Half-year report as at 30 June 2016
and
Interim Board of Directors' Report forQ2 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 Companies 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

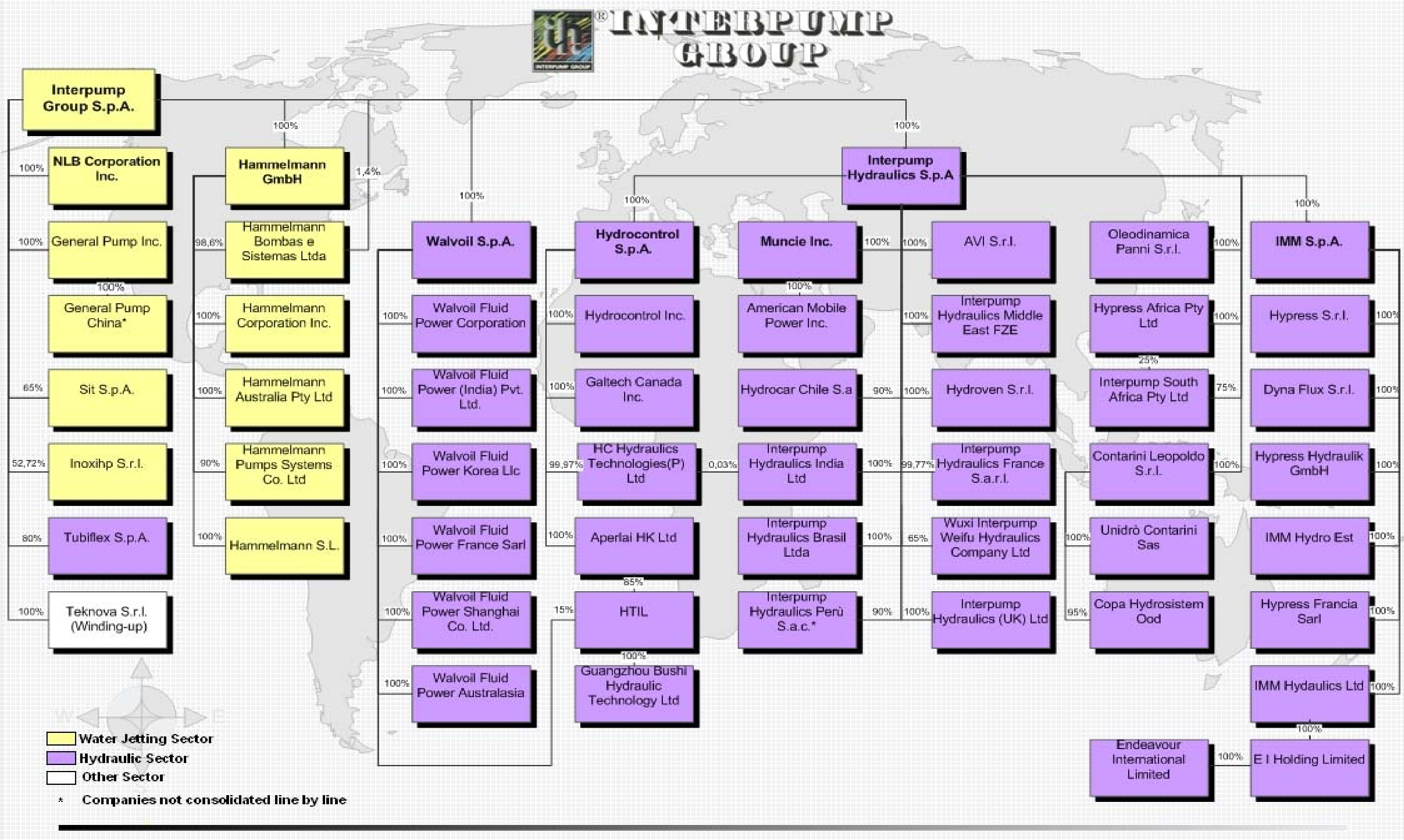
Alessandra Tronconi
Statutory auditor

Independent Auditors

EY 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 30/06/2016



Interim Board of Directors' Report

Directors' remarks on performance in H1 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 investment 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 nevertheless 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 using the indirect method.

H1 consolidated income statements

(€/000)	*2016*	*2015*
Net sales	**472,468**	**467,009**
Cost of products sold	(300,172)	(298,713)
Gross industrial margin	**172,296**	**168,296**
% on net sales	*36.5%*	*36.0%*
Other operating revenues	7,234	6,539
Distribution costs	(42,985)	(43,007)
General and administrative expenses	(54,371)	(54,039)
Other operating costs	(1,198)	(1,565)
EBIT	**80,976**	**76,224**
% on net sales	*17.1%*	*16.3%*
Financial income	3,967	39,560
Financial expenses	(7,490)	(7,960)
Adjustment of the value of investments carried at equity	(39)	(147)
Profit for the period before taxes	**77,414**	**107,677**
Income taxes	(28,279)	(27,048)
Consolidated net profit for the period	**49,135**	**80,629**
% on net sales	*10.4%*	*17.3%*
Pertaining to:		
Parent company's shareholders	48,868	80,350
Subsidiaries' minority shareholders	267	279
Consolidated net profit for the period	**49,135**	**80,629***
EBITDA	**102,336**	**96,551**
% on net sales	*21.7%*	*20.7%*
Shareholders' equity	610,014	587,266
Net debt	309,775	282,494
Payables for the acquisition of investments	30,918	42,397
Capital employed	950,707	912,157
Unannualised ROCE	**8.5%**	**8.4%**
Unannualised ROE	**8.1%**	**13.7%**
Basic earnings per share	**0.461**	**0.753**

* = as stated on page 17, the normalised net profit for the first half of 2015 was 46.3 million euro.

SIGNIFICANT EVENTS IN THE HALF-YEAR

Sales rose by 1.2% compared with the first half of 2015. Sector analysis shows 1.4% growth in the Hydraulic Sector compared with the first half of 2015. Sales in the Water-Jetting Sector rose by 0.7%. By geographical area, sales in Europe (including Italy) and North America, the two reference markets for the Interpump Group, rose by 7.4% (+16.5 million euro) and fell by 5.0% (-7.6 million euro) respectively. Sales in other geographical areas, which contribute less than 19% of the consolidated total, fell by 3.7% (or -3.4 million euro).

EBITDA reached 102.3 million euro, equivalent to 21.7% of sales. In H1 2015 EBITDA was 96.6 million euro (20.7% of sales). Therefore, EBITDA has improved by 6.0%, raising profitability by 1 percentage point. The marked increase in the profitability of the Hydraulic Sector, at 19.7%, reflects the rationalisation and reorganisation work carried out in the current and prior years. During 2016, all activities in South Africa were merged into one company while, in Italy, HS Penta merged into Interpump Hydraulics, Bertoli merged into the Parent Company and Hydrocontrol S.p.A. merged into Walvoil S.p.A. During 2015, mergers had taken place in Brazil and Bulgaria. Further mergers are in progress in China and are planned in India, the UK and France.

The net profit for H1 2016 was 49.1 million euro. The net profit in the same period of 2015 included one-off financial income of 32.0 million, due to the early exercise of put options by entitled parties, and net FX gains of 3.1 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 half of 2016 includes net FX losses of 0.3 million euro. Net of these two items, the normalised net profit for the first half of 2016 was 8.5% greater than its equivalent for the first half of 2015.

On January 22, 2016, The entire equity interest in Endeavour (Hydralok brand), based in Bath, England, was acquired. This company manufactures machinery and systems for fitting 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 and fitting systems enables Interpump not only to sell them, but also to provide all international branches with the equipment necessary to commercialize fitted 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 1.0m for Endeavour, including cash of about GBP 300k.

On May 5, 2016, Interpump Group acquired 80% of Tubiflex S.p.A., based in Orbassano (Turin). This company is active in the production and sale 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 hose 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 net sales for 2015 of 22.8 million euro, with an EBITDA of 5.3 million euro (23.4% of sales). 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 exchanged, exercisable on the approval date of the financial statements as at 31/12/2018. The exercise price will depend on the 2018 results of Tubiflex. This company was consolidated for two months of the first half of 2016.

Additionally, Bertoli (Water Jetting Sector) has been consolidated since its acquisition in May 2015 and therefore was only present for two months in the first half of 2015. The effects of consolidating Tubiflex, Endeavour and Bertoli on the consolidated financial statements for the first half of 2016 are not considered significant. On a like-for-like basis and disregarding exchange-rate effects, sales have risen by 0.4%.

NET SALES

Net sales amounted to 472.5 million euro in the first half of 2016, up by 1.2% with respect to the same period in 2015, when they totalled 467.0 million euro.

Breakdown of sales by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East & Oceania	Rest of the World	Total
H1 2016						
Hydraulic Sector	61,444	113,439	73,280	18,711	35,281	302,155
Water Jetting Sector	16,721	47,650	71,668	24,739	9,535	170,313
Total	78,165	161,089	144,948	43,450	44,816	472,468
H1 2015						
Hydraulic Sector	56,382	104,700	78,370	21,356	37,042	297,850
Water Jetting Sector	16,629	45,088	74,148	21,468	11,826	169,159
Total	73,011	149,788	152,518	42,824	48,868	467,009
2016/2015 percentage changes						
Hydraulic Sector	+9.0%	+8.3%	-6.5%	-12.4%	-4.8%	+1.4%
Water Jetting Sector	+0.6%	+5.7%	-3.3%	+15.2%	-19.4%	+0.7%
Total	+7.1%	+7.5%	-5.0%	+1.5%	-8.3%	+1.2%

PROFITABILITY

The cost of sales accounted for 63.5% of turnover (64.0% in H1 2015). Production costs, which totalled €124.3 million (€121.2 million in the equivalent period of 2015), accounted for 26.3% of sales (26.0% in H1 2015). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was 175.9 million euro (177.5 million euro in the same period of 2015). The incidence of purchase costs, including changes in inventories, was 37.2% with respect to the 38.0% in H1 2015, reflecting an improvement of 0.8 percentage points.

Distribution costs were broadly in line (-0.1%) with the first half of 2015, while their incidence on sales was 0.1 percentage points lower than in H1 2015.

General and administrative expenses were 0.6% higher than in the first half of 2015, while their incidence on sales was 0.1 percentage points lower than in H1 2015.

Payroll costs totalled 117.1 million euro (112.9 million euro in H1 2015), with an increase of 3.7% due to a 1.6% per capita cost increase and a rise of 99 in the average headcount, of which 85 in the newly-consolidated companies. The total average headcount of Group employees in H1 2016 was 4,912 compared with 4,813 in H1 2015. The like-for-like increase in average headcount during the first half of 2016 breaks down as follows: 20 more in Europe, 9 less in the US and 3 more in the Rest of the World.

EBITDA amounted to 102.3 million euro (21.7% of sales), compared with 96.6 million euro in H1 2015 (20.7% of sales). This represents a growth of 6.0% and an improvement in profitability of 1 percentage point. The following table shows EBITDA by business sector:

	H1 2016 €/000	*% on total sales**	*H1 2015 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	59,464	19.7%	53,829	18.1%	+10.5%
Water Jetting Sector	42,882	25.1%	42,653	25.1%	+0.5%
Other Revenues Sector	(10)	n.s.	69	n.s.	n.s.
Total	***102,336***	***21.7%***	***96,551***	***20.7%***	***+6.0%***

* = Total sales include those to other Group companies, while the sales analysed previously are exclusively those external to the Group (see Note 2 in the explanatory notes). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

The marked increase in the profitability of the Hydraulic Sector reflects the rationalisation work carried out in the current and prior years.

EBIT was €81.0m (17.1% of sales) compared with €76.2m in H1 2015 (16.3% of sales), reflecting an increase of 6.2%.

The tax rate for the period was 36.5% (25.1% in H1 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 untaxable proceeds the tax rate in H1 2015 would have been 35.7%.

The net profit for H1 2016 was 49.1 million euro. The net profit in the same period of 2015 included one-off financial income of 32.0 million, due to the early exercise of put options by entitled parties, and net FX gains of 3.1 million euro due to the major depreciation of the euro against all other currencies (especially the US dollar) in the period. Net exchange losses totalled €0.3m in H1 2016. Taking account of the above, normalised net profit for the first half of 2015 was 46.3 million euro. Net of these two items, the normalised net profit for the first half of 2016 (50.3 million euro) would have been 8.5% greater than its equivalent for the first half of 2015. Basic earnings per share was 0.461 euro (0.753 euro in the first half of 2015, partly as a result of the non-recurring items described above).

Capital employed increased from 900.8 million euro at 31 December 2015 to 950.7 million euro at 30 June 2016, principally due to the acquisition of Tubiflex. Unannualised ROCE was 8.5% (8.4% in H1 2015). Unannualised ROE was 8.1% (13.7% in the first half of 2015), also partly as a result of the non-recurring items described above.

CASH FLOW

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

	H1 2016 *€/000*	*H1 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	73,773	71,677
Cash flow generated (absorbed) by the management of commercial working capital	(26,102)	(30,121)
Cash flow generated (absorbed) by other current assets and liabilities	(259)	3,439
Capital expenditure on tangible fixed assets	(17,268)	(14,806)
Proceeds from sales of tangible fixed assets	540	997
Investment in other intangible fixed assets	(1,517)	(1,345)
Received financial income	216	272
Other	90	(585)
Free cash flow	***29,473***	***29,528***
Acquisition of investments, including received debt and net of treasury stock assigned	(21,343)	(123,293)
Receipt for sale of the Hydrometal line of business	746	746
Dividends paid	(21,031)	(20,368)
Outlays for the purchase of treasury stock	(42,728)	(21,533)
Proceeds from the sale of treasury stock to beneficiaries of stock options	560	3,077
Change in other financial assets	(26)	(25)
Cash flow generated (used)	***(54,349)***	***(131,868)***
Exchange rate differences	(600)	908
Net financial position at period end	**(309,775)**	**(282,494)**

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

Net liquidity generated by operations totalled 73.8 million euro (71.7 million euro in H1 2015), reflecting an increase of 2.9%. Free cash flow was €29.5m during the first half of 2016, as in H1 2015.

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

	30/06/2016 €/000	31/12/2015 €/000	30/06/2015 €/000	01/01/2015 €/000
Cash and cash equivalents	117,355	135,130	114,456	87,159
Bank payables (advances and STC amounts)	(1,938)	(5,735)	(24,806)	(27,770)
Interest-bearing financial payables (current portion)	(106,262)	(83,833)	(91,430)	(64,298)
Interest-bearing financial payables (non-current portion)	(318,930)	(300,549)	(280,714)	(147,060)
Total	**(309,775)**	**(254,987)**	**(282,494)**	**(151,969)**

At 30 June 2016 all loan covenants are complied with in full.

The Group also has contractual commitments for the acquisition of residual interests in subsidiaries totalling €30.9m (€23.2m at 31 December 2015 and €42.4m at 30 June 2015). Of this amount, 3.0 million euro are debts related the acquisition of equity investments (4.9 million euro at 31 December 2015), while 27.9 million euro relates to contractual agreements for the acquisition of residual interests in subsidiaries (18.3 million euro at 31 December 2015).

CAPITAL EXPENDITURE

Expenditure on property, plant and equipment totalled 25.6 million euro, of which 4.5 million via the acquisition of equity investments (89.4 million in H1 2015, of which 72.2 million euro via the acquisition of equity investments). Note that the companies belonging to the Very-High Pressure Systems business segment record the machinery manufactured and hired out to customers under tangible fixed assets (€4.7 million at 30 June 2016 and €4.6 million at 30 June 2015). Net of these latter amounts, capital expenditure in the strictest sense stood at €16.4m in H1 2016 (€12.6m in H1 2015) and mainly refers to the normal renewal and modernisation of plant, machinery and equipment, with the exception of €1.3m in 2016 (also €1.3m in 2015) related to the construction of new production facilities or their expansion. The difference with respect to the expenditure recorded in the cash flow statement is due to the timing of payments.

Increases in intangible fixed assets totalled €1.6m, of which €0.1m through the acquisition of investments (€13.1m in H1 2015, of which €11.7m through the acquisition of investments), and mainly refer to expenditure 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, as they are 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 half-year consolidated financial statements as at 30 June 2016.

CHANGES IN GROUP STRUCTURE IN H1 2016

In addition to the acquisitions of Endeavour and Tubiflex, fully described above, the other changes in the Group structure involved the absorption of HS Penta S.p.A. by Interpump Hydraulics S.p.A. on 4 January 2016 and the absorption of Bertoli S.r.l. by Interpump Group S.p.A. on 1 May 2016.

The residual 15% interest in HTIL, the Hong Kong sub-holding company, was acquired for €900k on 24 June 2016. HTIL holds 100% of Guangzhou Bushi Hydraulic Technology Ltd (China) (GBHT). This acquisition was made in preparation for the rationalisation of activities of the Hydraulics Sector in China, with the planned absorption of Walvoil Shanghai by GBHT and the liquidation of the two sub-holding companies based in Hong Kong: HTIL and Aperlai.

The residual 49% interest in Dyna Flux S.r.l. was acquired for €45k on 28 June 2016.

RISK FACTORS

The business of the Group is exposed to various financial risks: market risk (including the exchange rate risk and interest rate risk), credit risk, liquidity risk, price risk and cash flow risk. The risk management programme is based on the unpredictability of financial markets and it aims at minimising any negative impact on the Group's financial performance. Based on the policy approved by the Board of Directors, Interpump Group may use derivative financial instruments to cover exposure to exchange-rate and interest-rate risks, but cannot arrange derivative financial instruments for speculative purposes. Based on this procedure, financial risk hedging is managed by a central department in the parent company in cooperation with individual operating units. Group exposure to financial risks remained substantially unchanged with respect to 31 December 2015.

Exchange risk

The Group has subsidiaries in 17 countries and has to convert financial statements denominated in 15 currencies other than Euro. Therefore, the Group is primarily exposed to the risk deriving from the conversion of those financial statements.

The Group operates internationally and manufactures mostly in the countries of the destination markets. As such, the majority of local currency revenues are naturally matched by costs incurred in the same local currency. The Group is however exposed to a residual exchange-rate risk deriving from exposure to the US Dollar and, to a much lesser extent, from exposure to the UK Pound, the Canadian Dollar, the Australian Dollar, the Indian Rupee, the Chinese Renminbi and the Romanian Leu, due to businesses where costs and revenues are in different currencies.

In order to manage exchange rate risk generated by forecasts of future commercial transactions and by the recognition of assets and liabilities not denominated in the functional currency of the entity concerned, Group companies use plain vanilla forward contracts or purchase options, when deemed appropriate and in agreement with the Parent Company. The counterparts of these contracts are primary international financial institutions with high ratings.

As mentioned, the Group's US dollar exposure principally derives from the sales made to US subsidiaries and, to a lesser extent, to third-party customers. The Group’s policy is to monitor exchange-rate trends and to hedge solely if the rates are deemed favorable with reference to a matrix of values established beforehand by top management. This approach locks in the favorable conditions for a period of time that varies from three to six months. In the course of 2016, although the exchange rate reached and even exceeded the established values considered favorable, top management decided not to pursue hedging, except for isolated, individual transactions, in order to benefit from the weakness of the euro.

The Group has decided not to hedge its limited exposures to Chinese Renminbi, Canadian Dollars, Indian Rupees, UK Pounds and Romanian Lei that result from commercial transactions between Group companies.

In relation to financial exposures, intercompany loans totalling €0.9m were granted in currencies other than those utilised by the debtor companies during H1 2016. At 30 June 2016, loans granted in currencies other than those utilised by the debtor companies total €5.1m. Once again, the Group has decided not to hedge this exposure in 2016.

Interest rate risk

At 30 June 2016, liquidity totalling €4.5m is held at fixed rates of interest, while the remainder is held at variable rates. Bank loans and financial payables for a total of €10.5m are at fixed rates, while the remainder are at variable rates.

Currently the Group’s policy involves careful assessment of market opportunities related to the possibility of taking out hedges (IRS) at economically advantageous conditions; however, considering that the average duration of the Group's medium-/long-term loans is currently somewhat short (around 3/4 years), any potential hedges are unlikely to be particularly attractive.

Credit risk

Historically the Group has not suffered any significant losses on receivables. At the present, the Group considers that the situation of its receivables is sound, as demonstrated, among other considerations, by losses on receivables at 30 June 2016 totalling €719k (0.2% of sales). During H1 2015, losses on receivables totalled €918k (0.2% of sales). The potential risk has already been provisioned in the financial statements. The Group is not exposed to any significant concentration of sales.

Liquidity risk
Even though the financial crisis continues to generate conditions of uncertainty, management considers that the currently available funds and lines of credit, in addition to resources that will be generated by operating and financing activities, will allow the Group to meet requirements deriving from investing activities, management of working capital and repayment of debts at their natural due dates, in addition to allowing the pursuit of a strategy of growth, also by means of targeted acquisitions to generate value for shareholders. Cash on hand at 30 June 2016 totalled € 117.4 million. Cash on hand, combined with cash generation from business operations that the Group has been able to realise in H1 2016 are definitely factors that will make it possible to reduce the Group's exposure to liquidity risk.

Price risk
The Group is exposed to risks deriving from fluctuations in the price of the metals utilised, namely brass, aluminium, steel, stainless steel, cast iron and, to a lesser extent, copper, sheet steel and iron. Even though the various Group Sectors have a similar risk propensity to fluctuations of metal prices, they adopt different risk reduction strategies depending on the specific metals involved. Readers are invited to refer to the notes to the 2015 financial statements for more comprehensive information.
With respect to 31 December 2015, the prices recorded on the market for the raw materials used by the Group have not changed significantly. Wherever possible the Group reviews selling prices periodically in order to pass on the entirety or part of the price increase of raw materials to its customers. The Group constantly monitors the price trend of these raw materials in the attempt to adopt the most effective policies to minimise the potential exposure to this risk.

EVENTS OCCURRING AFTER THE END OF H1 2016

Via IMM Hydraulics S.p.A., on 8 July 2016 Interpump Group acquired 100% of TEKNO TUBI S.r.l. based in Sant’Agostino (Ferrara). This company is active in the shaping and assembly of rigid hoses in steel and other metals, as well as the joining of flexible hoses in rubber or plastic materials for the hydraulic and automotive sectors. The acquisition of TEKNO TUBI further strengthens Interpump in the vast hoses market, adding rigid hoses to the flexible rubber hoses already produced by IMM, another member of the Group, and to the flexible metallic hoses made by Tubiflex, which was acquired recently. The broadening of the range will release significant commercial and other synergies. Sales in 2015 totalled €11.2 million and EBITDA was €1.4 million. Net financial indebtedness at 31 December 2015 was €4.5m. The price agreed was €4.1m.

On 29 July 2016, Interpump Hydraulics UK Ltd acquired control (65%) of Mega Pacific Pty Ltd (Australia) and Mega Pacific NZ Pty Ltd (New Zealand), one of the largest distributors of hydraulic products in Oceania. Mega Pacific has a strong territorial presence, with 7 branches. In the latest financial statements as at 30 June 2016, Mega Pacific reported sales of A$ 20.5m, following 8% growth. EBITDA in the prior year was €3.7m (19.5% of sales). The price paid was A$ 12m, subject to adjustment based on the results reported in the financial statements as at 30 June 2016. In addition, put and call options were agreed on the remaining 35%, which are exercisable five years after the closing with reference to the results for the year ending on 31

December 2020. The acquisition of Mega Pacific represents a great leap forward for Interpump's organised distribution capability throughout Oceania.

The absorption of Hydrocontrol S.p.A. by Walvoil S.p.A. took effect on 1 August 2016.

After the close of H1 2016 no atypical or unusual transactions were carried out such that would call for changes to the consolidated financial statements as at 30 June 2016.

Directors' remarks on performance in Q2 2016

Q2 consolidated income statements

(€/000)	*2016*	*2015*
Net sales	**245,760**	**244,384**
Cost of products sold	(155,382)	(154,426)
Gross industrial margin	**90,378**	**89,958**
% on net sales	*36.8%*	*36.8%*
Other operating revenues	3,923	3,325
Distribution costs	(22,602)	(22,184)
General and administrative expenses	(27,462)	(27,513)
Other operating costs	(559)	(972)
EBIT	**43,678**	**42,614**
% on net sales	*17.8%*	*17.4%*
Financial income	1,580	25,714
Financial expenses	(2,530)	(2,982)
Adjustment of the value of investments carried at equity	17	(75)
Profit for the period before taxes	**42,745**	**65,271**
Income taxes	(15,477)	(13,869)
Consolidated net profit for the period	**27,268**	**51,402**
% on net sales	*11.1%*	*21.0%*
Pertaining to:		
Parent company's shareholders	27,203	51,147
Subsidiaries' minority shareholders	65	255
Consolidated net profit for the period	**27,268**	**51,402***
EBITDA	**54,699**	**53,075**
% on net sales	*22.3%*	*21.7%*
Shareholders' equity	610,014	587,266
Net debt	309,775	282,494
Payables for the acquisition of investments	30,918	42,397
Capital employed	950,707	912,157
Unannualised ROCE	**4.6%**	**4.7%**
Unannualised ROE	**4.5%**	**8.8%**
Basic earnings per share	**0.258**	**0.478**

* = as stated on page 27, the normalised net profit for the second quarter of 2015 was 27.0 million euro.

The scope of consolidation in Q2 2016 includes Endeavour, Bertoli and two months of Tubiflex, which were not present in 2015 except for Bertoli, that was consolidated only from May 2015 onwards. The effects of consolidating these companies are not significant.

NET SALES

Net sales in Q2 2016 totalled €245.8m, up by 0.6% with respect to the equivalent period in 2015, (€244.4m).

Net sales in Q2 are distributed as shown below by business sector and geographical area:

(€/000)	Italy	Rest of Europe	North America	Far East and Oceania	Rest of the World	Total
Q2 2016						
Hydraulic Sector	32,425	58,591	37,054	9,824	18,646	156,540
Water Jetting Sector	9,983	25,174	34,966	13,453	5,644	89,220
Total	42,408	83,765	72,020	23,277	24,290	245,760
Q2 2015						
Hydraulic Sector	29,893	53,703	39,300	11,313	17,999	152,208
Water Jetting Sector	9,454	24,726	39,036	11,595	7,365	92,176
Total	39,347	78,429	78,336	22,908	25,364	244,384
2016/2015 percentage changes						
Hydraulic Sector	+8.5%	+9.1%	-5.7%	-13.2%	+3.6%	+2.8%
Water Jetting Sector	+5.6%	+1.8%	-10.4%	+16.0%	-23.4%	-3.2%
Total	+7.8%	+6.8%	-8.1%	+1.6%	-4.2%	+0.6%

PROFITABILITY

The cost of sales accounted for 63.2% of turnover (also 63.2% in Q2 2015). Production costs, which totalled €63.5 million (€61.5 million in the equivalent period of 2015), accounted for 25.8% of sales (25.2% in Q2 2015). The purchase cost of raw materials and components sourced on the market, including changes in inventories, was 91.9 million euro (92.9 million euro in the same period of 2015). The incidence of purchase costs, including changes in inventories, was 37.4% with respect to the 38.0% in Q2 2015, thus improving by 0.6 percentage points.

Distribution costs were up by 1.9% with respect to the second quarter of 2015, with an incidence on sales that was 0.1 percentage points higher.

General and administrative expenses fell by 0.2% with respect to the second quarter of 2015, and their incidence on sales fell by 0.1 percentage points.

EBITDA totalled €54.7m (22.3% of sales) compared with €53.1m in Q2 2015 (21.7% of sales), up by 3.1%.

The following table shows EBITDA by business sector:

	Q2 2016 €/000	*% on total sales**	*Q2 2015 €/000*	*% on total sales**	*Growth/ Contraction*
Hydraulic Sector	31,788	20.3%	28,845	18.9%	+10.2%
Water Jetting Sector	22,912	25.6%	24,164	26.1%	-5.2%
Other Revenues Sector	(1)	n.s.	66	n.s.	n.s.
Total	***54,699***	***22.3%***	***53,075***	***21.7%***	***+3.1%***

* = Total sales include those to other Group companies, while the sales analysed previously are exclusively those external to the Group (see Note 2 in the explanatory notes). For comparability, the percentage is calculated on total sales, rather than the net sales shown earlier.

EBIT was €43.7m (17.8% of sales) compared with €42.6m in Q2 2015 (17.4% of sales), up by 2.5%.

Financial management during Q2 2106 generated net financial expenses of €1.0m (net financial income of €22.7m in Q2 2015). Q2 2015 saw the generation of income due to a reduction of €25.8m in the payments required pursuant to commitments to acquire residual stakes in subsidiaries. This effect was not repeated in Q2 2016.

Q2 closed with a consolidated net profit of €27.3m (€51.4m in Q2 2015, thanks to the non-recurring item described above). Net of non-recurring items, the normalised net profit for the second quarter of 2016 would have been 1.4% greater than its equivalent for Q2 2015 of €27.0m.

Basic earnings per share was 0.258 euro compared with 0.478 euro in Q2 2015, partly as a result of the non-recurring financial income described above.

BUSINESS OUTLOOK

Considering the short span of time covered by the Group's order portfolio and difficulties and uncertainties concerning the current world economic situation, it is impractical to formulate reliable forecasts in relation to trends in H2 2016, although positive results are expected in terms of both sales and profitability. The Group will continue to devote special attention to controlling costs and to finance management in order to maximise the generation of free cash flow to be allocated to internal and external growth and to the remuneration of shareholders.

Sant'Ilario d'Enza (RE), 4 August 2016

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

Financial statements and notes

Consolidated statement of financial position

(€/000)	Notes	30/06/2016	31/12/2015
ASSETS			
Current assets			
Cash and cash equivalents		117,355	135,130
Trade receivables		212,182	178,129
Inventories	4	255,720	238,637
Tax receivables		10,374	14,361
Other current assets		9,668	7,811
Total current assets		**605,299**	**574,068**
Non-current assets			
Property, plant and equipment	5	289,831	286,066
Goodwill	1	369,948	347,388
Other intangible assets		31,596	33,193
Other financial assets		783	1,025
Tax receivables		1,894	1,934
Deferred tax assets		25,383	25,190
Other non-current assets		1,416	1,209
Total non-current assets		**720,851**	**696,005**
Total assets		***1,326,150***	***1,270,073***

(€/000)	***Notes***	***30/06/2016***	***31/12/2015***
LIABILITIES			
Current liabilities			
Trade payables		112,622	94,022
Payables to banks		1,938	5,735
Interest-bearing financial payables (current portion)		106,262	83,833
Derivative financial instruments		3	77
Tax payables		17,275	19,904
Other current liabilities		54,345	48,840
Provisions for risks and charges		4,014	4,423
Total current liabilities		**296,459**	**256,834**
Non-current liabilities			
Interest-bearing financial payables		318,930	300,549
Liabilities for employee benefits		17,824	17,264
Deferred tax liabilities		48,016	48,098
Other non-current liabilities		31,835	22,017
Provisions for risks and charges		3,072	2,683
Total non-current liabilities		**419,677**	**390,611**
Total liabilities		**716,136**	**647,445**
SHAREHOLDERS' EQUITY	6		
Share capital		54,578	56,032
Legal reserve		11,323	11,323
Share premium reserve		104,611	138,955
Reserve for the measurement of hedging derivatives at fair value		-	(13)
Reserve for restatement of defined benefit plans		(3,553)	(3,501)
Translation provision		19,073	22,657
Other reserves		420,570	391,704
Group shareholders' equity		**606,602**	**617,157**
Minority interests		3,412	5,471
Total shareholders' equity		**610,014**	**622,628**
Total shareholders' equity and liabilities		***1,326,150***	***1,270,073***

H1 consolidated income statements

(€/000)	*Notes*	*2016*	*2015*
Net sales		**472,468**	**467,009**
Cost of products sold		(300,172)	(298,713)
Gross industrial margin		**172,296**	**168,296**
Other net revenues		7,234	6,539
Distribution costs		(42,985)	(43,007)
General and administrative expenses		(54,371)	(54,039)
Other operating costs		(1,198)	(1,565)
Ordinary profit before financial expenses		**80,976**	**76,224**
Financial income	7	3,967	39,560
Financial expenses	7	(7,490)	(7,960)
Adjustment of the value of investments carried at equity		(39)	(147)
Profit for the period before taxes		**77,414**	**107,677**
Income taxes		(28,279)	(27,048)
Consolidated net profit for the period		**49,135**	**80,629**
Pertaining to:			
Parent company's shareholders		48,868	80,350
Subsidiaries' minority shareholders		267	279
Consolidated net profit for the period		**49,135**	**80,629**
Basic earnings per share	8	0.461	0.753
Diluted earnings per share	8	0.455	0.737

H1 comprehensive consolidated income statements

(€/000)	*2016*	*2015*
H1 consolidated profit (A)	**49,135**	**80,629**
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	-	-
- Minus: Adjustment for recognition of fair value to reserves in the prior period	19	27
Total	*19*	*27*
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*(3,797)*	*17,583*
Profits (Losses) of companies carried at equity	*(14)*	*(21)*
Related taxes	*(6)*	*(8)*
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**(3,798)**	**17,581**
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period		
Profit (Loss) deriving from the restatement of defined benefit plans	*(72)*	-
Related taxes	*20*	-
Total other profit (loss) that will not be subsequently reclassified in consolidated profit for the period (C)	**(52)**	**-**
H1 comprehensive consolidated profit (A) + (B) + (C)	**45,285**	**98,210**
Pertaining to:		
Parent company's shareholders	45,202	97,660
Subsidiaries' minority shareholders	83	550
Comprehensive consolidated profit for the period	**45,285**	**98,210**

Q2 consolidated income statements

(€/000)		*2016*	*2015*
Net sales		**245,760**	**244,384**
Cost of products sold		(155,382)	(154,426)
Gross industrial margin		**90,378**	**89,958**
Other net revenues		3,923	3,325
Distribution costs		(22,602)	(22,184)
General and administrative expenses		(27,462)	(27,513)
Other operating costs		(559)	(972)
Ordinary profit before financial expenses		**43,678**	**42,614**
Financial income	7	1,580	25,714
Financial expenses	7	(2,530)	(2,982)
Adjustment of investments carried at equity		17	(75)
Profit for the period before taxes		**42,745**	**65,271**
Income taxes		(15,477)	(13,869)
Consolidated net profit for the period		**27,268**	**51,402**
Pertaining to:			
Parent company's shareholders		27,203	51,147
Subsidiaries' minority shareholders		65	255
Consolidated net profit for the period		**27,268**	**51,402**
Basic earnings per share	8	0.258	0.478
Diluted earnings per share	8	0.255	0.467

Q2 comprehensive consolidated income statements

(€/000)	*2016*	*2015*
Q2 consolidated profit (A)	**27,268**	**51,402**
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	(5)	-
Total	*(12)*	-
Profits (Losses) arising from the translation to euro of the financial statements of foreign companies	*7,105*	*(11,236)*
Profits (Losses) of companies carried at equity	*3*	*(24)*
Related taxes	*4*	-
Total other profit (loss) that will be subsequently reclassified in consolidated profit for the period, net of the tax effect (B)	**7,100**	**(11,260)**
Other comprehensive profit (loss) that will not be subsequently reclassified in consolidated profit for the period		
Profit (Loss) deriving from the restatement of defined benefit plans	*(72)*	-
Related taxes	*20*	-
Total other profit (loss) that will not be subsequently reclassified in consolidated profit for the period (C)	**(52)**	**-**
Q2 comprehensive consolidated profit (A) + (B) + (C)	**34,316**	**40,142**
Pertaining to:		
Parent company's shareholders	34,234	40,128
Subsidiaries' minority shareholders	82	14
Comprehensive consolidated profit for the period	**34,316**	**40,142**

H1 consolidated cash flow statements

(€/000)	*2016*	*2015*
Cash flow from operating activities		
Pre-tax profit	77,414	107,677
Adjustments for non-cash items:		
Capital losses (Capital gains) from the sale of fixed assets	(926)	(1,361)
Depreciation and amortisation	20,879	19,616
Costs ascribed to the income statement relative to stock options that do not involve monetary outflows for the Group	854	680
Loss (Profit) from investments	39	147
Net change in risk funds and allocations for employee benefits	(301)	11
Outlays for tangible fixed assets destined for hire	(4,676)	(4,617)
Proceeds from the sale of fixed assets granted for hire	3,623	2,926
Financial expenses (Income), net	3,523	(31,600)
	100,429	93,479
(Increase) decrease in trade receivables and other current assets	(26,692)	(26,110)
(Increase) decrease in inventories	(15,003)	(10,103)
Increase (decrease) in trade payables and other current liabilities	15,334	9,531
Interest paid	(2,612)	(3,069)
Currency exchange gains realized	(1,122)	2,923
Taxes paid	(22,922)	(21,656)
Net cash from operating activities	**47,412**	**44,995**
Cash flows from investing activities		
Outlay for the acquisition of investments, net of received cash and including treasury stock assigned	(26,092)	(153,939)
Disposal of investments and lines of business including transferred cash	746	746
Capital expenditure on property, plant and equipment	(17,237)	(14,729)
Proceeds from sales of tangible fixed assets	540	997
Capital expenditure on intangible fixed assets	(1,517)	(1,345)
Received financial income	216	272
Other	(53)	(134)
Net liquidity used in investing activities	**(43,397)**	**(168,132)**
Cash flows of financing activity		
Disbursals (repayments) of loans	41,516	131,642
Dividends paid	(21,031)	(20,368)
Outlays for purchase of treasury stock	(42,728)	(21,533)
Sale of treasury stock for the acquisition of equity investments	5,516	60,542
Proceeds from the sale of treasury stock to beneficiaries of stock options	560	3,077
Disbursals (repayments) of loans from (to) shareholders	(7)	(242)
Change in other financial assets	(26)	(25)
Payment of financial leasing installments (principal portion)	(1,302)	(1,687)
Net liquidity generated (used by) financing activities	**(17,502)**	**151,406**
Net increase (decrease) of cash and cash equivalents	**(13,487)**	**28,269**

(€/000)	*2016*	*2015*
Net increase (decrease) of cash and cash equivalents	**(13,487)**	**28,269**
Exchange differences from the translation of cash of companies in areas outside the EU	(652)	1,557
Opening cash and equivalents of companies consolidated for the first time using the line-by-line method	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	**115,417**	**89,650**

Cash and cash equivalents can be broken down as follows:

	30/06/2016 €/000	31/12/2015 €/000
Cash and cash equivalents from the balance sheet	117,355	135,130
Payables to banks (current account overdrafts and advances subject to collection)	(1,938)	(5,735)
Cash and cash equivalents from the cash flow statement	115,417	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 shareholders' equity*	*Minority interests*	*Total*
Balances as at 1 January 2015	*53,871*	*11,323*	*101,237*	*(19)*	*(5,273)*	*3,809*	*295,747*	*460,695*	*5,855*	*466,550*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	680	-	-	-	-	680	-	680
Purchase of treasury stock	(853)	-	-	-	-	-	(20,680)	(21,533)	-	(21,533)
Sale of treasury stock to the beneficiaries of stock options	265	-	2,812	-	-	-	-	3,077	-	3,077
Sale of treasury stock for payment of equity investments	2,549	-	57,993	-	-	-	-	60,542	-	60,542
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	(14)	(14)	-	(14)
Dividends paid	-	-	-	-	-	-	(19,321)	(19,321)	(925)	(20,246)
Comprehensive profit (loss) for H1 2015	-	-	-	19	-	17,291	80,350	97,660	550	98,210
Balances as at 30 June 2015	*55,832*	*11,323*	*162,722*	-	*(5,273)*	*21,100*	*336,082*	*581,786*	*5,480*	*587,266*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	690	-	-	-	-	690	-	690
Purchase of treasury stock	(469)	-	(32,709)	-	-	-	22,002	(11,176)	-	(11,176)
Sale of treasury stock to the beneficiaries of stock options	656	-	5,354	-	-	-	(921)	5,089	-	5,089
Sale of treasury stock to pay for equity investments	13	-	2,898	-	-	-	(2,562)	349	-	349
Purchase of residual interests in subsidiaries	-	-	-	-	-	-	(177)	(177)	(280)	(457)
Comprehensive profit (loss) for H2 2015	-	-	-	(13)	1,772	1,557	37,280	40,596	271	40,867
Balances as at 31 December 2015	*56,032*	*11,323*	*138,955*	*(13)*	*(3,501)*	*22,657*	*391,704*	*617,157*	*5,471*	*622,628*
Recognition in the income statement of the fair value of the stock options assigned and exercisable	-	-	854	-	-	-	-	854	-	854
Purchase of treasury stock	(1,750)	-	(40,978)	-	-	-	-	(42,728)	-	(42,728)
Sale of treasury stock to the beneficiaries of stock options	62	-	498	-	-	-	-	560	-	560
Sale of treasury stock for payment of equity investments	234	-	5,282	-	-	-	-	5,516	-	5,516
Purchase of residual interests in subsidiaries	-	-	-	-	-	43	52	95	(1,040)	(945)
Dividends paid	-	-	-	-	-	-	(20,054)	(20,054)	(967)	(21,021)
Dividends approved	-	-	-	-	-	-	-	-	(135)	(135)
Comprehensive profit (loss) for H1 2016	-	-	-	13	(52)	(3,627)	48,868	45,202	83	45,285
Balances as at 30 June 2016	*54,578*	*11,323*	*104,611*	-	*(3,553)*	*19,073*	*420,570*	*606,602*	*3,412*	*610,014*

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 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, the United Kingdom 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 30 June 2016 were approved by the Board of Directors today (4 August 2016).

Basis of preparation

The consolidated financial statements as at 30 June 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 as at 30 June 2016 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 as at 30 June 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. We further draw your attention to the fact that some evaluation processes, notably those that are more complex, such as the determination of any impairments of non-current assets, are generally performed in a comprehensive manner only at the time of drafting of the annual financial statements when all the necessary information is available, except in cases in which indicators of impairment exist, calling for immediate evaluation of any losses in value. Likewise, the actuarial evaluations required for determination of liabilities for benefits due to employees are normally processed at the time of drafting of the annual financial statements.

The consolidated financial statements are drafted in thousands of euro. The 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 2 – Share-based payments.* On 21 June 2016 IASB published amendments to the standard with a view to clarifying the accounting for certain operations involving share-based payments. The amendments will be applicable from 1 January 2018, although early adoption is allowed.
- *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). On 12 April 2016, the IASB published"*Clarification to IFRS 15*", in order to clarify

certain requirements and provide further simplifications that reduce costs and complexity for first-time adopters of the new standard.

- *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 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 as at 30 June 2016

1. Consolidation basis and goodwill

At 30 June 2016 the scope of consolidation includes the Parent company (which operates in the Water Jetting Sector) and the following subsidiaries:

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake as at 30/06/16*
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%
Interpump South 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	100.00%
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	100.00%
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.	162	100.00%
IMM Hydro Est (8)	Catcau Cluj Napoca (Romania)	Hydr.	3,155	100.00%

Company	*Head office*	*Sector*	*Share capital €/000*	*% stake as at 30/06/16*
Dyna Flux S.r.l. (8)	Bolzaneto (GE)	Hydr.	40	100.00%
Tubiflex S.p.A.	Orbassano (TO)	Hydr.	515	80.00%
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 for the full six months, while Tubiflex S.p.A. was consolidated for 2 months since it was acquired in May.

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 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. Similarly, the minority shareholder of Tubiflex S.p.A. is entitled and required to dispose of its holdings upon approval of the 2018 financial statements, on the basis of the results of the company reported in the 2018 financial statements.

In compliance with the requirements of IFRS 10 and IFRS 3, Inoxihp and Tubiflex were consolidated in full, recording a payable representing an estimate of the current value of the exercise price of the options determined with reference to the business plan of the companies. Any changes in the payable representing the present value of the exercise price occurring 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 H1 2016 are as follows:

Company:	Balance as at 31/12/2015	Increases (Decreases) in the year	Changes due to foreign exchange differences	Balance as at 30/06/2016
Water Jetting Sector	159,258	-	(804)	158,454
Hydraulic Sector	188,130	22,523	841	211,494
Total goodwill	*347,388*	*22,523*	*37*	*369,948*

The increases in H1 2016 relate to the acquisitions of E.I. Holdings Ltd, Endeavour International Ltd and Tubiflex S.p.A.

The impairment test carried out successfully in December 2016 was not repeated at the end of June 2015. A check was however performed to establish whether the performance of the C.G.U.s (Cash Generating Units) was in line with the information resulting from the business plans utilized as at 31 December 2015, and that the assumptions underpinning the measurement as at 31 December 2015 of the weighted average cost of capital (WACC) were still valid at the end of June 2016. No trigger events emerged calling for a reformulation of the impairment test as at 30 June 2016.

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 and statutory auditors of the parent company and functions of the Group's financial management, control and internal auditing department, 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. Marginally, this sector also includes operations of drawing, shearing and pressing sheet metal and the manufacture and sales of cleaning machinery.

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 30 June 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, 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)
Cumulative to 30 June (six months)

	Hydraulic 2016	Hydraulic 2015	Water Jetting 2016	Water Jetting 2015	Other 2016	Other 2015	Elimination entries 2016	Elimination entries 2015	**Interpump Group** 2016	**Interpump Group** 2015
Net sales external to the Group	302,155	297,850	170,313	169,159	-	-	-	-	472,468	467,009
Sales between sectors	136	116	542	787	-	734	(678)	(1,637)		-
Total net sales	**302,291**	**297,966**	**170,855**	**169,946**		**734**	**(678)**	**(1,637)**	**472,468**	**467,009**
Cost of products sold	(201,935)	(201,888)	(98,918)	(97,679)	-	(62)	681	916	(300,172)	(298,713)
Gross industrial margin	**100,356**	**96,078**	**71,937**	**72,267**	**-**	**672**	**3**	**(721)**	**172,296**	**168,296**
% on net sales	*33.2%*	*32.2%*	*42.1%*	*42.5%*		*n.s.*			*36.5%*	*36.0%*
Other net revenues	4,448	4,989	2,789	1,672	-	16	(3)	(138)	7,234	6,539
Distribution costs	(24,344)	(24,821)	(18,641)	(18,190)	-	-		4	(42,985)	(43,007)
General and administrative expenses	(34,328)	(34,593)	(20,033)	(19,676)	(10)	(625)	-	855	(54,371)	(54,039)
Other operating costs	(919)	(1,426)	(279)	(139)	-	-	-	-	(1,198)	(1,565)
Ordinary profit before financial expenses	**45,213**	**40,227**	**35,773**	**35,934**	**(10)**	**63**	**-**	**-**	**80,976**	**76,224**
% on net sales	*15.0%*	*13.5%*	*20.9%*	*21.1%*		*n.s.*			*17.1%*	*16.3%*
Financial income	3,319	38,140	1,539	2,392	1	-	(892)	(972)	3,967	39,560
Financial expenses	(4,968)	(5,873)	(3,414)	(3,057)	-	(2)	892	972	(7,490)	(7,960)
Dividends	-	-	29,200	14,000	-	-	(29,200)	(14,000)	-	-
Adjustment of investments carried at equity	(31)	(125)	(8)	(22)	-	-	-	-	(39)	(147)
Profit for the period before taxes	**43,533**	**72,369**	**63,090**	**49,247**	**(9)**	**61**	**(29,200)**	**(14,000)**	**77,414**	**107,677**
Income taxes	(16,072)	(14,708)	(12,233)	(11,964)	26	(376)	-	-	(28,279)	(27,048)
Consolidated profit for the period	**27,461**	**57,661**	**50,857**	**37,283**	**17**	**(315)**	**(29,200)**	**(14,000)**	**49,135**	**80,629**
Pertaining to:										
Parent company's shareholders	27,283	57,445	50,768	37,220	17	(315)	(29,200)	(14,000)	48,868	80,350
Subsidiaries' minority shareholders	178	216	89	63	-	-	-	-	267	279
Consolidated net profit for the period	**27,461**	**57,661**	**50,857**	**37,283**	**17**	**(315)**	**(29,200)**	**(14,000)**	**49,135**	**80,629**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	14,161	13,149	6,718	6,461	-	6	-	-	20,879	19,616
Other non-monetary costs	1,028	1,622	1,339	1,426	-	-	-	-	2,367	3,048

Interpump Group business sector information
(Amounts shown in €/000)
Q2 (three months)

	Hydraulic 2016	Hydraulic 2015	Water Jetting 2016	Water Jetting 2015	Other 2016	Other 2015	Elimination entries 2016	Elimination entries 2015	**Interpump Group** 2016	**Interpump Group** 2015
Net sales external to the Group	156,540	152,208	89,220	92,176	-	-	-	-	245,760	244,384
Sales between sectors	79	78	229	403	-	373	(308)	(854)	-	-
Total net sales	**156,619**	**152,286**	**89,449**	**92,579**	**-**	**373**	**(308)**	**(854)**	**245,760**	**244,384**
Cost of products sold	(103,724)	(101,938)	(51,968)	(52,965)	-	(6)	310	483	(155,382)	(154,426)
Gross industrial margin	**52,895**	**50,348**	**37,481**	**39,614**	**-**	**367**	**2**	**(371)**	**90,378**	**89,958**
% on net sales	*33.8%*	*33.1%*	*41.9%*	*42.8%*		*n.s.*			*36.8%*	*36.8%*
Other net revenues	2,134	2,451	1,791	938	-	5	(2)	(69)	3,923	3,325
Distribution costs	(12,686)	(12,462)	(9,916)	(9,725)	-	-	-	3	(22,602)	(22,184)
General and administrative expenses	(17,376)	(17,566)	(10,085)	(10,075)	(1)	(309)	-	437	(27,462)	(27,513)
Other operating costs	(480)	(903)	(79)	(69)	-	-	-	-	(559)	(972)
Ordinary profit before financial expenses	**24,487**	**21,868**	**19,192**	**20,683**	**(1)**	**63**	**-**	**-**	**43,678**	**42,614**
% on net sales	*15.6%*	*14.4%*	*21.5%*	*22.3%*		*n.s.*			*17.8%*	*17.4%*
Financial income	1,187	25,648	836	590	1	-	(444)	(524)	1,580	25,714
Financial expenses	(1,266)	(1,729)	(1,708)	(1,776)	-	(1)	444	524	(2,530)	(2,982)
Dividends	-	-	29,200	14,000	-	-	(29,200)	(14,000)	-	-
Adjustment of investments carried at equity	36	(125)	(19)	50	-	-	-	-	17	(75)
Profit for the period before taxes	**24,444**	**45,662**	**47,501**	**33,547**	**-**	**62**	**(29,200)**	**(14,000)**	**42,745**	**65,271**
Income taxes	(8,924)	(6,912)	(6,579)	(6,726)	26	(231)	-	-	(15,477)	(13,869)
Consolidated profit for the period	**15,520**	**38,750**	**40,922**	**26,821**	**26**	**(169)**	**(29,200)**	**(14,000)**	**27,268**	**51,402**
Pertaining to:										
Parent company's shareholders	15,508	38,536	40,869	26,780	26	(169)	(29,200)	(14,000)	27,203	51,147
Subsidiaries' minority shareholders	12	214	53	41	-	-	-	-	65	255
Consolidated net profit for the period	**15,520**	**38,750**	**40,922**	**26,821**	**26**	**(169)**	**(29,200)**	**(14,000)**	**27,268**	**51,402**
Further information required by IFRS 8										
Amortization, depreciation and write-downs	7,245	6,678	3,347	3,303	-	3	-	-	10,592	9,984
Other non-monetary costs	531	1,051	1,134	1,032	-	-	-	-	1,665	2,083

Financial position
(Amounts shown in €/000)

	Hydraulic		Water Jetting		Other		Elimination entries		**Interpump Group**	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Assets of the sector (A)	**785,158**	**725,674**	**598,601**	**566,031**	**551**	**577**	**(175,515)**	**(157,339)**	**1,208,795**	**1,134,943**
Cash and cash equivalents									117,355	135,130
Total assets									**1,326,150**	**1,270,073**
Liabilities of the sector (B)	**350,211**	**308,674**	**82,831**	**82,187**	**561**	**597**	**(175,515)**	**(157,339)**	**258,088**	**234,119**
Debts for the payment of investments									30,918	23,209
Payables to banks									1,938	5,735
Interest-bearing financial payables									425,192	384,382
Total liabilities									**716,136**	**647,445**
Total assets, net (A-B)	**434,947**	**417,000**	**515,770**	**483,844**	**(10)**	**(20)**	**-**	**-**	**950,707**	**900,824**
<u>Further information required by IFRS 8</u>										
Investments carried at equity	77	106	259	283	-	-	-	-	336	389
Non-current assets other than financial assets and deferred tax assets	441,769	415,225	252,916	254,565	-	-	-	-	694,685	669,790

Cash flows by business sector for H1 are as follows:

€/000	Sector Hydraulic		Sector Water Jetting		Sector Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Cash flows from:								
Operating activities	36,580	22,146	10,826	22,716	6	133	47,412	44,995
Investing activities	(10,029)	(36,770)	(33,369)	(131,354)	1	(8)	(43,397)	(168,132)
Financing activities	(21,587)	16,696	4,085	134,540	-	170	(17,502)	151,406
Total	4,964	2,072	(18,458)	25,902	7	295	(13,487)	28,269

The investing activities of the Hydraulic Sector in 2015 included €28,483k associated with the acquisition of equity investments (not significant in 2016). The investing activities of the Water Jetting Sector in H1 2016 included €27,502k associated with the acquisition of equity investments (€125,456k in H1 2015).

Financing activities in H1 2016 included the granting of intercompany loans from the Water Jetting Sector to the Hydraulic Sector totalling €1,380k (€36,501k from the Water Jetting Sector to the Hydraulic Sector in H1 2015). Moreover, cash flows from the financing activities of the Water Jetting Sector in Q1 2016 included the purchase of treasury shares for 42,728 thousand euro (21,533 thousand euro in H1 2015) and proceeds from the sale of treasury shares to the beneficiaries of stock options totalling 560 thousand euro (3,077 thousand euro in H1 2015). The financing activities of the Water Jetting Sector during the first half of 2016 included the value of the treasury shares assigned on the acquisition of equity investments totalling 5,516 thousand euro (60,542 thousand euro in H1 2015). The cash flows deriving from the financing activities of the Water Jetting Sector included the payment of dividends totalling €20,055k (€19,397k in H1 2015).

3. Acquisition of investments

Endeavour Group

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**
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**

The acquisition of 100% of Endeavour took place on 22 January 2016. The company was therefore consolidated in 2016 for six months.

Tubiflex S.p.A.

€/000	Amounts acquired	Adjustments to fair value	Carrying values in the acquiring company
Cash and cash equivalents	5,811	-	5,811
Trade receivables	7,221	-	7,221
Inventories	3,539	-	3,539
Tax receivables	193	-	193
Other current assets	279	-	279
Property, plant and equipment	2,182	2,236	4,418
Other intangible assets	59	-	59
Deferred tax assets	550	-	550
Other non-current assets	216	-	216
Trade payables	(3,038)	-	(3,038)
Interest-bearing financial payables (current portion)	(200)	-	(200)
Tax payables	(588)	-	(588)
Other current liabilities	(1,156)	-	(1,156)
Provisions for risks and charges (current portion)	(465)	-	(465)
Interest-bearing financial payables (non-current portion)	(567)	-	(567)
Employee benefits (severance indemnity provision)	(661)	-	(661)
Deferred tax liabilities	(9)	(645)	(654)
Provisions for risks and charges (non-current portion)	(354)	-	(354)
Net assets acquired	13,012	1,591	14,603
Goodwill related to the acquisition			21,751
Total net assets acquired			**36,354**
Amount paid in treasury stock			5,516
Total amount paid in cash			21,560
Amount due in medium/long-term			9,278
Total acquisition cost (A)			**36,354**
Net financial indebtedness (cash) (e) acquired (e) **(B)**			(5,044)
Total amount paid in cash			21,560
Payable for commitment to acquire minority interests			9,278
Total change in the net financial position including changes in debt for the acquisition of investments			**25,794**
Capital employed (A) + (B)			**31,310**

The fair value of plant and machinery was appraised by an independent professional.

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

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

	30/06/2016 €/000	*31/12/2015* €/000
Inventories gross value	284,311	265,791
Allowance for inventories	(28,591)	(27,154)
Inventories	255,720	238,637

Changes in the allowance for inventories were as follows:

	H1 2016 €/000	*Year 2015* €/000
Opening balances	27,154	17,936
Exchange rate difference	(141)	655
Change to consolidation basis	1,373	8,601
Provisions for the year	1,143	2,525
Utilized in the period due to surpluses	-	-
Utilized in the year due to losses	(938)	(2,563)
Closing balance	28,591	27,154

5. Property, plant and equipment

Purchases and disposals

In H1 2016 Interpump Group acquired assets for €25,648k, of which €4,463k through the acquisition of equity investments (€89,473k in H1 2015, of which €72,219k through the acquisition of equity investments). During the first half of 2016 assets were divested for a net book value of €3,179k (€2,046k in the first half of 2015). The divested assets generated a net capital gain of €926k (€1,361k in the first half of 2015).

Contractual commitments

At 30 June 2016 the Group had contractual commitments for the purchase of tangible fixed assets of €4,715k (€2,991k at 30 June 2015).

6. Shareholders' equity

Share capital

The share capital is composed of 108,879,294 ordinary shares with a nominal of 0.52 euro each for a total amount of €56,617,232.88. The share capital reported in the financial statements amounts to 54,578 thousand euro, because the nominal value of purchased treasury shares, net of those sold, has been deducted from share capital in compliance with the applicable accounting standards. At 30 June 2016 Interpump S.p.A. held 3,923,752 treasury shares in the portfolio corresponding to 3.60% of capital, acquired at an average unit cost of 12.4754 euro.

Treasury shares purchased

The amount corresponding to the treasury shares held by Interpump Group S.p.A. is registered in an equity reserve. In H1 2016 the Group acquired 3,366,000 treasury shares for the total amount of €42,728k (1,640,395 treasury shares purchased in H1 2015 for €21,533k).

Treasury shares sold
In the framework of the exercise of stock option plans, a total of 119,000 options were exercised, resulting in an inflow of €560k (in H1 2015 a total of 509,533 options were exercised with a corresponding inflow of €3,077k). Moreover, 449,160 treasury shares were divested in H1 2016 to pay part of the equity investment in Tubiflex (4,901,685 treasury shares divested in H1 2015 for the acquisition of equity investments).

Assigned options
The Shareholders' Meeting held on 28 April 2016 approved the adoption of a new incentive plan named "2016/2018 Interpump Incentive Plan". The plan consists in the free assignment of options that grant beneficiaries the right, upon achievement of specified objectives, to (i) purchase or subscribe the Company's shares up to a maximum number of 2,500,000 or, (ii) at the discretion of the Board of Directors, receive the payment of a differential equivalent to any increase in the market value of the Company's ordinary shares. Beneficiaries of the plan can be employees or directors of the Company and/or its subsidiaries, identified among the subjects with significant roles or functions. The exercise price has been set at € 12.8845 per share. The options can be exercised between 30 June 2019 and 31 December 2022. The Board of Directors, in its following meeting on 12 May 2016, set a figure of 2,500,000 for the number of options to be assigned, divided by the total number of options among different tranches (625,000 for the first tranche, 875,000 for the second tranche and 1,000,000 for the third tranche) and established the terms for the exercise of the options, which are connected to the achievement of specific accounting parameters and the performance of the Interpump Group stock. The Board, in the course of the same meeting, also assigned 1,620,000 options, exercisable subject to the conditions described above, and granted mandates to the Chairman and the Deputy Chairman of Interpump Group, acting separately, to identify the beneficiaries of further 880,000 options.
The fair value of the stock options assigned with the new stock option plan named "Interpump 2016/2018 Incentives Plan" and the actuarial assumptions utilized in the binomial lattice model are as follows:

	Unit of measurement	
Number of shares assigned	no.	1,620,000
Grant date		12 May 2016
Exercise price		12.8845
Vesting date		1 July 2019
Fair value per option at the grant date	€	2.4585
Expected volatility (expressed as the weighted average of the volatility values utilized to build the binomial lattice model)	%	30%
Expected average duration of the plan life	years	6.583
Expected dividends (compared with share value)	%	2.50%
Risk free interest rate (calculated by means of a linear interpolation of Euro Swap rates as at 12 May 2016)	%	0.11 to 0.22

The expected volatility of the underlying variable (Interpump Group share) is a measure of the expected price fluctuations in a specific period. The indicator that measures volatility in the model utilized to evaluate the options is the annualized standard deviation of compound returns of the Interpump Group share through time.

Dividends
An ordinary dividend of 0.19 euro per share was distributed on 25 May 2016 (0.18 euro in 2015). The ex-dividend date was May 23.

7. Financial income and expenses

The breakdown for the first half is shown below:

	2016 €/000	2015 €/000
Financial income		
Interest income from liquid funds	182	265
Interest income from other assets	23	39
Financial income due to lower payments compared to the estimate of the debt for the purchase of residual stakes in subsidiaries	-	31,959
Foreign exchange gains	3,672	7,126
Earnings from valuation of derivative financial instruments	65	159
Other financial income	25	12
Total financial income	3,967	39,560
Financial expenses		
Interest expense on loans	2,216	3,145
Interest expense on put options	296	252
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	784	86
Tobin Tax	107	268
Foreign exchange losses	3,968	3,998
Losses from valuation of derivative financial instruments	21	76
Other financial charges	98	135
Total financial expenses	7,490	7,960
Total financial expenses (income), net	3,523	(31,600)

The breakdown for Q2 is as follows:

	2016 €/000	2015 €/000
Financial income		
Interest income	88	118
Interest income from other assets	10	10
Financial income due to lower payments compared to the estimate of the debt for the purchase of residual stakes in subsidiaries	-	25,797
Foreign exchange gains	1,438	(361)
Earnings from valuation of derivative financial instruments	34	141
Other financial income	10	9
Total financial income	1,580	25,714

	2016 €/000	2015 €/000
Financial expenses		
Interest expense on loans	1,022	1,531
Interest expense on put options	110	(18)
Financial expenses for adjustment of estimated debt for commitment to purchase residual interests in subsidiaries	676	66
Tobin Tax	98	68
Foreign exchange losses	571	1,419
Losses from valuation of derivative financial instruments	6	(165)
Other financial charges	47	81
Total financial expenses	2,530	2,982
Total financial expenses (income), net	950	(22,732)

For a comment on the financial income deriving from adjustment of the estimated liability for the purchase of residual interests in subsidiaries, and the exchange gains and losses for 2015, please refer to the "Directors' remarks on performance in H1 2016" on page 17.

8. Earnings per share

Basic earnings per share

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

H1	2016	2015
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	48,868	80,350
Average number of shares in circulation	105,996,742	106,711,146
Basic earnings per share for the half year (€)	0.461	0.753

Q2 (three months)	2016	2015
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	27,203	51,147
Average number of shares in circulation	105,364,152	107,095,692
Basic earnings per share for the quarter (€)	0.258	0.478

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:

H1	2016	2015
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	48,868	80,350
Average number of shares in circulation	105,966,742	106,711,146
Number of potential shares for stock option plans (*)	1,377,905	2,372,321
Average number of shares (diluted)	107,344,647	109,083,467
Earnings per diluted share for the half (€)	0.455	0.737

Q2 (three months)	2016	2015
Consolidated net profit for the period attributable to Parent company shareholders (€/000)	27,203	51,147
Average number of shares in circulation	105,364,152	107,095,692
Number of potential shares for stock option plans (*)	1,432,923	2,471,787
Average number of shares (diluted)	106,797,075	109,567,479
Earnings per diluted share for the quarter (€)	0.255	0.467

(*) 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 H1 2016 and H1 2015 are shown below:

	H1 2016					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on line item
Net sales	472,468	635	-	737	1,372	0.3%
Cost of products sold	300,172	300	-	5,987	6,287	2.1%
Other revenues	7,234	30	-	16	46	0.6%
Distribution costs	42,985	27	-	269	296	0.7%
G&A expenses	54,371	-	-	344	344	0.6%

	H1 2015					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on line item
Net sales	467,009	704	-	893	1,597	0.3%
Cost of products sold	298,713	269	-	10,239	10,508	3.5%
Other revenues	6,539	2	-	-	2	0.0%
Distribution costs	43,007	19	-	710	729	1.7%
G&A expenses	54,039	-	-	516	516	1.0%
Financial income	39,560	4	-	-	4	0.0%
Financial expenses	7,960	-	-	2	2	0.0%

The effects on the consolidated balance sheet as at 30 June 2016 and 2015 are described below:

	30 June 2016					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on line item
Trade receivables	212,182	1,141	-	506	1,647	0.8%
Trade payables	112,622	76	-	751	827	0.7%

	30 June 2015					
(€/000)	Consolidated Total	Non-consolidated subsidiaries	Associates	Other related parties	Total related parties	% incidence on line item
Trade receivables	203,911	1,240	-	644	1,884	0.9%
Other current assets	10,480	4	-	-	4	0.0%
Other financial assets	1,000	225	-	-	225	22.5%
Trade payables	114,469	36	-	3,153	3,189	2.8%
Interest-bearing financial payables (current portion)	91,430	-	-	176	176	0.2%

Relations with non-consolidated subsidiaries

Relations with non-consolidated subsidiaries are as follows:

(€/000)	Receivables		Revenues	
	30/06/2016	30/06/2015	2016	2015
Interpump Hydraulics (UK)*	-	937	-	314
Interpump Hydraulics Perù	1,077	197	429	197
General Pump China Inc.	64	110	236	195
Total subsidiaries	*1,141*	*1,244*	*665*	*706*

* = consolidated line-by-line at 30 June 2016

(€/000)	Payables		Costs	
	30/06/2016	30/06/2015	2016	2015
General Pump China Inc.	76	36	327	288
Total subsidiaries	*76*	*36*	*327*	*288*

(€/000)	Loans		Financial income	
	30/06/2016	30/06/2015	2016	2015
Interpump Hydraulics (UK)*	-	225	-	4
Total subsidiaries	*-*	*225*	*-*	*4*

* = consolidated line-by-line at 30 June 2016

Relations with associates

The Group does not hold investments in associated companies.

Transactions with other related parties

Transactions with other related parties regard the leasing of facilities owned by companies controlled by current shareholders and directors of Group companies for the amount of €1,869k (€2,724k in H1 2015), and consultancy services provided by entities connected with directors and statutory auditors of the Parent company for a total of €54k (€99k in H1 2015). Costs for rentals were recorded under the cost of sales in the amount of €1,444k (€2,022k in H1 2015), under distribution costs in the amount of €142k (€486k in H1 2015) and under general and administrative expenses in the amount of €283k (€216k in H1 2015). Consultancy costs were allocated to distribution costs in the amount of €30k (€30k also allocated to distribution costs in H1 2015) and to general and administrative expenses in the amount of €24k (€69k in H1 2015). Revenues from sales in the period to 30 June 2016 included revenues from sales to companies held by Group shareholders or directors in the amount of €737k (€893k in H1 2015). In addition, the cost of sales includes purchases made from companies controlled by minority shareholders or directors of Group companies for 4,357 thousand euro (8,113 thousand euro in H1 2015).

Moreover, further to the signing of building rental contracts with other related parties, at 30 June 2016 the Group has commitments of €17,869k (€24,237k at 30 June 2015).

10. Disputes, Contingent liabilities and Contingent assets

The Parent company and some of its subsidiaries are directly involved in 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 the risk provisions already made. There were no substantial changes with respect to the situation of disputes or potential liabilities existing as at 31 December 2015.

Declaration about the condensed half-year financial statements pursuant to art. 154 bis of Decree 58/98

1. The undersigned, Paolo Marinsek and Carlo Banci, respectively Chief Executive Officer and Manager responsible for drafting company accounting documents of Interpump Group S.p.A., taking also into account the provisions of art. 154-bis, subsections 3 and 4, of Decree no. 58 of 24 February 1998, hereby attest to:

- the adequacy in relation to the characteristics of the business, and
- the actual application of the administrative and accounting procedures for the formation of the condensed half-year financial statements in H1 2016.

2. They also declare that:

2.1 the condensed half-year consolidated financial statements of Interpump Group S.p.A. and its subsidiaries for the six-month period ending 30 June 2016, which show consolidated total assets of €1,326,150k, consolidated net profit of €49,135k and consolidated shareholders equity of €610,014k:

- were prepared in compliance with the international accounting standards endorsed by the European Commission pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and, in particular, with *IAS 34 - Interim Financial Reporting*, and also in compliance with all regulations connected to art. 9 of Decree no. 38/2005;
- correspond to the results of the company books and accounting entries;
- are suitable to provide a truthful and fair representation of the equity, economic and financial situation of the issuer and the group of companies included in the scope of consolidation;

2.2 the interim board of directors' report on operations contains references to the key events that occurred in H1 and their influence on the abbreviated interim financial statements, together with a description of the main risks and uncertainties relating to the remaining months of the year, along with information on significant transactions conducted with related parties

Sant'Ilario d'Enza (RE), 4 August 2016

Deputy Chairman and Chief Executive Officer	The Manager responsible for drafting the company's accounting documents
Paolo Marinsek	Carlo Banci

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Building a better working world

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Interpump Group S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position as of June 30, 2016, the income statements, the comprehensive income statement, the statement of changes in shareholders' equity and the cash flows statements for the period then ended and the related explanatory notes of Interpump Group S.p.A. and its subsidiaries (the "Interpump Group"). The Directors of Interpump Group S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Interpump Group as of June 30, 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, August 4, 2016

EY S.p.A.
Signed by: Marco Mignani, Partner

This report has been translated into the English language solely for the convenience of international readers

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