

INNOVATION IS LOOKING BEYOND

Interim Financial Report as of September 30, 2019

Board of Directors Meeting, November 8, 2019





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**Prima Industrie SpA
Management and Control**

CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL**Board of Directors**

EXECUTIVE CHAIRMAN	Gianfranco Carbonato
MANAGING DIRECTORS	Ezio G. Basso Domenico Peiretti
INDEPENDENT DIRECTORS	Donatella Busso Paolo Cantarella Carla Patrizia Ferrari Paola Gatto Mauro Mauri Marina Meliga
OTHER DIRECTORS	Rafic Y. Mansour Michael R. Mansour

Internal Control Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paolo Cantarella Carla Patrizia Ferrari

Remuneration Committee

CHAIRMAN	Mauro Mauri
MEMBERS	Paola Gatto Rafic Y. Mansour

Operation with Related Parties Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paola Gatto Marina Meliga

Strategic Committee

CHAIRMAN	Gianfranco Carbonato
MEMBERS	Ezio G. Basso Domenico Peiretti Paolo Cantarella Mauro Mauri Michael R. Mansour Marina Meliga

Statutory Auditors Committee

CHAIRMAN	Franco Nada
AUDITORS	Maura Campra Roberto Petrignani
DEPUTY AUDITORS	Roberto Coda Gaetana Laselva

Audit Company

PricewaterhouseCoopers S.p.A.

Expiry of Mandates and Appointments

The Board of Directors shall remain in office until the approval of 2019 Financial Statements.

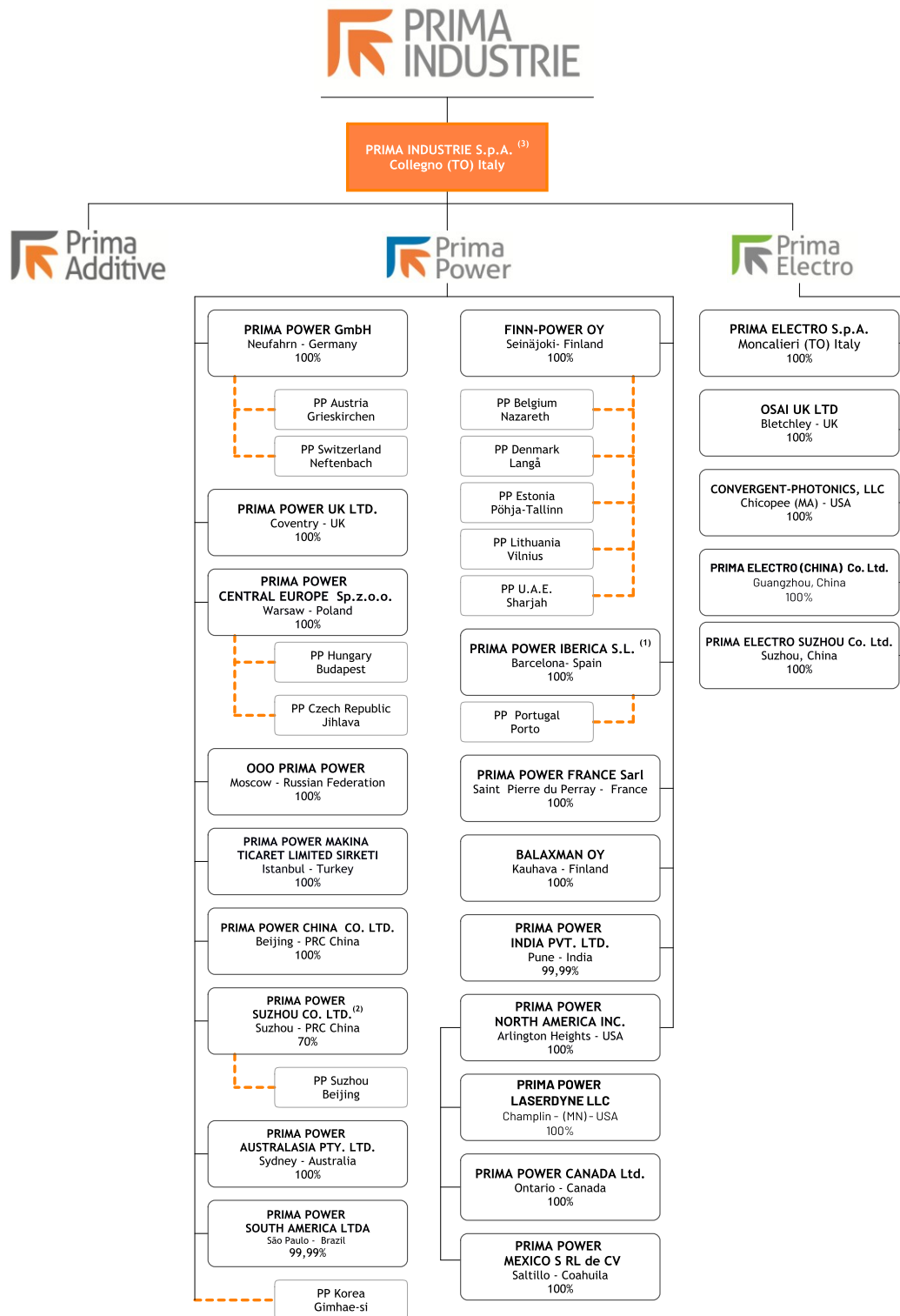
The Statutory Auditors Committee shall remain in office until the approval of 2019-2020-2021 Financial Statements.

The Audit Company was appointed by the Stockholders' Meeting held on April 11, 2017 for the period 2017-2025.

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Prima Industrie Group
Structure

CHAPTER 2. PRIMA INDUSTRIE GROUP STRUCTURE



The statement on this page represents the corporate situation of PRIMA INDUSTRIE Group on September 30, 2019. Group Branch offices are identified with dashed lines.

- (1) FINN-POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).
- (2) PRIMA INDUSTRIE SpA holds 70% of PRIMA POWER SUZHOU Co. Ltd. (the remaining 30% is held by third parties).
- (3) PRIMA INDUSTRIE SpA is included in PRIMA POWER Division for Reporting purposes.

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**Prima Industrie Group
Profile**

CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE

The PRIMA INDUSTRIE Group is a market leader in the development, manufacture and sale of laser systems for industrial applications and of machines to process sheet metal, besides in the fields of industrial electronics and laser sources.

The Parent Company PRIMA INDUSTRIE SpA, established in 1977 and listed in the Italian Stock Exchange since 1999 (currently MTA - STAR segment), designs and manufactures high-power laser systems for cutting, welding and surface treatment of three-dimensional (3D) and flat (2D) components, panel bending and bending machines.

The PRIMA INDUSTRIE Group is present on the market over 40 years and boasts over 13,000 machines installed in more than 70 Countries and its *business* is structured in the following three divisions:

- PRIMA POWER for laser machines and sheet metal processing;
- PRIMA ELECTRO for industrial electronics and laser technologies;
- PRIMA ADDITIVE for additive manufacturing systems for metal applications.

The **PRIMA POWER** division includes the design, manufacture and sale of:

- cutting, welding and punching machines for three-dimensional (3D) and two-dimensional (2D) metallic components;
- sheet metal processing machines that use mechanical tools (punchers, integrated punching and shearing systems, integrated punching and laser cutting systems, panel bending, bending machines and automated systems).

This division owns manufacturing plants in Italy (PRIMA INDUSTRIE SpA), in Finland (FINN-POWER OY), in the United States (PRIMA POWER LASERDYNE Llc), in China (PRIMA POWER SUZHOU Co. Ltd.) and has direct sales and customer service facilities in France, Switzerland, Spain, Germany, the United Kingdom, Belgium, Poland, Czech Republic, Lithuania, Hungary, Russia, Turkey, USA, Canada, Mexico, Brazil, China, India, South Korea, Australia and the United Arab Emirates.

The **PRIMA ELECTRO** division includes the development, construction and sale of electronic power and control components, and high-power laser sources for industrial applications, intended for the machines of the Group and third customers. The division has manufacturing plants in Italy (PRIMA ELECTRO SpA) and in the United States (CONVERGENT - PHOTONICS Llc), as well as sales & marketing facilities in the United Kingdom and China.

The **PRIMA ADDITIVE** division develops, manufactures and sells additive manufacturing solutions with Powder Bed Fusion and Laser Metal Deposition technologies.

It is important to state that during the second half of 2018 the Group presented its new brand PRIMA ADDITIVE, which is focused on turnkey additive manufacturing solutions, with Metal Powder Bed and Direct Deposition technologies, and the relative support and services for its applications. PRIMA ADDITIVE thus becomes the Group's third division, joining PRIMA POWER and PRIMA ELECTRO. The new division boasts a strong team of highly specialised young experts, qualified managers and engineers. The purpose of this new division is to support the development of these new technologies and enter the market with new machine ranges. Thanks to this investment, the new activities will be focused on additive manufacturing and, more generally, the pursuit of technological innovation. The new division was designed with completely new spaces and a new building that is under construction at the HQTc in Collegno.

The financial and equity data of PRIMA ADDITIVE are currently negligible and do not meet the thresholds set out in IFRS 8 for disclosure purposes and therefore this division's information is, currently, aggregated to the data for PRIMA POWER Division.

Over 40 years after its establishment, the mission of the PRIMA INDUSTRIE Group continues to be that of systematically expanding its range of products and services and to continue to grow as a global supplier of laser systems and sheet metal processing systems for industrial applications, including industrial electronics, markets that demand top-range technology and where growth rates are quite good, though in the presence of a cyclical context.

This Company draft of Interim Financial Statements has been approved by the Board of Directors on November 8, 2019.

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Introduction

CHAPTER 4. INTRODUCTION

The Interim Financial Statement at September 30, 2019 of the PRIMA INDUSTRIE Group was prepared in accordance with the provisions of article 154-ter, paragraph 5 of Consolidated Law on Finance and subsequent amendments, as well as the issuer's Regulation issued by CONSOB; it has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the *International Accounting Standards Board* ("IASB") recognized by the European Union and by Italian legislation and regulations.

These Statements were approved by the Board of Directors on November 8, 2019 and were published in accordance with the provisions of article 2.2.3 of Borsa Italiana SpA Regulations applicable to issuers listed in the STAR segment.

Quarterly data were not audited by the independent auditors.

It should be noted that, to improve disclosure of its financial results, the Group has presented the income statement according to functional area, rather than by expenditure type. The cost presentation is based on cost destination and is considered more representative than expenditure type. The form chosen conforms to internal *reporting* and business management procedures and is in line with international practice within the sector in which the Group operates.

"Cost of sales" includes costs relating to the functional areas that participated directly or indirectly to the generation of revenues with the sale of goods and services. It includes all costs for materials, processing and overheads directly attributable to production.

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**Group Interim Management
Report**

CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT

GROUP RESULTS SUMMARY

Values in Euro thousand	September 30, 2019	September 30, 2018	Variations	%
ORDER INTAKE	299,917	339,489	(39,572)	-11.7%
BACKLOG	153,350	188,041	(34,691)	-18.4%
REVENUES	306,951	318,304	(11,353)	-3.6%
EBITDA	28,450	29,341	(891)	-3.0%
EBITDA %	9.3%	9.2%	0.1%	-
EBIT	10,736	17,332	(6,596)	-38.1%
EBIT %	3.5%	5.4%	-1.9%	-
NET RESULT	4,021	14,422	(10,401)	-72.1%
FCF	(37,320)	(27,754)	(9,566)	-34.5%
NET FINANCIAL DEBT	(141,726)	(94,797)	(46,929)	-49.5%
HEADCOUNT	1,838	1,846	(8)	-0.4%

(% calculated over the revenues, headcount expressed in units)

Values in Euro thousand	September 30, 2019	September 30, 2018	Variations	%
REVENUES AT COSTANT EXCHANGE RATES	302,258	318,304	(16,046)	-5.0%
EBITDA Adj	30,090	31,274	(1,184)	-3.8%
EBITDA Adj %	9.8%	9.8%	0.0%	-
EBIT Adj	13,525	19,574	(6,049)	-30.9%
EBIT Adj %	4.4%	6.1%	-1.7%	-

(% calculated over the revenues)

(Performance indicators adjusted, as shown in Annex 2 of this document, correspond to the same indicators net of non-recurring items)

Introduction to the new IFRS 16 standard “Leases”

The figures for the third quarter of 2019 take account of the Group's adoption of the new IFRS 16 “Leases”. The modified retrospective method was applied without restatement of comparative data and with the following impacts at September 30, 2019 arising from the introduction of the new accounting standard applicable from January 1, 2019:

- increased net financial indebtedness by Euro 25,715 thousand
- cancellation of lease costs of Euro 4,067 thousand
- increased amortisation of Euro 3,929 thousand
- increased financial expenses of Euro 692 thousand.

SIGNIFICANT EVENTS OF THE PERIOD**PURCHASE OF TREASURY STOCK**

On April 16, 2019 the Shareholders' Meeting authorized the purchase of Prima Industrie SpA ordinary shares, in one or more times, for a period of eighteen months, for a maximum of 300,000 shares and in any case up to a maximum 300,000 shares in the portfolio, for a maximum purchase value of Euro 7.5 million, authorizing the disposal of treasury shares, in one or more times, without time limits, in the manner deemed most appropriate in the interest of the Company and in compliance with applicable law.

The scope of the authorization includes the possibility to assign the shares to service the stock incentive plans in favor of directors, employees and collaborators of the company or group companies, or the use for free assignments to the shareholders, or to service extraordinary transactions or as an instrument to support market liquidity.

Purchases will be made on regulated stock markets according to the operating procedures established in the regulations for the organization and management of the same markets according to the operating procedures established in the regulation of Borsa Italiana SpA, in compliance with art. 144 bis, paragraph 1, lett. b) of the Consob Regulation no. 11971/99 and subsequent amendments.

APPOINTMENT OF NEW STATUTORY AUDITORS COMMITTEE

On April 16, 2019, the Shareholders' Meeting of Prima Industrie SpA appointed the new Statutory Auditors Committee, which it made up of Franco Nada, Chairman (elected by the minority list), Roberto Petrignani and Maura Campra; the deputy auditors elected are Gaetana Laselva e Roberto Coda; the Statutory Auditors Committee will remain in office for the financial years 2019, 2020 and 2021.

ECONOMIC PERFORMANCE

As at September 30, 2019 Prima Industrie Group had consolidated revenues of Euro 306,951 thousand, slightly down (-3.6%) compared with September 30, 2018. As at constant exchange rate the reduction would be by -5.0%.

The main economic indicators of the Group, split by Division, are shown below, compared with the corresponding period of the previous year.

It is recalled that data for the first nine months of 2019 include the application of the new "Leases" IFRS16 accounting standard, adopted by the Group applying the simplified retrospective method without *restatement* of the comparative data.

Values in Euro thousand

September 30, 2019	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT (*)	EBIT %	NET RESULT
PRIMA POWER	284,674	64,165	22.5%	24,323	8.5%	11,649	4.1%	5,216
PRIMA ELECTRO	38,803	8,416	21.7%	3,614	9.3%	(4,232)	-10.9%	(4,272)
ELIMINATIONS	(16,526)	199	1.2%	513	3.1%	3,319	20.1%	3,077
GROUP	306,951	72,780	23.7%	28,450	9.3%	10,736	3.5%	4,021

(% calculated over the revenues)

(*) The CGU Prima Electro - BU Laser Goodwill, at Group level, amounted to Euro 1,014 thousand and it was allocated for Euro 3,819 thousand in the Prima Electro Division and cancelled at consolidation level for Euro 2,805 thousand. This Goodwill as at September 30, 2019 has been totally subjected to impairment.

Therefore, it should be noted that the EBIT of PRIMA ELECTRO negative for Euro 4,232 thousand includes a negative effect deriving from the aforementioned impairment of Euro 3,819 thousand, then cancelled in the consolidation level for Euro 2,805 thousand.

Values in Euro thousand

September 30, 2018	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	294,561	68,853	23.4%	26,796	9.1%	17,233	5.9%	7,547
PRIMA ELECTRO	42,853	9,516	22.2%	3,138	7.3%	692	1.6%	7,306
ELIMINATIONS	(19,110)	(563)	-2.9%	(593)	-3.1%	(593)	-3.1%	(431)
GROUP	318,304	77,806	24.4%	29,341	9.2%	17,332	5.4%	14,422

(% calculated over the revenues)

Values in Euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	(9,887)	(4,688)	-47.4%	(2,473)	-25.0%	(5,584)	-56.5%	(2,331)
PRIMA ELECTRO	(4,050)	(1,100)	-27.2%	476	11.8%	(4,924)	-121.6%	(11,578)
ELIMINATIONS	2,584	762	29.5%	1,106	42.8%	3,912	151.4%	3,508
GROUP	(11,353)	(5,026)	44.3%	(891)	7.8%	(6,596)	58.1%	(10,401)

(% calculated over the revenues)

Here follows the consolidated revenues geographical break down at September 30, 2019 compared with the same period of previous year:

Revenues	September 30, 2019		September 30, 2018	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
EMEA	188,183	61.3	195,804	61.5
AMERICAS	76,873	25.0	77,115	24.2
APAC	41,895	13.7	45,385	14.3
TOTAL	306,951	100.0	318,304	100.0

The table above shows that the Group's sales as at September 30, 2019 (compared with the corresponding period of the previous year) decreased in EMEA (-3.9%) and APAC (-7.7%) while it remained substantially stable in the AMERICAS (-0.3%).

In particular, the Group generated consolidated revenues in the EMEA area for Euro 188,183 thousand; the main destination countries were Italy (19.2% of consolidated revenues), Russia and Eastern Europe (9.1% of consolidated revenues), Northern European countries (7.1% of consolidated revenues), Spain and Portugal (6.5% of consolidated revenues) and Germany (6.0% of consolidated revenues).

The share of revenues realized in AMERICAS remained substantially stable compared to 2018 (Euro -242 thousand).

As far as APAC countries are concerned, revenues decreased compared to 2018, going from Euro 45,385 thousand to Euro 41,895 thousand (-7.7%); to note, however, the growth of the Chinese market (10.8% of consolidated revenues).

Below is a breakdown of revenues by segment gross of inter-sector transactions:

Revenues	September 30, 2019		September 30, 2018	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	284,674	92.7	294,561	92.5
PRIMA ELECTRO	38,803	12.6	42,853	13.5
Inter-sector revenues	(16,526)	(5.3)	(19,110)	(6.0)
TOTAL	306,951	100.0	318,304	100.0

As can be seen from the above table, total overall revenue decrease from both the PRIMA POWER division (Euro -9,887 thousand) and the PRIMA ELECTRO division (Euro -4,050 thousand).

The **cost of goods sold** at September 30, 2019 stood at Euro 234,171 thousand, a decrease of Euro 6,327 thousand from September 30, 2018 (Euro 240,498 thousand).

Group **Gross Margin** at September 30, 2019 is equal to Euro 72,780 thousand, a decrease of Euro 5,026 thousand compared to Euro 77,806 thousand in the same period of 2018; the margin accounted for 23.7% of sales and was down from September 30, 2018 (24.4%).

The **EBITDA** of the Group at September 30, 2019 is equal to Euro 28,450 thousand, equal to 9.3% of revenues (Euro 24,384 thousand excluding the effects deriving from the application of IFRS 16) against Euro 29,341 thousand, equal to 9.2% of revenues at September 30, 2018.

It should be noted that the EBITDA was negatively affected by non-recurring costs equal to Euro 1,640 thousand (at September 30, 2018 they amounted to Euro 1,933 thousand); therefore the **adjusted EBITDA^(*)** amounts to Euro 30,090 thousand (9.8% of revenues). In particular, in the third quarter of the year the **adjusted EBITDA^(*)** amounted to Euro 10,355 thousand (approximately 11.2% of the quarter's turnover).

The **EBIT** of the Group at September 30, 2019 is equal to Euro 10,736 thousand, equal to 3.5% of revenues (Euro 10,599 thousand excluding the effects deriving from the application of IFRS 16) against the Euro 17,332 thousand, equal to 5.4% of revenues in the corresponding period of the previous year.

This result is affected by:

- amortization of intangible assets of Euro 8,922 thousand (of which relating to development costs of Euro 6,827 thousand and the trademark entered under the FINN-POWER business combination for Euro 1,385 thousand);
- depreciation of tangible assets of Euro 7,643 thousand (of which Euro 3,929 thousand relating to rights of use recognized in application of the new IFRS 16);
- the *impairment* of PRIMA ELECTRO- BU LASER CGU's *goodwill* for Euro 1,014 thousand (for more information, see "Explanatory Notes to the Consolidated Financial Statements at September 30, 2019")
- the *impairment* of a development project previously capitalized by FINN-POWER OY for Euro 135 thousand.

The EBIT at September 30, 2019 is penalized by non-recurring costs mainly related to the aforementioned *impairment*; consequently the **adjusted EBIT^(*)** amounted to Euro 13,525 thousand (4.4% of revenues). In particular, in the third quarter the **adjusted EBIT^(*)** amounted to Euro 4,746 thousand (5.1% of turnover for the quarter).

The **EBT** of the Group at September 30, 2019 is positive for Euro 6,039 thousand (Euro 6,595 thousand excluding the effects deriving from the application of IFRS 16) against Euro 16,594 thousand at September 30, 2018.

It should be noted that the EBT at September 30, 2018 included a capital gain deriving from the full disposal of the investment in EPS SA for Euro 7,179 thousand and non-recurring charges for Euro 1,885 thousand incurred for the refinancing of the Bond and the Club Deal loan.

The EBT of the Group discounts net charges deriving from financial management (including foreign exchange profits and losses) for Euro 4,655 thousand (as at September 30, 2018 these were equal to Euro 7,917 thousand); it should be noted that financial charges include Euro 692 thousand deriving from the application of the new accounting standard IFRS16.

^(*) Note that, as illustrated in Annex 2 to this report, the **adjusted** performance indicators are the same indicators net of non-recurring items only. For more information about the non-recurring items, see the section in the Explanatory Notes to the Interim Report.

Financial results (€/000)	September 30, 2019	September 30, 2018
<i>Bond</i> expenses	(685)	(1,092)
<i>Bond</i> advance closing expenses	-	(1,515)
Loans 2018 expenses	(1,081)	(919)
<i>Club Deal</i> loan expenses	-	(94)
<i>Club Deal</i> advance closing expenses	-	(370)
Derivatives expenses (CRS)	(432)	(818)
Derivatives expenses (IRS)	(284)	(266)
Lease expenses	(927)	(200)
Write-down of financial receivables	(118)	(118)
Other financial expenses	(1,079)	(1,375)
Net financial expenses	(4,606)	(6,767)
Net exchange differences	(49)	(1,150)
TOTAL	(4,655)	(7,917)

The **NET PROFIT** of the Group at September 30, 2019 is positive for Euro 4,021 thousand (Euro 4,442 thousand excluding the effects deriving from the application of IFRS 16) against Euro 14,422 thousand at September 30, 2018; the Net Result attributable to the Parent Company is Euro 4,113 thousand.

FINANCIAL PERFORMANCE

Below is the *Cash Flow* of the PRIMA INDUSTRIE Group at September 30, 2019, compared with the corresponding period of the previous year.

Values in Euro thousand	September 30, 2019	September 30, 2018	Variations
Net Financial Indebtedness Opening	(74,639)	(69,632)	(5,007)
Financial liabilities deriving from IFRS 16 first application	(27,066)	-	(27,066)
Cash from operating activities before TWC	18,057	11,374	6,683
Change in Trade Working Capital	(44,334)	(22,732)	(21,602)
Cash from operating activities	(26,277)	(11,358)	(14,919)
Investments in development costs	(4,477)	(4,724)	247
Investment in Lead Laser	-	(6,131)	6,131
Other investments	(6,566)	(5,541)	(1,025)
Cash from investment activities	(11,043)	(16,396)	5,353
FREE CASH FLOW (FCF)	(37,320)	(27,754)	(9,566)
Dividends	(4,569)	(4,193)	(376)
Net financial result of investments	(23)	7,179	(7,202)
Net result of investments accounted for using the equity method	(19)	-	(19)
Other changes	-	(41)	41
Cash from financing activities	(4,611)	2,945	(7,556)
Net exchange differences	1,910	(356)	2,266
CASH FLOW - TOTAL	(40,021)	(25,165)	(14,856)
Net Financial Indebtedness Closing	(141,726)	(94,797)	(46,929)

At September 30, 2019 the Group's **Net Financial Indebtedness^(*)** was equal to Euro 141,726 thousand compared to Euro 94,797 thousand at September 30, 2018 and Euro 74,639 thousand at December 31, 2018.

Net financial indebtedness is negatively impacted by application of the new IFRS 16, which led to an increase of Euro 27,066 thousand at January 1, 2019. At September 30, 2019, this debt amounted to Euro 25,715 thousand.

The increase in the debt was caused by the increase in net working capital, which is expected to significantly recover in the coming months.

Below is a breakdown of net financial indebtedness:

<i>Values expressed in Euro thousand</i>	September 30, 2019	December 31, 2018	September 30, 2018
NON CURRENT FINANCIAL ASSETS	(4,243)	(4,876)	(3,495)
CASH & CASH EQUIVALENTS	(28,279)	(71,078)	(59,668)
CURRENT FINANCIAL ASSETS	(766)	(367)	(165)
CURRENT FINANCIAL LIABILITIES	47,080	35,846	37,733
CURRENT LEASING LIABILITIES	5,554	1,298	1,247
NON CURRENT FINANCIAL LIABILITIES	94,280	106,405	111,575
NON CURRENT LEASING LIABILITIES	28,100	7,411	7,570
NET FINANCIAL INDEBTEDNESS	141,726	74,639	94,797

BUSINESS PERFORMANCE

During the first nine months of 2019 the Group's order acquisition (including after-sale services) amounted to Euro 299.9 million, down 11.7% compared to the Euro 339.5 million at September 30, 2018. The acquisition of orders of the PRIMA POWER sector amounted to Euro 277.8 million, while the PRIMA ELECTRO ones, considering the ones from customers outside the Group, amounted to Euro 22.1 million. An improvement in this indicator is therefore evident with respect to the situation at June 30, 2019, where the reduction compared to the corresponding period of the previous year was 21%. In particular, the acquisition of the third quarter showed an increase of 10.8% compared to the third quarter of 2018. Against a marked slowdown in the *automotive* market, there was a good trend in orders from the aerospace segment and a positive trend in the after-sales market.

The consolidated order backlog (not including the after-sale service) at September 30, 2019 amounted to Euro 153.4 million (compared to Euro 188.0 million at September 30, 2018). The portfolio includes Euro 146.5 million relating to the PRIMA POWER sector and Euro 6.9 million relating to the PRIMA ELECTRO sector.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The first nine months of 2019 were marked by a significant slowdown in the capital goods market which reflected the cyclical trend of the business in which the company operates. Authoritative external sector researches show that the current economic phase, which began in mid-2018, should show signs of recovery starting from the middle of next year. In this context, however, the Group is implementing important cost containment and efficiency recovery measures aimed at giving results starting from the last quarter of the current year and above all in the medium term, without however affecting its own development plans and investment

^(*) Reconciliation between Group Net Financial Indebtedness (used as a performance indicator) and net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006 is provided in the Explanatory Notes.

EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENT

There were no significant events subsequent to the financial statements closing and until the date of approval of this Interim Financial Report.

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**Prima Industrie Group
Consolidated Financial Statements
September 30, 2019**

Accounting Tables

CHAPTER 6. PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Values in thousand euro</i>	September 30, 2019	December 31, 2018
Property, plant and equipment	63,580	36,749
Intangible assets	141,534	145,000
Investments accounted for using the equity method	299	-
Other investments	6,492	6,613
Non current financial assets	4,243	4,876
Deferred tax assets	13,789	11,973
NON CURRENT ASSETS	229,937	205,211
Inventories	153,142	135,863
Trade receivables	93,198	110,757
Other receivables	9,134	8,929
Current tax receivables	4,863	9,667
Derivatives	-	26
Financial assets	766	341
Cash and cash equivalents	28,279	71,078
CURRENT ASSETS	289,382	336,661
Assets held for sale	229	1,234
TOTAL ASSETS	519,548	543,106
Capital stock	26,208	26,208
Legal reserve	5,213	4,992
Other reserves	68,600	69,154
Currency translation reserve	5,522	2,706
Retained earnings	58,954	39,322
Net result	4,113	24,056
Stockholders' equity of the Group	168,610	166,438
Minority interest	3,284	3,334
STOCKHOLDERS' EQUITY	171,894	169,772
Interest-bearing loans and borrowings	121,440	113,180
Employee benefit liabilities	7,571	7,570
Deferred tax liabilities	5,375	5,333
Provisions	197	198
Derivatives	940	636
NON CURRENT LIABILITIES	135,523	126,917
Trade payables	79,188	115,141
Advance payments	31,884	40,545
Other payables	22,230	23,664
Interest-bearing loans and borrowings	52,634	37,028
Current tax payables	5,173	7,117
Provisions	21,022	22,806
Derivatives	-	116
CURRENT LIABILITIES	212,131	246,417
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	519,548	543,106

Figures as at September 30, 2019 include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

CONSOLIDATED INCOME STATEMENT

<i>Values in euro thousand</i>	September 30, 2019	September 30, 2018
Net revenues	306,951	318,304
Cost of goods sold	(234,171)	(240,498)
GROSS MARGIN	72,780	77,806
Research and Development costs	(19,704)	(18,479)
Sales and marketing expenses	(22,422)	(21,767)
General and administrative expenses	(19,918)	(20,228)
OPERATING PROFIT (EBIT)	10,736	17,332
Financial income	2,131	4,411
Financial expenses	(6,737)	(11,178)
Net exchange differences	(49)	(1,150)
Net result of investments accounted for using the equity method	(19)	-
Net result of other investments	(23)	7,179
RESULT BEFORE TAXES (EBT)	6,039	16,594
Taxes	(2,018)	(2,172)
NET RESULT	4,021	14,422
- Attributable to Group shareholders	4,113	14,652
- Attributable to minority shareholders	(92)	(230)
RESULT PER SHARE - BASIC (in euro)	0.40	1.40
RESULT PER SHARE - DILUTED (in euro)	0.39	1.40

Figures as at September 30, 2019 include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Values in euro thousand</i>	September 30, 2019	September 30, 2018
NET RESULT (A)	4,021	14,422
Gains/ (Losses) on actuarial defined benefit plans	-	-
Tax effect	-	-
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)	-	-
Gains / (Losses) on cash flow hedges	(247)	(319)
Tax effect	59	81
Gains/ (Losses) on exchange differences on translating foreign operations	2,858	1,060
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)	2,670	822
TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)	6,691	15,244
- Attributable to Group shareholders	6,741	15,496
- Attributable to minority shareholders	(50)	(252)

Figures as at September 30, 2019 include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

CONSOLIDATED STATEMENT OF CHANGES ON SHAREHOLDERS' EQUITY

from January 1, 2018 to September 30, 2018

Values in euro thousand	Capital stock	Additional paid-in capital	Treasury stock	Legal reserve	Capital increase expenses	Stock grant reserve	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at Dec 31, 2017	26,208	57,507	-	4,653	(1,286)	-	(58)	13,149	1,360	27,620	18,515	147,668	1,286	148,954
Impact of IFRS15 adoption	-	-	-	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Balance as at Jan 01, 2018	26,208	57,507	-	4,653	(1,286)	-	(58)	13,149	1,360	27,579	18,515	147,627	1,286	148,913
Dividends paid	-	-	-	-	-	-	-	(4,193)	-	-	-	(4,193)	-	(4,193)
Allocation of prior year net result	-	-	-	339	-	-	-	6,433	-	11,743	(18,515)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	(238)	-	1,082	-	14,652	15,496	(252)	15,244
Balance as at Sep 30, 2018	26,208	57,507	-	4,992	(1,286)	-	(296)	15,389	2,442	39,322	14,652	158,930	1,034	159,964

from January 1, 2019 to September 30, 2019

Values in euro thousand	Capital stock	Additional paid-in capital	Treasury stock	Legal reserve	Capital increase expenses	Stock grant reserve	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at Dec 31, 2018	26,208	57,507	(1,966)	4,992	(1,286)	13	(465)	15,351	2,706	39,322	24,056	166,438	3,334	169,772
Dividends paid	-	-	-	-	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Allocation of prior year net result	-	-	-	221	-	-	-	4,203	-	19,632	(24,056)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	(188)	-	2,816	-	4,113	6,741	(50)	6,691
Balance as at Sep 30, 2019	26,208	57,507	(1,966)	5,213	(1,286)	13	(653)	14,985	5,522	58,954	4,113	168,610	3,284	171,894

The first nine months 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures as at 01/01/2019.

CONSOLIDATED CASH FLOW STATEMENT

<i>Values in Euro thousand</i>	September 30, 2019	September 30, 2018
Net result	4,021	14,422
Adjustments (sub-total)	(30,198)	(26,704)
Depreciation, impairment & write-off	17,714	12,009
Gain from sales of shares in other investments	-	(7,179)
Net change in deferred tax assets and liabilities	(1,774)	(1,625)
Change in employee benefits	1	(108)
Change in inventories	(17,279)	(34,673)
Change in trade receivables	17,559	16,820
Change in trade payables and advances	(44,614)	(4,879)
Net change in other receivables/payables and other assets/liabilities	(1,805)	(7,069)
Cash Flows from (used in) operating activities	(26,177)	(12,282)
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(5,391)	(4,932)
Acquisition of intangible fixed assets	(637)	(923)
Capitalization of development costs	(4,477)	(4,724)
Net disposal of fixed assets (**)	1,151	62
Investment in Lead Laser	-	(6,131)
Change in investments accounted for using the equity method	(138)	-
Net result of investments accounted for using the equity method	19	-
Write-off/Write-up Other Investments	23	-
Change in Other investments	(5)	7,906
Cash Flows from (used in) investing activities	(9,455)	(8,742)
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	235	(2,330)
Increases in loans and borrowings (including bank overdrafts)	23,610	108,316
Repayment of loans and borrowings (including bank overdrafts)	(24,690)	(91,147)
Repayments in financial lease liabilities	(3,786)	(1,265)
Dividends paid	(4,569)	(4,193)
Other variations	-	(41)
Cash Flows from (used in) financing activities	(9,200)	9,340
Cash Flows from (used in) change of minority shareholders	-	-
Foreign exchange translation differences	2,033	831
Net change in cash and equivalents	(42,799)	(10,853)
Cash and equivalents beginning of period	71,078	70,521
Cash and equivalents end of period	28,279	59,668

<i>Additional Information to the Consolidated Statement of Cash-Flow</i>	Sep 30, 2019	Sep 30, 2018
<i>Values in euro thousand</i>		
Taxes paid	3,966	1,984
Interests paid	2,282	4,617

Figures as at September 30, 2019 include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

(*) Not included leases and included assets held for sale.

(**) Included assets held for sale.

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Explanatory Notes to Consolidated Financial Statements September 30, 2019

CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

ACCOUNTING TABLES FORM AND CONTENT

The abbreviated consolidated balance sheet of PRIMA INDUSTRIE Group has been drawn up on the assumption of the company continuing trading and in accordance with the International *Reporting Standards* issued by the *International Accounting Standards Board* and recognised by the European Union (defined as "IFRS"), as well as the legislative and regulatory directions in force in Italy (with particular reference to Leg. Decree 58/1998 and subsequent amendments, as well as the issuer's Regulation issued by CONSOB). "IFRS" is also meant as the *International Accounting Standard* (IAS) still in force, as well as all the interpretive documents issued by the *International Financial Reporting Interpretations Committee* ("IFRIC") previously called the *Standing Interpretations Committee* ("SIC").

The abbreviated consolidated balance sheet has been laid out in abbreviated form, in conformity with IAS 34 "Interim balances", and does not include therefore all the information required in the annual balance sheet and must be read together with the annual balance sheet prepared for the closed financial year at December 31, 2018, to which attention is drawn for greater detail.

The abbreviated consolidated balance on September 30, 2019 of PRIMA INDUSTRIE Group is presented in Euro which is also the currency of the economies in which the Group mainly operates.

The foreign subsidiaries are included in the abbreviated consolidated balance sheet on September 30, 2019 according to the principles described in the "Accounting Principles" Note of the consolidated balance on December 31, 2018, to which attention is drawn.

For purposes of comparison, the balance sheet data on December 31, 2018 have been presented as well as the data of the profit and loss account and the financial statement relating to September 30, 2018 with the movements of net assets of the first nine months of 2018 as well, as required by IAS 1.

The Group presents the income statement according to functional areas, otherwise referred to as "at cost of the sale". This cost analysis is based on cost destination and is considered more representative than expenditure type. The form chosen conforms to internal *reporting* and *business* management procedures and is in line with international practice within the sector in which the Group operates.

"Cost of goods sold" includes costs relating to the functional areas that participated directly or indirectly in the generation of revenues with the sale of goods or services. It includes all costs for materials, processing and overheads directly attributable to production.

DRAFTING PRINCIPLES AND CRITERIA

ACCOUNTING CRITERIA AND PRINCIPLES OF CONSOLIDATION

The accounting criteria and principles of consolidation adopted for setting out the abbreviated consolidated balance sheet at September 30, 2019 are compatible with those used for the consolidated annual balance sheet at December 31, 2018, to which reference is made subject to the new standards/interpretations adopted by the Group starting from January 1, 2019, as well as the adjustments required by the nature of the interim findings.

ACCOUNTING PRINCIPLES AND INTERPRETATIONS TRANSPOSED BY THE EUROPEAN UNION AND APPLICABLE FROM JANUARY 1, 2019

IFRS 16 - Leases

On January 13, 2016, the IASB issued “IFRS 16 - Leases” that is intended to replace “IAS 17 - Leases”, and interpretations of “IFRIC 4 Determining whether an Arrangement contains a Lease”, “SIC-15 Operating Leases-Incentives” e “SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The new standard, that the Group will apply starting from January 1, 2019, provides a new definition of lease and introduces a criterion based on control (*right of use*) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract. Moreover, the standard establishes a single recognition and measurement model of lease contracts for the lessee providing for the recognition of the leased asset also operating under assets against a financial liability. On the contrary, the standard does not include significant changes for lessors.

The Group finalized the preliminary *assessment* of impacts arising from the application of the new standard at the transition date (January 1, 2019). Such assessment has been declined in different phases, including the complete mapping of the contracts potentially suitable to contain a lease and the analysis of the same in order to understand the main clauses relevant for IFRS 16 purposes. With this regard, the Group has made use for all contracts of the practical expedient available on transition to apply the requirements of the standard only to contracts identified as leases in accordance with IFRIC 4 and IAS 17.

The Group has elected to adopt IFRS 16 under the Modified Retrospective approach. In particular, for lease contracts previously classified as operating, the Group will recognize a financial liability and a right of use equal to the present value of future lease payments remaining at the transition date, discounted using for each contract the *incremental borrowing rate* applicable at the transition date.

In adopting IFRS 16, the Group intends to apply the exemption granted by the standard in relation to *short-term leases* for all the asset categories. Likewise, the Group will apply the exemption granted by the standard as regards the lease contracts for which the underlying asset is configured as a *low-value asset* (for the purposes of this determination, the Group considered the assets underlying the contract of *leases* that do not exceed, when new, a value of approximately Euro 5 thousand). The contracts for which the exemption can be applied mainly concern computers, telephones and tablets, printers, other electronic devices, furniture and furnishings. For these contracts, the introduction of IFRS 16 will not entail the recognition of the *lease* financial liability and of the related right of use, but the *lease* payments will be recognized as an expense on a straight-line basis over the lease term.

Moreover, the Group will also apply, for all the asset categories, the exemption granted by the standard in relation to the possibility of not to separate non-lease components, and instead account for any lease and associated non-*lease components* as a single arrangement in determining the financial liability of the lease and the related right of use.

With reference to the transition rules, the Group will make use of the following practical expedients available if the modified retrospective transition method is chosen:

- classification of contracts expiring within 12 months from the transition date as a *short term lease*. For these contracts the *lease* payments will be recognized as an expense on a straight-line basis;

- exclusion of initial direct costs from the measurement of the right of use as of January 1, 2019;
- use of hindsight at the transition date for the determination of the *lease term*, with particular reference to the exercise of extension and early termination options.

The transition to IFRS 16 introduces some elements of professional judgment that involve the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the discount rate. The main ones are summarized below:

- the Group decided not to apply IFRS 16 for contracts containing a *lease* whose underlying asset is an intangible asset;
- *lease term*: the Group analyzed all the lease contracts, defining the *lease term* for each of them, given by the "non-cancellable" period together with the effects of any extension or early termination clauses whose exercise was deemed reasonably certain. Specifically, for buildings this evaluation considered the specific facts and circumstances of each asset. With regard to the other categories of assets, mainly company cars and equipment, the Group generally considered as unlikely that it will exercise any clauses of extension or early termination in consideration of the practice usually followed by the Group;
- definition of the discount rate: the Group elected to adopt the *incremental borrowing rate* in order to determine the financial liability relating to *lease* contracts. This rate, diversified according to the country and the reference currency of the lease contract, represents the interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an *asset* of a similar value to the *right-of-use* asset in a similar economic environment.

Following is a summary of how adoption of the new standards affected consolidated financial statements.

Values expressed in Euro thousand	December 31, 2018	IFRS16 Effect	January 01, 2019
Non current assets	205,211	27,066	232,277
Current assets	336,661	-	336,661
Assets held for sale	1,234	-	1,234
Total Assets	543,106	27,066	570,172
Net Equity	169,772	-	169,772
Non current liabilities	126,917	22,824	149,741
Current liabilities	246,417	4,242	250,659
Total Liabilities	543,106	27,066	570,172

At September 30, 2019 the Group recorded Euro 25,162 thousand in Rights of use after disclosure of Euro 3,929 thousand in amortisation and Euro 25,715 thousand in financial liabilities (including Euro 21,405 thousand classified as long-term). During the quarter, Euro 692 thousand of financial charges were recorded in the income statement relating to lease contracts previously classified as operational.

ON-GOING CONCERN

The condensed consolidated balance sheet has been set out on the assumption of the company continuing trading in that it is reasonably expected that PRIMA INDUSTRIE will continue with its operational activities in the foreseeable future.

USE OF ACCOUNTING ESTIMATES

The drawing up of an interim balance sheet requires the carrying out of estimates and assumptions which have effect on the values of revenues, costs, assets and liabilities of the balance sheet and on the information report relating to the potential assets and liabilities on the date of the interim balance sheet. If in the future, such estimates and assumptions which are based on the best evaluation by management, should differ through effective circumstances, they will be modified in an appropriate manner in the period in which the circumstance themselves vary. In particular, with regard to the condensed consolidated balance sheet, the taxes on income for the period of the individual consolidated companies are determined on the basis of the best estimate possible in relation to the available information, and on a reasonable forecast of the progress of the financial year up to the end of the tax period.

EXPLANATORY NOTES

The data shown in the explanatory notes, if not shown otherwise, are expressed in Euro thousand.

SECTOR REPORT

In accordance with IFRS 8, and in line with the Group's management and control model, the Group's management has identified PRIMA POWER and PRIMA ELECTRO as the operating divisions that are subject to sector reports.

The PRIMA POWER Division includes the design, manufacture and sale of:

- laser machines to cut, weld and punch metallic components, three-dimensional (3D) and two-dimensional (2D), and
- sheet metal processing machines that use mechanical tools (punchers, integrated punching and shearing systems, integrated punching and laser cutting systems, panel bending, bending machines and automated systems).

The PRIMA ELECTRO Division includes the development, construction and sale of electronic power and control components, and hi-power laser sources for industrial applications, intended for the machines of the Group and third customers.

It is important to state that during 2018 the Group presented its new brand PRIMA ADDITIVE, which is focused on turnkey additive manufacturing solutions, with *Metal Powder Bed* and *Direct Deposition* technologies, and the relative support and services for its applications. PRIMA ADDITIVE thus becomes the Group's third division, joining PRIMA POWER and PRIMA ELECTRO. The new division boasts a strong team of highly specialised young experts, qualified managers and engineers. The financial and equity data of PRIMA ADDITIVE are currently negligible and do not meet the thresholds set out in IFRS 8 for disclosure purposes. Therefore the division's information will be aggregated to the data for PRIMA POWER.

The following tables show the financial information directly attributable to the two divisions PRIMA POWER and PRIMA ELECTRO, as described above.

The figures at September 30, 2019 take account of the Group's adoption of the new IFRS 16 "Leases". The modified retrospective method was applied without *restatement* of comparative data.

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
<i>Values in euro thousand</i>	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Net revenues	284,674	294,561	38,803	42,853	(16,526)	(19,110)	306,951	318,304
Cost of goods sold	(220,509)	(225,708)	(30,387)	(33,337)	16,725	18,547	(234,171)	(240,498)
GROSS MARGIN	64,165	68,853	8,416	9,516	199	(563)	72,780	77,806
Research and Development costs	(15,941)	(14,115)	(4,050)	(4,364)	287	-	(19,704)	(18,479)
Sales and marketing expenses	(20,617)	(20,010)	(1,805)	(1,757)	-	-	(22,422)	(21,767)
General and administrative expenses	(15,958)	(17,495)	(6,793)	(2,703)	2,833	(30)	(19,918)	(20,228)
OPERATING PROFIT (EBIT)	11,649	17,233	(4,232)	692	3,319	(593)	10,736	17,332
Net financial expenses	(3,996)	(6,387)	(610)	(379)	-	(1)	(4,606)	(6,767)
Net exchange differences	(69)	(1,204)	20	54	-	-	(49)	(1,150)
Net result of investments accounted for using the equity method	(19)	-	-	-	-	-	(19)	-
Net result of other investments	-	-	(23)	7,179	-	-	(23)	7,179
RESULT BEFORE TAXES (EBT)	7,565	9,642	(4,845)	7,546	3,319	(594)	6,039	16,594
Taxes	(2,349)	(2,095)	573	(240)	(242)	163	(2,018)	(2,172)
NET RESULT	5,216	7,547	(4,272)	7,306	3,077	(431)	4,021	14,422
- Attributable to Group shareholders	5,308	7,777	(4,272)	7,306	3,077	(431)	4,113	14,652
- Attributable to minority shareholders	(92)	(230)	-	-	-	-	(92)	(230)

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
<i>Values in euro thousand</i>	Sep 30, 2019	Dec 31, 2018	Sep 30, 2019	Dec 31, 2018	Sep 30, 2019	Dec 31, 2018	Sep 30, 2019	Dec 31, 2018
Property, plant and equipment	49,605	26,514	13,975	10,235	-	-	63,580	36,749
Intangible assets	123,468	127,531	18,278	20,482	(212)	(3,013)	141,534	145,000
Investments accounted for using the equity method	299	-	-	-	-	-	299	-
Other investments	17,387	17,485	49	73	(10,944)	(10,945)	6,492	6,613
Non current financial assets	2,728	3,362	1,515	1,515	-	(1)	4,243	4,876
Deferred tax assets	8,978	8,024	4,406	3,415	405	534	13,789	11,973
NON CURRENT ASSETS	202,465	182,916	38,223	35,720	(10,751)	(13,425)	229,937	205,211
Inventories	125,300	113,682	29,236	24,085	(1,394)	(1,904)	153,142	135,863
Trade receivables	87,526	104,760	15,189	15,411	(9,517)	(9,414)	93,198	110,757
Other receivables	6,836	7,516	2,295	1,410	3	3	9,134	8,929
Current tax receivables	4,568	5,964	867	4,275	(572)	(572)	4,863	9,667
Derivatives	-	26	-	-	-	-	-	26
Financial assets	9,580	5,631	-	-	(8,814)	(5,290)	766	341
Cash and cash equivalents	26,907	68,940	1,372	2,138	-	-	28,279	71,078
CURRENT ASSETS	260,717	306,519	48,959	47,319	(20,294)	(17,177)	289,382	336,661
Assets held for sale	229	1,234	-	-	-	-	229	1,234
TOTAL ASSETS	463,411	490,669	87,182	83,039	(31,045)	(30,602)	519,548	543,106
STOCKHOLDERS' EQUITY	147,535	144,858	36,562	40,188	(12,203)	(15,274)	171,894	169,772
Interest-bearing loans and borrowings	110,518	107,402	19,735	11,068	(8,813)	(5,290)	121,440	113,180
Employee benefit liabilities	5,137	5,111	2,434	2,459	-	-	7,571	7,570
Deferred tax liabilities	3,463	3,582	1,912	1,863	-	(112)	5,375	5,333
Provisions	197	197	-	-	-	1	197	198
Derivatives	940	636	-	-	-	-	940	636
NON CURRENT LIABILITIES	120,255	116,928	24,081	15,390	(8,813)	(5,401)	135,523	126,917
Trade payables	76,928	109,218	11,761	15,325	(9,501)	(9,402)	79,188	115,141
Advance payments	31,289	40,017	283	216	312	312	31,884	40,545
Other payables	19,060	20,704	3,174	2,961	(4)	(1)	22,230	23,664
Interest-bearing loans and borrowings	42,821	29,616	9,813	7,412	-	-	52,634	37,028
Current tax payables	5,230	7,006	523	691	(580)	(580)	5,173	7,117
Provisions	20,293	22,206	985	856	(256)	(256)	21,022	22,806
Derivatives	-	116	-	-	-	-	-	116
CURRENT LIABILITIES	195,621	228,883	26,539	27,461	(10,029)	(9,927)	212,131	246,417
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	463,411	490,669	87,182	83,039	(31,045)	(30,602)	519,548	543,106

CONSOLIDATED FINANCIAL POSITION

The property, plant and equipment on September 30, 2019 are equal to Euro 63,580 thousand in increase of Euro 26,831 thousand compared with December 31, 2018.

This increase includes Euro 25,162 thousand for rights of use recorded for first application of the new IFRS 16, net of Euro 3,929 thousand of amortisation.

The intangible assets on September 30, 2019 are equal to Euro 141,534 thousand and decreased by Euro 3,466 thousand compared with December 31, 2018.

The most significant item is represented by Goodwill, which on September 30, 2019 amounts to Euro 102,109 thousand.

Goodwill accounted for refers to the larger value paid with respect to the fair value of the net assets acquired, at the acquisition date.

The table below shows the book value of the goodwill allocated to each of the units generating financial flow.

CASH GENERATING UNIT	BOOK VALUE GOODWILL September 30, 2019	BOOK VALUE GOODWILL December 31, 2018
PRIMA POWER	97,794	97,708
PRIMA ELECTRO - BU Electronics	4,315	4,316
PRIMA ELECTRO - BU Laser	-	1,008
TOTAL	102,109	103,032

Under IAS 36, goodwill is not subject to amortisation but rather to an annual impairment test conducted for the consolidated and individual financial statements. If impairment indicators are detected that point to possible impairment of goodwill, the impairment test is also conducted for the interim reports. During the year 2019, external and internal events and circumstances had impacted the Prima Electro - BU Laser CGU, such that the company conducted an *impairment test* which details are described in the 2019 Half-Year Report to which attention is drawn. The results of this test led the company to carry out an impairment test on the entire PRIMA ELECTRO - BU Laser CGU, amounting to Euro 1,014 thousand. No new elements relating to the PRIMA POWER and PRIMA ELECTRO - BU Electronics CGUs emerged that might point to goodwill impairment of the said CGUs compared to Financial Statements at December 31, 2018 (to which attention is drawn for greater details), therefore the *impairment test* was not repeated.

In Investments accounted for using the equity method the shareholding in 3D NT held by PRIMA INDUSTRIE SpA was classified following the achievement of 20% of the stake and the greater technical collaboration. The value at September 30, 2019 of shareholdings valued using the equity method was Euro 299 thousand, of which Euro 180 thousand relate to the reclassification of the item "Other Investments", Euro 138 thousand relate to the purchase of a further stake and Euro 19 thousand relate to the result for the period.

The Other Investments at September 30, 2019 amounted to Euro 6,492 thousand and which is down from December 31, 2018. The decrease of Euro 121 thousand relates mainly to the reclassification of the stake in 3D NT, which is classified among the investments accounted for using the equity method, the write-down on the stake in Caretek held by Prima Electro SpA and to positive exchange rate differences for the stake in Lead Laser held by Prima Power Suzhou.

The Deferred tax assets were Euro 13,789 thousand, increasing from the previous financial year of Euro 1,816 thousand. Deferred taxes are recorded in the financial statements only if the conditions for their recovery exist. The assessment of the recoverability of deferred tax assets takes account of expected profitability in future years. Deferred taxes on tax losses carried forward were entered recognised in relation to the likelihood of future taxable income against which they can be recovered. Considering the above, there were no elements that might change the previous assessments on the recoverability of deferred taxes.

The net value of inventories on September 30, 2019 shows an increase equal to Euro 17,279 thousand compared with December 31, 2018.

The following table shows the composition of inventories at September 30, 2019 and December 31, 2018.

INVENTORIES	September 30, 2019	December 31, 2018
Raw materials	49,952	48,907
Semi-finished goods	27,823	25,996
Finished goods	85,436	69,370
(Inventory provisions)	(10,069)	(8,410)
TOTAL	153,142	135,863

Net trade receivables at September 30, 2019 amounted to Euro 93,198 thousand a decrease of Euro 17,559 thousand compared to December 31, 2018.

Other receivables on September 30, 2019 are equal to Euro 9,134 thousand and increased by Euro 205 thousand compared with December 31, 2018.

These receivables mainly refer to advance payments to suppliers, R&D grants due for receipt, accrued income and prepaid expenses and advances to employees.

The current tax receivables at September 30, 2019 amounts to Euro 4,863 thousand and decreased by Euro 4,804 thousand compared to December 31, 2018. Tax assets mainly include VAT receivables for Euro 2,077 thousand (Euro 4,646 thousand on December 31, 2018), income tax receivables for Euro 1,660 thousand (Euro 1,331 thousand on December 31, 2018), a tax receivable amounting to Euro 970 thousand following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011) which arose in February 2013, other receivables for tax assets for Euro 74 thousand (Euro 47 thousand on December 31, 2018), R&D tax credit for Euro 31 thousand (Euro 2,561 thousand at December 31, 2018) and by withholding taxes for Euro 51 thousand (Euro 34 thousand on December 31, 2018).

On September 30, 2019 the net financial position^(*) of the Group was negative for an amount of Euro 145,969 thousand increasing of Euro 66,454 thousand compared to December 31, 2018 (negative for Euro 79,515 thousand). The net financial position takes account of the new IFRS 16 accounting standard according to which, at January 1, 2019, debt was increased to Euro 27,066 thousand. At September 30, 2019, this debt amounted to Euro 25,715 thousand.

For a better understanding of the variation in the net financial position achieved during the first nine months of 2019, refer to the consolidated cash flow statement of the period.

Shown below the information required by the CONSOB communication No. DEM/6064293 of July 28, 2006:

	NET FINANCIAL POSITION	Sep 30, 2019	Dec 31, 2018	Variations
A	CASH	28,279	71,078	(42,799)
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	CASH ON HAND (A+B+C)	28,279	71,078	(42,799)
E	CURRENT FINANCIAL RECEIVABLES	766	367	399
F	CURRENT BANK DEBTS	11,365	2,718	8,647
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	33,432	30,474	2,958
H	BOND ISSUED	469	693	(224)
I	OTHER CURRENT FINANCIAL DEBTS	7,368	3,259	4,109
J	CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)	52,634	37,144	15,490
K	NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)	23,589	(34,301)	57,890
L	NON-CURRENT BANK DEBTS	61,609	72,818	(11,209)
M	BOND ISSUED	24,796	24,762	34
N	OTHER NON-CURRENT FINANCIAL DEBTS	35,975	16,236	19,739
O	NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)	122,380	113,816	8,564
P	NET FINANCIAL POSITION (K+O)	145,969	79,515	66,454

(*) Reconciliation between Group net financial position required by CONSOB Communication no. DEM/6064293 of July 28, 2006 and net financial debt (used as a performance indicator) is provided in a specific table in this Explanatory Note.

Reconciliation with the Group's net indebtedness shown in the Interim Management Report is as follows:

	Sep 30, 2019	Dec 31, 2018
Net financial position com. CONSOB n. DEM/6064293	145,969	79,515
Term deposit Smilla	(4,233)	(4,233)
Deposit Prima Power Suzhou	-	(633)
Loan Caretek	(10)	(10)
Net financial indebtedness	141,726	74,639

As required by the amendment to IAS 7, the following table shows the changes in liabilities arising from loan activities, whether arising from changes in cash flows or changes not in cash.

Values in Euro thousand	December 31, 2018	IFRS16 first adoption	Variations from cash flow	Variations not in cash			September 30, 2019
				Issues	Exchange rate effect	Fair value	
Financial debts	116,044	-	(889)	-	-	-	115,155
Bond issued	25,455	-	(190)	-	-	-	25,265
Leasing	8,709	27,066	(3,786)	1,591	74	-	33,654
Derivatives	752	-	-	-	-	188	940
TOTAL	150,960	27,066	(4,865)	1,591	74	188	175,014

At September 30, 2019, the value of non-current assets held for sale is Euro 229 thousand down of Euro 1,005 thousand from the previous financial year, due to the sale of a building in Brescia and one of the properties under construction near Mantua, both owned by the parent company PRIMA INDUSTRIE SpA. All assets classified in this category are available for immediate sale, an event that is very likely since the Management has engaged in a divestment programme.

Net Equity of Prima Industrie Group is increased by Euro 2,122 thousand compared to the previous financial year.

For more details, see the table of changes in net equity.

The item Employees benefits liabilities on September 30, 2019 is equal to Euro 7,571 thousand and is in line compared to December 31, 2018, this item includes:

- the Severance Indemnity (TFR) recognized by Italian companies for employees;
- a loyalty premium recognized by the Parent Company and by PRIMA ELECTRO for their own employees;
- a pension fund recognized by PRIMA POWER GmbH and by PRIMA POWER France Sarl to their employees;
- a liability for employee benefits accounted for by PRIMA INDUSTRIE SpA relevant the South Korea *branch office*.

The Deferred Tax Liabilities are equal to Euro 5,375 thousand, increasing compared with December 31, 2018 of Euro 42 thousand.

The provisions are equal to Euro 21,219 thousand and decreased by Euro 1,785 thousand compared with December 31, 2018; non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 197 thousand.

Current provisions mainly relate to product warranties and to the best estimate of costs still to be incurred for the completion of certain activities ancillary to the sale of machinery already sold. The warranty provision relates to the provisions for technical interventions on the Group's products and is considered appropriate in comparison to the warranty costs which have to be provided for.

The value of trade payables decreased compared to December 31, 2018 by Euro 35,953 thousand.

The advance payments decreased compared to December 31, 2018 and it is equal to Euro 31,884 thousand.

Other payables decreased to December 31, 2018 by Euro 1,434 thousand and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

Current tax payables on September 30, 2019 amounts to Euro 5,173 thousand which is a decrease of Euro 1,944 thousand compared with December 31, 2018.

CONSOLIDATED INCOME STATEMENT

As already mentioned previously, the Group presents the income statement by “functional area”. In accordance with paragraph 104 of “IAS 1 - Presentation of Financial Statements”, personnel costs amount to Euro 83,925 thousand (Euro 81,896 thousand at September 30, 2018). At September 30, 2019, amortization/depreciation and impairment were Euro 17,714 thousand (at September 30, 2018 these were Euro 12,009 thousand). It should be noted that the amortization of development costs was

Euro 6,827 thousand, while those deriving from the application of the new IFRS16 principle amount to Euro 3,929 thousand.

Revenues from sales and services have already been dealt with in chapter 5 of this document: “Group Management Report” in the paragraph entitled “Economic performance”.

The financial income and expenses of the first nine months of 2019 shows a negative result of Euro 4,655 thousand.

FINANCIAL RESULTS	September 30, 2019	September 30, 2018
Financial income	2,131	4,411
Financial expenses	(6,737)	(11,178)
Net financial expenses	(4,606)	(6,767)
Net exchange differences	(49)	(1,150)
Total Financial Results	(4,655)	(7,917)

Financial expenses at September 30, 2019 include Euro 692 thousand resulting from application of the new IFRS 16 accounting standard.

The net result of investments accounted for using the equity method presented a loss of Euro 19 thousand and refers to the related 3D NT.

The net result of other investments is negative by Euro 23 thousand and relate to the write-down of shares in Caretek Srl held by PRIMA ELECTRO SpA.

Taxes for the first nine months of 2019 showed a net negative balance of Euro 2,018 thousand. The balance of current and deferred taxes is negative by Euro 1,785 thousand, IRAP is positive by Euro 43 thousand and other taxes, including those relating to prior years, are negative for Euro 276 thousand.

The result per share on September 30, 2019, positive by Euro 0.40 (positive by Euro 1.40 on September 30, 2018) is calculated by dividing the profits attributable to the shareholders of the parent company by the average number of ordinary shares in circulation during the financial year equal to 10.383.274.

Diluted result per share at September 30, 2019 were positive for Euro 0.39 (positive for Euro 1.40 at September 30, 2018), calculated by dividing the result attributable to the shareholders of the Parent Company by the weighted average number of shares in circulation, adjusted to take account of the effects of all potential ordinary shares with a diluting effect. Shares linked to the *stock grant* plan were considered to have a potential diluting effect.

SIGNIFICANT NOT RECURRING ITEMS

The table below summarises non-recurring items that have had a negative impact on the Income Statement during the first nine months of 2019 for a total of Euro 2,930 thousand.

Significant non-recurring events and transactions (values expressed in Euro thousand)	Gross Margin	Research and Development costs	Sales and marketing expenses	General and administrative expenses	Financial income and expenses	Total as at Sep 30, 2019	Total as at Sep 30, 2018	Variation between 2019 and 2018
Actions of reorganization/Restructuring	(215)	(328)	(215)	(113)	-	(871)	(712)	(159)
Legal/fiscal disputes and penalties from customers	(437)	-	-	(332)	-	(769)	(1,221)	452
Impairment of intangible fixed assets	-	(135)	-	-	-	(135)	-	(135)
Impairment of tangible fixed assets	-	-	-	-	-	-	(309)	309
Impairment of Goodwill	-	-	-	(1,014)	-	(1,014)	-	(1,014)
EBIT	(652)	(463)	(215)	(1,459)	-	(2,789)	(2,242)	(547)
Advance Bond and Club Deal & Finnish loan expenses	-	-	-	-	-	-	(1,885)	1,885
Devaluation of financial receivable	-	-	-	-	(118)	(118)	(118)	-
Write-down of investment in Caretek	-	-	-	-	(23)	(23)	-	(23)
Gain from sales of shares in EPS SA	-	-	-	-	-	-	7,179	(7,179)
EBT	(652)	(463)	(215)	(1,459)	(141)	(2,930)	2,934	(5,864)

Annexes

ANNEXES

ANNEX 1 - CONSOLIDATION AREA

PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
FINN POWER OY	Nuppiväylä 7, 60100 Seinäjoki, FINLAND	€ 30.000.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD.	459 Xingrui Road, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	USD 15.850.000	70%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	1500 Upper Middle Rd W Suite 313, Oakville Ontario , L6M 0C2, Canada	CAD 200	100%	Line-by-line method
PRIMA POWER MEXICO S DE RL DE CV	Campo Real, 121 FRACC. Valle Real, Saltillo, Coahuila C.P. 25198 MEXICO	USD 250	100%	Line-by-line method
PRIMA POWER GmbH	Am Gfild 9, 85375 Neufahrn, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER IBERICA S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	Ul. Holenderska 6 - 05 - 152 Czosnów Warsaw, POLAND	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	100%	Line-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 960.015	100%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SİRKETİ	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B2 A Dupleks Gül Blok Daire:4 Kartal - Istanbul, TURKEY	TRY 1.470.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER INDIA PVT. LTD.	Plot No A-54/55, H Block, MIDC, Pimpri, Pune - 411018, Maharashtra, INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 - Freguesia do Ó - 02968-00, Sao Paulo BRAZIL	R\$ 4.471.965	99,99%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Room 2006, Unit C, Tower 1, Wangjing SOHO, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
PRIMA POWER AUSTRALASIA Pty. LTD.	Suite 2, First Floor, 100 Queen street, PO Box 878, Campbelltown, NSW, 2560 AUSTRALIA	A\$ 1	100%	Line-by-line method
BALAXMAN OY	Metallitie 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method

PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA ELECTRO S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 15.000.000	100%	Line-by-line method
CONVERGENT - PHOTONICS, LLC	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24.119.985	100%	Line-by-line method
PRIMA ELECTRO (CHINA) Co.Ltd.	23G East Tower, Fuxing Shangmao n.163, Huangpu Avenue Tianhe District 510620 Guangzhou P.R. CHINA	€ 100.000	100%	Line-by-line method
PRIMA ELECTRO SUZHOU Co.Ltd.	459 Xingrui Road, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	€ 200.000	100%	Line-by-line method
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line-by-line method

ANNEX 2 - “NON-GAAP” PERFORMANCE INDICATORS

The Management of PRIMA INDUSTRIE assesses the performance of the Group and its business segments using a number of non-IFRS indices. Below are described the components of each of these indices:

ORDERS: includes agreements entered into with customers during the reference period than can be considered part of the order books.

BACKLOG: this is the sum of orders from the previous period and current confirmed orders, net of revenues in the reference period.

EBIT: Operating Profit.

EBITDA: the Operating Profit, as shown in the income statement, gross of “Amortization”, “Write-downs and Impairment”. This index is also referred to as “Gross Operating Margin”.

Adjusted EBITDA, EBIT and EBT (hereinafter “Adj”) correspond to the same alternative performance indicators net of non-recurring items.

EBITDA Margin: calculated as the ratio between EBITDA and revenues.

FCF (Free Cash Flow): is the cash flow from operations that is available after the company has made the necessary reinvestment in new fixed assets; it is the sum of cash flow from operations and the cash flow from investments.

Workforce: is the number of employees on the books on the last day of the reference period.

Net financial indebtedness includes cash and cash equivalents, financial receivables (current and non-current), net of financial payables (current and non-current) and the fair value of derivatives. Reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006 is provided in the Notes to the Interim Financial Report.

Revenues at constant exchange rates are stated by applying the average exchange rates of the previous year to the revenues of the current year in the local currency.

ANNEX 3 - CURRENCY EXCHANGE RATE

The exchange rates applied in converting the financial statements to a currency other than the Euro are, for the purpose of consolidation, the following:

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Dec 31, 2018
US DOLLAR	1.1237	1.1949	1.0889	1.1450
CHINESE RENMINBI	7.7119	7.7792	7.7784	7.8751
RUSSIAN RUBLE	73.0958	73.4244	70.7557	79.7153
TURKISH LIRA	6.3380	5.5043	6.1491	6.0588
POLISH ZLOTY	4.3012	4.2478	4.3782	4.3014
POUND STERLING	0.8830	0.8839	0.8857	0.8945
BRAZILIAN REAL	4.3646	4.2957	4.5288	4.4440
INDIAN RUPEE	78.8439	80.2234	77.1615	79.7298
AUSTRALIAN DOLLAR	1.6074	1.5767	1.6126	1.6220
CANADIAN DOLLAR	1.4938	1.5379	1.4426	1.5605
MEXICAN PESO	21.6350	22.7447	21.4522	22.4921

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2019

Declaration pursuant to article 154-bis, paragraph 2 of Part IV, Title III, Chapter II, Section V bis of Legislative Decree of February 24, 1998, no. 58: Consolidated Law on Financial Intermediation, pursuant to Articles 8 and 21 of the Law of February 6, 1996, No. 52.

The manager responsible for preparing the company accounting documents of the PRIMA INDUSTRIE Group, Davide Danieli, declares, in accordance with the provisions of the second paragraph of Art. 154 bis, Part IV, Title III, Chapter II, Section V bis of Legislative Decree of February 24, 1998, No. 58, that the accounting information contained in this Interim Financial Report at September 30, 2019 corresponds to the document results, books and accounting records.