PRIMA INDUSTRIE

2013 ANNUAL FINANCIAL REPORT

CALL OF SHAREHOLDERS' MEETINGS
All subjects having right to vote are called to attend the Shareholders' Ordinary Assembly at the Congress Room of Blu Hotel, Via Torino no. 154/156, Collegno (TO) on April 15, 2014 at 9:30 a.m. in its first, and possibly its second call on April 16, 2014 at 11 a.m. in the same location, to resolve on the following items of the

AGENDA

1. Financial statement 2013 and its reports: ensuing resolutions. Review of consolidated financial statement 2013;
2. Report on Remuneration of Board members, pursuant to art. 123-ter of T.U.F. (Consolidated Act);
3. Election of Board of Directors and its Chairman, after determining the number of its members. Establishment of their remunerations. Related and consequent resolutions.

In view of the Company's line-up of shareholders, we henceforth declare the Assembly as validly constituted and with power to pass resolutions on April 16, 2014.

Entitlement to attend
The subjects entitled to speak at the Assembly are those who have right to vote as of the book date of April 4, 2014 and for whom the Company has received the required notice from the licensed intermediary, in accordance with the information gathered from its accounting books.
Those subjects who have become shareholders after April 4, 2014 will not be entitled to take part and vote in the Assembly.
It is the legal right of all qualified subjects to delegate a third party to represent them in the Assembly, for which purpose the shareholder can use the proxy form downloadable from our website (www.primaindustrie.com, investors area, information for shareholders).
The terms and conditions that apply to delegated representative powers are posted on the Company's website: www.primaindustrie.com.
As required by art. 12 of the Articles of Association, no representatives are designated for this Assembly, as per art. 135-undecies of Leg. Decree no. 58/1998.

Election of Board of Directors
Please be informed that the list of candidates to the Board of Directors can be deposited at the Company's Headquarters (by fax to no. +39 011 4117334 or by e-mail to primaindustrie@pecsoci.ui.torino.it) at least 25 days before the first called Assembly, hence by March 21, 2014, by those Shareholders who can provide evidence – by presenting the notices issued by the depository intermediaries that must be received by the Company, if not available on the day on which the lists are deposited, by March 25, 2014, which must be forwarded to the Company by April 2, 2013 at the e-mail address: primaindustrie@pecserviziotitoli.it – that they are holders, of their own or jointly with others, of at least 4.5% of the share capital and have right to vote.
For the lists to be validly submitted, they must include the information and documents referred to in art. 144 - octies, paragraph 1 letter b of Consob regulation no. 11971/1999 and its subsequent amendments, and the Shareholders must comply with the provisions set out in art. 16 of the Articles of Association. Lists or individual nominations for which were not observed all statutory provisions will be considered as not submitted.
All deposited lists will be publically disclosed at Corporate Headquarters and on the Company's website (www.primaindustrie.com) 21 days ahead of the Assembly.

Other Shareholders' rights
Pursuant to art. 127-ter of Leg. Decree no. 58/1998, Shareholders are entitled to submit inquiries on the items on agenda, even before the date of the Assembly, according to the procedure described on the Company's website: www.primaindustrie.com.
Inquiries received by April 12, 2014 will be answered during the Assembly at the latest, once their pertinence and the legitimacy of the inquirer have been verified.
The Shareholders who represent at least 1/40 of the share capital (even jointly), can request that items be added to the agenda or propose variations to the items already listed, within 10 days from the date this notice is published, i.e. by March 16, 2014. Shareholders can exercise this right in accordance with the rules posted on the website: www.primaindustrie.com.

Documentation
The documentation concerning the items on agenda and afferent proposals and the annual report on Corporate Governance will be kept on file at Headquarters and be available for viewing on the Company's website (www.primaindustrie.com) according to the current terms of law (shareholders so entitled may request copy thereof).

PRIMA INDUSTRIE S.p.A.
Share capital € 26,208,185.00 (fully paid-up)
Listed in the Company Register of Turin under no. 03736080015 R.E.A. of Turin no. 582421
Registered office in Collegno (Turin) – Via Antonelli,32
Website: www.primaindustrie.com e-mail: ir@primaindustrie.com

MANAGEMENT AND CONTROL

Board of Directors

Chairman and C.E.O.	Gianfranco Carbonato
Managing Directors	Ezio G. Basso [1] Domenico Peiretti
Independent Directors	Sandro D'Isidoro Enrico Marchetti Mario Mauri
Other Directors	Rafic Y. Mansour Michael R. Mansour Yunfeng Gao

Internal Control Committee

Chairman	Enrico Marchetti
Members	Sandro D'Isidoro Mario Mauri

Remuneration Committee

Chairman	Mario Mauri
Members	Sandro D'Isidoro Rafic Y. Mansour

Board of Statutory Auditors

Chairman	Franco Nada
Regular Auditors	Paola Borracchini Roberto Petrignani
Alternate Auditors	Roberto Coda Gaetana Laselva

Audit Company	Reconta Ernst & Young SpA

Expiry of Mandates and Appointments

The Board of Directors shall remain in office until the approval of 2013 Financial Statements.	The Board of Statutory Auditors shall remain in office until the approval of 2015 Financial Statements.	The Audit company was appointed by the Sotckholders's Meeting held on April 29th, 2008 for the period 2008 -2016.

[1] *Ezio G.Basso is also the General Manager of PRIMA INDUSTRIE SpA*

Message to the shareholders and other stakeholders

Ladies and Gentlemen,

Hereby we present our 2013 company results, that we consider satisfactory, given the context in which they were achieved.
In fact the Company has performed reasonably well by improving Ebitda, confirming last year net profit and strongly reducing the debt, although the market has been rather difficult during the year and consequently revenues have been slightly below the level of previous year and not in line with our expectations.

General economic conditions have been rather unstable, with the estimated world GDP at 3.0%, the lowest level since the collapse in the year 2009.
While US economy has been quite good, China has slowed down and Europe has not recovered yet from its slow growth condition.
In addition to the above, the tapering action by US Fed has started a shift of financial investments from emerging economies and a consequent strong currency devaluation process in countries as Brazil, India, Indonesia, Turkey, Russia, South Africa etc.
The impact of the above described macroeconomic scenario on the market of capital goods has been of course negative. At the end of 2012 Cecimo and Oxford Economics were forecasting a +7.6% worldwide growth of Machine Tool consumption. In spring 2013 the forecast was reviewed downwards to an almost flat situation (+2,4%) and eventually, last autumn, final 2013 forecasts were disclosed showing a reduction by -7,4%.

Our domestic market, Italy, has experienced another year of recession (GDP at -1.8%, with a marginal recovery of 0.1% in the last quarter) and, according to Ucimu (Italian Macchine Tool Manufacturers Association), consumption of machine tools was further decreasing from previous year to a record low level of 1.5 billion €. As a reference, in the years 2007/2008 the same was 3.5/3.6 billion €.
Thus the markets of Italy and other countries from Southern Europe (including France) still failed to recover and to balance the slow-down of some of the emerging markets, as it was instead expected.

Our main figures for the year, in spite of the uncertainties of the markets, have been positive and can be summarized as follows:

- Revenues at € 335.8 million (-3.9%)
- EBITDA at € 30.5 million (+5.2%)
- EBIT at € 18.6 million (+5.7%)
- Net Profit at € 5.3 million (in line with the previous year)
- NFP at € -99.9 million. (against -126.3 million at 31/12/ 2012)

Prima Power Division registered a moderate decline of revenues (-3.4%) partially due to exchange rates since, in local currencies, such decline has been below 2%. The Order intake trend in 2013 has been in line with previous year (€ 295 million against € 293 million) while year-end machine backlog reduced to € 66 million from € 75 million.

Orders inflow was good in first quarter, rather weak in second and third quarter and improved in the last part of the year. The good trend has continued in the first two months of current year.
Market coverage has been further increased through the opening of new sale and service subsidiaries in Mexico and Australia and by strengthening the one in Brazil.
Marketing activity has been very intense during the year with attendance to many exhibitions in the five continents. Particularly important have been CIMT in Beijing in April, BlechExpo in Stuttgart and Fabtech in Chicago, both in November 2013.
Worth mentioning is also the very successful Open House held in June in our Technology Center of Kauhava (Finland) which has been visited by over 300 companies from all over the world.
Prima Power has remarkably improved its performance in 2013 with an Ebitda margin increase of over 10% compared to the previous year.

Prima Electro Division has registered a more significant decline of revenues (-12,5%) since turnover of this division has suffered, in addition to the market situation, from a couple of internal issues.
One issue has been positively settled at the beginning of 2014, when a new production for one of our main Dot's customers has been started. The second, consisting in a significant shift of demand from CO2 to Fiber lasers, is still pending and a strong R&D activity is in progress on the subject.
From the operational standpoint, a drastic management change has been made in Prima Electro Division and, in particular, in the Convergent business.
The new management is highly committed to restart a growth phase for the division already in 2014, after two difficult years.
Fundamentals of Prima Electro remain however very solid, notwithstanding the reduction of revenues, with Ebitda over 10% and debt-to-equity ratio at 0.4 after the capital increase of € 9.0 million executed in June 2013.

R&D activity has been, as usual, very intense to maintain and improve competitiveness of the product range.
Among the most important developments of the year, it is worth mentioning:

- a new line (Punch Bend) integrating punching and bending technologies;
- a new automatic sorting/stacking system (LST) for Platino 2D laser machines;
- a new generation of punching-laser combination machines equipped with Fiber lasers (LPe6f);
- new AC/DC high voltage power supplies for CO2 and solid state lasers;
- application to a wider range of Prima Power machines (laser, punching and bending) and to other external customers of the new Open CNC generation.

Total amount of R&D investment has been 5.5% of the revenues (5.1% in 2012) of which about 50% has been capitalized, according to IAS/IFRS, and the rest charged to P&L.

One of the most significant achievements of the year was reached in China. In this growing market we have performed very well with an increase of our revenues of over 80%. In addition to this, we have proceeded in our project of divesting partially from Shanghai Unity Prima to generate financial resources to be invested in a new WOFE (Prima Power Suzhou) in China, which

will be fully consolidated. This company has been incorporated in Suzhou (Jangsu Province, 100 km west from Shanghai) and Prima Industrie is the controlling shareholder with 51% of shares. This Company has started the construction of a new factory of 8,000 sq.m., where laser and punching machines will be manufactured targeting Asian and Chinese mid-markets, while high range products will continue to be imported from Italy and Finland.
Management of the new Company is already on board and start up of the activity in Suzhou is planned before the end of the current year.

Our workforce during 2013 has been substantially stable at 1.530 units.
The only changes are mainly related to R&D and in the new sales and service subsidiaries where the Group has recently invested, net of some trimming in the mature/declining markets.

Another very important achievement of the year has been the improvement of our Net Financial Position by over € 26 million. This has been the consequence of a series of actions as follows:

- successful conversion of the outstanding warrants. Conversion rate has been 82% for € 15.7 million;
- cash flow generated by operations and from working capital optimization;
- divestment initiatives of non strategic assets.

As a result of the above, not only covenants on bank outstanding loans have been matched but strong improvement of our ratios were reached.
NFP/Equity ratio is now well below 1 and NFP/Ebitda is 3.3. This should also have a positive impact on our bank ratings.
Our stock price has been quite stable in average during the year (€ 9.30 at beginning of the year against € 9.25 at year-end) since it was influenced till mid-December by the warrant strike price of € 8.50 per share. As from year-end it started to recover, as expected by all analysts' research studies, reaching approximately € 11.70 at the end of February 2014.

Looking ahead, external forecasts are predicting a moderate growth of the market in 2014 and this is also our target for the year for both Prima Power and Prima Electro divisions. We will also work for assuring a successful start up of the new Manufacturing Unit in Suzhou, China, which is targeting a mid-market where our presence is at the moment rather marginal and should consequently allow to accelerate our growth from 2015 onwards.

We take this opportunity to thank once more our shareholders for their strong support to the successful warrant conversion, our employees, our customers and all stakeholders and friends of our Company.

Chairman and Group CEO

Gianfranco Carbonato

2013 ANNUAL FINANCIAL REPORT

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CHAPTER 1.

STRUCTURE AND PROFILE OF PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2013

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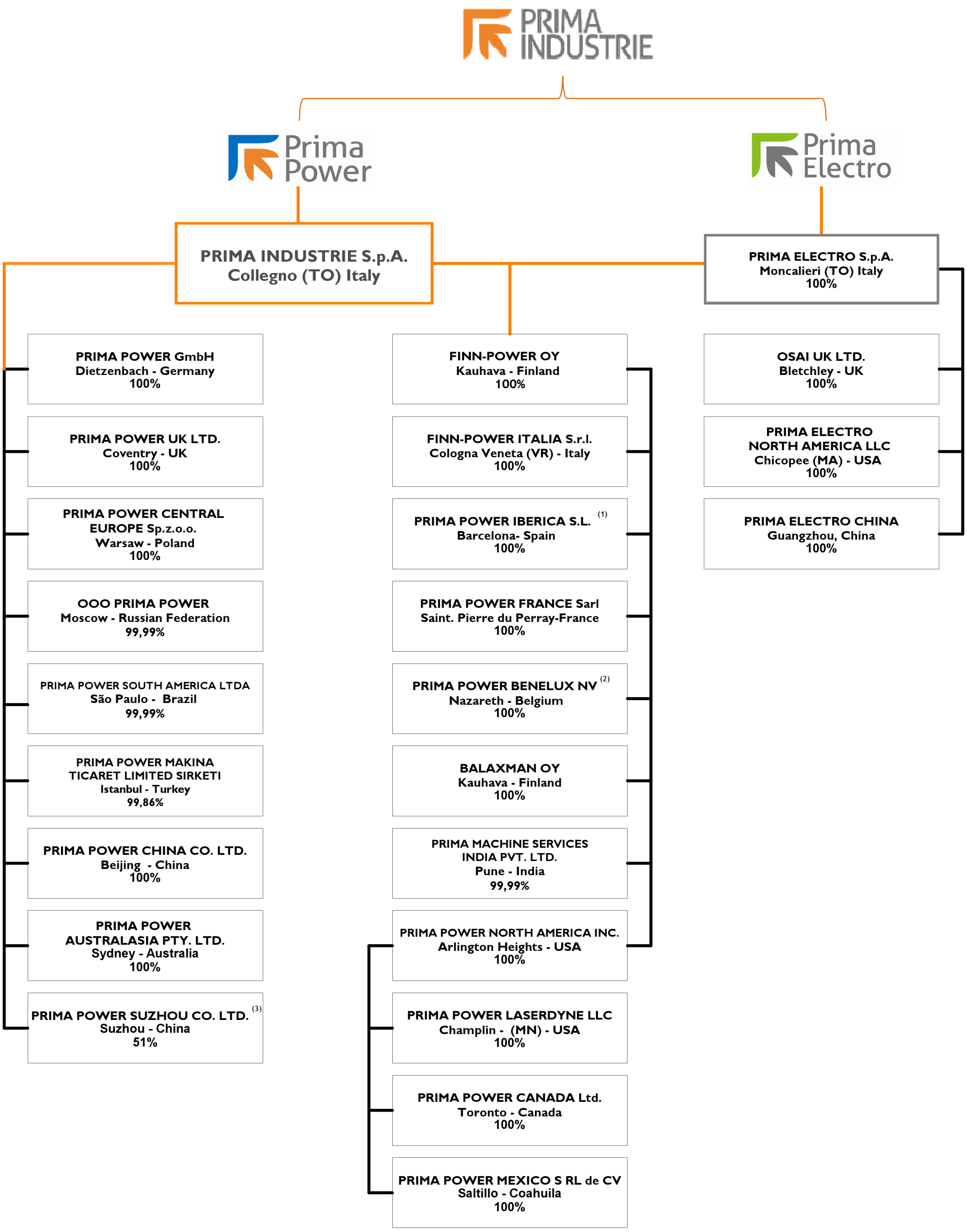
PRIMA INDUSTRIE GROUP STRUCTURE



The statement on this page represents the organizational situation of The PRIMA INDUSTRIE Group on 31.12.2013.

1) *FINN POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).*
2) *FINN POWER OY holds 94% of PRIMA POWER BENELUX NV (the remaining 6% is held by BALAXMAN OY).*
3) *PRIMA INDUSTRIE SpA holds 51% of PRIMA POWER SUZHOU Co.Ltd. (the remaining 49% is held by third parties).*

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.

The PRIMA INDUSTRIE Group boasts over 35 years of experience and has over 10,000 machines installed in more than 70 Countries. Owing also to the acquisition of the FINN-POWER Group in February 2008, it has stably ranked among world leaders in the sector of sheet metal processing applications. In recent years, the Group has reorganized its structure, branching its business in the following two divisions:

- PRIMA POWER for laser machines and sheet metal processing;
- PRIMA ELECTRO for industrial electronics and laser technologies.

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 and FINN-POWER ITALIA Srl), in Finland (FINN-POWER OY), in the United States (PRIMA POWER LASERDYNE Llc) 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, 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 (PRIMA ELECTRO NORTH AMERICA Llc.), as well as sales & marketing facilities in the United Kingdom and China.

Over 35 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 Financial Statement was approved by the Board of Directors on March 4, 2014.

CONSOLIDATION AREA

The changes that occurred in 2013 in the consolidation area have been:

- entry of the new-established Australian company PRIMA POWER AUSTRALASIA Pty Ltd (100% owned by PRIMA INDUSTRIE SpA) from the second quarter of 2013 and
- entry of the new-established Chinese company PRIMA POWER SUZHOU Co. Ltd. (51% owned by PRIMA INDUSTRIE SpA) from the third quarter of 2013.

For a complete information is noted that the new-established company in Mexico PRIMA POWER MEXICO (100% owned by PRIMA POWER NORTH AMERICA) is not yet operational as at 31/12/2013 and therefore has not been consolidated.

On 31.12.2013 the subsidiaries listed in the statements below have been fully consolidated.

SUBSIDIARIES				
PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	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 CENTRAL EUROPE Sp.z.o.o.	ul. Fabryczna 24 - 05 - 092 Łomianki Warsaw, POLSKA	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 – Freguesia do Ó - 02968-00, Sao Paulo BRASIL	R$ 2.134.764	99,99%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI [1]	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B1 B Dubleks Gül Blok Daire:3 Kartal – İSTANBUL	TRY 1.470.000	99,86%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Rm.1 M, no. 1 Zuo Jiazhuang. Guomen Building, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
PRIMA POWER AUSTRALASIA Pty. LTD.	Minter Ellison,LEVEL 3, 25 National circuit,Forrest, ACT, 2603 AUSTRALIA	A$ 1	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD. [1]	Cross of Xingrui and Guangming Road, Wujiang Ec. & Tech. Develp. Zone, Suzhou City Jiangsu Prov. CHINA	USD 8.000.000	51%	Line-by-line method
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 49.417.108	100%	Line-by-line method
FINN-POWER Italia S.r.l.	Viale Artigianato 9, 37044, Cologna Veneta (VR), ITALY	€ 1.500.000	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 FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 120.000	100%	Line-by-line method
PRIMA POWER BENELUX NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 400.000	100%	Line-by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method
PRIMA MACHINE SERVICES INDIA PVT. LTD.	Mezzanine Floor, Poonam Plaza 694/2B Market Yard Road, Pune INDIA	Rs. 7.000.000	99,99%	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 LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	390 Bay Street Suite 2800 Toronto, Ontario M5H 2Y2 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

[1] *Please note also that on the closing date of this financial statement, the share capital of PRIMA POWER MAKINA TICARET LIMITED SIRTEKI and PRIMA POWER SUZHOU Co. Ltd. has not yet been fully paid up.*

SUBSIDIARIES				
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
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line-by-line method
PRIMA ELECTRO NORTH AMERICA 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

CHAPTER 2.

INTRODUCTION

CHAPTER 2. INTRODUCTION

LEGISLATIVE FRAMEWORK

In application of European Regulation no. 1606 of July 19, 2002, The PRIMA INDUSTRIE Group has drafted the consolidated financial statement as of 31.12.2013 along the guidelines of the International Accounting Standards approved by the European Commission (hereinafter individually also referred to as IAS/IFRS and globally as IFRS).

The consolidated financial statement includes the Report of the Board of Directors drafted by its members.

Pursuant to Leg. Decree 38/2005, as of January 1, 2006, also the financial statement of Parent Company PRIMA INDUSTRIE SpA is prepared in accordance with the International Accounting Standards. Reference will be made to those standards throughout this report when listing figures related to the Parent.

Also note that, following the retrospective application 01/01/2013 Amendment to IAS 19, the data for 2012 reported for comparison, where appropriate, have been restated as required by IAS 1.

ALTERNATIVE PERFORMANCE INDICATORS

Besides the conventional financial indicators required by the IFRS, the Report of the Board of Directors, the consolidated financial statement of The PRIMA INDUSTRIE Group and the separate financial statement of Parent Company PRIMA INDUSTRIE SpA for the years closed on 31/12/2013 and 2012 all include a series of alternative performance indicators, in order to allow for an easier evaluation of the financial-economic trend of Corporate business.
These indicators, which are also presented in the Report of the Board of Directors when other interim reports are due, must not, however, be seen as replacing the conventional ones required by the IFRS.

The Group uses the following as alternative performance indicators:

- EBIT (aka the "Operating Profit"),
- EBITDA ("Earnings before interest, taxes, depreciation and amortization"), which is given by adding the "Amortization" and "Impairment and Depreciation" entries to the "Operating Profit".

The following entries are also mentioned:

- the "Production Value", given by the algebraic sum of the entries "Net Revenues and services", "Other income", "Change in inventories of semi-finished and finished products" and "Increases in fixed assets for internal work";
- the "Operational Working Capital", given by the algebraic sum of "Inventory", "Trade Receivables", "Trade Payables" and "Advances".

CURRENCY EXCHANGE RATES

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

	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
CURRENCY	2013	2012	Dec. 31, 2013	Dec. 31, 2012
US DOLLAR	1,3281	1,2856	1,3791	1,3194
POUND STERLING	0,8493	0,8111	0,8337	0,8161
CHINESE RENMINBI	8,1655	8,1094	8,3491	8,2207
POLISH ZLOTY	4,1971	4,1843	4,1543	4,0740
CANADIAN DOLLAR	1,3685	1,2848	1,4671	1,3137
RUSSIAN RUBLE	42,4915	39,9238	45,3246	40,3295
BRAZILIAN REAL	2,8669	2,5100	3,2576	2,7036
INDIAN RUPEE	77,8753	68,6295	85,3660	72,5600
TURKISH LIRA	2,5329	2,3145	2,9605	2,3551
AUSTRALIAN DOLLAR	1,3770	1,2413	1,5423	1,2712

CHAPTER 3.

GROUP MANAGEMENT REPORT

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MANAGEMENT OF RISKS OF PRIMA INDUSTRIE GROUP

The *Risk Model* of PRIMA INDUSTRIE, based on reference standards adapted to specific risk categories of the Company, provides the risks mapping by categories identified according to the nature of the risks. Following the business acquisitions occurred in the recent past, this model is reconsidered concurrently with the required organizational changes which are consequent to the integration process in place. These updates are aimed at the reallocation of risk mapping according to a scheme that takes into account their category: context risk, process risk (in turn divided into strategic, operational and financial) and *compliance* risks.

Below is a brief description of the main risks to which the Group is exposed.

CONTEXT RISK

<u>Risks associated with the general economic conditions</u>

The economic, equity and financial situation of PRIMA INDUSTRIE Group, since it operates in a global competitive context, is influenced by the general conditions and the world economy trend. Therefore, any negative economic situation or political instability in one or more geographical markets of reference, including opportunities for access to credit, can have a significant influence on the economic performance and strategies of the Group and can influence its future prospects both in the short term and in the medium long term.

<u>Risks associated with commodity markets of reference</u>

The commodity markets of reference of PRIMA INDUSTRIE Group's products are diversified by type. However, since the company business is dependent on the performance of some specific commodity markets (automotive, aerospace, home appliances, etc.) any bad economic performance of one or more markets, although in negative contrast in the presence of a positive general trend of the world economy, could also significantly affect the economic and financial performance and strategic perspective of the company, both in the short and in the medium and long term.

<u>Risks associated with new competitors entering the market</u>

The sector of the PRIMA INDUSTRIE Group is characterized by a high technological barrier to entrance. It is therefore unlikely that a large number of new competitors can enter in the sector. Equally, however, it is possible that investors with substantial financial resources and therefore able to attract adequate human resources and to financially support the substantial *start-up* investment required to become competitive in the market in terms of products, may enter the market and change the competitive framework and therefore the product profitability.

<u>Risks associated with financial requirements</u>

The company business ordinary management involves the availability of considerable financial resources to devote to working capital financing. The competitive dynamics also implies the need for substantial financial resources aimed to support investments in research and

development of new products, as well as commercial and productive investments for the direct establishment into new geographical markets of interest.
In addition, as happened several times in the recent past, the Group may need to consider financing to evaluate growth opportunities through acquisitions. The Group, in line with its development strategy maintains the level of credit and bank loans granted by major credit institutes, at a level deemed appropriate in order to avoid situations of financial stress. However, even in consideration of the current conditions of market stress, it is not possible to exclude situations in the financial market that could result in a situation of financial stress and/or the inability to obtain sufficient resources to finance growth and investment plans, if access to credit and the possibility of renegotiating existing lines of credit are reduced.

Risks related to dependence on key personnel of the Group

The PRIMA INDUSTRIE Group includes some key figures who, through their experience in the industry and deep knowledge of the Group business, achieved by virtue of the long-term relationship with the Group, have contributed decisively to its success. The future results of the Group depend in part on the skills and involvement of key figures.
The ability to attract and retain qualified personnel by the Group is one of the elements that contribute to the achievement of certain results. If one or more key figures should stop its cooperation with the Group and the latter would not able to attract additional qualified personnel, there may be a risk that it will not able to replace them in a timely manner with figures equally qualified and capable of ensuring, even in the short term, the same contribution, with consequent negative effects on business and on the economic and financial position of the Group.

PROCESS RISKS - STRATEGIC

Risks related to competition, technological innovation and introduction of new products and protection of industrial property

The market in which PRIMA INDUSTRIE Group operates is characterized by strong competition and a high rate of technological innovation. In light of this, the business of the Group is particularly focused on research and development and introduction of new technologically advanced products to meet the market demand. However there is no certainty that these activities will enable the Group to maintain and/or improve its competitive position, even in relation to the possible introduction of more innovative competing products. In this case, the activity, the operating profitability and financial position of the Group could be adversely affected. Interventions to reduce operating costs did not significantly affect the costs and investments dedicated to research and development by the Group. In addition, the Group relies on the legal protection of patents and the legal protection of intellectual property. Moreover, there is the possibility that competitors could plan or develop similar products or with the same functionality, but without infringing the Group's patents; this could have negative effects on the competitiveness of the Group, with a consequent negative impact on the economic and financial position of the PRIMA INDUSTRIE Group.

Presence in new emerging markets

The PRIMA INDUSTRIE Group in recent years has developed an extensive geographical organization and today has a sufficient commercial coverage of emerging markets. The current positioning in percentage terms compared to the business potential at worldwide level is not guaranteed even in the future, as the possible development of markets that today are not covered or where the company's presence is not significant, could require the need of investments in financial, trade and technical terms that if missing could cause the reduction of the percentage held by the company, with negative impacts on the overall economic performance.

PROCESS RISKS - OPERATING

Risks associated with possible defects of products sold by the Group

The PRIMA INDUSTRIE Group manufactures and markets products with high technological content. A significant portion of the products sold is represented by new or newly designed products, which by their nature can show defects. Any defects of products may require extraordinary maintenance and entail contractual liabilities. In this regard, it should be noted that both divisions of the PRIMA INDUSTRIE Group consider continuous quality improvement a primary goal. In this respect, the two divisions have formed autonomous organizations aimed at continuous quality control, while in each production plant there are local units that operate according to the principles of quality of the respective division.

Products delivery timing to customers

The products are put into production upon receipt of the customer order provided with all the technical specifications. Any situation of production concentration at particular times of the year or in situations of total or partial interruption of the company's production activity could create difficulties in respect of the delivery time agreed with the customer resulting in potential claims for compensation for the damage suffered.

Component products receiving time from suppliers

Orders for the purchase of raw materials and semi-finished components from suppliers are planned according to specific workflow rules for the provision of components to the production lines of the production plants. Any delays in delivery by suppliers of raw materials and semi-finished products, in turn, could lead to delays in the delivery of products to the customer with uncertain recoverability by the supplier of any claim for damages by the customer and a consequent negative impact on the economic results of the company.

PROCESS RISKS - FINANCIAL

Liquidity risk and working capital management

The liquidity risk represents the risk that the financial resources are not sufficient to fund the financial and commercial obligations within the pre-established periods and due dates. The liquidity risk to which the group is subject may emerge from late payments on its sales and more generally from the difficulty of obtaining financing to support operational activities in the time necessary. The cash flows, the financing needs and the liquidity of the group companies are monitored or managed centrally under the control of the Group Treasury, with the aims of guaranteeing effective and efficient management of financial resources.

The finished products of the Group are typically an investment for client companies, therefore their payment can also be done in quotas, whose last one occurs after the commissioning of the machine or system at its plant- The period of time necessary for the production cycle and the commissioning is therefore usually much longer than that relating to the payment of suppliers. In addition, customers often carry out the investment with a medium long term financial support,

support which sometimes requires a long time to be obtained. It is usual that the Group has to face these needs and therefore that its working capital cycle may lengthen in time and adversely affect the liquidity of the Group. These situations create the need for the Group to have adequate lines of credit and bear the cost for their use. A difficult trend in the financial market or intrinsic difficulties by customers in raising financial funds in the short term could have a negative impact on the economic and financial performance of the Group.

<u>Fluctuation in interest rates and exchange rates</u>
The PRIMA INDUSTRIE Group uses various forms of financing to cover the financial requirements of its business. Changes in interest rate levels can therefore lead to increases or decreases in the financing cost. In order to manage risks related to fluctuations in interest rates on financing transactions, the Group uses financial hedge instruments. Despite this, sudden fluctuations in interest rates could have a negative impact on the economic and financial results due to higher interest expense on the indebtedness part not hedged by derivative instruments. Moreover, since the PRIMA INDUSTRIE Group operates on a world-scale and with subsidiaries in many countries of the world, the impact of the fluctuation of the different currencies in which are denominated the financial statements of the Group may determine relevant economic and financial consequences; to cope with this financial risk, the company has a hedging policy through the use of derivative instruments, if it deems it appropriate.

COMPLIANCE RISKS
<u>Risks associated with illegal or negligent management, if any</u>
PRIMA INDUSTRIE, even and especially since it is listed on the Star segment of the Italian Stock Exchange, is subject to a multitude of regulations of various kinds. Compliance to individual laws or regulations is delegated to the various managers responsible for each individual process. Failure to comply with laws or regulations for events of intentional or negligent nature by managers may generate in the future in the company economic sanctions with negative effects, although significant, on the overall economic and financial situation.

<u>Risks relating to health, safety and environment</u>
The PRIMA INDUSTRIE Group is subject to regulations regarding, health, safety and environment in the various countries in which it operates. Failure to comply with these rules as a result of operating processes not adequately monitored or, particularly in new markets, a non-adequate assessment of these requirements could expose the Group to risks with significant impacts on the economic, equity and financial situation and reputation of the Group. In order to reduce this risk, it should be noted that the Group will adopt systems for managing health, safety and environment aimed at ensuring compliance with the respective local regulations.

<u>Risks associated with litigation</u>
The PRIMA INDUSTRIE Group in the exercise of its business activities may incur in legal, tax or labour law litigation. The Group adopts the necessary measures to prevent and mitigate any penalties that may result from these proceedings, including the establishment of specific risk provisions, as described in the Explanatory Notes.

SIGNIFICANT EVENTS OF THE PERIOD
The significant events that occurred in the year 2013 are set out below.

Renewal of the board of statutory auditors

The shareholders meeting held on 24/04/2013 renewed the Board of Statutory Auditors, nominating as Regular Auditors Mr. Franco Nada, as Chairman, Mr. Roberto Petrignani e Mrs. Paola Borracchini and as Alternate Auditors Mr. Roberto Coda and Mrs. Gaetana Laselva. The Board of Statutory Auditors will be in charge until the approval of the financial statements as at 31/12/2015.

Establishment of a company in Australia

During the month of April PRIMA INDUSTRIE SpA established PRIMA POWER Australasia Pty Ltd, of whom it owns the 100%.The Group, who has already operated on the Australian and New Zealand market through a distributor, decided to proceed to the opening of this company in order to better monitoring this market and to give a direct commercial customer service, this action helps intrinsically to reinforce the group's commercial network who has applied a considerable position inside foreign markets.

Capital increase operations at PRIMA ELECTRO SpA

Refer to the information note in paragraph "Operations with related parties".

Establishment of PRIMA POWER Suzhou

On 28/08/2013 the Board of Directors of PRIMA INDUSTRIE SpA resolved to participate in the establishment of PRIMA POWER Suzhou Co. Ltd., a company governed by Chinese law (WOFE), of which PRIMA INDUSTRIE SpA holds 51%; the remaining 49% is held by two partners in Hong Kong: Jinghai Group Ltd (30%) and Leeport Machine Tool Co. Ltd. (19%). The company, whose initial duration is scheduled in ten years, has an approved share company capital of 8 million US$ (equal to approximately 6 million Euro).

Although PRIMA INDUSTRIE SpA has been present for about 15 years in the Chinese market, either directly or through distributors, the PRIMA POWER Suzhou was founded with the purpose of serving the mass market of China (which is intended to represent, in a short time, 50% of the world market of machine tools), offering products with a competitive price/performance ratio compared to local producers of expensive high-end imported machines.

The company will be equipped with a newly built factory with an initial area of approximately 8,000 m2, located in Suzhou, an industrial area about 100 km from Shanghai; the plant construction design is expected to be completed in a short time, so to hopefully start production by the end of 2014.

The company, which will employ more than 100 employees at its full potential, has the aim of generating revenues in 2017 for more than 300 million RMB (over 35 million Euro),with an estimated EBITDA of approximately 15%.

Conclusion of the capital increase procedure, by warrants exercise

The conversion of "Prima Industrie Warrants 2009-2013" (hereinafter referred to as "Warrant") was completed on December 16, 2013. The procedure was successful, as the Warrants exercised amounted to a total of more than 82% of those issued for a total equivalent value of approximately 15.7 million Euro.

The Warrants were issued for the capital increase resolved by the Board of Directors on December 18, 2009, in application of the proxies conferred on it, pursuant to art. 2443 c.c., by the Extraordinary Shareholders' Meeting held on June 8, 2009, and integrating the resolution passed by the Board on October 12, 2009 by virtue of which were allocated free warrants in the

ratio of 1 warrant for each new share subscribed; the exercise price of the Warrants was set at 8.50 Euro and the exercise period of the Warrants was set up to December 16, 2013.
Following this procedure the share capital amounts to 26,208,185 Euro divided into 10,483,274 ordinary shares at the nominal value of 2.50 Euro each.

Other events
On July 24, 2013, in response to an audit covering the period January 1, 2008 – April 29, 2013, held in the FINN-POWER Italy Srl, the Guardia di Finanza (Investigative Tax Police) of Verona has notified a report of findings to FINN-POWER OY (which holds 100% of FINN-POWER Italia Srl) in which the existence of its hidden permanent establishment in Italy has been disputed.
The company FINN-POWER OY believes that the finding is completely unfounded, also because of the presence in Italy of the company FINN-POWER Italia Srl, its wholly owned subsidiary, through which all activities and transactions on the Italian market have always been regularly carried out and has reserved the right to dispute it in the appropriate forum. The determination of any claim of the tax authority has been assigned to the relevant Inland Revenue office, with which a contradiction in proceedings of a tax settlement has been established, that can demonstrate the complete groundlessness of the claim concerning the hidden permanent establishment, possibly to reach a tax settlement on the basis of assessments on the application of transfer prices, and consequently prevent the onset of an inevitable long and costly litigation. At present, considering that the process is in the initial inquiry stage, no notice of assessment has been issued, the orientation of the Inland Revenue is not known (although certain meetings were held), all the operations related to tax audit are not known, it is not yet reasonable to assume the probability of success in any litigation.

MACROECONOMIC CONTEXT

2013 ended with some encouraging signs of acceleration of the global economic activity, and with a spread of industrial production growth at levels consistent with a normal expansion phase. The economic surveys show that the production component of manufacturing SMEs of the most advanced Countries is driving the global average, hampered by a somewhat subdued performance of the large emerging Countries. The feeble recovery in the Eurozone is already helping the Countries of Central and Eastern Europe, which have an improving economic situation.
According to the IMF, the worst should be over and the minimum point for growth is left behind. The global growth is expected to be 3.0% for 2013 (compared to 3.1% in 2012). The perspectives for next year (+3.7%) appear cautiously promising, considering the prevailing attitude of the economic policies and the decline of the financial stresses, particularly in Europe. There are the conditions for a year of moderate but widespread economic growth without inflationary pressures.
According to the Research Department of Intesa Sanpaolo, therefore, the macroeconomic scenario of 2014 should be characterized by a lesser dispersion of the GDP growth rates, around an average higher than in 2013, while the slowdown of Japan should be partially offset by the acceleration of U.S. and Europe.
As regards in particular the Eurozone, the slow process of "exiting" from the "great crisis" is proceeding on time and at the expected extent. At the stage of relaxation of tensions in financial markets that began in the fall of 2012 has followed, after a delay of about six months, the phase of the return to GDP growth in economic terms. After two years of decline, according to Intesa Sanpaolo, the Euro-area GDP will return to grow again in 2014 at a rate of 1% with a

domestic demand that should return to grow, driven mainly by investments in machinery and equipment.
2014 will be a year of modest recovery but also of reduction of imbalances, with regard to rebalancing between domestic and foreign demand, especially among the countries of the center and the periphery. Moreover, in the peripheral countries the need of further deleveraging in the private sector is expected to slow down the cycle for other years.
The main risks to this scenario are given out from a possible outbreak of the financial crisis (now less likely, but not impossible) and by the impact, via exports, a weaker performance of the demand from the rest of the world and/or appreciation of the exchange rate.
In the United States 2013 should close with a growth of 1.8% in 2014 and should achieve a growth rate just below 3%, with a satisfactory dynamics of consumption (2.4%). There are prerequisites for another period of moderate economic expansion in the world economy without inflationary pressures in the U.S. and there are the conditions for a stronger growth compared to 2013 with a recovery in business fixed investment (5.8%).
Even in Italy, despite the labour market and the credit data continue to deteriorate, the recovery is materializing, albeit with delay and with less intensity than other major countries in the Eurozone. 2014 will be a year of transition for the Italian economy with a GDP growth of around 0.5%, with some upside risk arising from the recovery of the world cycle and the payment of debts of the Public Administration.

After exports, the witness of the recovery will go to investment, expected to grow by 0.7% therefore more than GDP. This figure, however, hides a very different dynamic between investment in machinery, equipment and means of transport, on the one hand, and investment in construction, on the other. The first will be favoured by the improvement of the profit margins (due also to sales abroad) and by the need to renew the capital after years of recession (but stalled by the fact to be starting in a state of under-utilization of equipment, that limits investments for replacement operations, rather than by the expansion of the production capacity); in short, the expected growth is 1.6% for investments in machinery while buildings will stagnate after six years of decline: for a recovery in the sector it will be necessary to wait until 2015.
In 2014, the emerging markets will restart to grow at a faster pace. The GDP of Asian countries, according to the analysts at UBS, in fact, will increase of 6.1% compared to 5.5% of this year thanks to exports, which will rise faster than domestic demand for the first time since 2011.
In China the key variables that will determine the Country's growth in 2014 will continue to be exports, the trend of the real estate market and, more importantly, the credit cycle, in addition to the reforms. This year the real GDP is expected to increase from 7.6% to 7.8%, driven by exports.
The Oxford Economics (one of the most prestigious economic analysis companies in the world) after forecasting a reduction in the consumption of machine tools in 2013 compared to 2012,
forecasts a fairly consistent recovery in 2014 (above 5%) and even higher in subsequent years (approximately +10% in 2015) on the basis of a recovery in investment.
In the domestic market, UCIMU (the Italian Association that brings together manufacturers of machine tools) indicates in the fourth quarter of 2013, an increase of orders equal to 4.1% compared to the same period of the previous financial year recording a fluctuating trend in the collection of orders during 2013, with negative first and third quarters and positive second and fourth quarters. In conclusion, the index of orders for machine tools on an annual basis has shown a substantial stability, confirming the persistent weakness of the Italian market.

REVENUES AND PROFITABILITY

The **consolidated revenues** as at 31/12/2013 amount to 335,841 thousand euro, a slight decrease compared to the year 2012 (349,308 thousand Euro); this reduction is attributable to a period of uncertainty in the reference markets which occured in the middle months of the year, to the gradual strengthening of Euro against other currencies and in part to a transitional phase in the business of the division PRIMA ELECTRO, linked to the not fully completed technological renovation of some products.

The consolidated turnover is shown below on a geographic basis at 31/12/2013 compared with the previous financial year.

Revenues	31 December 2013		31 December 2012	
	Euro thousand	*%*	*Euro thousand*	*%*
Italy	43.224	12,9	45.228	13,0
Europe	104.235	31,0	126.598	36,2
North America	73.111	21,8	79.701	22,8
Asia and rest of the world	115.271	34,3	97.781	28,0
TOTAL	**335.841**	**100,0**	**349.308**	**100,0**

The sales per geographic area show a growing turnover in the markets of Asia and the Rest of the World (+17,490 thousand Euro), with the revenue produced reaching 34.3% of consolidated turnover; the largest share was made in China (43,714 thousand Euro), where the construction of a new production establishment of the Group was started; significant sales were also recorded in Russia (22,494 thousand Euro), in Turkey (9,875 thousand Euro), in Brazil (8,216 thousand Euro) and in Japan (7,594 thousand Euro). In Europe (including Italy) there is an overall decrease of 14.2% (24,367 thousand Euro), confirming the weak moment of the European economy.

The turnover in North America is decreasing compared to 2012, but this figure is the result of a particularly weak first quarter of 2013 (having been temporarily affected by the slowdown of orders booked during the U.S. pre-election period); against this, however, in the rest of the year there was a recovery and the fourth quarter of 2013 was higher than 2012 (23,350 thousand Euro, compared to 21,218 thousand Euro).

The trend also continues, already registered in the financial year 2012, with sales made outside Europe (56.1%) exceeding those made in Europe, including Italy (43.9%), confirming the movement of the global economy's centre of gravity.

Below, a subdivision of the proceeds by sector of the gross inter-sector transactions is shown (for more detailed indications on the matter of operational segments of the Group, see the chapter 7 - Sector Information).

Revenues	31 December 2013		31 December 2012	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	301.118	89,7	311.619	89,2
PRIMA ELECTRO	48.100	14,3	55.046	15,8
Inter-sector revenues	(13.377)	(4,0)	(17.357)	(5,0)
TOTALE	**335.841**	**100,0**	**349.308**	**100,0**

The revenues of PRIMA POWER division are slightly in reduction of 3.4% compared to the previous financial year mainly due to the light and temporary slowdown of the reference market and the appreciation of the euro; while the PRIMA ELECTRO division had a decrease of 12.6 % mainly due

to a reduction of sales of CO2 laser sources and some DOTS products for which there is an ongoing phase-out/phase-in nearing completion.
In order to complete the disclosure of revenues, the sub-division of the same is shown below (net of the inter-sector transactions) per sector and per geographical area, both for the years 2013 and the year 2012.

Revenues segment/area - 31/12/2013	Italy	Europe	North America	Asia and rest of the world	TOTAL
€/000					
PRIMA POWER	32.613	88.962	71.044	108.425	301.044
PRIMA ELECTRO	10.611	15.273	2.067	6.846	34.797
TOTAL	**43.224**	**104.235**	**73.111**	**115.271**	**335.841**

Revenues segment/area - 31/12/2012	Italy	Europe	North America	Asia and rest of the world	TOTAL
€/000					
PRIMA POWER	33.484	109.046	77.191	91.853	311.574
PRIMA ELECTRO	11.744	17.552	2.510	5.928	37.734
TOTAL	**45.228**	**126.598**	**79.701**	**97.781**	**349.308**

The PRIMA POWER division achieved 36% of sales in Asia and Rest of the World (mainly China, Russia, Turkey, Japan and Brazil), 29.6% in Europe, 23.6% in North America and 10.8% in the domestic market.

The PRIMA ELECTRO division achieved 43.9% of sales in Europe (mainly Spain and the Benelux countries), 30.5% in Italy, 19.7% in the countries of Asia and Rest of the World (mainly China and Brazil) and the remaining 5.9% in North America. The said values do not take into account the turnover achieved by PRIMA ELECTRO towards the PRIMA POWER division.

The **Value of production** at 31/12/2013 is equal to 341,873 thousand Euro, a reduction of 5.8% with respect to the financial year 2012 (reduction of 21,091 thousand Euro).

The value of production in the period also includes increases for internal work equal to 9,323 thousand Euro (6,575 thousand Euro at 31/12/2012); these costs principally refer to investments in development activities.

Performance indicators	31 December 2013		31 December 2012	
	Euro thousand	*% on sales*	*Euro thousand*	*% on sales*
EBITDA	30.567	9,1	29.007	8,3
EBIT	18.681	5,6	17.622	5,0
EBT	8.842	2,6	9.046	2,6
NET RESULT	5.358	1,6	5.307	1,5

The **EBITDA** of the Group amounted to 30,567 thousand Euro (9.1% of turnover) with an increase compared to the financial year 2012 both in absolute terms (+1,560 thousand Euro) and in percentage terms (from 8.3% to 9.1%).
The EBITDA of the Group is shown below at 31/12/2013 and at 31/12/2012 subdivided by sector (gross of the inter-sector transactions).

EBITDA	31 December 2013		31 December 2012	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	25.165	82,3	22.147	76,4
PRIMA ELECTRO	5.314	17,4	6.945	23,9
Inter sector items and eliminations	88	0,3	(85)	(0,3)
TOTAL	**30.567**	**100,0**	**29.007**	**100,0**

The consolidated EBIT on 31.12.2013 amounts to 18,681 thousand Euro and is up by 1,059 thousand compared to 2012 (17,622 thousand Euro). Depreciation of intangible assets for 8,938 thousand Euro and of tangible assets for 2,707 thousand Euro have affected this result. With regard to the depreciation of intangible assets, the main items relate to the amortization of development costs (5,138 thousand Euro) and the amortization related to assets with a defined useful life recognized in the business merger of the FINN POWER Group (brand and relations with customers "customer list") which amounted to 3,009 thousand Euro.

Hereinafter is a breakdown of the EBIT by Division as of 31.12.2013 and 31.12.2012, gross of cross-over entries.

EBIT	31 December 2013		31 December 2012	
	€/000	%	€/000	%
PRIMA POWER	15.291	81,9	12.638	71,7
PRIMA ELECTRO	485	2,6	5.059	28,7
Inter sector items and eliminations	2.905	15,5	(75)	(0,4)
TOTAL	**18.681**	**100,0**	**17.622**	**100,0**

The consolidated EBT at 31/12/2013 amounted to 8,842 thousand euro, a decrease of 204 thousand Euro compared to the previous year (9,046 thousand Euro); the substantial stability of EBT is the result of several conflicting events that have had an opposite effect to each other. Indeed, in the face of the positive effect due to the reduction in net financial expenses, there has been a deterioration resulting from both the net result of foreign currency transactions and mostly the devaluation of certain equity investments that are not consolidated (negative effect on the corresponding period of the previous year of 1,370 thousand Euro).

Financial results (€/000)	31 December 2013	31 December 2012
Finpolar loan expenses	(3.664)	(4.366)
Derivates expenses (IRS)	(2.008)	(2.074)
Derivates income/expenses (CRS)	99	(163)
Other financial income/expenses	(2.181)	(1.801)
Net financial expenses	**(7.754)**	**(8.404)**
Net exchange differences	(1.074)	(530)
TOTAL	**(8.828)**	**(8.934)**

To properly compare the data of the two periods it should be noted that the financial costs of 2012 were positively impacted by non-recurring income amounted to 311 thousand Euro; net financial expenses normalized by this non-recurring effect are lower than about 1 million Euro compared to 2012.

Burdens are shown for the financing stipulated in 2008 for the acquisition of the FINN- POWER Group (hereafter for brevity "FINPOLAR loan") equal to 3,664 thousand Euro and net financial burdens for IRS derivative instruments (primarily connected to FINPOLAR loan) for 2,008 thousand Euro. The decline of the charges relating to the FINPOLAR loan is due to the decrease of residual capital, both as a result of refunds made, and as a result of the decrease of the EURIBOR. However, the reduction of the EURIBOR has negatively affected the IRS derivatives.

The exchange rates management results in the financial year 2013 is negative for 1,074 thousand Euro (negative for 530 thousand Euro on 31/12/2012).

The net result of not fully consolidated investments is negative for 1,011 thousand Euro and refers mainly to depreciation of investments in Electro Power Systems (EPS) and Caretek (collectively equal to 492 thousand Euro) and to the sale of the investment held in the Chinese company SHANGHAI UNITY PRIMA (overall negative effect of 518 thousand Euro).

The **NET RESULT** as at 31/12/2013 is positive and equal to 5,358 thousand Euro (5,307 thousand Euro at 31/12/2012). The taxes on income for 2013 show a net negative balance of 3,484 thousand Euro, of which IRAP (Regional income tax) for 1,480 thousand Euro (at 31/12/2012 the net negative balance was 3,740 thousand Euro, of which IRAP for 1,493 thousand Euro). The Group recorded a tax credit amounting to 1,048 thousand Euro following the submission of claims for IRES refund (IRAP deductions for IRES purposes for the years 2007- 2011) in February 2013.

BALANCE SHEET

Here below a reclassified balance sheet of the PRIMA INDUSTRIE Group.

Following the retrospective 01/01/2013 Amendment to IAS 19, the data reported for 2012 have been restated for comparative purposes as required by IAS 1. For more information, see Chapter 6 in the section "Accounting principles".

Values expressed in Euro thousand	31 December 2013	31 December 2012
Tangible and intagible fixed assets	73.193	73.059
Goodwill	102.580	102.680
Equity investments and other non-current assets	422	676
Deferred tax assets	7.647	6.606
NON-CURRENT ASSETS	**183.842**	**183.021**
Inventories	66.215	81.084
Trade receivables	78.833	70.702
Trade payables	(68.118)	(72.404)
Advances	(13.580)	(16.992)
OPERATING WORKING CAPITAL	**63.350**	**62.390**
Other curret assets and liabilities	(11.604)	(10.149)
Current tax assets and liabilities	(402)	(1.070)
Provisions for risks and employee benefits	(20.298)	(19.192)
Deferred tax liabilities	(10.350)	(9.297)
Non-current assets held for sales	1.484	4.130
NET INVESTED CAPITAL	**206.022**	**209.833**
NET INDEBTEDNESS	**99.961**	**126.279**
SHAREHOLDER'S EQUITY	**106.061**	**83.554**
LOAN SOURCES	**206.022**	**209.833**

Tangible and intangible assets (other than goodwill) of PRIMA INDUSTRIE Group are substantially in line with the previous year. The movements of the period relate to the normal activities of the Group (net increases of 11,508 thousand Euro, of which 8,908 thousand Euro relating to development costs, depreciation and impairment for 11,677 thousand Euro and negative exchange rate differences for 364 thousand euro) and to the entrance of the newly consolidated PRIMA POWER SUZHOU for 667 thousand Euro. The change for the period relating to the goodwill is attributable only to the currency adjustment. Investments and other non-current assets decreased by 254 thousand Euro mainly due to write-downs of investments held by PRIMA ELECTRO SpA in EPS and Caretek.

The Operating working capital increased from the previous year to 960 thousand Euro.

At 31/12/2013 the Group's net financial position amounted to 99,961 thousand Euro; compared to the end of the previous year there was a significant increase of 26,318 thousand Euro mainly due to the exercise of the Warrants and the operating results achieved during the year (for further comments on this item, please go to the section " Net Financial Position ").

Net Equity is up by 22,507 thousand Euro compared to the previous year. This increase is the result of the positive effects resulting from the capital increase due to conversion of warrants (15,647 thousand Euro), the overall result for the period (5,689 thousand Euro) and the change in the consolidation’s area (1,171 thousand Euro); it is recalled that 1,085 thousand Euro of equity are attributable to the minority shareholders.

IMPAIRMENT TEST AND GOODWILL

In the current economic trend, auditing loss in the value of assets proves especially important. An indispensable process in drafting the Financial statement of The PRIMA INDUSTRIE Group is the *impairment* test on goodwill listed in the balance sheet.

In order to allow beneficiaries of the financial statement to appropriately grasp the entire asset evaluation process (the basic assumptions, estimating method, parameters used, etc.), the Explanatory notes to the consolidated financial statement that follow (see Note 8.2 – Intangible assets) will provide a comprehensive explanation of the assessments and assumptions made by the Directors on the topic. The methodological approach and assumptions underlying the *impairment* test on goodwill by the Directors of PRIMA INDUSTRIE has been approved independently and in advance to the date the financial statement was approved.

No criticalities have emerged from the impairment tested assets.

NET FINANCIAL POSITION

At 31/12/2013 the Group net financial position show a net debt of 99,961 thousand Euro improving by 26,318 thousand euro against the previous year (it was -126,279 thousand Euro at 31/12/2012).

The breakdown of the net financial position is as follows:

Values expressed in Euro thousand	31 December 2013	31 December 2012
CASH & CASH EQUIVALENTS	(29.194)	(24.459)
CURRENT FINANCIAL RECEIVABLES	(47)	(4.740)
CURRENT FINANCIAL PAYABLES	51.830	56.513
NON-CURRENT FINANCIAL PAYABLES	77.372	98.965
NET FINANCIAL POSITION	**99.961**	**126.279**

Please note that the net financial position at 31/12/2013 includes:

- the FINPOLAR loan which amounts to 103.911 thousand Euro and is subject to compliance with certain covenants measured on a yearly and half-yearly basis which at 31/12/2013 are matched;
- payables to leasing companies (almost exclusively for real estate) which amount to 2,778 thousand Euro;
- bank debts which include the negative fair value of certain IRS for 4,930 thousand Euro; the main IRS were contracted by the parent company to partially hedge the risk of interest rate on the FINPOLAR loan (the signing of these derivatives was provided for in the underlying loan agreement).

It should be noted that 19,946 thousand Euro classified in short-term liabilities relate to tranche D of the FINPOLAR loan, which is a revolving credit lines that will be available until 31/01/2016.

It's important to note that, during the year 2013, the FINPOLAR loan has been reduced significantly, both for the regular repayment of the instalments provided by the amortization plan, but especially for the early repayment of 15.7 million Euro occurred as a result of more than 82% of Warrant conversion. The FINPOLAR loan has moved from 127,597 thousand Euro as at 31/12/2012 to 103,911 thousand Euro as at 31/12/2013. At the date of preparation of this report, it is also regularly repaid the instalment due on 04/02/2014. For more details about the net financial position, see Note 8.10 - Net Financial Position.

TRADE ASSETS AND ORDER PORTFOLIO

During the year 2013 the Group **order acquisition** (including *after-sale services*) totaled 326.3 million Euro (it was 333.2 million Euro at 31/12/2012). The slight decrease compared to 31/12/2012 arises within the PRIMA ELECTRO division; in fact PRIMA POWER segment order acquisition was higher compared to the same period of the previous year (295 million Euro at 31/12/2013 against 293.6 million Euro at 31/12/2012), whilst PRIMA ELECTRO order acquisition relating to customers outside the Group was 31.3 million Euro (reducing compared to 39.6 million Euro at 31/12/2012). The slowdown in orders of PRIMA ELECTRO division is mainly related to the transitional phase that the division is facing for the technological renovation of some products not fully completed yet.

Consolidated **order backlog** (not including *after-sale services*) at 31/12/2013 totals 75.2 million Euro compared to 88 million Euro at 31/12/2012. This reduction is to be attributed both to the fact that revenues in December were particularly high and to the improved ability of the Group to reduce the processing time of the customer order (from the acquisition to the invoicing). The backlog includes 66.1 million Euro for PRIMA POWER segment and 9.1 million Euro relating to PRIMA ELECTRO. At 31/01/2014 the order backlog has increased to 95 million Euro.

RESEARCH & DEVELOPMENT

The activities of research and development performed by the Group during the year 2013 totalled 18,364 thousand Euro (of which 13,958 thousand Euro in the PRIMA POWER segment and 4,406 thousand Euro in the PRIMA ELECTRO segment) which is 5.5% of the turnover. The capitalised portion amounted to 8,908 thousand Euro (of which 6,703 thousand Euro in the PRIMA POWER segment and 2,205 thousand Euro in the PRIMA ELECTRO segment).

The costs levels sustained in research and development activities for new products is testimony to the Group's continued commitment to investing for the future and improving, through the presence of products always in the technological forefront, its competitiveness on the international markets. Technical feasibility and generation of likely future economic benefits were investigated for all the capitalised development work.
During the year 2013 the main activities involving the PRIMA POWER division were as follows:

- the introduction of a completely new line (PunchBend), which combines the punching and panelling technologies to efficiently produce finished bent parts, starting from pre-cut sheet metal;
- the introduction of a new automation solution, created to be used on punching machines, applied on a 2D laser machine (PLATINUM), which allows, in an automatic and unmanned way, to carry out the sorting and stacking of the cut pieces; This solution has been presented at the Customer Days held in June in Kauhava (Finland), and has found a very good response from the customers;
- the launch of a new generation LPe6f machine, a new generation punch-laser combination machine equipped with 2 and 3 kW laser fiber and equipped with high-level performance;
- new software modules; TULUS for programming, nesting and management of the piece processing phases and The Operator for remote monitoring and diagnostics;
- the integration of BD3Y (compact BeamDirector rotating head) on the LASERDYNE 430 machine for 3D cutting, drilling and welding of small components.

The main activities of research and development relative to the PRIMA ELECTRO division concerned the following issues:

- development and testing of a family of AC/DC power supplies and related inverter modules and high voltage transformer (which together constitute the HVPS-Mark 2 system) for CO_2 laser. The new system will initially be used on CV5000 and CV6000 high power models and subsequently on the whole gas laser range;
- development, as part of the multi-year project for the new generation of solid-state lasers, including some components among which the AC/DC power supply equipped with the innovative "electronic shutter" function and the beginning, in collaboration with the PPPLab at the Polytechnic of Turin, of tests on optoelectronic parts.
- the continuation of the development of the new OPEN numerical control both on PRIMA POWER machines (laser, punching and bending machines) and for external customers in the woodworking, glass and marble sectors;
- the development of a new family of drives called OD600 (OPENDrive 600) equipped with STO integrated safety function of SIL3 level.

WORKFORCE

At 31/12/2013 Group employees were 1,530 of which 1,274 in PRIMA POWER division and 256 in PRIMA ELECTRO division. This is an increase of 9 units compared to 31/12/2012.

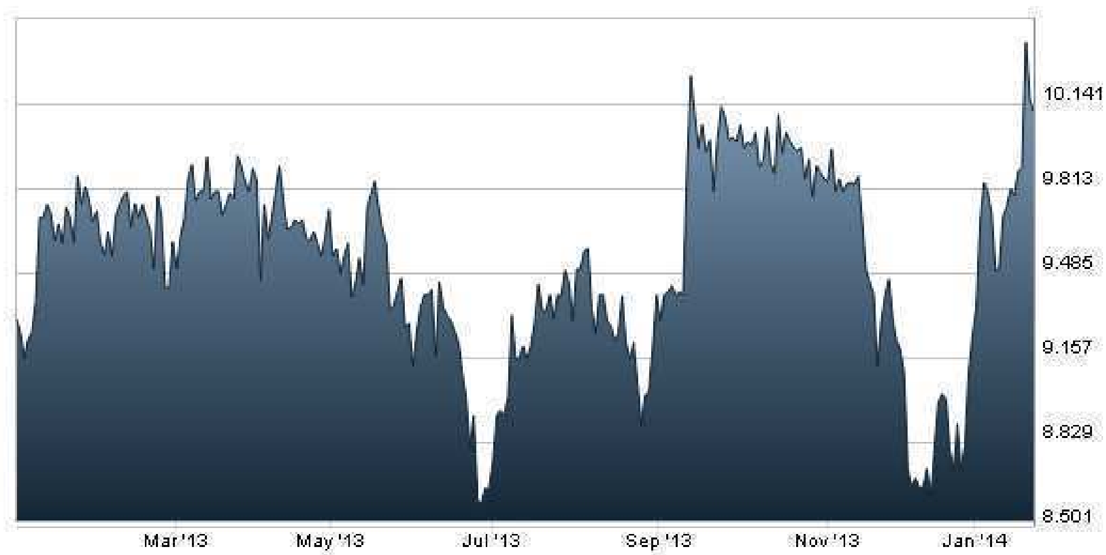
Values expressed in units	*PRIMA POWER*		*PRIMA ELECTRO*		*PRIMA GROUP*	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Production & Installation	433	426	120	132	553	558
Sales & Marketing	132	134	26	32	158	166
Service & Spare Parts	421	429	28	28	449	457
R&D and Product Management	175	154	60	54	235	208
General & Administrative	113	110	22	22	135	132
Total	**1.274**	**1.253**	**256**	**268**	**1.530**	**1.521**

OPERATIONS WITH RELATED PARTIES

The extraordinary shareholders' meeting of PRIMA ELECTRO SpA, a company 100% owned by PRIMA INDUSTRIE SpA, on 25/06/2013 has resolved to increase the share capital by 9,000,000 Euro bringing it from 6,000,000 Euro to 15,000,000 Euro; the sole shareholder PRIMA INDUSTRIE SpA, owner of a credit amounting to 17,800,000 Euro against PRIMA ELECTRO SpA, arising for the deferred payment of the price at the time of sale (December 2010) of the American subsidiary PRIMA NORTH AMERICA Inc. (now called PRIMA ELECTRO NORTH AMERICA Llc) from PRIMA INDUSTRIE SpA to PRIMA ELECTRO SpA, declared to subscribe the capital increase by partial compensation with this credit. The expiry of the remaining credit, amounting to 8,800,000 Euro, claimed by PRIMA INDUSTRIE SpA from PRIMA ELECTRO SpA was postponed to 30/06/2018.
The operation, which was completed in July, 2013, even if it occurred between related parties, has not been subject to the procedure for operations with related parties as it was an operation carried out with the subsidiary, which is exempt pursuant to article 32 of the Procedure for Operations with Related Parties approved by the Board of Directors on 10/11/2010 and amended by the Board of Directors on 13/03/2013.
For further details of the subject and of other operations carried out by the group with related parties, refer to "Note 8.29 - INFORMATION ON RELATED PARTIES".

SHARE PERFORMANCE AND TREASURY SHARES

Over the course of 2013, PRIMA INDUSTRIE shares have gone from a unit value of 9.305 Euro on 02/01/2013 to a value of 9.25 Euro per share on 30/12/2013.
In particular, the minimum value of the title during 2013 amounted to 8.59 Euro (26/06/2013) and the maximum value was equal to 10,25 Euro (12/09/2013).
The share value, which had remained stable and, anyway, ranging between 9 Euro and 10 Euro per share, has undergone an increase in the second week of September, reaching a maximum of 10.25 Euro per share on 12/09/2013.



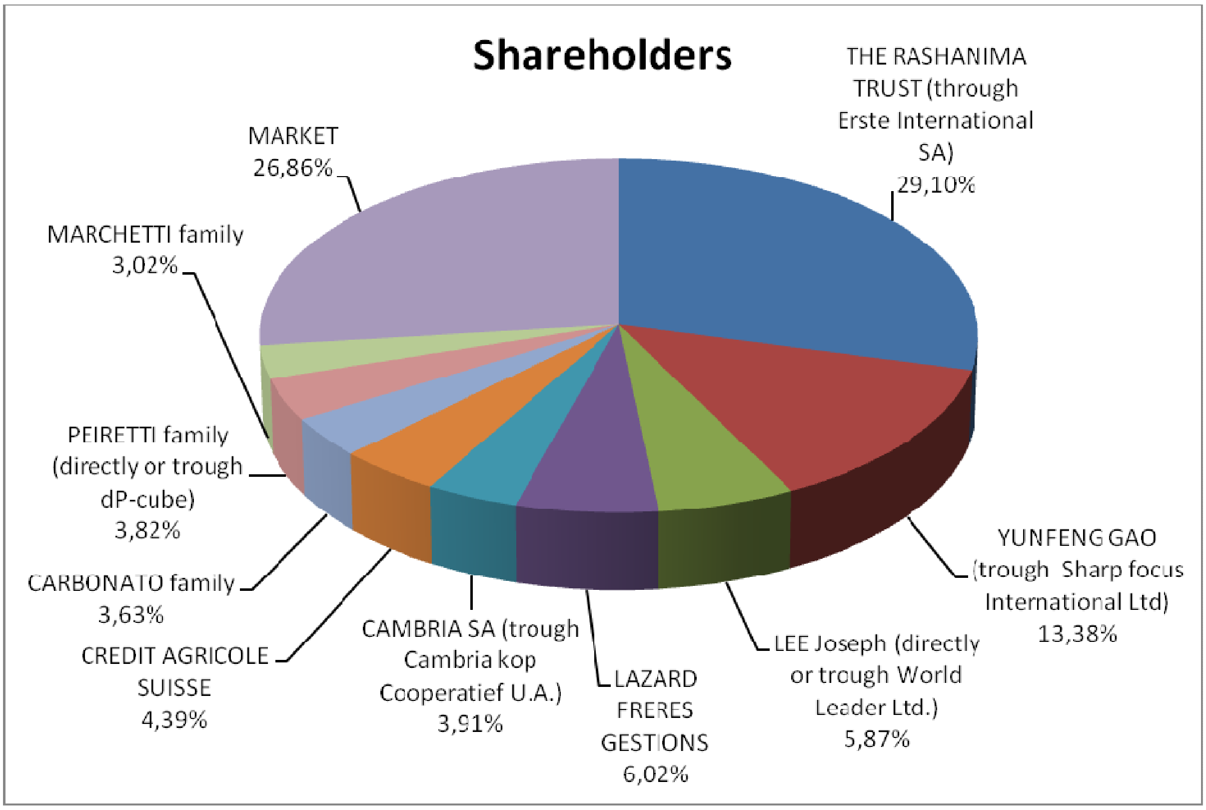
Subsequently, the stock has suffered a contraction in its course, although remaining at values higher than the exercise price (set at 8.50 Euro) of Warrants in circulation, the exercise period of which ended on 16/12/2013. Thanks to this favourable development, 82.3% of these Warrants

has been exercised; by the end of the exercise period and in the first half of 2014 the share price started to rise, reaching over 10 Euro with peaks over 11 Euro.
As of 31/12/2013, as well as at the date of approval of this Annual Report, PRIMA INDUSTRIE SpA does not hold, nor hold any own shares, not being moreover in force any resolution authorizing the purchase of own shares.

SHAREHOLDING STRUCTURE

On 31.12.2013, as well as at the date of approval of this Annual Report, the share capital of PRIMA INDUSTRIE SpA amounts to Euro 26,208,185 distributed in 10,483,274 ordinary shares with a nominal value of 2.50 Euro each. No categories of shares other than ordinary shares have been issued, nor have bonds.

In light of the information gathered from the Shareholders' Register and the correspondence later received by the Company or Supervisory Board, the most recent Corporate share structure is as follows:



STOCK OPTION PLANS

In the month of May 2011, the period of maturing (*vesting period*) of the *stock option* plan, approved by the PRIMA INDUSTRIE SpA Shareholders' Meeting on 29/04/2008 ended, originally destined for the Executive Directors of the Parent Company, of PRIMA ELECTRO SpA and of FINN POWER OY, as well as the Chief Executive of the PRIMA INDUSTRIE SpA and the at that time Group Financial Director.
Those who are still beneficiaries have, furthermore, the facility to exercise the assigned options today established at 28.68 Euro per share, from June 1st, 2011, and within and not beyond June

30th, 2014 (date of expiry of the plan), in the following two periods of each year until the expiry of the plan:

- June 1st – June 30th
- October 1st - October 30th

Those who are still beneficiaries of the plan at the date of reference of this Management Report are the following.

LAST NAME AND FIRST NAME	*POSITION*
CARBONATO Gianfranco	PRIMA INDUSTRIE SpA President & CEO
BASSO Ezio	PRIMA INDUSTRIE SpA General Manager and Managing Director
PEIRETTI Domenico	PRIMA ELECTRO SpA Managing Director and PRIMA INDUSTRIE SpA Managing Director

CORPORATE GOVERNANCE

The overall framework of *corporate governance* of PRIMA INDUSTRIE, understood as the system of rules and procedures that Company Boards refer to in deciding their line of conduct and in attending to their several responsibilities toward their stakeholders, has been defined bearing in mind the applicable standards and guidelines of the Code of Internal Conduct promoted by Borsa Italiana SpA.

Pursuant to article 123-bis of Leg. Decree no. 58/1998 (the "TUF") and to articles 89-bis and 144-decies of Consob's Regulation, the Company annually drafts the "Report on Corporate Governance and Ownership Structure" (based on the comply or explain principle), with which it provides appropriate information on its Corporate Governance system. More specifically, the Report contains a general description of the system of Corporate Governance adopted by the Group and reports the information on the Company's structure and its adherence to the Code of Conduct, including the chief practices of governance applied and the characteristics of its Internal Audit and Risk Management, also in relation to the financial information process.

First of all, the Report supplies a whole set of information on the Company's Boards, their membership, term of office, business conduct, their powers and other information on elements that further distinguish the structure of Corporate Governance. It also contains several information, including the personal details of Company executives, along with their educational and professional profile.

The same Report, moreover, provides news on the system of Remuneration (fees) of Directors and Executives who have strategic responsibilities (also by recalling the Report on Remuneration to be published in accordance with art. 84-quater of the Consob Regulation), on the policy to apply when processing confidential information and when conducting major transactions (financial or capital) with associates, or that are atypical or unusual.

In particular, in observance of Leg. Decree no. 173/2008 which implements Directive 2006/46 as part of the legislation, the Report includes information on:

a) the practices of Corporate Governance actually applied by the Company, independently of the obligations imposed by legislation or regulations;
b) the main characteristics of the Risk management and Internal audit system, when touching on the financial information process (consolidated as well);
c) the mechanism by which Shareholders' Assemblies are held, the Assembly's principal powers, shareholders' rights and the terms for their exercise;
d) the line-up of members and business method of Company Boards and their committees.

The Report is a separate document from the Financial statement and can be viewed by Shareholders on the Company's website (www.primaindustrie.com) each year, along with the documentation submitted to the Assembly for the approval of the financial statement.
PRIMA INDUSTRIE S.p.A. wholly owns certain companies that have offices in non-EU Countries and are crucial to its business, pursuant to art. 36 of Consob Regulation no. 16191/2007, as per its amendments ratified with Consob resolution no. 18214/2012, concerning "Market regulation". With reference to the data available on Dec. 31, 2013, please note that procedures have been adopted to ensure that the aforesaid legislation is complied with and that none of the conditions stated in said art. 36 subsist.

APPLICATION OF LEG. DECREE 231/2001

The Issuing Party has adopted an Organization, management and control model, as required by Leg. Decree no. 231/2001.
The Organization, Management and Control Model responds to the following requirements:

- it describes the contents and aims of Decree no. 231/01;
- it lists and describes Presumed breaches, identifies the "Sensitive Areas" in which they may occur and arranges "Protocols" to regulate Corporate operational procedures and re-conduct the risk of their perpetration below an acceptable threshold set by the Company (Sensitive Areas and Protocols doc.);
- it evaluates (in the Risk Assessment) the "Risk Score" for each Presumed Breach, which is the product of the probability of a Breach occurring in Sensitive Areas and the magnitude of its possible aftermath (defined by the administrative fines established by the Decree);
- it applies the Corporate Code of Ethics, sensitizing all recipients to its diligent compliance;
- it defines the criteria for appointing members to the Supervisory Board ("SB"), their tasks and responsibilities, and the method to use when reporting presumed breaches to the Model;
- it structures an integrated audit system meant to check that the Model is indeed applied and efficient (duty of the Supervisory Board);
- it stresses the need for training and briefing sessions to increase awareness of the Model and of its related documents in all of its recipients;
- it adopts a System of Administrative Fines for negligent conduct (Model breach).

The Model is annually reviewed to take account of the changing legislative framework, of changes to the Company's organizational structure and/or of any imperfections of the Model in its day-by-day application.
The task of monitoring the correct application and observance of the Organization Model, including revising its contents, is entrusted to the Supervisory Board, which answers to the Board of Directors and Board of Auditors.

Starting from 14/05/2013 the functions of Supervisory Board of PRIMA INDUSTRIE SpA have been taken by the Board of Auditors.

INVESTMENTS IN/EXPENSES RELATED TO SAFETY IN THE WORKPLACE

The total safety-related expenses incurred by PRIMA INDUSTRIE SpA in 2013 amount to 161 thousand Euro. The expense items (entries) concern: safety documentation, consulting and training, devices to protect eyesight from laser rays, personal protective equipment (PPE), signage, workplace safety and ergonomics.

FORECASTED BUSINESS TREND

In spite of lingering uncertainty in the macro-economic context, The PRIMA INDUSTRIE Group is confident its profits will continue on the rising trend during 2014, thanks especially to the intensive use of its geographically widespread organization and to the launch of new products.

Following the exercise of the Warrants and the results obtained during the year, the Group has rebalanced the ratio of net debt/equity; management during 2014 will continue the process of optimizing the financial structure.

SIGNIFICANT FACTS AFTER CLOSING DATE OF FINANCIAL STATEMENT

Pursuant to IAS 10, no significant facts have occurred after the closing date of the financial statement that caution their mention in the Annual Financial Report.

ATYPICAL AND UNUSUAL TRANSACTIONS

Pursuant to Consob Bulletin of 28.07.2006 no. DEM/6064296, we wish to specify that in the examined period, the Group has not engaged in transactions defined as atypical or unusual in the Bulletin.

MANAGEMENT AND COORDINATION ACTIVITIES

PRIMA INDUSTRIE SpA is not subject to management and coordination by other companies or entities and decides which general or operative course of action to take in full independence.

OPT-OUT REGIME

The Board of Directors of Prima Industrie has resolved on 12.11.2012, in accordance with Consob Resolution no. 18079 of January 20, 2012, to subscribe to the opt-out regimen referred to in articles 70, paragraph 8 and 71, paragraph 1-bis of the Regulation, therefore choosing to avail itself of the right to waiver the obligation of publishing documents describing its mergers, demergers, share capital increases by contributions in kind, purchases and transfers.

CHAPTER 4.

ECONOMIC PERFORMANCE BY SEGMENT

CHAPTER 4. ECONOMIC PERFORMANCE BY SEGMENT

The Group conducts its business with an organizational structure that concentrates its activities in two divisions: PRIMA POWER and PRIMA ELECTRO.

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.

Shown here below, is a summary table of the economic progress for the two sectors in which the Group currently operates.

	December 31st, 2013				
Values in Euro thousand	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	301.118	25.165	8,4%	15.291	5,1%
PRIMA ELECTRO	48.100	5.314	11,0%	485	1,0%
ELIMINATION	(13.377)	88	-0,7%	2.905	-21,7%
GROUP	**335.841**	**30.567**	**9,1%**	**18.681**	**5,6%**

	December 31st, 2012				
Values in Euro thousand	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	311.619	22.147	7,1%	12.638	4,1%
PRIMA ELECTRO	55.046	6.945	12,6%	5.059	9,2%
ELIMINATION	(17.357)	(85)	0,5%	(75)	0,4%
GROUP	**349.308**	**29.007**	**8,3%**	**17.622**	**5,0%**

PRIMA POWER

The revenues for the financial year 2013 of the PRIMA POWER Division are in decrease compared with 2012 due to a light and temporary slowdown in the reference market. It should however be pointed out that the decline in sales did not occur in all areas in which the division works, in fact in Asia and Rest of the World the results compared to last year have highly increased (particularly China, Japan and Turkey). In light of the growing importance these markets will be in the business of the division, it was decided to open a production plant in China the PRIMA POWER SUZHOU.

In the face of 301,118 thousand Euro of revenues, the EBITDA for the division amounted to 25,165 thousand Euro, an increase both in absolute value (3,018 thousand Euro), and in percentage terms (from 7.1% to 8.4%). This improvement is the result of activities undertaken during 2013 by the division to achieve a greater level of efficiency and careful management of costs.

PRIMA ELECTRO

The PRIMA ELECTRO division compared to the last year records a decrease in sales of 6,946 thousand Euro. The year 2013 was characterized by a negative trend or sideways movement in the final sales in all lines of business in which the division work. In particular, revenues from the companies of PRIMA POWER division, to which it has made an overall decrease of 24.7%, have suffered the increasing impact of new technologies in the business of laser sources; revenues from third parties, fell on average 7.8%, reflecting the contraction of business service and DOTS (the first structural, the second cyclical) estimated in the budget.

The EBITDA of the PRIMA ELECTRO segment amounts to 5,314 thousand Euro in decrease compared to the previous year of 1,631 thousand Euro. The decline in profitability, in absolute value, is mainly due to the reduction of volumes.

NET RESULT ALLOCATION

Dear Shareholders,

in inviting you to approve the Financial statement of your Company as of 31/12/2013, we propose to allocate the Net Profit of 2,683,742 Euro as follows:

- 134,187 Euro to Legal Reserve
- 2,549,555 Euro to Extraordinary Reserve.

On behalf of the Board of Directors

The Chairman

Gianfranco Carbonato

CHAPTER 5.

CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31.12.2013

ACCOUNTING TABLES (*)

(*) Following the retrospective application on January 1st, 2013 of the Amendment to IAS, the data relating to 2012 reported for comparative purposes in the financial statements have been restated, where appropriate, as required by IAS 1.

CAPTHER 5. CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31.12.2013

CONSOLIDATED BALANCE SHEET

01/01/2012	Values in Euro	Notes	31/12/2013	31/12/2012
24.472.946	Property, plant and equipment	8.1	24.200.931	24.343.935
152.629.950	Intangible assets	8.2	151.571.901	151.395.283
8.961.044	Investments accounted for using the equity method	-	-	-
1.076.998	Other investments	8.3	288.735	567.149
-	Non current financial assets	8.4	113.000	83.700
6.648.479	Deferred tax assets	8.5	7.647.333	6.605.259
25.518	Other non current assets	8.8	20.624	25.183
193.814.935	**NON CURRENT ASSETS**		**183.842.524**	**183.020.509**
84.249.605	Inventories	8.6	66.214.465	81.083.768
88.282.812	Trade receivables	8.7	78.833.076	70.702.422
6.406.214	Other receivables	8.8	5.909.406	7.516.732
5.592.470	Current tax receivables	8.9	4.305.160	3.839.898
-	Derivatives	8.10	46.969	69.655
528.637	Financial assets	8.10	-	4.671.135
25.179.041	Cash and cash equivalents	8.10	29.194.149	24.458.666
210.238.779	**CURRENT ASSETS**		**184.503.225**	**192.342.276**
1.012.201	**ASSETS HELD FOR SALE**	8.11	***1.483.839***	***4.129.852***
405.065.915	**TOTAL ASSETS**		**369.829.588**	**379.492.637**
21.601.740	Capital stock	8.12	26.208.185	21.606.553
4.320.069	Legal reserve	8.12	4.321.310	4.320.069
54.326.182	Other capital reserves	8.12	68.144.867	53.215.933
1.331.310	Currency translation reserve	8.12	(2.138.106)	(524.506)
(3.597.028)	Retained earnings	8.12	3.010.955	(370.776)
1.932.659	Net result	8.12	5.428.982	5.306.613
79.914.932	**Stockholders' equity of the Group**		**104.976.193**	**83.553.886**
	Minority interest		*1.084.685*	-
	STOCKHOLDERS' EQUITY		**106.060.878**	**83.553.886**
102.350.641	Interest-bearing loans and borrowings	8.10	72.442.235	91.702.909
7.077.491	Employee benefit liabilities	8.13	7.731.540	7.629.302
9.737.709	Deferred tax liabilities	8.14	10.350.390	9.296.512
124.009	Provisions	8.15	137.137	133.403
7.611.171	Derivatives	8.10	4.929.519	7.262.196
126.901.021	**NON CURRENT LIABILITIES**		**95.590.821**	**116.024.322**
79.797.117	Trade payables	8.16	68.117.926	72.403.779
32.355.143	Advance payments	8.16	13.580.141	16.991.891
17.539.790	Other payables	8.16	17.513.397	17.665.682
52.031.067	Interest-bearing loans and borrowings	8.10	51.830.029	56.513.455
6.404.295	Current tax payables	8.17	4.707.193	4.909.673
10.022.786	Provisions	8.15	12.429.203	11.429.949
99.764	Derivatives	8.10	-	-
198.249.962	**CURRENT LIABILITIES**		**168.177.889**	**179.914.429**
405.065.915	**TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES**		**369.829.588**	**379.492.637**

CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2013	31/12/2012
Net revenues	*8.18*	335.841.391	349.307.525
Other income	*8.19*	5.563.964	5.204.810
Change in inventories of finished goods and WIP	-	(8.855.157)	1.876.495
Increases in fixed assets for internal work	*8.20*	9.322.513	6.574.549
Use of raw materials, consumables, supplies and goods	-	(145.143.061)	(163.610.583)
Personnel cost	*8.21*	(89.484.290)	(89.387.113)
Depreciation	*8.22*	(11.645.015)	(11.091.143)
Impairment	*8.22*	(241.336)	(294.199)
Other operating expenses	*8.23*	(76.677.650)	(80.958.541)
OPERATING PROFIT		**18.681.359**	**17.621.800**
Financial income	*8.24*	328.222	225.395
Financial expenses	*8.24*	(8.081.985)	(8.629.941)
Net exchange differences	*8.24*	(1.074.203)	(529.606)
Net result of investments not fully consolidated	*8.25*	(1.011.019)	358.720
RESULT BEFORE TAXES		**8.842.374**	**9.046.368**
Taxes	*8.26*	(3.484.148)	(3.739.755)
NET RESULT		**5.358.226**	**5.306.613**
- Attributable to Group shareholders		*5.428.982*	*5.306.613*
- Attributable to minority shareholders		*(70.756)*	-
RESULT PER SHARE - BASIC (in euro)	***8.27***	**0,62**	**0,61**
RESULT PER SHARE - DILUTED (in euro)	***8.27***	**0,59**	**0,48**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	31/12/2013	31/12/2012
NET RESULT (A)		**5.358.226**	**5.306.613**
Gains /(Losses) on cash flow hedges	*8.12*	1.992.054	362.654
Gains/(Losses) on exchange differences on translating foreign operations	*8.12*	(1.628.842)	(1.855.816)
IAS 19R actuarial Gains/ (Losses)	*8.12*	(32.464)	(189.075)
TOTAL OTHER GAINS/(LOSSES) (B)		**330.748**	**(1.682.237)**
TOTAL COMPREHENSIVE INCOME (A) + (B)		**5.688.974**	**3.624.376**
- Attributable to Group shareholders		*5.774.972*	-
- Attributable to minority shareholders		*(85.998)*	-

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

VALUES IN EURO	Capital stock	Subscribed Capital unpaid	Additional paid-in capital	Legal reserve	Capital increase - expenses	Stock option 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 31/12/2011	21.601.740	-	46.451.069	4.320.069	(1.286.154)	1.295.506	(5.550.334)	13.416.095	1.331.310	(3.390.665)	1.932.659	80.121.295	-	80.121.295
Effects deriving from IAS 19R application	-	-	-	-	-	-	-	-	-	(206.363)	-	(206.363)	-	(206.363)
Balance as at 01/01/2012	21.601.740	-	46.451.069	4.320.069	(1.286.154)	1.295.506	(5.550.334)	13.416.095	1.331.310	(3.597.028)	1.932.659	79.914.932	-	79.914.932
Capital increase	4.813	(1.785)	11.550	-	-	-	-	-	-	-	-	14.578	-	14.578
Allocation of prior year net result	-	-	-	-	-	-	-	(1.482.668)	-	3.415.327	(1.932.659)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	362.654	-	(1.855.816)	(189.075)	5.306.613	3.624.376	-	3.624.376
Balance as at 31/12/2012	21.606.553	(1.785)	46.462.619	4.320.069	(1.286.154)	1.295.506	(5.187.680)	11.933.427	(524.506)	(370.776)	5.306.613	83.553.886	-	83.553.886
Capital increase	4.601.632	1.785	11.043.918	-	-	-	-	-	-	-	-	15.647.335	-	15.647.335
Change of consolidation area	-	-	-	-	-	-	-	-	-	-	-	-	1.170.683	1.170.683
Allocation of prior year net result	-	-	-	1.241	-	-	-	1.891.177	-	3.414.195	(5.306.613)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	1.992.054	-	(1.613.600)	(32.464)	5.428.982	5.774.972	(85.998)	5.688.974
Balance as at 31/12/2013	26.208.185	-	57.506.537	4.321.310	(1.286.154)	1.295.506	(3.195.626)	13.824.604	(2.138.106)	3.010.955	5.428.982	104.976.193	1.084.685	106.060.878

CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/12/2013	31/12/2012 (**)
Net result	**5.358.226**	**5.306.613**
Adjustments (sub-total)	***12.836.285***	***10.219.029***
Depreciation and impairment	11.886.351	11.385.342
Net change in deferred tax assets and liabilities	11.804	(397.977)
Change in employee benefits	102.238	551.811
Change in inventories	14.869.303	3.165.837
Change in trade receivables	(8.130.654)	17.580.390
Change in trade payables and advances	(7.697.603)	(22.756.590)
Net change in other receivables/payables and other assets/liabilities	1.794.846	690.216
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**18.194.511**	**15.525.642**
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(2.838.538)	(2.828.522)
Acquisition of intangible fixed assets	(534.025)	(1.058.990)
Capitalization of development costs	(8.907.570)	(6.166.533)
Net disposal of fixed assets (*)	105.278	335.175
Decrease SUP investment	2.424.212	4.757.952
Liquidation of SNK JV investment	77.780	-
Net result SUP & SNK investments	518.591	(803.006)
Purchase/capital increase of other investments	(214.014)	65.563
Devaluation of other investments	492.428	444.286
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(8.875.858)**	**(5.254.075)**
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	4.027.826	(4.291.296)
Increases in loans and borrowings (including bank overdrafts)	3.619.384	7.866.016
Repayment of loans and borrowings (including bank overdrafts)	(27.512.301)	(14.101.458)
Increases/(repayments) in financial lease liabilities	125.209	81.525
Capital increase	15.647.335	14.578
Other variations	(1.646.064)	(561.307)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(5.738.611)**	**(10.991.942)**
CASH FLOWS FROM (USED IN) CHANGE OF CONSOLIDATION AREA (D)	**1.155.441**	**-**
Net change in cash and equivalents (E=A+B+C+D)	**4.735.483**	**(720.375)**
Cash and equivalents beginning of period (F)	**24.458.666**	**25.179.041**
Cash and equivalents end of period (G=E+F)	**29.194.149**	**24.458.666**

Additional Information to the Consolidated Statement of Cash-Flow	31/12/2013	31/12/2012
Values in Euro		
Taxes	(3.484.148)	(3.739.755)
Financial incomes	328.222	225.395
Financial expenses	(8.081.985)	(8.629.941)

(*) included tangible fixed assets classified in the assets held for sale

(**) for a better comparability, some 2012 figures have been reclassified

CONSOLIDATED BALANCE SHEET ACCORDING TO CONSOB RESOLUTION N. 15519 OF 27/07/2006

01/01/2012	Values in Euro	Notes	31/12/2013	*of which related parties*	31/12/2012	*of which related parties*
24.472.946	Property, plant and equipment	8.1	24.200.931	-	24.343.935	-
152.629.950	Intangible assets	8.2	151.571.901	-	151.395.283	-
8.961.044	Investments accounted for using the equity method	-	-	-	-	-
1.076.998	Other investments	8.3	288.735	-	567.149	-
-	Non current financial assets	8.4	113.000	-	83.700	-
6.648.479	Deferred tax assets	8.5	7.647.333	-	6.605.259	-
25.518	Other non current assets	8.8	20.624	-	25.183	-
193.814.935	**NON CURRENT ASSETS**		**183.842.524**	-	**183.020.509**	-
				-		-
84.249.605	Inventories	8.6	66.214.465	-	81.083.768	-
88.282.812	Trade receivables	8.7	78.833.076	-	70.702.422	-
6.406.214	Other receivables	8.8	5.909.406	-	7.516.732	-
5.592.470	Current tax receivables	8.9	4.305.160	-	3.839.898	-
-	Derivatives	8.10	46.969	-	69.655	-
528.637	Financial assets	8.10	-	-	4.671.135	-
25.179.041	Cash and cash equivalents	8.10	29.194.149	-	24.458.666	-
210.238.779	**CURRENT ASSETS**		**184.503.225**	-	**192.342.276**	-
1.012.201	**ASSETS HELD FOR SALE**	8.11	***1.483.839***	-	***4.129.852***	-
405.065.915	**TOTAL ASSETS**		**369.829.588**	-	**379.492.637**	-
				-		-
21.601.740	Capital stock	8.12	26.208.185	-	21.606.553	-
4.320.069	Legal reserve	8.12	4.321.310	-	4.320.069	-
54.326.182	Other capital reserves	8.12	68.144.867	-	53.215.933	-
1.331.310	Currency translation reserve	8.12	(2.138.106)	-	(524.506)	-
(3.597.028)	Retained earnings	8.12	3.010.955	-	(370.776)	-
1.932.659	Net result	8.12	5.428.982	-	5.306.613	-
79.914.932	**Stockholders' equity of the Group**		**104.976.193**	-	**83.553.886**	-
	Minority interest		*1.084.685*	-	-	-
	STOCKHOLDERS' EQUITY		**106.060.878**	-	**83.553.886**	-
				-		-
102.350.641	Interest-bearing loans and borrowings	8.10	72.442.235	-	91.702.909	-
7.077.491	Employee benefit liabilities	8.13	7.731.540	-	7.629.302	-
9.737.709	Deferred tax liabilities	8.14	10.350.390	-	9.296.512	-
124.009	Provisions	8.15	137.137	-	133.403	-
7.611.171	Derivatives	8.10	4.929.519	-	7.262.196	-
126.901.021	**NON CURRENT LIABILITIES**		**95.590.821**	-	**116.024.322**	-
				-		-
79.797.117	Trade payables	8.16	68.117.926	-	72.403.779	-
32.355.143	Advance payments	8.16	13.580.141	-	16.991.891	-
17.539.790	Other payables	8.16	17.513.397	*571.539*	17.665.682	*592.474*
52.031.067	Interest-bearing loans and borrowings	8.10	51.830.029	-	56.513.455	-
6.404.295	Current tax payables	8.17	4.707.193	-	4.909.673	-
10.022.786	Provisions	8.15	12.429.203	-	11.429.949	-
99.764	Derivatives	8.10	-	-	-	-
198.249.962	**CURRENT LIABILITIES**		**168.177.889**	-	**179.914.429**	-
405.065.915	**TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES**		**369.829.588**	-	**379.492.637**	-

CONSOLIDATED INCOME STATEMENT ACCORDING TO CONSOB RESOLUTION N°15519 OF 27/07/2006

Values in Euro	Notes	31/12/2013	of which related parties	31/12/2012	of which related parties
Net revenues	*8.18*	335.841.391	-	349.307.525	*888.551*
Other income	*8.19*	5.563.964	-	5.204.810	-
Change in inventories of finished goods and WIP	-	(8.855.157)	-	1.876.495	-
Increases in fixed assets for internal work	*8.20*	9.322.513	-	6.574.549	-
Use of raw materials, consumables, supplies and goods		(145.143.061)	-	(163.610.583)	-
Personnel cost	*8.21*	(89.484.290)	*(445.119)*	(89.387.113)	*(550.223)*
Depreciation	*8.22*	(11.645.015)	-	(11.091.143)	-
Impairment	*8.22*	(241.336)	-	(294.199)	-
Other operating expenses	*8.23*	(76.677.650)	*(1.067.243)*	(80.958.541)	*(1.100.773)*
OPERATING PROFIT		**18.681.359**	-	**17.621.800**	-
of which: non recurring items		***2.265.114***	-	***252.050***	-
			-		-
Financial income	*8.24*	328.222	-	225.395	-
Financial expenses	*8.24*	(8.081.985)	-	(8.629.941)	-
Net exchange differences	*8.24*	(1.074.203)	-	(529.606)	-
Net result of investments not fully consolidated	*8.25*	(1.011.019)	-	358.720	*844.395*
RESULT BEFORE TAXES		**8.842.374**	-	**9.046.368**	-
of which: non recurring items		***1.772.686***	-	***374.227***	-
			-		-
Taxes	*8.26*	(3.484.148)	-	(3.739.755)	-
NET RESULT		**5.358.226**	-	**5.306.613**	-
- Attributable to Group shareholders		*5.428.982*	-	*5.306.613*	-
- Attributable to minority shareholders		*(70.756)*	-	-	-
RESULT PER SHARE - BASIC (in euro)	***8.27***	**0,62**	-	**0,61**	-
RESULT PER SHARE - DILUTED (in euro)	***8.27***	**0,59**	-	**0,48**	-

CONSOLIDATED CASH FLOWS STATEMENT ACCORDING TO CONSOB RESOLUTION N° 15519 OF 27/07/2006

VALUES IN EURO	31/12/2013	*of which related parties*	31/12/2012 (**)	*of which related parties*
Net result	**5.358.226**	-	**5.306.613**	-
Adjustments (sub-total)	***12.836.285***	-	***10.219.029***	-
		-		
Depreciation and impairment	11.886.351	-	11.385.342	-
Net change in deferred tax assets and liabilities	11.804	-	(397.977)	-
Change in employee benefits	102.238	-	551.811	-
Change in inventories	14.869.303	-	3.165.837	-
Change in trade receivables	(8.130.654)	-	17.580.390	*1.197.512*
Change in trade payables and advances	(7.697.603)	-	(22.756.590)	-
Net change in other receivables/payables and other assets/liabilities	1.794.846	*(20.935)*	690.216	*124.400*
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**18.194.511**		**15.525.642**	
Cash flow from investments				
Acquisition of tangible fixed assets (*)	(2.838.538)	-	(2.828.522)	-
Acquisition of intangible fixed assets	(534.025)	-	(1.058.990)	-
Capitalization of development costs	(8.907.570)	-	(6.166.533)	-
Net disposal of fixed assets (*)	105.278	-	335.175	-
Decrease SUP investment	2.424.212	-	4.757.952	-
Liquidation of SNK JV investment	77.780	-	-	-
Net result SUP & SNK investments	518.591	-	(803.006)	*(844.395)*
Purchase/capital increase of other investments	(214.014)	-	65.563	*99.860*
Devaluation of other investments	492.428	-	444.286	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(8.875.858)**		**(5.254.075)**	
Cash flow from financing activities				
Change in other financial assets/liabilities and other minor items	4.027.826	-	(4.291.296)	-
Increases in loans and borrowings (including bank overdrafts)	3.619.384	-	7.866.016	-
Repayment of loans and borrowings (including bank overdrafts)	(27.512.301)	-	(14.101.458)	-
Increases/(repayments) in financial lease liabilities	125.209	-	81.525	-
Capital increase	15.647.335	-	14.578	-
Other variations	(1.646.064)	-	(561.307)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(5.738.611)**		**(10.991.942)**	
CASH FLOWS FROM (USED IN) CHANGE OF CONSOLIDATION AREA (D)	**1.155.441**		**-**	
Net change in cash and equivalents (E=A+B+C+D)	**4.735.483**		**(720.375)**	
Cash and equivalents beginning of period (F)	**24.458.666**		**25.179.041**	
Cash and equivalents end of period (G=E+F)	**29.194.149**		**24.458.666**	

(*) included tangible fixed assets classified in the assets held for sale

(**) for a better comparability, some 2012 figures have been reclassified

CHAPTER 6.

DESCRIPTION OF ACCOUNTING PRINCIPLES

CHAPTER 6. DESCRIPTION OF ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS APPLIED

STANDARDS TO APPLY WHEN DRAFTING THE CONSOLIDATED FINANCIAL STATEMENT

The consolidated Financial statement for 2013 has been drafted in accordance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the measures issued to implement Leg. Decree no. 38/2005.

IFRS refer to all the main International Accounting Standards ("IAS") reviewed and to all the interpretations given by the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as Standing Interpretations Committee ("SIC").

The financial statement is drafted based on the principle of historical cost, except for those financial assets available for sale, the financial assets held for trading and the hedging instruments, which have been listed at their fair value. The Group has applied accounting principles that are coherent with those applied in previous years, with the exception of amendments to standards and interpretations effective from 01/01/2013.

BUSINESS CONTINUATION

The consolidated financial statement as of 31/12/2013 has been drafted on the assumption that the Company will continue its business, as is reasonable to presume that PRIMA INDUSTRIE will continue to do in the near future. More specifically, the higher profits in 2013 compared to the previous year, the consistency of the orders portfolio, the rebalanced relationship between debt and equity and the availability of credit lines sufficient to satisfy the Company's need for liquidity, are the chief factors considered in assuming that, as things now stand, there are no plausible doubts as to the fact that the Group will continue its business.

FINANCIAL STATEMENTS - FORMATS

The Group has opted to use the formats described hereinafter in drafting its Financial statements:

a) for the Consolidated Assets & Liabilities Statement, the format used distinguishes the assets and liabilities in “current” (i.e. receivable or payable in 12 months) and “non-current (i.e. receivable or payable after 12 months);
b) for the Consolidated Profit & Loss Account, the format used distributes costs according to their kind; the Global Consolidated Profit & Loss includes, besides the Profit in the year as listed in the Consolidated Profit & Loss, the other variations to the Net Equity that do not refer to transactions with Shareholders;
c) for the Variations to the Net Equity, the format used reconciles the opening and closing of every entry in both the current year and the previous one;
d) for the Financial Account, the so-called "indirect" method was chosen, whereby the net financial flow of Corporate business is determined by adjusting the profit and loss, because of the effects of:
    - non-monetary elements such as amortization and depreciation;
    - variations of inventory, receivables and payables generated by Corporate business;
    - other elements whose financial flows are generated by investments and financings.

Please note, furthermore, that with reference to Consob Resolution no. 15519 of July 27, 2006 concerning the format of financial statements, specific supplementary versions have been added for the Profit and Loss Account and for the Assets and Liabilities Statement, which particularly stress those relations with associates and non-recurrent transactions that are most significant, in order to make the financial statements more readily comprehensible.

STAKE ACQUISITIONS AND GOODWILL

Stake acquisitions (from January 1, 2010)

Stake acquisitions are entered using the acquisition method. The amount paid for a purchased stake is calculated as the sum of the amount transferred at its *fair value* on the date of the acquisition with any minority stake already held in the purchased company. For all Stake acquisitions, the buyer must enter any minority stake in the purchased company at its *fair value*, or proportionately to the share of the minority stake under the identifiable net assets of the purchased company. Costs of acquisition are covered and classified as administrative expenses.

All potential purchase prices must be listed by the buyer at their *fair value* on the date of acquisition and classified in accordance with the guidelines of IAS 32 and IAS 39.

Goodwill is initially entered at the cost, i.e. the surplus between the amount paid summed to the amount of the minority stake, compared to the identifiable purchased net assets and the liabilities transferred to the Group. If the amount paid is less than the *fair value* of the net assets of the purchased subsidiary, the difference is entered in the Profit and Loss.

After its first entry, goodwill is not impaired and is decreased of any cumulated loss of value, determined according to the methods described hereinafter. Goodwill for stakes in associates and joint-ventures is included in the book value of those companies.
Goodwill recoverability is analyzed on a yearly basis or more frequently, if events or changes of circumstance lead to presumable loss of value. In order to audit the actual loss of value, goodwill acquired as part of a stake acquisition is allocated on the date of the acquisition to the single cash-flow generating units of the Group, or to the groups of cash-flow generating units that are expected to benefit of the purchase's synergies, independently of whether other assets or liabilities of the purchased company have been assigned to those units or unit groupings.

Every unit or unit group to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is not more than the divisions identifiable from the Group's industry-related information.

All loss of value is identified by comparing the book value of the cash-generating unit and its recoverable value, determined according to the methods described in paragraph "Loss of asset value". If the value recoverable by a cash-flow generating unit is less than the book value attributed to it, the relative loss of value is reported in the statement. This loss of value is not restored, even if the reasons that have generated it fall short.
If goodwill has been allocated to a cash-flow generating unit and the entity dismisses part of the assets of that unit, the goodwill associated to the dismissed asset must be included in the book value of the asset when determining the profit or loss deriving from the dismissal. Goodwill

associated to the dismissed asset must be determined on the basis of the values afferent to the dismissed assets and to the part withheld by the cash-flow generating unit.

If the initial values of an acquired stake are incomplete on the closing date of the financial statement, the Group reports the temporary values of those incomplete elements in its consolidated financial statement. Said temporary values are adjusted in the period they are measured, to account for new information received on facts and circumstances on the date of the acquisition which, if known, would affect the value of the assets and liabilities recognized to that date.

Transactions by which the Parent purchases or transfers a minority stake that do not affect its control over the subsidiary are classified as transactions with shareholders and therefore, their effects must be entered in the Net Equity: there will be no adjustments to goodwill and profit/loss reported in the Profit & Loss account.

Company acquisitions (prior to January 1, 2010)
Company acquisitions before January 1st, 2010 have been entered in accordance with the former version of IFRS 3.

<u>LOSS OF ASSET VALUE ("*IMPAIRMENT*")</u>
Permanent assets whose value does not depreciate are annually audited to establish their recovery ("*impairment*") and whenever there is reason to believe their book value has suffered loss.
Assets that do depreciate are "*impairment*" tested only if there is reason to believe that their book value has decreased.
Value recoverability is calculated for goodwill purchased and allocated throughout the business year, at the end of the year the latter was purchased and allocated.
In order to verify its recoverability, goodwill is allocated on the date of its acquisition to the unit or group of cash-generating units that benefit of the acquisition.
The amount depreciated because of "*impairment*" is calculated as the difference between the asset's book value and its recoverable value, determined as the price of sale net of transaction costs and its expendable value, either of which is higher, or the current value, in other words, of the estimated financial flows gross of taxes, applying a discount rate that reflects current market cash value and risks that are specific to the asset. The loss because of a drop in value is at first attributed to the book value of the goodwill allocated to the unit (or unit group) and only later to the other unit assets, proportionately to their book value, up to the amount of the recoverable value of permanent assets. A loss of value is entered if the recoverable value is less than the book value. When a loss of asset value other than goodwill subsequently falls short or decreases, the book value of that asset or cash-flow generating unit is increased to the new estimated recoverable value and cannot exceed the value that would have been determined if no loss due to the drop had been reported. The restored loss of value is entered immediately in the Profit & Loss. The expendable value of an asset is the current value of the expected cash-flows, calculated by applying an actualization rate that reflects current market cash value and the risks specific to the asset.

TANGIBLE ASSETS

All categories of tangible assets, including real estate investments, are listed in the financial statement at their historical cost, minus the amortization and "*impairment*", except for land, which is entered at its historical cost, minus any "*impairment*". The cost includes all expenses that are directly attributable to the purchase.

Costs incurred after the asset is purchased are accounted for as an increase of the historical value or listed separately, only if it is likely that it will generate future economic benefits and their cost is reliably quantifiable.

Amortization of tangible assets is calculated with the linear method, so as to distribute the residual book value over the asset's estimated economic-technical lifespan.

Special maintenance costs capitalized as increase of an already existent asset are depreciated based on the residual lifespan of that asset or, if less, in the interim period from the date of service to the next scheduled maintenance.

The residual value and lifespan of tangible assets are reviewed and modified if necessary, on the closing date of the financial statement.

Capital gains or losses from transfers of tangible assets are entered in the Profit & Loss and are determined by comparing their book value to the price of sale.

Assets held by virtue of financial lease agreements that basically transfer all risks and benefits tied with the asset to the Group, are entered as Group assets at their fair value or, if less, at the current value of the minimum lease fees due. The lease fee is divided into taxable amount and interest share, determined by applying a fixed interest rate to the residual debt.

The financial debt with leasing companies is entered among the short-term liabilities (current amount) and among the long-term liabilities (amount to be reimbursed after year end). Interest costs are attributed to the Profit & Loss for the entire contract term. The leased asset is entered among the tangible assets and is depreciated based on its estimated economic-technical lifespan.

Leased assets over which the lessor essentially preserves all risks and benefits tied thereto are classified as business leases. Costs of business leases are reported in the Profit & Loss over the term of the leasing agreement.

Real estate investments made in the prospect of collecting rental fees are entered at their book value, net of amortization and losses due to cumulated reduction in value.

INTANGIBLE ASSETS

Assets with indefinite useful life

(a) *Goodwill*

Goodwill deriving from stake acquisitions is initially entered at its book value on the date of the acquisition.

Goodwill generated by the acquisition of a stake in subsidiaries is included among intangible assets. Goodwill generated by the acquisition of a stake in associates and Joint-Ventures is included in the stake's value.
Goodwill is not depreciated, but audited to identify any loss of value, on a yearly basis or even more often, if specific events or changed circumstances give reason to believe that it may have lost value. After its first entry, goodwill is evaluated at the cost net of any cumulated loss of value. On the date control over a formerly purchased company is transferred, the capital gain or loss from the transfer takes account of the corresponding residual value of the previously entered goodwill.

Intangible assets with indefinite useful lives are not depreciated, but are annually or even more frequently (whenever there is reason to believe the asset has lost value) subjected to an *impairment* test to identify any reduction in value.

Assets with finite useful life
(b) *Software*
Software licenses are capitalized at their cost of purchase and the cost to put them in service, and are depreciated based on their estimated lifespan.
Costs associated to development and software program maintenance are considered operating costs and therefore attributed to the Profit & Loss account according to their category.

(c) *Research & Development costs*
R&D costs are entered in the Profit & Loss in the business year they are incurred.
R&D costs relating to specific projects are capitalized if the following conditions are met:

- the costs can be reliably determined;
- the technical feasibility of the projects, the forecasted volumes and prices indicate that the costs sustained as part of R&D activities will generate economic benefits in the future.

R&D costs attributed to Profit & Loss over the course of previous years are not post-capitalized, if at a later date the requirements are met.
Finite R&D costs are depreciated from the date the product is sold, based on the period in which they are estimated to generate economic benefits (max. 5 years). R&D costs that do not fit the above conditions are charged to Profit & Loss in the year they were incurred.

(d) *Trademark*
Trademarks are considered perishable assets. In accordance with IAS 38, these assets are depreciated using a method that estimates when the future economic benefits yielded by the asset are presumed to be consumed.

(e) *Other intangible assets*
Other intangible assets purchased separately are capitalized at their cost, while those purchased as part of a stake are capitalized at their fair value identified on the date of the acquisition. After their first entry, intangible assets with finite useful life are entered at their cost, minus amortization and "*impairment*"; intangible assets with indefinite useful life are instead entered at their cost, minus "*impairment*" only.
Intangible assets from internal production are not capitalized, but entered in the Profit & Loss for the year they were generated.

Intangible assets are annually subjected to an "*impairment test*", whenever there are reasons to caution its performance; this analysis can be conducted on the individual intangible asset or on a cash-flow generating unit of assets. The lifespan of other intangible assets is reviewed on an annual basis: any changes, where plausible, are reported in statements.

FINANCIAL INSTRUMENTS

Presentation

The financial instruments held by the Group are included in the financial statement entries described below.

The entry “Stakes and other non-current financial assets” includes stakes in other companies, stakes in *joint-ventures* and other non-current financial assets.

Current financial assets include receivables and cash and cash equivalents. More specifically, the entry “Cash and cash equivalents” includes bank deposits.

Financial liabilities refer to financial debts, include debts for advance payments on orders or on credit transfers, as well as other financial liabilities (which include the negative *fair value* of hedging instruments), payables and other debts.

Evaluation

Stakes in other companies and stakes in Joint-Ventures included among non-current financial assets are entered as described in the following paragraph "Consolidation principles".

Non-current financial assets other than stakes, such as financial liabilities, are entered, in accordance with what established by IAS 39 – Financial instruments: reporting and evaluation.

Assets held with the intent of keeping them in the portfolio until expiry are evaluated at the depreciated cost, using the effective interest method. When financial assets do not have a clear date of expiry, they are evaluated at their cost of purchase. Evaluations are meant to verify if there is objective evidence that a financial asset may suffer loss of value. If there is such evidence, the loss of value must be reported as cost in the Profit & Loss for the period. Except for hedging instruments, financial liabilities are listed as depreciated cost, using the method of effective interest.

Hedging instruments

Coherently with the contents of IAS 39, hedging instruments can be entered according to hedge accounting methods only when:

- the formal designation and the documentation of the hedge are available on the starting date of the hedge;
- it is presumed that the hedge is highly effective;
- its effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All hedging instruments are measured at their *fair value*, as established by IAS 39.

When hedging instruments qualify for hedge accounting, they are entered in statements as follows:

- *Cash flow hedge*. If a hedging instrument is chosen to cover the exposure to unstable future cash-flows of an asset or liability listed in the financial statement or of an expected and highly probable transaction that could affect the Profit & Loss, the effective share of the profit or loss for the hedging instrument is reported in Other total profits/(losses). The cumulated profit or loss are written off the Other total profits/(losses) and entered in the Profit & Loss in the same period in which the correlated economic effect of the hedged transaction is reported. The profit or loss associated to a hedge (or part of one) that has become obsolete are immediately entered in the Profit & Loss. If a hedging instrument or a hedge report are closed, but the hedged transaction has not yet been concluded, the cumulated profit and loss, hitherto entered in the Other total profits/(losses), are reported in the Profit & Loss with regards to the reported economic effects of the hedged transaction. If the hedged transaction is no longer presumed probable, the profits or losses as yet not accrued and suspended in the Other total profits/(losses) are immediately reported in the Profit & Loss.

- *Fair value hedge*. If a hedging instrument is designated to hedge the exposure to variations of the *fair value* of an asset or liability in the financial statement that are attributable to a particular risk which may affect the Profit & Loss, the profit or loss deriving from subsequent evaluations of the *fair value* of the hedging instrument are reported in the Profit & Loss. The profit or loss on the hedged item is attributable to the hedged risk, modifying the book value of that item, and is reported in the Profit & Loss.
- *Hedge of a net Investment*. If a hedging instrument is designated to hedge a net investment in an offshore company, the effective share of profit or loss on the hedging instrument is reported in Other total profits/(losses). The cumulated profit or loss are written off from the Net Equity and entered in the Profit & Loss on the date in which the offshore asset is dismissed.

FINANCIAL LIABILITIES

Financial liabilities encompass financial debts, which include debts for advance payments on orders or on transfers of credits, as well as other financial liabilities, including hedging instruments and liabilities against assets entered in the scope of financial leasing agreements. As required by IAS 39, they also include payables and miscellaneous debts.
Financial liabilities other than hedging instruments are initially entered at their *fair value*; they are subsequently evaluated at their depreciated cost, i.e. their starting value, net of already paid cash reimbursements, adjusted (increased or decreased) based on the amortization (using the effective interest method) of any differences between the starting and closing value.

FINANCING

Financings are initially entered in the financial statement at their *fair value*, net of any accessory charges. After their first entry, they are accounted for on the basis of the depreciated cost criteria. Any difference between the collected financing net of any accessory charges and the amount reimbursed is entered in the Profit & Loss according to its item category, based on the effective interest method. Financings are listed among short-term liabilities, unless the Group does not enjoy unconditional right to defer them to a more than 12 months after the closing date of the financial statement.

INVENTORY

Inventories are entered at their cost or net price of sale, either which is the least, with the latter consisting in the standard price applied to customers as part of the Company's business, net of variable sale expenses. The cost is determined using the weighted average cost method.
The costs of finished and semi-finished products include design, commodities, cost of direct labor, other direct costs and other indirect costs which can be allocated to production based on a normal manufacturing capacity and to their stage in production.
This cost configuration does not include financial charges.

Calculations include funds to cover depreciation of commodities, finished products, spare parts and other supplies considered obsolete or with a slow rotation, taking account of their expected future use and their price of sale.

RECEIVABLES AND OTHER CREDITS

Receivables are initially entered at their *fair value* and subsequently quantified at their depreciated cost by applying the effective interest method, net of impairment, to account for receivables that prove uncollectable. Credit impairment is reported if there is objective evidence that the Group will not be able to collect the full amount due by the deadlines agreed with the customer.

The impairment (amount) is determined as the difference between the book value of the credit and the current value of future receivables, updated with the effective interest rate method. Credit impairment is entered in the Profit & Loss.

Credit transfers

Transferred credits are canceled from the Company's assets following factoring transactions if and only if the risks and benefits that come with their ownership have all been transferred to the beneficiary; a financial liability of the same amount is entered in the consolidated financial statement as debts for advance payments on credit transfers. Profits and losses from the transferred assets are only reported when those assets have been canceled from the Group's Assets & Liabilities statement.

All credits transferred through factoring transactions that do not meet the requisites for their cancellation as established by IAS 39 remain listed in the Group's financial statement, even though they have legally been transferred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits instantly available and overdraft allowances on bank accounts and other liquid investments collectable within three months. Bank overdrafts are entered in the financial statement among short-term financings.

ASSETS FOR SALE

The entry "Assets for sale" include non-current assets (or groups of dismissed assets) whose book value will be largely recovered through their sale (as opposed to their continued use). Assets for sale are entered at the least between the net book value and the *fair value* net of costs of sale.

SHARE CAPITAL

Ordinary shares are classified in the Net Equity.

Accessory charges directly linked to issued shares or to options are entered in the Net Equity, subtracted from cash payments. When the Group purchases Parent shares (treasury shares), the price paid net of all directly attributed accessory charges is subtracted from the Group's Net Equity, until the treasury shares are either cancelled or sold.

DEFERRED TAXES

Deferred taxes are calculated on all temporary differences between the fiscal value and book value of assets and liabilities listed in the financial statement.

Deferred taxes are not accounted for:

- on goodwill deriving from stake acquisitions;

- on the initially entered asset and liability deriving from a transaction other than a stake acquisition and that does not affect either the operating profit calculated in the financial statement or the taxable income.

Deferred taxes are calculated using tax rates and applying the laws issued or essentially issued on the closing date of the financial statement, and that are expected to be applied upon reversal of the temporary differences that have led to their entry in the first place.

Prepaid tax receivables are entered in the financial statement only if it is likely that when the temporary differences are reversed, a taxable income will be generated that is sufficient to compensate the credit. Prepaid tax receivables are reviewed at the end of every business year and if need be reduced, to the extent that it is improbable that sufficient taxable income will be available in the future, so that part or all the credit can be used.

Deferred taxes are also calculated on temporary differences that originate on stakes in subsidiaries, associates and JV's, except when the reversal of those differences can be contained by the Group and it is likely that they will not occur in the near future. Deferred taxes on components reported directly in the Net Equity are likewise directly attributed to the Net Equity.

EMPLOYEE BENEFITS

On 16/06/2011, the IASB issued an amendment to "IAS 19 - Employee Benefits", which modifies the rules for the recognition of fixed benefits plans and of terminations benefits. The main changes concern the recognition in the balance sheet of the deficit or surplus of the plan, the introduction of the net financial burden and the classification of net financial expenses. In particular:

- Recognition of the deficit or surplus of the plan: the amendment eliminates the option to defer actuarial gains and losses with the "corridor method" and it requires the recognition directly in Other overall gains (losses) and the recognized in the income statement of costs related to past service;
- Net financial burden: the net financial burden is composed of financial costs calculated on the present value of liabilities for fixed benefits plans, financial gains from the valuation of plan’s assets and financial income or expenses arising from any limits to the recognition of the surplus of the plan. The net financial burden is determined using for all of these components the discount rate used for the measurement of the fixed benefits plans at the beginning of the period;
- Classification of net financial expenses: net financial expenses will be recognized among the financial income (expense) in the income statement.

This amendment has been applied retrospectively starting from 01/01/2013 adjusting the opening value of the balance sheet as at 01/01/2012 and economic data of 2012.

(a) *Pension plans*

On 31/12/2006, Severance Pay (TFR) of Italian companies was considered a plan of fixed benefits. The legislation applying to the fund was modified by Law of 27/12/2006, no. 296 ("Financial Law 2007") and the subsequent Decrees and Regulations issued in the first months of 2007. In light of those amendments, and with reference in particular to companies with at least 50 employees, Severance Pay is now considered a plan of fixed benefits only for shares accrued before January 1st, 2007 (and resulting as unpaid in the financial statement), while shares accrued at a later date can be assimilated to a fixed contributions plan.

Plans of fixed benefits are pension funds that define the amount of the pension benefit owed to the worker on the date the employment relation is ended; this amount depends on several factors, such as age, years of service and wage.
Fixed contribution plans are pension plans for which the Group pays a fixed amount to a separate entity. The Group is in no way implicitly required by law to pay additional sums, should the activities in service of the plan prove insufficient to pay off benefits owed to employees for their current service and for services provided hitherto.
The plans described here were recorded in accordance with the provisions of IAS 19.

(b) *Benefits paid to employees who attain seniority status*
Certain companies of the Group pay their employees benefits after a set number of years in service (seniority status).
The benefits described here were recorded in accordance with the provisions of IAS 19.

(c) *Benefits paid to employees upon termination of employment relation*
These benefits are owed to employees if their employment relation ends in advance on the date of retirement, or if the relation is terminated because of Corporate restructuring plans. The Group enters a liability in the financial statement for these benefits whenever:
- an official and detailed early retirement incentive plan exists, without the possibility of the employee waivering the plan;
- employees are encouraged to willfully resign. Amounts payable after 12 months from the closing date of the financial statement are updated.

(d) *Incentives, bonuses and profit-sharing agreements*
The Group enters a cost and a debt in view of liabilities that originate for bonuses, employee incentives and profit sharing agreements, which are calculated with a formula that accounts for profits attributable to shareholders (given their due adjustments). The Group enters a liability under a listed fund only if the event is likely to occur, if contractually due, or in view of a procedural custom that infers an implicit obligation.

(e) *Benefits paid to employees in stocks*
The Group pays additional benefits to certain executives and employees through stock option plans.
Based on what established by IFRS 2 – Stock options, said plans are an element of retributions paid to beneficiaries; as such, their cost is represented by the fair value of the stock options on the date they are assigned, and is reported in the Profit & Loss in constant shares over the period from their date of assignment to date of accrual, with their offset directly attributed to Net Equity. Variations in fair value ensuing after the date of assignment do not affect the amount first listed.

<u>PROVISION FOR RISKS AND CHARGES</u>
Provisions to funds to cover risks and charges are made when:
- the Group is faced with a legal or implicit obligation as result of previous events;
- a deployment of resources to cover the obligation and its amount is probable;

- its amount is reliably determinable.

Restructuring funds include both liabilities deriving from early retirement incentives and penalties tied to terminated leasing agreements. No provisions are made to funds for risks and charges in view of future operating losses.
Provisions entered in the financial statement are the best updated estimates made by Directors in identifying the costs (amount) the Group will be called to incur on the closing date to extinguish the obligation.

INCOME
Entered income includes the fair value deriving from the sale of assets and services, net of VAT, returned goods, discounts and infra-Group transactions. Income is entered in accordance with the following rules:

(a) *Sale of assets*
Income for sold assets/goods (laser systems, sheet metal processing machines and components) are reported when all of the following conditions are met:

- the Group has transferred all significant risks and benefits that come with ownership of the assets to the buyer;
- the Group ceases to physically control the sold goods;
- the income (value) is reliably determinable;
- it is likely that the economic benefits deriving from the transaction will be enjoyed by the Group;
- costs incurred or yet to incur for the transaction are reliably determinable.

(b) *Service provision*
Income for provided services are accounted for based on their progress in the business year they are rendered.

(c) *Interest*
Interest receivables are accounted for by category, based on the amortized cost method, applying the effective interest rate (rate that precisely updates cash flows expected in the future, based on the estimated life of the financial instrument).

(d) *Royalties*
Income deriving from royalties is accounted for by category, based on the conditions agreed in their underlying contracts.

(e) *Dividends*
Dividends are accounted for in the year the shareholders accrue right to receive their payment.

CURRENT TAXES
Charges for tax on income in the business year is determined based on the applicable legislation. Tax on income is reported in Profit & Loss. With regards more specifically to the three Italian Companies, it should be noted that it is in force the tax bracket of its national consolidated business pursuant to art. 117/129 of the Consolidation Act on tax on income (T.U.I.R.).

DISTRIBUTION OF DIVIDENDS

Dividends distributed among shareholders generate a debt on the date their distribution is approved by the Shareholders' Assembly.

PROFIT PER SHARE

Basic profit per share is calculated by dividing the Group's Net Profit by the weighted average value of shares in circulation during the business year. In order to calculate profit by single share, the average weighted value of circulating shares is modified on the assumption that all shares with a potentially diluting effect will be converted. The Group's Net Profit too, is adjusted to account for the effects (net of taxes) of the conversion of potentially diluting shares issued by subsidiaries.

PUBLIC CONTRIBUTIONS

Public contributions are entered in the financial statement at their *fair value* only if it is reasonably certain they will be paid and the Group has satisfied all the requirements established by the conditions to obtain them.

CURRENCY CONVERSIONS

(a) *Functional currency and listing currency*

Financial statements of subsidiaries, associates and joint-ventures are drafted applying their functional currency, i.e. the currency widely used in their chief area of business. The currency used by the PRIMA INDUSTRIE Group for financial statement entries is the Euro.

(b) *Assets, liabilities and transactions in foreign currencies*

Transactions in a foreign currency are initially reported at the exchange rate applicable on the date of the transaction.

Assets and liabilities in a foreign currency are converted to Euros using the exchange rate applicable on the closing date of the financial statement. All currency exchange differences are reported in Profit & Loss.

(c) *Group Companies*

On the closing date of the financial statement, the assets and liabilities of Group companies in a foreign currency are converted to Euros at the exchange rate applicable on said date. Their entry in the Profit & Loss account is converted applying the average exchange rate for the year. Currency exchange differences are directly reported in Net Equity and are listed separately in the "Currency conversion Reserve", until dismissal of the subsidiary.

FAIR VALUE

The *fair value* of financial instruments exchanged on an active market is determined on the basis of market prices on the closing date of the financial statement. The market price used as reference for financial assets held by the Group is the current price of sale (or price of purchase for financial liabilities).

The *fair value* of financial instruments exchanged on an active market is determined by a whole set of estimating techniques and assumptions, based on the market conditions existent on the closing date of the financial statement. For medium and long term liabilities, the prices of similar financial instruments exchanged are compared, while the financial flows are updated for other categories of financial instruments.

The *fair value* of IRS is determined by updating the estimated cash-flow deriving from the latter on the closing date. For credits, it is presumed that the nominal value net of any adjustments made to account for their collectability is close to the *fair value*. For the purpose of the required information provided in this report, the *fair value* of financial liabilities is determined by updating cash-flow generated by contracts at an interest rate approximating the market rate the Group applies to fund its business.

DISCRETIONAL ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Drafting the financial statement calls upon the management to make a series of subjective assumptions and estimates drawing from past experience.
Application of those estimates and assumptions affects the amount of assets and liabilities entered in the Assets & Liabilities, as well as the costs and income reported in the Profit & Loss. Actual results may differ (even substantially) from the estimated amounts, considering the natural uncertainty that surrounds the assumptions and underlying conditions.

More specifically, taking account of the uncertainty that persists in certain markets and the economic-financial context in which the Group operates, it cannot be excluded that in the next business year, results will be different from our estimates and that adjustments (even significant) to the book value of the given entries may therefore prove necessary, which cannot presently be either estimated or forecasted. The financial statement items concerned by this condition of uncertainty are credit impairment and warehouse depreciation, non-current assets (tangible and intangible assets), pension funds and other benefits accrued after the employment relation and deferred tax receivables.

What follows is a summary of the main evaluation process and key assumptions made as part of that process that may significantly affect the amounts reported in the consolidated financial statement or that involve a risk of ensuing adjustments to the book value of the assets and liabilities in the year following the one balanced in the financial statement.

Goodwill recovery

The book value of this asset was calculated mainly by applying cash-flow estimates expected from its use and adequate discount rates to calculate its current value; if not completely exhaustive other methods of evaluation have been used. As part of the process, and for the purpose of drafting the consolidated financial statement as of December 31, 2013 and, in particular, when performing *impairment* tests, the foreseeable trend between the period 2014-2018 was considered. Based on the budget figures thus modified, no need for *impairment* has emerged.
Recoverability considerably depends on the discount rate used as part of updated cash-flow models, including cash flow expected in the future and the rate of growth used for extrapolation. The key assumptions made in determining recovery for the several cash-flow generating units (CGU), including a sensitivity analysis, are described in detail in "Note 8.2 – Intangible assets".

Prepaid and deferred taxes

Deferred tax receivables and payables entered in the financial statement are determined by applying the difference between the statutory value and the fiscally recognized value of the various assets and liabilities, the tax rates that are presumed to apply in the various Countries in

the year the temporary differences are expected to fall short. Prepaid taxes relating to fiscal losses reportable in following years are entered in the financial statement only if and to the extent that the management expects the concerned Company to generate a fiscal profit in those years, such as to allow their absorption.
If arising circumstances after the estimates are made induce management to modify those evaluations, i.e. the rate used in calculating the deferred taxes has changed, the items entered in the financial statement are accordingly adjusted.

Warehouse depreciation fund
In determining warehouse depreciation, Group companies make a series of estimates on the future requirement for various types of products and materials stocked, based on their production plans and previous experience with customer demand. If those estimates prove inaccurate, the obsolescence reserves will be adjusted and will consequently affect the Profit & Loss.

Credit impairment
Provisions for credit impairment are determined based on an analysis of individual credit items and in light of past experience with credit collection and customer relations. If the economic and financial conditions of an important customer suddenly worsen, it may call for the need to adjust credit impairment, consequently having negative effects in terms of profit.

Employee Benefits
Several Group companies (particularly in Italy, Germany and France) have legally or contractually required plans for employee benefits that are paid after the employment relation ends. To calculate the amount entered in the financial statement, actuarial estimates are required that duly consider a series of assumptions on such parameters as annual inflation rates, increase in salaries, annual personnel turn-over rate and a set of other variables. A variation in these parameters calls for a readjustment of the actuarial estimates and, consequently, of the amounts reported in the financial statement.

VARIATIONS TO ACCOUNTING PRINCIPLES

Accounting standards, amendments and interpretations applied as of 01.01.2013

- On 12/05/2011, the IASB issued the standard "IFRS 13 - *Fair Value* Measurement", which clarifies how to measure *fair value* for financial reporting purposes and applies to all IFRS that require or permit the measurement of fair value or the presentation of information based on this method.
- On 16/06/2011, the IASB issued an amendment to "IAS 1 - Presentation of Financial Statements", requiring companies to group together items within Other comprehensive income/(loss), depending on whether or not they can subsequently be reclassified to the income statement.
- On 17/05/2012, the IASB issued a set of amendments to IFRS, including the amendment to "IAS 1 - Presentation of Financial Statements" that is applicable from 01/01/2013. The amendment clarifies the rules for the presentation of comparative information in the event of changes in accounting policies and restatement of comparative figures or reclassification and if additional balance sheet are provided.
- On 16/06/2011, the IASB issued an amendment to "IAS 19 - Employee benefits", that modifies the rules for the recognition of defined benefit plans and '*terminations*

benefits'. The main variances concern the recognition in the balance sheet - financial surplus or deficit of the plan, the introduction of the financial equity and the classification of net financial burden. In particular:

- the recognition of the deficit or surplus of the plan: the amendment removes the option to defer actuarial gains and losses using the "corridor method" and it requires the recognition directly in Other comprehensive earnings (loss) and recognized in the income economic costs related to past service;
- net financial burden: the burden of financial debt is made up by financial burdens calculated on the present value of the liabilities for defined benefit plans, financial gains from the valuation of plan assets and the burdens or the financial income arising from any limits on the recognition of the surplus in the plan. The cost of debt is calculated using all of these components to the discount rate used for the measurement of the defined benefit plans at the beginning of the period;
- the classification of the net financial burden: Net financial burden must be recognized into the income (expense) in the income statement.

In accordance with what it is foreseen from IAS 19, the Prima Industrie Group has applied the transaction rules retrospectively starting from the 1st of January, 2013 by adjusting the values of the opening balance sheet as at 01/01/2012 and economic data of 2012.

- On 16/12/2011, the IASB issued amendments to "'IFRS 7 - Financial Instruments: Disclosures". The amendment requires information on the effects or potential effects of contracts with clauses constituted by financial assets and financial liabilities on the balance sheet.

It should be noted that not all the news so far described and entered into force starting in 2013 have had a material impact on the Group.

Accounting standards, amendments and interpretations that are not presently applicable and not applied in advance by the Group

- On 12/05/2011, IASB issued the standard "IFRS 10 - Consolidated Financial Statement", which is set to replace "SIC-12 Consolidation – Vehicle companies" and to partly replace "IAS 27 – Consolidated and separate financial statement", which will be referred to as the separate Financial statement and will establish the guidelines for stake accounting in the separate financial statement. The new standard introduces a new auditing model applicable to all entities, including vehicles. The standard must also be applied to periods audited prior to 01/01/2014.
- On 12/05/2011, IASB issued the standard "IFRS 11 – Partnership agreements", which will replace "IAS 31 – Stakes in Joint Ventures" and "SIC-13 – Jointly managed companies – Contributions in kind by joint management". The new standard provides the guidelines for identifying partnership agreements based on the rights and obligations arising from agreements, as opposed to their legal form, and establishes the Net Equity method as sole accounting method for validly listing stakes in jointly-managed companies in the consolidated financial statement. The standard must be applied to periods audited prior to 01/01/2014. After the standard was issued, "IAS 28 – Stakes in associates" was amended to also include in its scope of application stakes in jointly managed companies, from the date the standard formally becomes part of the accounting process.
- On 12.05.2011, IASB issued the standard "IFRS 12 – Additional information on stakes in other companies", which represents a new and comprehensive standard on the additional

information Companies must provide on all types of stakes. The standard must also be applied to periods audited prior to 01.01.2014.

- On 16.12.2011, IASB issued certain amendments to accounting standard "IAS 32 – Financial instruments: entry in financial statement", to clarify the application of certain criteria for the compensation of financial assets and liabilities discussed in IAS 32. The amendments must be applied to periods starting on or after 01.01.2014.
- On 29/05/2013, the IASB issued an amendment to IAS 36 - Information on the recoverable value of non-financing activity, which regulates the information to be provided on the recoverable value of assets that have suffered impairment in value, if such amount is based on *fair value* less costs of sales The amendments shall be applied retrospectively for annual periods beginning from 01/01/2014.
- On 27/06/2013, the IASB issued amendments to IAS 39 for minor entitled "Novation of derivatives and continuity hedge accounting". The changes allow to continue the 'hedge accounting if a derivative financial instrument designated as a hedging instrument, should be delegated following the application of the law or of the regulations in order to replace the original counterpart to ensure the successful completion of the obligation recruited and if certain conditions are fulfilled. The same change will also be included in IFRS 9 - Financial Instruments. These amendments are to be applied retrospectively for annual periods beginning on 01/01/2014.

No significant effect is expected from the first adoption of these new standards and amendments.

CONSOLIDATION PRINCIPLES

The consolidated financial statement includes those of PRIMA INDUSTRIE SpA (Parent) and of its subsidiaries, drafted on December 31st of each year. The financial statements of subsidiaries are drafted in keeping with the Parent's accounting principles; any consolidated adjustments are made for the purpose of standardizing the entries that are affected by other applied accounting principles. All balances and infra-group transactions, including any unrealized profits deriving from relations entertained between Group companies, are fully cancelled. Unrealized profits and losses with associates are cancelled for the part pertaining to the Group. Unrealized losses are cancelled, except if they are representative of losses of value.
Subsidiaries are fully consolidated starting from the date of acquisition or, in other words, from the date the Group acquires control over them, and cease to be consolidated, from the date in which their control is transferred outside the Group. Minority interests represent the part of profit or loss and of net assets not held by the Group and are listed in a separate item of the Profit & Loss and in the Assets & Liabilities among the elements of Net Equity, separately from the Group's Net Equity.

(a) *Subsidiaries*
Subsidiaries are all those companies, including vehicle companies, whose financial and operating decisions are managed by the Group. Generally speaking, a company is assumed to be managed by the Group if the latter holds more than half of its voting rights, including through extra Corporate agreements or potential rights of vote. Subsidiaries are consolidated from the date in which the Group can exercise its management and are de-consolidated from the date the Group ceases to control their management.
The Group accounts for the acquisition of stakes in subsidiaries with the acquisition method.

The cost of acquisition is the paid price amount and any accessory charges.
Identifiable acquired assets and liabilities are initially entered in the financial statement at their *fair value,* as determined on the date of the acquisition.
The cost surplus/deficit compared to the stake of *fair value* of net acquired assets is capitalized as goodwill among intangible assets (if positive), and immediately in the Profit & Loss (if negative).
Costs, income, credits, debts and profit/loss generated by infra-group transactions are eliminated. When necessary, the accounting principles of subsidiaries are modified to align them with those applied by the Parent.

(b) *Associates and joint-ventures*
Associates are those companies significantly influenced by the Group but not wholly managed. A significant influence is presumed when the Group owns a percentage of voting rights between 20 to 50%. Associates are initially entered at their cost and then accounted for with the Net Equity method.
Joint ventures are jointly managed companies. They are accounted for in accordance with the contents of IAS 31, paragraph 38, which requires that the stake be entered using the Net Equity method.
The Group's stake in associates and joint-ventures includes goodwill calculated on the date of acquisition, net of any cumulated loss of value.
The Group's Profit & Loss reflects the pertinent share of Operating Profit of the associate or joint venture. If the associate or joint-venture makes an adjustment directly attributed to Net Equity, the Group assumes control over its pertinent share, listing it as a Net Equity transaction.
The share of an associate's or joint-venture's loss in the Group's accounts cannot exceed the value of the initial investment; any additional loss is entered among liabilities, only if the Group has obligations or has made payments on behalf of the associate or joint venture.

(c) Other companies
Stakes in other minor companies are entered at their cost, minus any depreciation for loss of value.

CHAPTER 7.

SEGMENT REPORTING

CHAPTER 7. SEGMENT REPORTING

Please note that not all information provided hereinafter is directly retraceable to the information provided in chapters "3 – Group Management report" and "4 – Economic Performance by Segment", as the latter are expressed gross of cross-over entries.

INFORMATION BY BUSINESS SEGMENT

Income from cross-overs are determined based on market prices.

The business segments or divisions of the Group are the following two:

- PRIMA POWER
- PRIMA ELECTRO

Below are the main figures for each division.

Segment results as at December 31st, 2013	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total sector revenues	301.118	48.100	-	**349.218**
(Inter-sector revenues)	(75)	(13.302)	-	**(13.377)**
Revenues	**301.043**	**34.798**	**-**	**335.841**
EBITDA	**25.265**	**5.302**	**-**	**30.567**
EBIT	**18.207**	**474**	**-**	**18.681**
Net financial income/expenses	(8.076)	(752)	-	(8.828)
Income/costs from equity investments not fully consolidated	(519)	(492)	-	(1.011)
Profit before taxes	-	-	-	**8.842**
Taxes	-	-	(3.484)	(3.484)
Net result	**-**	**-**	**-**	**5.358**

EBIT and EBITDA values here presented are not directly reconcilable with the data presented in Chapter 4 -ECONOMIC PERFORMANCE BY SEGMENT since they are presented at net of inter-sector items.

Segment assets and liabilities as at December 31st, 2013	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	274.747	52.337	41.307	**368.391**
Associates, JV and other equity investments (*)	1.266	173	-	**1.439**
Total assets	**276.013**	**52.510**	**41.307**	**369.830**
Liabilities	**106.106**	**13.403**	**144.259**	**263.768**

(*) *Including the investments classified in the Assets held for Sale*

Segment results as at December 31st, 2012	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total sector revenues	311.619	55.046	-	**366.665**
(Inter-sector revenues)	(45)	(17.312)	-	**(17.357)**
Revenues	**311.574**	**37.734**	**-**	**349.308**
EBITDA	**22.843**	**6.164**	**-**	**29.007**
EBIT	**13.324**	**4.298**	**-**	**17.622**
Net financial income/expenses	(7.734)	(1.200)	-	(8.934)
Income/costs from associates and JV	751	(393)	-	358
Profit before taxes	-	-	-	**9.046**
Taxes	-	-	(3.739)	(3.739)
Net result	**-**	**-**	**-**	**5.307**

Segment assets and liabilities as at December 31st, 2012	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	277.990	57.620	39.572	**375.182**
Associates, JV and other equity investments (*)	3.692	462	-	**4.154**
Total assets	**281.682**	**58.082**	**39.572**	**379.336**
Liabilities	**108.592**	**16.965**	**169.830**	**295.387**

(*) *Including the investments classified in the Assets held for Sale*

INFORMATION BY GEOGRAPHICAL AREA

For details concerning the information on income divided by region, please refer to the contents of Chapter 3 "Group Management report" under paragraph "Income and profitability".

Non-current assets (Euro thousand)	31/12/2013	31/12/2012
Italy	37.939	36.835
Europe	128.450	131.105
North America	8.752	8.053
Rest of the world	966	289
TOTAL	**176.107**	**176.282**

CHAPTER 8.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2013

CHAPTER 8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2013

Following the retrospective application from January 1, 2013 of the Amendment to IAS 19, the data relating to 2012 reported for comparative purposes, where required, have been restated.

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

NOTE 8.1 – TANGIBLE FIXED ASSETS

The tangible fixed assets on December 31, 2013 are equal to 24,201 thousand Euro, a reduction of 143 thousand Euro compared with December 31, 2012.

For greater detail on the subject, see the table below.

Tangible Fixed Assets	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Fixed assets under construction	TOTAL
Net value as at December 31st, 2011	**17.723.679**	**2.277.975**	**1.723.223**	**2.202.881**	**545.187**	**24.472.946**
Movements 2012						
Increases	115.955	465.700	865.093	1.235.856	145.918	2.828.522
Disinvestments	-	(150.106)	(46.743)	(563.546)	-	(760.395)
Utilization of accumulated depreciation	-	142.755	43.267	414.200	-	600.222
Depreciation	(556.695)	(603.835)	(720.786)	(862.392)	-	(2.743.708)
Tangible fixed assets reclassifications	9.400	(7.564)	5.518	36.873	(44.227)	-
Reclassifications with intangible assets	-	-	-	(4.871)	-	(4.871)
Differences on exchange rates	(28.884)	(1.270)	(13.563)	(4.997)	(67)	(48.781)
Net value as at December 31st, 2012	**17.263.455**	**2.123.655**	**1.856.009**	**2.454.004**	**646.811**	**24.343.935**
Movements 2013						
Changes in consolidation's area	-	-	-	-	514.402	514.402
Changes in consolidation's area of accumulated depreciation	-	-	-	-	-	-
Increases	128.411	364.233	616.451	958.208	256.833	2.324.136
Disinvestments	-	(3.546.381)	(37.737)	(2.754.209)	-	(6.338.327)
Utilization of accumulated depreciation	-	3.451.837	31.097	2.750.115	-	6.233.049
Depreciation	(553.903)	(489.710)	(753.135)	(909.965)	-	(2.706.713)
Differences on exchange rates	(60.493)	(3.587)	(41.296)	(50.607)	(13.568)	(169.551)
Net value as at December 31st, 2013	**16.777.470**	**1.900.047**	**1.671.389**	**2.447.546**	**1.404.478**	**24.200.931**

The variation in the consolidation area of 514 thousand Euro in the fixed assets in progress concern the construction of the new production plant of the newly-formed PRIMA POWER SUZHOU, which is expected to be completed in the second half of 2014.

NOTE 8.2 – INTANGIBLE FIXED ASSETS

The intangible fixed assets at December 31, 2013 amounted to 151,572 thousand Euro an increase compared to December 31, 2012 of 177 thousand Euro.

For greater detail on the subject, see the table below.

Intangible assets	Goodwill	Development costs	Other intangible assets	TOTAL
Net value as at December 31st, 2011	**102.751.160**	**20.360.910**	**29.517.880**	**152.629.950**
Movement 2012				
Changes in consolidation's area	-	-	-	-
Increases/(decreases)	-	6.166.533	1.058.990	7.225.523
Reclassifications with tangible fixed assets	-	-	4.871	4.871
Depreciation	-	(4.413.384)	(3.934.051)	(8.347.435)
Impairment	-	-	-	-
Differences on exchange rates	(71.264)	(64.662)	18.300	(117.626)
Net value as at December 31st, 2012	**102.679.896**	**22.049.397**	**26.665.990**	**151.395.283**
Movement 2013				
Changes in consolidation's area	-	-	152.835	152.835
Increases/(decreases)	-	8.907.570	381.190	9.288.760
Depreciation	-	(5.138.201)	(3.800.101)	(8.938.302)
Impairment	-	(32.336)	-	(32.336)
Differences on exchange rates	(100.090)	(173.692)	(20.557)	(294.339)
Net value as at December 31st, 2013	**102.579.806**	**25.612.738**	**23.379.357**	**151.571.901**

The most significant item is represented by Goodwill, which on December 31, 2013 is equal to 102,580 thousand Euro. All goodwill written into the balance sheet refers to the larger value paid with respect to the fair value of the assets acquired.

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 December 31st, 2013	BOOK VALUE GOODWILL December 31st, 2012
PRIMA POWER	97.427	97.489
OSAI (Service)	4.125	4.125
PRIMA ELECTRO NORTH AMERICA	837	875
MLTA	154	154
OSAI UK	37	37
TOTAL	**102.580**	**102.680**

PRIMA POWER

Acquisition of the FINN-POWER Group in 2008 caused the inclusion of goodwill for 96,078 thousand Euro. The cash generating unit to which this goodwill has been allocated is represented by the FINN POWER Group, consisting of the sheet metal processing machines production plants in Finland and Italy, and the European and U.S. distribution companies. This allocation has been made on the aggregate maximum constraint, which may not exceed the operating segments under IFRS 8.

Following the adoption in 2011 of a new organizational structure, which has resulted in the reorganization of the business in the two PRIMA POWER and PRIMA ELECTRO segments, there was a redistribution of the managerial responsibilities, the reorganization of certain legal entities and the revision of the reporting tools. Consistent with the new organization of the segments, starting in 2011, the goodwill was assessed on the basis of the new CGU PRIMA POWER, representative of the minimum level at which goodwill is monitored for the internal management control.
In view of the fact that an impairment test is carried out for the entire PRIMA POWER division, in the value of the goodwill deriving from the acquisition of the FINN-POWER Group was included

also the value resulting from PRIMA POWER LASERDYNE equal to 1,897 thousand dollars (such goodwill with that of the PRIMA ELECTRO NORTH AMERICA was previously called PRIMA NORTH AMERICA).

At December 31, 2013 the recoverable value from the cash flow generating unit was subjected to the impairment test to determine the existence of any impairment through comparison between the book value of the unit (inclusive of goodwill) and the value of use, or rather the current value of future financial flows that should derive from their continued use and any divestment of them at the end of their useful life.

The value of use was determined by discounting the cash flows contained in the business plan of the PRIMA-POWER segment approved by the Board of Directors of PRIMA INDUSTRIE SpA concerning the time period January 1, 2014 – December 31, 2018. The assumptions made in forecasting cash flows over the explicit projection period were made on prudential assumptions. The assumptions made on the cash flow forecast for the period of explicit projection were made on a prudential basis and uses future realistic and achievable expectations (based also on economic forecasts of the machine tool sector prepared by a leading international specialist consulting firm). In order to determine the value-in-use of the CGU, cash flows are considered discounted for the 5 years of the explicit forecast, and are then summed to a terminal value determined by discounting the perpetual yield. The discount rate applied to prospective cash flows was 9,81% (pre-tax), calculated taking account of the sector in which the Group operates, the countries in which the Group intends to achieve planned results, the structure of indebtedness at full capacity and the current economic situation. This rate was substantially slightly less than the rate used at the previous year closing (at December 31, 2012 the pre-tax rate was 10.34%). For cash flows for the years subsequent to the explicit forecast period, a growth rate of 0.5% (identical to that used in previous years) has been hypothesized, coherent with recent market evaluations, to take account of the current economic situation.
Determination of the value-in-use using the process illustrated led to a recoverable value above the book value of the cash flow generating unit, making it possible to avoid any reductions in the value of goodwill allocated to the PRIMA POWER segment.
With respect to the basic assumptions described above, an analysis of sensitivity was made of the results with respect to the WACC, the growth rates (g) and the forecast results. In particular, even with increases of 30 basis points on the cost of capital and setting to zero the perpetuity growth rate (g), the values of use show no impairment losses. Considering a growth rate (g) of zero, the WACC (pre-tax) that would make the recoverable value of the CGU equal to its book value would be 14.10%.
A sensitivity test was also performed with forecast results lower than those reflected in the 2014 - 2018 plan. If revenues forecast for 2014 were reduced by 5% (and likewise EBITDA) and the percentage growth rates were maintained for the following years, hence even with a WACC of 9.81% and growth rate of 0.5%, the values of use would not show impairment losses. Considering a growth rate (g) of 0.5% and a WACC of 9.81%, a 7.50% reduction in future revenues (with percentage growth maintained at the same rates in the subsequent years) would make the recoverable value of the CGU the same as its book value.

It should be emphasised that the data for this sensitivity study refer to a theoretical year and this presents limitations. Indeed, in the reference industry, the greater the revenue contractions, the higher the growth rates during the positive phase of the cycle. Hence a 5%

reduction in revenues, with growth rates constant in the following years (i.e. no recovery of the percentage loss of revenues during the five-year period), would mean either a contraction in the machine tools market during the next cycle or a loss in market share for the PRIMA POWER segment. Neither of these events appears likely at the moment.

At the end of the test, the value-in-use of the PRIMA POWER CGU at December 31, 2013 is greater than its book value of around 90 million Euro.

WACC	*9,81%*
Growth rate (g)	*0,50%*
Surplus of recoverable value of CGU over book value	*Euro 90 milions*

<u>OSAI (*Service*)</u>

The acquisition of the OSAI Group during 2007 reflects the strategy of penetration and development of the service market, in which the acquired Group has a consolidated position. The goodwill remaining at the end of the process of allocation of the price paid is therefore entirely allocated to the service segment and represents the entire value of the capital invested in that segment.

The value recoverable from this cash flow generator at December 31, 2013 was calculated on the basis of the value-in-use, determined by discounting the cash flows contained in the economic and financial plan for the period 2014-2018 (approved by the management of PRIMA ELECTRO) and considering the current value of the operating assets of the company at the end of the explicit forecast period (residual value, calculated by basing the expected perpetuity on the cash flow generated in the last year of the plan).

The discount rate applied to prospective cash flows was 12.19%, *pre-tax* (at December 31, 2013 amounted to 15.61%) calculated taking account of the sector in which the OSAI Group operates and its structure of indebtedness. Determination of the value of use according to the process illustrated, made it possible not to make any reductions in the value of goodwill allocated in the service sector of the OSAI Group. The sensitivity analysis carried out on WACC and growth rate, and on the deviations from the forecasts for revenues showed no reductions in the value.

At the end of the test, at December 31, 2013 the value of use of the CGU OSAI is greater than its book value of around 3.8 million Euro (3 million Euro at December 31, 2012).

WACC	*12,19%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*Euro 3,8 milions*

<u>PRIMA ELECTRO NORTH AMERICA</u>

The goodwill in the financial statements relates to the U.S. subsidiary which is part of the PRIMA ELECTRO division (this goodwill along with that of PRIMA POWER LASERDYNE was formerly called PRIMA NORTH AMERICA).

At December 31, 2013 the recoverable value of the CGU was subjected to the impairment test to determine the existence of any impairment through the comparison between the book value of the GCU (goodwill included) and the value of use. The value in use was determined by the present value of expected cash flows, also weighted by a valuation based on multiples of the sector.

In order to determine the value of use bases on the current value of the expected cash flows, we used the cash-flow forecast from the financial plan for 2014-2018 (approved by the Board of Directors of PRIMA ELECTRO NORTH AMERICA), while the cash flows beyond 2018 and for an unlimited time frame were determined by assuming an average cash flows of the period stated on the financial plan with zero growth (g) (prudently reduced compared to the 2012 financial year).
The pre-tax discount rate applied was 12.58%, the post-tax rate applied to prospective cash flows was 8.26%, (respect to the 8.46% post-tax WACC used in the impairment test at December 31, 2012), calculated taking account of the Countries in which company operates and its structure of indebtedness.

From the audit of the possible value impairment of the goodwill referring to this GCU, it did not appear necessary to make any reduction in the value for consolidated financial statements purposes.The goodwill still recorded for PRIMA ELECTRO NORTH AMERICA for Group purposes (equivalent to 1,154 thousand USD) is recoverable.

The sensitivity analysis carried out on WACC and growth rate, and on the deviations from the forecasts for revenues showed no value reductions in the consolidated financial statements.

WACC	*12,58%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*US$ 1,3 milions*

OTHER INTANGIBLE ASSETS
As can be seen from the year's progression, most increases in 2013 were due to the capitalization of development costs.
Since the activities of PRIMA INDUSTRIE SpA. (and all other Group companies) have a high technological content, constant investment in research and development activities is absolutely vital. Despite the difficult economic situation, the Group continued to invest significantly in the development of its products, in order to retain a competitive advantage and be ready in this stage of recovery of the reference market.

The PRIMA INDUSTRIE Group capitalized development costs in those areas where the conditions set out in IAS 38 applied. Technical feasibility and generation of likely future economic benefits were investigated for all development activities for the newly capitalized projects. The capitalized costs on development projects are monitored individually and measured in terms of the expected economic benefits from the time of their implementation. The costs capitalized on projects where the technical feasibility is uncertain or no longer strategic are assigned to the income statement. The rate applied for the number of hours of internal development reflects the cost of industrial man-hours.
It should be noted that the “Other intangible fixed assets” category contains the trademark and customer relationships ("customer list") deriving from the Purchase Price Allocation of FINN-POWER OY occurred in 2008. The net values of the FINN-POWER trademark and the customer list at December 31, 2013 are of 16,257 thousand Euro and 5,600 thousand Euro, respectively.

The "FINN-POWER" trademark has been defined an asset with definite life, as we consider that its use for business and production purposes will be limited in time to 15 years, and consequently it is subject to the depreciation process.

Customer list of the FINN-POWER Group have been defined as an asset with a definite life of 10 years, and consequently this asset is also submitted to the depreciation process. It should be noted that the FINN-POWER trademark and the customer list of the FINN-POWER Group fall within the "PRIMA POWER" CGU, hence their recoverability was considered as part of the impairment test on goodwill.

NOTE 8.3 - OTHER INVESTMENTS

The value of other Shareholdings on December 31, 2013 amounted to 289 thousand Euro and of the year 2013 they changed as follows:

- net decrease of 323 thousand Euro of the stake held by PRIMA ELECTRO SpA in the company EPS; the change is the result of a capital increase following the conversion of a bond issued by EPS and signed by PRIMA ELECTRO SpA for 157 thousand Euro and by the impairment of the same stake for 480 thousand Euro;
- net increase of 33 thousand Euro of the stake held by PRIMA ELECTRO SpA in the company Caretek Srl; the change is the result of a capital increase following the conversion of a financial receivable due to PRIMA ELECTRO SpA for 45 thousand Euro and by the impairment of the same stake for 12 thousand Euro;
- increase of 11 thousand Euro for an additional stake in the company Lamiera Servizi Srl; this stake is held by PRIMA INDUSTRIE SpA.

This heading on December 31, 2013 is composed of:

- EPS: 97 thousand Euro (shareholding equal to 2.36%);
- Caretek Srl: 76 thousand Euro (shareholding equal to 21.57%);
- Fimecc OY: 50 thousand Euro (shareholding equal to 2.4%);
- Härmämedi OY: 25 thousand Euro (shareholding equal to 8.33%);
- Lamiera Servizi Srl: 11 thousand Euro (shareholding equal to 19%);
- other minor shareholdings: 30 thousand Euro.

The equity investment in Fimecc OY and Härmämedi OY are held by FINN-POWER OY.

NOTE 8.4 – NON CURRENT FINANCIAL ACTIVITIES

This item at December 31, 2013 is equal to 113 thousand Euro and consists of the two financing arrangements issued by PRIMA ELECTRO SpA to the company EPS for 88 thousand Euro and to the company Caretek Srl for 25 thousand Euro.

NOTE 8.5 –DEFERRED TAX ASSETS

The tax assets for anticipated taxes are equal to 7,647 thousand Euro, in increase compared with the preceding financial year of 1,042 thousand Euro (6,605 thousand Euro on December 31, 2012).

This asset has mainly been generated by the temporary difference in the stock in hand, in the provisions for liabilities and charges.

Deffered tax assets	December 31st, 2013	December 31st, 2012
Inventories	2.489.243	2.260.025
Provisions for risks and other liabilities	2.570.293	1.872.973
Trade receivables	307.397	308.631
Tax losses carried forward	930.232	362.101
Non-current tangible/intangible assets/Financial leases	440.619	509.629
Employee benefits	551.836	495.801
Other	357.713	796.099
TOTAL	**7.647.333**	**6.605.259**

The accounting statement of the anticipated taxes has been carried out, only where suppositions of recoverability exist. With regard to the recoverability of these taxes it should be noted that the Parent Company and PRIMA ELECTRO SpA have historically realized positive taxable incomes, both for IRES and IRAP purposes and expect to earn positive taxable incomes in the following financial years also. The valuation on the recoverability of anticipated taxes take into account the expected profits in future financial years and furthermore, is supported by the fact that the anticipated taxes mainly refer to adjusted asset funds and to provisions for risks and charges, for which there is no expiry. The anticipated taxes on the accumulated claimable losses have been recognised in the measure at which it is probable that a future taxable income against which they might be recovered. In the light of what has been illustrated, elements such as to modify the preceding valuations regarding the recoverability of the anticipated taxes have not been experienced.

NOTE 8.6 - INVENTORIES

The following table shows the composition of the stock in hand at December 31, 2013 and at December 31, 2012.

Inventories	December 31st, 2013	December 31st, 2012
Raw materials	20.110.202	24.859.168
Semi-finished goods	9.104.962	12.864.798
Finished goods	43.066.884	49.128.450
(Inventories provisions)	(6.067.584)	(5.768.648)
TOTAL	**66.214.465**	**81.083.768**

The warehouse stock in hand at December 31, 2013 amounts to 66,214 thousand Euro, net of the warehouse devaluation fund for a total of 6,068 thousand Euro. The net value of the warehouse stock in hand on December 31, 2013 shows a decrease equal to 14,870 thousand Euro compared with December 31, 2012. This reduction reflects the improved ability of the Group in the management of working capital.

NOTE 8.7 - TRADE RECEIVABLES

The trade receivables on December 31, 2013 amounted to 78,833 thousand Euro and compared to the previous financial year an increase of 8,131 thousand Euro was experienced.

Trade receivables	December 31st,2013	December 31st,2012
Receivables from customers	82.124.226	74.827.697
Provision for doubtful debts	(3.291.150)	(4.125.275)
Total trade receivables	***78.833.076***	***70.702.422***

The receivables write-down fund during 2013 has undergone the following changes.

Depreciation Fund	Euro Thousand
Value at Dec. 31st, 2012	**(4.125)**
Provisions	(403)
Utilizations	1.217
Exchange rate	20
Value at Dec. 31st, 2013	**(3.291)**

The fund reflects the management's estimate of the losses that the Group can expect. The uses of the same fund cover certain losses resulting from opening of insolvency proceedings.
The book value of Trade receivables is considered to be approximately equal to its *fair value*.

Below is a breakdown of trade receivables (net of the receivable write-down fund) divided according to expiry.

Receivables by maturity	Amount in thousand Euro
Due to expire	47.706
Expired 0 - 30 days	15.349
Expired 31 - 60 days	4.810
Expired 61 - 90 days	3.149
Expired 91 - 120 days	2.483
Expired over 120 days	8.627
TOTAL	**82.124**

NOTE 8.8 - OTHER RECEIVABLES

The other current receivables on December 31, 2013 are equal to 5,909 thousand Euro and are decreased in comparison with December 31, 2012 by 1,607 thousand Euro and are subdivided as shown in the following table.

Other receivables	December 31st,2013	December 31st, 2012
Contribution to be received for R&D projects	2.417.144	2.482.773
Prepayments and accrued income	1.440.089	2.887.901
Advances payments to suppliers	1.378.502	1.386.119
Other receivables	393.945	467.719
Advances to employees	279.726	292.220
TOTAL	**5.909.406**	**7.516.732**

The other non-current receivables are equal to 21 thousand Euro.

NOTE 8.9 -CURRENT TAX RECEIVABLES

The heading amounts to 4,305 thousand Euro in increase of 465 thousand Euro compared to December 31, 2012. Tax assets are represented by VAT credits for 2,395 thousand Euro, a tax credit amounting to 1,048 thousand Euro following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011), which arose in February 2013, by advances from direct taxes for 424 thousand Euro, by receivables for withholding tax for 398 thousand Euro and other receivables for minor tax assets (40 thousand Euro).

NOTE 8.10 - NET FINANCIAL POSITION

On December 31, 2013, the net financial position of the Group was negative for 99,961 thousand Euro, showing an improvement of 26,318 thousand Euro compared with the previous financial year (negative for 126,279 thousand Euro). For a better understanding of the changes in the net financial position during the year 2013, the refer to the consolidated cash flow statement of the period.

As required by the Consob communication No. DEM/6064293 of July 28, 2006, the net financial debt at December 31, 2013 and December 31, 2012 is shown in the following table, determined with the indicated criteria in the CESR (Committee of European Securities Regulators) Recommendations of February 10, 2005 "Recommendations for the uniform activation of the European Commission Regulation on Information Sheets" and quoted by Consob itself.

Values expressed in thousand Euro

		December 31st, 2013	December 31st, 2012	Variations
A	CASH	29.194	24.459	4.735
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**29.194**	**24.459**	**4.735**
E	**CURRENT FINANCIAL RECEIVABLES**	**47**	**4.740**	(4.693)
F	CURRENT BANK PAYABLES	14.647	15.981	(1.334)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	36.113	39.574	(3.461)
H	OTHER CURRENT FINANCIAL PAYABLES	1.070	958	112
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**51.830**	**56.513**	**(4.683)**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**22.589**	**27.314**	**(4.725)**
K	NON-CURRENT BANK PAYABLES	73.648	96.471	(22.823)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	3.724	2.494	1.230
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**77.372**	**98.965**	**(21.593)**
O	**NET FINANCIAL POSITION (J+N)**	**99.961**	**126.279**	**(26.318)**

LIQUIDITY

For more detail on the related liquid availability, see the Consolidated Cash Flow Statement.

CURRENT FINANCIAL RECEIVABLES

The current financial receivables amount to 47 thousand Euro and refer to the fair value of some financial instruments to hedge the exchange rate risk (Currency Rate Swap - CRS).

INDEBTEDNESS WITH BANKS

The main debt included in the bank indebtedness is the FINPOLAR loan. This loan which at December 31, 2013 amounts comprehensively to 103,911 thousand Euro, is subdivided as follows:

- Quota A: medium/long-term financing of 9,405 thousand euro (*amortized* expiring in February 2015 with a with a six monthly payment);
- Quota B: medium/long-term financing of 63,471 thousand Euro (expiring in February 2016 with a *bullet* repayment at expiry);
- Quota C2: credit line for anticipated invoices (revolving) used on December 31, 2013 for 10,261 thousand Euro (the credit line is usable for a maximum comprehensive sum of 12,200 thousand Euro for the Group working capital requirements);
- Quota D: credit line for cash of 19,887 thousand Euro (for a maximum capital sum of 20 million Euro);

- on December 31, 2013 there were accrued and unpaid interests on all the quotas of the FINPOLAR loan for totally 887 thousand euro.

The FINPOLAR loan is for 68,114 thousand Euro expiring beyond 12 months.

It should be noted that in the year 2013, the FINPOLAR loan has been reduced significantly, both for the regular repayment of the instalments provided for by the repayment plan, but especially for the anticipated repayment of 15.7 million euro occurred as a result of the conversion of more than 82% of the Warrants. The FINPOLAR loan has changed from 127,597 thousand Euro at December 31, 2012 to 103,911 thousand euro at December 31, 2013. At the date of preparation of these financial statements, also the instalment due on February 4, 2014 has been regularly repaid.

The *covenants* measured on the consolidated financial statements at December 31, 2013 are met.

Included in the non-current bank debits are also other bank financing for 604 thousand Euro and the negative *fair value* of some derivative financial instruments (IRS - Interest Rate Swap) which amount comprehensively to 4,930 thousand Euro. The main contracts are those stipulated by PRIMA INDUSTRIE SpA, in partial cover for the risk of interest rates on the above mentioned FINPOLAR loan. The effectiveness test carried out on the covering derivative contracts highlighted, on December 31, 2013, a report of substantial effectiveness and therefore, as even the other requirements required by IAS 39 were complied with, they are accounted for using the "hedge accounting" criterion. The financial instruments, for which the effectiveness test was not carried out, considering their characteristics, were accounted for through the allocation of the related *fair value* variations allocation in the profit and loss account. For more details on *covenants* and contract clauses, see the paragraph below entitled “FINANCIAL INDICATORS (“*COVENANTS*”) AND OTHER CONTRACT CLAUSES”.

Encompassed into the current bank debt (also considering the current part of the non-current debt) are the FINPOLAR loan for 35,797 thousand Euro, *bank overdrafts* for 13,276 thousand Euro and other bank financing for 1,687 thousand Euro.

<u>OTHER FINANCIAL PAYABLES</u>
The Other financial payables amount comprehensively to 4,794 thousand Euro (of which 1,070 thousand are current).
The other financial payables encompass:

- payables for financial leasing for a sum equal to 2,778 thousand Euro (of which 537 thousand Euro are current);
- other financial payables for 2,016 thousand euro (of which 533 thousand Euro are current); these payables refer principally to subsidized ministerial loans.

FINANCIAL INDICATORS (COVENANTS) AND OTHER CONTRACT CLAUSES

The FINPOLAR loan agreement includes a series of economic and financial parameters (*covenants*) to be observed throughout its duration (until 2016), with variable values for different measuring periods.

Below is set out a table showing the covenants currently in force for December 31, 2013 and the following measurement periods.

EBITDA/Consolidated Net Financial costs ratio not less than:	*3,0x at December 31, 2013 and June 30, 2014* *4,0x at December 31, 2014 and June 30, 2015* *4,5x at December 31, 2015*
Net Financial Borrowings/consolidated EBITDA ratio not more than :	*4,1x at December 31, 2013 and June 30, 2014* *3,0x at December 31, 2014 and June 30, 2015* *2,75x at December 31, 2015*
Net Financial Borrowings/Consolidated Shareholders's Equity ratio not more than:	*1,6x December 31, 2013 and June 30, 2014* *1,4x at December 31 2014 and June 30, 2015* *1,2x al 31 Dicembre 2015*

The FINPOLAR loan also contains a series of further commitments undertaken by PRIMA INDUSTRIE and which may be departed from only with the express consent of the financing banks. These include:

- transmission, by PRIMA INDUSTRIE, with access rights for the agent bank, of financial and accounting documentation and documentation concerning any disputes involving the parent company and other companies in the group;
- transmission of information regarding circumstances that may lead to a decisive event or shareholders' meeting;
- completion and maintenance of guarantees required by the FINPOLAR loan agreement and non-provision of guarantees for any parties other than the financing banks;
- undertaking not to operate outside of the *core business*, except within defined limits, and not to sell assets or shareholdings of any kind, beyond a defined value, except the possibility of transferring specific shareholdings and non-instrumental assets necessary for the performance of the core business;
- undertaking not to exceed certain levels of financial indebtedness beyond the level deriving from the FINPOLAR loan agreement;
- undertaking not to grant financing or issue guarantees to parties other than companies of the Group, except those which are part of the ordinary business activity;
- undertaking not to modify its business object and articles of association, not to carry out transactions on shareholders' capital (including the creation of assets or the financing of specific business, with a few exceptions that do not prejudice the rights of the financing banks), not to modify the accounting standards and the closing date of the financial year;
- undertaking to observe statutory or regulatory provisions or obtain permission and authorizations applicable to PRIMA INDUSTRIE and to companies of the Group, also with reference to environmental and fiscal regulations;
- undertaking to suitably protect its intellectual property rights and take out suitable insurance coverage on the assets and property of PRIMA INDUSTRIE and of companies of the Group;

- undertaking to subordinate receivables due to shareholders over payment obligations deriving from the FINPOLAR loan agreement and to ensure that these latter do not defer on any obligations made by the Company towards its unsecured creditors.

In accordance with the FINPOLAR loan agreement, the following events represent just cause for its express termination:

- non-observance of *covenants*,
- non-observance of the main obligations and commitments set out in the FINPOLAR loan agreement,
- substantial worsening of the situation outlined in the documentation provided to the financing banks,
- existence of disputes which might potentially be prejudicial to the company's situation,
- existence of executive or insolvency procedures of the Parent Company or companies of the Group,
- non-payment of financial payables by the Parent Company or by companies of the Group if exceeding 500 thousand Euro.

The following rates are currently in force:

- Quota A: 6-month Euribor + a 205 basis point spread.
- Quota B: 6-month Euribor + a 230 basis point spread.
- Quota C2: *Pro-tempore* Euribor + a 215 *basis point* spread.
- Quota D: Pro-tempore Euribor (as drawn) + a 195 *basis point* spread.

MOVEMENT OF PAYABLES DUE TO BANKS AND FINANCING

The payables to banks and the Financing of PRIMA INDUSTRIE Group at December 31, 2013 (not inclusive of the *fair value* of derivatives) amount to 124,271 thousand Euro and in the year 2013 they changed as shown in the following table.

BANK PAYABLES AND LOANS	*Euro thousand*
Bank Payables and loans - current portion (December 31st, 2012)	56.513
Bank Payables and loans - non-current portion (December 31st, 2012)	91.703
TOTAL BANK PAYABLES AND LOANS AS OF DECEMBER 31st, 2012	**148.216**
Variations in consolidation's area	-
Stipulation of loans and borrowings *(including bank overdrafts)*	3.619
Repayment of loans and borrowings *(including bank overdrafts)*	(27.512)
Stipulation/(repayments) of financial leasing	125
Exchange rate effect	(176)
TOTAL BANK PAYABLES AND LOANS AS AT SEPTEMBER 30, 2013	**124.272**
of which:	
Bank payables and loans- current portion (December 31st, 2013)	51.830
Bank payables and loans - non-current portion (December 31st, 2013)	72.442
TOTAL BANK PAYABLES AND LOANS AS AT DECEMBER 31st, 2013	**124.272**

BREAKDOWN OF FINANCIAL PAYABLES BY EXPIRATION AND INTEREST RATE

The following table lists the breakdown of financial payables to banks and other lenders (and, for the purposes of providing a framework for the data exposed in the financial statements, includes payables for leases, factoring and payables to banks for derivatives) by expiration and interest rate.

Current financial payables

Values expressed in Euro thousand	Effective interest rate	Expiry	December 31st, 2013
Current bank payables			
Bank overdrafts	N/A	Sight	13.276
MPS	Libor 3m + 1,50%	Sight	1.305
Interest owed	N/A	N/A	66
TOTAL			**14.647**
Current portion of non-current indebtedness			
FINPOLAR - Tranche A (bank pool)	Euribor 6m + 2,05%	04/02/15	4.977
FINPOLAR - Tranche B (bank pool)	Euribor 6m + 2,30%	04/02/16	(274)
FINPOLAR - Tranche C2 (bank pool)	Euribor pro-tempore + 2,15%	12/11/14	10.261
FINPOLAR - Tranche D (bank pool)	Euribor pro-tempore + 1,95%	31/01/16	19.946
FINPOLAR - Interest owed	N/A	N/A	887
Unicredit	Euribor 6m + 1,00%	30/06/16	186
MPS	Euribor 3m + 1,50%	01/01/21	43
Banca Itau	1,350%	04/12/14	21
Banca Itau - Interest owed	N/A	N/A	5
Banco do Brasil	1,509%	20/12/15	58
Banco do Brasil - Interest owed	N/A	N/A	3
TOTAL			**36.113**
Other current financial payables			
MISE	0,448%	26/11/23	153
MISE	1,175%	08/06/14	38
MCC	0,730%	30/04/15	116
Nordea	5,950%	31/08/16	9
Chicopee Electric Light	N/A	31/01/14	1
Interest owed	N/A	N/A	1
Eneplan	N/A	N/A	215
Financial leasing			537
TOTAL			**1.070**

Non-current financial payables

Values expressed in Euro thousand	Effective interest rate	Expiry	December 31st, 2013
Non-current bank payables			
FINPOLAR - Tranche A (bank pool)	Euribor 6m + 2,05%	04/02/15	4.429
FINPOLAR - Tranche B (bank pool)	Euribor 6m + 2,30%	04/02/16	63.744
FINPOLAR - Tranche D (bank pool)	Euribor pro-tempore + 1,95%	31/01/16	(59)
Derivative - IRS Unicredit	N/A	04/02/16	1.993
Derivative - IRS Sanpaolo-IMI	N/A	04/02/16	1.993
Derivative - IRS Unicredit	N/A	07/05/17	944
Unicredit	Euribor 6m + 1,00%	30/06/16	314
MPS	Euribor 3m + 1,50%	01/01/21	281
Banco do Brasil	1,509%	20/12/15	9
TOTAL			73.648

Other non-current financial payables	Effective interest rate	Expiry	December 31st, 2013
MISE	0,448%	26/11/23	1.407
MCC	0,730%	30/04/15	58
Nordea	5,950%	31/08/16	17
Financial leasing			2.242
TOTAL			3.724

The following table shows the temporal distribution of payments of financial payables.

Values expressed in Euro thousand	2014	2015	2016	2017	2017 onwards	Total
CURRENT BANK PAYABLES (*)	14.647	-	-	-	-	14.647
CURRENT PORTIONS OF NON-CURRENT PAYABLES	36.113	-	-	-	-	36.113
OTHER CURRENT FINANCIAL PAYABLES (*)	1.070	-	-	-	-	1.070
NON-CURRENT BANK PAYABLES	-	4.346	64.179	47	146	68.718
OTHER NON-CURRENT FINANCIAL PAYABLES	-	680	426	373	2.245	3.724
TOTAL	51.830	5.026	64.605	420	2.391	124.272

(*) excluding the value of derivatives

It should be noted that of the total amount of 51,830 thousand Euro payable in 2014:

- 13,276 thousand Euro refer to *bank overdrafts* and
- 19,946 thousand Euro refer to Quota D, which is a revolving credit, that has therefore been considered as short-term, but will available until January 31, 2016.

DERIVATIVES

At December 31, 2013 the Group holds several derivative financial instruments for an overall negative value of 4,883 thousand Euro.

Notional values are indicated in the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM December 31st, 2013
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	€ 21.272.321	-€ 1.993.041
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	€ 21.272.321	-€ 1.993.041
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	€ 10.000.000	-€ 943.437
CRS - Non hedge accounting	Prima Industrie	Banca Akros	28/02/14	$1.200.000	€ 11.013
CRS - Non hedge accounting	Finn-Power OY	Danske Bank	15/01/14	$1.278.063	€ 7.705
CRS - Non hedge accounting	Finn-Power OY	Danske Bank	31/01/14	$1.254.551	€ 9.834
CRS - Non hedge accounting	Finn-Power OY	Danske Bank	14/02/14	$1.110.531	€ 9.499
CRS - Non hedge accounting	Finn-Power OY	Danske Bank	18/02/14	$1.331.328	€ 4.733
CRS - Non hedge accounting	Finn-Power OY	Danske Bank	28/02/14	$276.066	-€ 81
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	14/02/14	$526.961	€ 2.524
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	03/03/14	$773.991	€ 1.742
				TOTAL	-€ 4.882.550

NOTA 8.11 –ASSETS HELD FOR SALE

On December 31, 2013, the value of the non-current assets destined for wind-up is equal to 1,484 thousand Euro.

Non-current assets held for sale	SUP Investments	SNK Investments	Real Property Rivalta sul Mincio	TOTAL
Value as at December 31st, 2012	**3.503.352**	**83.500**	**543.000**	**4.129.852**
Disinvestments	(2.424.212)	(77.780)	-	(2.501.992)
Surplus value	12.152	-	-	12.152
Adjustment to fair value	-	(666)	-	(666)
Currency adjustment	58.547	(5.054)	-	53.493
Impairment	-	-	(209.000)	(209.000)
Value as at December 31st, 2013	**1.149.839**	**-**	**334.000**	**1.483.839**

The investment in the company SHANGHAI UNITY PRIMA (hereinafter for brevity called "SUP") held by PRIMA INDUSTRIE SpA amounted to 1,150 thousand Euro; in May 2013, PRIMA INDUSTRIE SpA transferred to the majority shareholder WUHAN HUAGONG UNITY an additional quota equal to 10% of its stake held; on December 31, 2013 PRIMA INDUSTRIE SpA holds a quota of only 5%.

As already mentioned in the Consolidated Financial Statements at December 31, 2012, PRIMA INDUSTRIE SpA had announced the intention not to renew the agreement with the Japanese JV SNK; during the month of April 2013 the shareholding held in SNK has been completely liquidated.

In this heading of the financial statements are classified some properties under construction held by the Company FINN-POWER Italia Srl located in Mantova, Italy, during the year 2013 they have been depreciated of 209 thousand Euro to adapt them to their *fair value*.

NOTE 8.12 – EQUITY

SHARE CAPITAL

The Share Capital amounts to 26,208,185 Euro (divided into 10,483,274 ordinary shares with a par value of 2.50 Euro each) in increase compared to December 31, 2012 of 4,601,632 Euro. This increase is due to the conversion by large part of the shareholders of the Warrants in circulation until December 16, 2013. During the year 2013, 1,840,653 warrants, corresponding to the same amount of shares, were converted.
As already mentioned in the Management Report of the significant events of the period, the Warrants conversion ended on December 16, 2013. The procedure was successful, as the Warrants exercised amounted to a total of more than 82% of those issued for a total equivalent value of approximately 15.7 million Euro.

LEGAL RESERVE

This item amounts to 4,321 thousand Euro and increased as a result of the allocation of the mandatory share of the profit accrued in 2012.

OTHER RESERVES

This item has a value of 68,145 thousand Euro and, compared to December 31, 2012, it increased by 14,927 thousand Euro.

The item consists of:

Share Premium Reserve

The Share Premium Reserve amounts to 57,507 thousand Euro increased with respect to December 31, 2012 by 11,044 thousand Euro following the aforementioned Warrant conversion.

Costs for Share Capital Increase
This reserve is negative for 1,286 thousand Euro and is unchanged compared to the previous financial year.
Stock Option Reserve
This reserve totals 1,295 thousand Euro and, compared to the previous financial year, it remained unchanged. For more details about the stock option plan in force, see the relative section of the Management Report.
Change in the Fair Value of Hedging Derivates
This reserve consists of profits and losses entered directly in the shareholders' equity deriving from the adjustment to fair value of financial instruments coverage underwritten by the Group. At December 31, 2013 this reserve had a negative value of 3,196 thousand Euro.
Other Reserves
For effect of the allocation of the previous profit, this reserve amounting to 13,825 thousand Euro decreased of 1,891 thousand Euro compared with December 31, 2012.

CURRENCY TRANSLATION RESERVE
The Currency Translation Reserve has a negative value of 2,138 thousand Euro and has worsened compared to the previous financial year of 525 thousand Euro.

RETAINED EARNINGS
This amount, which is positive for 3.011 thousand Euro includes the results of previous years of consolidated companies as well as the change in the area of consolidation and the capital losses/gains generated as a result of the acquisition or transfer of treasury shares and also in accordance with the application of IAS 19 *revised* the effect of actuarial profits/losses on severance indemnities for employees. In addition, the amounts relative to differences in accounting methods on the date of IAS/IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

PROFIT FOR THE YEAR
This item includes net income of the year, totalling 5,429 thousand Euro (5,307 thousand Euro on December 31, 2012) attributable to the minority shareholders of the Parent Company.

MINORITY INTEREST
This item is positive for 1,085 thousand Euro and refers to the entrance in the consolidation area during 2013 of the newly incorporated Chinese branch PRIMA POWER SUZHOU 51% held by PRIMA INDUSTRIE SpA.

CONNECTION BETWEEN RESULT AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND THE SAME VALUES OF THE GROUP
Pursuant to the Consob Communication dated July 28, 2006, the following table illustrates the connection between the result for the year 2013 and the Group's shareholders' equity at December 31, 2013 with the same values of the Parent Company PRIMA INDUSTRIE SpA.

Reconciliation between income and shareholders' equity of the parent company and related Group values *(values expressed in Euro thousand)*	Shareholders' Equity as at December 31st, 2013	Income as at December 31st, 2013	Shareholders' Equity as at December 31st, 2012	Income as at December 31st, 2012
PRIMA INDUSTRIE SpA separate Financial Statements	99.686	2.684	79.462	1.892
Accounting for shareholders' equity and income from subsidiaries	155.107	6.130	138.945	1.531
Accounting Goodwill including share allocated on Trade Mark and Customer List	30.319	(3.023)	33.108	(2.807)
Elimination of values of consolidated shareholdings in PRIMA INDUSTRIE SpA Financial Statements	(176.553)	2.800	(168.582)	5.344
Valuation of investments held for sale	968	(1.990)	2.958	(3.205)
Elimination of infragroup income included in stock and fixed assets	(5.407)	(465)	(5.278)	343
Elimination of depreciation/revaluation of consolidated shareholdings	6.571	362	6.410	1.802
Tax effect on consolidation adjustments	(4.371)	(93)	(4.355)	618
Other consolidate entries	(259)	(1.047)	1.281	(211)
PRIMA INDUSTRIE Group Financial Statements	106.061	5.358	83.949	5.307

PROFITS(LOSSES) ENTERED IN SHAREHOLDERS' EQUITY

The Profits/(Losses) entered directly in the shareholders' equity are as follows:

- Reserve for *fair value* adjustment of derivatives: negative for 3,196 thousand Euro;
- Currency translation reserve: negative for 2,138 thousand Euro;
- Effect of IAS 19 amendment negative for 32 thousand Euro

NOTE 8.13 –EMPLOYEES BENEFIT LIABILITIES

The employees benefit liabilities 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.

It should be noted that, until December 31, 2006, the Severance Indemnity (TFR) of the Italian companies was considered a fixed-benefits plan. Regulation of these funds was modified by Law no. 296 of December 27, 2006 (“2007 Financial Law") and subsequent Decrees and Regulations enacted in the first months of 2007. In the light of these changes and, in particular, with reference to companies with at least 50 employees, this scheme must now only be considered a fixed benefit plan for quotas accrued before January 1, 2007 (and not yet liquidated at the date of the financial statements) while the quotas which accrued subsequently to this date are comparable to a fixed-contribution plan.

In accordance with IAS 19, the PRIMA INDUSTRIE Group has applied the rules of IAS 19 as amended from January 1, 2013 with retroactive effect.

The fidelity premium, however, accrues on reaching certain seniority within the company.

Below is a comparison of these items.

Employee benefits	December 31st, 2013	December 31st, 2012
Severance indemnity fund	6.016.463	6.036.660
Fidelity premium and other pension funds	1.715.077	1.592.642
TOTAL	**7.731.540**	**7.629.302**

The table below shows a Severance Indemnity operation.

Severance indemnity fund (values expressed in Euro thousand)	2013	2012
Severance fund at the beginning of the year	**6.036**	**5.930**
Severance indemnity paid out during the period	(271)	(272)
Actuarial gains/losses	55	136
Financial expenses	196	237
Other movements	-	5
Severance fund at the end of the year	**6.016**	**6.036**

The main actuarial hypotheses used to estimate the final liabilities deriving from employee benefits are as follows:

Actuarial hypotheses	December 31st, 2013	December 31st, 2012
Annual discount rate	3,15 %	3,25%
Annual inflation rate	2,0%	2,0%
Annual Severance fund increase rate	3,0%	3,0%

- probability of death as defined by the Italian State Treasury RG48;
- the probability of disability, divided by gender, adopted in the INPS model for all the projections to 2010;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with frequency of 5% depending on the company;
- for the probability of advances an annual rate of 3.00% was supposed.

NOTE 8.14 –DEFERRED TAX LIABILITIES

An amount of 10,350 thousand Euro, in increase with respect to the previous year by 1,053 thousand Euro. It should be noted that this heading includes also fiscal liabilities for deferred taxes on the trademark, on the relation with clients and the Cologna Veneta real estate deriving from the company merger of the FINN-POWER Group amounting to 6,685 thousand Euro.

NOTE 8.15 – PROVISIONS

A provision for risks and charges in 2013 is shown below:

Non-current provisions	Cust. Agent. Ind. Provision	Other provisions	TOTAL
December 31st, 2011	**124.009**	**-**	**124.009**
Allocations	9.394	-	9.394
Utilizations in the period	-	-	-
December 31st, 2012	**133.403**	**-**	**133.403**
Allocations	8.518	-	8.518
Utilizations in the period	(4.784)	-	(4.784)
December 31st, 2013	**137.137**	**-**	**137.137**

Current provisions	Warranty provisions	Completion project and others provisions	TOTAL
December 31st, 2011	**7.519.116**	**2.503.670**	**10.022.786**
Allocations	3.290.949	1.025.229	4.316.178
Utilizations in the period	(1.207.725)	(1.291.098)	(2.498.823)
Reclassifications	-	(374.024)	(374.024)
Exchange rate differences	(28.458)	(7.710)	(36.168)
December 31st, 2012	**9.573.883**	**1.856.066**	**11.429.949**
Allocations	4.713.470	3.442.365	8.155.834
Utilizations in the period	(4.968.917)	(2.400.214)	(7.369.131)
Reclassifications	(1.654.000)	1.654.000)	-
Reclassifications from other debits	-	399.874	399.874
Exchange rate differences	(1547.026)	(33.298)	(187.323)
December 31st, 2013	**7.510.410**	**4.918.793**	**12.429.203**

The provisions for non-current risks refer exclusively to the client indemnity fund for agents and amount to a total of 137 thousand Euro.

The current provision for risks refers mainly to product warranties (amounting to 7,510 thousand Euro) and to the completion of projects in progress (amounting to 4,268 thousand Euro). The

Product Guarantee Reserve relates to the provisions made for work undertaken in technical guarantee on Group products and is considered to be appropriate in relation to the guarantee costs that must be incurred.
The other funds amounting to 651 thousand Euro refer to legal procedures and other disputes; these funds represent the best estimate by management of the liabilities which must be accounted with reference to legal proceedings occasioned during normal operational activity with regard to resellers, clients, suppliers or public authorities and also legal proceedings relating to disputes with former employees.

NOTE 8.16 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

The value of these payables has decreased compared to December 31, 2013 by 7,850 thousand Euro. It is recalled that the client accounts heading contains both the accounts on orders relating to machines which have not yet been delivered, as well as those generated by the application of the IAS 18 accounting principle relating to machines already delivered, but not yet accepted by the end client and therefore not written into revenue. The Other payables heading encompasses social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.
For greater detail on the subject, see the table below.

Trade, advances and other payables	December 31st, 2013	December 31st, 2012
Trade payables	68.117.926	72.403.779
Advances	13.580.141	16.991.891
Other payables	17.513.397	17.665.682
TOTAL	**99.211.464**	**107.061.351**

NOTE 8.17 –CURRENT TAX PAYABLES

The fiscal liabilities for current taxes on December 31, 2013 are equal to 4,707 thousand Euro, a reduction of 203 thousand Euro compared with the previous fiscal year (4,910 thousand Euro on December 31, 2012).
Liabilities are divides as follows:

- payables for income taxes amounting to 1,615 thousand Euro;
- payables for VAT amounting to 1,775 thousand Euro;
- payables for withholding tax amounting to 1,230 thousand Euro and
- other minor payables for 87 thousand Euro.

NOTE 8.18 - NET REVENUES

The income from sales and services have been increased and commented on chapter 3 of this document “Group Management Report" in the paragraph "Income and Profitability".

NOTE 8.19 – OTHER INCOME

The other operational income amounts to 5,564 thousand Euro and refers principally to contributions for research and development activity received by public bodies or following cooperation with other industrial companies.

NOTE 8.20 – INCREASES IN FIXED ASSETS FOR INTERNAL WORK

The increase is due to internal work on December 31, 2013 amount to 9,323 thousand Euro and refer mainly to the capitalisation of new project development activity (8,986 thousand Euro), of which the technical feasibility has been verified and the generation of probable future economic benefits. The capitalised development activity has been carried out by the Parent Company, by

FINN-POWER OY, by FINN-POWER ITALIA Srl, by PRIMA POWER LASERDYNE Llc, by PRIMA ELECTRO SpA, and by PRIMA ELECTRO NORTH AMERICA Llc.

NOTA 8.21 – PERSONNEL COSTS

The personnel cost at December 31, 2013 is equal to 89,484 thousand Euro and shows an increase compared with the corresponding period of the previous financial year (+ 97 thousand Euro).

NOTA 8.22 DEPRECIATION -IMPAIRMENT

The amortization and impairment at December 31, 2013 are equal to 11,886 thousand Euro (of which 8,938 thousand Euro are related to intangible fixed assets).

Depreciation	December 31st, 2013	December 31st, 2012
Depreciation of tangible fixed assets	2.706.713	2.743.708
Depreciation of intangible fixed assets	8.938.302	8.347.435
TOTAL	**11.645.015**	**11.091.143**

It is opportune to highlight that the amortisation relating to the trademark and relationships with customers ("customers list") amount to comprehensive 3,009 thousand Euro, while those relating to development costs are equal to 5,138 thousand Euro.

During the year 2013 the Group has recorded an impairment loss of 241 thousand Euro on some real estate assets classified as "Non-current assets for disinvestment" and certain capitalized development projects.

NOTE 8.23 – OTHER OPERATING EXPENSES

The Other operational costs for year 2013 amounted to 76,678 thousand Euro compared with 80,959 thousand Euro on December 31, 2012.
This item decreased by around 4,281 thousand Euro compared to the previous financial year.
This decrease is the result of some containment operations and better cost management carried out by the Group in 2013

This item contains several different types of operating costs, including the following main types:

- external production services for 15,449 thousand Euro;
- travel expenses for 12,431 thousand Euro;
- transport and delivery expenses for 8,583 thousand Euro;
- rentals and other rental costs for 6,882 thousand Euro;
- commissions for 5,058 thousand Euro;
- consulting (executive, administrative, fiscal, commercial and technical) for 3,336 thousand Euro;
- fairs and advertising expenses amounting to 2,589 thousand Euro;

NOTE 8.24 – FINANCIAL INCOME AND CHARGES

The financial management for the financial year 2013 showed a negative result of 8,828 thousand Euro.

Financial Management	December 31st, 2013	December 31st, 2012
Financial income	328.222	225.395
Financial expenses	(8.081.985)	(8.629.941)
Net financial expenses	**(7.753.763)**	**(8.404.546)**
Net exchange of transactions in foreign currency	(1.074.203)	(529.606)
TOTAL	**(8.827.966)**	**(8.934.152)**

The financial costs relating to the FINPOLAR loan sustained by PRIMA INDUSTRIE are equal to 3,664 thousand Euro, while the financial costs on the derivatives stipulated by the group are equal to 1,909 thousand Euro.

To properly compare the data of the two periods, it should be noted that the financial costs of the year 2012 were positively impacted by non-recurring income amounting to 311 thousand Euro; the net financial costs normalized by this effect were down of 1 million Euro compared to the year 2012.

NOTE 8.25 – NET RESULT ON INVESTMENTS NOT FULLY CONSOLIDATED

This heading on December 31, 2013 is negative for 1,011 thousand Euro (on December 31, 2012 it was positive for 359 thousand Euro) and mainly refers to impairments of shareholdings in EPS (480 thousand Euro) and Caretek Srl (12 thousand Euro) both owned by PRIMA ELECTRO SpA and to the sale of its stake to the Chinese company SUP (overall negative effect of 518 thousand Euro).

NOTE 8.26- CURRENT AND DEFERRED TAXES

The taxes on income for the year 2013 show a net negative balance of 3,484 thousand Euro, of which IRAP (Regional income tax) for 1,408 thousand Euro (at December 31, 2012 the net negative balance was 3,739 thousand Euro, of which IRAP for 1,493 thousand Euro). The Group recorded a tax credit amounting to 1,048 thousand Euro following the submission of claims for IRES refund (IRAP deductions for IRES purposes for the years 2007- 2011) in February 2013.

Values expressed in Euro Thousand

Income tax	2013	2012
Current income tax (excluding regional trade tax IRAP)	(3.181)	(2.212)
IRAP (Regional Trade tax)	(1.408)	(1.493)
Taxes relating to previous years (*)	1.058	(69)
Deferred tax	64	369
Other taxes	(17)	(334)
TOTAL	**(3.484)**	**(3.739)**

(*) Included income of 1,048 thousand Euro relating to the submission of claims for reimbursement IRES (IRAP deduction to IRES for the years 2007-2011)

The reconciliation between the fiscal costs entered in the Consolidated Financial Statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows:

Values expressed in Euro Thousand

Current income taxes	2013	2012
Current tax on theoretical income (excludig regional trade tax IRAP)	(3.362)	(2.574)
Permanent changes	2.821	259
Temporary changes	(200)	167
Utilization/Surplus losses	(2.440)	(925)
Other	-	861
CURRENT INCOME TAX	**(3.181)**	**(2.212)**

NOTE 8.27 – RESULT PER SHARE

(a) Earnings per share

The earnings per share is determined by dividing the profits attributable to the shareholders from the Parent Company by the average number of shares in circulation during the period, excluding ordinary shares bought by the Parent Company, held as own shares in portfolio.

During 2013 the average stock in circulation was 8,690,373 shares; therefore the result per share for 2013 amounts to a profit of 0.62 Euro per share (compared to a profit of 0.61 Euro per share in 2012).

BASIC PROFIT PER SHARE	December 31st, 2013	December 31st, 2012
Profit due to shareholders (Euro/000)	5.429	5.307
Weighted average - number of ordinary shares	8.690.373	8.641.676
Basic profit per share (Euro)	0,62	0,61

(b) Diluted profits per share

The diluted profits per share is calculated by dividing the profits attributable to the shareholders of the Parent Company by the considered average of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect.

DILUTED RESULT PER SHARE	December 31st, 2013	December 31st, 2012
Profit due to shareholders (Euro/000)	5.429	5.307
Weighted average - number of ordinary shares	8.690.373	8.641.676
Corrected average number of ordinary shares	9.189.099	10.981.055
Diluted result per share (Euro)	0,59	0,48

Those shares attached to the *stock option* plan and to the *warrants* were considered as potential ordinary shares with a dilutive effect.

In relation to the *stock option* plan, refer to the specific paragraph dedicated to this subject in this document.

NOTE 8.28 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The situation of the guarantees granted and commitments made by the Group at December 31, 2013 is shown below.

Values expressed in Euro thousand	December 31st, 2013	December 31st, 2012
Guarantees granted	29.499	25.786
Commitments to leasing companies	968	1.271
Other commitments and significant contracts rights	13.552	13.585
TOTAL	**44.019**	**40.642**

At December 31, 2013 the guarantees granted by PRIMA INDUSTRIE Group amounted to 29,499 thousand Euro and refer to guarantees to trade counterparties and sureties to credit institutions. "Commitments to leasing companies" refer to repurchase agreements for sales made through financial intermediaries.
Other "Commitments and significant contract rights" refer mainly to rents on buildings, rentals and operating leases. There are no potential liabilities other than those already reported in the financial statements.

The PRIMA INDUSTRIE Group, in addition to probable liabilities for which provisions have been allocated in the related risks funds, does not have potential liabilities, as described in IAS 37, to be mentioned.

NOTE 8.29 - TRANSACTIONS WITH RELATED PARTIES

Transactions with co-related parties concern the relationships with strategic management and the Board of Statutory Auditors.

OPERATIONS WITH RELATED PARTIES	Strategic management	Board of Statutory auditors	TOTAL
RECEIVABLES AS AT 01/01/2013	-	-	**-**
RECEIVABLES AS AT 31/12/2013	-	-	**-**
PAYABLES AS AT 01/01/2013	487.474	105.000	**592.474**
PAYABLES AS AT 31/12/2013	476.539	95.000	**571.539**
COSTS 01/01/2013 - 31/12/2013	1.407.362	105.000	**1.512.362**
VARIATIONS IN PAYABLES			
01/01/2013 - 31/12/2013	*(10.935)*	*(10.000)*	***(20.935)***

NOTE 8.30 - MANAGEMENT OF FINANCIAL RISKS

The financial instruments of the Group, aimed at financing the operational activity, include the bank financing, the financial leasing contracts and factoring, the cash and short term bank deposits. There are then other financial instruments, such as commercial payables and receivables, deriving from the operational activity.
The group has also carried out operations in derivatives, primarily "Interest Rate Swap – IRS" contracts. The aim of these instruments is to manage the interest rate risks generated by the Group operations and from their sources of financing.

The PRIMA INDUSTRIE Group is mainly exposed to the following categories of risk:

- Interest rate risk
- Exchange rate risk
- Credit risk
- Liquidity risk

The Group has adopted a specific policy with the aims of correctly managing the risks mentioned, in order to safeguard its own activity and capacity to create value for shareholders and for all the stakeholders. The objectives and politics of the Group for the management of risks described above is detailed below.

Interest rate risk

The debit position towards the credit system and capital markets can be negotiated at a fixed or variable rate.

Variations of interest rate in the market generate the following categories of risk:

- an increase in market interest rates exposes to the risk of greater financial burdens to be paid on the quota of variable interest rate debits;
- a decrease in market interest rates exposes to the risk of excessive financial burdens to be paid on the quota of fixed interest rate debits.

In particular, the strategies adopted by the Group to confront these risks are as follows:

- Interest Rate → Management/Hedging

Exposure to interest rates is by nature structural, in that the net financial position generates net financial burdens subject to the volatility of interest rates, according to the contractual conditions established with the financing party.

Consequently, the identified strategy is of Management/Hedging and is confirmed by:

- Continuous monitoring to the exposure to interest rate risks;
- Hedging activity through derivative financial instruments.

Exchange rate risk

The debit position towards the banking system and the capital market, as well as towards other creditors, can be expressed in one's own account currency (Euro), or in other currencies on account.

In this case, the financial burden of the debit in currency is subject to the interest rate risks, not of the European market, but of the market of the chosen currency.

The attitude and strategy to follow with regards to risk factors are determined by the plurality of elements which concerned both the characteristics of the reference market and their impact on the company balance sheet results.

Indeed, four possible strategic and distinctive areas for the operational management of individual risk factors can be identified:

- "Avoid" strategy (Avoidance)
- Acceptance
- Management/Hedging
- "Market intelligence" (Speculation)

In particular, the strategies primarily adopted by the Group to confront these risks are as follows:

- Exchange Rate → Management/Hedging

Exposure to exchange rate risks deriving from financial factors is currently contained, in that the company does not take on financing in currency different from the Europe, with the exception of some financing of the U.S. subsidiaries, for which the U.S. dollar is the reference currency.

In relation to the commercial transactions on the other hand, at Group level there exists a certain exposure to exchange rate risk, in that the fluctuations of purchase in U.S. dollars (substantially the only relevant accounting currency different from the Euro) of the Parent Company PRIMA INDUSTRIE SpA, of FINN-POWER OY and of PRIMA ELECTRO SpA are not sufficient to balance the fluctuations of sales carried out in U.S. dollars.

Nevertheless, the Group carries out monitoring to reduce such exchange risks even through the use of covering instruments.
With regard to account currencies different from the U.S. dollar, which concern almost exclusively some of the subsidiary companies which carry out sales and after sales service activities, the risk management strategy is rather one of acceptance, both because they normally deal with sums of modest value, and because of the difficulty of finding suitable covering instruments.

Credit risk

The Group only deals with noted and trustworthy clients; furthermore, the amount of credit is monitored during the financial year so that the sum exposed to losses is not significant.
To this end, with regards to PRIMA INDUSTRIE, a function of Group of credit management has been put in place.

It is noted that there are no significant concentrations of credit risk within the Group. The financial activities are shown in the balance sheet net of the devaluation calculated on the basis of risk of non-fulfilment by the counter party, determined in consideration of the information available on the solvency of the client and eventually considering historical data.
In compliance with the CONSOB DEM/RM 11070007 communication of August 5, 2011, we inform that the PRIMA INDUSTRIE Group Holds no bonds issued by central and local governments nor by government bodies, and has certainly not granted loans to these institutions.

Liquidity risk

The liquidity risk represents the risk that the financial resources are not sufficient to fund the financial and commercial obligations within the pre-established periods and due dates.
The risk of liquidity to which the group is subject may emerge from late payments on its sales and more generally from the difficulty of obtaining financing to support operational activities in the time necessary. The cash flows, the financing needs and the liquidity of the group companies are monitored or managed centrally under the control of the Group Treasury, with the aims of guaranteeing effective and efficient management of financial resources.

The Group operates with the aims of carrying out collection operations on the various financial markets with varied techniques, with the aims of guaranteeing a correct level of liquidity whether current or prospective. The strategic aim is to ensure that at any moment of the group has sufficient credit lines to service financial due dates over the following twelve months.
The current difficult market environment whether operational or financial requires particular attention to the management of liquidity risks and, in this sense, particular attention is given to those actions aimed at generating financial resources through operational management and the maintenance of an adequate level of available liquidity.

Therefore, the group has arranged to confront the requirements emerging from financial payable due dates and from the investments, through the fluctuations caused by operational management, available liquidity, use of credit lines, the renewing of bank loans and eventual recourse to other forms of provision of a non-ordinary nature.
The following table shows, for assets and liabilities as at 31/12/2013 and according to the categories set out in IAS 39, disclosures relating to financial instruments under IFRS 7.

Fair value by category - IAS 39 - December 31st, 2013							
Values expressed in Euro thousand	Significant values as per IAS 39						
Assets	**Category IAS 39**	**Financial value 31.12.2013**	**Amortized cost**	**FV in Equity**	**FV in income statement**	**IAS 17**	**Fair Value 31.12.13**
Cash and cash equivalents	NA	29.194	-	-	-	-	29.194
Assets held to maturity	Held to Maturity	-	-	-	-	-	-
Assets at fair value reported in the income statement	Held for Trading	47	-	-	99	-	47
Assets valuated as per IAS 17	NA	2.674	-	-	-	2.674	2.674
TOTAL		**31.915**	**-**	**-**	**99**	**2.674**	**31.915**
Liailities	**Category IAS 39**	**Financial value 31.12.2013**	**Amortized cost**	**FV in Equity**	**FV in income statement**	**IAS 17**	**Fair Value 31.12.13**
Liabilities at amortized cost	Amortised Cost	121.493	121.493	-	-	-	122.305
Liabilities at fair value in income statement	Held for Trading	944	-	-	4	-	944
Hedge Derivatives	NA	3.986	-	1.992	(2.012)	-	3.986
Liabilities valuated as per IAS 17	NA	2.779	-	-	-	2.779	2.779
TOTAL		**129.202**	**121.493**	**1.992**	**(2.008)**	**2.779**	**130.014**

Profit and losses by category - IAS 39 - December 31st, 2013			
Values expressed in Euro thousand			
Assets	**Category IAS 39**	**Net profit and loss**	**Interests**
Cash and cash equivalents	NA	45	45
Assets held to maturity	Held to Maturity	-	-
Assets valuated as per IAS 17	NA	-	-
TOTAL		**45**	**45**
Liailities	**Category IAS 39**	**Financial value 31.12.2013**	**Amortized cost**
Liabilities at amortized cost	Amortised Cost	(3.851)	(3.252)
Liabilities at fair value in income statement	Held for Trading	4	4
Hedge Derivatives	NA	(2.012)	(2.072)
Liabilities valuated as per IAS 17	NA	(203)	(203)
Other Financial payables - factoring	NA	(194)	(194)
TOTAL		**(6.256)**	**(5.717)**

Hierarchical level of valuation of the fair value

In relation with the financial instruments surveyed in the statement of financial position at the fair value, the IFRS 7 requests that these values are classified on the basis of a hierarchical level which reflect significantly the input used to the determination of the fair value. We distinguish the followings levels:

- Level 1 - quotation surveyed on a active market for assets and liabilities objected under evaluation;
- Level 2 - input differing from the listed prices of which in the precedent point ,which are observable directly (prices) o indirectly (derived from the prices) over the market;
- Level3 - input which are not based on observable market date.

The following chart underlines the assets and the liabilities which are evaluated at the fair value at 31/12/2013:

Values expressed in Euro thousand	Level 1	Level 2	Level 3
Assets valuated at fair value	-	47	-
Other Assets	-	-	-
TOTAL ASSETS	**-**	***47***	**-**
Liabilities valuated at fair value	-	4.930	-
Other Liabilities	-	-	-
TOTAL LIABILITIES	**-**	***4.930***	**-**

NOTE 8.31 – NOT RECURRING ITEMS

The table here below synthesized the not recurring items that have had a positive impact on the Profit & Loss of a total 1,773 thousand euro, of which 2,265 thousand euro on the Operating Profit and – 492 thousand euro on financial items.

Significant non-recurrent events and transactions (values expressed in Euro thousand)	Other operating revenues	Personnel cost	Other operating costs	Impairment	Net result of investments not fully consolidated	Total
Ministry contribution	3.279	-	-	-	-	3.279
Actions of reorganization /Restructuring	-	(256)	(417)	-	-	(673)
Legal/fiscal disputes and penalties from customers	-	-	(132)	-	-	(132)
EBITDA	**3.279**	**(256)**	**(549)**	**-**	**-**	**2.474**
Impairment of non-current assets held for sale	-	-	-	(209)	-	(209)
EBIT	**3.279**	**(256)**	**(549)**	**(209)**	**-**	**2.265**
Economical effect on investments operations	-	-	-	-	(492)	(492)
NET RESULT BEFORE TAXES	**3.279**	**(256)**	**(549)**	**(209)**	**(492)**	**1.773**

NOTE 8.32 – TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL BUSINESS

Pursuant to Consob Bulletin of July 28, 2006, we wish to specify that in 2013, the Group has not conducted atypical and/or unusual business, as per its definition in the Bulletin itself, which states that atypical and/or unusual business are those transactions that given their importance/relevance, nature of the counterparties, transaction scope, method in determining the price of transfer and time-frame (close to closing date) may lead to doubts on: the accuracy/completeness of the information in the financial statement, conflicts of interest, protection of Corporate wealth and protection of minority shareholders.

Signature of the Managing Director

CONSOLIDATED FINANCIAL STATEMENT AS OF 31.12.2013 DECLARATION

PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14th, 1999 AND ITS SUBSEQUENT AMENDAMENTS AND INTEGRATIONS

1. The undersigned Gianfranco Carbonato (Managing Director) and Davide Danieli (Manager responsible for drafting Corporate accounting documents) of PRIMA INDUSTRIE SpA certify that, taken account of what established by art. 154-bis, paraghaphs 3 and 4, of Leg. Decree of February 24th, 1998, no. 58:
    - the Company's business is compliant with the given requirements and
    - the administrative and accounting procedures have been effectively applied in drafting the consolidated financial statement over the course of 2013.

2. That no significant facts have emerged regarding thereto

3. Said signees furthermore certify that:

3.1 the consolidated financial statement:

a) is drafted in conformity with the applicable international accounting standards commonly used in the European Community, pursuant to (CE) Regulation no. 1606/2002 of the European Parliament and Council of July 19th, 2002;
b) truthfully represents the figures in the accounting books and ledgers;
c) is suitable to provide a truthful and faithful representation of the capital, economic and financial position of the Corporation and of the group of companies included in the consolidation.

3.2 the report of the Board of Directors includes a reliable analysis of Corporate business trends and results, as well as of the position of the Corporation and of the group of companies included in the consolidation, along with the description of the chief risks and uncertainties to which they are exposed.

Date: 04.03.2014

Signature of the Managing Director

Signature of the Manager responsible for the drafting Corporate accounting documents

CHAPTER 9.

FINANCIAL STATEMENTS OF PRIMA INDUSTRIE AS OF DECEMBER 31st , 2013

ACCOUNTING TABLES (*)

(*) Following the retrospective application on January 1st, 2013 of the Amendment to IAS, the data relating to 2012 reported for comparative purposes in the financial statements have been restated, where appropriate, as required by IAS 1.

CHAPTER 9. FINANCIAL STATEMENTS OF PRIMA INDUSTRIE AS OF 31 DECEMBER, 2013

BALANCE SHEET

01/01/2012	Values in Euro	*Notes*	31/12/2013	31/12/2012
6.606.181	Property, plant and equipment	11.1	6.552.744	6.628.274
4.073.758	Intangible assets	11.2	5.296.199	4.205.727
95.561.094	Investment properties	11.3	131.930.600	121.516.588
1.487.760	Investments in joint venture	-	-	-
52.606	Other investments	11.4	11.931	1.006
87.636.197	Financial assets - loan to the subsidiaries	11.5	46.559.461	58.559.461
16.438.199	Other financial assets	11.6	17.371.845	16.982.285
1.769.188	Deferred tax assets	11.7	2.390.165	2.064.042
-	Other non current assets	11.10	-	-
213.624.983	**NON CURRENT ASSETS**		**210.112.945**	**209.957.383**
19.233.275	Inventories	11.8	15.589.239	18.282.509
39.459.312	Trade receivables	11.9	38.602.367	38.373.348
2.113.263	Other receivables	11.10	2.057.607	2.591.549
1.776.093	Current tax receivables	11.11	1.699.417	437.398
-	Derivatives		11.013	-
6.821.573	Other current financial assets	11.5	582.338	7.951.959
2.471.994	Cash and cash equivalents	11.12	3.402.024	719.308
71.875.510	**CURRENT ASSETS**		**61.944.005**	**68.356.071**
-	**ASSETS HELD FOR SALE**	**11.21**	**181.836**	**629.008**
285.500.493	**TOTAL ASSETS**		**272.238.786**	**278.942.462**
21.601.740	Capital stock	11.13	26.208.185	21.606.553
4.320.069	Legal reserve	11.13	4.321.310	4.320.069
54.326.181	Other capital reserves	11.13	68.144.869	53.215.932
(1.600.060)	Retained earnings	11.13	(1.672.067)	(1.676.834)
(1.482.668)	Net result	11.13	2.683.742	1.892.421
77.165.262	**STOCKHOLDERS' EQUITY**		**99.686.039**	**79.358.141**
98.719.935	Interest-bearing loans and borrowings	11.15	69.709.793	88.407.843
3.183.004	Employee benefit liabilities	11.16	3.714.577	3.568.316
654.300	Deferred tax liabilities	11.17	788.721	816.263
4.672.898	Provisions	11.18	6.278.927	6.477.568
6.242.344	Derivatives	11.14	3.986.082	6.037.744
113.472.481	**NON CURRENT LIABILITIES**		**84.478.100**	**105.307.734**
36.666.634	Trade payables	11.19	31.734.177	32.516.959
4.121.401	Advance payments	11.19	1.940.628	1.339.128
9.040.503	Other payables	11.19	4.823.418	7.620.659
41.068.490	Interest-bearing loans and borrowings	11.15	42.017.099	46.690.307
1.155.958	Current tax payables	11.20	2.638.025	2.068.743
2.710.000	Provisions	11.18	4.921.300	4.040.791
99.764	Derivatives	11.14	-	-
94.862.750	**CURRENT LIABILITIES**		**88.074.647**	**94.276.587**
285.500.493	**TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES**		**272.238.786**	**278.942.462**

INCOME STATEMENT

Values in Euro	*Notes*	31/12/2013	31/12/2012
Net revenues	11.22	97.502.822	100.661.947
Other income	11.23	4.784.119	4.740.388
Change in inventories of finished goods and WIP	-	352.121	(3.892.489)
Increases in fixed assets for internal work	11.24	2.431.503	1.456.049
Use of raw materials, consumables, supplies and goods	-	(49.187.180)	(48.856.755)
Personnel cost	11.25	(20.775.471)	(20.750.217)
Depreciation	11.26	(1.645.319)	(1.730.721)
Other operating expenses	11.27	(26.281.933)	(26.811.481)
OPERATING PROFIT		**7.180.662**	**4.816.721**
Financial income	11.28	3.607.265	7.393.808
Financial expenses	11.28	(6.905.969)	(8.992.623)
Net exchange differences	11.28	(415.938)	52.194
RESULT BEFORE TAXES		**3.466.020**	**3.270.100**
Income taxes	11.29	(782.278)	(1.377.679)
NET RESULT		**2.683.742**	**1.892.421**

STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	31/12/2013	31/12/2012
NET RESULT (A)		**2.683.742**	**1.892.421**
Gains /(Losses) on cash flow hedges	11.13	1.992.054	362.654
IAS 19R actuarial Gains/ (Losses)	11.13	4.767	-
TOTAL OTHER GAINS/(LOSSES) (B)		**1.996.821**	**362.654**
TOTAL COMPREHENSIVE INCOME (A) + (B)		**4.680.563**	**2.255.075**

STATEMENTS OF CHANGES IN EQUITY

Values in Euro	Capital stock	Subscribed capital unpaid	Additional paid-in capital	Legal reserve	Capital increase - expenses	Stock option reserve	FV derivates adjustment reserve	Other reserves	Retained ernings	Net result	EQUITY
Saldo al 31/12/2011	21.601.740	-	46.451.069	4.320.069	(1.286.154)	1.295.506	(5.550.334)	13.416.094	(1.572.844)	(1.482.668)	77.192.478
Effects deriving from IAS 19R application	-	-	-	-	-	-	-	-	-27.216	-	-27.216
Saldo al 01/01/2012	21.601.740	-	46.451.069	4.320.069	(1.286.154)	1.295.506	(5.550.334)	13.416.094	(1.600.060)	(1.482.668)	77.165.262
Capital increase	4.813	(1.785)	11.550	-	-	-	-	-	-	-	14.578
Allocation of prior year net result	-	-	-	-	-	-	-	(1.482.668)	-	1.482.668	-
Net result	-	-	-	-	-	-	362.654	-	(76.774)	1.892.421	2.178.301
Effects deriving from IAS 19R application	-	-	-	-	-	-	-	-	-	-	-
Saldo al 31/12/2012	21.606.553	(1.785)	46.462.619	4.320.069	(1.286.154)	1.295.506	(5.187.680)	11.933.426	(1.676.834)	1.892.421	79.358.141
Capital increase	4.601.632	1.785	11.043.918	-	-	-	-	-	-	-	15.647.335
Allocation of prior year net result	-	-	-	1.241	-	-	-	1.891.180	-	(1.892.421)	-
Result of comprehensive Income	-	-	-	-	-	-	1.992.054	-	4.767	2.683.742	4.680.563
Saldo al 31/12/2013	26.208.185	-	57.506.537	4.321.310	(1.286.154)	1.295.506	(3.195.626)	13.824.606	(1.672.067)	2.683.742	99.686.039

CASH FLOW STATEMENT

VALUES IN EURO	31/12/2013	31/12/2012 (*)
Net result	**2.683.742**	**1.892.421**
Adjustments (sub-total)	***1.446.716***	***(1.225.193)***
Depreciation and amortization	1.645.319	1.730.721
Net change in deferred tax assets and liabilities	(353.665)	(132.891)
Change in employee benefits	146.261	385.312
Change in inventories	2.693.270	950.766
Change in trade receivables	(229.019)	1.085.964
Change in trade payables and advances	(181.282)	(6.931.948)
Net change in other receivables/payables and other assets/liabilities	(2.274.168)	1.686.883
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**4.130.458**	**667.228**
Cash flow from investments		
Acquisition of tangible fixed assets	(360.316)	(482.684)
Acquisition of intangible fixed assets	(41.630)	(200.974)
Capitalization of development costs	(2.258.315)	(1.203.556)
Net disposal of fixed assets and investment properties	-	2.431
Capital Increase FINN-POWER OY	-	(26.000.000)
Capital Increase PRIMA ELECTRO SpA	(9.000.000)	-
Establishment PRIMA POWER SUZHOU	(1.218.466)	-
Establishment PRIMA POWER AUSTRALASIA	(157.070)	-
Capital Increase PRIMA POWER SOUTH AMERICA Ltda	(400.000)	(850)
Devaluation PRIMA POWER SOUTH AMERICA Ltda	361.524	350.862
Devaluation PRIMA POWER Gmbh	-	1.596.282
Establishment PRIMA POWER MAKINA TICARET LIMITED SIRTEKI	-	(99.860)
Decrease SUP Investment	363.672	727.344
Liquidation SNK Investment	83.500	-
Devaluation SNK - PRIMA	-	131.408
Devaluation other Investments	-	51.600
Change in other investments	(10.925)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(12.638.026)**	**(25.127.997)**
Cash flow from financing activities		
Change in financial receivables and other financial assets	18.980.061	27.402.264
Change in other non current financial liabilities and other minor items	(70.621)	(304.364)
Increases in loans and borrowings (including bank overdrafts)	3.619.385	4.484.978
Repayment of loans and borrowings (including bank overdrafts)	(27.096.451)	(9.175.253)
Increases/(repayments) in financial lease liabilities	105.808	-
Capital increase	15.647.335	4.813
Other changes	4.767	295.645
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**11.190.284**	**22.708.083**
Net change in cash and equivalents (D=A+B+C)	**2.682.716**	**(1.752.686)**
Cash and equivalents beginning of period (E)	**719.308**	**2.471.994**
Cash and equivalents end of period (F=D+E)	**3.402.024**	**719.308**

Additional Information to the Consolidated Statement of Cash-Flow	31/12/2013	31/12/2013
Values in Euro		
Taxes	(782.278)	(1.377.679)
Financial incomes	3.607.265	7.393.808
Financial expenses	(6.905.969)	(8.992.623)

(*) for a better comparability, some 2012 figures have been reclassified

BALANCE SHEET ACCORDING TO CONSOB RESOLUTION N°15519 OF 27/07/2006

01/01/2012	Values in Euro	31/12/2013	*of which related parties*	31/12/2012	*of which related parties*
6.606.181	Property, plant and equipment	6.552.744	-	6.628.274	-
4.073.758	Intangible assets	5.296.199	-	4.205.727	-
95.561.094	Investment properties	131.930.600	*131.930.600*	121.516.588	*121.516.588*
1.487.760	Investments in joint venture	-	-	-	-
52.606	Other investments	11.931	-	1.006	-
87.636.197	Financial assets - loan to the subsidiaries	46.559.461	*46.559.461*	58.559.461	*58.559.461*
16.438.199	Other financial assets	17.371.845	*17.371.845*	16.982.285	*16.982.285*
1.769.188	Deferred tax assets	2.390.165	-	2.064.042	-
-	Other non current assets	-	-	-	-
213.624.983	**NON CURRENT ASSETS**	**210.112.945**		**209.957.383**	
19.233.275	Inventories	15.589.239	-	18.282.509	-
39.459.312	Trade receivables	38.602.367	*12.079.386*	38.373.348	*17.101.772*
2.113.263	Other receivables	2.057.607	*78.180*	2.591.549	-
1.776.093	Current tax receivables	1.699.417	-	437.398	-
-	Derivatives	11.013	-	-	-
6.821.573	Other current financial assets	582.338	*582.338*	7.951.959	*3.280.824*
2.471.994	Cash and cash equivalents	3.402.024	-	719.308	-
71.875.510	**CURRENT ASSETS**	**61.944.005**		**68.356.071**	
-	**ASSETS HELD FOR SALE**	**181.836**	**-**	**629.008**	**-**
285.500.493	**TOTAL ASSETS**	**272.238.786**		**278.942.462**	
21.601.740	Capital stock	26.208.185	-	21.606.553	-
4.320.069	Legal reserve	4.321.310	-	4.320.069	-
54.326.181	Other capital reserves	68.144.869	-	53.215.932	-
(1.600.060)	Retained earnings	(1.672.067)	-	(1.676.834)	-
(1.482.668)	Net result	2.683.742	-	1.892.421	-
77.165.262	**STOCKHOLDERS' EQUITY**	**99.686.039**		**79.358.141**	
98.719.935	Interest-bearing loans and borrowings	69.709.793	-	88.407.843	-
3.183.004	Employee benefit liabilities	3.714.577	-	3.568.316	-
654.300	Deferred tax liabilities	788.721	-	816.263	-
4.672.898	Provisions	6.278.927	-	6.477.568	-
6.242.344	Derivatives	3.986.082	-	6.037.744	-
113.472.481	**NON CURRENT LIABILITIES**	**84.478.100**		**105.307.734**	
36.666.634	Trade payables	31.734.177	*7.108.880*	32.516.959	*8.094.690*
4.121.401	Advance payments	1.940.628	-	1.339.128	-
9.040.503	Other payables	4.823.418	*500.272*	7.620.659	*3.297.363*
41.068.490	Interest-bearing loans and borrowings	42.017.099	-	46.690.307	-
1.155.958	Current tax payables	2.638.025	-	2.068.743	-
2.710.000	Provisions	4.921.300	-	4.040.791	-
99.764	Derivatives	-		-	-
94.862.750	**CURRENT LIABILITIES**	**88.074.647**		**94.276.587**	
285.500.493	**TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES**	**272.238.786**		**278.942.462**	

INCOME STATEMENT ACCORDING TO CONSOB RESOLUTION N°15519 OF 27/07/2006

Values in Euro	Notes	31/12/2013	*of which related parties*	31/12/2012	*of which related parties*
Net revenues	11.22	97.502.822	*35.794.471*	100.661.947	*47.856.718*
Other income	11.23	4.784.119	*1.364.574*	4.740.388	*1.566.941*
Change in inventories of finished goods and WIP	-	352.121	-	(3.892.489)	-
Increases in fixed assets for internal work	11.24	2.431.503	-	1.456.049	-
Use of raw materials, consumables, supplies and goods	-	(49.187.180)	*(10.858.915)*	(48.856.755)	*(13.000.041)*
Personnel cost	11.25	(20.775.471)	*(454.810)*	(20.750.217)	*(664.130)*
Depreciation	11.26	(1.645.319)	-	(1.730.721)	-
Other operating expenses	11.27	(26.281.933)	*(2.303.126)*	(26.811.481)	*(4.194.178)*
OPERATING PROFIT		**7.180.662**		**4.816.721**	
of which: non recurring items		***2.435.640***		***974.500***	
Financial income	11.28	3.607.265	*1.866.051*	7.393.808	*3.322.418*
Financial expenses	11.28	(6.905.969)	-	(8.992.623)	-
Net exchange differences	11.28	(415.938)	-	52.194	-
RESULT BEFORE TAXES		**3.466.020**		**3.270.100**	
of which: non recurring items		***3.603.913***		***2.874.955***	
Income taxes	11.29	(782.278)	-	(1.377.679)	-
NET RESULT		**2.683.742**		**1.892.421**	

CASH FLOW STATEMENT ACCORDING TO CONSOB RESOLUTION N°15519 OF 27/07/2006

VALUES IN EURO	31/12/2013	*of which related parties*	31/12/2012 (*)	*of which related parties*
Net result	**2.683.742**	-	**1.892.421**	-
Adjustments (sub-total)	***1.446.716***	-	***(1.225.193)***	-
Depreciation and amortization	1.645.319	-	1.730.721	-
Net change in deferred tax assets and liabilities	(353.665)	-	(132.891)	-
Change in employee benefits	146.261	-	385.312	-
Change in inventories	2.693.270	-	950.766	-
Change in trade receivables	(229.019)	*5.022.386*	1.085.964	*1.117.823*
Change in trade payables and advances	(181.282)	*(985.810)*	(6.931.948)	*(3.311.175)*
Net change in other receivables/payables and other assets/liabilities	(2.274.168)	*(2.875.271)*	1.686.883	*(2.113.834)*
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**4.130.458**		**667.228**	
Cash flow from investments				
Acquisition of tangible fixed assets	(360.316)	-	(482.684)	-
Acquisition of intangible fixed assets	(41.630)	-	(200.974)	-
Capitalization of development costs	(2.258.315)	-	(1.203.556)	-
Net disposal of fixed assets and investment properties	-	-	2.431	-
Capital Increase FINN-POWER OY	-	-	(26.000.000)	*(26.000.000)*
Capital Increase PRIMA ELECTRO SpA	(9.000.000)	*(9.000.000)*	-	-
Establishment PRIMA POWER SUZHOU	(1.218.466)	*(1.218.466)*	-	-
Establishment PRIMA POWER AUSTRALASIA	(157.070)	*(157.070)*	-	-
Capital Increase PRIMA POWER SOUTH AMERICA Ltda	(400.000)	*(400.000)*	(850)	*(850)*
Devaluation PRIMA POWER SOUTH AMERICA Ltda	361.524	*361.524*	350.862	*350.862*
Devaluation PRIMA POWER Gmbh	-	-	1.596.282	*1.596.282*
Establishment PRIMA POWER MAKINA TICARET LIMITED SIRTEKI	-	-	(99.860)	*(99.860)*
Decrease SUP Investment	363.672	-	727.344	-
Liquidation SNK Investment	83.500	-	-	-
Devaluation SNK - PRIMA	-	-	131.408	-
Devaluation other Investments	-	-	51.600	-
Change in other investments	(10.925)	-	-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(12.638.026)**		**(25.127.997)**	
Cash flow from financing activities				
Change in financial receivables and other financial assets	18.980.061	*14.308.926*	27.402.264	*31.544.763*
Change in other non current financial liabilities and other minor items	(70.621)	-	(304.364)	-
Increases in loans and borrowings (including bank overdrafts)	3.619.385	-	4.484.978	-
Repayment of loans and borrowings (including bank overdrafts)	(27.096.451)	-	(9.175.253)	-
Increases/(repayments) in financial lease liabilities	105.808	-	-	-
Capital increase	15.647.335	-	4.813	-
Other changes	4.767	-	295.645	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**11.190.284**		**22.708.083**	
Net change in cash and equivalents (D=A+B+C)	**2.682.716**		**(1.752.686)**	
Cash and equivalents beginning of period (E)	**719.308**		**2.471.994**	
Cash and equivalents end of period (F=D+E)	**3.402.024**		**719.308**	

(*) for a better comparability, some 2012 figures have been reclassified

CHAPTER 10.

DESCRIPTION OF ACCOUNTING PRINCIPLES

CHAPTER 10. DESCRIPTION OF ACCOUNTING PRINCIPLES

COMPANY INFORMATION

PRIMA INDUSTRIE SpA (the “Company”) is a company incorporated under Italian law and is the parent company which holds directly or indirectly through other companies, the shares in the capital of the PRIMA INDUSTRIE Group. The company is headquartered in Collegno (TO), Italy.

The scope of PRIMA INDUSTRIE SpA includes the design, manufacture and marketing of devices, instruments, machines and mechanical, electrical and electronic equipment and related programming (software) for industrial automation or in other areas where the company's technology may be usefully employed.

The company can also provide industrial services of a technical, managerial and organizational nature in the production of capital goods and industrial automation.
Its main activity is focused in the field of laser cutting and welding machines for two-dimensional (2D) and three-dimensional applications (3D).

PRIMA INDUSTRIE SpA, as the parent company, has also prepared the consolidated financial statements of the PRIMA Group at 31/12/2013.

EVALUATION CRITERIA

The 2013 financial statements represent the separate financial statements of the parent company PRIMA INDUSTRIE SpA and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. The IFRS also includes all valid International Accounting Standards (“IAS”) and all interpretations of the International Financing Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).

In compliance with European Regulation n. 1606 of 19 July 2002, starting from 2005, the PRIMA Group has adopted the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) in the preparation of the consolidated financial statements. Depending on the national legislation implementing that Regulation, the financial statements of the parent company PRIMA INDUSTRIE SpA have been prepared in accordance with these standards since 2006.

The disclosures required by IFRS 1, First Time Adoption of IFRS, regarding the effects following the transition to IFRS, was included in a specific Chapter to the Financial Statements as at 31 December 2006, to which reference is made.

The financial statements are prepared under the historical cost principle, except for financial assets and liabilities (including derivative instruments) of the category at fair value with changes in value recorded in the income statement, as well as on a going concern basis. The Group has determined that there are no significant uncertainties (as defined by par. 25 of IAS 1) on business continuity.

On this issue, it is also appropriate to refer to the specific comment included in the consolidated financial statements in Chapter 6 “DESCRIPTION OF ACCOUNTING POLICIES” in the section “Accounting policies used”.
The preparation of the financial statements in accordance with IFRS inevitably requires the use of accounting estimates and opinions expressed by the Directors of the company. Aspects of the financial statements that require the application of more complex estimates and greater recourse to the judgments of the Directors is provided below.

FINANCIAL STATEMENTS
The Company presents its income statement by type of cost. With reference to the assets and liabilities of the balance sheet a form of presentation that distinguishes between current and non-current, as allowed by IAS 1 has been adopted. Moreover, adequate information on the timing of liabilities is provided in the notes. The cash flow statement has been prepared under the indirect method.

CHANGES IN ACCOUNTING POLICIES
With regard to the change in accounting principles that took place in 2013, refer to as stated in the consolidated financial statements in Chapter 6 “DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES”.

CONVERSION OF FOREIGN CURRENCY
The financial statements have been prepared in euro, the functional and presentation currency. Transactions in foreign currency are initially recorded at the exchange rate at the transaction date. The assets and liabilities denominated in currencies other than the euro are converted into euro using the exchange rates prevailing at the balance sheet date. All exchange differences are recognized in the income statement, provided that the accounting standards have the revaluation in equity.

TANGIBLE ASSETS
All classes of tangible assets, including investment properties, are stated at historical cost less accumulated depreciation and *impairment* losses, except for land, recorded at historical cost less *impairment*, where applicable. Cost includes all expenses directly attributable to the acquisition.

Costs incurred after the acquisition of the asset are accounted for as an increase of their historical value or booked separately only if it is probable that they will generate future economic benefits and the costs can be measured reliably. Depreciation of tangible fixed assets is calculated using the straight-line method, in order to distribute the residual book value of its estimated economic life as follows:

- Buildings and incremental work: 33 years
- Plant and machinery 10 - 5 years
- Equipment: 4 - 5 years
- Furniture and office equipment: 9 - 5 years
- Electronic office equipment: 5 years
- Motor vehicles: 3 - 5 years

Extraordinary maintenance capitalized as an increase of an existing asset is depreciated over the remaining useful life of the asset or, if lower, in the period until the next maintenance.

The residual value and the useful life of tangible assets are reviewed and adjusted if appropriate, at the date of the balance sheet.
The book value of tangible fixed assets is written down immediately to its recoverable value, whenever the former exceeds the latter.

Gains and losses on disposal of tangible assets are recognized in the income statement and are determined by comparing the carrying amount with the sale price.

Assets held under finance leases, through which all property risks and rewards are substantially transferred to the Company, are recognized as assets of the Group at their *fair value* or, if lower, the present value of minimum lease payments due for the lease. The lease fee is separated between the capital portion and the interest, which is determined by applying a fixed interest rate on outstanding debt.

Financial debt payable to the leasing company is recognized as a liability in the short term, for the current portion, and as long-term liabilities for the portion due over one year. The interest cost is recognized in the income statement over the term of the contract. The asset under finance leases are recognized as intangible assets and are amortized over the estimated economic useful life of the asset.

Leases for which the Lessor substantially retains all the property risks and rewards are classified as operating leases. The costs of operating leases are recognized in the income statement over the term of the lease.

Property investments held for lease are measured at cost less accumulated depreciation and accumulated impairment losses.

<u>INTANGIBLE ASSETS</u>

<u>Finite useful life</u>
(a) *Software*
Software licenses are capitalized at costs incurred to obtain and implement them and amortized over the estimated useful life (3 to 5 years).
Costs associated with the development and maintenance of software are treated as period costs and charged to the income statement on an accruals basis.

(b) *Research and development costs*
Research costs are recognized in the income statement in the period in which they are incurred.
Development costs incurred in relation to a specific project are capitalized if the following conditions are met:

- the costs can be measured reliably;
- the technical feasibility of the projects, the volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits.

Development costs recorded in income statements in previous years are not capitalized retrospectively if at a later time the requirements are met.
Development costs with a finite useful life are amortized from the date the product is commercialized, based on the period in which it is estimated to produce economic benefits, in any case not more than 5 years. Development costs that do not meet these characteristics are charged to the income statement in the year in which they are incurred.

(c) *Other intangible assets*
Other intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are capitalized at *fair value* as of the acquisition date.
After initial recognition, intangible assets with finite useful life are recorded at cost, less depreciation and *impairment*; intangible assets with indefinite useful life, at cost less *impairment* only.

Intangible assets generated internally are not capitalized but are recognized in the income statement in the year in which they were incurred.

Intangible assets with a finite useful life are verified annually for "*impairment*" whenever there are reasons which justify it; such analysis can be conducted for each individual intangible asset or cash revenues generating unit. The useful lives of other intangible assets are reviewed annually: any changes are applied prospectively, where possible.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
They are recorded at cost and adjusted for *impairment* loss. The positive difference arising from the purchase agreement between the acquisition cost and the share of net equity at *fair values* of the company's subsidiary is therefore included in the carrying amount of the investment. Investments in subsidiaries and associates are reviewed for *impairment* when there are related indicators. If there is evidence that these investments have suffered an *impairment* loss, the loss is recognized in the income statement as an *impairment* loss. If any share of the company's losses exceeds the carrying amount of the investment, and the company has an obligation to respond, then the value of the investment is reduced to nil and the share of further losses is recognized as a provision under liabilities. If the *impairment* is subsequently nil or reduced, it is recognized in the income statement as a reversal of *impairment* within cost limits.

INVESTMENTS IN OTHER COMPANIES
Investments in other small companies, for which no market price is available, are stated at cost less any *impairment* losses.

IMPAIRMENT OF ASSETS
Assets with indefinite lives not subject to amortization are tested for their recoverable value (*impairment*) annually and whenever there is an indication that the carrying amount may not be recoverable. Assets subject to amortization are tested for *impairment* only if there is an indication that their carrying value may not be recoverable.
The amount of the *impairment* loss is determined as the difference between the asset's carrying amount and its recoverable amount, determined as the higher amount between the sale price net of transaction costs and its use value, that is the value current of estimated cash flows, before tax, applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An *impairment* loss is recognized if the recoverable amount is less than the book value. When a loss on an asset other than goodwill is reversed or

reduced, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount and cannot exceed the carrying amount that would have been determined if there had been no loss in value. The reversal of an *impairment* loss is recognized immediately in the income statement.

<u>FINANCIAL INSTRUMENTS</u>

Presentation

The financial instruments held by the Company are included in the items described below. Investments and other non-current financial assets include investments in subsidiaries and other companies as well as investments in joint ventures and other non-current assets.

Current financial assets include trade receivables and cash and cash equivalents. In particular, the item Cash and cash equivalents include bank deposits. The financial liabilities refer to financial payables, including payables for advances on orders, transfer of receivables, and other financial liabilities (which include the negative *fair value* of derivative financial instruments), trade payables and other payables.

Evaluation

Investments in subsidiaries, associates, joint ventures and other companies included under non-current financial assets are accounted for as described in the preceding paragraphs.

Non-current assets other than investments, as well as financial liabilities, are accounted for in accordance with IAS 39 - Financial Instruments: Recognition and Measurement.

Loans and receivables that the Company does not hold for trading purposes, the assets held with the intention of holding them to maturity are measured at amortized cost using the effective interest method. When financial assets do not have a fixed maturity they are measured at acquisition cost. Assessments are made regularly in order to check whether there is objective evidence that a financial asset may have suffered an impairment loss. If any such evidence exists, the impairment loss is recognized as an expense in the income statement for the period. With the exception of derivative financial instruments, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

Consistent with IAS 39, derivative financial instruments can be accounted for in accordance with the hedge accounting only when:

- at the beginning of the hedge, there is formal designation and documentation of the hedging relationship;
- it is assumed that the hedge is highly effective;
- effectiveness can be reliably measured and
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at *fair value* in accordance with IAS 39.

When financial instruments have the characteristics to be accounted for under *hedge accounting*, the following accounting treatment applies:

- *Cash flow hedge*. If a derivative financial instrument is designated as a hedge for the exposure to variability in future cash flows of an asset or liability recognized in the balance sheet or for a highly probable expected transaction and could affect the income statement, the effective portion of the gain or loss on the financial instrument is recognized in other comprehensive income / (loss). The derivative gain or loss is removed from other comprehensive income / (loss) and recognized in the income statement in the period in which the relative economic effect of the hedged transaction is noted. The gain or loss associated with a hedge (or part of the hedge) that has become ineffective is recognized in the income statement immediately. If a hedging instrument or hedge relations is terminated but the hedged transaction has not yet been realized, the gains and losses accrued up to the time recorded in other comprehensive income / (loss) are recognized in the income statement in correlation with the detection of the economic effects of the hedged transaction. If the hedged transaction is no longer probable, the cumulative gains or losses not yet realized in other comprehensive income / (loss) are recognized immediately in the income statement.

- *Fair value hedge*. If a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of an asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from reviewing the fair value of the hedging instrument are recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the item and are recognized in the income statement.
- *Hedge of a net Investment*. If a derivative financial instrument is designated as a hedge of a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognized in other comprehensive income / (loss). The gain or loss is removed from equity and recognized in the income statement at the date of disposal of the foreign asset.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including payables for advances on orders, transfer of receivables, and other financial liabilities, including derivative financial instruments and liabilities in respect of assets acquired under finance leases. Pursuant to IAS 39, they also include trade and other payables of varied nature.

Financial liabilities, other than derivative financial instruments are initially recognized at *fair value* and are subsequently measured at amortized cost, i.e. the initial value, net of principal repayments made, adjusted (up or down) on the basis of depreciation (using the effective interest method) of any difference between the initial amount and the maturity amount.

LOANS

Loans are initially recognized at fair value, net of any incidental charges. After initial recognition they are recorded at amortized cost. Any difference between the proceeds net of any transaction costs and the redemption value is recognized in the income statement on an accrual basis at the effective interest rate method.

Loans are classified as short-term liabilities, unless the Company has an unconditional right to defer more than 12 months after the date of the balance sheet.

INVENTORIES

Inventories are stated at the lower amount between cost and net realizable value, the latter represented by the normal sales value during ordinary activities, less the variable costs of sale.

The cost is determined using the weighted average cost method. The cost of finished goods and semi-finished goods includes the cost of design, raw materials, direct labor, other direct costs

and other indirect costs allocated to production activities based on normal production capacity and on the progress. This costing does not include interest expense.
Provision is made for materials, finished goods, spare parts and other supplies considered obsolete or slow moving, taking into account their expected future use and realizable value.

TRADE AND OTHER RECEIVABLES
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, net of the allowance to take account of their uncollectible accounts. The allowance is recognized if there is objective evidence that the Company is not able to collect the full amount due on the date agreed with the customer.
The amount of the allowance is determined as the difference between the asset's carrying amount and the present value of future collections, discounted at the effective interest rate. The allowance is recognized in the income statement.

Transfer of receivables
Receivables transferred as a result of factoring transactions are eliminated from the balance sheet assets only if the ownership risks and rewards have been substantially transferred to the concessionaire. Recourse and non-recourse receivables transferred that do not meet this requirement remain in the balance sheet of the company, although they have been legally transferred, in which case a liability of equal amount is recognized as a liability against the advance received.

CASH AND CASH EQUIVALENTS
The item concerning Cash and cash equivalents includes cash, bank accounts, demand deposits and other highly liquid short-term financial investments, that are readily convertible into cash and are subject to an insignificant risk of changes in value.

ASSETS HELD FOR SALE
Assets held for sale include non-current assets (or groups of assets being disposed of) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower amount between their carrying amount and *fair value* less costs to sell.

SHARE CAPITAL
Ordinary shares are classified as equity. Accessory costs incurred to issue shares or options are shown in equity as a reduction of the cash received.
When the Company purchases its own shares, the price paid, net of any directly attributable accessory costs, is deducted from equity until the shares are canceled, reissued or sold.

EMPLOYEE BENEFITS
On 16/06/2011, the IASB issued an amendment to "IAS 19 - Employee Benefits", which modifies the rules for the recognition of fixed benefits plans and of terminations benefits. The main changes concern the recognition in the balance sheet of the deficit or surplus of the plan, the introduction of the net financial burden and the classification of net financial expenses. In particular:

- Recognition of the deficit or surplus of the plan: the amendment eliminates the option to defer actuarial gains and losses with the "corridor method" and it requires the recognition directly in Other overall gains (losses) and the recognized in the income statement of costs related to past service;

- Net financial burden: the net financial burden is composed of financial costs calculated on the present value of liabilities for fixed benefits plans, financial gains from the valuation of plan's assets and financial income or expenses arising from any limits to the recognition of the surplus of the plan. The net financial burden is determined using for all of these components the discount rate used for the measurement of the fixed benefits plans at the beginning of the period;
- Classification of net financial expenses: net financial expenses will be recognized among the financial income (expense) in the income statement.

This amendment has been applied retrospectively starting from 01/01/2013 adjusting the aperture value of the balance sheet as at 01/01/2012 and economic data of 2012.

(a) *Pension Plans*
Until 31/12/2006, the provision for severance indemnities (TFR) was considered a defined benefit plan.
The treatment of this provision was amended by the Law of 27 December 2006, no. 296 (2007 Finance Act) and subsequent Decrees and Regulations issued in early 2007. In light of these changes, and in particular with reference to companies with at least 50 employees, this is now considered a defined benefit plan only for amounts accrued prior to 1st January 2007 (and not yet budgeted), while amounts accrued after that date are treated as a defined contribution plan.

The defined benefit plans are pension plans that define the amount of the retirement benefit payable to the worker upon termination of employment, an amount that depends on several factors such as age, years of service and salary.
The defined plans are contribution pension plans for which the Company pays a fixed amount to a separate entity. The Company has no legal or implicit obligation to pay further amounts if the activities in the plan were not sufficient to pay the employees the benefits due for the current service and past services.
The plans described here were recorded in accordance with the provisions of IAS 19.

(b) *Benefits granted to the achievement of certain seniority*
The Company offers its employees benefits upon achievement of a certain length of service.
The benefits described here were recorded in accordance with the provisions of IAS 19.

c) *Benefits granted upon termination of the employment relationship*
These benefits are payable to workers in case of early termination of the employment relationship, the date of retirement, or termination due to corporate restructuring plans. The Company records a liability in the balance sheet in respect of these benefits when:

- there is a formal, detailed plan of incentives to leave and employees cannot refuse;
- an offer is made to employees to encourage voluntary redundancy; The amounts payable beyond 12 months from the balance sheet date are discounted to present value.

(d) *Incentives, bonuses and profit-sharing schemes*

The Company recognizes a costs and debt for liabilities that arise for bonuses, incentive compensation and profit-sharing schemes, determined using a formula that takes into account the profits attributable to shareholders after certain adjustments. The Company records a liability to a fund only if it is probable that the event, if it is contractually obliged or where there is a custom that defines an implicit obligation.

(e) *Employee benefits granted in shares*
The Company provides additional benefits to certain members of management and employees through equity compensation plans (stock option plans).
In accordance with IFRS 2 - Share-based payments, these plans are a component of the remuneration of beneficiaries, so the cost is the fair value of stock options at the grant date and is recognized in the income statement on a straight-line basis over the period between the grant date and the vesting date, with the offsetting credit recognized directly in equity. Changes in *fair value* subsequent to the grant date do not affect the initial assessment.

<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>
Provisions for risks and charges are recognized when:
- a legal or implicit obligation arises for the company as a result of past events;
- an outflow of resources to settle the obligation and the amount thereof is probable;
- it can be determined reliably.

The restructuring provisions include both liabilities arising from the leave incentives as well as penalties related to the termination of the lease agreements. Provisions are not set aside for risks and charges in respect of future operating losses.
Provisions are measured by discounting the best estimates made by the directors to identify the amount of costs that the Company shall bear the date of the balance sheet, to settle the obligation.

<u>REVENUES RECOGNITION</u>
Revenues include the fair value arising from the sale of goods and services, net of VAT, returns, discounts and transactions between Group companies. Revenues are recognized according to the following rules:
(a) *Sale of goods*
Revenue from sale of goods (laser systems, sheet metal processing machines and components) are recognized when all the following conditions are met:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group ceases to exercise effective control over the goods sold;
- the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) *Provision of services*
Revenues from services are recognized based on the progress made in the period in which they are performed.

(c) *Interest*
Interest income is recognized on an accrual basis at amortized cost using the effective interest rate (the rate that discounts estimated future cash flows exactly based on the expected life of the financial instrument).

(d) *Royalties*
Revenues from royalties are recognized on an accrual basis under the agreed conditions in the underlying contracts.

(e) *Dividends*
Dividends are recognized in the period in which the right of shareholders to receive the payment arises.

TAXES
a) Current: the burden on income taxes for the year is determined in accordance with current legislation. Income taxes are recognized in the income statement. Concerning in particular PRIMA INDUSTRIE SpA and its subsidiaries PRIMA ELECTRO SpA and FINN POWER ITALY Srl, it should be noted that it is in force the tax bracket of its national consolidated business pursuant to art. 117/129 of the Consolidation Act on tax on income (T.U.I.R.).

b) Deferred: Deferred tax liabilities and deferred tax assets are calculated on all temporary differences between the tax value and the book value of assets and liabilities in the financial statements of the Company.

They are calculated using the tax rates and laws that have been enacted at the balance sheet date, or substantially enacted, and that are expected to be applicable at the time of the reversal of temporary differences that gave rise to the recognition of deferred tax.
The deferred tax assets on tax losses and temporary differences are recognized only if sufficient taxable income to their compensation is probable at the time of the reversal of the temporary differences. Deferred tax assets are reviewed at each financial year end, and if necessary reduced to the extent that it is no longer probable that sufficient taxable income will become available in the future in order to allow all or part of the asset to be utilized. Deferred tax relating to items recognized directly in equity is also recognized directly in equity.

DISTRIBUTION OF DIVIDENDS
The distribution of dividends to shareholders generates a payable at the time of approval of the Shareholders' Meeting.

GOVERNMENT GRANTS
Government grants are recognized at their fair value only if there is reasonable certainty that the Company has satisfied all the requirements set by the terms of the grants. Revenues from government grants are recognized in the income statement based on the costs for which they were granted.
VALUATION OF THE FAIR VALUE
The *fair value* of financial instruments traded in an active market is determined based on market prices at the balance sheet date. The market price of reference for financial assets held by the Company is the current selling price (purchase price for financial liabilities).

The *fair value* of financial instruments that are not traded in an active market is determined using various valuation techniques and assumptions based on market conditions existing at the balance sheet date. For medium and long-term liabilities comparing prices of similar listed financial instruments, for the other categories of financial instruments cash flows are discounted.
The *fair value* of IRS is determined by discounting the estimated deriving cash flows at the balance sheet date. For receivables it is assumed that the nominal value net of any adjustments made to take account of their payable approximates their *fair value*. The *fair value* of financial liabilities for disclosure purposes is determined by discounting contractual cash flows at an interest rate that approximates the market rate at which the company borrows.

FINANCIAL RISK FACTORS
As regards the management of financial risks, refer to as provided in the corresponding note of the consolidated financial statements.

DISCRETIONARY EVALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES
The preparation of financial statements requires Management to make a number of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions affects the amounts of assets and liabilities recognized in the balance sheet, as well as expenses and income recognized in the income statement. Actual results may differ significantly from the estimates made, in view of the natural uncertainty surrounding the assumptions and conditions on which the estimates are based.
In this context it should be noted that the situation caused by the financial and economic crisis has led to the need to make assumptions about future trends characterized by significant uncertainty, so it cannot be ruled out that there will be different results next year compared to as estimated, and which therefore might require even significant adjustments that at present cannot be foreseen or estimated, to the carrying amount of the related items. The main items affected by these situations of uncertainty are provisions for doubtful accounts receivable and inventory, non-current assets (tangible and intangible assets), pension funds and other post-employment benefits, deferred tax assets.

The following summarizes the main evaluation process and key assumptions used in the process that can have a significant effect on the amounts recognized in the financial statements or for which there is a risk that there can be value adjustments to the carrying amount of assets and liabilities in the year following the date of the financial statements.

Recoverable amount of goodwill included in the investment FINN POWER OY
The recoverable amount of goodwill included in the investment FINN POWER OY has been evaluated in the context of the impairment test prepared for the CGU PRIMA POWER. The key assumptions used to determine the recoverable amount of the CGU, including a sensitivity analysis, are detailed in Note 8.2 - INTANGIBLE ASSETS.

Deferred tax assets and liabilities
Deferred tax assets and liabilities recorded in the balance sheet are determined using the differences between the accounting values and recognized for tax purposes of the various assets

and liabilities at the tax rates that are assumed to be in effect in the year in which the temporary differences are expected to be less. Deferred taxes relating to tax losses carried forward to subsequent years are recognized only if and to the extent that management believes likely that in future years the company will achieve a positive tax result such that it can be absorbed. In the event that, subsequent to the time of execution of the estimate, there are circumstances that lead to changing these estimates or the rate used for the calculation of deferred taxes, the items recorded in the financial statements will be adjusted.

Provision for inventories

In determining the provision for inventory obsolescence, the Company makes a number of estimates regarding future demand for the various types of products and materials in stock, on the basis of their production plans and past experience of customer requirements. In the event that these estimates are found to be inappropriate, this will result in an adjustment to the provision for obsolescence with its impact in the income statement.

Provision for doubtful debts

Provisions for doubtful accounts are determined based on an analysis of the individual debtors and in the light of past experience in terms of debt and relationships with individual customers. In the event that there is an unexpected deterioration in economic and financial conditions of a major customer, this could result in the need to adjust the allowance for doubtful accounts, with the consequent negative effects in terms of economic performance.

Employee benefits

The determination of the amount to be budgeted requires the use of actuarial estimates that take into account a number of assumptions relating to parameters such as the annual rate of inflation, wage increase, the annual rate of staff turn-over and other variables. Any changes in these parameters require a re-adjustment of the actuarial estimates and, consequently, the amounts disclosed in the financial statements.

PRIMA INDUSTRIE

CHAPTER 11.

EXPLANATORY NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2013

CHAPTER 11. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013

Following the retrospective application from January 1, 2013 of the Amendment to IAS 19, the data for 2012 reported for comparison, where appropriate, have been restated.

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

NOTE 11.1 – TANGIBLE FIXED ASSETS

The following table illustrates the composition of the tangible fixed assets at December 31, 2013 and at December 31, 2012, and the changes during the year.

Tangible fixed assets	Land, Buildings and Constructions	Plants anc machinery	Industrial and commercial Equipments	Other assets	Fixed assets under construction	TOTAL
December 31st, 2011						
Historical cost	6.077.289	2.043.059	3.297.895	3.038.792	535.788	14.992.823
Depreciation fund	(865.845)	(1.871.137)	(2.832.156)	(2.817.504)	-	(8.386.642)
Net value as at December 31st, 2011	**5.211.444**	**171.922**	**465.739**	**221.288**	**535.788**	**6.606.181**
Year 2012						
Increases	-	6.980	359.720	58.784	57.200	482.684
Disinvestments	-	-	-	(61.361)	-	(61.361)
Use of depreciation fund	-	-	-	58.930	-	58.930
Depreciation	(65.957)	(41.022)	(246.348)	(104.833)	-	(458.160)
Net value as at December 31st, 2012	**5.145.487**	**137.880**	**579.111**	**172.808**	**592.988**	**6.628.274**
Year 2013						
Increases	20.000	34.684	232.446	73.186	-	360.316
Disinvestments	-	-	-	-	-	-
Use of depreciation fund	-	-	-	-	-	-
Depreciation	(63.287)	(35.813)	(264.547)	(72.199)	-	(435.846)
Net value as at December 31st, 2013	**5.102.200**	**136.751**	**547.010**	**173.795**	**592.988**	**6.552.744**
December 31st, 2013						
Historical cost	6.097.289	2.084.723	3.890.061	3.109.401	592.988	15.774.462
Depreciation fund	(995.089)	(1.947.972)	(3.343.051)	(2.935.606)	-	(9.221.718)
Net value as at December 31st, 2013	**5.102.200**	**136.751**	**547.010**	**173.795**	**592.988**	**6.552.744**

Land and buildings amounting to 5,102 thousand Euro includes:

- Land with a total value unchanged compared to the previous year of 4,108 thousand Euro.
- Buildings for a total value of 958 thousand Euro. This heading includes the property leased to the PRIMA POWER UK LTD (154 thousand Euro) and the company establishment in via Antonelli No. 28 (804 thousand Euro).
- Light constructions for 36 thousand Euro.

Plants and Machinery amounting to 137 thousand Euro has decreased during the year of 1 thousand Euro (increases by 35 thousand Euro and depreciation for 36 thousand Euro).

The Industrial and trade equipment heading equal to 547 thousand Euro has increased during the year to 32 thousand Euro and includes equipment for 530 thousand Euro and Dies for 17 thousand Euro. The value of the equipment has increased during the year of 215 thousand Euro (of which 173 thousand Euro generated internally) and decremented for depreciation amounting to 238 thousand Euro.

The Other Assets heading amounts to 174 thousand Euro and is represented mainly by:

- Electronic office equipment with a value of 152 thousand Euro;
- Office furniture, furnishings and equipment with a value of 14 thousand Euro;

- Vehicles for 6 thousand Euro.

The Fixed assets in progress heading relates to costs incurred for preliminary analysis and design activities related to the construction of the new plant in Collegno (TO).

All above mentioned values at December 31, 2013 are net of accumulated depreciation except for land and fixed assets in progress that are not depreciated.

NOTE 11.2 – INTANGIBLE ASSETS

The following table illustrates the composition of intangible fixed assets at December 31, 2013 and at December 31, 2012, and the changes during the year.

Intangible assets	Software	Development cost	Other intangible assets	TOTAL
Net value as at December 31st, 2011	**122.109**	**3.948.114**	**3.535**	**4.073.758**
Year 2012				
Increases /(Decreases)	200.974	1.203.556	0	1.404.530
Depreciation	(102.477)	(1.169.200)	(884)	(1.272.561)
Net value as at December 31st, 2012	**220.606**	**3.982.470**	**2.651**	**4.205.727**
Year 2013				
Net value as at December 31st, 2012	**220.606**	**3.982.470**	**2.651**	**4.205.727**
Increases /(Decreases)	41.630	2.258.315	0	2.299.945
Depreciation	(135.041)	(1.073.548)	(884)	(1.209.473)
Net value as at December 31st, 2013	**127.195**	**5.167.237**	**1.767**	**5.296.199**

The main component of intangible fixed assets consists of development costs; during the year 2013 they have been capitalized for a total of 2,258 thousand Euro. At December 31, 2013 they totally amounted to 5,167 thousand Euro (3,369 thousand Euro of which is still in progress); the net change in this heading is positive for 1,185 thousand Euro.

NOTE 11.3 - EQUITY INVESTMENTS IN SUBSIDIARIES

The value of equity investments at December 31, 2013 amounts to 131,931 thousand Euro and is in increase compared to the previous financial year by 10,414 thousand Euro.

Shareholding in subsidiaries	Investment value	Investment provisions	Net value at Dec. 31st, 2012	Increases	Devaluation	Net value at Dec. 31st, 2013
FINN POWER OY	116.948.538	-	116.948.538	-	-	116.948.538
PRIMA ELECTRO SpA	1.944.702	-	1.944.702	9.000.000	-	10.944.702
PRIMA POWER IBERICA SL	1.441.304	-	1.441.304	-	-	1.441.304
PRIMA POWER CHINA Company Ltd	766.765	-	766.765	-	-	766.765
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	199.720	-	199.720	-	-	199.720
OOO PRIMA POWER	122.737	-	122.737	-	-	122.737
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	-	92.821	-	-	92.821
PRIMA POWER UK LTD	1	-	1	-	-	1
PRIMA POWER GmbH	474.436	(474.436)	-	-	-	-
PRIMA POWER SOUTH AMERICA Ltda	144.366	(144.366)	-	400.000	(361.524)	38.476
PRIMA POWER AUSTRALASIA Pty Ltd	-	-	-	157.070	-	157.070
PRIMA POWER SUZHOU CO LTD	-	-	-	1.218.466	-	1.218.466
TOTAL	**122.135.390**	**(618.802)**	**121.516.588**	**10.775.536**	**(361.524)**	**131.930.600**

The main events that contributed to this change in 2013 are illustrated below:

- PRIMA ELECTRO SpA. The extraordinary shareholders' meeting of PRIMA ELECTRO SpA on June 25, 2013 has resolved to increase the share capital by 9,000,000 Euro; PRIMA INDUSTRIE SpA, owner of a credit amounting to 17,800,000 Euro against PRIMA ELECTRO

SpA, arising for the deferred payment of the price at the time of sale (December 2010) of the American subsidiary PRIMA NORTH AMERICA (now called PRIMA ELECTRO NORTH AMERICA) from PRIMA INDUSTRIE to PRIMA ELECTRO, declared to subscribe the capital increase by partial compensation with this credit. The expiry of the remaining credit, amounting to 8,800,000 Euro, claimed by PRIMA INDUSTRIE SpA from PRIMA ELECTRO SpA was postponed to June 30, 2018.

- PRIMA POWER SOUTH AMERICA Ltda. PRIMA INDUSTRIE SpA during the year 2013 carried out two capital increases in the Brazilian subsidiary; the first of 200,000 Euro took place in February and the second of 400,000 Euro took place in December. The first increase was already forecasted at the end of last year, to cover the losses incurred in 2012 and for this purpose a dedicated write-down fund has been made (see Note 11.18 - Provisions for risks and charges); the second capital increase was carried out to cover the losses incurred in 2013. The investment was written down with the purpose of aligning its value to net assets of the subsidiary.

- PRIMA POWER AUSTRALASIA Pty Ltd. The Australian company was formed in the month of April 2013 and became operational during the year; PRIMA INDUSTRIE SpA owns 100% of the share capital; the Group has decided to proceed with the opening of this company in order to strengthen its sales network in this market thanks to after-sale customer service.

- PRIMA POWER SUZHOU CO LTD. On August 28, 2013 PRIMA INDUSTRIE SpA resolved to participate in the establishment of PRIMA POWER Suzhou Co. Ltd., a company governed by Chinese law (WFOE), of which PRIMA INDUSTRIE SpA will hold 51%; the remaining 49% will be held by two partners of Hong Kong: The share capital of the company will be 8 million US$. The company can rely on a newly built plant located in Suzhou (about 200 km from Shanghai); the plant will be completed in order to begin production by the end of 2014.

Details of the cost of the equity investments compared with the shareholders' equity per share resulting from the economic-financial situation of the companies involved, in compliance with IAS/IFRS principles, is as follows:

Shareholding in subsidiaries	Net value at Dec. 31st, 2013	Equity as at Dec. 31st, 2013	Stake	Equity pro-quota	Difference
FINN POWER OY	116.948.538	81.414.545	100,0%	81.414.545	(35.533.993)
PRIMA ELECTRO SpA	10.944.702	26.355.056	100,0%	26.355.056	15.410.354
PRIMA POWER IBERICA SL	1.441.304	5.326.089	22,0%	1.171.740	-269.564
PRIMA POWER CHINA Company Ltd	766.765	1.349.545	100,0%	1.349.545	582.780
PRIMA POWER MAKINA TICARET LIMITED SIRKET	199.720	496.046	99,9%	495.352	295.632
OOO PRIMA POWER	122.737	1.559.120	100,0%	1.558.964	1.436.227
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	301.944	100,0%	301.944	209.123
PRIMA POWER UK LTD	1	734.485	100,0%	734.485	734.484
PRIMA POWER GmbH	0	(6.593.004)	100,0%	(6.593.004)	(6.593.004)
PRIMA POWER SOUTH AMERICA Ltda	38.476	38.476	100,0%	38.476	-
PRIMA POWER AUSTRALASIA Pty Ltd	157.070	(7.145)	100,0%	(7.145)	(164.215)
PRIMA POWER SUZHOU CO LTD	1.218.466	2.213.643	51,0%	1.128.958	(89.508)

The difference between the cost and the net assets of FINN-POWER OY mainly reflects the value of goodwill and other intangible assets recognized for the acquisition of the company. In consideration of the results achieved by the company and by the FINN-POWER Group during the year and the previous year, there were no indicators of impairment related to the value of the equity investment. FINN-POWER OY in 2013 achieved an EBITDA of 10,234 thousand Euro (equal to 9.7% of revenues) and the sub-group FINN-POWER (resulting from the consolidation of FINN-POWER OY and of all of its subsidiaries) has achieved an EBITDA of 14,837 thousand Euro (equal to 7.2% of revenues) and net income of 5,630 thousand Euro. Moreover, the PRIMA INDUSTRIE Group carried out the impairment test on CGU PRIMA POWER (in which the sub-group FINN-POWER is included) in the consolidated financial statements (see Note 8.2 - Intangible fixed assets) from which are no indications of value impairment index emerge.

Regarding PRIMA POWER IBERICA SL, the difference is mainly due to losses sustained by the subsidiary in previous financial years and is not considered representative of a structural reduction in the value of the equity investment; in the last five years (except for 2012 where it acquired a very low loss) despite the difficult economic situation, the Spanish company has always obtained positive results; in particular, in 2013 it gained profits for 59 thousand Euro. All the companies listed above fall within the area of consolidation of the PRIMA INDUSTRIE Group.

The resulting difference for the equity investment of PRIMA POWER GmbH is partially offset by a risk fund amounting to 6,204 thousand Euro(see Note 11.18 - Provisions for risks and charges). This provision covers the losses accumulated by the German company for the whole year 2012. In the year 2013, the company recorded a loss of 259 thousand Euro, a decrease compared to the losses incurred in recent years, considered to be recoverable in future years thanks to a series of efficiency improvement measures that will be undertaken during 2014.

NOTE 11.4 - OTHER INVESTMENTS

The value of other shareholdings at December 31, 2013 amounts to 12 thousand Euro and is in increase compared to the previous financial year by 11 thousand Euro.

Other investments	Consorzio Sintesi	Unionfidi	Fidindustria	Lamiera Servizi	TOTAL
December 31st, 2011	**51.600**	**903**	**103**	**-**	**52.606**
Increases	-	-	-	-	-
Decreases	(51.600)	-	-	-	(51.600)
December 31st, 2012	**-**	**903**	**103**	**-**	**1.006**
Increases	-	-	-	10.925	10.925
Decreases	-	-	-	-	-
December 31st, 2013	**-**	**903**	**103**	**10.925**	**11.931**

In January 2013, PRIMA INDUSTRIE SpA has acquired a 19% shareholding in the company Lamiera Servizi Srl amounting to a value of 11 thousand Euro.

Other shareholdings are related to two guarantee consortiums (Unionfidi and Fidindustria) to which the company has adhered. In addition to the above shareholdings, PRIMA INDUSTRIE SpA holds other shareholdings whose book value at December 31, 2013 was zero. The book value of these shareholdings was zeroed in previous years due to the insolvency procedures to which they were subject; no costs to the company are expected to derive from completion of these procedures.

NOTE 11.5 - FINANCIAL ASSETS - FINANCING GRANTED TO SUBSIDIARIES

As shown in the table below, financing granted to subsidiaries (classified as non-current assets) amounted to 46,559 thousand Euro and decreased during the year 2013 of 12 million Euro.

Financial assets - Loans to subsidiaries	FINN POWER OY	PRIMA ELECTRO SpA	PRIMA POWER UK LTD	TOTAL
December 31st, 2011	**66.633.461**	**20.376.736**	**626.000**	**87.636.197**
Increases	-	-	-	-
Decreases	(27.000.000)	(2.076.736)	-	(29.076.736)
December 31st, 2012	**39.633.461**	**18.300.000**	**626.000**	**58.559.461**
Increases	-	-	-	-
Decreases	(2.500.000)	(9.500.000)		(12.000.000)
December 31st, 2013	**37.133.461**	**8.800.000**	**626.000**	**46.559.461**

The reduction of 12 million Euro recorded during the year relates to the following transactions:

- waiver of receivables from PRIMA ELECTRO SpA, made as part of the share capital increase of the subsidiary for 9 million Euro (see Note 11.3 – Equity investments in subsidiaries);
- repayment of FINN-POWER OY SpA for 2,500 thousand Euro and
- repayment of PRIMA ELECTRO SpA for 500 thousand Euro.

The item "Current financial assets" amounts to 582 thousand Euro and concerns interest earned on financing to subsidiaries (classified as "Financial assets – financing granted to subsidiaries").

NOTE 11.6 - OTHER FINANCIAL ASSETS

This item amounts to 17.372 thousand Euro and refers exclusively to a financing made to the subsidiary FINN-POWER OY; this asset refers to a class E share (so-called E-share) without the right to vote and paid for through an annual Euribor parameterized dividend plus spread. Compared to 31 December, 2012, there was an increase of 390 thousand Euro relating to interest accrued during the year 2013.

NOTE 11.7 – DEFERRED TAX ASSETS

The following table shows the movement of tax assets for anticipated taxes during the year 2013.

Deferred tax assets	Dec. 31st, 2013	Dec. 31st, 2012
Initial balance	**2.064.042**	**1.758.865**
Provisions	486.114	539.382
Utilizations	(159.991)	(234.205)
Closing balance	**2.390.165**	**2.064.042**

The items that originate fiscal assets deriving from prepaid taxes can be summed up as follows:

Deferred tax assets	Deferred taxability	Deferred tax assets
Provisions for risks, charges and other debts	5.319.795	1.465.289
Inventories	1.857.166	510.721
Employee benefits	1.385.508	381.014
Current credits and debts	114.785	31.564
Other assets and liabilities	5.056	1.577
Total	**8.682.309**	**2.390.165**

With reference to the recoverability of these taxes, it should be noted that PRIMA INDUSTRIE SpA historically realized positive taxable incomes, both for IRES and IRAP purposes, and expect to earn positive taxable incomes values in the following financial years also.
The valuation on the recoverability of anticipated taxes take into account the expected profits in future financial years and furthermore, is supported by the fact that the anticipated taxes mainly refer to adjusting entries for which there is no expiry.

NOTE 11.8 - INVENTORIES

At December 31, 2013 inventories amounted to 15,589 thousand Euro net of the provision for inventory write-downs.

Inventories	Dec. 31st, 2013	Dec. 31st, 2012
Raw materials	11.385.154	14.256.546
(Provision for raw materials)	(1.857.165)	(1.683.165)
Semifinished goods	2.336.748	3.496.201
Finished goods	3.724.502	2.212.927
Total	**15.589.239**	**18.282.509**

During 2013 they decreased for 2,693 thousand Euro resulting from the following difference:

- overall decrease in inventories of raw materials and semi-finished products (net of impairment provisions) amounting to 4,205 thousand Euro, due to the optimization of stocks and work in progress, following the reduction of production lead-time and the improved planning of machines to be produced;
- increase in finished products (net of impairment provisions) amounting to 1,512 thousand Euro, due both to the shipment of some machines in Asia for display at local fairs, and the stock of other machines, whose delivery has been delayed to the beginning of 2014.

The following table show the movements of provisions for write-down of raw materials during the year.

Depreciation Fund	Raw materials
Balance as at December 31st, 2012	**(1.683.165)**
Utilizations	100.000
Provisions	(274.000)
Balance as at December 31st, 2013	**(1.857.165)**

NOTE 11.9 - TRADE RECEIVABLES

The trade receivables on December 31, 2013 amounted to 38,602 thousand Euro and compared to the previous financial year they increased of 229 thousand Euro.

Trade Receivables	Dec. 31st, 2013	Dec. 31st, 2012
Receivables from customers	26.652.294	21.644.518
Provisions for bad debts	(129.313)	(372.942)
Receivables from other customers (net)	**26.522.981**	**21.271.576**
Receivables from related parts	12.079.386	17.101.772
Receivables from customers (net)	**38.602.367**	**38.373.348**

Trade receivables include receivables in foreign currency which relate to items denominated in U.S. dollars and British pounds and relate mostly to invoices issued to American and British subsidiaries.

Given the open positions at December 31, 2013, adjustments to the exchange rate are entered correctly. Receivables denominated in currencies other than the reference currency are converted into Euro at the exchange rate effective on the date of the financial statements closing. All the exchange differences are reflected in the Income Statement.

Movements in the receivables write-down fund during the period considered are as follows:

Provisions for doubtful credits	
Provisions for doubtful credits as of December 31st, 2012	**372.942**
Utilization	(343.629)
Provisions	100.000
Provisions for doubtful credits as of December 31st, 2013	**129.313**

There was a significant reduction in the receivables write-down fund, largely due to the use of that fund to cover certain losses which have been identified; during the year there was also a provision for new positions for an amount of 100 thousand Euro. The fund reflects the management's estimate of the losses that the Group can expect.

Below is a breakdown of trade receivables (including those of subsidiaries and associates and net of the receivable write-down fund) divided according to expiry.

Receivables by due date	Dec. 31st, 2013	Dec. 31st, 2012
Values expressed in Euto thousand		
Not due	22.991	21.122
Expired 0 - 60 days	5.855	8.647
Expired 61 - 120 days	4.829	3.881
Expired over 120 days	5.056	6.050
Total	**38.731**	**39.700**

NOTE 11.10 - OTHER RECEIVABLES

This other current receivables amount to 2,058 thousand Euro, with an increase of 524 thousand Euro compared to the previous year (2,582 thousand Euro at December 31, 2012) and includes:

- contributions to be received for 1,065 thousand Euro; they refer mostly to capital contribution relating to an experimental development in the field of Converging Technologies to be paid by the Piedmont region of approximately 640 thousand Euro and other smaller projects for about 425 thousand Euro; it should be noted that the outstanding credit at December 31, 2012 for the capital contribution related to a program of technological innovation of the Ministry of Economic Development amounted to approximately 1.1 million Euro was collected almost entirely in the month of December 2013;
- advances to suppliers (for 650 thousand Euro) paid on orders for future deliveries (of which 78 thousand Euro due from related parties);
- security deposits (for 149 thousand Euro);
- accruals and deferrals (for 148 thousand Euro);
- receivables from employees (38 thousand Euro) for advances on travel expenses granted to employees;
- other minor receivables (for 8 thousand Euro).

NOTE 11.11 – CURRENT TAX RECEIVABLES

The other tax assets amounted to 1,699 thousand Euro at December 31, 2013, against 437 thousand Euro at December 31, 2012 and are composed of a tax credit recorded following the submission of applications for refund (IRAP deduction for IRES purposes for the years 2007-2011), from receivables for withholding tax paid, tax credits for IRES and IRAP, credits for IRES of the group and receivables for foreign VAT refunds.

The increase in other tax assets recorded during the year is due almost entirely to the tax credit for the IRES refund, the withholding taxes incurred in 2013 (mainly withholding taxes for transactions with foreign parties) and higher IRES and IRAP tax advances paid during the year. This increase is offset by the reduction in VAT receivables (both Italian and foreign).

Current Tax Receivables	Dec. 31st, 2013	Dec. 31st, 2012
Tax Receivables - IRES reimbursment IRAP deduction	970.392	-
Tax Receivables - Witholiding taxes	397.422	7.205
Tax Receivables - Advances direct (IRES and IRAP) taxe	281.007	-
Tax Receivables - Tax Consolidation (IRES)	26.250	-
Vat Receivables - Foreign countries	24.346	23.081
Vat Receivables - Italy	-	407.112
Total	**1.699.417**	**437.398**

NOTE 11.12 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2013 amount to 3,402 thousand Euro, against 719 thousand Euro at December 31, 2012 and is composed of cash (including foreign currency), checks and sight bank credits.

Cash and cash equivalents	Dec. 31st, 2013	Dec. 31st, 2012
Cash and checks	15.672	22.090
Bank accounts	3.386.352	697.218
Total	**3.402.024**	**719.308**

NOTE 11.13 – EQUITY

SHARE CAPITAL

The Share Capital amounts to 26,208,185 Euro (divided into 10,483,274 ordinary shares with a par value of 2.50 Euro each), in increase compared to December 31, 2012 of 4.601.632 Euro. This increase is due to the conversion by large part of the shareholders of the Warrants in circulation until December 16, 2013. During the year 2013, 1,840,653 warrants, corresponding to the same amount of shares, were converted. As already mentioned in the Management Report of the significant events of the period, the Warrants conversion ended on December 16, 2013. The procedure was successful, as the Warrants exercised amounted to a total of more than 82% of those issued for a total equivalent value of approximately 15.7 million Euro.

For more detail on the subject, see the movement of net assets statement.

LEGAL RESERVE

This item amounts to 4,321 thousand Euro and has increased as a result of the allocation of the mandatory share of the profit accrued in 2012.

OTHER RESERVES

The item "Other Reserves" has a value of 68,145 thousand Euro and is composed of:

- Extraordinary reserve: amounting to 13,146 thousand Euro, increased by 1,891 thousand Euro with respect to December 31, 2012 due to the partial allocation of the profit of year 2012 in excess of the allocation to the legal reserve.
- Share premium reserve: amounting to 57,507 thousand Euro and increased by 11 thousand Euro following the share capital increase occurred during 2013. This item is generated by the premium on the issue of new shares with respect to the nominal value.
- Change in the *fair value* of hedging derivatives: negative for 3,196 thousand Euro, representing the part entered directly to shareholders' equity at the market value of the risks hedge contracts on interest rate variability.
- Stock option reserve: amounting to 1,295 thousand Euro and has remained unchanged compared with December 31, 2012.
- Expenses for share capital increase: negative for 1,286 thousand Euro and represents costs incurred for share capital increases (such as bank fees, legal and administrative consultant fees, etc.) which took place one early in 2008 and another resolved in 2009 and concluded at the beginning of 2010, in addition to an increase of 2 thousand Euro occurred in 2011 and it remained unchanged compared to December 31, 2012.
- Subsidiaries value recovery reserve: amounting to 679 thousand Euro and has remained unchanged compared with December 31, 2012.

RETAINED EARNINGS

The item has a negative value of 1,672 thousand Euro. This item includes amounts related to the differences in accounting methods at the date of transition to IFRS due to the adjustments made to the balances on the financial statements prepared in accordance with the national accounting standards and also in agreement with the application of the IAS 19 revised on the effect of actuarial gains/losses on severance indemnities for employees.

PROFIT (LOSS) FOR THE YEAR

The Result for the year is positive for 2,684 thousand Euro.

For more information on the subject of:
- stock option plans, see the relative section in the Management Report;
- derivative financial instruments for hedging, see note 8.10 - Net Financial Position;
- share capital increase, see note 8.12 - Shareholders' Equity.

NOTE 11.14 – DERIVATIVES

At December 31, 2013 PRIMA INDUSTRIE S.p.A. holds several derivative financial instruments for a net negative value of 3,975 thousand Euro.

Type	Company	Counterparty	Expiry date	Notional reference	MTM Dec. 31st, 2013
IRS - Hedge accounting	Prima Industrie SpA	Unicredit	04/02/16	€ 21.272.321	-€ 1.993.041
IRS - Hedge accounting	Prima Industrie SpA	Intesa-Sanpaolo	04/02/16	€ 21.272.321	-€ 1.993.041
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	28/02/14	$1.200.000	€ 11.013
				TOTAL	**-€ 3.975.069**

At the time of drafting the financial statements at December 31, 2013, a valuation of the financial derivatives held by the company was made in order to ascertain their type and establish how they were to be recorded.

Some financial instruments held by PRIMA INDUSTRIE SpA are included in the HEDGE ACCOUNTING category, while others did not have all the requisites of IAS 39 to be classified in this category.

For those derivative instruments entering in the HEDGE ACCOUNTING category in accordance with IAS 39, the Group drafted formal documentation of the hedge relationship between the hedging instrument and the hedged item, the objectives of risk management and the strategy pursued during hedging. The effectiveness of the hedge relationship was monitored by an independent company specialising in actuarial valuations.

In compliance with IAS 39 the HEDGE-ACCOUNTING derivatives were recorded as follows: variations in the effective portion of the fair value were initially recognized as shareholders' equity; accumulated earnings and losses were later transferred from the shareholders' equity and recorded in the income statement according to the economic effects of the hedged transaction. The fair value portion of the derivative instrument qualified as non-effective is directly attributed to the income statement under the financial costs.
Variations in the fair value of NON-HEDGE ACCOUNTING derivatives are attributed to the income statement under the financial costs. For more information on the subject of the IRS see note 8.10 - Net Financial Position.

NOTE 11.15 - FINANCING

The following is a breakdown of PRIMA INDUSTRIE SpA's financing status on December 31, 2013 (in comparison with December 31, 2012).

Bank borrowings and other financing	Dec. 31st, 2013	Dec. 31st, 2012
Current		
Bank overdrafts	1.192.478	2.446.389
Short-term payable for bank loans	35.860.271	39.355.464
Short-term payable for other financing	369.049	96.054
Short-term payable for advances on invoices	4.595.301	4.792.400
Total Current	**42.017.099**	**46.690.307**
Non-current		
Payable for operational leasings	188.808	83.000
Long-term payable for bank loans	68.113.541	88.324.843
Long-term payable for other financing	1.407.444	-
Total Non-current	**69.709.793**	**88.407.843**
TOTAL	**111.726.892**	**135.098.150**

The main debt included in payables to bank is the FINPOLAR loan. This financing, which amounted to a total of 103,911 thousand Euro on December 31, 2013 is divided as follows:

- Quota A: medium/long-term financing of 9,405 thousand Euro (expiring in February 2015 with a with a six monthly repayment);
- Quota B: medium/long-term financing of 63,471 thousand Euro (expiring in February 2016 with a "bullet" repayment at expiry);
- Quota C2: credit line for anticipated invoices (revolving) used on December 31, 2013 for 10,261 thousand Euro (the credit line is usable for a maximum comprehensive sum of 12,200 thousand Euro for the Group working capital requirements);
- Quota D: credit line for cash of 19,887 thousand Euro (for a maximum capital sum of 20 million Euro);
- on December 31, 2013 there were accrued and unpaid interests on all the quotas of the FINPOLAR loan for totally 887 thousand Euro.

It should be noted that in the year 2013, the FINPOLAR loan has been reduced significantly, both for the regular repayment of the instalments provided for by the repayment plan, but especially for the anticipated repayment of 15.7 million Euro occurred as a result of the conversion of more than 82% of the Warrants. The FINPOLAR loan has changed from 127,597 thousand Euro at December 31, 2012 to 103,911 thousand euro at December 31, 2013. At the date of preparation of these financial statements, also the instalment due on February 4, 2014 has been regularly repaid.

The *covenants* measured on the consolidated financial statements at December 31, 2013 are met.

The movements of the financial payables of PRIMA INDUSTRIE SpA during 2013 are illustrated below.

Bank borrowings and other financing *Movements*	Dec. 31st, 2012	Increases	Decreases	Reclassification	Dec. 31st, 2013
Current					
Bank overdrafts	2.446.389	-	(1.253.911)	-	1.192.478
Short-term payable for bank loans	39.355.464	1.843.581	(25.550.076)	20.211.302	35.860.271
Short-term for other financing	96.054	369.049	(96.054)	-	369.049
Short-term for advances on invoices	4.792.400	-	(197.099)	-	4.595.301
Total Current	**46.690.307**	**2.212.630**	**(27.097.140)**	**20.211.302**	**42.017.099**
Non-current					
Payable for operational leasings	83.000	105.808	-	-	188.808
Long-term payable for bank loans	88.324.843	-	-	(20.211.302)	68.113.541
Long-term payable for other financing	-	1.407.444	-	-	1.407.444
Total Non-current	**88.407.843**	**1.513.252**	**-**	**(20.211.302)**	**69.709.793**
TOTAL	**135.098.150**	**3.725.882**	**(27.097.140)**	**-**	**111.726.892**

During 2013 financial payables decreased by a total of 23,371 thousand Euro. The table below lists, for the assets and liabilities at December 31, 2013 to third parties and on the basis of the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7.

Fair value by category - IAS 39 - December 31st, 2013							
Values in Euro thousand	Relevant values on balance according to IAS 39						
Assets	**Category IAS 39**	**Financial value as at Dec. 31st, 2013**	**Amortized cost**	**FV in Property**	**FV in Equity**	**IAS 17**	**Fair value as at Dec. 31st, 2013**
Cash and cash equivalents	NA	3.402	-	-	-	-	3.402
Assets held to maturity	Held to Maturity	582	-	-	-	-	582
Assets at fair value in profit or loss	Held for Trading	11	-	-	63	-	11
Total		**3.995**	**-**	**-**	**63**	**-**	**3.995**
Liabilities	**Category IAS 39**	**Financial value as at Dec. 31st, 2013**	**Amortized cost**	**FV in Property**	**FV in Equity**	**IAS 17**	**Fair value as at Dec. 31st, 2013**
Liabilities at amortized cost	Amortised Cost	111.538	111.538	-	-	-	112.350
Liabilities at fair value in profit or loss	Held for Trading	-	-	-	(68)	-	-
Hedging derivatives	NA	3.986	-	1.992	2.012	-	3.986
Liabilities valued under IAS 17	NA	189	-	-	-	189	189
Total		**115.713**	**111.538**	**1.992**	**1.944**	**189**	**116.525**

Gains and losses by category - IAS 39 - Dec. 31st, 2013			
Values in Euro thousand			
Assets	**Category IAS 39**	**Net gains and losses**	**of which interest**
Cash and cash equivalents	NA	3	3
Assets held to maturity	Held to Maturity	11	11
Total		**14**	**14**
Liabilities	**Category IAS 39**	**Net gains and losses**	**of which interest**
Liabilities at amortized cost	Amortised Cost	(3.985)	(3.387)
Liabilities at fair value in profit or loss	Held for Trading	(71)	(82)
Hedging derivatives	NA	(2.012)	(2.072)
Other financial liabilities - factoring	NA	(1)	(1)
Total		**(6.069)**	**(5.542)**

For more details about the Financing of PRIMA INDUSTRIE SpA, see the Management Report and the consolidated financial statements at the Note 8.10 - Net Financial Position.

NOTE 11.16 –EMPLOYEES BENEFITS LIABILITIES

The following table shows the composition of liabilities for employee benefits at December 31, 2013 and at the closing of the previous year.

Employee Benefits Liabilities	Dec. 31st, 2013	Dec. 31st, 2012
Italian employee's benefit liabilities	2.508.870	2.491.110
Fidelity premium	1.205.707	1.077.206
TOTAL	**3.714.577**	**3.568.316**

The Employees' Severance Indemnity Fund, provided by the Italian law, are accrued by employees during their working life and paid on termination of their employment. This indemnity is considered a defined benefit fund, subject to actuarial valuation with regard to future benefits and to benefits already paid.

Following the changes to the Employees' Severance Indemnity Fund by the Law 27 December 2006 (Finance Act 2007) and subsequent Decrees and Regulations issued in the first months of 2007, for the purpose of IAS only the liability concerning the Employees' Severance Indemnity Fund accrued and held by the company has been considered, as the amount not yet accrued was credited to a separate account (complementary pension fund or INPS-National Institute of Social Insurance) fund). As a consequence of these payments the company will have no other liabilities in connection with future employee activity. Also for those who have explicitly decided to keep the Employees' severance indemnity in the company, and therefore subject to the regulations in force, the severance indemnity yet to accrue starting from January 1, 2007, was paid into the Treasury Fund managed by INPS. This fund, according to article 1, paragraph 5, of the Financial Act 2007 guarantees the provision of employee's severance indemnity to employees of the private sector pursuant to art. 2120 of the Italian Civil Code, for the quota equivalent to payments made by employees.

In accordance with the IAS 19 provision, PRIMA INDUSTRIE SpA has applied the relevant transitional provisions retrospectively from January 1, 2013. This application involved the adjustment of aperture values of the financial-equity position at January 1, 2012, and to the economic values of 2012, as if the amendment to IAS 19 had always been applied.

Below are shown the changes of the Employees' Severance Indemnity Fund and of the Fidelity Premium during the year 2013.

Italian employee's benefit liabilities	Dec. 31st, 2013	Dec. 31st, 2012
Opening balance	**2.491.110**	**2.363.449**
Italian Employee's benefit indemnities paid out during the period	(58.455)	(76.351)
Attuarial gains/losses	(4.767)	105.895
Financial costs	80.961	98.117
Other movements	21	-
Closing balance	**2.508.870**	**2.491.110**

Fidelity Premium	Dec. 31st, 2013	Dec. 31st, 2012
Opening balance	**1.077.206**	**819.555**
Fidelity Premium paid out during the period	-	(5.625)
Provisions/Actuarial Adjustment	93.491	230.606
Financial costs	35.010	32.670
Other movements	-	-
Closing balance	**1.205.707**	**1.077.206**

The Fidelity Premium refers to the seniority premium for employees of the Company paid at the end of 20, 30 and 35 years of service, corresponding to two gross monthly salaries. The main hypotheses used to estimate final liabilities from employee benefits are as follows:

Actuarial Assumptions	Dec. 31st, 2013	Dec. 31st, 2012
Annual discount rate	3,15%	3,25%
Annual inflation rate	2,00%	2,00%
Annual Italian enployee's benefit increase rate	3,00%	3,00%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury called RG48, divided by gender;
- the probability of disability, divided by gender, adopted in the INPS model for projections to 2010;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with annual frequency of 5% depending on the company;
- probability of advances with an annual rate of 3%.

NOTE 11.17 - DEFERRED TAX LIABILITIES

The following table shows the movements of deferred tax liabilities during the year 2013.

Deferred tax liabilities	Dec. 31st, 2013	Dec. 31st, 2012
Opening balance	**816.263**	**654.300**
Provisions	236.458	287.143
Utilizations	(264.000)	(125.180)
Closing balance	**788.721**	**816.263**

The main items for tax liabilities deriving from deferred taxes can be summarized as follows:

Deferred tax liabilities	Deferred taxability	Deferred tax liabilities
Current debits and credits	2.251.215	619.084
Tangible fixed assets	616.863	169.637
Total	**2.868.078**	**788.721**

NOTE 11.18 – PROVISIONS

The provisions for risks and charges as at December 31, 2013 amounted to 11,200 thousand Euros (of which 6,279 non-current). During the year 2013 they had an overall increase of 682 thousand Euro.

The movements of both current and non-current funds are shown below.

Non-current provisions	Cust. Agent. Ind. Provision	Equity investments loss fund	TOTAL
December 31st, 2011	**64.904**	**4.607.994**	**4.672.898**
Provisions	2.742	1.801.928	1.804.670
Utilizations	-	-	-
December 31st, 2012	**67.646**	**6.409.922**	**6.477.568**
Provisions	6.143	-	6.143
Utilizations	(4.784)	(200.000)	(204.784)
December 31st, 2013	**69.005**	**6.209.922**	**6.278.927**

Current provisions	Risks fund on tax claims	Guarantee fund and project's completion	TOTAL
December 31st, 2011	**-**	**2.710.000**	**2.710.000**
Provisions	91.791	3.949.000	4.040.791
Utilizations	-	(2.710.000)	(2.710.000)
December 31st, 2012	**91.791**	**3.949.000**	**4.040.791**
Provisions	-	4.232.000	4.232.000
Utilizations	(91.791)	(3.259.700)	(3.351.491)
December 31st, 2013	**-**	**4.921.300**	**4.921.300**

Provision for equity investment losses

This provision refers to the subsidiary PRIMA POWER GmbH (for more details on this subject, see Note 11.3 - Equity investments in subsidiaries).

Agent client indemnity provision

This represents the indemnity payables accrued at year-end towards agents due for interruption of the agency relationship, in accordance with current legislation.

Provision for warrantee and projects completion

This refers to provisions for the completion of ongoing projects and technical warranty on products of the company and is proportionate to the costs that must be held. Compared to 2012 they increased for a total of 972 thousand Euro.

Provision for risks on disputes

The fund was used in the year 2013 following the settlement of the dispute with a former agent and with the financial administration. At December 31, 2013, there were no other disputes that require provisions for risks.

NOTE 11.19 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

Trade payables at December 31, 2013 amounted to 31,734 thousand Euro, of which 24,625 thousand Euro to third party suppliers and 7,109 thousand Euro to related parties.

Trade and other payables	Dec. 31st, 2013	Dec. 31st, 2012
Payable owed to suppliers	24.625.297	24.422.269
Amounts due to subsidiaries	7.108.880	8.094.690
Trade payables	**31.734.177**	**32.516.959**
Advances from customers	1.940.628	1.339.128
Advances from customers	**1.940.628**	**1.339.128**
Social security payables	1.513.447	1.579.844
Amounts due to employees	1.862.524	2.041.314
Accrued expenses and deferred income	716.361	504.308
Other payables	230.814	197.830
Other payables due to subsidiaries	500.272	3.297.363
TOTAL	**4.823.418**	**7.620.659**

Trade payables decreased during the year 2013 for a total amount of 783 thousand Euro. This decrease is mainly attributable to an improvement in the payment timing, due to an efficient management of working capital.

Advances from clients has increased over the previous year of 601 thousand Euro; at December 31, 2013 it amounted to 1,941 thousand Euro against 1,339 thousand Euro at December 31, 2012. This item mainly consists of advances received from customers on orders for machines not yet delivered. Other payables to related parties amount to 500 thousand Euro and relate to debts arising from trade transactions occurred with subsidiaries or other related parties.

The debts related to security and welfare, are payables to social security and welfare (especially INPS and other forms of assistance).

Payables to employees refer to salaries not yet paid, and compensation accrued but not yet paid for leave not taken, for production bonus and incentives accrued by managers and sales personnel and for travel expenses paid by the company for employees out for work.

NOTE 11.20 - CURRENT TAX PAYABLES

This item totals 2,638 thousand Euro (2,069 thousand Euro at December 31, 2012) and includes:

- Payables to subsidiaries for tax consolidation 1,709 thousand Euro
- Payables for withholding taxes: 540 thousand Euro
- Payables for VAT: 263 thousand Euro
- Other payables to the revenue office: 126 thousand Euro

NOTE 11.21 – ASSETS HELD FOR SALE

This item includes equity investments no longer considered strategic for the company; their book value will be recovered principally from disinvestment operations rather than through their continuous use. The only equity investment is the remaining 5% of the SUP.

NOTE 11.22 - NET REVENUES

The Net Revenues from sales and services are exposed below subdivided by product/activity and by geographic area (values expressed in thousand Euro).

Revenues from sales and services	Italy	%	Europe	%	North America	%	Rest of the world	%	Total
Machines	15.217.295	19,38%	18.439.233	23,48%	10.959.153	13,96%	33.909.550	43,18%	78.525.231
Services	4.177.335	31,80%	4.266.322	32,47%	1.860.002	14,16%	2.834.067	21,57%	13.137.726
Spare parts	3.228.719	71,44%	454.899	10,06%	181.473	4,02%	654.586	14,48%	4.519.677
Other sales - miscellaneous	316.491	23,97%	436.391	33,06%	388.723	29,44%	178.585	13,53%	1.320.189
Total	**22.939.840**		**23.596.845**		**13.389.350**		**37.576.787**		**97.502.822**

Revenues at December 31, 2013 amounted to 97,503 thousand Euro compared with 2012, and decreased by 3,159 thousand Euro (at December 31, 2012 their value amounted to 100,662 thousand Euro).

NOTE 11.23 – OTHER INCOME

Below is a summary report of the Other operational income.

Other operating income	Dec. 31st, 2013	Dec. 31st, 2012
Services provided and costs charged back to subsidiaries	1.364.574	1.566.941
Research and development projects income	2.585.000	1.790.000
Government grants	438.999	1.058.468
Extraordinary income	315.211	281.890
Insurance refunds	15.486	653
Other	64.849	42.436
Total	**4.784.119**	**4.740.388**

Services and cost chargebacks with respect to the various companies of the Group are ascribable to services provided by the Parent Company to subsidiaries in relation to accounting, finance, IT and management control.

The contributions entered in the income statement refer to facilitations on an unsecured basis for research and development accrued in the period of competence.

Income for research and development, refer for 2.5 million Euro to "license agreements". The contingent assets mainly refer to adjustments of commitments made in the previous year.

NOTE 11.24 – INCREASES IN FIXED ASSETS FOR INTERNAL WORK

Capitalization for increases for internal work amount to 2,431 thousand Euro in 2013 compared to 1,456 thousand Euro of the previous year.

The amount entered in the income statement for the year refers to 2,258 thousand Euro for development costs relative to research projects and 173 thousand Euro for costs incurred for the construction of production equipment and off-line testing of components or preassembled groups. Technical feasibility and generation of likely future economic benefits were investigated for all capitalized projects. The former category of costs is classified among the intangible assets, and the latter among the tangible assets.

NOTA 11.25 – PERSONNEL COSTS

Personnel costs amounted to 20,775 thousand Euro at December 31, 2013, and are in increase compared to the previous year of 25 thousand Euro.

Personnel costs	Dec. 31st, 2013	Dec. 31st, 2012
Salaries and wages	14.691.165	14.699.630
Social security contributions	4.622.595	4.492.952
Severance indemnities paid into complementary	939.160	868.615
Fidelity Premium	93.491	224.981
Other costs	429.060	464.039
TOTAL	**20.775.471**	**20.750.217**

The cost of labour has remained stable, despite the increased number of employees; this reduction is due to the careful management of costs made by the company.

Here below is shown the number of employees at December 31, 2013 compared to the end of the previous year.

Personnel movements	Dec. 31st, 2013	Dec. 31st, 2012
Executives	15	16
Front-line managers	20	19
Managers	17	18
Office staff	190	186
Intermediate	5	5
Production workers	94	91
Total	**341**	**335**

The overall workforce at PRIMA INDUSTRIE went from 335 units (at December 31, 2012) to 341 units (at December 31, 2013). It should be noted that, since the Company operates in a high-tech sector, employees are, on average, very specialized and thus labour costs are higher than the average industry standard.

NOTE 11.26 - DEPRECIATION

Depreciation of the year decreased by 85 thousand Euro compared to the previous year. The following table contains the division of depreciation allotments between tangible and intangible assets, and a comparison with the previous year.

Depreciation	Dec. 31st, 2013	Dec. 31st, 2012
Intangible fixed assets	1.209.473	1.272.561
Tangible fixed assets	435.846	458.160
TOTAL	**1.645.319**	**1.730.721**

NOTE 11.27 – OTHER OPERATING COSTS

The other operating costs at December 31, 2013 amounted to 26.281 thousand Euro and compared to the previous financial year they record a decrease of 530 thousand Euro.

Other operating costs	Dec. 31st, 2013	Dec. 31st, 2012
External services	10.859.565	10.005.511
Travel expenses	2.592.267	3.100.052
Transport and custom duties	2.123.799	2.181.241
Technical, legal, fiscal and administrative	1.562.580	2.232.025
Commissions	1.900.505	1.022.504
Rentals and other costs for leases	1.052.332	921.027
Utility	761.575	854.420
Other costs for services	942.730	938.085
Advertising and promotion	368.164	302.330
External maintenance	453.552	445.461
Administrators' fee	567.014	591.104
Rent	541.562	514.687
Insurances	436.725	428.028
Extraordinary liabilities	223.112	288.387
Statutory auditors' fee	106.600	105.000
Temporary work	154.877	751.925
Taxes	82.867	83.876
Other operating costs	479.807	522.275
Assignment CH subsidiary loss	-	25.500
Provision for tax claim risk fund	-	3.200
Provision for risk	4.232.000	3.949.000
Utilization of provision for risk	(3.259.700)	(2.710.000)
Provision for doubtful debts	100.000	255.845
Total	**26.281.933**	**26.811.481**

This decrease of 530 thousand Euro relates primarily to costs for travel expenses, transportation, and external consulting, modulated by an increase in external work, commissions and rentals. The decrease in other operating costs shows the company's efforts in the continuous cost containment.

The most significant "Other service costs" include:

- costs for storage for 350 thousand Euro;
- cleaning costs for 154 thousand Euro;
- entertainment expenses for 89 thousand Euro;
- recruitment of personnel for 71 thousand Euro;
- other service costs for 54 thousand Euro;
- costs for expatriate personnel for 46 thousand Euro.

The most significant "Other operating costs" include:

- corporate expenses for 184 thousand Euro;
- membership in trade associations for 107 thousand Euro;
- translation services for 91 thousand Euro;
- fines and penalties for 82 thousand Euro.

NOTE 11.28 – FINANCIAL INCOME AND EXPENSES

Financial management of the year 2013 was negative for 3,715 thousand Euro.

Financial management	Dec. 31st, 2013	Dec. 31st, 2012
Derivatives income (IRS)	59.608	-
Derivatives income (CRS)	144.663	27.466
Gain of the sale of the stake	1.530.463	4.030.608
Recovery of value of equity investments in subsidiaries	1.866.051	3.322.418
Interest income from customers	3.687	8.150
Financial income from other companies	2.793	5.166
Other financial income	-	-
Financial income	**3.607.265**	**7.393.808**
Writedowns of equity investments in subsidiaries	(362.190)	(2.130.152)
Interest on short term loans (current/non current)	(321.443)	(308.206)
Borrowing expenses FINPOLAR	(3.664.177)	(4.366.274)
Derivatives expenses (IRS)	(2.071.757)	(1.940.794)
Derivatives expenses (CRS)	(81.585)	(175.953)
Interests paid on employee tax benefits	(115.971)	(130.787)
Bank charges	(266.738)	(234.134)
Interest on trade allowances	(22.108)	(17.359)
Other	-	311.036
Financial expenses	**(6.905.969)**	**(8.992.623)**
NET FINANCIAL EXPENSES	**(3.298.704)**	**(1.598.815)**
Exchange rate differences	(415.938)	52.194
FINANCIAL INCOME AND EXPENSES (NET)	**(3.714.642)**	**(1.546.621)**

The financial costs relative to the FINPOLAR loan amounted to 3,664 thousand Euro and net financial costs on derivatives amount to 2,045 thousand Euro. As shown in the table above, interest payables to credit institutions have increased of about 13 thousand Euro. To properly compare the data from the two periods it should be noted that the financial costs of 2012 were positively impacted by non-recurring income amounting to 311 thousand Euro.

It should also be noted that, the financial expenses include 362 thousand Euro for impairment of investments (almost exclusively related to that of the subsidiary PRIMA POWER SOUTH AMERICA).

Among the financial income there is a capital gain for the sale of the equity investment in the JV SUP for 1,530 thousand Euro. For more information refer to the consolidated financial statements in Note 8.10 - Net Financial Position.

NOTE 11.29- CURRENT AND DEFERRED TAXES

The tax burden of PRIMA INDUSTRIE SpA at December 31, 2013 compared to the data of the previous year is summarized below.

Current tax liabilities and deferred taxes	Dec. 31st, 2013	Dec. 31st, 2012
IRAP (Regional trade tax)	(746.152)	(738.701)
IRES *(included the effect derived from consolidated taxation)*	(909.039)	(639.677)
Taxes relating to previous years	519.248	(103.071)
Deferred tax assets	326.123	265.733
Deferred tax liabilities	27.542	(161.963)
TOTAL	**(782.278)**	**(1.377.679)**

The reconciliation between the fiscal costs entered in the financial statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows.

Reconciliation between ordinary and actuarial tax rates	2013	2012
EARNINGS BEFORE TAX	**3.370.528**	**3.270.100**
IRES rate	*27,50%*	*27,50%*
THEORICAL IRES ON INCOME	**926.895**	**899.278**
PERMANENT INCREASE	1.002.466	2.803.323
TEMPORARY INCREASE	5.938.123	5.160.416
PERMANENT DECREASE	(2.365.029)	(4.422.164)
TEMPORARY DECREASE	(4.640.491)	(4.485.578)
NON-DEDUCTABLE INTEREST	1.371.368	951.507
ROL SURPLUS RECOVERED FROM ITALIAN FISCAL CONSOLIDATED	(1.255.997)	(951.507)
ROL SURPLUS RECOVERED FROM SUBSIDIARIES	(115.371)	-
INCREASE/DECREASE	**(64.931)**	**(944.003)**
EFFECTIVE FISCAL RESULT	**3.305.597**	**2.326.097**
IRES rate	*27,50%*	*27,50%*
EFFECTIVE IRES ON INCOME	**909.039**	**639.677**

NOTE 11.30 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The guarantees granted and commitments undertaken by the Company at December 31, 2013 are shown below.

Values expressed in Euro thousand

Potential guarantees, commiments and liabilities	Dec. 31st, 2013	Dec. 31st, 2012
Guarantees granted	28.464	25.271
Commitments towards leasing companies	968	1.271
Other commitments and significant contract	3.065	2.383
TOTAL	**32.497**	**28.925**

At December 31, 2013 the guarantees granted by PRIMA INDUSTRIE SpA amounted to 28,464 thousand Euro and relate to guarantees to trade counterparties and sureties to credit institutions on behalf of companies in the Group.
"Commitments to leasing companies" refer to repurchase agreements for sales made through financial intermediaries.
“Other Commitments and significant contract rights” refer mainly to rents on buildings, rentals and operating leases.
PRIMA INDUSTRIE SpA, in addition to probable liabilities for which provisions have been allocated in the related risks funds, does not have potential liabilities, as described in IAS 37, to be mentioned.

NOTE 11.31 - TRANSACTIONS WITH RELATED PARTIES

Relations with associated parties are generally represented by transactions with companies controlled directly or indirectly by the Company regulated at market conditions considered normal in the reference market, in view of the characteristics of the assets and the services rendered.

The impact of these transactions on individual items in the 2013 financial statements, already highlighted in the supplementary tables of the financial balance sheet and income statement, drawn up in accordance with CONSOB Resolution no. 15519 of 27 July 2006, is summarized in the following table:

Related parties – financial items

Counterparty	Financial receivables	Trade receivables	Other receivables	Trade payables and advance	Other payables
FINN-POWER ITALIA Srl	-	582.457	-	224.237	-
PRIMA ELECTRO SpA	9.196.872	60.088	-	1.051.340	-
FINN-POWER OY	54.686.803	604.549	-	138.015	1.186
PRIMA POWER BENELUX NV	-	4.564	-	8.800	-
PRIMA POWER CENTRAL EUROPE Spzoo	-	730.136	-	123.747	-
PRIMA POWER FRANCE Sarl	-	28.218	-	44.646	-
PRIMA POWER GmbH	-	1.867.447	-	-	-
PRIMA POWER UK LTD	629.969	37.775	-	62.808	24.225
PRIMA POWER IBERICA	-	513.037	-	21.290	-
PRIMA POWER CHINA Company Ltd	-	1.138.654	-	1.827.742	-
OOO PRIMA POWER	-	445.642	-	18.456	-
PRIMA ELECTRO NORTH AMERICA LLC	-	43.249	-	3.338.095	-
PRIMA POWER LASERDYNE LLC	-	3.474.267	-	45.983	-
PRIMA POWER NORTH AMERICA Inc	-	1.943.250	-	26.172	-
PRIMA POWER SOUTH AMERICA LTDA	-	231.550	50.000	73.110	-
PRIMA MACHINE SERVICE INDIA PR. LTD	-	235.041	28.180	78.737	-
PRIMA POWER MAKINA TICARET LTD	-	138.314	-	25.703	-
PRIMA POWER AUSTRALASIA PTY LTD	-	1.147	-	-	-
STRATEGIC MANAGEMENT	-	-	-	-	379.861
BOARD OF AUDITORS	-	-	-	-	95.000
TOTAL	***64.513.644***	***12.079.386***	***78.180***	***7.108.880***	***500.272***

Related parties - economic items

Counterparty	Revenues	Other operating revenues	Financial income	Purchases	Personnel cost	Other operating cost
FINN-POWER ITALIA Srl	1.059.422	297.256	6.683	283.440	-	44.084
PRIMA ELECTRO SpA	1.936	73.786	397.802	3.252.309	-	291.360
FINN-POWER OY	2.326.642	201.354	1.429.076	317.220	9.691	160.687
PRIMA POWER BENELUX NV	44.702	22.919	1.408	-	-	8.800
PRIMA POWER CENTRAL EUROPE Spzoo	2.025.746	33.411	468	231.624	-	7.100
PRIMA POWER FRANCE Sarl	1.563.990	25.567	3.862	63.481	-	23.150
PRIMA POWER GmbH	6.705.211	115.589	7.667	360.507	-	62.440
PRIMA POWER UK LTD	1.337.341	74.333	15.412	48.204	-	-
PRIMA POWER IBERICA	3.154.332	29.911	599	161.750	-	34.773
PRIMA POWER CHINA Company Ltd	601.412	27.452	-	611.851	-	656.791
OOO PRIMA POWER	2.550.500	81.092	1.074	64.558	-	24.237
PRIMA ELECTRO NORTH AMERICA LLC	9.105	44.988	-	5.195.973	-	147.344
PRIMA POWER LASERDYNE LLC	7.827.654	224.024	-	88.004	-	4.305
PRIMA POWER NORTH AMERICA Inc	5.681.553	105.680	1.999	-	-	26.813
PRIMA POWER SOUTH AMERICA LTDA	113.769	2.565	-	75.125	-	101.358
PRIMA MACHINE SERVICE INDIA PR. LTD	95.838	1.463	-	26.686	-	23.114
PRIMA POWER MAKINA TICARET LTD	695.318	2.038	-	78.184	-	5.858
PRIMA POWER AUSTRALASIA PTY LTD	-	1.147	-	-	-	-
STRATEGIC MANAGEMENT	-	-	-	-	445.119	575.911
BOARD OF AUDITORS	-	-	-	-	-	105.000
TOTAL	***35.794.471***	***1.364.574***	***1.866.051***	***10.858.915***	***454.810***	***2.303.126***

In terms of the impact on the financial flows of relationships with associated parties, these were not represented in a table, since they are almost entirely linked to transactions with companies that are directly or indirectly controlled by the Company, as illustrated previously. The above table does not contain items deriving from national consolidated taxation, since they do not represent actual exchanges, but rather only those originating from the financial procedures provided for in national taxation legislation (payables to PRIMA ELECTRO for 691 thousand Euro and payables to FINN-POWER ITALIA of 1,018 thousand Euro).

NOTE 11.32 - NON-RECURRING ITEMS

The table below summarizes non-recurring transactions that have had a positive impact on the income statement for a total of 3,604 thousand Euro, of which 2,436 thousand Euro on EBITDA and 1,168 thousand Euro on financial items.

Values expressed in Euro thousand	EBITDA	Financial income and expenses	TOTAL
Research and development projects	2.585	-	2.585
Legal/fiscal disputes	(25)	-	(25)
Organization actions	(124)	-	(124)
Surplus value for SUP transfer	-	1.530	1.530
Devaluation equity investments	-	(362)	(362)
December 31st, 2013	**2.436**	**1.168**	**3.604**

NOTE 11.33 - TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with CONSOB Communication dated 28 July 2006, during 2013 the company performed no atypical and/or unusual transactions, as defined by the Communication, which states that atypical and/or unusual transactions are those operations whose size/importance, nature of the counter parties, object, price transfer determination method and timing (proximity to close of the financial year) can give rise to doubts regarding: the correctness/completeness of the information in the financial statements, conflict of interests, safeguard of company assets, protection of minority shareholders.

NOTE 11.34 - NET FINANCIAL POSITION

In accordance with Consob communication no. DEM/6064293 of July 28, 2006, the table of the Net Financial Position shown above does not indicate non-current financial receivables which at December 31, 2013 amounted to 63,931 thousand Euro (at December 31, 2012 they totalled 75,542 thousand Euro). These receivables refer to financing granted to the subsidiaries FINN-POWER OY (including the E-share financial receivable), PRIMA ELECTRO SpA and PRIMA POWER UK LTD.

For more details about the Net Financial Position see the following notes:

- 11.5 - Financial assets - financing granted to subsidiaries
- 11.12 - Cash and cash equivalents
- 11.15 – Financing

Values expressed in thousand Euro

		December 31st, 2013	December 31st, 2012	Variations
A	CASH	3.402	719	2.683
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**3.402**	**719**	**2.683**
E	**CURRENT FINANCIAL RECEIVABLES**	**593**	**7.952**	**(7.359)**
F	CURRENT BANK PAYABLES	5.788	7.239	(1.451)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	35.861	39.355	(3.494)
H	OTHER CURRENT FINANCIAL PAYABLES	368	96	272
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**42.017**	**46.690**	**(4.673)**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**38.022**	**38.019**	**3**
K	NON-CURRENT BANK PAYABLES	72.100	94.363	(22.263)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	1.596	83	1.513
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**73.696**	**94.446**	**(20.750)**
O	**NET FINANCIAL POSITION (J+N)**	**111.718**	**132.465**	**(20.747)**

SUMMARY OF KEY FIGURES OF THE LAST FINANCIAL STATEMENTS OF SUBSIDIARIES

The tables below provide a summary of the key figures of the Financial Statements of subsidiaries by segment at December 31st, 2013

PRIMA POWER

Values expressed in Euro thousand	PRIMA POWER GMBH	PRIMA POWER UK LTD.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	PRIMA POWER MAKINA TICARET LTD SIRTEKI	PRIMA POWER AUSTRALASIA PTY. LTD.	PRIMA POWER SUZHOU CO.LTD.	FINN-POWER OY	FINN-POWER ITALIA S.r.l.	PRIMA POWER IBERICA S.L.	PRIMA POWER FRANCE Sarl	PRIMA POWER BENELUX	BALAXMAN OY	PRIMA MACHINE SERVICES INDIA PVT.LTD.	PRIMA POWER NORTH AMERICA INC.	PRIMA POWER CANADA Ltd.	PRIMA POWER LASERDYNE LLC
NON-CURRENT ASSETS	257	102	66	310	75	7	56	7	652	121.292	11.296	565	53	50	29	31	3.032	0	3.495
CURRENT ASSETS	6.294	1.837	3.042	7.409	735	3.338	1.291	473	1.588	53.757	22.023	7.456	2.362	1.648	68	558	26.239	394	15.268
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-	-	-	-	-	-	-	334	-	-	-	-	-	-	-	-
TOTAL ASSETS	**6.551**	**1.939**	**3.108**	**7.719**	**810**	**3.345**	**1.347**	**480**	**2.240**	**175.049**	**33.653**	**8.021**	**2.415**	**1.698**	**97**	**589**	**29.271**	**394**	**18.763**
SHAREHOLDERS' EQUITY	(6.593)	734	302	1.559	38	1.349	496	(7)	2.213	81.415	10.131	5.326	(246)	(198)	86	64	9.411	256	4.236
NON-CURRENT LIABILITIES	257	626	-	144	10	80	-	-	-	54.681	3.256	-	70	13	-	-	1.506	-	869
CURRENT LIABILITIES	12.887	579	2.806	6.016	762	1.916	851	487	27	38.953	20.266	2.695	2.591	1.883	11	525	18.354	138	13.658
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6.551**	**1.939**	**3.108**	**7.719**	**810**	**3.345**	**1.347**	**480**	**2.240**	**175.049**	**33.653**	**8.021**	**2.415**	**1.698**	**97**	**589**	**29.271**	**394**	**18.763**

Values expressed in Euro thousand	PRIMA POWER GMBH	PRIMA POWER UK LTD.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	PRIMA POWER MAKINA TICARET LTD SIRTEKI	PRIMA POWER AUSTRALASIA PTY. LTD.	PRIMA POWER SUZHOU CO.LTD.	FINN-POWER OY	FINN-POWER ITALIA S.r.l.	PRIMA POWER IBERICA S.L.	PRIMA POWER FRANCE Sarl	PRIMA POWER BENELUX	BALAXMAN OY	PRIMA MACHINE SERVICES INDIA PVT.LTD.	PRIMA POWER NORTH AMERICA INC.	PRIMA POWER CANADA Ltd.	PRIMA POWER LASERDYNE LLC
REVENUES	24.600	4.343	8.675	17.725	1.068	2.231	6.068	262	-	105.655	43.298	9.075	7.234	5.250	36	390	48.830	-	27.201
EBIT	(182)	134	320	781	(298)	642	299	(128)	(122)	7.131	(98)	26	(253)	(255)	-	(20)	2.311	(168)	1.611
PROFIT BEFORE TAXES	(233)	38	272	637	(385)	635	249	(160)	(144)	6.155	(420)	85	(267)	(260)	-	(75)	2.081	(168)	1.441
NET INCOME	**(259)**	**47**	**202**	**402**	**(385)**	**472**	**194**	**160**	**(144)**	**6.073**	**(515)**	**59**	**(267)**	**(262)**	**-**	**(75)**	**1.117**	**(148)**	**1.054**

PRIMA ELECTRO

Values expressed in Euro thousand	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
NON-CURRENT ASSETS	35.416	21	8.944	1
CURRENT ASSETS	19.761	1.389	12.905	497
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-
TOTAL ASSETS	**55.177**	**1.410**	**21.849**	**498**
SHAREHOLDERS' EQUITY	26.355	1.318	16.762	97
NON-CURRENT LIABILITIES	3.972	-	1.790	-
CURRENT LIABILITIES	24.850	92	3.297	401
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**55.177**	**1.410**	**21.849**	**498**

valori espressi in migliaia di euro	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
REVENUES	34.196	763	14.554	684
EBIT	4.147	(47)	(890)	78
PROFIT BEFORE TAXES	34	(7)	(863)	79
NET INCOME	**(798)**	**(8)**	**(537)**	**66**

INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION PRIMA INDUSTRIE GROUP

The following table, prepared pursuant to article 149-duodecies of the Consob issuers Regulation shows the audit fees for the year 2013 for audit and non-audit services provided by the independent auditors and entities belonging to its network.

Audit costs (expressed in Euro thousand)	2013
Parent company audit	104
Subsidiary audit	202
Other services	10
TOTAL	**316**

FINANCIAL STATEMENT AS AT 31.12.2013 DECLARATION

PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14th, 1999 AND ITS SUBSEQUENT AMENDAMENTS AND INTEGRATIONS

1. The undersigned Gianfranco Carbonato (Managing Director) and Davide Danieli (Manager responsible for drafting Corporate accounting documents) of PRIMA INDUSTRIE SpA certify that, taken account of what established by art. 154-bis, paragraphs 3 and 4, of Leg. Decree oh February 24th, 1998, no. 58:
    - the Company's business is compliant with the given requirements and
    - the administrative and accounting procedures have been effectively applied in drafting the consolidated financial statement over the course of 2013.

2. That no significant facts have emerged regarding thereto

3. We also certify that:

3.1 the financial statement:

d) is drafted in conformity with the applicable international accounting standards commonly used in the European Community, pursuant to (CE) Regulation no. 1606/2002 of the European Parliament and Council of July 19th, 2002;
e) truthfully represents the figures in the accounting books and ledgers;
f) is suitable to provide a truthful and faithful representation of the capital, economic and financial position of the Corporation.

3.2 the report of the Board of Directors includes a reliable analysis of Corporate business trends and results, as well as of the position of the Corporation, along with the description of the chief risks and uncertainties to which they are exposed.

Date: 04/03/2014

Signature of the Managing Director

Signature of the Manager responsible for the drafting Corporate accounting documents

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working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the financial statements of Prima Industrie S.p.A. as of 31 December 2013 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the comparative data related to the financial statements of the prior year and the balance sheet at January 1, 2012, derived from the financial statements at December 31, 2011, all restated as a result of the retrospective application of the amendments to IAS 19, as described in the related explanatory notes, reference should be made to our reports issued on March 25, 2013 and March 23, 2012, respectively. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purposes of issuing this opinion.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Prima Industrie S.p.A. for the year then ended.

4. The Directors of Prima Industrie S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Group Management Report and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Group Management Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the

Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Group Management Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Prima Industrie S.p.A. at 31 December 2013.

Turin, 21 March 2014

Reconta Ernst & Young S.p.A.

Signed by: Stefania Boschetti, Partner

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

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the consolidated financial statements of Prima Industrie S.p.A. and its subsidiaries, (the "Prima Industrie Group") as of 31 December 2013 and for the year then ended, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   With respect to the comparative data related to the consolidated financial statements of the prior year and the balance sheet at January 1, 2012, derived from the consolidated financial statements at December 31, 2011, all restated as a result of the retrospective application of the amendments to IAS 19, as described in the related explanatory notes, reference should be made to our reports issued on March 25, 2013 and March 23, 2012, respectively. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect for the purposes of issuing this opinion.

3. In our opinion, the consolidated financial statements of Prima Industrie Group at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Prima Industrie Group for the year then ended.

4. The Directors of Prima Industrie S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Group Management Report and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Group Management Report and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the

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Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Group Management Report and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of Prima Industrie Group at 31 December 2013.

Turin, 21 March 2014

Reconta Ernst & Young S.p.A.
Signed by: Stefania Boschetti, Partner

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

PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli 32, 10097 Collegno (TO)
Share capital: Euro 26.208.185,00 fully paid-up
Listed in the Company Register of Turin under no. 03736080015
www.primaindustrie.com

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REPORT OF THE BOARD OF AUDITORS TO THE SHAREHOLDERS' ASSEMBLY CALLED TO APPROVE THE FINANCIAL STATEMENT AS OF 31.12.2013 (pursuant to art. 153 of Leg. Decree of February 24, 1998, no. 58 and art. 2429 of Civil Code)

Dear Shareholders of PRIMA INDUSTRIE S.p.A.,

in accordance with the provisions and duties required of us by articles 153 and 149 of Leg. Decree of 24.02.1998 no. 58, the regulations, the recommendations provided and respecting the article 2429, paragraph 2 of the Civil Code, we report as follows in regard to the activities carried out during the financial year 2013 and the conclusions we have reached.

Auditing activity and received information

Over the course of the year we have:

held six Board meetings attended by all members of the Board, taken part in nine meetings held by the Board of Directors, as well as in three meetings held by the Control and Risk Committee, also intervening in our function of Internal Control Committee and Audit and in one Shareholders' Assembly;

continued to exchange information and held regular meetings with the auditing company, so as to ensure a prompt circulation of the data and information that is vital to the proper execution of our statutory tasks;

collected all documents and information deemed of significance by the Managing Directors, the Manager in charge of drafting the Company's accounting documents and by other Company Managers and met with the Group Internal Auditor.

The Board of Directors at its meeting held on May 14, 2013, in view of the law November 12, 2011 n. 183 (Stability Law) as well as the provision of the Italian Stock Exchange's Code of Conduct, attributed to the Board of Auditors the functions of Supervisory Board in accordance with ex Leg. Decree no. 231/2001. The Board of Auditors has accepted the appointment and Dr. Nada Franco, in his capacity as Chairman of the Board of Statutory Auditors of the company, has assumed the duties of Chairman of the Supervisory Board.

During the meetings of the Board of Directors, we were informed of its activity and particularly relevant economic, financial and capital transactions finalized or in the process of negotiations and acquired elements as to their conformity to law, to the Articles of Association, to the Assembly's resolutions and to the lack of conflicts of interest.

With particular regard to our functions assumed in accordance with art. 19 of Leg. Decree of January 27, 2010, no. 39, we have held joint meetings and have coordinated our work with the Control and Risk Committee, proceeding foremost to supervise the financial information process, the efficiency of the internal auditing systems and risk management, the legal auditing of the Company's annual and consolidated accounts, and all aspects relating to the independence of the auditing company.

In the context of our meetings with the legal auditing company and with the Control and Risk Committee, we reviewed the work-plan, received information on the applied accounting principles, on the ledgers compiled to represent the most important transactions that were finalized in the business year in question and on the result of our auditing activity.

We hereby acknowledge that the auditing Company Reconta Ernst & Young S.p.A., of whose independence we absolutely have no doubt, has on today's date presented the report referred to in the third paragraph of art. 19 of Leg. Decree of January 27, 2010 no. 39, reporting that no essential issues have emerged, nor significant deficiencies in the internal audit system, as far as relates to the financial information process and the document "*Annual confirmation of independence*" in accordance with art. 17, paragraph 9, of the same decree.

We have evaluated and supervised the appropriateness of the internal auditing and administrative-accounting systems, as well as the latter's reliability in correctly construing management facts, drawing from the information of the respective Division Managers, a review of Company documents, of the report of the Group Internal Audit, an analysis of the results of the labor conducted by the legal auditing company and the participation in meetings of the Control and Risk Committee instituted by the Board of Directors and consisting of three members independent of the Board.

We have ensured that the rules of Corporate Governance established by the Self-Disciplinary Code in use at Prima Industrie S.p.A. have been applied in practice. More specifically, we have on an annual basis checked the subsistence of the requisites of independence expected of the members acting independently of the Board of Directors.

Based on our auditing activity, we can safely claim that the organizational structure of the Company is proportionate to its size and scope of business, that the Internal Audit system is on a whole appropriate and that the administrative system can indeed truthfully represent the transactions engaged by the management.

As required by law, the Board of Directors has submitted to us the six-monthly financial report for the previous year, including the interim results for the 1st and 3rd quarter in 2013, publicizing them according to the terms and conditions prescribed by the relevant legislation.

The six-monthly financial report on the consolidated business of Gruppo Prima Industrie has been limitedly audited by Reconta Ernst & Young S.p.A.. The quarterly data and information have not instead, seeing it is not required by law.

We have reviewed the financial statement as of December 31, 2013 drafted by the Directors as required by law and disclosed to the Board of Auditors over the course of the meeting of the Board of Directors of March 4, 2014. The financial statement includes as attachment the declaration of the Chairman-Managing Director and of the Manager responsible for drafting Corporate accounting documents, as per art. 154-bis of Leg. Decree of February 24, 1998, no. 58.

More specifically, we have verified that no dispensations have been applied, as per art. 2423, fourth paragraph of the Civil Code.

Furthermore, we have received the report on Financial Statement 2013 issued today from Reconta Ernst & Young S.p.A., pursuant to article 156 of Leg. Decree of February 24, 1998, no. 58, without further comments.

We monitored, for the aspects of our competence, the compliance of the Procedure for transactions with related parties with local regulations.

We checked the adequacy, in terms of method, of the impairment process in place to verify the existence of any impairment loss on the assets recorded in the financial statements.

We verified that the Directors' Report on operations for the year ended December 31, 2013 is in line to the laws and regulations in force, consistent with the resolutions adopted by the Board of Directors, with the facts presented in the financial statements and those significant occurring after the end of the year.

During the course of supervision, carried out in the manner described above, there were no significant events that would require reporting to the supervisory boards, or mentioned in this report.

Consob Communication no. 1025564 of April 6, 2001

With reference to Consob suggestions, we can affirm that:

- the information provided by the Directors in the Report of the Board are by all means to be considered exhaustive and thorough;
- in compliance with the Consolidated Act on Finance (Leg. Decree of February 24, 1998, no. 58) we were continuously kept up to date on the matters of our competence;
- the regular audits we performed on Corporate accounts have shown no atypical and/or unusual transactions were finalized with third parties, associates or intercompany in nature, as per their definition given by Consob Bulletin of July 28, 2006;
- the orders imparted by Prima Industrie S.p.A. to its subsidiaries, pursuant to art. 114, paragraph 2 of Leg. Decree of February 24, 1998 no. 58, appear to be in order;
- with reference to the provision of article 36 of the Market Regulation, issued by Consob, concerning the relevant subsidiaries established and governed by the laws of non-EU countries - as of December 31, 2013 - the company which that provision applies are included among enterprises relevant to the system Prima Industrie to control over financial reporting with respect to which have not been reported deficiencies;
- with regard to intercompany transactions, in the Explanatory Notes to the Financial Statement, the Directors report and describe the existence of relations between your Company and Group Companies, as well as with associates, specifying that the same are regulated by the standard conditions of the reference market, taking account of the characteristics of the sold goods and provided services and/or of the financings granted to subsidiaries. Regarding thereto, we wish to highlight that, as of January 1, 2011, the "Procedures for transactions with associates" in line with Consob Regulation no. 17221 of March 12, 2010 and with Consob Bulletin of September 24, 2010 have been duly applied;
- from the talks and the meetings with the management and supervisory boards of the main subsidiaries did not reveal any issues to report;
- appear to be adequate and effective the organization, management and control Model pursuant to Legislative Decree June 8, 2001. no. 231 and subsequent amendments, on the administrative responsibility of Bodies for offenses under these regulations;
- no critical issues have emerged during the meetings held with the legal auditors, pursuant to art. 150 of Leg. Decree of February 24, 1998, no. 58;
- Prima Industrie S.p.A. has not requested that Reconta Ernst & Young S.p.A., in addition to the provisions of art. 155 of Leg. Decree of February 24, 1998 no. 58, further functions. The activities demanded of the auditing company and its fees are stated in the Explanatory Notes and have been summarized to us by the company;
- the report of the legal auditor, issued on today's date, does not contain comments or informational requirements, nor observations or suggestions, and finds the Report of the Board of Directors to be coherent;
- in observance of art. 149, paragraph 1, let. c) bis of Leg. Decree of February 24, 1998 no. 58, we hereby acknowledge that the in their report on Corporate

Governance and Assets attached to the financial statement, the Directors specify that: "*The Issuing Party has adhered to the Code of Self-Discipline of listed companies approved in December 2011 by the Committee for the Corporate Governance Committee and promoted by the Italian Stock Exchange SpA, Abi, Ania, Assogestioni, Assonime, and Confindustria.* ". The above has been the subject, in its various aspects, of the report on Corporate Governance that the Board of Directors puts at your disposal, to which we refer for your most appropriate and complete information in this regard. Said Report proves in line with the provisions of art. 123-bis of the T.U.F. and the auditing company has confirmed the Report's consistency with the information recalled in paragraph 4 of the Consolidated Act;

- we examined the Remuneration Report prepared pursuant to art. 123-ter of Leg. Decree February 24, 1998 n. 58 and art. 84 quater of the Issuers' Regulations, handed down by the Board of Directors during the Board meeting of March 4, 2014, on which the meeting is called to vote in favor or against by non-binding vote;
- pursuant to art. 2408 of the Civil Code, we have not been notified by the shareholders of any censurable facts or received formal complaints by the latter and/or other third parties;
- during the year we provided an opinion on the MBO plan for the year 2013 and on the appointment of a new manager responsible for the drafting Corporate accounting documents, Dr. Davide Danieli.

We hereby acknowledge that Prima Industrie S.p.A. is not currently subordinate or the control of other companies.

We bear record that a stock option plan is in the projects, approved by Shareholders' Ordinary Assembly held on April 29, 2008. In their Report on the Management, the Directors provide comprehensive and exhaustive information on the plan, which is also posted on the Company's website.

Conclusions

In conclusion to our report, we acknowledge that the Board of Directors has in the business year verified the autonomy of independent Directors and we confirm that the procedures and principles employed in the verifying process are all correct, pursuant to art. 3, par. 1 of the Self-Disciplinary Code, while we on our part have ensured that we continue to preserve our independence, as required by art. 8, par. 1 of the same Code.

With regard to the financial statement closed on December 31, 2013, which reports a profit of €uro 2,683,742, we have verified by way of audits and in the scope of our responsibility, that the all provisions of law regulating the statement's layout and composition, as per art. 149 of Leg. Decree of February 24, 1998 no. 58, have been observed, based on the information supplied to us by the auditing company.

In light of the above, considering the legal audit of Company accounts carried out by auditor Reconta Ernst & Young S.p.A., which has expressed no comments on the financial statement, as far as we known, we deem the Financial Statement as of December 31, 2013 of your Company, as well as the allocation of the annual profit proposed by the Board of Directors, to be approvable.

Collegno, March 21, 2014

The Board of Auditors

(Mr. Franco Nada)
Chairman

(Mrs. Paola Boracchini)
Statutory Auditor

(Mr. Roberto Petrignani)
Statutory Auditor

PRIMA INDUSTRIE GROUP

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REPORT OF THE BOARD OF AUDITORS ON THE CONSOLIDATE FINANCIAL STATEMENT FOR THE BUSINESS YEAR CLOSED ON DECEMBER 31, 2013

Dear Shareholders of PRIMA INDUSTRIE S.p.A.,

the Board of Directors of your company has prepared and approved the consolidated financial statement as of December 31, 2013, in compliance with Leg. Decree of April 9, 1991 no. 127 and the provisions issued to implement art. 9 of Leg. Decree of February 28, 2005 no. 38, which has been delivered to us during the Board meeting of March 4, 2014.

The consolidated financial statement of the Group includes the attached declaration of the Chairman-Managing Director and of the Manager in charge of drafting Company financial statements, as per art. 154-bis of Leg. Decree of February 24, 1998 no. 58.

The consolidated financial statement of Gruppo Prima Industrie made available to you reports a Net Profit of €uro 5,358,226, of which attributable to shareholders of the parent company for €uro 5,428,982 and to the minority shareholders for €uro (70,756) and has been drafted in accordance with the International Accounting Standards (IAS/FRS).

Over the course of the business year, we have carried out our auditing activity as required by law and have been promptly informed by the Board of Directors of the Parent of the most significant economic, financial and capital transactions, including extraordinary ones, finalized as part of the Group's business.

We have checked that all approved and executed transactions are compliant to the law and Articles of Association, are not contrary to the Assembly's resolutions or potentially in conflict of interest, and that they are in line with principles of sound administration.

We have especially reviewed intercompany transactions finalized in the business year to verify their lawfulness, both with regards to those of commercial nature and to financings granted by the Parent to its subsidiaries.

The audits carried out by Reconta Ernst & Young S.p.A., the Company's legal auditor, have shown that the values listed in the consolidated financial statement match those in the Parent's ledgers, in the annual statement of its Subsidiaries and in the information notices formally issued by the latter.

Said financial statements do not, as such, fall under the scope of audit of the Board of Auditors, in compliance with the provisions of art. 41 no. 3 of Leg. Decree of April 9, 1991 no. 127.

Please be reminded that we have obtained copy of the report on the financial statement from the legal auditor, issued by the same pursuant to art. 156 of Leg. Decree of February 24, 1998 no. 58 this day, without further comments. In its Report, the auditing company has confirmed that the Report of the Board of Directors on the consolidated financial statement of Prima Industrie S.p.A. and the information provided pursuant to art. 123-bis of Leg. Decree of February 24, 1998 no. 58 in the Report on Corporate Governance and Proprietary Assets are coherent.

The consolidated business, the choice of consolidation principles of its shareholdings and the adopted procedures are in line with IFRS guidelines. The structure of the financial statement is therefore to be considered technically correct and compliant on a whole to the specific legislation and standards.

As in previous business years, your Board of Directors has prepared a single Report of the Board that jointly supplies all the required information, both on the Parent and on the individual subsidiaries.

It is to the above report, which accurately describes the economic, capital and financial position, the business trend in 2013, the main risks to which the Company's activity is exposed and the forecast for 2014 for all consolidated Companies, that we here refer to.

Our review shows that it is coherent with the Group's consolidated financial statement.

The Explanatory Notes to the consolidated financial statement highlight the general drafting principles, as well as those applied to the single statement entries.

For comparative purposes, the consolidated financial statement lists the corresponding figures for the previous year.

Based on our audits, the Board of Auditors agrees with the contents and form of the Group's Consolidated Financial Statement as of December 31, 2013.

Collegno, March 21, 2014

The Board of Auditors
(Mr. Franco Nada)
Chairman

(Mrs. Paola Boracchini)
Statutory Auditor

(Mr. Roberto Petrignani)
Statutory Auditor