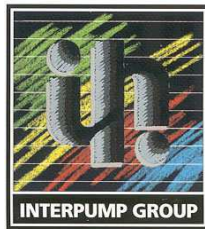


Interim Report for Q4 2015



Interpump Group S.p.A. and subsidiaries

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This folder can be consulted at:

www.interpumpgroup.it

Interpump Group S.p.A.

Registered office in S. Ilario d'Enza (Reggio Emilia), Via Enrico Fermi, 25

Paid-up Share Capital: 56,617,232.88 euro

Reggio Emilia Business Register - Tax Code 11666900151

Board of Directors

Fulvio Montipò
Chairman and Chief Executive Officer

Paolo Marinsek
Deputy Chairman and Chief Executive Officer

Giuseppe Ferrero
Non-executive Director

Franco Garilli (a), (b), (c)
Independent Director
Lead Independent Director

Marcello Margotto (b)
Independent Director

Giancarlo Mocchi
Non-executive Director

Stefania Petruccioli (a), (c)
Independent Director

Paola Tagliavini (a), (c)
Independent Director

Giovanni Tamburi (b)
Non-executive Director

Board of Statutory Auditors

Pierluigi De Biasi
Chairman

Paolo Scarioni
Statutory auditor

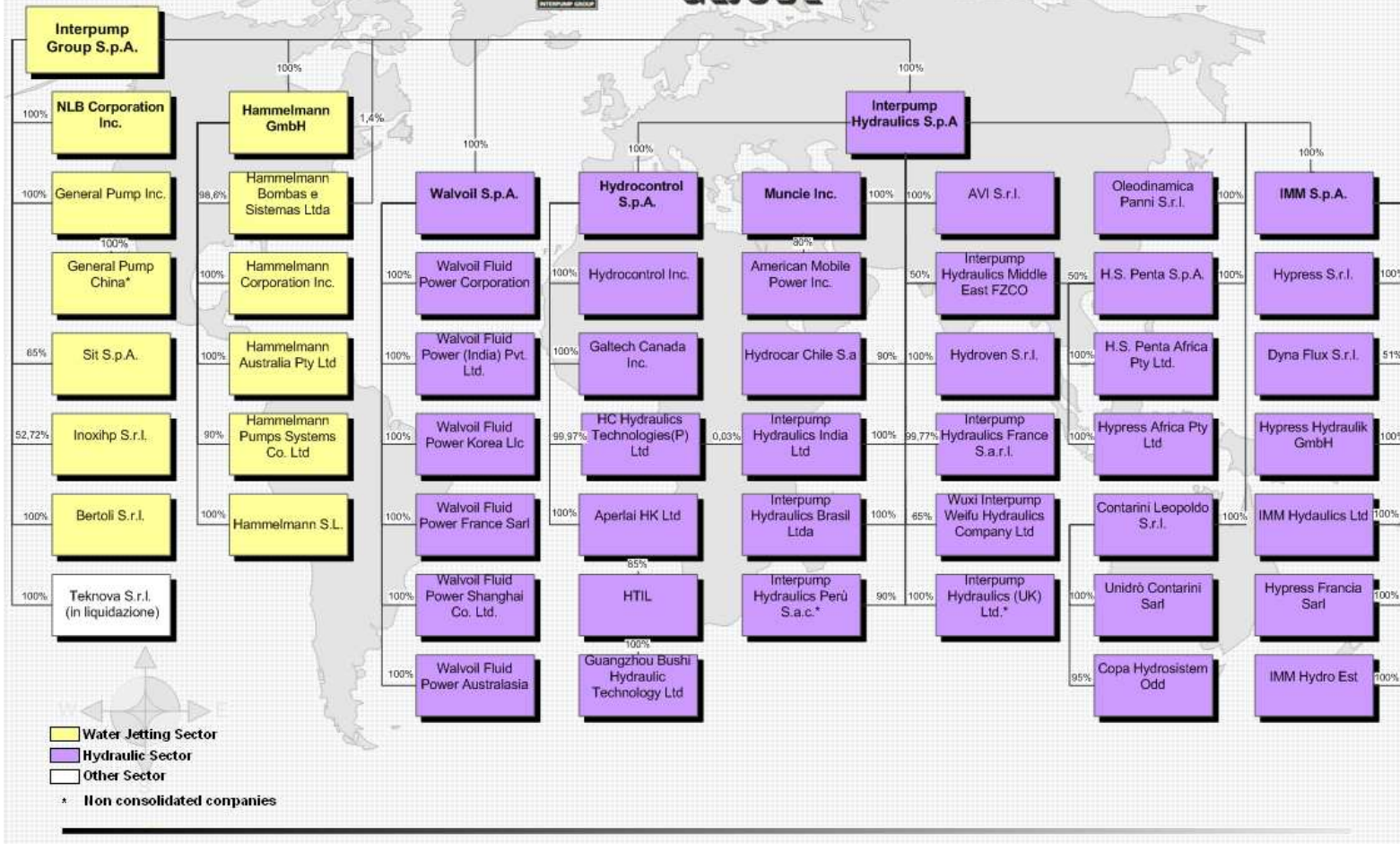
Alessandra Tronconi
Statutory auditor

Independent Auditors

Reconta Ernst & Young S.p.A.

- (a) *Member of the Audit and Risks Committee*
(b) *Member of the Remuneration Committee*
(c) *Member of the Related Party Transactions Committee*

Organizational chart as at 31/12/2015



Interim board of directors' report

**Directors' remarks on performance
in 2015**

KEY EVENTS OF 2015

Performance in 2015 was marked by a considerable increase in sales, EBITDA and net profit, with the achievement by the Interpump Group of record results once again.

Sales were up by 33.2% compared to 2014 (+8.9% like for like and +1.3% net also of exchange differences). The business sector analysis shows a 41.4% increase in sales in the Hydraulic Sector (+5.0% like for like and -1.0% net also of exchange differences) and a 21.3% growth of sales in the Water Jetting Sector (+14.6% like for like and +4.7% net also of exchange differences).

In geographical terms, growth in Europe including Italy was 33.7%, with 35.2% in North America, 37.3% in the Far East and Oceania and 22.2% in the Rest of the World. The geographical breakdown shows like for like growth of 4.0% in Europe (including Italy), 18.0% in North America, 4.8% in the Far East and Oceania and 6.8% in the Rest of the World.

EBITDA reached €180.3m, equivalent to 20.1% of sales. In 2014, EBITDA was €136.1m (20.3% of sales). The year on year growth of EBITDA thus amounts to 32.4%. EBITDA was 10.6% higher like for like, reaching €150.5m or 20.6% of sales, up by 0.3 percentage points.

Free cash flow more than doubled to €85.2m (€38.3m in 2014).

Net profit of €117.0m was more than double the €57m recorded in 2014.

Minority interests in Hydrocontrol S.p.A. and IMM Hydraulics S.p.A. were acquired in 2015. 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. On 4 June Interpump Hydraulics S.p.A. acquired the remaining 40% stake in IMM Hydraulics S.p.A. further to the exercise of the related put options by the minority shareholder of IMM Hydraulics S.p.A. These two transactions generated financial income of €32.0m due to the lower price paid compared to the amount booked under debt for the acquisition of equity investments, which reflected the measurement of put options granted to sellers. This income arose because the put options had been measured on the basis of projections at 2018 and 2020, these being the dates from which the put options could be exercised and consequently envisaged growth of EBITDA and higher cash generation. The fact that acquisition of the two minority stakes has been brought forward is allowing the acceleration of internal Group synergies and a high level of simplification, resulting in appreciable cost savings.

In this regard, our company's operations in India and South Africa are currently being subjected to a rationalization process. In addition, the business in Brazil based on the merger of the following four companies became operational during the year: Interpump Hydraulics do Brasil, Takarada Industria e Comercio, Walvoil Fluid do Brasil and Osper, with this last company having been acquired on 28 August 2015. The four companies have been concentrated into a single facility, resulting in significant levels of synergy in industrial, logistic and administrative terms, and the overall rationalization of all operations. In addition, Interpump Hydraulics Brasil (the company formed through the merger) is now the Brazilian leader in the power take-offs sector, benefiting also from access to the Group's wide range of products in the Hydraulic Sector. The process of rationalization of the Group's structure and exploitation of potential commercial synergies will proceed over the coming years also in the other countries in which we operate.

2015 saw the first-time consolidation of the Walvoil Group (Hydraulic Sector) acquired on 15 January 2015, Inoxihp (Water Jetting Sector) acquired on 17 March 2015, but consolidated for the full year due to its modest size, Bertoli S.r.l. (Water Jetting Sector), acquired on 22 May 2015 and consolidated for eight months, and Osper (Hydraulic Sector), acquired on 28 August 2015 and consolidated for four months.

For a commentary on the Walvoil, Inoxihp, Bertoli and Osper acquisitions we invite you to refer to the contents of the 2014 Annual Financial Report in the heading concerning events occurring after year end, and the Interim Reports for Q2 and Q3 2015.

Consolidated income statement for the year

| (€/000) | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|
| Net sales | 894,928 | 671,999 |
| Cost of products sold | (577,310) | (426,585) |
| Gross industrial margin | 317,618 | 245,414 |
| <i>% on net sales</i> | <i>35.5%</i> | <i>36.5%</i> |
| Other operating revenues | 13,133 | 12,563 |
| Distribution costs | (84,321) | (68,074) |
| General and administrative expenses | (105,670) | (80,517) |
| Other operating costs | (3,864) | (5,019) |
| EBIT | 136,896 | 104,367 |
| <i>% on net sales</i> | <i>15.3%</i> | <i>15.5%</i> |
| Financial income | 43,321 | 8,144 |
| Financial expenses | (16,011) | (19,504) |
| Adjustment of the value of investments carried at equity | (262) | 102 |
| Profit for the year before taxes | 163,944 | 93,109 |
| Income taxes | (46,955) | (35,367) |
| Consolidated net profit for the year | 116,989 | 57,742 |
| <i>% on net sales</i> | <i>13.1%</i> | <i>8.6%</i> |
| Due to: | | |
| Parent company's shareholders | 116,322 | 56,936 |
| Subsidiaries' minority shareholders | 667 | 806 |
| Consolidated profit for the year | 116,989 | 57,742 |
| EBITDA | 180,258 | 136,106 |
| <i>% on net sales</i> | <i>20.1%</i> | <i>20.3%</i> |
| Shareholders' equity | 621,318 | 466,550 |
| Net debt | 254,987 | 151,969 |
| Payables for the acquisition of investments | 23,209 | 74,075 |
| Capital employed | 899,514 | 692,594 |
| ROCE | 15.2% | 15.1% |
| ROE | 18.8% | 12.4% |
| Basic earnings per share | 1.089 | 0.541 |

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 organization's operating performance. The management considers EBITDA to be a significant parameter for assessment of the company's performance since it is not influenced by the effects of the different criteria used to determine taxable income, the amount and characteristics of capital employed and the related depreciation policies. The criterion for the determination of EBITDA applied by the company may differ from that used by other companies/groups and hence the value of this parameter may not be directly comparable with the EBITDA values disclosed by other entities.

NET SALES

Net sales in 2015 totaled €894.9m, up by 33.2% from €672.0m in 2014 (+8.9% like for like and +1.3% net of exchange differences).

Breakdown of sales by business sector and geographical area:

| (€/000) | <u>Italy</u> | <u>Rest of Europe</u> | <u>North America</u> | <u>Far East and Oceania</u> | <u>Rest of the World</u> | <u>Total</u> |
|--|----------------|-----------------------|----------------------|-----------------------------|--------------------------|----------------|
| <i>2015</i> | | | | | | |
| Hydraulic Sector | 105,509 | 194,815 | 151,083 | 40,004 | 68,860 | 560,271 |
| Water Jetting Sector | <u>30,400</u> | <u>91,688</u> | <u>142,303</u> | <u>44,954</u> | <u>25,312</u> | <u>334,657</u> |
| Total | <u>135,909</u> | <u>286,503</u> | <u>293,386</u> | <u>84,958</u> | <u>94,172</u> | <u>894,928</u> |
| <i>2014</i> | | | | | | |
| Hydraulic Sector | 72,619 | 145,709 | 98,602 | 21,869 | 57,405 | 396,204 |
| Water Jetting Sector | <u>19,159</u> | <u>78,554</u> | <u>118,436</u> | <u>39,993</u> | <u>19,653</u> | <u>275,795</u> |
| Total | <u>91,778</u> | <u>224,263</u> | <u>217,038</u> | <u>61,862</u> | <u>77,058</u> | <u>671,999</u> |
| <i>2015/2014 percentage changes</i> | | | | | | |
| Hydraulic Sector | +45.3% | +33.7% | +53.2% | +82.9% | +20.0% | +41.4% |
| Water Jetting Sector | +58.7% | +16.7% | +20.2% | +12.4% | +28.8% | +21.3% |
| Total | +48.1% | +27.8% | +35.2% | +37.3% | +22.2% | +33.2% |
| <i>2015/2014 like for like changes (%)</i> | | | | | | |
| Hydraulic Sector | +9.1% | -3.2% | +16.8% | -1.4% | +2.6% | +5.0% |
| Water Jetting Sector | +13.2% | +10.4% | +19.0% | +8.3% | +19.1% | +14.6% |
| Total | +10.0% | +1.6% | +18.0% | +4.8% | +6.8% | +8.9% |

The like for like analysis net of exchange differences shows a decline of 1.0% in the Hydraulic Sector and growth of 4.7% in the Water Jetting Sector.

PROFITABILITY

The cost of sales accounted for 64.5% of turnover (63.5% in 2014). Production costs, which totaled €234.8m (€169.1m in 2014, which did not include the costs of the Walvoil Group, Inoxihp, Bertoli and Osper), accounted for 26.2% of sales (25.2% in 2014). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €342.6m (€257.5m in 2014, which however did not include the costs of the Walvoil Group, Inoxihp, Bertoli and Osper). The incidence of purchase costs, including changes in inventories, was 38.3%, as 2014.

On a like for like basis the percentage incidences of production costs and purchase costs in 2015 were respectively 24.5% and 38.7% (down overall by 0.3 percentage points). The percentage increase in the cost of sales from 63.5% in 2014 to 64.5% in 2015 is primarily due to a product mix effect related to the newly consolidated companies.

Like for like distribution costs were 7.9% higher than in 2014 (-0.1% net of exchange differences), while the incidence on sales fell by 0.1 percentage points with respect to 2014. With the inclusion of Walvoil, Inoxihp, Bertoli and Osper the incidence fell by 0.7 percentage points.

Like for like general and administrative expenses were 9.6% higher than in 2014 (+3.6% net of exchange differences), with a 0.1 percentage point increase in the incidence on sales with respect to 2014. With the inclusion of Walvoil, Inoxihp, Bertoli and Osper the incidence fell by 0.2 percentage points with respect to 2014.

Total payroll costs were €218.2m (€157.7m in 2014, which however did not include the Walvoil Group, Inoxihp, Bertoli and Osper). Like for like payroll costs rose by 8.5% (+2.8% net of exchange differences) due to a 6.3% per capita cost increase (+0.7% net of exchange differences) and a rise of 75 in the average headcount. The total number of Group employees in 2015 averaged 4,830 (3,650 like for like) compared to 3,575 in 2014. The like for like increase in the average headcount in 2015 breaks down as follows: 5 in Europe, 40 in the US and 30 in the Rest of the World (Brazil, China, India, Chile, Australia, South Korea, South Africa and the UAE).

EBITDA totaled €180.3m (20.1% of sales) compared to €136.1m in 2014, which represented 20.3% of sales, reflecting a 32.4% increase. Like for like EBITDA was up by 10.6% to €150.5m or 20.6% of sales, increasing margins by 0.3 percentage points. The following table shows EBITDA for each business sector:

| | <i>2015</i> | <i>% on</i> | <i>2014</i> | <i>% on</i> | |
|-----------------------|-----------------------|---------------|-----------------------|---------------|--------------------------------|
| | <u>€/000</u> | <i>total</i> | <u>€/000</u> | <i>total</i> | <i>Growth/ Contraction</i> |
| | | <i>sales*</i> | | <i>sales*</i> | |
| Hydraulic Sector | 96,605 | 17.2% | 69,366 | 17.5% | +39.3% |
| Water Jetting Sector | 83,671 | 24.9% | 66,701 | 24.1% | +25.4% |
| Other Revenues Sector | <u>(18)</u> | n.s. | <u>39</u> | n.s. | n.s. |
| Total | <u>180,258</u> | 20.1% | <u>136,106</u> | 20.3% | +32.4% |

* = Total sales include also include sales to other group companies, while the sales analyzed previously are exclusively those external to the group (see Note 2 to the Consolidated Financial Statements at 31 December 2015). 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 4.1% (17.4% of net sales). Like for like Water Jetting Sector EBITDA was up by 17.4% (24.7% of net sales).

EBIT was €136.9m (15.3% of sales) compared to €104m in 2014 (15.5% of sales), reflecting an increase of 31.2%. EBIT was 11.3% higher like for like, reaching €116.2m or 15.9% of sales, with an increase of 0.4 percentage points.

Finance management generated net income of €27.3m (net financial expenses of €11.4m in 2014). 2015 saw the generation of income due to the lower payments made with respect to debts for commitments to acquire residual stakes in subsidiaries in the amount of €32.0m, as described at the beginning of this report. The net financial expenses incurred in 2014, on the other hand, included €8.2m relating to the adjustment of payables following the purchase of equity investments and the related interest.

The effective tax rate was 29.0% (38.0% in 2014 – 35.2% net of the non-deductible financial expenses totaling €8.2m mentioned above). The comparison is influenced by the inclusion, in 2015 only, of income on the 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 this non-taxable income and the deferred tax assets derecognized in the year, the tax rate for 2015 would have been 34.8%. The reduction compared to 2014 is mainly due to changes in Italian legislation concerning the total deductibility of payroll costs from the IRAP tax base, which led to a tax saving of €2.0m.

Net profit of €117.0m was more than double the amount for 2014 (€57.7m). A similar trend was followed by basic earnings per share, which rose from 0.541 euro in 2014 to 1.089 euro in 2015.

Capital employed increased from €692.6m at 31 December 2014 to €899.5m at 31 December 2015. The rise in capital employed is mainly due to the consolidation of Walvoil, Inoxihp, Bertoli and Osper, which produced a €185.8m increase, and the effect of revaluation of foreign currencies against the euro, which led to an increase of €18.8m. ROCE stood at 15.2% (15.1% in 2014). ROE was 18.8% (12.4% in 2014).

CASH FLOW

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

| | <i>2015</i> | <i>2014</i> |
|---|------------------|-----------------|
| | <u>€/000</u> | <u>€/000</u> |
| 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) | <u>435</u> | <u>(158)</u> |
| Adjusted opening net financial position | (151,534) | (88,842) |
| Cash flow from operations | 121,742 | 95,813 |
| Cash flow generated (absorbed) by the management of commercial working capital | (13,621) | (21,519) |
| Cash flow generated (absorbed) by other current assets and liabilities | 5,733 | (2,236) |
| Capital expenditure on tangible fixed assets | (27,653) | (32,654) |
| Proceeds from sales of tangible fixed assets | 1,594 | 1,512 |
| Increase in other intangible fixed assets | (3,054) | (3,000) |
| Received financial income | 714 | 637 |
| Other | <u>(209)</u> | <u>(263)</u> |
| Free cash flow | 85,246 | 38,290 |

| | <i>2015</i> | <i>2014</i> |
|--|-------------------------|-------------------------|
| | <u>€/000</u> | <u>€/000</u> |
| Free cash flow | 85,246 | 38,290 |
| Acquisition of investments, including received debt and net of treasury stock assigned | (145,243) | (53,266) |
| Receipts for the sale of investments and lines of business | 746 | 796 |
| Dividends paid | (20,390) | (18,166) |
| Outlays for the purchase of treasury stock | (32,709) | (38,299) |
| Proceeds from the sale of treasury stock to beneficiaries of stock options | 8,166 | 4,626 |
| Change in other financial assets | (1) | 1,017 |
| Loan repayments from (disbursals to) non-consolidated subsidiaries | <u>-</u> | <u>21</u> |
| Cash flow generated (used) | (104,185) | (64,981) |
| Exchange rate differences | <u>732</u> | <u>1,854</u> |
| Net financial position at year end | <u>(254,987)</u> | <u>(151,969)</u> |

(a) = in 2015 this concerns Hammelmann Bombas e Sistemas Ltda and Interpump Hydraulics Middle East FZCO (see Note 1 to the Financial Statements and notes at 31 December 2015). Conversely, in 2014 the subjects were HS Penta Africa PtY Ltd and Galtech Canada Inc.

Net liquidity generated by operations totaled €1217m (€95.8m in 2014), reflecting an increase of 27.1%. There was a considerable increase in free cash flow during 2015 to €85.2m, which was more than double the figure recorded 2014 (€38.3m).

The net financial position, excluding the debts and commitments illustrated below, can be broken down as follows:

| | 31/12/2015 | 31/12/2014 | 01/01/2014 |
|---|-------------------------|-------------------------|------------------------|
| | <u>€/000</u> | <u>€/000</u> | <u>€/000</u> |
| Cash and cash equivalents | 135,130 | 87,159 | 105,312 |
| Bank payables (advances and STC amounts) | (5,735) | (27,770) | (20,932) |
| Interest-bearing financial payables (current portion) | (83,833) | (64,298) | (61,371) |
| Interest-bearing financial payables (non-current portion) | <u>(300,549)</u> | <u>(147,060)</u> | <u>(111,693)</u> |
| Total | <u>(254,987)</u> | <u>(151,969)</u> | <u>(88,684)</u> |

The Group also has contractual commitments for the purchase of residual shareholdings in subsidiaries totaling €23.2 million (€74.1 million at 31 December 2014). €4.9m of the foregoing amounts concerns the acquisition of equity investments (€7.4m at 31 December 2014) and €18.3m is related to contractual agreements for the acquisition of residual interests in subsidiaries (€66.6m at 31 December 2014). The charge with respect to the prior period is due on the one hand to the exercise of Hydrocontrol and IMM Hydraulics options and, on the other hand, to the new put options related to the acquisition of Inoxihp.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totaled €112.4m, of which €73.9m for the acquisition of equity investments (€81.2m in 2014, of which €39.8m for the acquisition of equity investments). It should be noted that the companies belonging to the Very-High Pressure Systems business segment classify the increase in machinery manufactured and hired out to customers under tangible fixed assets (€11.2m at 31 December 2015 and €7.2m at 31 December 2014). Net of these latter amounts and the investment via acquisitions, capital expenditure in the strictest sense amounted to €27.3m in 2015 (€34.2m in 2014) and mainly refers to the normal

renewal and modernization of plant, machinery and equipment, with the exception of €2.3m, related in 2015 to the construction of new plants in Bulgaria, Romania and India and to the expansion of a building owned by the Group Parent (€10.9m in 2014 related mainly to the Hammelmann building). The difference with respect to the expenditure recorded in the cash flow statement is due to the dynamic of payments.

The increases in intangible fixed assets totaled €15.2m, of which €12.1m from the acquisition of equity investments (€6.2m in 2014, of which €2.8m from the acquisition of equity investments) and refer mainly to the allocation of the price of acquisitions to trademarks (€11.7m in 2015) and to investment for the development of new products.

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 Consolidated Financial statements at 31 December 2015.

CHANGES IN THE GROUP STRUCTURE IN 2015

In addition to the transactions for the acquisition of the Walvoil Group and Inoxihp, as already fully disclosed in the 2014 Annual Financial Report, the Group structure underwent the following changes:

- on 16 January 2015 HS Penta S.p.A. acquired an additional 10% stake in HS Penta Africa for €136k;
- Interpump Hydraulics Perù S.a.c., with headquarters in Lima, was incorporated on 8 April 2015 in order to create a direct Group presence on the important Peruvian market;
- on 27 April 2015 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 the minority shareholders of Hydrocontrol S.p.A. The exercise resulted in the Group divesting 741,184 treasury shares to cover the price;
- on 22 May 2015 Interpump Group S.p.A. acquired total control of Bertoli S.r.l., based in the province of Parma; Bertoli is one of the key world players on the market for the design and construction of high pressure homogenizers with piston pumps, primarily for the food sector and supplied also to customers operating in the chemicals and cosmetics sectors. Bertoli's 2014 sales totaled €11.2m, while EBITDA was booked at €2.3m (20.7% of sales). The business was acquired at the price of €7.3m. With the acquisition of Bertoli, a leading manufacturer in the niche market for homogenizers, Interpump enters the market of pumps for the food sector thereby strengthening our undisputed world leadership in the production of high pressure pumps. The acquisition is the precondition for the generation of major production and commercial synergies.
- on 4 June 2015 Interpump Hydraulics S.p.A. acquired the remaining 40% stake in IMM Hydraulics S.p.A. further to the early exercise of the related put options by the minority shareholder of IMM Hydraulics S.p.A. The put options exercise led to a €22.6m outlay for the Group;
- on 6 July 2015 the merger of Interpump Hydraulics International S.p.A. in Interpump Hydraulics S.p.A. entered into effect;

- an agreement with the ex-shareholders of Walvoil S.p.A. was signed on 20 July 2015 defining the adjustment of the company's acquisition price, which was established on a provisional basis at the closing date of 15 January 2015. The final price was set at €116.1m. The balance of €16.1m was therefore paid on 5 August;
- on 30 July 2015 Hydrocontrol S.p.A. acquired the remaining stakes in Hydrocontrol Inc. for €109k;
- 28 August 2015 saw the acquisition of the entire capital stock of the Brazilian company Osper. The agreed price for the transaction was BRL 21.7m (approximately €5.4m). The price paid at the closing date was BRL 10.5m (around €2.6m). The remaining BRL 11.2m (about €2.8m) will be paid as follows: BRL 1.2m in 60 monthly installments of BRL 20k, while BRL 10m constitute the guarantee as an indemnity against potential liabilities that may arise in the acquired company and will be paid, net of any indemnity amounts, within 15 August 2021. Osper's 2014 sales totaled BRL 16.2m, with EBITDA of BRL €2.6m, equivalent to 16.2% of sales;
- on 29 September 2015 a resolution was passed to merge HS Penta S.p.A. in Interpump Hydraulics S.p.A., in the drive for integration among Group companies and in order to exploit the commercial synergies identified between the two companies. This merger took effect from 4 January 2016;
- on 30 September 2015 the merger between Interpump Hydraulics do Brasil, Takarada Industria e Comercio, Walvoil Fluid do Brasil and Osper became operational in Brazil;
- on 1 November 2015 a resolution was passed to merge General Technology S.r.l. and Interpump Engineering S.r.l. in Interpump Group S.p.A., the accounting and tax effects of the merger are applicable from 1 January 2015;
- on 10 November 2015 a resolution was passed to merge Bertoli S.r.l. in Interpump Group S.p.A., with the intention of exploiting all the production and commercial synergies identified between the two companies. Bertoli's activities are being transferred to the Parent Company's factories during 2016, with savings on all operating costs. The merger will become operational during the first half of 2016;
- on 24 November 2015 Contarini Leopoldo S.r.l. purchased the residual 10% interest in Unidrò for €350k by the assignment of 24,169 treasury shares in settlement;
- on 1 December 2015 HS Penta S.p.A. acquired the residual 10% interest in HS Penta Africa for €160k.

EVENTS OCCURRING AFTER THE CLOSE OF THE YEAR

No atypical or unusual transactions have been carried out subsequent to 31 December 2015 that would call for changes to the consolidated financial statements at 31 December 2015.

The entire equity interest in Endeavour (Hydralok brand), based in Bath, England, was acquired on 22 January 2016. This company manufactures machinery and systems for joining hydraulic pipes. The purchase is part of a program to strengthen and rationalize Interpump's direct commercial presence in the various international markets. Possession of a company that manufactures crimping systems enables Interpump not only to sell them, but also to equip all international branches with the equipment necessary to commercialize joined hydraulic pipes, which is an important after sales service. During the year ended 31 March 2015, Endeavour reported sales of about GBP 1.9m (about €2.5m), with an EBITDA of about 16% of sales. Via IMM Hydraulics UK, Interpump paid GBP 1m for Endeavour, including cash of GBP 200k.

This price may be adjusted by a maximum of GBP 300k with reference to EBITDA at 31 March 2016.

**Directors' remarks on performance
in Q4 2015**

Q4 consolidated income statements

| (€/000) | <i>2015</i> | <i>2014</i> |
|--|----------------|----------------|
| Net sales | 213,050 | 161,934 |
| Cost of products sold | (141,045) | (103,635) |
| Gross industrial margin | 72,005 | 58,299 |
| <i>% on net sales</i> | <i>33.8%</i> | <i>36.0%</i> |
| Other operating revenues | 3,619 | 4,172 |
| Distribution costs | (21,576) | (17,617) |
| General and administrative expenses | (26,356) | (21,608) |
| Other operating costs | (1,629) | (1,916) |
| EBIT | 26,063 | 21,330 |
| <i>% on net sales</i> | <i>12.2%</i> | <i>13.2%</i> |
| Financial income | 2,542 | 2,090 |
| Financial expenses | (3,580) | (9,509) |
| Adjustment of the value of investments carried at equity | (69) | 315 |
| Profit for the year before taxes | 24,956 | 14,226 |
| Income taxes | (9,310) | (6,574) |
| Consolidated profit for the year | 15,646 | 7,652 |
| <i>% on net sales</i> | <i>7.3%</i> | <i>4.7%</i> |
| Due to: | | |
| Parent company's shareholders | 15,358 | 7,560 |
| Subsidiaries' minority shareholders | 288 | 92 |
| Consolidated profit for the year | 15,646 | 7,652 |
| EBITDA | 38,945 | 30,421 |
| <i>% on net sales</i> | <i>18.3%</i> | <i>18.8%</i> |
| Shareholders' equity | 621,318 | 466,550 |
| Net debt | 254,987 | 151,969 |
| Payables for the acquisition of investments | 23,209 | 74,075 |
| Capital employed | 899,514 | 692,594 |
| Unannualized ROCE | 2.9% | 3.1% |
| Unannualized ROE | 2.5% | 1.6% |
| Basic earnings per share | 0.144 | 0.073 |
| 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 organization's operating performance. The management considers EBITDA to be a significant parameter for assessment of the company's performance since it is not influenced by the effects of the different criteria used to determine taxable income, the amount and characteristics of capital employed and the related depreciation policies. The criterion for the determination of EBITDA applied by the company may differ from that used by other companies/groups and hence the value of this parameter may not be directly comparable with the EBITDA values disclosed by other entities.

The scope of consolidation in Q4 2015 includes the Walvoil Group, Inoxihp, and Bertoli and Osper, none of which were present in Q4 2014. The notes to this interim board of directors' report provide like for like information.

NET SALES

Net sales in Q4 2015 totaled €213.0m, up by 31.6% with respect to sales in 2014 (€161.9m). On a like for like basis growth was 7.6% (+2.7% net also of exchange differences).

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

| (€/000) | <u>Italy</u> | <u>Rest of Europe</u> | <u>North America</u> | <u>Far East and Oceania</u> | <u>Rest of the World</u> | <u>Total</u> |
|--|---------------|-----------------------|----------------------|-----------------------------|--------------------------|----------------|
| <i>Q4 2015</i> | | | | | | |
| Hydraulic Sector | 25,865 | 45,486 | 34,313 | 9,419 | 15,168 | 130,251 |
| Water Jetting Sector | <u>6,736</u> | <u>22,789</u> | <u>34,366</u> | <u>12,655</u> | <u>6,253</u> | <u>82,799</u> |
| Total | <u>32,601</u> | <u>68,275</u> | <u>68,679</u> | <u>22,074</u> | <u>21,421</u> | <u>213,050</u> |
| <i>Q4 2014</i> | | | | | | |
| Hydraulic Sector | 17,791 | 32,753 | 25,617 | 5,427 | 13,160 | 94,748 |
| Water Jetting Sector | <u>5,216</u> | <u>20,021</u> | <u>26,410</u> | <u>10,591</u> | <u>4,948</u> | <u>67,186</u> |
| Total | <u>23,007</u> | <u>52,774</u> | <u>52,027</u> | <u>16,018</u> | <u>18,108</u> | <u>161,934</u> |
| <i>2015/2014 percentage changes</i> | | | | | | |
| Hydraulic Sector | +45.4% | +38.9% | +33.9% | +73.6% | +15.3% | +37.5% |
| Water Jetting Sector | +29.1% | +13.8% | +30.1% | +19.5% | +26.4% | +23.2% |
| Total | +41.7% | +29.4% | +32.0% | +37.8% | +18.3% | +31.6% |
| <i>2015/2014 like for like changes (%)</i> | | | | | | |
| Hydraulic Sector | +10.4% | +0.6% | +0.7% | +1.0% | +0.3% | +2.5% |
| Water Jetting Sector | -20.4% | +4.8% | +29.7% | +15.9% | +12.2% | +14.9% |
| Total | +3.4% | +2.2% | +15.4% | +10.8% | +3.6% | +7.6% |

The like for like analysis net of exchange differences shows a decline of 0.9% in the Hydraulic Sector and 7.7% growth in the Water Jetting Sector.

PROFITABILITY

The cost of sales accounted for 66.2% of turnover (64.0% in Q4 2014). Production costs, which totaled €58.3m in Q4 2015 (€43.5m in Q4 2014, which did not include the costs of the Walvoil Group, Inoxihp, Bertoli and Osper), accounted for 27.4% of sales (26.8% in 2014). Like for like production costs were substantially unchanged with respect to Q4 2014 (-0.1%), with an 1.9 percentage point fall in their incidence on sales. The purchase cost of raw materials and components sourced on the market, including changes in inventories, was €82.7m (€60.2m in the equivalent period of 2014, which however did not include the costs of the Walvoil Group, Inoxihp, Bertoli and Osper). The percent incidence of purchase costs, including the change in inventories, was 38.8% compared to 37.2% in Q4 2014 (the percent incidence of like for like purchase costs is 39.4%).

Distribution costs were 6.2% higher like for like (+1.3% net of exchange differences) with respect to Q4 2014, with an incidence on sales that fell by 0.2 percentage points.

General and administrative expenses, again like for like, increased by 1.3% (-2.4% net of exchange differences) with respect to Q4 2014, while the incidence on sales was 0.7% lower.

EBITDA totaled €38.9m (18.3% of sales) compared to €30.4m in Q4 2014, which represented 18.8% of sales, reflecting a 28.0% increase. On a like for like basis EBITDA grew by 7.5% to €32.7m (18.8% of sales). The following table shows EBITDA for each business sector:

| | <i>Q4 2015</i> | <i>% on</i> | <i>Q4 2014</i> | <i>% on</i> | <i>Growth/</i> |
|-----------------------|----------------------|---------------|----------------------|---------------|--------------------|
| | <i>€/000</i> | <i>total</i> | <i>€/000</i> | <i>total</i> | <i>Contraction</i> |
| | | <i>sales*</i> | | <i>sales*</i> | |
| Hydraulic Sector | 19,190 | 14.7% | 14,201 | 15.0% | +35.1% |
| Water Jetting Sector | 19,765 | 23.7% | 16,173 | 24.0% | +22.2% |
| Other Revenues Sector | (10) | n.s. | 47 | n.s. | n.s. |
| Total | <u>38,945</u> | 18.3% | <u>30,421</u> | 18.8% | +28.0% |

* = Total sales include also include sales to other group companies, while the sales analyzed previously are exclusively those external to the group (see Note 2 to the Consolidated Financial Statements at 31 December 2015). 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 totaled €14.3m (14.8% of net sales). Like for like EBITDA for the Water Jetting Sector was €18.4m (23.7% of sales), reflecting an increase of 13.7%.

EBIT stood at €26.1m (12.2% of sales) compared to €1.3m in Q4 2014 (13.2% of sales), reflecting an increase of 22.2%. Like for like EBIT increased by 11.1%, reaching €23.7m or 13.6% of sales, up by 0.4 percentage points.

Financing management generated net financial expenses of €1.0m (€7.4m in Q4 2014). The net financial expenses incurred in 2014, on the other hand, included €6.4m relating to the adjustment of payables following the purchase of equity investments.

Q4 closed with consolidated net profit of €15.6m (€7.7m in Q4 2014), reflecting a rise of 104.5%.

Basic earnings per share were €0.144 (€0.073 in Q42014).

Sant'Ilario d'Enza (RE), 12 February 2016

For the Board of Directors
Fulvio Montipò
Chairman and Chief Executive Officer

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 (RE), 12 February 2016

Carlo Banci
Manager responsible for preparing
company accounting documents

Financial statements and notes

Consolidated balance sheet

| (€/000) | <u>Notes</u> | <u>31/12/2015</u> | <u>31/12/2014</u> |
|----------------------------------|--------------|-------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 135,130 | 87,159 |
| Trade receivables | | 178,799 | 135,634 |
| Inventories | 4 | 238,637 | 182,463 |
| Tax receivables | | 15,554 | 10,477 |
| Derivative financial instruments | | 2 | - |
| Other current assets | | 7,807 | 6,855 |
| Total current assets | | <u>575,929</u> | <u>422,588</u> |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 286,066 | 209,073 |
| Goodwill | 1 | 347,388 | 279,373 |
| Other intangible assets | | 33,193 | 24,649 |
| Other financial assets | | 1,025 | 994 |
| Tax receivables | | 1,934 | 2,456 |
| Deferred tax assets | | 26,276 | 22,035 |
| Other non-current assets | | 1,209 | 1,380 |
| Total non-current assets | | <u>697,091</u> | <u>539,960</u> |
| Assets held for sale | | - | 615 |
| Total assets | | <u>1,273,020</u> | <u>963,163</u> |

| (€/000) | <u>Notes</u> | <u>31/12/2015</u> | <u>31/12/2014</u> |
|---|--------------|-------------------|-------------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | | 94,098 | 80,273 |
| Payables to banks | | 5,735 | 27,770 |
| Interest-bearing financial payables (current portion) | | 83,833 | 64,298 |
| Derivative financial instruments | | 77 | 169 |
| Tax payables | | 21,308 | 11,665 |
| Other current liabilities | | 48,840 | 38,123 |
| Provisions for risks and charges | | 4,423 | 4,162 |
| Total current liabilities | | 258,314 | 226,460 |
| Non-current liabilities | | | |
| Interest-bearing financial payables | | 300,549 | 147,060 |
| Liabilities for employee benefits | | 17,264 | 14,940 |
| Deferred tax liabilities | | 50,875 | 33,436 |
| Other non-current liabilities | | 22,017 | 72,605 |
| Provisions for risks and charges | | 2,683 | 1,949 |
| Total non-current liabilities | | 393,388 | 269,990 |
| Liabilities held for sale | | - | 163 |
| Total liabilities | | 651,702 | 496,613 |
| SHAREHOLDERS' EQUITY | | | |
| | 6 | | |
| Share capital | | 56,032 | 53,871 |
| Legal reserve | | 11,323 | 11,323 |
| Share premium reserve | | 136,794 | 101,237 |
| Reserve for valuation of hedging derivatives at fair value | | (13) | (19) |
| Reserve for restatement of defined benefit plans | | (3,501) | (5,273) |
| Translation provision | | 22,655 | 3,809 |
| Other reserves | | 392,557 | 295,747 |
| Group shareholders' equity | | 615,847 | 460,695 |
| Minority interests | | 5,471 | 5,855 |
| Total shareholders' equity | | 621,318 | 466,550 |
| Total shareholders' equity and liabilities | | 1,273,020 | 963,163 |

Consolidated income statement for the year

| (€/000) | <u>Notes</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|----------------|----------------|
| Net sales | | 894,928 | 671,999 |
| Cost of products sold | | (577,310) | (426,585) |
| Gross industrial margin | | 317,618 | 245,414 |
| Other net revenues | | 13,133 | 12,563 |
| Distribution costs | | (84,321) | (68,074) |
| General and administrative expenses | | (105,670) | (80,517) |
| Other operating costs | | (3,864) | (5,019) |
| Ordinary profit before financial expenses | | 136,896 | 104,367 |
| Financial income | 7 | 43,321 | 8,144 |
| Financial expenses | 7 | (16,011) | (19,504) |
| Adjustment of the value of investments carried at equity | | (262) | 102 |
| Profit for the year before taxes | | 163,944 | 93,109 |
| Income taxes | | (46,955) | (35,367) |
| Consolidated profit for the year | | 116,989 | 57,742 |
| Due to: | | | |
| Parent company's shareholders | | 116,322 | 56,936 |
| Subsidiaries' minority shareholders | | 667 | 806 |
| Consolidated profit for the year | | 116,989 | 57,742 |
| Basic earnings per share | 8 | 1.089 | 0.541 |
| Diluted earnings per share | 8 | 1.074 | 0.531 |

Comprehensive consolidated income statements for the year

| (€/000) | <u>2015</u> | <u>2014</u> |
|--|-----------------------|----------------------|
| Consolidated profit for the year (A) | 116,989 | 57,742 |
| Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the year | | |
| <i>Accounting of interest rate hedging derivatives recorded in accordance with the cash flow hedging method:</i> | | |
| - Profit (Loss) on derivatives for the year | - | - |
| - Minus: Adjustment for reclassification of profits (losses) to the income statement | - | - |
| - Minus: Adjustment for recognition of fair value to reserves in the prior year | = | <u>50</u> |
| <i>Total</i> | - | <u>50</u> |
| <i>Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:</i> | | |
| - Profit (Loss) on derivatives for the year | (19) | (27) |
| - Minus: Adjustment for reclassification of profits (losses) to the income statement | - | (14) |
| - Minus: Adjustment for recognition of fair value to reserves in the prior year | <u>27</u> | <u>-</u> |
| <i>Total</i> | 8 | (41) |
| <i>Profits (Losses) arising from the translation to euro of the financial statements of foreign companies</i> | 18,992 | 23,275 |
| <i>Profits (Losses) of companies carried at equity</i> | (16) | 68 |
| <i>Related taxes</i> | <u>(2)</u> | <u>(1)</u> |
| Total other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the year, net of the tax effect (B) | <u>18,982</u> | <u>23,351</u> |
| Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the year | | |
| <i>Profit (loss) deriving from the restatement of defined benefit plans</i> | 2,479 | (2,640) |
| <i>Related taxes</i> | (683) | 726 |
| Total Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the year, net of the tax effect (C) | 1,796 | (1,914) |
| Comprehensive consolidated profit for the year (A) + (B) + (C) | <u>137,767</u> | <u>79,179</u> |
| Due to: | | |
| Parent company's shareholders | 136,946 | 77,960 |
| Subsidiaries' minority shareholders | 821 | 1,219 |
| Comprehensive consolidated profit for the year (A) + (B) + (C) | <u>137,767</u> | <u>79,179</u> |

Q4 consolidated income statements

| (€/000) | | <u>2015</u> | <u>2014</u> |
|---|---|----------------|----------------|
| Net sales | | 213,050 | 161,934 |
| Cost of products sold | | (141,045) | (103,635) |
| Gross industrial margin | | 72,005 | 58,299 |
| Other net revenues | | 3,619 | 4,172 |
| Distribution costs | | (21,576) | (17,617) |
| General and administrative expenses | | (26,356) | (21,608) |
| Other operating costs | | (1,629) | (1,916) |
| Ordinary profit before financial expenses | | 26,063 | 21,330 |
| Financial income | 7 | 2,542 | 2,090 |
| Financial expenses | 7 | (3,580) | (9,509) |
| Adjustment of the value of investments carried at equity | | (69) | 315 |
| Profit for the period before taxes | | 24,956 | 14,226 |
| Income taxes | | (9,310) | (6,574) |
| Consolidated net profit for the period | | 15,646 | 7,652 |
| Due to: | | | |
| Parent company's shareholders | | 15,358 | 7,560 |
| Subsidiaries' minority shareholders | | 288 | 92 |
| Consolidated net profit for the period | | 15,646 | 7,652 |
| Basic earnings per share | 8 | 0.144 | 0.073 |
| Diluted earnings per share | 8 | 0.142 | 0.071 |

Comprehensive consolidated income statement for Q4

| (€/000) | <u>2015</u> | <u>2014</u> |
|--|----------------------|-----------------------|
| Consolidated profit for the period (A) | 15,646 | 7,652 |
| Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period | | |
| <i>Accounting of interest rate hedging derivatives recorded in accordance with the cash flow hedging method:</i> | | |
| - Profit (Loss) on derivative financial instruments for the period | - | - |
| - Minus: Adjustment for reclassification of profits (losses) to the income statement | - | - |
| - Minus: Adjustment for recognition of fair value to reserves in the prior period | = | = |
| <i>Total</i> | - | - |
| <i>Accounting of exchange risk derivative hedges recorded in accordance with the cash flow hedging method:</i> | | |
| - Profit (Loss) on derivative financial instruments for the period | (25) | (18) |
| - Minus: Adjustment for reclassification of profits (losses) to the income statement | - | - |
| - Minus: Adjustment for recognition of fair value to reserves in the prior period | = | = |
| <i>Total</i> | (25) | (18) |
| <i>Profits (Losses) arising from the translation to euro of the financial statements of foreign companies</i> | 7,514 | 6,127 |
| <i>Profits (Losses) of companies carried at equity</i> | 4 | 24 |
| <i>Related taxes</i> | <u>8</u> | <u>5</u> |
| Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B) | <u>7,501</u> | <u>6,138</u> |
| Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period, net of tax effect (C) | | |
| Profit (loss) deriving from the restatement of defined benefit plans | 2,479 | (2,640) |
| <i>Related taxes</i> | <u>(683)</u> | <u>726</u> |
| Total Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period, net of the tax effect (C) | <u>1,796</u> | <u>(1,914)</u> |
| Comprehensive consolidated profit for the period (A) + (B) + (C) | <u>24,943</u> | <u>11,876</u> |
| Due to: | | |
| Parent company's shareholders | 24,598 | 11,691 |
| Subsidiaries' minority shareholders | 345 | 185 |
| Comprehensive consolidated profit for the period | <u>24,943</u> | <u>11,876</u> |

Consolidated cash flow statement for the year

| (€/000) | <u>2015</u> | <u>2014</u> |
|--|-------------------------|------------------------|
| Cash flow from operating activities | | |
| Pre-tax profit | 163,944 | 93,109 |
| Adjustments for non-cash items: | | |
| Capital losses (Capital gains) from the sale of fixed assets | (3,076) | (1,519) |
| Capital losses (Capital gains) from the sale of business divisions and equity investments | - | (406) |
| Amortization and depreciation, impairment and reinstatement of value | 41,886 | 30,085 |
| Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group | 1,370 | 1,370 |
| Loss (Profit) from investments | 262 | (102) |
| Net change in risk funds and allocations for employee benefits | (973) | (147) |
| Outlays for tangible fixed assets destined for hire | (11,201) | (7,180) |
| Proceeds from the sale of fixed assets granted for hire | 7,643 | 3,792 |
| Financial expenses (Income), net | (27,310) | 11,360 |
| | <u>172,545</u> | <u>130,362</u> |
| (Increase) decrease in trade receivables and other current assets | 2,105 | (5,503) |
| (Increase) decrease in inventories | 3,412 | (14,145) |
| Increase (decrease) in trade payables and other current liabilities | (13,405) | (4,107) |
| Interest paid | (5,838) | (5,823) |
| Currency exchange gains realized | 2,701 | 1,185 |
| Taxes paid | (47,666) | (29,911) |
| Net cash from operating activities | <u>113,854</u> | <u>72,058</u> |
| Cash flows from investing activities | | |
| Outlay for the acquisition of investments, net of received cash and including treasury stock assigned | (176,227) | (47,784) |
| Disposal of investments and lines of business including transferred cash | 746 | 796 |
| Capital expenditure in property, plant and equipment | (27,502) | (32,575) |
| Proceeds from sales of tangible fixed assets | 1,594 | 1,512 |
| Increase in intangible fixed assets | (3,054) | (3,000) |
| Received financial income | 714 | 637 |
| Other | 290 | 883 |
| Net liquidity used in investing activities | <u>(203,439)</u> | <u>(79,531)</u> |
| Cash flows of financing activity | | |
| Disbursals (repayments) of loans | 145,847 | 28,325 |
| Dividends paid | (20,390) | (18,166) |
| Outlays for purchase of treasury stock | (32,709) | (38,299) |
| Sale of treasury stock for the acquisition of equity investments | 60,891 | 7,026 |
| Proceeds from the sale of treasury stock to beneficiaries of stock options | 8,166 | 4,626 |
| Loans repaid (granted) by/to non-consolidated subsidiaries | - | 21 |
| Disbursals (repayments) of loans from (to) shareholders | (409) | (248) |
| Change in other financial assets | (1) | 1,017 |
| Payment of financial leasing installments (principal portion) | (3,368) | (4,306) |
| Net liquidity generated (used by) financing activities | <u>158,027</u> | <u>(20,004)</u> |
| Net increase (decrease) of cash and cash equivalents | <u>68,442</u> | <u>(27,477)</u> |

| (€/000) | <u>2015</u> | <u>2014</u> |
|--|----------------|-----------------|
| Net increase (decrease) of cash and cash equivalents | 68,442 | (27,477) |
| Exchange differences from the translation of cash of companies in areas outside the EU | 1,129 | 2,445 |
| Opening cash and equivalents of companies consolidated for the first time with the line-by-line method | 435 | 41 |
| Cash and cash equivalents at the beginning of the year | 59,389 | 84,380 |
| Cash and cash equivalents at the end of the year | 129,395 | 59,389 |

Cash and cash equivalents can be broken down as follows:

| | 31/12/2015 | 31/12/2014 |
|---|----------------|-----------------|
| | €/000 | €/000 |
| Cash and cash equivalents from the balance sheet | 135,130 | 87,159 |
| Payables to banks (current account overdrafts and advances subject to collection) | <u>(5,735)</u> | <u>(27,770)</u> |
| Cash and cash equivalents from the cash flow statement | <u>129,395</u> | <u>59,389</u> |

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 |
|---|---------------|---------------|-----------------------|--|--|-----------------------|----------------|----------------------------|--------------------|----------------|
| <i>Balances at 1 January 2014</i> | 55,003 | 11,323 | 125,039 | (27) | (3,396) | (19,084) | 257,828 | 426,686 | 6,263 | 432,949 |
| Recording in the income statement of the fair value of the stock options assigned and exercisable | - | - | 1,370 | - | - | - | - | 1,370 | - | 1,370 |
| Purchase of treasury stock | (1,986) | - | (35,970) | - | - | - | (343) | (38,299) | - | (38,299) |
| Sale of treasury stock to the beneficiaries of stock options | 482 | - | 4,144 | - | - | - | - | 4,626 | - | 4,626 |
| Sale of treasury stock to pay for equity investments | 372 | - | 6,654 | - | - | - | - | 7,026 | - | 7,026 |
| Dividends paid | - | - | - | - | - | - | (18,108) | (18,108) | (58) | (18,166) |
| Purchase of additional interest in Hydrocar Chile | - | - | - | - | - | - | (542) | (542) | (1,870) | (2,412) |
| Effect of Hydrocar Chile-Syscam combination | - | - | - | - | - | - | (82) | (82) | 289 | 207 |
| Acquisition of residual interest in HC Hydraulics Technologies (P) | - | - | - | - | - | - | - | - | (1) | (1) |
| Copa-Golf merger effect | - | - | - | - | - | - | 58 | 58 | (58) | - |
| Acquisition of IMM | - | - | - | - | - | - | - | - | 71 | 71 |
| Comprehensive Profit (loss) for 2014 | - | - | - | 8 | (1,877) | 22,893 | 56,936 | 77,960 | 1,219 | 79,179 |
| <i>Balances at 31 December 2014</i> | <i>53,871</i> | <i>11,323</i> | <i>101,237</i> | <i>(19)</i> | <i>(5,273)</i> | <i>3,809</i> | <i>295,747</i> | <i>460,695</i> | <i>5,855</i> | <i>466,550</i> |
| Recording in the income statement of the fair value of the stock options assigned and exercisable | - | - | 1,370 | - | - | - | - | 1,370 | - | 1,370 |
| Purchase of treasury stock | (1,322) | - | (31,387) | - | - | - | - | (32,709) | - | (32,709) |
| Sale of treasury stock to the beneficiaries of stock options | 921 | - | 7,245 | - | - | - | - | 8,166 | - | 8,166 |
| Sale of treasury stock for payment of equity investments | 2,562 | - | 58,329 | - | - | - | - | 60,891 | - | 60,891 |
| Purchase of residual interests in subsidiaries | - | - | - | - | - | - | (191) | (191) | (280) | (471) |
| Dividends paid | - | - | - | - | - | - | (19,321) | (19,321) | (925) | (20,246) |
| Comprehensive Profit (loss) for 2015 | - | - | - | 6 | 1,772 | 18,846 | 116,322 | 136,946 | 821 | 137,767 |
| <i>Balances at 31 December 2015</i> | <i>56,032</i> | <i>11,323</i> | <i>136,794</i> | <i>(13)</i> | <i>(3,501)</i> | <i>22,655</i> | <i>392,557</i> | <i>615,847</i> | <i>5,471</i> | <i>621,318</i> |

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 interim board of directors' report at 31 December 2015 was approved by the Board of Directors meeting held on this day (12 February 2016).

Basis of preparation

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

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.

The interim report is presented 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 the 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 standards 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 recognize 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 this standard, which was subsequently amended on 28 October 2010 and again in mid-December 2011. The standard, which is applicable from 1 January 2018, constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities, and for the derecognition of financial assets from the financial statements. Specifically, the new standard uses a single approach to financial assets based on the methods of management of financial instruments and on the characteristics of the contractual cash flows of financial assets in order to establish the measurement criterion, replacing the various rules contained in IAS 39. In contrast, for financial liabilities the main change concerns the accounting treatment for changes in the fair value of a financial liability designated as a financial liability measured at fair value in profit and loss, in the event wherein such changes are due to changes in the credit rating of the liabilities in question. In accordance with the new standard, such changes must be recorded in the comprehensive income statement and cannot thereafter be derecognised in profit and loss.
- 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 recognizing 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 recognized 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 harmonize 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 IFRS 15 –* On 11 September 2015 IASB released an amendment whereby the application of the standard is deferred by one year, i.e. to 1 January 2018. Early adoption is however permitted.
- *Amendment to IAS 27 – Separate financial statements.* On 12 August 2014 IASB published an amendment to the standard that will allow entities to use the equity method to recognize investments in subsidiaries, joint ventures and associates in separate financial statements. The amendment is effective from 1 January 2016.
- *Annual improvements to IFRS 2012–2014 cycle –* On 15 December 2015 the European Union issued regulation 2015/2343 adopting the annual improvements to IFRS 2012–2014 cycle, which was issued by the IASB on 25 September 2014 and relates to a number of amendments to the IAS/IFRS. 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; IFRS 7, with a clarification to establish if and when a residual involvement in a transferred financial asset exists in the presence of an associated service contract, thus determining the required level of disclosure; IAS 19, which clarifies that the currency of securities used as a benchmark to estimate 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.
- *Amendments to IAS 1: Presentation of financial statements - disclosure initiative –* On 18 December 2015 the European Union issued regulation 2015/2406 adopting the

amendments that seek to improve the effectiveness of disclosures and encourage companies to use professional judgment when determining the information to be reported in the financial statements pursuant to IAS 1. The amendments will be applicable to financial periods starting on or after 1 January 2016.

- *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 recognize a profit or a loss depends on whether the asset subject to sale or contribution is a business. In December 2015 the IASB issued an amendment that defers the entry into force of these amendments for an indefinite period.
- *Amendments to IAS 16 and IAS 41: agriculture - bearer plants* – On 23 November 2015 the European Union issued regulation 2015/2113 adopting these amendments. The amendments, which do not concern the Interpump Group, will be applicable to financial periods starting on or after 1 January 2016.
- *Amendments to IFRS 11: accounting for acquisitions of interests in joint operations* – On 24 November 2015 the European Union issued regulation 2015/2173 adopting these amendments, which provide guidance on the accounting for acquisitions of interests in joint operations that comprise a business activity. The amendments apply to financial periods starting on or after 1 January 2016.
- *Amendments to IAS 16 and IAS 38: property, plant and equipment and intangible assets* – On 2 December 2015 the European Union issued regulation 2015/2231 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 apply, at the latest, to financial periods starting on or after 1 January 2016. It is deemed that adoption of the standard will have no significant effects on the Group's financial statements.
- *Amendments to IAS 1: presentation of financial statements - disclosure initiative* – On 18 December 2015 the European Union issued regulation 2015/2406 adopting these amendments that seek to improve the effectiveness of disclosures and encourage companies to use professional judgment when determining the information to be reported in the financial statements pursuant to IAS 1. The amendments apply, at the latest, to financial periods starting on or after 1 January 2016.

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 January 2016, 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 December 2015

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1. Consolidation basis and goodwill

At 31 December 2015 the scope of consolidation includes the Parent company (which is included in the Water Jetting Sector) and the following subsidiaries:

| <i>Company</i> | <i>Head office</i> | <i>Sector</i> | <i>Share capital</i> <i>€/000</i> | <i>% stake</i> <i>at 31/12/15</i> |
|---|------------------------------|---------------|--------------------------------------|--------------------------------------|
| Bertoli S.r.l. | S.Polo di Torriale (PR) | Water | 50 | 100.00% |
| General Pump Inc. | Minneapolis (USA) | Water | 1,854 | 100.00% |
| Hammelmann GmbH | Oelde (Germany) | Water | 25 | 100.00% |
| Hammelmann Australia Pty Ltd (1) | Melbourne (Australia) | Water | 472 | 100.00% |
| Hammelmann Corporation Inc (1) | Miamisburg (USA) | Water | 39 | 100.00% |
| Hammelmann S. L. (1) | Zaragoza (Spain) | Water | 500 | 100.00% |
| Hammelmann Pumps Systems Co Ltd (1) | Tianjin (China) | Water | 871 | 90.00% |
| Hammelmann Bombas e Sistemas Ltda (1) | San Paolo (Brazil) | Water | 739 | 100.00% |
| Inoxihp S.r.l. | Nova Milanese (MI) | Water | 119 | 52.72% |
| NLB Corporation Inc. | Detroit (USA) | Water | 12 | 100.00% |
| SIT S.p.A. | S.Ilario d'Enza (RE) | Water | 105 | 65.00% |
| Interpump Hydraulics S.p.A. | Calderara di Reno (BO) | Hydr. | 2,632 | 100.00% |
| HS Penta S.p.A (2) | Faenza (RA) | Hydr. | 4,244 | 100.00% |
| HS Penta Africa Pty Ltd (9) | Johannesburg (South Africa) | Hydr. | - | 100.00% |
| Hypress Africa Pty Ltd (9) | Boksburg (South Africa) | Hydr. | 796 | 100.00% |
| Interpump Hydraulics Middle East FZCO (2) and (9) | Dubai (UAE) | Hydr. | 326 | 100.00% |
| Oleodinamica Panni S.r.l. (2) | Tezze sul Brenta (VI) | Hydr. | 2,000 | 100.00% |
| Contarini Leopoldo S.r.l. (2) | Lugo (RA) | Hydr. | 47 | 100.00% |
| Unidro S.a.r.l. (3) | Barby (France) | Hydr. | 8 | 100.00% |
| Copa Hydrosystem Odd (3) | Troyan (Bulgaria) | Hydr. | 3 | 95.00% |
| AVI S.r.l. (2) | Varedo (MB) | Hydr. | 10 | 100.00% |
| Hydrocar Chile S.A. (2) | Santiago (Chile) | Hydr. | 129 | 90.00% |
| Hydroven S.r.l. (2) | Tezze sul Brenta (VI) | Hydr. | 200 | 100.00% |
| Interpump Hydraulics France S.a.r.l. (2) | Ennery (France) | Hydr. | 76 | 99.77% |
| Interpump Hydraulics India Private Ltd (2) | Hosur (India) | Hydr. | 682 | 100.00% |
| Interpump Hydraulics Brasil Ltda (2) | Caxia do Sul (Brazil) | Hydr. | 12,899 | 100.00% |
| Muncie Power Prod. Inc. (2) | Muncie (USA) | Hydr. | 784 | 100.00% |
| American Mobile Power Inc. (4) | Fairmount (USA) | Hydr. | 3,410 | 80.00% |
| Wuxi Interpump Weifu Hydraulics Company Ltd (2) | Wuxi (China) | Hydr. | 2,095 | 65.00% |
| Hydrocontrol S.p.A. (2) | Osteria Grande (BO) | Hydr. | 1,350 | 100.00% |
| Hydrocontrol Inc. (5) | Minneapolis (USA) | Hydr. | 763 | 100.00% |
| HC Hydraulics Technologies(P) Ltd (5) | Bangalore (India) | Hydr. | 4,120 | 100.00% |
| Aperlai HK Ltd (5) | Hong Kong | Hydr. | 77 | 100.00% |
| HTIL (6) | Hong Kong | Hydr. | 98 | 85.00% |
| Guangzhou Bushi Hydraulic Technology Ltd (7) | Guangzhou (China) | Hydr. | 3,720 | 100.00% |
| Galtech Canada Inc. (5) | Terrebonne, Quebec (Canada) | Hydr. | 76 | 100.00% |
| IMM Hydraulics S.p.A. (2) | Atessa (Switzerland) | Hydr. | 520 | 100.00% |
| Hypress S.r.l. (8) | Atessa (Switzerland) | Hydr. | 50 | 100.00% |
| IMM Hydraulics Ltd (8) | Halesowen (UK) | Hydr. | 1 | 100.00% |
| Hypress Hydraulik GmbH (8) | Meinerzhagen (Germany) | Hydr. | 52 | 100.00% |
| Hypress France S.a.r.l. (8) | Strasbourg (France) | Hydr. | 3,616 | 100.00% |
| IMM Hydro Est (8) | Catcau Cluj Napoca (Romania) | Hydr. | 3,155 | 100.00% |
| Dyna Flux S.r.l. (8) | Bolzaneto (GE) | Hydr. | 40 | 51.00% |

| <i>Company</i> | <i>Head office</i> | <i>Sector</i> | <i>Share capital €/000</i> | <i>% stake at 31/12/15</i> |
|---|--------------------------|---------------|--------------------------------|------------------------------------|
| Walvoil S.p.A. | Reggio Emilia | Hydr. | 5,000 | 100.00% |
| Walvoil Fluid Power Corp. (10) | Tulsa (USA) | Hydr. | 41 | 100.00% |
| Walvoil Fluid Power Shanghai Co. Ltd (10) | Shanghai (China) | Hydr. | 1,872 | 100.00% |
| Walvoil Fluid Power Pvt Ltd (10) | Bangalore (India) | Hydr. | 683 | 100.00% |
| Walvoil Fluid Power Korea (10) | Pyeongtaek (South Korea) | Hydr. | 453 | 100.00% |
| Walvoil Fluid Power France S.a.r.l. (10) | Vritz (France) | Hydr. | 10 | 100.00% |
| Walvoil Fluid Power Australasia (10) | Melbourne (Australia) | Hydr. | 7 | 100.00% |
| Teknova S.r.l. (in liquidation) | Reggio Emilia | Other | 28 | 100.00% |

(1) = controlled by Hammelmann GmbH

(2) = controlled by Interpump Hydraulics S.p.A.

(3) = controlled by Contarini Leopoldo S.r.l.

(4) = controlled by Muncie Power Inc.

(5) = controlled by Hydrocontrol S.p.A.

The other companies are controlled directly by Interpump Group S.p.A.

(6) = controlled by Aperlai HK Ltd

(7) = controlled by HTIL

(8) = controlled by IMM Hydraulics S.p.A.

(9) = controlled by HS Penta S.p.A.

(10) = controlled by Walvoil S.p.A.

The Walvoil Group, Inoxihp, Bertoli and Osper (merged into Interpump Hydraulics Brasil together with Takarada, Walvoil Fluid Power do Brasil and Interpump Hydraulics do Brasil) have been 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 2015 is not significant.

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 shareholder of Inoxihp S.r.l. is entitled to dispose of its 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 10 and IFRS 3, American Mobile Power 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 actual data for American Mobile Power and a business plan for Inoxihp. 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 recognized in the income statement.

The changes in goodwill in 2015 were as follows:

| <i>Company:</i> | Balance at 31/12/2014 | Increases (Decreases) in the year | Changes due to <u>foreign exchange</u> differences | Balance at 31/12/2015 |
|-----------------------|--------------------------|---|--|--------------------------|
| Water Jetting Sector | 130,456 | 24,512 | 4,290 | 159,258 |
| Hydraulic Sector | <u>148,917</u> | <u>39,035</u> | <u>178</u> | <u>188,130</u> |
| <i>Total goodwill</i> | <u>279,373</u> | <u>63,547</u> | <u>4,468</u> | <u>347,388</u> |

The increases in 2015 refer to:

- €37,896k for the Walvoil Group acquisition (Hydraulic Sector);
- €21,963k for the acquisition of Inoxihp (Water Jetting Sector), inclusive of the debt for the associated put options;
- €2,549k for the acquisition of Bertoli (Water Jetting Sector);
- €1,418k for the acquisition of Osper (Hydraulic Sector).

The decreases are referred to recalculation of the debt for adjustment of the acquisition of minority stakes in Interpump Hydraulics International (Hydraulic Sector) in the amount of €279k.

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 and statutory auditors of the parent company and the cost of the Group's financial management, control and internal auditing functions, as well as consultancy costs and other related costs have been booked to the sectors on the basis of sales.

Business sectors

The Group is composed of the following business sectors:

Water Jetting Sector. This sector is mainly composed of high and very high pressure pumps and pumping systems used in a wide range of industrial sectors for the conveyance of fluids. High pressure plunger pumps are the main component of professional high pressure cleaners. These pumps are also employed for a broad range of industrial applications including car wash installations, forced lubrication systems for machine tools, and inverse osmosis systems for seawater desalination plants. Very high pressure pumps and systems are used for cleaning surfaces, ship hulls, various types of hoses, and also for removing machining burr, cutting and removing cement, asphalt, and paint coatings from stone, cement and metal surfaces, and for cutting solid materials. The Sector also include high pressure homogenizers with piston pumps that are mainly used by the food processing industry, but also in the chemicals and cosmetics sector.

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.

Until 30 September 2015, Interpump Engineering and Teknova were included in the Other Sector. Following the absorption of Interpump Engineering by Interpump Group S.p.A. with effect from 1 November 2015, the amounts relating to Interpump Engineering have been classified in the Water Jetting Sector for the entire year, not least in view of their low materiality.

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

| | Hydraulic Sector | | Water Jetting Sector | | Other | | Elimination entries | | Interpump Group | |
|--|------------------|----------------|----------------------|----------------|--------------|--------------|---------------------|----------------|-----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Net sales external to the Group | 560,271 | 396,204 | 334,657 | 275,795 | - | - | - | - | 894,928 | 671,999 |
| Sales between sectors | 235 | 187 | 1,588 | 1,162 | - | 2,777 | (1,823) | (4,126) | - | - |
| Total net sales | 560,506 | 396,391 | 336,245 | 276,957 | - | 2,777 | (1,823) | (4,126) | 894,928 | 671,999 |
| Cost of products sold | (384,098) | (267,173) | (194,927) | (160,766) | - | (1,739) | 1,715 | 3,093 | (577,310) | (426,585) |
| Gross industrial margin | 176,408 | 129,218 | 141,318 | 116,191 | - | 1,038 | (108) | (1,033) | 317,618 | 245,414 |
| <i>% on net sales</i> | <i>31.5%</i> | <i>32.6%</i> | <i>42.0%</i> | <i>42.0%</i> | - | <i>n.s.</i> | | | <i>35.5%</i> | <i>36.5%</i> |
| Other net revenues | 9,431 | 9,446 | 3,735 | 3,385 | - | 38 | (33) | (306) | 13,133 | 12,563 |
| Distribution costs | (48,130) | (38,226) | (36,195) | (29,856) | - | - | 4 | 8 | (84,321) | (68,074) |
| General and administrative expenses | (66,953) | (48,802) | (38,836) | (32,001) | (18) | (1,045) | 137 | 1,331 | (105,670) | (80,517) |
| Other operating costs | (3,163) | (2,169) | (701) | (2,850) | - | - | - | - | (3,864) | (5,019) |
| Ordinary profit before financial expenses | 67,593 | 49,467 | 69,321 | 54,869 | (18) | 31 | - | - | 136,896 | 104,367 |
| <i>% on net sales</i> | <i>12.1%</i> | <i>12.5%</i> | <i>20.6%</i> | <i>19.8%</i> | <i>n.s.</i> | <i>n.s.</i> | | | <i>15.3%</i> | <i>15.5%</i> |
| Financial income | 41,205 | 4,562 | 4,195 | 5,550 | - | 1 | (2,079) | (1,969) | 43,321 | 8,144 |
| Financial expenses | (11,923) | (15,391) | (6,162) | (6,075) | (5) | (7) | 2,079 | 1,969 | (16,011) | (19,504) |
| Dividends | - | - | 14,000 | 8,500 | - | - | (14,000) | (8,500) | - | - |
| Adjustment of investments carried at equity | (253) | 92 | (9) | 10 | - | - | - | - | (262) | 102 |
| Profit for the year before taxes | 96,622 | 38,730 | 81,345 | 62,854 | (23) | 25 | (14,000) | (8,500) | 163,944 | 93,109 |
| Income taxes | (24,557) | (17,345) | (22,081) | (17,894) | (317) | (128) | - | - | (46,955) | (35,367) |
| Consolidated profit for the year | 72,065 | 21,385 | 59,264 | 44,960 | (340) | (103) | (14,000) | (8,500) | 116,989 | 57,742 |
| Due to: | | | | | | | | | | |
| Parent company's shareholders | 71,537 | 20,632 | 59,125 | 44,907 | (340) | (103) | (14,000) | (8,500) | 116,322 | 56,936 |
| Subsidiaries' minority shareholders | 528 | 753 | 139 | 53 | - | - | - | - | 667 | 806 |
| Consolidated profit for the year | 72,065 | 21,385 | 59,264 | 44,960 | (340) | (103) | (14,000) | (8,500) | 116,989 | 57,742 |
| Further information required by IFRS 8 | | | | | | | | | | |
| Amortization, depreciation and write-downs | 28,635 | 18,905 | 13,251 | 11,172 | - | 8 | - | - | 41,886 | 30,085 |
| Other non-monetary costs | 2,418 | 2,641 | 2,986 | 3,250 | - | - | - | - | 5,404 | 5,891 |

Interpump Group business sector information
(Amounts shown in €/000)

Q4

| | Hydr. | | Water | | Other | | Elimination entries | | Interpump Group | |
|--|----------------|---------------|---------------|---------------|-------------|--------------|---------------------|----------------|-----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Net sales external to the Group | 130,251 | 94,748 | 82,799 | 67,186 | - | - | - | - | 213,050 | 161,934 |
| Sales between sectors | 80 | 24 | 480 | 299 | - | 2,118 | (560) | (2,441) | - | - |
| Total net sales | 130,331 | 94,772 | 83,279 | 67,485 | | 2,118 | (560) | (2,441) | 213,050 | 161,934 |
| Cost of products sold | (92,351) | (65,873) | (49,229) | (38,070) | - | (1,723) | 535 | 2,031 | (141,045) | (103,635) |
| Gross industrial margin | 37,980 | 28,899 | 34,050 | 29,415 | - | 395 | (25) | (410) | 72,005 | 58,299 |
| <i>% on net sales</i> | <i>29.1%</i> | <i>30.5%</i> | <i>40.9%</i> | <i>43.6%</i> | - | <i>n.s.</i> | | | <i>33.8%</i> | <i>36.0%</i> |
| Other net revenues | 2,384 | 3,319 | 1,258 | 941 | - | 1 | (23) | (89) | 3,619 | 4,172 |
| Distribution costs | (12,200) | (9,709) | (9,376) | (7,913) | - | - | - | 5 | (21,576) | (17,617) |
| General and administrative expenses | (16,382) | (12,855) | (10,012) | (8,895) | (10) | (352) | 48 | 494 | (26,356) | (21,608) |
| Other operating costs | (1,144) | (774) | (485) | (1,142) | - | - | - | - | (1,629) | (1,916) |
| Ordinary profit before financial expenses | 10,638 | 8,880 | 15,435 | 12,406 | (10) | 44 | - | - | 26,063 | 21,330 |
| <i>% on net sales</i> | <i>8.2%</i> | <i>9.4%</i> | <i>18.5%</i> | <i>18.4%</i> | <i>n.s.</i> | <i>n.s.</i> | | | <i>12.2%</i> | <i>13.2%</i> |
| Financial income | 2,050 | 866 | 1,043 | 1,772 | - | - | (551) | (548) | 2,542 | 2,090 |
| Q5 | | | | | | | | | | |
| Financial expenses | (2,762) | (7,939) | (1,368) | (2,115) | (1) | (3) | 551 | 548 | (3,580) | (9,509) |
| Adjustment of investments carried at equity | (66) | 279 | (3) | 36 | - | - | - | - | (69) | 315 |
| Profit for the period before taxes | 9,860 | 2,086 | 15,107 | 12,099 | (11) | 41 | - | - | 24,956 | 14,226 |
| Income taxes | (4,679) | (2,789) | (4,636) | (3,749) | 5 | (36) | - | - | (9,310) | (6,574) |
| Consolidated profit for the period | 5,181 | (703) | 10,471 | 8,350 | (6) | 5 | - | - | 15,646 | 7,652 |
| Due to: | | | | | | | | | | |
| Parent company's shareholders | 4,939 | (830) | 10,425 | 8,385 | (6) | 5 | - | - | 15,358 | 7,560 |
| Subsidiaries' minority shareholders | 242 | 127 | 46 | (35) | - | - | - | - | 288 | 92 |
| Consolidated profit for the period | 5,181 | (703) | 10,471 | 8,350 | (6) | 5 | - | - | 15,646 | 7,652 |
| Further information required by IFRS 8 | | | | | | | | | | |
| Amortization, depreciation and write-downs | 8,718 | 4,981 | 3,465 | 3,506 | - | 3 | - | - | 12,183 | 8,490 |
| Other non-monetary costs | 410 | 745 | 890 | 1,075 | - | - | - | - | 1,300 | 1,820 |

Financial position
(Amounts shown in €/000)

| | 31 December 2015 | Hydr. 31 December 2014 | 31 December 2015 | Water 31 December 2014 | 31 December 2015 | Other 31 December 2014 | 31 December 2015 | Elimination entries 31 December 2014 | Interpump Group | |
|---|---------------------|------------------------------|---------------------|------------------------------|---------------------|------------------------------|---------------------|--|---------------------|---------------------|
| | | | | | | | | | 31 December 2015 | 31 December 2014 |
| Assets by sector | 727,382 | 522,500 | 567,270 | 452,719 | 577 | 1,739 | (157,339) | (101,569) | 1,137,890 | 875,389 |
| Assets held for sale | - | 615 | - | - | - | - | - | - | - | 615 |
| Subtotal of assets of the sector (A) | 727,382 | 523,115 | 567,270 | 452,719 | 577 | 1,739 | (157,339) | (101,569) | 1,137,890 | 876,004 |
| Cash and cash equivalents | | | | | | | | | 135,130 | 87,159 |
| Total assets | | | | | | | | | 1,273,020 | 963,163 |
| Liabilities of the sector | 311,718 | 214,213 | 83,400 | 68,778 | 597 | 1,825 | (157,339) | (101,569) | 238,376 | 183,247 |
| Liabilities held for sale | - | 163 | - | - | - | - | - | - | - | 163 |
| Subtotal of liabilities of the sector (B) | 311,718 | 214,376 | 83,400 | 68,778 | 597 | 1,825 | (157,339) | (101,569) | 238,376 | 183,410 |
| Debts for the payment of investments | | | | | | | | | 23,209 | 74,075 |
| Payables to banks | | | | | | | | | 5,735 | 27,770 |
| Interest-bearing financial payables | | | | | | | | | 384,382 | 211,358 |
| Total liabilities | | | | | | | | | 651,702 | 496,613 |
| Total assets, net (A-B) | 415,664 | 308,739 | 483,870 | 383,941 | (20) | (86) | - | - | 899,514 | 692,594 |
| <u>Further information required by IFRS 8</u> | | | | | | | | | | |
| Investments carried at carried at equity | 106 | 76 | 283 | 463 | - | - | - | - | 389 | 539 |
| Non-current assets other than financial assets and deferred tax assets | 415,225 | 300,060 | 254,565 | 215,950 | - | 175 | - | - | 669,790 | 516,185 |

The full year and Q4 comparison of the Sector on a like for like basis is as follows:

| Hydraulic Sector (amounts shown in €/000) | Year | | Q4 | |
|---|----------------|----------------|---------------|---------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Net sales external to the Group | 415,920 | 396,204 | 97,077 | 94,748 |
| Sales between sectors | 235 | 187 | 80 | 24 |
| Total net sales | 416,155 | 396,391 | 97,157 | 94,772 |
| Cost of products sold | (278,755) | (267,173) | (66,367) | (65,873) |
| Gross industrial margin | 137,400 | 129,218 | 30,790 | 28,899 |
| <i>% on net sales</i> | 33.0% | 32.6% | 31.7% | 30.5% |
| Other net revenues | 8,373 | 9,446 | 2,308 | 3,319 |
| Distribution costs | (39,301) | (38,226) | (9,941) | (9,709) |
| General and administrative expenses | (51,892) | (48,802) | (12,692) | (12,855) |
| Other operating costs | (2,828) | (2,169) | (981) | (774) |
| Ordinary profit before financial expenses | 51,752 | 49,467 | 9,484 | 8,880 |
| <i>% on net sales</i> | 12.4% | 12.5% | 9.8% | 9.4% |
| Financial income | 37,936 | 4,562 | 1,525 | 866 |
| Financial expenses | (7,836) | (15,391) | (1,972) | (7,939) |
| Adjustment of investments carried at equity | (253) | 92 | (66) | 279 |
| Profit for the period before taxes | 81,599 | 38,730 | 8,971 | 2,086 |
| Income taxes | (19,926) | (17,345) | (4,673) | (2,789) |
| Consolidated profit for the period | 61,673 | 21,385 | 4,298 | (703) |
| Due to: | | | | |
| Parent company's shareholders | 61,145 | 20,632 | 4,056 | (830) |
| Subsidiaries' minority shareholders | 528 | 753 | 242 | 127 |
| Consolidated profit for the period | 61,673 | 21,385 | 4,298 | (703) |
| Water Jetting Sector (amounts shown in €/000) | | | | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Net sales external to the Group | 316,103 | 275,795 | 77,195 | 67,186 |
| Sales between sectors | 1,454 | 1,162 | 454 | 299 |
| Total net sales | 317,557 | 276,957 | 77,649 | 67,485 |
| Cost of products sold | (185,254) | (160,766) | (46,122) | (38,070) |
| Gross industrial margin | 132,303 | 116,191 | 31,527 | 29,415 |
| <i>% on net sales</i> | 41.7% | 42.0% | 40.6% | 43.6% |
| Other net revenues | 3,374 | 3,385 | 1,107 | 941 |
| Distribution costs | (34,145) | (29,856) | (8,773) | (7,913) |
| General and administrative expenses | (36,445) | (32,001) | (9,230) | (8,895) |
| Other operating costs | (609) | (2,850) | (413) | (1,142) |
| Ordinary profit before financial expenses | 64,478 | 54,869 | 14,218 | 12,406 |
| <i>% on net sales</i> | 20.3% | 19.8% | 18.3% | 18.4% |
| Financial income | 4,152 | 5,550 | 1,037 | 1,772 |
| Financial expenses | (5,540) | (6,075) | (815) | (2,115) |
| Dividends | 14,000 | 8,500 | - | - |
| Adjustment of investments carried at equity | (9) | 10 | (3) | 22 |
| Profit for the period before taxes | 77,081 | 62,854 | 14,437 | 12,085 |
| Income taxes | (20,527) | (17,894) | (4,256) | (3,749) |
| Consolidated profit for the period | 56,554 | 44,960 | 10,181 | 8,336 |
| Due to: | | | | |
| Parent company's shareholders | 56,415 | 44,907 | 10,136 | 8,371 |
| Subsidiaries' minority shareholders | 139 | 53 | 45 | (35) |
| Consolidated profit for the period | 56,554 | 44,960 | 10,181 | 8,336 |

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

| €/000 | Sector Hydr. | | Sector Water | | Sector Other | | Total | |
|----------------------|---------------|---------------|----------------|-----------------|--------------|--------------|----------------|-----------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Cash flows from: | | | | | | | | |
| Operating activities | 58,618 | 43,369 | 55,444 | 28,543 | (208) | 146 | 113,854 | 72,058 |
| Investing activities | (52,141) | (61,181) | (151,298) | (18,397) | - | 47 | (203,439) | (79,531) |
| Financing activities | <u>25,755</u> | <u>19,379</u> | <u>132,102</u> | <u>(38,881)</u> | <u>170</u> | <u>(502)</u> | <u>158,027</u> | <u>(20,004)</u> |
| Total | <u>32,232</u> | <u>1,567</u> | <u>36,248</u> | <u>(28,735)</u> | <u>(38)</u> | <u>(309)</u> | <u>68,442</u> | <u>(27,477)</u> |

Hydraulic Sector investing activities in 2015 included €34,696k related to the acquisition of equity interests (€47,267k in 2014), while Water Jetting Sector investing activities included €141,531k related to the acquisition of Walvoil, Imxihp, and Bertoli and of residual interests in existing subsidiaries (€517k for the acquisition of equity investments in 2014).

Financing activities for 2015 included net disbursements of intercompany loans from the Water Jetting Sector to the Hydraulic Sector in the amount of €57,348k (€28,646k in 2014) and from the Water Jetting Sector to the Other Revenues Sector in the amount of €170k (no amount recorded in 2014). Moreover, the cash flows of Water Jetting Sector financing activities in 2015 included outlays for the purchase of treasury shares in the amount of €32,709k (€38,299k in 2014), proceeds from the sale of treasury shares to the beneficiaries of stock options in the amount of €8,166k (€4,626k in 2014), and €60,891k related to the value of treasury stock assigned for the acquisition of equity investments (€7,026k in 2014), and the payment of dividends for €19,396k (€18,108k in 2014).

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 comp any |
|--|---------------------|------------------------------|--|
| Cash and cash equivalents | 3,676 | - | 3,676 |
| Trade receivables | 32,721 | - | 32,721 |
| Inventories | 42,170 | - | 42,170 |
| Tax receivables | 5,267 | - | 5,267 |
| Other current assets | 1,172 | - | 1,172 |
| Property, plant and equipment | 49,523 | 20,341 | 69,864 |
| Other intangible assets | 536 | 9,300 | 9,836 |
| Financial assets | 2 | - | 2 |
| Non-current tax receivables | 2 | - | 2 |
| Deferred tax assets | 4,819 | - | 4,819 |
| Other non-current assets | 627 | - | 627 |
| Trade payables | (20,975) | - | (20,975) |
| 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 | (3,592) | - | (3,592) |
| Other current liabilities | (10,118) | - | (10,118) |
| Provisions for risks and charges (current portion) | (150) | - | (150) |
| 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 | (6,005) | (9,307) | (15,312) |
| Other non-current liabilities | (254) | - | (254) |
| Net assets acquired | <u>59,147</u> | <u>20,334</u> | 79,481 |
| Goodwill related to the acquisition | | | <u>37,896</u> |
| Total net assets acquired | | | <u>117,377</u> |
| Total amount paid in treasury stock | | | 47,038 |
| Total amount paid in cash | | | <u>70,339</u> |
| Total acquisition cost (A) | | | <u>117,377</u> |
| Acquired net financial indebtedness (B) | | | 31,842 |
| Total amount paid in cash | | | <u>70,339</u> |
| Total change in the net financial position including changes in debt for the acquisition of investments | | | <u>102,181</u> |
| Capital employed (A) + (B) | | | 149,219 |

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

The acquisition cost differs from the contract price due to the different valuation of the treasury shares assigned, in compliance with the requirements of international accounting standards.

Inoxihp S.r.l.

| €/000 | Amounts acquired | Adjustments to fair value | Carrying values in the acquiring comp any |
|--|---------------------|------------------------------|--|
| 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 | 269 | - | 269 |
| 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 | (1,416) | - | (1,416) |
| Other current liabilities | (484) | - | (484) |
| 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 | <u>3,114</u> | <u>1,252</u> | 4,396 |
| Goodwill related to the acquisition | | | <u>21,963</u> |
| Total net assets acquired | | | <u>26,359</u> |
| Total amount paid in treasury stock | | | 2,139 |
| Total amount paid in cash | | | 6,471 |
| Amount due in medium/long-term | | | <u>17,749</u> |
| Total acquisition cost (A) | | | <u>26,359</u> |
| Net financial indebtedness (cash) (e) acquired (e) (B) | | | (346) |
| Total amount paid in cash | | | 6,471 |
| Payable for commitment to acquire minority interests | | | <u>17,749</u> |
| Total change in the net financial position including changes in debt for the acquisition of investments | | | <u>23,874</u> |
| Capital employed (A) + (B) | | | 26,013 |

The value of the trade mark was measured by means of an internal appraisal. Fixed assets do not include any other significant valuation surpluses.

The acquisition cost differs from the contract price due to the different valuation of the treasury shares assigned, in compliance with the requirements of international accounting standards.

Bertoli S.r.l.

| €/000 | Amounts acquired | Adjustments to fair value | Carrying values in the acquiring <u>comp</u> <u>any</u> |
|--|---------------------|------------------------------|--|
| Cash and cash equivalents | 1,724 | - | 1,724 |
| Trade receivables | 3,207 | - | 3,207 |
| Inventories | 3,742 | - | 3,742 |
| Tax receivables | 178 | - | 178 |
| Other current assets | 103 | - | 103 |
| Property, plant and equipment | 1,663 | - | 1,663 |
| Other intangible assets | 45 | - | 45 |
| Other financial assets | 22 | - | 22 |
| Deferred tax assets | 305 | - | 305 |
| Other non-current assets | 12 | - | 12 |
| Trade payables | (2,574) | - | (2,574) |
| Financial payables to banks – loans (current portion) | (212) | - | (212) |
| Leasing payables (current portion) | (281) | - | (281) |
| Tax payables | (540) | - | (540) |
| Other current liabilities | (1,003) | - | (1,003) |
| Provisions for risks and charges (current portion) | (118) | - | (118) |
| Leasing payables (medium-/long-term portion) | (428) | - | (428) |
| Liabilities for employee benefits (severance indemnity provision) | (915) | - | (915) |
| Deferred tax liabilities | <u>(178)</u> | = | <u>(178)</u> |
| Net assets acquired | <u>4,752</u> | = | 4,752 |
| Goodwill related to the acquisition | | | <u>2,549</u> |
| Total net assets acquired | | | <u>7,301</u> |
| Total amount paid in cash | | | 7,301 |
| Total acquisition cost (A) | | | <u>7,301</u> |
| Net financial indebtedness (cash) (e) acquired (e) (B) | | | (803) |
| Total amount paid in cash | | | <u>7,301</u> |
| Total change in net financial position | | | <u>6,498</u> |
| Capital employed (A) + (B) | | | 6,498 |

Osper

The amounts are shown in euro/thousands (the exchange rate used for translation of the financial statements is BRL 4,0171 / 1 euro, corresponding to the exchange rate in force on the day of the acquisition).

| €/000 | Amounts <u>acquired</u> | Adjustments <u>to fair value</u> | Carrying values in the acquiring <u>comp</u> <u>any</u> |
|--|----------------------------|-------------------------------------|--|
| Cash and cash equivalents | 22 | - | 22 |
| Trade receivables | 408 | - | 408 |
| Inventories | 364 | - | 364 |
| Tax receivables | 24 | - | 24 |
| Other current assets | 75 | - | 75 |
| Property, plant and equipment | 1,244 | 452 | 1,696 |
| Other intangible assets | 3 | 618 | 621 |
| Other financial assets | 15 | - | 15 |
| Trade payables | (344) | - | (344) |
| Financial payables to banks – loans (current portion) | (10) | - | (10) |
| Tax payables | (21) | - | (21) |
| Other current liabilities | <u>(215)</u> | <u>-</u> | <u>(215)</u> |
| Net assets acquired | <u>1,565</u> | <u>1,070</u> | 2,635 |
| Goodwill related to the acquisition | | | <u>1,418</u> |
| Total net assets acquired | | | <u>4,053</u> |
| Total amount paid in cash | | | 2,614 |
| Total discounted amount due in medium/long-term | | | <u>1,439</u> |
| Total acquisition cost (A) | | | <u>4,053</u> |
| Net financial indebtedness (cash) (e) acquired (e) (B) | | | (12) |
| Total amount paid in cash | | | 2,614 |
| Debt discounted for extended payment of equity investments | | | <u>1,439</u> |
| Total change in net financial position | | | <u>4,041</u> |
| Capital employed (A) + (B) | | | 4,041 |

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

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

| | 31/12/2015 | 31/12/2014 |
|---------------------------|-----------------|-----------------|
| | €/000 | €/000 |
| Inventories gross value | 265,791 | 200,399 |
| Allowance for inventories | <u>(27,154)</u> | <u>(17,936)</u> |
| Inventories | <u>238,637</u> | <u>182,463</u> |

Changes in the allowance for inventories were as follows:

| | 2015 | 2014 |
|---|----------------|----------------|
| | €/000 | €/000 |
| Opening balances | 17,936 | 15,238 |
| Exchange rate difference | 655 | 558 |
| Change to consolidation basis | 8,601 | 627 |
| Provisions for the year | 2,439 | 2,513 |
| Utilizations in the period due to surpluses | - | - |
| Utilizations in the year due to losses | <u>(2,477)</u> | <u>(1,000)</u> |
| Closing balance | <u>27,154</u> | <u>17,936</u> |

5. Property, plant and equipment

Purchases and disposals

In 2015 Interpump Group acquired assets for €112,372k, of which €73,938k through the acquisition of equity investments (€81,183k in 2014 of which €39,775k through the acquisition of equity investments). Assets were disposed of in 2015 for a net book value of €/000 5,703 (€/000 3,685 in 2014). Divested assets produced a net capital gain of €/000 3,076 (€/000 1,519 in 2014).

Contractual commitments

At 31 December 2015 the Group had contractual commitments for the purchase of tangible assets in the amount of €3,509k (€287k at 31 December 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. Conversely, share capital recorded in the financial statements amounts to €56,032k because the nominal value of purchased treasury shares, net of divested treasury stock, was deducted from the share capital in compliance with the reference accounting standards. At 31 December 2015 Interpump Group S.p.A. held 1,125,912 shares in the portfolio, corresponding to 1.03% of the capital stock, acquired at an average unit cost of 11.6443 euro.

Treasury stock purchased

The amount of treasury stock held by Interpump Group S.p.A. is recorded in an equity provision. The Group acquired 2,542,395 treasury shares in 2015 for €32,709k at an average price of €12.8654 (the Group purchased 3,819,682 treasury shares in 2014 for €38,299k).

Treasury stock sold

In the framework of the exercise of stock options a total of 1,771,724 options were exercised, resulting in a receipt of €8,166k (926,560 options were exercised for €4,626k in 2014). In addition, 4,925,854 treasury shares were divested in 2015 to pay part of the equity investments in Walvoil and Inoxihp, and for the acquisition of the residual interests in Hydrocontrol and Unidro Contarini (715,530 treasury shares divested in 2014 for the acquisition of equity investments).

Dividends

An ordinary dividend (coupon clipping date of 11 May) of 0.18 euro per share was distributed on 13 May 2015 (0.17 euro in 2014).

7. Financial income and expenses

The analysis is as follows:

| | 2015 €/000 | 2014 €/000 |
|---|-----------------|---------------|
| <u>Financial income</u> | | |
| Interest income from liquid funds | 519 | 601 |
| Interest income from other assets | 70 | 51 |
| Financial income to adjust debt estimate for commitment to purchase residual stakes in subsidiaries | 32,056 | 742 |
| Foreign exchange gains | 10,438 | 6,579 |
| Earnings from valuation of derivative financial instruments | 206 | 146 |
| Other financial income | <u>32</u> | <u>25</u> |
| Total financial income | <u>43,321</u> | <u>8,144</u> |
| <u>Financial expenses</u> | | |
| Interest expense on loans | 5,944 | 6,636 |
| Interest expense on put options | 475 | 3,465 |
| Financial expenses for adjustment of estimated debt for commitment to purchase residual stakes in subsidiaries | 390 | 4,693 |
| Tobin Tax | 268 | - |
| Foreign exchange losses | 8,609 | 4,326 |
| Losses from valuation of derivative financial instruments | 77 | 70 |
| Other financial charges | <u>248</u> | <u>314</u> |
| Total financial expenses | <u>16,011</u> | <u>19,504</u> |
| Total financial expenses (income), net | <u>(27,310)</u> | <u>11,360</u> |

The breakdown for Q4 is as follows:

| | 2015 €/000 | 2014 €/000 |
|--|---------------|---------------|
| <u>Financial income</u> | | |
| Interest income from liquid funds | 152 | 170 |
| Interest income from other assets | (4) | 10 |
| Financial income to adjust debt estimate for commitment to purchase residual stakes in subsidiaries | 19 | 15 |
| Foreign exchange gains | 2,350 | 1,862 |
| Earnings from valuation of derivative financial instruments | 25 | 28 |
| Other financial income | <u>-</u> | <u>5</u> |
| Total financial income | <u>2,542</u> | <u>2,090</u> |
| <u>Financial expenses</u> | | |
| Interest expense on loans | 1,411 | 1,444 |
| Interest expense on put options | 15 | 1,763 |
| Foreign exchange losses | 1,779 | 1,508 |
| Financial expenses for adjustment of estimated debt for commitments to purchase residual interests in subsidiaries | 304 | 4,669 |
| Losses from valuation of derivative financial instruments | 4 | - |
| Other financial charges | <u>67</u> | <u>125</u> |
| Total financial expenses | <u>3,580</u> | <u>9,509</u> |
| Total financial expenses (income), net | <u>1,038</u> | <u>7,419</u> |

For the comment related to financial income to adjust the estimated debt for the commitment to acquire residual interests in subsidiaries, refer to the "Directors' remarks on performance in 2015" on page 13.

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:

| <i>Year (12 months)</i> | <u>2015</u> | <u>2014</u> |
|--|----------------|---------------|
| Consolidated profit for the year attributable to Parent company shareholders (€/000) | <u>116,322</u> | <u>56,936</u> |
| Average number of shares in circulation | 106,854,067 | 105,257,907 |
| Basic earnings per share for the period (€) | <u>1.089</u> | <u>0.541</u> |
| <i>Q4</i> | | |
| Consolidated profit for the period attributable to Parent company shareholders (€/000) | <u>15,358</u> | <u>7,560</u> |
| Average number of shares in circulation | 106,668,835 | 103,673,022 |
| Basic earnings per share for the quarter (€) | <u>0.144</u> | <u>0.073</u> |

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:

| <i>Year (12 months)</i> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| Consolidated profit for the year attributable to Parent company shareholders (€/000) | <u>116,322</u> | <u>56,936</u> |
| Average number of shares in circulation | 106,854,067 | 105,257,907 |
| Number of potential shares for stock option plans (*) | <u>1,491,735</u> | <u>2,006,055</u> |
| Average number of shares (diluted) | <u>108,345,802</u> | <u>107,263,962</u> |
| Diluted earnings per share for the year (€) | <u>1.074</u> | <u>0.531</u> |

Q4

| | | |
|--|--------------------|--------------------|
| Consolidated profit for the period attributable to Parent company shareholders (€/000) | <u>15,358</u> | <u>7,560</u> |
| Average number of shares in circulation | 106,668,835 | 103,673,022 |
| Number of potential shares for stock option plans (*) | <u>1,489,373</u> | <u>2,081,406</u> |
| Average number of shares (diluted) | <u>108,158,568</u> | <u>105,754,428</u> |
| Earnings per diluted share for the quarter (€) | <u>0.14</u> | <u>0.071</u> |

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

9. Transactions with related parties

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

The effects on the Group's consolidated income statements for 2015 and 2014 are shown below:

| (€/000) | 2015 | | | | | % incidence on financial statements caption |
|-----------------------------|-------------|-------------------------------|------------|-----------------------|-----------------------|---|
| | Total Total | Non-consolidated subsidiaries | Associates | Other related parties | Total related parties | |
| Net sales | 894,928 | 1,893 | - | 1,710 | 3,603 | 0.4% |
| Cost of products sold | 577,3710 | 447 | - | 17,888 | 18,335 | 3.2% |
| Other revenues | 13,133 | 18 | - | - | 18 | 0.1% |
| Distribution costs | 84,321 | 38 | - | 1,284 | 1,322 | 1.6% |
| General and admin. expenses | 105,670 | - | - | 923 | 923 | 0.9% |
| Financial income | 43,321 | 7 | - | - | 7 | - |
| Financial expenses | 16,011 | - | - | 2 | 2 | - |

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

The effects on the consolidated statement of financial position at 31 December 2015 and 2014 are described below:

| (€/000) | 31 December 2015 | | | | | |
|---|------------------|--------------------------------------|------------|-----------------------------|-----------------------------|--|
| | Total Total | Non- consolidated subsidiaries | Associates | Other related parties | Total related parties | % incidence on financial statements caption |
| Trade receivables | 178,799 | 1,774 | - | 429 | 2,203 | 1.2% |
| Other current assets | 7,807 | 4 | - | - | 4 | 0.1% |
| Other financial assets | 1,025 | 218 | - | - | 218 | 21.3% |
| Trade payables | 94,093 | 36 | - | 1,744 | 1,780 | 1.9% |
| Interest-bearing financial payables (current portion) | 83,833 | - | - | 7 | 7 | - |
| (€/000) | 31 December 2014 | | | | | |
| | Total Total | Non- consolidated subsidiaries | Associates | Other related parties | Total related parties | % incidence on financial statements caption |
| Trade receivables | 135,634 | 3,915 | - | 392 | 4,307 | 3.2% |
| Other current assets | 6,856 | 5 | - | - | 5 | 0.1% |
| Other financial assets | 1,740 | 340 | - | - | 340 | 19.5% |
| Trade payables | 80,273 | 101 | - | 3,049 | 3,150 | 3.9% |
| Interest-bearing financial payables (current portion) | 64,298 | - | - | 409 | 409 | 0.6% |

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

| (€/000) | Receivables | | Revenues | |
|------------------------------------|--------------|--------------|--------------|--------------|
| | 31/12/2015 | 31/12/2014 | 2015 | 2014 |
| Interpump Hydraulics Middle East* | - | 2,464 | - | 3,103 |
| Interpump Hydraulics (UK) | 963 | 780 | 704 | 591 |
| Interpump Hydraulics Perù | 724 | - | 730 | - |
| General Pump China Inc. | 91 | 245 | 477 | 656 |
| Hammelmann Bombas e Sistemas Ltda* | - | 431 | - | 355 |
| <i>Total subsidiaries</i> | <u>1,778</u> | <u>3,920</u> | <u>1,911</u> | <u>4,705</u> |

* = fully consolidated at 31 December 2015

| (€/000) | Payables | | Costs | |
|------------------------------------|-------------------|-------------------|-------------|-------------|
| | <u>31/12/2015</u> | <u>31/12/2014</u> | <u>2015</u> | <u>2014</u> |
| General Pump China Inc. | 36 | 44 | 485 | 454 |
| Interpump Hydraulics Middle East* | - | 2 | - | 2 |
| Hammelmann Bombas e Sistemas Ltda* | - | <u>55</u> | - | <u>157</u> |
| <i>Total subsidiaries</i> | <u>36</u> | <u>101</u> | <u>485</u> | <u>613</u> |

| (€/000) | Loans | | Financial income | |
|------------------------------------|-------------------|-------------------|------------------|-------------|
| | <u>31/12/2015</u> | <u>31/12/2014</u> | <u>2015</u> | <u>2014</u> |
| Interpump Hydraulics (UK) | 218 | 205 | 7 | 7 |
| Interpump Hydraulics Middle East* | - | 105 | - | 2 |
| Hammelmann Bombas e Sistemas Ltda* | - | <u>30</u> | - | - |
| <i>Total subsidiaries</i> | <u>218</u> | <u>340</u> | <u>7</u> | <u>9</u> |

* = fully consolidated at 31 December 2015

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties concern the leasing of facilities owned by companies controlled by the current shareholders and directors of Group companies for the amount of €4,899k (€5,002k in 2014) and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for €140k (€102k in 2014). Costs for rentals were recorded under the cost of sales in the amount of €3,572k (€3,951k in 2014), under distribution costs in the amount of €796k (€82k in 2014) and under general and administrative expenses in the amount of €531k (€10k in 2014). Consultancy costs were allocated to distribution costs in the amount of €0k (€60k allocated to distribution costs also in 2014) and to general and administrative expenses in the amount of €80k (€42k in 2014). Revenues from sales in the year ended 31 December 2015 included revenues from sales to companies by Group shareholders or directors in the amount of €1,710k (€2,657k at 31 December 2014). In addition, the cost of sales includes purchases from subsidiaries by minority shareholders or Group company directors in the amount of €13,967k (€14,048k in 2014).

Moreover, further to the signing of building rental contracts with other related parties, at 31 December 2015 the Group has commitments of €16,812k (€21,495k 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.