Interim Board of Directors' report
at 31 March 2015

Interpump Group S.p.A. and subsidiaries

Contents

This folder can be consulted at:
www.interpumpgroup.it

Interpump Group S.p.A.
Registered office in Sant'Ilario d'Enza (Reggio Emilia), Via Enrico Fermi, 25
Paid-up Share Capital: € 56,617,232.88
Reggio Emilia Business Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Paolo Marinsek
Deputy Chairman and Chief Executive Officer

Mara Anna Rita Caverni (a), (c)
Independent Director

Carlo Conti (a), (b), (c)
Independent Director
Lead Independent Director

Giuseppe Ferrero
Non-executive Director

Franco Garilli (b)
Independent Director

Giancarlo Mocchi
Non-executive Director

Paola Tagliavini (a), (c)
Independent Director

Giovanni Tamburi (b)
Non-executive Director

Board of Statutory Auditors

Pierluigi De Biasi
Chairman

Paolo Scarioni
Statutory auditor

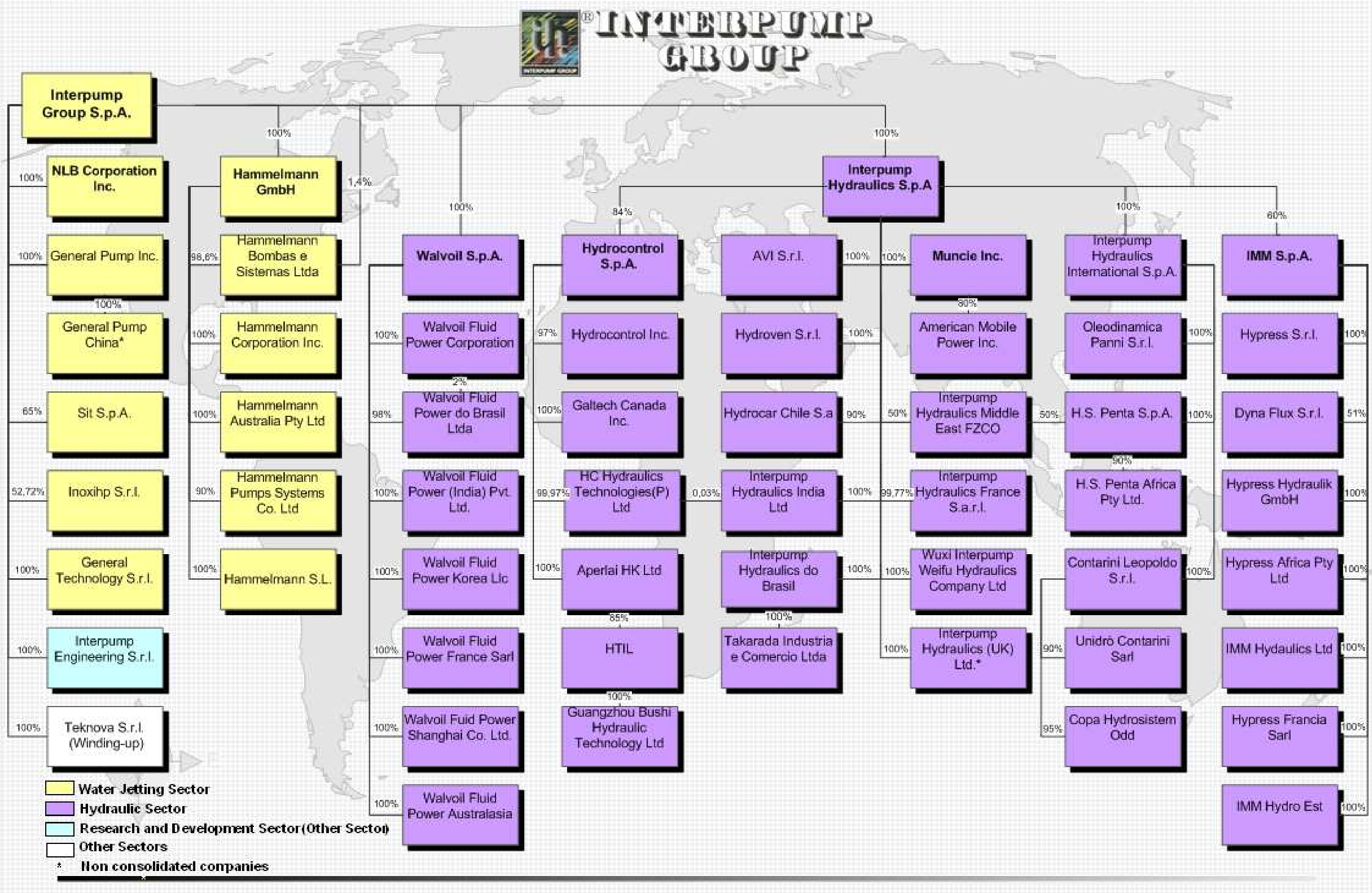
Alessandra Tronconi
Statutory auditor

Independent Auditors

Reconta Ernst & Young S.p.A.

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

Organizational chart as at 31/03/2015



Interim board of directors' report

Directors' remarks on performance in Q1 2015

Consolidated income statements for Q1

(€/000)	*2015*	*2014*
Net sales	**222,625**	**160,209**
Cost of products sold	(144,287)	(102,170)
Gross industrial margin	**78,338**	**58,039**
% on net sales	*35.2%*	*36.2%*
Other operating revenues	3,214	2,995
Distribution costs	(20,823)	(16,241)
General and administrative expenses	(26,526)	(19,588)
Other operating costs	(593)	(390)
EBIT	**33,610**	**24,815**
% on net sales	*15.1%*	*15.5%*
Financial income	13,846	1,142
Financial expenses	(4,978)	(3,493)
Adjustment of the value of investments carried at equity	(72)	(159)
Profit for the year before taxes	**42,406**	**22,305**
Income taxes	(13,179)	(8,710)
Consolidated profit for the year	**29,227**	**13,595**
% on net sales	*13.1%*	*8.5%*
Due to:		
Parent company's shareholders	29,203	13,394
Subsidiaries' minority shareholders	24	201
Consolidated profit for the year	**29,227**	**13,595**
EBITDA*	**43,476**	**32,003**
% on net sales	*19.5%*	*20.0%*
Shareholders' equity	555,204	446,469
Net debt	246,585	127,345
Payables for the acquisition of investments	99,103	69,433
Capital employed	900,892	643,247
Unannualized ROCE	**3.7%**	**3.9%**
Unannualized ROE	**5.3%**	**3.0%**
Basic earnings per share	**0.275**	**0.126**

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

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

EVENTS OCCURRING IN THE QUARTER

Q1 2015 saw a steep rise in sales, EBITDA and net profit.

Sales were up by 39.0% versus Q1 2014 (+ 13.7% like for like and +4.6 % also net of exchange differences). The business sector analysis shows a 47.1% advance in the Hydraulic Sector (+8.5% like for like and +1.0% also net of exchange differences) and a 25.7% advance in the Water Jetting Sector (+22.0% like for like and +10.3% also net of exchange differences).

In geographical terms, growth in Europe including Italy was 33.3%, with 45.3% in North America, 66.8% in the Far East and Oceania and 27.5% in the Rest of the World. The geographical breakdown shows like for like growth of 4.1% in Europe (including Italy), 27.3% in North America, 21.3% in the Far East and Oceania and 11.7% in the Rest of the World.

EBITDA stood at €43.5m or 19.5% of sales. In Q1 2014 EBITDA was booked at €32.0m (20.0% of sales). The year on year increase was therefore 35.8%. On a like for like basis EBITDA grew by 14.4% to €36.6m, or 20.1% of sales.

Net profit for the period was €29.2m, 115% higher than the €13.6m booked in Q1 2014.

Q1 2015 saw the first time consolidation of the Walvoil Group (Hydraulic Sector) acquired on 15 January 2015, and of Inoxihp (Water Jetting Sector) acquired on 17 March 2015, the latter being consolidated for the entire quarter due to its modest size. We invite you to refer to the 2014 Annual Financial Report for a description of the two acquisitions.

NET SALES

Net sales in Q1 2015 totalled €222.6m, up by 39.0% on the €160.2m of Q1 2014 (+13.7% like for like, +4.6% also net of exchange differences).

Breakdown of sales by business sector and geographical area:

Q1 2015 (€/000)	Italy	Rest of Europe	North America	Far-East and Oceania	Rest of the World	Total
Hydraulic Sector	26,489	50,997	39,070	10,043	19,043	145,642
Water Jetting Sector	7,175	20,362	35,112	9,873	4,461	76,983
Total	33,664	71,359	74,182	19,916	23,504	222,625
Q1 2014						
Hydraulic Sector	18,948	37,506	22,376	5,344	14,809	98,983
Water Jetting Sector	4,146	18,185	28,677	6,594	3,624	61,226
Total	23,094	55,691	51,053	11,938	18,433	160,209
2015/2014 percentage changes						
Hydraulic Sector	+39.8%	+36.0%	+74.6%	+87.9%	+28.6%	+47.1%
Water Jetting Sector	+73.1%	+12.0%	+22.4%	+49.7%	+23.1%	+25.7%
Total	+45.8%	+28.1%	+45.3%	+66.8%	+27.5%	+39.0%

2015/2014 changes are shown below like for like:

Hydraulic Sector	+3.1%	-2.5%	+33.8%	-3.4%	+9.5%	+8.5%
Water Jetting Sector	+40.9%	+10.5%	+22.3%	+41.3%	+20.4%	+22.0%
Total	+9.9%	+1.8%	+27.3%	+21.3%	+11.7%	+13.7%

The like for like analysis net of exchange differences shows growth of 1.0% in the Hydraulic Sector and growth of 10.3% in the Water Jetting Sector.

PROFITABILITY

The cost of sales accounted for 64.8% of turnover (63.8% in Q1 2014). Production costs, which totalled €59.7m (€41.1m in Q1 2014, which however did not include the Walvoil Group and Inoxihp), accounted for 26.8% of sales (25.7% in the equivalent period of 2014). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €84.6m (€61.0m in the equivalent period of 2014, which did not include the Walvoil Group and Inoxihp). The incidence of purchase costs including changes in inventories was 38.0% compared to 38.1% in Q1 2014.

The Q1 2015 percentage incidence of like for like production costs and purchase costs was 25.4% (down by 0.3 percentage points) and 38.1% (in line with Q1 2014) respectively. The percentage increase in the cost of sales from 63.8% in Q1 2014 to 64.8% in Q1 2015 is primarily due to a mix effect related to the newly consolidated companies.

Distribution costs were 13.1% higher like for like (+3.4% net of exchange differences) with respect to Q1 2014, with an incidence on sales that was in line with that of Q1 2014. With the inclusion of Walvoil and Inoxihp the incidence fell by 0.7 percentage points.

General and administrative expenses were 13.2% higher like for like (+6.3% net of exchange differences) with respect to Q1 2014, with an incidence on sales that was in line with that of Q1 2014. With the inclusion of Walvoil and Inoxihp the incidence fell by 0.3 percentage points.

Total payroll costs were €55.7m (€39.6m in Q1 2014, which however did not include the Walvoil Group and Inoxihp). Like for like payroll costs rose by +11.6% (+5.2% net of exchange differences) due to a +9.1% per capita cost increase (+2.8% net of exchange differences) and a rise of 83 in the average headcount. The average total number of Group employees in Q1 2015 was 4,770 (3,621 like for like) compared to 3,538 in Q1 2014. The like for like increase in the average headcount in Q1 2015 breaks down as follows: +13 in Europe, +67 in the US and +3 in the Rest of the World (Brazil, China, India, Chile, Australia, South Korea and South Africa).

EBITDA totalled €43.5m (19.5% of sales) compared to the €32.0m of Q1 2014, which accounted for 20.0%/sales, reflecting growth of 35.8%. Like for like EBITDA was up by 14.4% to €36.6m or 20.1%/sales, increasing margins by 0.1 percentage points. Net of exchange differences EBITDA increased by 2.8%. The following table shows EBITDA for each business sector:

	Q1 2015 €/000	*% on total sales**	*Q1 2014 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	24,984	17.1%	17,322	17.5%	+44.2%
Water Jetting Sector	18,489	23.9%	14,723	23.9%	+25.6%
Other Revenues Sector	3	n.s.	(42)	n.s.	n.s.
Total	***43,476***	***19.5%***	***32,003***	***20.0%***	***+35.8%***

* = Total sales also include sales to other group companies, while the sales analyzed previously are exclusively those external to the Group (see 2 in the notes). 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 7.1% (17.3% of net sales). Like for like Water Jetting Sector EBITDA was up by 22.6% (24.0% of net sales).

EBIT stood at €33.6m (15.1% of sales) compared to the €24.8m of Q1 2014 (15.5% of sales), reflecting an increase of 35.4%. Like for like EBIT was up by 14.4%, reaching €28.4m or 15.6%/sales, increasing margins by 0.1 percentage points.

Finance management returned net proceeds of €8.9m (€2.4m of net financial expenses in Q1 2014). Q1 2015 saw the allocation of proceeds to adjust the expected debt for commitments to acquire residual stakes in subsidiaries in the amount of €6.2m further to successive agreements with the counterparties, and the booking of net exchange gains of €4.9m further to the appreciation of almost all foreign currencies (especially the US dollar) with respect to the euro. These items were insignificant in Q1 2014.

The tax rate for the period was 31.1% (39.0% in Q1 2014). The comparison is influenced by the exclusion, exclusively in Q1 2015, of proceeds for adjustment of the expected debt for commitments to acquire residual stakes in subsidiaries as discussed above, originating exclusively in the consolidated financial statements and hence not taxable. Net of these proceeds the tax rate in Q1 2015 would have been 36.4%. The reduction compared to 2014 is due in the measure of 0.7 percentage points to legislative amendments related to the total deductibility of payroll costs from the IRAP taxable base, which led to a tax saving of €0.3m and of 0.8

percentage points to the lower intercompany dividends resolved (also originating from other countries arising from local taxes that cannot be recovered in Italy) in Q1 2015 compared to the same period of 2014. The effect of the dividends will taper off in the second quarter.

Net profit stood at €29.2m, more than double the figure of €13.6m recorded in Q1 2014. A similar trend was followed by basic earnings per share, which rose from 0.126 euro in Q1 2014 to 0.275 euro in Q1 2015.

Capital employed increased from €692.6m at 31 December 2014 to €900.9m at 31 March 2015. The rise in capital employed is mainly due to the consolidation of Walvoil and Inoxihp, which produce a €173.5m increase, and the effect of revaluation of foreign currency with respect to the euro produced an increase of €30.6m. Unannualized ROCE was 3.7% (3.9% in Q1 2014). Unannualized ROE was 5.3% (3.0% in Q1 2014).

CASH FLOW

The change in net financial indebtedness can be broken down as follows:

	Q1 2015 *€/000*	*Q1 2014* *€/000*
Opening net financial position	**(151,969)**	**(88,684)**
Adjustment: opening net cash position of companies not consolidated line by line at the end of the prior year (a)	435	(237)
Adjusted opening net financial position	**(151,534)**	**(88,921)**
Cash flow from operations	39,007	26,829
Cash flow generated (absorbed) by the management of commercial working capital	(17,131)	(21,348)
Cash flow generated (absorbed) by other current assets and liabilities	692	(2,531)
Capital expenditure in tangible fixed assets	(7,871)	(9,916)
Proceeds from sales of tangible fixed assets	816	159
Increase in other intangible fixed assets	(685)	(1,020)
Received financial income	147	173
Other	(476)	(99)
Free cash flow	***14,499***	***(7,753)***
Acquisition of investments, including received debt and net of divested treasury stock	(93,523)	(30,488)
Receipt for sale of the Hydrometal line of business	746	650
Outlays for the purchase of treasury stock	(18,943)	(3,762)
Proceeds from the sale of treasury stock to beneficiaries of stock options	805	3,106
Dividends paid to subsidiaries' minority shareholders	(874)	-
Proceeds from the sale of financial assets	(16)	-
Loan (disbursals to) repayments from non-consolidated subsidiaries	-	22
Cash flow generated (used)	***(97,306)***	***(38,225)***
Exchange rate differences	2,255	(199)
Net financial position at year end	**(246,585)**	**(127,345)**

(a) = in 2015 this concerns Hammelmann Bombas e Sistemas Ltda and Interpump Hydraulics Middle East FZCO (see note 1 to the consolidated financial statements). Conversely, in 2014 the subjects were HS Penta Africa PtY Ltd and Galtech Canada Inc.

Net liquidity generated by operations totalled €39.0m (€26.8m in Q1 2014) reflecting an increase of 45.4%. Free cash flow saw a significant improvement, recorded at the positive value of €14.5m in Q1 2015 (negative by €7.8m in Q1 2014).

The net cash position breaks down as follows:

	31/03/2015	31/12/2014	31/03/2014	01/01/2014
	€/000	€/000	€/000	€/000
Cash and cash equivalents	119,120	87,159	85,500	105,312
Bank payables (advances and STC amounts)	(30,919)	(27,770)	(36,320)	(20,932)
Interest-bearing financial payables (current portion)	(88,747)	(64,298)	(60,090)	(61,371)
Interest-bearing financial payables (non-current portion)	(246,039)	(147,060)	(116,435)	(111,693)
Total	**(246,585)**	**(151,969)**	**(127,345)**	**(88,684)**

The Group also has contractual commitments for the acquisition of residual interests in subsidiaries totalling €99.1m (€74.1m at 31/12/2014 and €69.4m at 31/03/2014). €19.0m of the foregoing amount concerns the acquisition of equity investments (€7.4m at 31/12/2014, the increase being primarily due to the estimate of the balance of the price for the Walvoil acquisition) and €80.1m is related to contractual agreements for the acquisition of residual interests in subsidiaries (€66.6m at 31/12/2014). The change with respect to the prior period is due to the new put options related to the acquisition of Inoxihp, on the one hand, and adjustment of the estimate of the debt in respect of the existing options, on the other.

In target company acquisition processes it is Group strategy to purchase majority packages, signing purchase commitments for the residual stakes, the price of which is set in accordance with the results that the company is able to achieve in the subsequent years thus on the one hand guaranteeing the continuation in the company of the historic management and on the other hand maximizing the goal of increasing profitability.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled €78.3m, of which €70.7m through the acquisition of investments (€49.7m in 2014, of which €39.8m through the acquisition of investments). The companies belonging to the Very-High Pressure Systems segment record machinery manufactured and hired out to customers under tangible fixed assets (€2.3m at 31/03/2015 and €1.2m at 31/03/2014). Net of these latter amounts capital expenditure stood at €5.2m in Q1 2015 (€8.7m at 31/03/2014) and mainly refers to the normal renewal and modernisation of plant, machinery and equipment, with the exception of €0.5m in 2015 and €4.0m in 2014 related to the construction of new facilities. The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamic of payments.

There was a €12.4m increase in intangible fixed assets (€3.8m in Q1 2014), mainly arising from product development spending and the allocation to trade marks of the price for the newly acquired companies.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined as either atypical or unusual, inasmuch as they form part of the normal course of activities of the Group companies. These transactions are regulated at arm's length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the Interim Consolidated Financial statements at 31 March 2015.

CHANGES IN THE GROUP STRUCTURE IN Q1 2015

In addition to the Walvoil Group and Inoxihp acquisition transactions, already fully illustrated in the 2014 Annual Financial Report, on 16 January 2015 HS Penta S.p.A. acquired an additional 10% of HS Penta Africa for an outlay of €136k.

EVENTS OCCURRING AFTER THE CLOSE OF Q1 2015

On 12 May Interpump Group signed a preliminary agreement to acquire 100% of Osper. With registered office in Caxia do Sul (Brazil), Osper is one of the leading Brazilian manufacturers and vendors of power take-offs and hydraulic cylinders (Hydraulic Sector).

In 2014 Osper recorded sales of 16.2m Real (around €4.7m) and EBITDA of 2.6m Real (around €764k), equivalent to 16.2% of sales. The objective of the acquisition is to strengthen and rationalise Intepump's hold in the Brazilian hydraulics market.

The world leader in power take-offs and already present in Brazil with Takarada and Walvoil Do Brasil, the Interpump Group now plans to merge the two existing companies with the newly acquired Osper and concentrate production in a single plant, thus generating major industrial synergy and becoming the global reference player on the Brazilian hydraulics market. The new company, to be named Interpump Hydraulic Do Brasil, will be the national leader in power take-offs production and will be offering a broad range of products for numerous hydraulic applications.

The agreed price is 8.5m Real (around €2.5m), including a positive net cash position at 31 December 2014 in the amount of 0.5m Real (around €150k), plus 20% of the company resulting from the merger of the Brazilian Hydraulic Sector businesses as described above. The closing date of the transaction is scheduled for Q3.

On 27 April Interpump Hydraulics S.p.A. acquired the remaining 16% stake in Hydrocontrol S.p.A. further to the exercise of the related put options by its minority shareholders. The exercise resulted in the Group divesting 741,184 treasury shares to cover the price.

The Interpump Group S.p.A. Shareholders' Meeting held on 30 April 2015 approved the 2014 annual financial statements and the proposal for distribution of a dividend of €0.18 per share; the meeting also:

- approved the Remuneration Policy pursuant to art. 123 (3) of Italian legislative decree 58/98;
- authorised the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase treasury stock up to the maximum number of shares permitted by law, and to sell treasury stock already purchased or that will be acquired in the future in execution of said authorisation. The resolution authorising the purchase of treasury stock was approved with a vote of the majority of shareholders in attendance at the meeting other than Gruppo IPG Holding S.r.l. Therefore, said purchases will qualify for inclusion in the exemption regime as at art. 44-*(2)*, subsection 2, of Consob Regulation no. 11971/1999.

No atypical or unusual transactions occurred after the close of Q1 2015 such that would require mention in this report or call for changes to the consolidated financial statements at 31 March 2015.

Sant'Ilario d'Enza, 13 May 2015

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

The manager responsible for preparing company accounting documents, Carlo Banci, declares, pursuant to the terms of section 2 article 154-(2) of the Italian Consolidated Finance Act, that the accounting disclosures in this document correspond to the documentary evidence, the company books and the accounting entries.

Sant'Ilario d'Enza, 13 May 2015

Carlo Banci
Manager responsible for preparing
company accounting documents

Financial statements and notes

Consolidated statement of financial position

(€/000)	*Notes*	*31/03/2015*	*31/12/2014*
ASSETS			
Current assets			
Cash and cash equivalents		119,120	87,159
Trade receivables		188,925	135,634
Inventories	4	250,829	182,463
Tax receivables		16,159	10,477
Other current assets		10,076	6,855
Total current assets		**585,109**	**422,588**
Non-current assets			
Property, plant and equipment	5	285,715	209,073
Goodwill	1	343,194	279,373
Other intangible assets		36,038	24,649
Other financial assets		876	994
Tax receivables		2,457	2,456
Deferred tax assets		27,530	22,035
Other non-current assets		1,187	1,380
Total non-current assets		**696,997**	**539,960**
Assets held for sale		-	615
Total assets		***1,282,106***	***963,163***

(€/000)	*Notes*	*31/03/2015*	*31/12/2014*
LIABILITIES			
Current liabilities			
Trade payables		106,876	80,273
Payables to banks		30,919	27,770
Interest-bearing financial payables (current portion)		88,747	64,298
Derivative financial instruments		415	169
Tax payables		20,325	11,665
Other current liabilities		69,449	38,123
Provisions for risks and charges		4,403	4,162
Total current liabilities		**321,134**	**226,460**
Non-current liabilities			
Interest-bearing financial payables		246,039	147,060
Liabilities for employee benefits		19,823	14,940
Deferred tax liabilities		52,086	33,436
Other non-current liabilities		85,653	72,605
Provisions for risks and charges		2,167	1,949
Total non-current liabilities		**405,768**	**269,990**
Liabilities held for sale		-	163
Total liabilities		**726,902**	**496,613**
SHAREHOLDERS' EQUITY	6		
Share capital		55,757	53,871
Legal reserve		11,323	11,323
Share premium reserve		130,727	101,237
Reserve for valuation of hedging derivatives at fair value		-	(19)
Reserve for restatement of defined benefit plans		(5,273)	(5,273)
Translation provision		32,119	3,809
Other reserves		324,950	295,747
Group shareholders' equity		**549,603**	**460,695**
Minority interests		5,601	5,855
Total shareholders' equity		**555,204**	**466,550**
Total shareholders' equity and liabilities		***1,282,106***	***963,163***

Consolidated income statements for Q1

(€/000)	*Notes*	*2015*	*2014*
Net sales		**222,625**	**160,209**
Cost of products sold		(144,287)	(102,170)
Gross industrial margin		**78,338**	**58,039**
Other net revenues		3,214	2,995
Distribution costs		(20,823)	(16,241)
General and administrative expenses		(26,526)	(19,588)
Other operating costs		(593)	(390)
Ordinary profit before financial charges		**33,610**	**24,815**
Financial income	7	13,846	1,142
Financial expenses	7	(4,978)	(3,493)
Adjustment of the value of investments carried at equity		(72)	(159)
Profit for the year before taxes		**42,406**	**22,305**
Income taxes		(13,179)	(8,710)
Consolidated profit for the year		**29,227**	**13,595**
Due to:			
Parent company's shareholders		29,203	13,394
Subsidiaries' minority shareholders		24	201
Consolidated profit for the year		**29,227**	**13,595**
Basic earnings per share	8	0.275	0.126
Diluted earnings per share	8	0.268	0.124

Comprehensive consolidated income statements for Q1

(€/000)	*2015*	*2014*
Consolidated profit for the period (A)	**29,227**	**13,595**
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 year	27	31
Total	*27*	*31*
Accounting of exchange risk derivative hedges 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	-	(14)
- Minus: Adjustment for recognition of fair value to reserves in the year	-	-
Total	-	*(14)*
Profits (Losses) arising from the conversion to euro of foreign companies' of foreign companies	*28,819*	*17*
Profits (losses) of companies carried at carried at equity	*3*	-
Related taxes	*(8)*	*(6)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**28,841**	**28**
Comprehensive consolidated profit for the period (A) + (B)	**58,068**	**13,623**
Due to:		
Parent company's shareholders	57,532	13,538
Subsidiaries' minority shareholders	536	85
Comprehensive consolidated profit for the year	**58,068**	**13,623**

Consolidated cash flow statements for Q1

(€/000)	*2015*	*2014*
Cash flow from operating activities		
Pre-tax profit	42,406	22,305
Adjustments for non-cash items:		
Capital losses (Capital gains) from the sale of fixed assets	(1,043)	(389)
Capital losses (gains) on the sale of investments and lines of business	-	(495)
Amortization and depreciation	9,632	6,859
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	337	337
Outlays for tangible fixed assets granted for hire	(2,326)	(1,181)
Proceeds from the sale of intangible fixed assets granted for hire	2,000	1,055
Loss (Profit) from investments	72	159
Net change in risk funds and allocations for employee benefits	(54)	(34)
Financial charges (income), net	(8,868)	2,351
Other	-	-
	42,156	30,967
(Increase) decrease in trade receivables and other current assets	(12,111)	(13,006)
(Increase) decrease in inventories	(7,798)	(11,781)
Increase (decrease) in trade payables and other current liabilities	3,470	908
Interest paid	(1,514)	(1,389)
Currency exchange gains realised	1,493	(194)
Taxes paid	(3,128)	(2,555)
Net cash from operating activities	**22,568**	**2,950**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(113,725)	(20,539)
Disposal of investments and lines of business including transferred cash	746	650
Capital expenditure in property, plant and equipment	(7,795)	(9,916)
Proceeds from sales of tangible fixed assets	816	159
Increase in intangible fixed assets	(685)	(1,020)
Received financial income	147	173
Other	(122)	414
Net liquidity used in investing activities	**(120,618)**	**(30,079)**
Cash flows of financing activity		
Disbursals (repayments) of loans	93,981	(7,239)
Outlays for purchase of treasury stock	(18,943)	(3,762)
Sale of treasury stock for the acquisition of equity investments	49,177	2,561
Proceeds from the sale of treasury stock to beneficiaries of stock options	805	3,106
Dividends paid to subsidiaries' minority shareholders	(874)	-
Loans granted to (repayments from) non-consolidated subsidiaries	-	22
Disbursals (repayments) of loans from (to) shareholders	(61)	(62)
Change in other financial assets	(16)	-
Payment of financial leasing instalments (principal portion)	(806)	(2,530)
Net liquidity generated (used by) financing activities	**123,263**	**(7,904)**
Net increase (decrease) of cash and cash equivalents	**25,213**	**(35,033)**

(€/000)	*2015*	*2014*
Net increase (decrease) of cash and cash equivalents	**25,213**	**(35,033)**
Exchange differences from the translation of cash of companies in areas outside the EU	3,164	(124)
Opening cash and cash equivalents of companies consolidated line by line for the first time	435	(43)
Cash and cash equivalents at the beginning of the year	59,389	84,380
Cash and cash equivalents at the end of the year	**88,201**	**49,180**

Cash and cash equivalents can be broken down as follows:

	31/03/2015 €/000	31/12/2014 €/000
Cash and cash equivalents from the balance sheet	119,120	87,159
Bank payables (advances and STC amounts)	(30,919)	(27,770)
Cash and cash equivalents from the cash flow statement	88,201	59,389

Statement of changes in consolidated shareholders' equity

	Share capital	*Legal reserve*	*Share premium reserve*	*Reserve for valuation of hedging derivatives at fair value*	*Reserve for restatement of defined benefit plans*	*Translation provision*	*Other reserves*	*Group shareholders' equity*	*Minority interests*	*Total*
Balances at 1 January 2014	*55,003*	*11,323*	*125,039*	*(27)*	*(3,396)*	*(19,084)*	*257,828*	*426,686*	*6,263*	*432,949*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	337	-	-	-	-	337	-	337
Purchase of treasury stock	(199)	-	(3,563)	-	-	-	-	(3,762)	-	(3,762)
Sale of treasury stock to the beneficiaries of stock options	310	-	2,796	-	-	-	-	3,106	-	3,106
Sale of treasury stock to pay for equity investments	144	-	2,417	-	-	-	-	2,561	-	2,561
Copa-Golf merger effect	-	-	-	-	-	-	58	58	(58)	-
Acquisition of IMM Hydraulics	-	-	-	-	-	-	-	-	67	67
Acquisition of additional interests in Hydrocar Chile	-	-	-	-	-	-	(542)	(542)	(1,870)	(2,412)
Comprehensive profit (loss) for Q1 2014	-	-	-	11		133	13,394	13,538	85	13,623
Balances at 31 March 2014	*55,258*	*11,323*	*127,026*	*(16)*	*(3,396)*	*(18,951)*	*270,738*	*441,982*	*4,487*	*446,469*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	1,033	-	-	-	-	1,033	-	1,033
Purchase of treasury stock	(1,787)	-	(32,407)	-	-	-	(343)	(34,537)	-	(34,537)
Sale of treasury stock to the beneficiaries of stock options	172	-	1,348	-	-	-	-	1,520	-	1,520
Sale of treasury stock to pay for equity investments	228	-	4,237	-	-	-	-	4,465	-	4,465
Dividends paid	-	-	-	-	-	-	(18,108)	(18,108)	(58)	(18,166)
Effect of the acquisition of minority stakes in HC Hydraulics Technologies (P) Ltd	-	-	-	-	-	-	-	-	(1)	(1)
Effect of Hydrocar Chile-Syscam combination	-	-	-	-	-	-	(82)	(82)	289	207
Acquisition of IMM Hydraulics	-	-	-	-	-	-	-	-	4	4
Comprehensive profit (loss) for April-December 2014	-	-	-	(3)	(1,877)	22,760	43,542	64,422	1,134	65,556
Balances at 31 December 2014	*53,871*	*11,323*	*101,237*	*(19)*	*(5,273)*	*3,809*	*295,747*	*460,695*	*5,855*	*466,550*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	337	-	-	-	-	337	-	337
Purchase of treasury stock	(763)	-	(18,180)	-	-	-	-	(18,943)	-	(18,943)
Sale of treasury stock to the beneficiaries of stock options	181	-	624	-	-	-	-	805	-	805
Sale of treasury stock for payment of equity investments	2,468	-	46,709	-	-	-	-	49,177	-	49,177
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(790)	(790)
Comprehensive profit (loss) for Q1 2015	-	-	-	19	-	28,310	29,203	57,532	536	58,068
Balances at 31 March 2015	*55,757*	*11,323*	*130,727*	-	*(5,273)*	*32,119*	*324,950*	*549,603*	*5,601*	*555,204*

Notes to the consolidated financial statements

General information

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

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

Sales are not affected by any significant degree of seasonality.

The consolidated financial statements include Interpump Group S.p.A. and its directly or indirectly controlled subsidiaries (hereinafter "the Group").

The consolidated financial statements at 31 March 2015 were approved by the Board of Directors on this day (13 March 2015).

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

Basis of preparation

The consolidated financial statements at 31 March 2015 were drawn up in compliance with international accounting standards (IAS/IFRS) for interim financial statements. The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 31 March should be consulted together with the annual financial statements for the year ending 31 December 2014.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2015 may conflict with IFRS provisions in force on 31 December 2015 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

Preparation of an interim report in compliance with IAS 34 "Interim Financial Reporting" calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding potential assets and liabilities at the report reference date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. We further draw your attention to the fact that some evaluation processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in cases in which indicators of impairment call for immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.
The consolidated financial statements are drafted in thousands of euro. The Group adopts the cost of goods sold (GOGS) based income statement, and the cash flow statement with the

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

Accounting standards

The accounting standards adopted are those described in the consolidated financial statements at 31 December 2014, with the exception of those adopted as from 1 January 2015 as described hereunder, and they were uniformly applied to all Group companies and all periods presented.

a) New accounting standards and amendments taking effect on 1 January 2015 and adopted by the Group

As from 2015 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- On 12 December 2012 IASB issued a collection of amendments to IAS/IFRS standards ("*Annual Improvements to IFRSs 2011–2013 Cycle*"). The amendments resulted in changes: (i) to IFRS 3, specifying that the standard is not applicable to measure the accounting effects related to the formation of a joint venture or joint operation (as defined by IFRS 11) in the financial statements of the joint venture or joint operation; (ii) to IFRS 13, explaining that the provision of IFRS 13 on the basis of which the fair value of a group of financial assets and liabilities can be measured on a net basis, is applicable to all contracts (including non-financial contracts) falling within the scope of IAS 39 or IFRS 9; (iii) to IAS 40, explaining that to establish when the acquisition of a property constitutes a business combination, reference must be made to the provisions of IFRS 3.

b) New accounting principles and amendments effective from 1 January 2015 but not relevant for the Group

- *IFRIC 21 Levies* - On 20 May 2013 IASB published the interpretation in question. IFRIC 21 states that an entity shall recognise a liability for levies no earlier than the time of occurrence of the event to which the payment is linked, in compliance with the applicable law. For payments that become due only when a specified minimum threshold is exceeded, the liability is booked only when said minimum threshold is reached. Retrospective application is required for IFRIC 21.

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

- *IFRS 9 – Financial instruments*. On 12 November 2009 IASB published the following principle, which was subsequently amended on 28 October 2010 and by a further amendment in mid-December 2011. The principle, 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 principle 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.

- On 30 January 2014 IASB published IFRS 14 "Regulatory Deferral Accounts", which is an interim standard related to the "Rate-regulated activities" project. IFRS 14 allows exclusively first-time adopters of IFRS to continue recognising amounts associated with rate regulation in compliance with the accounting policies previously adopted. In order to improve comparability with entities that are already applying the IFRS standards and that do not therefore disclose these amounts, the standard requires the rate regulation effect to be presented separately from other captions;
- On 12 December 2012 IASB issued a collection of amendments to IAS/IFRS standards *Annual Improvements to IFRSs 2010–2012 Cycle.* The amendments resulted in changes: (i) to IFRS 2, clarifying the definition of "vesting condition" and introducing the definitions of the service and performance conditions; (ii) to IFRS 3, clarifying that the obligations to pay a contingent consideration other than those included in the definition of equity instrument, are to be measured at fair value at each reporting date, with the changes recognised in the income statement; (iii) to IFRS 8, requiring an entity to disclose the judgments made by management in applying the aggregation criteria to the operating segments, describing the segments that have been aggregated and the economic indicators that were assessed to determine that the aggregated segments have similar economic characteristics; (iv) to IAS 16 and IAS 38, clarifying the method of determining the carrying amount of assets, in the case of revaluation further to the application of the revaluation model; (v) to IAS 24, establishing the information to be supplied when there is a third-party entity that supplies services related to the administration of key management personnel of the reporting entity. These amendments will be effective for reporting periods starting after 1 February 2015. Early adoption is however permitted.
- *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 changes 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 will be effective for reporting periods starting after 1 February 2015. Early adoption is however permitted.
- *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 effective for IFRS users from reporting periods starting after 1 January 2017 (early adoption is permitted).
- *Amendment to IAS 16 and 38 – Property, plant and equipment and Intangible assets.* 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. The amendments are effective from 1 January 2016. It is deemed that adopting the new principle will 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. The amendment is effective from 1 January 2016.
- *Amendment to IAS 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 separate financial statements. The amendment is effective from 1 January 2016.

- *Annual Improvements to IFRSs 2012–204 Cycle* - On 25 September 2014 IASB issued a collection of amendments to IASs/IFRSs. The aim of the annual improvements is to address necessary matters related to inconsistencies found in IFRSs or for clarifications of terminology, which are not of an urgent nature but which reflect issues discussed by the IASB during the project cycle. Among the amended standards, IFRS 5, in relation to which a clarification has been introduced concerning cases in which the method of disposal of an asset is changed from held for sale to held for distribution to owners; IFRS 7, with a clarification to establish if and when a residual involvement in a transfered financial asset exists in the presence of an associated service contract, thus determining the required level of disclosure; IAS 19 in which it was clarified that the currency of securities used as a reference for the estimate of the discount rate must be the same as the currency in which the benefits will be paid; and IAS 34 in which the meaning of "elsewhere" is clarified for the inclusion of information by cross-reference.
- *Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception.*- On 18 December 2014 IASB published the amendments in question concerning the problems deriving from application of the consolidation exception granted to investment entities. The first application date introduced by IASB is for annual periods beginning on or after 1 January 2016. Early application is permitted.
- *Amendment to IAS 1: disclosure initiative* - On 18 December 2014 IASB published the amendment in question, which is designed to provide clarifications to IAS 1 to address several perceived impediments to preparers exercising their judgment in presenting their financial statements. IASB has indicated that these amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.
- *Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture.*- On 11 September 2014 IASB published the amendments in question, which are designed to remove the conflict between the requirements of IAS 28 and those of IFRS 10 and clarify that in a transaction that involves an associate or a joint venture the extent to which it is possible to recognise a profit or a loss depends on whether the asset subject to sale or contribution is a business. IASB has indicated that these amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

At today's date the competent bodies of the European Union have completed the approval process related to the new standards and amendments applicable to financial statements starting as from 1 February 2015, while the approval process required for adoption of the other standards and amendments is still under way. On the basis of analysis currently in progress no significant impacts are predicted from the 2016 adoption of the applicable new standards and amendments.

Notes to the consolidated financial statements at 31 March 2015

1. Consolidation basis and goodwill

The consolidation basis at 31 March 2015 includes the Parent company and the following subsidiaries:

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/03/15*
General Pump Inc.	Minneapolis (USA)	Water Jetting	1,854	100.00%
General Technology S.r.l.	Reggio Emilia	Water Jetting	100	100.00%
Hammelmann GmbH	Oelde (Germany)	Water Jetting	25	100.00%
Hammelmann Australia Pty Ltd (1)	Melbourne (Australia)	Water Jetting	472	100.00%
Hammelmann Corporation Inc (1)	Miamisburg (USA)	Water Jetting	39	100.00%
Hammelmann S. L. (1)	Zaragoza (Spain)	Water Jetting	500	100.00%
Hammelmann Pumps Systems Co Ltd (1)	Tianjin (China)	Water Jetting	871	90.00%
Hammelmann Bombas e Sistemas Ltda (1)	San Paolo (Brazil)	Water Jetting	739	100.00%
Inoxihp S.r.l.	Nova Milanese (MI)	Water Jetting	119	52.72%
NLB Corporation Inc.	Detroit (USA)	Water Jetting	12	100.00%
SIT S.p.A.	S.Ilario d'Enza (RE)	Water Jetting	105	65.00%
Interpump Hydraulics S.p.A.	Calderara di Reno (BO)	Hydraulic	2,632	100.00%
Interpump Hydraulics International S.p.A. (2)	Calderara di Reno (BO)	Hydraulic	14,162	100.00%
HS Penta S.p.A (3)	Faenza (RA)	Hydraulic	4,244	100.00%
HS Penta Africa Pty Ltd (11)	Johannesburg (South Africa)	Hydraulic	-	90.00%
Interpump Hydraulics Middle East FZCO (2) and (11)	Dubai (UAE)	Hydraulic	326	100.00%
Oleodinamica Panni S.r.l. (3)	Tezze sul Brenta (VI)	Hydraulic	2,000	100.00%
Contarini Leopoldo S.r.l. (3)	Lugo (RA)	Hydraulic	47	100.00%
Unidro S.a.r.l. (4)	Barby (France)	Hydraulic	8	90.00%
Copa Hydrosystem Odd (4)	Troyan (Bulgaria)	Hydraulic	3	95.00%
AVI S.r.l. (2)	Varedo (MB)	Hydraulic	10	100.00%
Hydrocar Chile S.A. (2)	Santiago (Chile)	Hydraulic	129	90.00%
Hydroven S.r.l. (2)	Tezze sul Brenta (VI)	Hydraulic	200	100.00%
Interpump Hydraulics France S.a.r.l. (2)	Ennery (France)	Hydraulic	76	99.77%
Interpump Hydraulics India Private Ltd (2)	Hosur (India)	Hydraulic	682	100.00%
Interpump Hydraulics do Brasil Partecipacoes Ltda (2)	San Paolo (Brazil)	Hydraulic	13,837	100.00%
Takarada Industria e Comercio Ltda (6)	Caxia do Sul (Brazil)	Hydraulic	4,375	100.00%
Muncie Power Prod. Inc. (2)	Muncie (USA)	Hydraulic	784	100.00%
American Mobile Power Inc. (5)	Fairmount (USA)	Hydraulic	3,410	80.00%
Wuxi Interpump Weifu Hydraulics Company Ltd (2)	Wuxi (China)	Hydraulic	2,095	65.00%
Hydrocontrol S.p.A. (2)	Osteria Grande (BO)	Hydraulic	1,350	84.00%
Hydrocontrol Inc. (7)	Minneapolis (USA)	Hydraulic	763	97.00%
HC Hydraulics Technologies(P) Ltd (7)	Bangalore (India)	Hydraulic	4,120	100.00%
Aperlai HK Ltd (7)	Hong Kong	Hydraulic	77	100.00%
HTIL (8)	Hong Kong	Hydraulic	98	85.00%
Guangzhou Bushi Hydraulic Technology Ltd (9)	Guangzhou (China)	Hydraulic	3,720	100.00%
Galtech Canada Inc. (7)	Terrebonne, Quebec (Canada)	Hydraulic	76	100.00%
IMM Hydraulics S.p.A. (2)	Atessa (CH)	Hydraulic	520	60.00%
Hypress S.r.l. (10)	Atessa (CH)	Hydraulic	50	100.00%
IMM Hydraulics Ltd (10)	Halesowen (UK)	Hydraulic	1	100.00%
Hypress Hydraulik GmbH (10)	Meinerzhagen (Germany)	Hydraulic	52	100.00%
Hypress France S.a.r.l. (10)	Lyon (France)	Hydraulic	3,616	100.00%
IMM Hydro Est (10)	Catcau Couj Napoca (Romania)	Hydraulic	3,155	100.00%

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/03/15*
Hypress Africa Pty Ltd (10)	Boksburg (South Africa)	Hydraulic	796	100.00%
Dyna Flux S.r.l. (10)	Sori (GE)	Hydraulic	40	51.00%
Walvoil S.p.A.	Reggio Emilia	Hydraulic	5,000	100.00%
Walvoil Fluid Power Corp. (12)	Tulsa (USA)	Hydraulic	41	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (12)	Shanghai (China)	Hydraulic	1,872	100.00%
Walvoil Fluid Power Pvt Ltd (12)	Bangalore (India)	Hydraulic	397	100.00%
Walvoil Fluid Power do Brasil Ltda (12)	Caxia do Sul (Brazil)	Hydraulic	621	100.00%
Walvoil Fluid Power Korea (12)	Pyeongtaek (South Korea)	Hydraulic	453	100.00%
Walvoil Fluid Power France S.a.r.l. (12)	Vritz (France)	Hydraulic	10	100.00%
Walvoil Fluid Power Australasia (12)	Melbourne (Australia)	Hydraulic	7	100.00%
Interpump Engineering S.r.l.	Reggio Emilia	Other	76	100.00%
Teknova S.r.l. (in liquidation)	Reggio Emilia	Other	362	100.00%

(1) = controlled by Hammelmann GmbH
(2) = controlled by Interpump Hydraulics S.p.A.
(3) = controlled by Interpump Hydraulics International S.p.A.
(4) = controlled by Contarini Leopoldo S.r.l.
(5) = controlled by Muncie Power Inc.
(6) = controlled by Interpump Hydraulics do Brasil Partecipacoes Ltda
(7) = controlled by Hydrocontrol S.p.A.
(8) = controlled by Aperlai HK Ltd
(9) = controlled by HTIL
(10) = controlled by IMM Hydraulics S.p.A.
(11) = controlled by HS Penta S.p.A.
(12) = controlled by Walvoil S.p.A.
The other companies are controlled directly by Interpump Group S.p.A.

The Walvoil Group and Inoxihp were consolidated for the first time.

Despite their modest size, in consideration of development plans for the coming years also Hammelmann Bombas e Sistemas Ltda and Interpump Hydraulics Middle East FZCO were consolidated line-by-line for the first time. The effect on the quarter is insignificant.

The entitlement of Hydrocontrol minority shareholders proceed from the date of approval of the 2014 financial statements until the date of approval of the 2025 financial statements (the option was exercised on 27 April 2015). 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 (10%) and HS Penta is obliged to purchase them, between September 2017 and September 2020, 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. IMM Hydraulics' minority shareholder is entitled to dispose of its holdings starting from the approval of the 2017 financial statements up to the approval of 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. The minority shareholders of Inoxihp S.r.l. are entitled to dispose of their holdings starting from the approval of the 2025 financial statements up to the 2035 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.

In compliance with the requirements of IFRS 3, Hydrocontrol, American Mobile Power, HS Penta Africa, IMM Hydraulics and Inoxihp have been consolidated in full, recording a payable representing an estimate of 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.

Changes in goodwill in Q1 2015 were as follows:

Company:	Balance at 31/12/2014	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/03/2015
Water Jetting Sector	130,456	23,587	4,784	158,827
Hydraulic Sector	148,917	33,764	1,686	184,367
Total goodwill	*279,373*	*57,351*	*6,470*	*343,194*

The increases for Q1 2015 refer to:
- €34,043k for acquisition of the Walvoil Group (Hydraulic Sector);
- €23,587k for acquisition of Inoxihp (Water Jetting Sector);
- €279m (negative) for recalculation of the debt for adjustment of the acquisition of minority stakes in Interpump Hydraulics International (Hydraulic Sector).

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

The values of components or products transferred between sectors are the effective sales price between Group companies, which correspond to the selling prices to the best customers.

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

Business sectors
The Group is composed of the following business sectors:

Water Jetting Sector. Mainly composed of high and very high-pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High pressure plunger pumps are the main component of professional high pressure cleaners. These pumps are also utilised for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for water desalination plants. Very high-pressure pumps and systems are used for cleaning surfaces, ships, various types of pipes, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. Marginally, this sector also includes operations of drawing, shearing and pressing sheet metal and the manufacture and sale of cleaning machinery.

Hydraulic Sector. Includes the production and sale of power take-offs, hydraulic cylinders, pumps, valves and directional controls, hydraulic lines and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, 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, valves and directional controls 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
(Amounts shown in €/000)
Q1 2015

	Oil		Water Jetting		Other		Elimination entries		**Interpump Group**	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales external to the Group	145,642	98,982	76,983	61,227	-	-	-	-	222,625	160,209
Sales between sectors	38	26	384	273	361	205	(783)	(504)	-	-
Total net sales	**145,680**	**99,008**	**77,367**	**61,500**	**361**	**205**	**(783)**	**(504)**	**222,625**	**160,209**
Cost of products sold	(99,950)	(66,804)	(44,714)	(35,656)	(56)	(25)	433	315	(144,287)	(102,170)
Gross industrial margin	**45,730**	**32,204**	**32,653**	**25,844**	**305**	**180**	**(350)**	**(189)**	**78,338**	**58,039**
% on net sales	*31.4%*	*32.5%*	*42.2%*	*42.0%*	*n.s.*	*n.s.*			*35.2%*	*36.2%*
Other net revenues	2,538	2,345	734	712	11	16	(69)	(78)	3,214	2,995
Distribution costs	(12,359)	(9,443)	(8,465)	(6,799)	-	-	1	1	(20,823)	(16,241)
General and administrative expenses	(17,027)	(12,062)	(9,601)	(7,553)	(316)	(239)	418	266	(26,526)	(19,588)
Other operating costs	(523)	(311)	(70)	(79)	-	-	-	-	(593)	(390)
Ordinary profit before financial charges	**18,359**	**12,733**	**15,251**	**12,125**	**-**	**(43)**	**-**	**-**	**33,610**	**24,815**
% on net sales	*12.6%*	*12.9%*	*19.7%*	*19.7%*	*n.s.*	*n.s.*			*15.1%*	*15.5%*
Financial income	12,492	809	1,802	767	-	-	(448)	(434)	13,846	1,142
Financial expenses	(4,144)	(2,802)	(1,281)	(1,124)	(1)	(1)	448	434	(4,978)	(3,493)
Adjustment of investments carried at equity	-	(153)	(72)	(6)	-	-	-	-	(72)	(159)
Profit for the year before taxes	**26,707**	**10,587**	**15,700**	**11,762**	**(1)**	**(44)**	**-**	**-**	**42,406**	**22,305**
Income taxes	(7,796)	(4,504)	(5,238)	(4,174)	(145)	(32)	-	-	(13,179)	(8,710)
Consolidated profit for the year	**18,911**	**6,083**	**10,462**	**7,588**	**(146)**	**(76)**	**-**	**-**	**29,227**	**13,595**
Due to:										
Parent company's shareholders	18,909	5,894	10,440	7,576	(146)	(76)	-	-	29,203	13,394
Subsidiaries' minority shareholders	2	189	22	12	-	-	-	-	24	201
Consolidated profit for the year	**18,911**	**6,083**	**10,462**	**7,588**	**(146)**	**(76)**	**-**	**-**	**29,227**	**13,595**

Further information required by IFRS 8

	Oil 2015	Oil 2014	Water Jetting 2015	Water Jetting 2014	Other 2015	Other 2014	Elimination entries 2015	Elimination entries 2014	Interpump Group 2015	Interpump Group 2014
Amortization, depreciation and write-downs	6,471	4,523	3,158	2,335	3	1	-	-	9,632	6,859
Other non-monetary costs	551	492	394	932	-	-	-	-	945	1,424

Financial position
(Amounts shown in €/000)

	Oil		Water Jetting		Other		Elimination entries		**Interpump Group**	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Assets by sector	**754,444**	**522,500**	**520,796**	**452,719**	**2,215**	**1,739**	**(114,469)**	**(101,569)**	**1,162,986**	**875,389**
Assets held for sale	**-**	**615**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**615**
Subtotal of assets of the sector (A)	**754,444**	**523,115**	**520,796**	**452,719**	**2,215**	**1,739**	**(114,469)**	**(101,569)**	**1,162,986**	**876,004**
Cash and cash equivalents									119,120	87,159
Total assets									**1,282,106**	**963,163**
Liabilities of the sector	**291,198**	**214,213**	**83,206**	**68,778**	**2,159**	**1,825**	**(114,469)**	**(101,569)**	**262,094**	**183,247**
Liabilities held for sale	**-**	**163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**163**
Subtotal of liabilities of the sector (B)	**291,198**	**214,376**	**83,206**	**68,778**	**2,159**	**1,825**	**(114,469)**	**(101,569)**	**262,094**	**183,410**
Debts for the payment of investments									99,103	74,075
Payables to banks									30,919	27,770
Interest-bearing financial payables									334,786	211,358
Total liabilities									**726,902**	**496,613**
Total assets, net (A-B)	**463,246**	**308,739**	**437,590**	**383,941**	**56**	**(86)**	**-**	**-**	**900,892**	**692,594**
<u>Further information required by IFRS 8</u>										
Investments carried at carried at equity	-	76	238	463	-	-	-	-	238	539
Non-current assets other than financial assets and deferred tax assets	418,267	300,060	250,146	215,950	178	175	-	-	668,591	516,185

The Q1 comparison of the Sector on a like for like basis is as follows:

	Oil		Water Jetting	
	2015	2014	2015	2014
Net sales external to the Group	107,424	98,982	74,698	61,227
Sales between sectors	38	26	356	273
Total net sales	**107,462**	**99,008**	**75,054**	**61,500**
Cost of products sold	(72,476)	(66,804)	(43,421)	(35,656)
Gross industrial margin	**34,986**	**32,204**	**31,633**	**25,844**
% on net sales	*32.6%*	*32.5%*	*42.1%*	*42.0%*
Other net revenues	2,240	2,345	730	712
Distribution costs	(10,117)	(9,443)	(8,253)	(6,799)
General and administrative expenses	(13,132)	(12,062)	(9,135)	(7,553)
Other operating costs	(486)	(311)	(70)	(79)
Ordinary profit before financial charges	**13,491**	**12,733**	**14,905**	**12,125**
% on net sales	*12.6%*	*12.9%*	*19.9%*	*19.7%*
Financial income	9,464	809	1,778	767
Financial expenses	(2,780)	(2,802)	(1,276)	(1,124)
Adjustment of investments carried at equity	-	(153)	(72)	(6)
Profit for the year before taxes	**20,175**	**10,587**	**15,335**	**11,762**
Income taxes	(5,591)	(4,504)	(5,133)	(4,174)
Consolidated profit for the year	**14,584**	**6,083**	**10,202**	**7,588**
Due to:				
Parent company's shareholders	14,582	5,894	10,180	7,576
Subsidiaries' minority shareholders	2	189	22	12
Consolidated profit for the year	**14,584**	**6,083**	**10,202**	**7,588**

Q1 cash flows by business sector are as follows:

€/000	Oil		Water Jetting		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash flows from:								
Operating activities	9,430	3,559	13,149	(988)	(11)	379	22,568	2,950
Investing activities	(8,527)	(23,874)	(112,079)	(6,213)	(12)	8	(120,618)	(30,079)
Financing activities	2,968	2,029	120,295	(9,934)	-	1	123,263	(7,904)
Total	3,871	(18,286)	21,365	(17,135)	(23)	388	25,213	(35,033)

Hydraulic Sector investing activities in Q1 2015 include €1,337k related to the acquisition of minority stakes in subsidiaries (€20,076k in Q1 2014 related both to the acquisition of minority stakes in equity investments and to the acquisition of IMM), while Water Jetting Sector investing activities include €108,400k related to the acquisition of Walvoil and Inoxihp (no amount recorded in Q1 2014).

Financing activities in Q1 2015 include net disbursements of intercompany loans from the Water Jetting Sector to the Hydraulic Sector in the amount of €15,000k (€2,562k in Q1 2014). Moreover, cash flows from the Water Jetting Sector financing activity for 2015 include outlays for the purchase of treasury shares in the amount of €18,943k (€3,762k), proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €805k (3,106k in Q1 2014), and €49,177 related to the value of treasury shares divested for the acquisition of equity investments (€2,561k in Q1 2014). Hydraulic Sector financing activity cash flows in 2015 include €874k related to the payment of dividends to other parties.

3. Acquisition of investments

Walvoil Group

The amounts are expressed in euro thousands (the exchange rates adopted for conversion of the financial statements of subsidiaries in the US, India, China, South Korea and Australia were 1,214 US dollars/1 euro, 7,536 Chinese renminbi/1 euro, 76,719 Indian rupees/1 euro, 3.221 Brazilian Real/1 euro, 1,483 AUS dollars/1 euro, and 1,324.8 South Korean Won/1 euro, corresponding to the exchange rates in force on the date of acquisition).

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	3,676	-	3,676
Trade receivables	32,721	-	32,721
Inventories	42,537	-	42,537
Tax receivables	5,267	-	5,267
Other current assets	1,172	-	1,172
Property, plant and equipment	49,523	20,515	70,038
Other intangible assets	536	9,300	9,836
Financial assets	2	-	2
Non-current tax receivables	2	-	2
Deferred tax assets	4,633	-	4,633
Other non-current assets	627	-	627
Trade payables	(20,977)	-	(20,977)
Payables to banks	(8,006)	-	(8,006)
Financial payables to banks – loans (current portion)	(10,099)	-	(10,099)
Leasing payables (current portion)	(1,491)	-	(1,491)
Derivative financial instruments	(63)	-	(63)
Tax payables	(1,810)	-	(1,810)
Other current liabilities	(11,833)	-	(11,833)
Financial payables to banks - loans (medium-/long-term portion)	(6,341)	-	(6,341)
Leasing payables (medium-/long-term portion)	(9,581)	-	(9,581)
Liabilities for employee benefits (severance indemnity provision)	(4,693)	-	(4,693)
Deferred tax liabilities	(6,168)	(9,361)	(15,529)
Other non-current liabilities	(254)	-	(254)
Net assets acquired	59,380	20,454	79,834
Goodwill related to the acquisition			34,043
Total net assets acquired			**113,877**
Total amount paid in treasury stock			47,038
Amount paid in cash			54,220
Amount due in short-term			12,619
Total acquisition cost (A)			**113,877**
Acquired net financial indebtedness (B)			31,842
Total amount paid in cash			54,220
Estimate of amount payable for price adjustment to balance			12,619
Total change in the net financial position including changes in debt for the acquisition of investments			**98,681**
Capital employed (A) + (B)			**145,719**

The acquisition contract contains a price adjustment clause on the basis of the 2014 final results. At the present the amount has not yet been established on a final basis, but as the procedures for checking the final price are effectively completed a reasonable estimate was booked under payables for the acquisition of investments.

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

Inoxihp

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	1,843		1,843
Trade receivables	3,313	-	3,313
Inventories	2,536	-	2,536
Tax receivables	837	-	837
Other current assets	24	-	24
Property, plant and equipment	643	-	643
Other intangible assets	23	1,825	1,848
Deferred tax assets	222	-	222
Other non-current assets	49	-	49
Trade payables	(2,670)	-	(2,670)
Payables to banks	(34)	-	(34)
Financial payables to banks – loans (current portion)	(674)	-	(674)
Tax payables	(1,198)	-	(1,198)
Other current liabilities	(468)	-	(468)
Financial payables to banks - loans (medium-/long-term portion)	(789)	-	(789)
Liabilities for employee benefits (severance indemnity provision)	(326)	-	(326)
Deferred tax liabilities	-	(573)	(573)
Net assets acquired	3,331	1,252	4,583
Goodwill related to the acquisition			23,587
Total net assets acquired			**28,170**
Total amount paid in treasury stock			2,139
Total amount paid in cash			6,470
Amount due in medium/long-term			19,561
Total acquisition cost (A)			**28,170**
Net financial indebtedness (cash) acquired (B)			(346)
Total amount paid in cash			6,470
Payable for commitment to acquire minority interests			19,561
Total change in the net financial position including changes in debt for the acquisition of investments			**25,685**
Capital employed (A) + (B)			**27,824**

The trade mark was evaluated by means of an internal appraisal. There are no other significant surplus values recorded under assets.

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

	31/03/2015 €/000	*31/12/2014* €/000
Inventories gross value	277,856	200,399
Allowance for inventories	(27,027)	(17,936)
Inventories	250,829	182,463

Changes in the allowance for inventories were as follows:

	Q1 2015 €/000	*Year 2014* €/000
Opening balances	17,936	15,238
Exchange rate difference	1,032	558
Change to consolidation basis	8,007	627
Provisions for the year	276	2,513
Utilisations in the period due to surpluses	-	-
Utilisations in the year due to losses	(224)	(1,000)
Closing balance	27,027	17,936

5. Property, plant and equipment

Purchases and disposals

In Q1 2015 Interpump Group acquired assets for €78,279k, of which €70,681k through the acquisition of equity investments (€49,633 in Q1 2014, of which €39,760k acquired through the acquisition of equity investments). Assets were divested in Q1 2015 for a net book value of €1,871k (€826k in Q1 2014), including the items included in the assets held for sale caption. The divested assets generated a net capital gain of €1,043k (€389k in Q1 2014).

Contractual commitments

At 31 March 2015 the Group had contractual commitments for the purchase of tangible assets in the amount of €482k (€8,163k at 31/03/2014).

6. Shareholders' equity

Share capital

The share capital is composed of 108,879,294 ordinary shares with a unit face value of 0.52 euro for a total amount of €56,617,232.88. In contrast, share capital recorded in the financial statements amounts to €55,757k 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 March 2015 Interpump S.p.A. held 2,419,616 shares in the portfolio, corresponding to 2.22% of the capital stock, acquired at an average unit cost of 10.9203 euro.

Treasury stock purchased

The amount of treasury stock held by Interpump Group S.p.A. is recorded in an equity provision. In Q1 2015 the Group acquired 1,467,022 treasury shares for the total amount of €18,943k at an average price of 12.9126, (the Group purchased 382,606 treasury shares for €3,762k in Q1 2014).

Treasury stock sold
168,000 options were exercised in Q1 2015, resulting in a €805k receipt in the framework of the stock option plans (the 597,060 stock options exercised in Q1 2014 generated proceeds of €3,106k). Moreover, 4,160,501 treasury shares were divested in Q1 2015 to pay part of the equity investment in Walvoil and Inoxihp (276,000 treasury shares divested in Q1 2014 for the acquisition of equity investments).

7. Financial income and expenses

	2015 €/000	2014 €/000
Financial income		
Interest income	177	182
Financial income to adjust debt estimate for commitment to purchase residual stakes in subsidiaries	6,162	-
Foreign exchange gains	7,487	888
Earnings from valuation of derivative financial instruments	18	72
Other	2	-
Total financial income	13,846	1,142
Financial expenses		
Interest expenses	1,872	1,850
Interest expense on put options	268	689
Financial charges to adjust debt estimate for commitment to purchase residual stakes in subsidiaries	20	27
Foreign exchange losses	2,579	866
Losses from valuation of derivative financial instruments	239	61
Total financial charges	4,978	3,493
Total financial charges (income), net	(8,868)	2,351

For the comment related to financial income to adjust the estimated debt for the acquisition of residual stakes in subsidiaries and exchange gains and losses refer to the "Directors' remarks on performance in Q1 2015" on page 17.

8. 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:

Q1	2015	2014
Consolidated profit for the period attributable to parent company shareholders (€/000)	29,203	13,394
Average number of shares in circulation	106,322,703	106,201,737
Basic earnings per share for the quarter (€)	0.275	0.126

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:

	2015	2014
Consolidated profit for the year attributable to Parent company shareholders (€/000)	29,203	13,394
Average number of shares in circulation	106,332,703	106,201,737
Number of potential shares for stock option plans (*)	2,433,722	2,073,131
Average number of shares (diluted)	108,766,425	108,274,868
Earnings per diluted share for the quarter (€)	0.268	0.124

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

9. Transactions with related parties

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

The effects in the Group's consolidated income statements for Q1 2015 and Q1 2014 are given below:

	Q1 2015					
(€/000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Net sales	222,625	142	-	277	419	0.2%
Cost of products sold	144,287	164	-	5,493	5,657	3.9%
Distribution costs	20,823	9	-	351	360	1.7%
General and admin. expenses	26,526	-	-	233	233	0.9%
Financial income	13,846	2	-	-	2	0.0%
Financial expenses	4,978	-	-	1	1	0.0%

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

The effects on the consolidated balance sheet at 31 March 2015 and 2014 are shown below:

	31 March 2015					
(€/000)	Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on financial statements caption
Trade receivables	188,925	1,034	-	429	1,463	0.8%
Other current assets	10,076	2	-	-	2	0.0%
Other financial assets	876	220	-	-	220	25.1%
Trade payables	106,876	74	-	2,907	2,981	2.8%
Interest-bearing financial payables (current portion)	88,747	-	-	1,180	1,180	1.3%

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

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	31/03/2015	31/03/2014	2015	2014
Interpump Hydraulics Middle East*	-	2,597	-	1,015
Interpump Hydraulics (UK)	868	657	112	146
General Pump China Inc.	168	199	30	181
Hammelmann Bombas e Sistemas Ltda*	-	314	-	86
Total subsidiaries	*1,036*	3,767	*142*	*1,428*

(€/000)	Payables		Costs	
	31/03/2015	31/03/2014	2015	2014
Hammelmann Bombas e Sistemas Ltda*	-	20	-	-
General Pump China Inc.	65	38	173	104
Interpump Hydraulics (UK)	9	-	-	-
Total subsidiaries	*74*	*58*	*173*	*104*

* = fully consolidated at 31 March 2015.

(€/000)	Loans		Financial income	
	31/03/2015	31/03/2014	2015	2014
Interpump Hydraulics (UK)	220	193	2	7
General Pump China Inc.	-	-	-	-
Interpump Hydraulics Middle East*	-	105	-	1
Hammelmann Bombas e Sistemas Ltda*	-	30	-	-
Total subsidiaries	*220*	*328*	*2*	*8*

* = fully consolidated at 31 March 2015.

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties regard the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for the amount of €1,352k (€1,272k in Q1 2014), and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for a total of €15k (€15k also in Q1 2014). Costs for rentals were recorded under the cost of sales in the amount of €1,009k (€1,006k in Q1 2014), under distribution costs in the amount of €240k (€217k in 2014) and in general and administrative expenses in the amount of €103k (€49k in 2014). Consultancy costs were entirely booked under distribution costs in the amount of €15k (€15k under distribution costs also in Q1 2014). In addition, the cost of sales includes purchases from subsidiaries by minority shareholders or Group company directors in the amount of €4,436k (€2,594k in Q1 2014). The increase is a result of the growth of sales generated by our Chinese subsidiaries.

Moreover, further to the signing of building rental contracts with other related parties, the Group has commitments of €25,515k (€22,826k at 31 December 2014).

10. Disputes, Potential liabilities and Potential assets

The Parent company and several of its subsidiaries are directly involved in several lawsuits in respect of limited amounts. It is however considered that the settlement of said lawsuits will not generate any significant liabilities for the Group that cannot be covered by the risk provisions that have already been created. There were no substantial changes with respect to the situation of disputes or potential liabilities existing at 31 December 2014.

11. Fair value measurements

In relation to financial instruments recorded in fair value in the balance sheet, international accounting principles require that said values be classified on the basis of a hierarchy of levels that reflects the significance of the inputs used 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 March 2015, broken down by level.

(€/000)	Level 1	Level 2	Level 3	Total
Derivatives receivable:				
Other financial assets available for sale	27	-	-	27
Total assets	**27**	**-**	**-**	**27**
Derivatives payable:				
- Plain vanilla forwards	-	292	-	292
- Interest rate swaps	-	20	-	20
- Interest rate collars	-	103	-	103
Total liabilities	**-**	**415**	**-**	**415**

No transfers between levels were carried out in Q1 2015.

All fair value measurements shown in the above table are to be considered as recurrent; the Group did not perform any non-recurrent fair value measurements in Q1 2015.

The fair value of derivative financial instruments is calculated considering market parameters at the date of this interim Board of Directors' report and using the measurement models widely disseminated in the financial sector. Specifically:

- the fair value of plain vanilla forwards is calculated considering the exchange rate and interest rates of the two currencies at 31 March 2015 (last available trading day);
- the fair value of the interest rate swaps is calculated on the basis of the discounted cash flow model: the input data used by this model are the interest rate curves at 31 March 2015 and the current interest rate fixings;
- the fair value of the interest rate collars is calculated using an option pricing model (Black & Scholes): the input data used by this model are the interest rate curves, the current interest rate fixings and the implicit volatility surface calculated starting from caps and floors quoted at 31 March 2015.

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.