Interim Board of Directors' Report as at 31 March 2016

Interpump Group S.p.A. and subsidiaries

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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

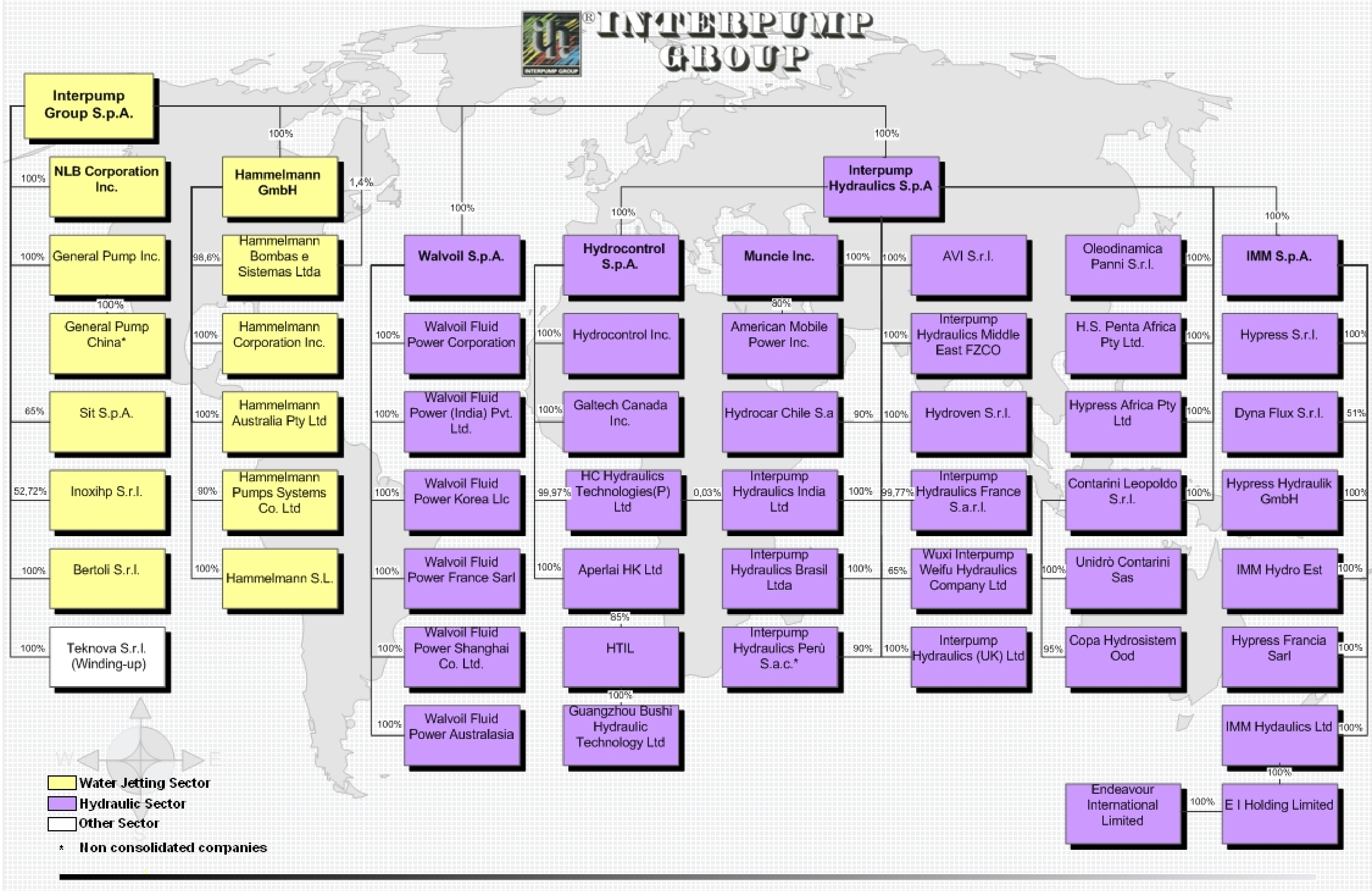
Alessandra Tronconi
Statutory auditor

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 31/03/2016



Interim Board of Directors' report

Directors' remarks on performance in Q1 2016

PERFORMANCE INDICATORS

The Group monitors operations using various performance indicators that may not be comparable with similar parameters adopted by other groups. The Group's management believes that these indicators measure performance on a comparable basis, with reference to normalized operational factors, thus facilitating the identification of operating trends and the making of decisions about future spending, the allocation of resources and other operational matters.

The performance indicators used by the Group are defined as follows:

- **Earnings before interest and tax (EBIT)**: Net sales plus Other operating income less Operating costs (Cost of sales, Selling, general and administrative expenses, and Other operating costs);
- **Earnings before interest, tax, depreciation and amortization (EBITDA)**: EBIT plus depreciation, amortization and provisions;
- **Net indebtedness**: Loans obtained plus Bank borrowing less Liquid funds and cash equivalents;
- **Capital investment (CAPEX)**: the sum of investments in property, plant and equipment and intangible assets, net of divestments;
- **Return on capital employed (ROCE)**: EBIT / Capital employed;
- **Return on equity (ROE)**: Net Profit / Shareholders' equity.

The Group's income statement is prepared by functional areas (also called the "cost of sales" method). This form is deemed more representative than its counterpart by type of expense, which is anyway included in the notes to the annual financial report. The chosen form, in fact, complies with the internal reporting and business management methods.

The cash flow statement was prepared with the indirect method.

Consolidated income statements for Q1

(€/000)	*2016*	*2015*
Net sales	**226,708**	**222,625**
Cost of products sold	(144,790)	(144,287)
Gross industrial margin	**81,918**	**78,338**
% on net sales	*36.1%*	*35.2%*
Other operating revenues	3,311	3,214
Distribution costs	(20,383)	(20,823)
General and administrative expenses	(26,909)	(26,526)
Other operating costs	(639)	(593)
EBIT	**37,298**	**33,610**
% on net sales	*16.5%*	*15.1%*
Financial income	2,387	13,846
Financial expenses	(4,960)	(4,978)
Adjustment of the value of investments carried at equity	(56)	(72)
Profit for the period before taxes	**34,669**	**42,406**
Income taxes	(12,802)	(13,179)
Consolidated profit for the period	**21,867**	**29,227**
% on net sales	*9.6%*	*13.1%*
Pertaining to:		
Parent company's shareholders	21,665	29,203
Subsidiaries' minority shareholders	202	24
Consolidated profit for the period	**21,867**	**29,227**
EBITDA	**47,637**	**43,476**
% on net sales	*21.0%*	*19.5%*
Shareholders' equity	608,420	555,204
Net debt	274,422	246,585
Payables for the acquisition of investments	22,823	99,103
Capital employed	905,665	900,892
Unannualised ROCE	**4.1%**	**3.7%**
Unannualised ROE	**3.6%**	**5.3%**
Basic earnings per share	**0.203**	**0.275**

SIGNIFICANT EVENTS OCCURRED IN THE QUARTER

Sales rose by 1.8% compared to the first quarter of 2015. An analysis by business sector shows sales in the Hydraulic Sector to be stable compared to the first quarter of 2015, while sales in the Water Jetting Sector were up 5.3%. By geographical area, sales in Europe (including Italy) and North America, the two reference markets for the Interpump Group, were up 7.7% (+8.1 million euro) and down 1.7% (-1.3 million euro), respectively. Sales in other geographical areas, which contribute less than 18% to the total, fell by 6.3% (-2.7 million euro).

EBITDA reached 47.6 million euro, equivalent to 21.0% of sales. In Q1 2015 EBITDA was 43.5 million euro (19.5% of sales). EBITDA was therefore 9.6% higher in absolute terms and up 1.5 percentage points as a margin on sales.

Net profit for the first quarter of 2016 was 21.9 million euro. Net profit in the same period of 2015 included one-off financial income of 6.2 million, due to the early exercise of put options by entitled parties, and net FX gains of 4.9 million euro due to the major depreciation of the euro against all other currencies (especially the US dollar) in the period. Conversely, the net profit for the first quarter of 2016 incorporates net exchange losses of 1.2 million euro. Net of these two items, the normalised net profit for the first quarter of 2016 is 18.3% greater than its equivalent for the first quarter of 2015.

In the Hydraulic sector Endeavour, acquired in January 2016, was consolidated for the first time in Q1 2016. This company produces machines and systems for crimping and connecting hydraulic hoses. Additionally, Bertoli (Water Jetting Sector) has been consolidated since its acquisition in May 2015 and, accordingly, was not present in the first quarter of 2015. The effects of consolidating Endeavour and Bertoli in the financial statements for the first quarter of 2016 are not considered significant.

NET SALES

Net sales amounted to 226.7 million euro in the first quarter of 2016, up 1.8% with respect to the same period in 2015, when they totalled 222.6 million euro.

Breakdown of sales by business sector and geographical area:

Q1 2016						
(€/000)	Italy	Rest of Europe	North America	Far-East and Oceania	Rest of the World	Total
Hydraulic Sector	29,019	54,848	36,226	8,887	16,635	145,615
Water Jetting Sector	6,738	22,476	36,702	11,286	3,891	81,093
Total	35,757	77,324	72,928	20,173	20,526	226,708
Q1 2015						
Hydraulic Sector	26,489	50,997	39,070	10,043	19,043	145,642
Water Jetting Sector	7,175	20,362	35,112	9,873	4,461	76,983
Total	33,664	71,359	74,182	19,916	23,504	222,625
2016/2015 percent changes						
Hydraulic Sector	+9.6%	+7.6%	-7.3%	-11.5%	-12.6%	-
Water Jetting Sector	-6.1%	+10.4%	+4.5%	+14.3%	-12.8%	+5.3%
Total	+6.2%	+8.4%	-1.7%	+1.3%	-12.7%	+1.8%

PROFITABILITY

The cost of sales accounted for 63.9% of turnover (64.8% in Q1 2015). Production costs totalled 60.8 million euro (59.7 million euro in the first quarter of 2015), representing 26.8% of sales (26.8% also in Q1 2015). The purchase cost of raw materials and components sourced on the market, including change in inventories, was 84.0 million euro (84.6 million euro in the same period of 2015). The incidence of purchase costs, including changes in inventories, was 37.0%, compared with 38.0% in Q1 2015, thus improving by one percentage point.

Distribution costs were 2.1% lower than in the first quarter of 2015, while their incidence on sales was 0.4 percentage points lower than in Q1 2015.

General and administrative expenses were up 1.4% with respect to the first quarter of 2015, but their incidence on sales was essentially unchanged.

Payroll costs totalled 57.7 million euro (55.7 million euro in Q1 2015), with an increase of 3.6% due to a 2.3% per-capita cost increase and a rise of 61 in average headcount, including 53 at the newly consolidated companies. The total average headcount of Group employees in Q1 2016 was 4,842 compared to 4,781 in Q1 2015. The like-for-like increase in average headcount during the first quarter of 2016 breaks down as follows: 11 more in Europe, 9 less in the US and 6 more in the Rest of the World (Brazil, China, India, Chile, Australia, South Korea, South Africa and the UAE).
EBITDA amounted to 47.6 million euro (21.0% of sales), compared with 43.5 million euro in Q1 2015 (19.5% of sales). This represents a growth of 9.6% and an improvement in profitability of 1.5 percentage points. The following table shows EBITDA by business sector:

	Q1 2016 *€/000*	*% on total sales**	*Q1 2015* *€/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	27,676	19.0%	24,984	17.1%	+10.8%
Water Jetting Sector	19,970	24.5%	18,489	23.9%	+8.0%
Other Revenues Sector	(9)	n.s.	3	n.s.	n.s.
Total	***47,637***	***21.0%***	***43,476***	***19.5%***	***+9.6%***

* = For the purpose of comparability the percentage is calculated on total sales – including intra-group - rather than the net sales shown earlier which are the ones made outside of the Group (see Note 2).

EBIT amounted to 37.3 million euro (16.5% of sales) compared with 33.6 million euro in Q1 2015 (15.1% of sales), with an increase of 11.0%.

Net financial charges totalled 2.6 million euro. Net financial income in Q1 2015 amounted to 8.9 million euro, benefitting from a 6.2 million euro reduction in the estimated liability for the acquisition of residual stakes in subsidiaries following agreements subsequently reached with the counterparties, and net exchange gains of 4.9 million euro due to the appreciation of almost all foreign currencies (especially the US dollar) against the euro.

The tax rate for the period was 36.9% (31.1% in Q1 2015). The comparison is influenced by the inclusion, in 2015 only, of income on the adjustment of the expected cost of acquiring residual stakes in subsidiaries as discussed above, originating exclusively in the consolidated financial statements and hence not taxable. Net of these proceeds the tax rate in Q1 2015 would have been 36.4%. The increase of 0.5 percentage points with respect to Q1 2015 was entirely due to the higher intercompany dividends deliberated (including those from abroad where local taxation is not deductible in Italy) in the first quarter of 2016 with respect to Q1 2015.

Net profit for the first quarter of 2016 was 21.9 million euro. Net profit in the same period of 2015 included one-off financial income of 6.2 million, due to the early exercise of put options by entitled parties, and net FX gains of 4.9 million euro due to the major depreciation of the euro against all other currencies (especially the US dollar) in the period. Conversely, the net profit for the first quarter of 2016 incorporates net exchange losses of 1.2 million euro. Net of these two items, the normalised net profit for the first quarter of 2016 is 18.3% greater than its equivalent for the first quarter of 2015. Basic earnings per share has gone from 0.275 euro in Q1 2015 to 0.203 in the first quarter of 2016, also because of the non-recurring items described above.

Capital employed increased from 900.8 million euro as at 31 December 2015 to 905.7 million euro as at 31 March 2016. Unannualised ROCE was 4.1% (3.7% in Q1 2015). Unannualised ROE was 3.6% (5.3% in the first quarter of 2015), also influenced by the non-recurring items described above.

CASH FLOW

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

	Q1 2016 *€/000*	*Q1 2015* *€/000*
Opening net financial position	**(254,987)**	**(151,969)**
Adjustment: opening net cash position of companies not consolidated		

line-by-line at the end of the prior year [a]	161	435
Adjusted opening net financial position	**(254,826)**	**(151,534)**
Cash flow from operations	41,651	39,007
Cash flow generated (absorbed) by the management of commercial working capital	(19,901)	(17,131)
Cash flow generated (absorbed) by other current assets and liabilities	(5,388)	692
Capital expenditure on tangible fixed assets	(8,513)	(7,871)
Proceeds from sales of tangible fixed assets	207	816
Increase in other intangible fixed assets	(657)	(685)
Received financial income	119	147
Other	(98)	(476)
Free cash flow	***7,420***	***14,499***
Acquisition of investments, including received debt and net of divested treasury stock	(1,696)	(93,523)
Receipt for sale of the Hydrometal line of business	746	746
Outlays for the purchase of treasury stock	(24,803)	(18,943)
Proceeds from the sale of treasury stock to beneficiaries of stock options	110	805
Dividends paid to subsidiaries' minority shareholders	-	(874)
Proceeds from the sale of financial assets	(9)	(16)
Cash flow generated (used)	***(18,232)***	***(97,306)***
Exchange rate differences	(1,364)	2,255
Net financial position at year end	**(274,422)**	**(246,585)**

[a] = Interpump Hydraulics (UK) in 2016 and Hammelmann Bombas e Sistemas Ltda and Interpump Hydraulics Middle East FZCO in 2015.

Net liquidity generated by operations totalled 41.7 million euro (39.0 million euro in Q1 2015), reflecting an increase of 6.8%. Free cash flow, amounting to 7.4 million euro in the first quarter of 2016 (14.5 million euro in Q1 2015), was negatively affected for 5.7 million euros by the time delay between the collection at the end of December 2015, as withholding agent, of capital gain taxes on exercised stock options, and the corresponding payment which was made at the beginning of January 2016.

The net financial position is made up as follows:

	31/03/2016	31/12/2015	31/03/2015	01/01/2015
	€/000	€/000	€/000	€/000
Cash and cash equivalents	110,408	135,130	119,120	87,159
Bank payables (advances and STC amounts)	(1,864)	(5,735)	(30,919)	(27,770)
Interest-bearing financial payables (current portion)	(87,983)	(83,833)	(88,747)	(64,298)
Interest-bearing financial payables (non-current portion)	(294,983)	(300,549)	(246,039)	(147,060)
Total	**(274,422)**	**(254,987)**	**(246,585)**	**(151,969)**

The Group also has contractual commitments for the acquisition of residual stakes in subsidiaries totalling 22.8 million euro (23.2 million euro at 31/12/2015 and 99.1 million euro at 31/03/2015). Of this amount, 4.4 million euro relates to the acquisition of equity investments (4.9 million euro at 31/12/2015) while 18.4 million euro relates to contractual agreements for the acquisition of residual stakes in subsidiaries (18.3 million euro at 31/12/2015). When purchasing target companies, the Group's strategy is to purchase majority packages and sign purchase commitments for the residual stakes, at a price depending on the results achieved by the company in subsequent years. This both guarantees the retention of previous management and maximises the growth in profitability.

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled 10.9 million euro, of which 0.1 million via the acquisition of equity investments (78.3 million in Q1 2015, of which 70.7 million euro via the acquisition of equity investments). It should be noted that some companies in the Water Jetting Sector classify machinery manufactured and rented to customers as part of property, plant and equipment (2.8 million euro at 31/03/2016 and 2.3 million euro at 31/03/2015). Net of these latter amounts, capital expenditure amounted to 8.0 million euro in the first quarter of 2016 (5.2 million euro in Q1 2015) mainly related to the ordinary renewal and modernisation of plant, machinery and equipment, with the exception of 0.5 million invested in 2016 for the construction of a new factory in Romania and the extension of a building owned by the Parent Company (0.5 million euro in 2015 as well, for the construction of new buildings). The difference with respect to the expenditure recorded in the cash flow statement is due to the timing of payments.

The increase in intangible assets was 0.7 million euro (12.4 million euro in Q1 2015, including 11.7 million euro via the purchase of equity investments), mainly related to spending on new product development.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to transactions entered into with related parties, including intercompany transactions, these cannot be defined atypical nor unusual, as they are part of the normal course of activities of the Group companies. Such transactions are regulated at arm's length conditions, taking into account the characteristics of the assets transferred and services rendered. Information on transactions carried out with related parties is given in Note 9 of the Interim Consolidated Financial statements at 31 March 2016.

CHANGES IN THE GROUP STRUCTURE IN 2016

In addition to the acquisition of Endeavour, fully described in the 2015 Annual Report, the only other change in the Group structure was the absorption of HS Penta S.p.A. by Interpump Hydraulics S.p.A. on 4 January 2016.

EVENTS OCCURRED AFTER THE CLOSING OF Q1 2016

On 15 April 2015, the Board resolved the absorption of Hydrocontrol S.p.A. by Walvoil S.p.A., to fully develop all possible productive and commercial synergies between the two companies. This merger will become operational during the second half of 2016;

The Shareholders' Meeting of Interpump Group S.p.A., held on 28 April 2016, approved the 2015 financial statements and the distribution of a dividend of 0.19 euro per share. The meeting also:

- approved the Remuneration Policy Report pursuant to art. 123 (3) of Italian legislative decree 58/98;
- authorised the Board of Directors, for the period of eighteen months starting from the date of the shareholders' resolution, to purchase treasury stock up to the maximum number of shares permitted by law, and to sell treasury stock already purchased or that will be acquired in the future in execution of said authorisation. The resolution authorising the purchase of treasury stock was approved with a vote of the majority of shareholders in attendance at the meeting other than Gruppo IPG Holding S.r.l. Therefore, said purchases will qualify for the exemption set forth by art. 44-*(2)*, subsection 2, of Consob Regulation no. 11971/1999;
- approved the "2016/2018 Interpump Incentive Plan" for the benefit of employees, directors and/or collaborators of the Group. This Plan envisages the free assignment of a maximum of 2,500,000 options, each of which granting Beneficiaries the right – subject to the reaching of targets identified by the Board of Directors - to purchase, at the Company's discretion, (i) 1 (one) ordinary Interpump treasury share (already in the treasury shares portfolio or purchased at a later date); or (ii) 1 (one) newly-issued share - at an exercise price of Euro 12.8845 (twelve point eight eight four five) per Option, corresponding to the official price calculated at the end of the trading day on 17 March 2016 as reported on the Borsa Italiana website;
- confirmed the appointment as directors of Stefania Petruccioli and Marcello Margotto, previously co-opted at the Board meetings held on 30 June 2015 and 6 August 2015, respectively;
- approved an amendment to art. 14 of the Articles of Association so that the chief executive officers can make purchases not exceeding 10 million euro without requesting authorisation from the Board of Directors.

The absorption of Bertoli S.r.l. by Interpump Group S.p.A. took effect on 1 May 2016.

On 5 May 2016, Interpump Group acquired 80% of Tubiflex S.p.A., based in Orbassano (Turin). This company is active in the production and sales of flexible metallic and non-metallic hoses, metallic expansion joints, metal bellows, corrugated pipe for heat exchangers, special products. The main sectors of application include: aerospace, shipyards, railways, automotive, air conditioning, medical, energy generation, steel and petro-chemicals. The acquisition of Tubiflex strengthens Interpump in the vast hoses market, adding flexible metallic hoses to the flexible rubber hoses already produced by IMM, another member of the Group. The expansion of the range will release significant commercial synergies.

Tubiflex reported 2015 net sales for 22.8 million euro, with an EBITDA of 5.3 million euro (23.4% of sales). As at 31/12/2015, Tubiflex had net liquidity of 3.9 million euro. The price paid, including the liquidity purchased, was 21.56 million euro in cash, plus 449,160 treasury shares. With regard to the remaining 20%, call and put options were agreed upon, exercisable on the date of approval of the financial statements as at 31/12/2018. The exercise price will depend on the 2018 results of Tubiflex.

No atypical or unusual transactions occurred after the closing of Q1 2016 such that would require mention in this report or call for changes to the consolidated financial statements as at 31 March 2016.

Sant'Ilario d'Enza, 12 May 2016

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

The manager in charge of preparing the company's 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, 12 May 2016

Carlo Banci
Manager in charge of preparing
the company's accounting documents

Financial statements and notes

Consolidated balance sheet

(€/000)	*Notes*	*31/03/2016*	*31/12/2015*
ASSETS			
Current assets			
Cash and cash equivalents		110,408	135,130
Trade receivables		194,501	178,129
Inventories	4	245,552	238,637
Derivative financial instruments		10	-
Tax receivables		10,936	14,361
Other current assets		8,404	7,811
Total current assets		**569,811**	**574,068**
Non-current assets			
Property, plant and equipment	5	283,087	286,066
Goodwill	1	345,769	347,388
Other intangible assets		31,972	33,193
Other financial assets		740	1,025
Tax receivables		1,954	1,934
Deferred tax assets		25,294	25,190
Other non-current assets		1,185	1,209
Total non-current assets		**690,001**	**696,005**
Total assets		***1,259,812***	***1,270,073***

(€/000)	***Notes***	***31/03/2016***	***31/12/2015***
LIABILITIES			
Current liabilities			
Trade payables		103,182	94,022
Payables to banks		1,864	5,735
Interest-bearing financial payables (current portion)		87,983	83,833
Derivative financial instruments		27	77
Tax payables		19,117	19,904
Other current liabilities		51,455	48,840
Provisions for risks and charges		3,550	4,423
Total current liabilities		**267,178**	**256,834**
Non-current liabilities			
Interest-bearing financial payables		294,983	300,549
Liabilities for employee benefits		17,203	17,264
Deferred tax liabilities		47,320	48,098
Other non-current liabilities		22,025	22,017
Provisions for risks and charges		2,683	2,683
Total non-current liabilities		**384,214**	**390,611**
Total liabilities		**651,392**	**647,445**
SHAREHOLDERS' EQUITY	6		
Share capital		54,988	56,032
Legal reserve		11,323	11,323
Share premium reserve		115,650	138,955
Reserve for the measurement of hedging derivatives at fair value		8	(13)
Reserve for restatement of defined benefit plans		(3,501)	(3,501)
Translation provision		11,939	22,657
Other reserves		413,369	391,704
Group shareholders' equity		**603,776**	**617,157**
Minority interests		4,644	5,471
Total shareholders' equity		**608,420**	**622,628**
Total shareholders' equity and liabilities		***1,259,812***	***1,270,073***

Consolidated income statements for Q1

(€/000)	*Notes*	*2016*	*2015*
Net sales		**226,708**	**222,625**
Cost of products sold		(144,790)	(144,287)
Gross industrial margin		**81,918**	**78,338**
Other net revenues		3,311	3,214
Distribution costs		(20,383)	(20,823)
General and administrative expenses		(26,909)	(26,526)
Other operating costs		(639)	(593)
Ordinary profit before financial expenses		**37,298**	**33,610**
Financial income	7	2,387	13,846
Financial expenses	7	(4,960)	(4,978)
Adjustment of the value of investments carried at equity		(56)	(72)
Profit for the period before taxes		**34,669**	**42,406**
Income taxes		(12,802)	(13,179)
Consolidated profit for the period		**21,867**	**29,227**
Due to:			
Parent company's shareholders		21,665	29,203
Subsidiaries' minority shareholders		202	24
Consolidated profit for the period		**21,867**	**29,227**
Basic earnings per share	8	0.203	0.275
Diluted earnings per share	8	0.201	0.268

Comprehensive consolidated income statements for Q1

(€/000)	*2016*	*2015*
Consolidated profit for the period (A)	**21,867**	**29,227**
Other comprehensive profit (loss) that will be subsequently reclassified in consolidated profit for the period		
Accounting for exchange risk hedging derivatives recorded in accordance with the cash flow hedging method:		
- Profit (Loss) on derivative financial instruments for the period	-	-
- Minus: Adjustment for reclassification of profits (losses) to the income statement	7	-
- Minus: Adjustment for recognition of fair value to reserves in the prior period	24	27
Total	*31*	*27*
Profits (Losses) arising from the conversion to euro of foreign companies	*(10,902)*	*28,819*
Profits (losses) of companies carried at carried at equity	*(17)*	*3*
Related taxes	*(10)*	*(8)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**(10,898)**	**28,841**
Comprehensive consolidated profit for the period (A) + (B)	**10,969**	**58,068**
Due to:		
Parent company's shareholders	10,968	57,532
Subsidiaries' minority shareholders	1	536
Comprehensive consolidated profit for the period	**10,969**	**58,068**

Consolidated cash flow statements for Q1

(€/000)	*2016*	*2015*
Cash flow from operating activities		
Pre-tax profit	34,669	42,406
Adjustments for non-cash items:		
Capital losses (Capital gains) from the sale of fixed assets	(598)	(1,043)
Amortization	10,287	9,632
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	344	337
Outlays for tangible fixed assets granted for hire	(2,786)	(2,326)
Proceeds from the sale of intangible fixed assets granted for hire	2,940	2,000
Loss (Profit) from investments	56	72
Net change in risk funds and allocations for employee benefits	(217)	(54)
Financial charges (income), net	2,573	(8,868)
Other	-	-
	47,268	42,156
(Increase) decrease in trade receivables and other current assets	(17,603)	(12,111)
(Increase) decrease in inventories	(10,945)	(7,798)
Increase (decrease) in trade payables and other current liabilities	3,259	3,470
Interest paid	(1,186)	(1,514)
Currency exchange gains realized	(668)	1,493
Taxes paid	(3,763)	(3,128)
Net cash from operating activities	**16,362**	**22,568**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(1,696)	(113,725)
Disposal of investments and lines of business including transferred cash	746	746
Capital expenditure in property, plant and equipment	(8,482)	(7,795)
Proceeds from sales of tangible fixed assets	207	816
Increase in intangible fixed assets	(657)	(685)
Received financial income	119	147
Other	(140)	(122)
Net liquidity used in investing activities	**(9,903)**	**(120,618)**
Cash flows of financing activity		
Disbursals (repayments) of loans	(651)	93,981
Outlays for purchase of treasury stock	(24,803)	(18,943)
Sale of treasury stock for the acquisition of equity investments	-	49,177
Proceeds from the sale of treasury stock to beneficiaries of stock options	110	805
Dividends paid to subsidiaries' minority shareholders	-	(874)
Disbursals (repayments) of loans from (to) shareholders	-	(61)
Change in other financial assets	(9)	(16)
Payment of financial leasing installments (principal portion)	(684)	(806)
Net liquidity generated (used by) financing activities	**(26,037)**	**123,263**
Net increase (decrease) of cash and cash equivalents	**(19,578)**	**25,213**

(€/000)	*2016*	*2015*
Net increase (decrease) of cash and cash equivalents	**(19,578)**	**25,213**
Exchange differences from the translation of cash of companies in areas outside the EU	(1,434)	3,164
Opening cash and cash equivalents of companies consolidated line by line for the first time	161	435
Cash and cash equivalents at the beginning of the year	129,395	59,389
Cash and cash equivalents at the end of the year	**108,544**	**88,201**

Cash and cash equivalents can be broken down as follows:

	31/03/2016 €/000	31/12/2015 €/000
Cash and cash equivalents from the balance sheet	110,408	135,130
Bank payables (advances and STC amounts)	(1,864)	(5,735)
Cash and cash equivalents from the cash flow statement	108,544	129,395

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 shareholde rs' equity*	*Minority interests*	*Total*
Balances at 1 January 2015	*53,871*	*11,323*	*101,237*	*(19)*	*(5,273)*	*3,809*	*295,747*	*460,695*	*5,855*	*466,550*
Recording in the income statement of the fair value of the stock options assigned and exercisable	-	-	337	-	-	-	-	337	-	337
Purchase of treasury stock	(763)	-	(18,180)	-	-	-	-	(18,943)	-	(18,943)
Sale of treasury stock to the beneficiaries of stock options	181	-	624	-	-	-	-	805	-	805
Sale of treasury stock to pay for equity investments	2,468	-	46,709	-	-	-	-	49,177	-	49,177
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(790)	(790)
Comprehensive profit (loss) for Q1 2015	-	-	-	19	-	28,310	29,203	57,532	536	58,068
Balances at 31 March 2015	*55,757*	*11,323*	*130,727*	-	*(5,273)*	*32,119*	*324,950*	*549,603*	*5,601*	*555,204*
Recording in the income statement of the fair value of the stock options assigned and exercisable	-	-	1,033	-	-	-	-	1,033	-	1,033
Purchase of treasury stock	(559)	-	(14,529)	-	-	-	1,322	(13,766)	-	(13,766)
Sale of treasury stock to the beneficiaries of stock options	740	-	7,542	-	-	-	(921)	7,361	-	7,361
Sale of treasury stock to pay for equity investments	94	-	14,182	-	-	-	(2,562)	11,714	-	11,714
Dividends paid	-	-	-	-	-	-	(19,321)	(19,321)	(135)	(19,456)
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	(191)	(191)	(280)	(471)
Comprehensive profit (loss) for April-December 2015	-	-	-	(13)	1,772	(9,462)	88,427	80,724	285	81,009
Balances at 31 December 2015	*56,032*	*11,323*	*138,955*	*(13)*	*(3,501)*	*22,657*	*391,704*	*617,157*	*5,471*	*622,628*
Recording in the income statement of the fair value of the stock options assigned and exercisable	-	-	344	-	-	-	-	344	-	344
Purchase of treasury stock	(1,056)	-	(23,747)	-	-	-	-	(24,803)	-	(24,803)
Sale of treasury stock to the beneficiaries of stock options	12	-	98	-	-	-	-	110	-	110
Dividends distributed to minority interests	-	-	-	-	-	-	-	-	(828)	(828)
Comprehensive profit (loss) for Q1 2016	-	-	-	21	-	(10,718)	21,665	10,968	1	10,969
Balances at 31 March 2016	*54,988*	*11,323*	*115,650*	*8*	*(3,501)*	*11,939*	*413,369*	*603,776*	*4,644*	*608,420*

Notes to the consolidated financial statements

General information

Interpump Group S.p.A. is a company domiciled in Sant'Ilario d'Enza (Reggio Emilia, Italy) and incorporated under the 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 hoses and fittings and other hydraulic products. The Group has production facilities in Italy, the US, Germany, China, India, Brazil, Bulgaria, Romania and South Korea.

Sales are not affected by any significant degree of seasonality.

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

The consolidated financial statements as at 31 March 2016 were approved by the Board of Directors on this day (12 May 2016).

This interim report is not subject to auditing.

It has been prepared on a basis consistent with the past, international practice, the principle of market transparency and Borsa Italiana Notice no. 7587 dated 21 April 2016. As part of the requirements for maintaining a STAR listing, this notice requires the publication of interim reports on operations, regardless of any regulatory changes.

Basis of preparation

The consolidated financial statements at 31 March 2016 were drawn up in compliance with international accounting standards (IAS/IFRS) for interim financial statements. The tables were prepared in compliance with IAS 1, while the notes were prepared in condensed form in application of the faculty provided by IAS 34 and therefore they do not include all the information required for annual financial statements drafted in compliance with IFRS standards. Therefore, the consolidated financial statements at 31 March should be consulted together with the annual financial statements for the year ending 31 December 2015.

The accounting principles and criteria adopted in the interim financial statements at 31 March 2016 may conflict with IFRS provisions in force on 31 December 2016 due to the effect of future orientations of the European Commission with regard to the approval of international accounting standards or the issue of new standards, interpretations or implementing guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

Preparation of an interim report in compliance with IAS 34 "Interim Financial Reporting" calls for judgments, estimates, and assumptions that have an effect on assets, liabilities, costs and revenues and on information regarding potential assets and liabilities at the report reference date. We draw your attention to the fact that estimates may differ from the effective results, the magnitude of which will only be known in the future. Certain measurement processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of preparing the annual financial statements, when all the necessary information is available, except in cases in which evidence of impairment calls for an immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

The consolidated financial statements are drafted in thousands of euro. The 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 as at 31 December 2015, with the exception of those adopted as from 1 January 2016 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 2016 and adopted by the Group

As from 2016 the Group has applied the following new accounting standards, amendments and interpretations, reviewed by IASB:

- *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.
- *Amendment to IAS 16 and 38 – Property, plant and equipment and Intangible assets.* On 12 May 2014 IASB published an amendment to the standards, specifying that a method of depreciation based on the revenues generated by the asset is inappropriate because it reflects solely the revenue flow generated by the asset and does not reflect the methods of consumption of the prospective future economic benefits embodied in the asset.
- *Amendment to IAS 27 – Separate financial statements*. On 12 August 2014, the 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.
- *Amendment to IAS 1: disclosure initiative* - On 18 December 2014 IASB published the amendment in question, which is designed to provide clarifications to IAS 1 to address several perceived impediments to preparers exercising their judgment in presenting their financial statements.
- On 12 December 2013 the 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.

b) *New accounting standards and amendments effective from 1 January 2016 but not relevant for the Group:*

- *Amendment to IFRS 11 – Joint arrangements*. On 6 May 2014 IASB published an amendment to the standard adding a new guide to the recognition of the acquisition of an interest in joint operations when the operation constitutes a business.
- *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.
- *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.

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

- *IFRS 9 – Financial instruments*. On 12 November 2009 IASB published the following principle, which was subsequently amended on 28 October 2010 and by a further amendment in mid-December 2011. The new standard, which is applicable from 1 January 2018, constitutes the first part of a process in stages aimed at replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities, and for the derecognition of financial assets from the financial statements. Specifically, the new standard uses a single approach to financial assets based on the methods of management of financial instruments and on the characteristics of the contractual cash flows of financial assets in order to establish the measurement criterion, replacing the various rules contained in IAS 39. In contrast, for financial liabilities the main change concerns the accounting treatment for changes in the fair value of a financial liability designated as a financial liability measured at fair value in profit and loss, in the event wherein such changes are due to changes in the credit rating of the liabilities in question. In accordance with the new standard, such changes must be recorded in the comprehensive income statement and cannot thereafter be derecognised in profit and loss.
- On 30 January 2014 IASB published IFRS 14 "Regulatory Deferral Accounts", which is an interim standard relating to the "Rate-regulated activities" project. IFRS 14 allows exclusively first-time adopters of IFRS to continue recognizing amounts associated with rate regulation in compliance with the accounting policies previously adopted. In order to improve comparability with entities that already apply IFRS and that do not therefore disclose these amounts, the standard requires the rate regulation effect to be presented separately from other captions.
- *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).
- *Annual Improvements to IFRSs 2012–2014 Cycle* - On 25 September 2014 IASB issued a collection of amendments to IASs/IFRSs. The aim of the annual improvements is to

address necessary matters related to inconsistencies found in IFRSs or for clarifications of terminology, which are not of an urgent nature but which reflect issues discussed by the IASB during the project cycle. Among the amended standards, IFRS 5, in relation to which a clarification has been introduced concerning cases in which the method of disposal of an asset is changed from held for sale to held for distribution; 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. These amendments will be effective for reporting periods starting after 1 January 2016. Early adoption is however permitted.

- *IFRS 16 – Leasing*. On 13 January 2016, the IASB published the new standard that replaces IAS 17. The new standard will make the financial statements of companies even more comparable, by abolishing the distinction between "finance leases" and "operating leases" and by requiring companies to recognise in their financial statements the assets and liabilities associated with all types of leasing contract. IFRS 17 is applicable from 1 January 2019. Early application is allowed for entities that also apply IFRS 15 "Revenue from contracts with customers".
- *Amendments to IAS 12 – Income taxes.* The IASB has published certain amendments to the standard. The document entitled *Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)* seeks to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are applicable from 1 January 2017. Early adoption is allowed.
- *Amendments to IAS 7 - Statement of cash flows.* On 29 January 2016, the IASB published an amendment to the standard entitled "*Disclosure initiative*" in order to improve the information provided about changes in financial liabilities. The amendments are applicable from 1 January 2017.

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 2017 adoption of the applicable new standards and amendments.

Notes to the consolidated financial statements at 31 March 2016

Page

1. Consolidation basis and goodwill

The perimeter of consolidation at 31 March 2016 includes the Parent company and the following subsidiaries:

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/03/16*
Bertoli S.r.l.	Reggio Emilia	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 Africa Pty Ltd (2)	Johannesburg (South Africa)	Hydr.	-	100.00%
Hypress Africa Pty Ltd (2)	Boksburg (South Africa)	Hydr.	412	100.00%
Interpump Hydraulics Middle East FZCO (2)	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.s. (3)	Barby (France)	Hydr.	8	100.00%
Copa Hydrosystem Ood (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%
Interpump Hydraulics (UK) Ltd. (2)	Kingswinford (United Kingdom)	Hydr.	13	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%
E.I. Holdings Ltd (10)	Bath (United Kingdom)	Hydr.	127	100.00%
Endeavour International Ltd (11)	Bath (United Kingdom)	Hydr.	69	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%

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake at 31/03/16*
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%
Walvoil S.p.A.	Reggio Emilia	Hydr.	5,000	100.00%
Walvoil Fluid Power Corp. (9)	Tulsa (USA)	Hydr.	41	100.00%
Walvoil Fluid Power Shanghai Co. Ltd (9)	Shanghai (China)	Hydr.	1,872	100.00%
Walvoil Fluid Power Pvt Ltd (9)	Bangalore (India)	Hydr.	683	100.00%
Walvoil Fluid Power Korea (9)	Pyeongtaek (South Korea)	Hydr.	453	100.00%
Walvoil Fluid Power France S.a.r.l. (9)	Vritz (France)	Hydr.	10	100.00%
Walvoil Fluid Power Australasia (9)	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.
(6) = controlled by Aperlai HK Ltd
(7) = controlled by HTIL
(8) = controlled by IMM Hydraulics S.p.A.
(9) = controlled by Walvoil S.p.A.
(10) = controlled by IMM Hydraulics Ltd
(11) = controlled by E.I. Holdings Ltd

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

E.I. Holdings Ltd and Endeavour International Ltd were consolidated for the first time.

In addition, despite its modest size, Interpump Hydraulic (UK) Ltd was also consolidated on a line-by-line basis for the first time, in view of its development plans for the coming years. The effect on 2016 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 were consolidated in full, recording a payable representing an estimate of the present value of the exercise price of the options determined with reference to, respectively, 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.

Changes in goodwill in Q1 2016 were as follows:

Company:	Balance at 31/12/2015	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance at 31/03/2016
Water Jetting Sector	159,258	-	(1,817)	157,441
Hydraulic Sector	188,130	772	(574)	188,328
Total goodwill	*347,388*	*772*	*(2,391)*	*345,769*

The increases in Q1 2016 relate to the acquisition of E.I. Holdings Ltd and Endeavour International Ltd.

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 applied to the best customers.

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

Business sectors

The Group is composed of the following business sectors:

Water Jetting Sector. 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 includes high pressure homogenizers with piston pumps that are mainly used in the food processing industry, but also in chemicals and cosmetics.

Hydraulic Sector. Includes the production and sale of power take-offs, hydraulic cylinders, pumps, valves and directional controls, hoses and fittings and other hydraulic components. Power take-offs are mechanical devices designed to transmit drive from an industrial vehicle engine or transmission to power a range of ancillary services through hydraulic components. These products, combined with other hydraulic components (spool valves, controls, etc.) allow the execution of special functions such as lifting tipping bodies, operating truck-mounted cranes, operating truck mixer 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 several applications: earth-moving 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.

At 31 March 2015, Interpump Engineering and Teknova were included in the Other Sector. Following the absorption of Interpump Engineering by Interpump Group S.p.A. effective 1 November 2015, all amounts relating to Interpump Engineering are now classified in the Water Jetting Sector, also in light of their low materiality.

Interpump Group business sector information
(Amounts shown in €/000)
Q1

	Hydr. 2016	Hydr. 2015	Water 2016	Water 2015	Other 2016	Other 2015	Elimination entries 2016	Elimination entries 2015	**Interpump Group** 2016	**Interpump Group** 2015
Net sales external to the Group	145,615	145,642	81,093	76,983	-	-	-	-	226,708	222,625
Sales between sectors	57	38	313	384	-	361	(370)	(783)	-	-
Total net sales	**145,672**	**145,680**	**81,406**	**77,367**	**-**	**361**	**(370)**	**(783)**	**226,708**	**222,625**
Cost of products sold	(98,211)	(99,950)	(46,950)	(44,714)	-	(56)	371	433	(144,790)	(144,287)
Gross industrial margin	**47,461**	**45,730**	**34,456**	**32,653**	**-**	**305**	**1**	**(350)**	**81,918**	**78,338**
% on net sales	*32.6%*	*31.4%*	*42.3%*	*42.2%*	-	*n.s.*			*36.1%*	*35.2%*
Other net revenues	2,314	2,538	998	734	-	11	(1)	(69)	3,311	3,214
Distribution costs	(11,658)	(12,359)	(8,725)	(8,465)	-	-	-	1	(20,383)	(20,823)
General and administrative expenses	(16,952)	(17,027)	(9,948)	(9,601)	(9)	(316)	-	418	(26,909)	(26,526)
Other operating costs	(439)	(523)	(200)	(70)	-	-	-	-	(639)	(593)
Ordinary profit before financial expenses	**20,726**	**18,359**	**16,581**	**15,251**	**(9)**	**-**	**-**	**-**	**37,298**	**33,610**
% on net sales	*14.2%*	*12.6%*	*20.4%*	*19.7%*	*n.s.*	*n.s.*			*16.5%*	*15.1%*
Financial income	2,132	12,492	703	1,802	-	-	(448)	(448)	2,387	13,846
Financial expenses	(3,702)	(4,144)	(1,706)	(1,281)	-	(1)	448	448	(4,960)	(4,978)
Adjustment of investments carried at equity	(67)	-	11	(72)	-	-	-	-	(56)	(72)
Profit for the period before taxes	**19,089**	**26,707**	**15,589**	**15,700**	**(9)**	**(1)**	**-**	**-**	**34,669**	**42,406**
Income taxes	(7,148)	(7,796)	(5,654)	(5,238)	-	(145)	-	-	(12,802)	(13,179)
Consolidated profit for the period	**11,941**	**18,911**	**9,935**	**10,462**	**(9)**	**(146)**	**-**	**-**	**21,867**	**29,227**
Due to:										
Parent company's shareholders	11,775	18,909	9,899	10,440	(9)	(146)	-	-	21,665	29,203
Subsidiaries' minority shareholders	166	2	36	22	-	-	-	-	202	24
Consolidated profit for the period	**11,941**	**18,911**	**9,935**	**10,462**	**(9)**	**(146)**	**-**	**-**	**21,867**	**29,227**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	6,916	6,471	3,371	3,158	-	3	-	-	10,287	9,632
Other non-monetary costs	497	551	205	394	-	-	-	-	702	945

Financial position
(Amounts shown in €/000)

	Hydr.		Water		Other		Elimination entries		**Interpump Group**	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Assets of the sector (A)	**735,005**	**725,674**	**565,075**	**566,031**	**578**	**577**	**(151,254)**	**(157,339)**	**1,149,404**	**1,134,943**
Cash and cash equivalents									110,408	135,130
Total assets									**1,259,812**	**1,270,073**
Liabilities of the sector (B)	**314,646**	**308,674**	**79,758**	**82,187**	**589**	**597**	**(151,254)**	**(157,339)**	**243,739**	**234,119**
Debts for the payment of investments									22,823	23,209
Payables to banks									1,864	5,735
Interest-bearing financial payables									382,966	384,382
Total liabilities									**651,392**	**647,445**
Total assets, net (A-B)	**420,359**	**417,000**	**485,317**	**483,844**	**(11)**	**(20)**	**-**	**-**	**905,665**	**900,824**

<u>Further information required by IFRS 8</u>

	Hydr. 31 March 2016	Hydr. 31 December 2015	Water 31 March 2016	Water 31 December 2015	Other 31 March 2016	Other 31 December 2015	Elimination entries 31 March 2016	Elimination entries 31 December 2015	Interpump Group 31 March 2016	Interpump Group 31 December 2015
Investments carried at carried at equity	34	106	282	283	-	-	-	-	316	389
Non-current assets other than financial assets and deferred tax assets	414,043	415,225	249,924	254,565	-	-	-	-	663,967	669,790

Q1 cash flows by business sector are as follows:

€/000	Hydr.		Water		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Cash flows from:								
Operating activities	17,260	9,430	(880)	13,149	(18)	(11)	16,362	22,568
Investing activities	(7,917)	(8,527)	(1,986)	(112,079)	-	(12)	(9,903)	(120,618)
Financing activities	(6,025)	2,968	(20,012)	120,295	-	-	(26,037)	123,263
Total	3,318	3,871	(22,878)	21,365	(18)	(23)	(19,578)	25,213

Investing activities in the Hydraulic Sector during the first quarter of 2016 included 1,696 thousand euro for new acquisitions and the deferred payment for minority interests in existing subsidiaries (1,337 thousand euro in Q1 2015), while investing activities in the Water Jetting Sector did not include any new acquisitions (108,400 thousand in Q1 2015).

Financing activities in Q1 2016 included repayments of intercompany loans from the Hydraulic Sector to the Water Jetting Sector totalling 3,090 thousand euro (15,000 thousand euro from the Water Jetting Sector to the Hydraulic Sector in Q1 2015). Moreover, cash flows from the financing activities of the Water Jetting Sector in Q1 2016 included the purchase of treasury shares for 24,803 thousand euro (18,943 thousand euro in Q1 2015) and proceeds from the sale of treasury shares to the beneficiaries of stock options totalling 110 thousand euro (805 thousand euro in Q1 2015). The financing activities of the Water Jetting Sector during the first quarter of 2015 included the value of the treasury shares assigned on the acquisition of equity investments totalling 49,177 thousand euro. The cash flows from the financing activities of the Hydraulic Sector during the first quarter of 2016 did not include any dividends paid to third parties (874 thousand euro in Q1 2015).

3. Acquisition of investments

Endeavour

Amounts are stated in thousands of euro (the exchange rate used to translate the financial statements was GBP 0.755 / 1 euro, corresponding to the exchange rate in force on the acquisition date).

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	386	-	386
Trade receivables	294	-	294
Inventories	333	-	333
Tax receivables	13	-	13
Other current assets	37	-	37
Property, plant and equipment	15	-	15
Trade payables	(306)	-	(306)
Tax payables	(42)	-	(42)
Other current liabilities	(32)	-	(32)
Deferred tax liabilities	(3)	-	(3)
Net assets acquired	695	-	695
Goodwill related to the acquisition			772
Total net assets acquired			**1,467**

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Total amount paid in cash			1,325
Amount due in short-term			142
Total acquisition cost (A)			**1,467**
Net financial indebtedness (cash) (e) acquired (e) (B)			(386)
Total amount paid in cash			1,325
Estimate of amount payable for price adjustment to balance			142
Total change in the net financial position including changes in debt for the acquisition of investments			**1,081**
Capital employed (A) + (B)			**1,081**

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

	31/03/2016 €/000	*31/12/2015* €/000
Inventories gross value	272,526	265,791
Allowance for inventories	(26,974)	(27,154)
Inventories	245,552	238,637

Changes in the allowance for inventories were as follows:

	Q1 2016 €/000	*Year 2015* €/000
Opening balances	27,154	17,936
Exchange rate difference	(304)	655
Change to consolidation basis	62	8,601
Provisions for the year	265	2,525
Utilizations in the year due to losses	(203)	(2,563)
Utilizations in the period due to surpluses	-	-
Closing balance	26,974	27,154

5. Property, plant and equipment

Purchases and disposals

In Q1 2016 Interpump Group acquired assets for 10,845 thousand euro, of which 15 thousand euro via the acquisition of equity investments (78,279 thousand euro in Q1 2015, of which 70,681 thousand via the acquisition of equity investments). In Q1 2016 assets were divested for a net book value of 2,512 thousand euro (1,871 thousand euro in Q1 2015). The divested assets generated a net capital gain of 598 thousand euro (1,043 thousand euro in Q1 2015).

Contractual commitments

As at 31 March 2016 the Group had contractual commitments for the purchase of tangible fixed assets totalling 3,186 thousand euro (482 thousand euro as at 31/03/2015).

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 54,988 thousand euro, because the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the reference accounting standards. At 31 March 2016 Interpump S.p.A. held 3,133,412 treasury shares corresponding to 2.878% of share capital, acquired at an average unit cost of € 12.0106.

Treasury shares purchased

The amount of the treasury shares held by Interpump Group S.p.A. is booked in an equity reserve. In Q1 2016 the Group acquired 2,031,000 treasury shares for a total of 24,802 thousand euro, at an average price of 12.2118 (the Group purchased 1,467,022 treasury shares for 18,943 thousand euro in Q1 2015).

Treasury shares sold

23,500 options were exercised in Q1 2016, resulting in proceeds of 110 thousand euro in the framework of the stock option plans (the exercise of 168,000 stock options in Q1 2015 generated proceeds of 805 thousand euro). Moreover, 4,160,501 treasury shares were used in Q1 2015 to pay part of the equity investment in Walvoil and Inoxihp (no shares were used for the purchase of equity investments in Q1 2016).

7. Financial income and expenses

	2016 €/000	2015 €/000
Financial income		
Interest income from liquid funds	94	147
Interest income from other assets	13	29
Financial income to adjust debt estimate for commitment to purchase residual stakes in subsidiaries	-	6,162
Foreign exchange gains	2,234	7,487
Earnings from valuation of derivative financial instruments	31	18
Other financial income	15	3
Total financial income	2,387	13,846
Financial expenses		
Interest expense on loans	1,302	1,634
Interest expense on put options	186	270
Financial expenses for adjustment of estimated debt for commitment to purchase residual stakes in subsidiaries	39	26
Tobin Tax	9	200
Foreign exchange losses	3,397	2,579
Losses from valuation of derivative financial instruments	15	239
Other financial charges	12	30
Total financial expenses	4,960	4,978
Total financial expenses (income), net	(2,573)	(8,868)

8. Earnings per share

Basic earnings per share

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

Q1	2016	2015
Consolidated profit for the period attributable to parent company shareholders (€/000)	21,665	29,203
Average number of shares in circulation	106,616,877	106,322,703
Basic earnings per share for the quarter (€)	0.203	0.275

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:

	2016	2015
Consolidated profit for the period attributable to Parent company shareholders (€/000)	21,665	29,203
Average number of shares in circulation	106,616,877	106,332,703
Number of potential shares for stock option plans (*)	1,333,680	2,433,722
Average number of shares (diluted)	107,950,557	108,766,425
Earnings per diluted share for the quarter (€)	0.201	0.268

(*) calculated as the number of shares corresponding to in-the-money stock options outstanding, multiplied by the ratio between: the difference between the average value of the share in the period and the exercise price (as the numerator) and the average value of the share in the period (as the denominator).

9. Transactions with related parties

The Group has business relationships established with unconsolidated subsidiaries, Associates companies and other related parties at arm's length conditions considered to be normal in the relevant reference markets, taking into account 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, do not appear in the interim consolidated financial statements and are not detailed in these notes.

The effects in the Group's consolidated income statements for Q1 2016 and Q1 2015 are shown below:

	Q1 2016					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates companies	Other related parties	Total related parties	% on line item
Net sales	226,708	416	-	188	604	0.3%
Cost of products sold	144,790	147	-	2,972	3,119	2.2%
Other revenues	3,311	16	-	-	16	0.5%
Distribution costs	20,383	9	-	135	144	0.7%
G&A expenses	26,909	-	-	164	164	0.6%

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

The effects on the consolidated balance sheet at 31 March 2016 and 2015 are shown below:

	31 March 2016					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates companies	Other related parties	Total related parties	% on line item
Trade receivables	194,501	1,218	-	398	1,616	0.8%
Trade payables	103,182	47	-	1,214	1,261	1.2%
Interest-bearing financial payables (current portion)	87,983	-	-	7	7	0.0%

	31 March 2015					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates companies	Other related parties	Total related parties	% on line item
Trade receivables	188,925	1,036	-	429	1,465	0.8%
Other financial assets	876	220	-	-	220	25.1%
Trade payables	106,876	74	-	2,907	2,981	2.8%
Interest-bearing financial payables (current portion)	88,747	-	-	1,180	1,180	1.3%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	31/03/2016	31/03/2015	2016	2015
Interpump Hydraulics (UK)*	-	868	-	112
General Pump China Inc.	249	168	162	30
Interpump Hydraulics Perù	969	-	270	-
Total subsidiaries	*1,218*	*1,036*	*432*	*142*

* = fully consolidated as at 31 March 2016

(€/000)	Payables		Costs	
	31/03/2016	31/03/2015	2016	2015
General Pump China Inc.	47	65	156	173
Interpump Hydraulics (UK)*	-	9	-	-
Interpump Hydraulics Perù	-	-	-	-
Total subsidiaries	47	74	156	173

(€/000)	Loans		Financial income	
	31/03/2016	31/03/2015	2016	2015
Interpump Hydraulics (UK)*	-	220	-	2
Total subsidiaries	-	220	-	2

* = fully consolidated as at 31 March 2016

Relations with associates

The Group does not hold investments in Associates companies.

Transactions with other related parties

Transactions with other related parties regard the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for 828 thousand euro (1,352 thousand euro in Q1 2015), and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for 39 thousand euro (15 thousand euro in Q1 2015). Rental costs are classified as follows: 640 thousand euro (1,009 thousand euro in Q1 2015) as cost of sales, 70,000 euro (240 thousand euro in Q1 2015) as selling expenses and 118 thousand euro (103 thousand euro in Q1 2015) as general and administrative expenses. Consultancy costs were classified as follows: 15 thousand euro as selling expenses (15 thousand euro also in Q1 2015) and 24 thousand euro as general and administrative expenses. Additionally, the cost of sales includes purchases made by companies controlled by minority shareholders or company directors of the Group for 2,249 thousand euro (4,436 thousand euro in Q1 2015).

Further to the signature of building rental contracts with other related parties, the Group has commitments of 15,785 thousand euro (16,812 thousand euro at 31 December 2015).

10. Disputes, Contingent liabilities and Contingent assets

The Parent company and some of its subsidiaries are directly involved in some lawsuits for limited amounts. The settlement of said lawsuits is not expected to generate any significant liabilities for the Group that are not covered by risk provisions already made. There was no substantial change in the disputes or contingent liabilities existing at 31 December 2015.