
<i>Net profit before minority interests</i>	<u>11,291</u>	<u>(3,986)</u>	<u>263</u>	<u>7,568</u>
Minority interests	(2,895)	1,385	-	(1,510)
<i>Net profit for the period</i>	<u>8,396</u>	<u>(2,601)</u>	<u>263</u>	<u>6,058</u>

## Pro-forma reclassified consolidated balance sheet

	Interpump Group	IP Cleaning Group deconsolidation adjustments	Adjustments due to the effect of contractual provisions	Pro-forma Interpump Group
(amounts expressed in thousands of euro)	31/12/2004	31/12/2004	31/12/04	31/12/2004
Trade receivables	96,200	(39,549)	-	56,651
Inventories	107,344	(51,061)	-	56,283
Accrued income and deferred payments within one year	2,514	(1,536)	-	978
Other receivables, net of deferred tax assets	13,075	(6,594)	-	6,481
Trade payables	(75,035)	36,051	-	(38,984)
Tax payables due within one year	(6,054)	2,426	(57)	(3,685)
Other current payables net of payables to purchase investments	(15,154)	6,593	-	(8,561)
Accrued expenses, net of interest charges	(302)	111	-	(191)
<i>Net working capital</i>	<u>122,588</u>	<u>(53,559)</u>	<u>(57)</u>	<u>68,972</u>
Tangible fixed assets	105,928	(58,212)	-	47,716
Goodwill	121,605	(57,169)	-	64,436
Treasury stock	33,253	-	-	33,253
Other financial fixed assets	5,548	(16,667)	29,444	18,325
Other non current assets	24,404	(13,212)	-	11,192
Provisions for risks and charges	(12,225)	6,172	-	(6,053)
Staff severance indemnities	(16,838)	7,402	-	(9,436)
Other non-current liabilities	(253)	-	-	(253)
<i>Total net fixed assets</i>	<u>261,422</u>	<u>(131,686)</u>	<u>29,444</u>	<u>159,180</u>
<i>Total capital employed</i>	<u>384,010</u>	<u>(185,245)</u>	<u>29,387</u>	<u>228,152</u>
<i>Financed by:</i>				
Share Capital	43,694	-	-	43,694
Reserves and retained earnings	103,034	(21,703)	80,036	161,367
Profit for the period	8,396	(2,591)	-	5,805
Total shareholders' equity for the Group	<u>155,124</u>	<u>(24,294)</u>	<u>80,036</u>	<u>210,866</u>
Minority interests	17,242	(7,106)	-	10,136
<i>Total consolidated shareholders' equity</i>	<u>172,366</u>	<u>(31,400)</u>	<u>80,036</u>	<u>221,002</u>
Cash and cash equivalents	(22,390)	8,521	(107,483)	(121,352)
Payables to banks due within one year for current account overdrafts and advances	47,173	(41,870)	-	5,303
Current portion of medium-long term financing	61,673	(76,215)	56,000	41,458
Accrued interest	967	(435)	-	532
Total short-term financial indebtedness	<u>87,423</u>	<u>(109,999)</u>	<u>(51,483)</u>	<u>(74,059)</u>
Medium/long-term financial payables	-	-	834	834
Medium/long-term financing	124,221	(43,846)	-	80,375
Total medium/long-term financial payables	<u>124,221</u>	<u>(43,846)</u>	<u>834</u>	<u>81,209</u>
<i>Total net financial indebtedness</i>	<u>211,644</u>	<u>(153,845)</u>	<u>(50,649)</u>	<u>7,150</u>
<i>Total sources of financing</i>	<u>384,010</u>	<u>(185,245)</u>	<u>29,387</u>	<u>228,152</u>

## 5. Interpump Group business outlook

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

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

The first quarter of 2005 was characterised by significant growth in sales of high and very-high pressure pumps and sales in the Hydraulic sector. In contrast, the Cleaning Sector suffered a marked downturn related almost entirely to the consumer segment.

In the past, Interpump Group has always had an order portfolio with a maximum visibility limit of four weeks so that the information available is insufficient to be able to make reliable forecasts for the trend of the current year. It may be noted however, that the order backlog for high- and very high-pressure pumps and the hydraulic sector is up on 31 March 2004.

Sale prices increased on average by approximately 1/2%.

Raw material purchase costs have now stabilised after the increases recorded during 2004.

The net financial position as at 31/3/2005 is negative in the amount of 199.6 million euro, improving by 12 million euro with respect to the 211.6 million euro recorded at 31/12/2004.

### 5.2 *Realistic forecast for the year's results*

While Interpump Group has always avoided publishing forecast data because of the very limited visibility of the order portfolio, the information currently in our possession points to potential growth of the industrial and hydraulic sectors with respect to 2004.

Sant'Ilario d'Enza, 10 June 2005

Interpump Group S.p.A.  
Fulvio Montipò  
Deputy Chairman and Chief Executive Officer



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Andrea Costa, 160  
40134 BOLOGNA BO

Telefono 051 4392511  
Telefax 051 4392599  
e-mail it-fmauditally@kpmg.it

(Translation from the Italian original which remains the definitive version)

## Examination report on the pro forma consolidated balance sheet and pro forma consolidated income statement of Interpump Group S.p.A. and its subsidiaries as at and for the year ended 31 December 2004

To the board of directors of  
Interpump Group S.p.A.

- 1 We have examined the pro forma consolidated balance sheet of Interpump Group S.p.A. and its subsidiaries (Interpump Group) as at 31 December 2004, and the pro forma consolidated income statement for the year then ended and notes thereto.

This pro forma consolidated balance sheet and pro forma consolidated income statement (hereinafter also collectively identified as "pro forma consolidated statements") are derived from the consolidated financial statements of the Interpump Group as at and for the year ended 31 December 2004 and the pro forma adjustments made thereto which we have examined. We audited the consolidated financial statements of the Interpump Group as at and for the year ended 31 December 2004 with respect to which reference should be made to our report dated 21 March 2005.

The pro forma consolidated statements have been prepared on the basis of the assumptions disclosed in the notes thereto, in order to reflect on a retroactive basis the effects of the sale of the investment in IP Cleaning S.p.A..

- 2 The pro forma consolidated statements and notes thereto as at and for the year ended 31 December 2004 have been prepared pursuant to article 71 of the Regulation implementing legislative decree no. 58 of 24 February 1998, adopted by Consob, the Italian Commission for Listed Companies and the Stock Exchange, with Resolution no. 11971 of 14 March 1999 and subsequent modifications and integrations.

The pro forma consolidated balance sheet and pro forma consolidated income statement have been prepared with the objective of showing the effects, stated in accordance with accounting principles and policies consistent with those applied in the past and in compliance with relevant legislation, on the group's financial position of the above-mentioned transaction, as if it had occurred on 31 December 2004, and, with respect only to results of operations, the effects of the above-mentioned transaction as if it had occurred at the beginning of 2004. Had the above transaction actually occurred on such date, the outcome may not necessarily have been that presented.

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Euro 5.222.011,95 I.v.  
Registro Imprese Milano e  
Codice Fiscale N. 00709600159  
R.E.A. Milano N. 512867  
Part. IVA 00709600159  
Sede legale: Via Vittor Pisani, 25  
20124 Milano MI



The pro forma consolidated statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on the reasonableness of the assumptions made and the approach adopted by management in preparing these pro forma consolidated statements as well as on the valuation criteria and accounting policies adopted.

- 3 Our examination was conducted in accordance with the standards recommended by Consob in Communication no. DEM/1061609 dated 9 August 2001 which regulates the examination of pro forma financial information. We have carried out all the procedures which we have deemed to be necessary for the purposes of our engagement.
- 4 In our opinion, the assumptions made by the management of Interpump Group S.p.A. in preparing the pro forma consolidated balance sheet, pro forma consolidated income statement and notes thereto as at and for the year ended 31 December 2004, in order to reflect on a retroactive basis the effects of the sale of the investment in IP Cleaning S.p.A., are reasonable and the approach adopted has been correctly applied for the disclosure purposes described above. Furthermore, we believe that the accounting principles and policies applied in preparing the above pro forma consolidated statements are appropriate.
- 5 As described in the notes, the pro forma consolidated statements have been prepared using the same accounting policies as those used in the preparation of the consolidated financial statements of the Interpump Group at 31 December 2004. Such accounting policies are different from the International Financial Reporting Standards that will be adopted in the preparation of the consolidated financial statements of Interpump Group as at and for the year ending 31 December 2005, which will include the effects of the above-mentioned transaction.

Bologna, 13 June 2005

KPMG S.p.A.

(Signed on the original)

Luca Ferranti  
Director of Audit