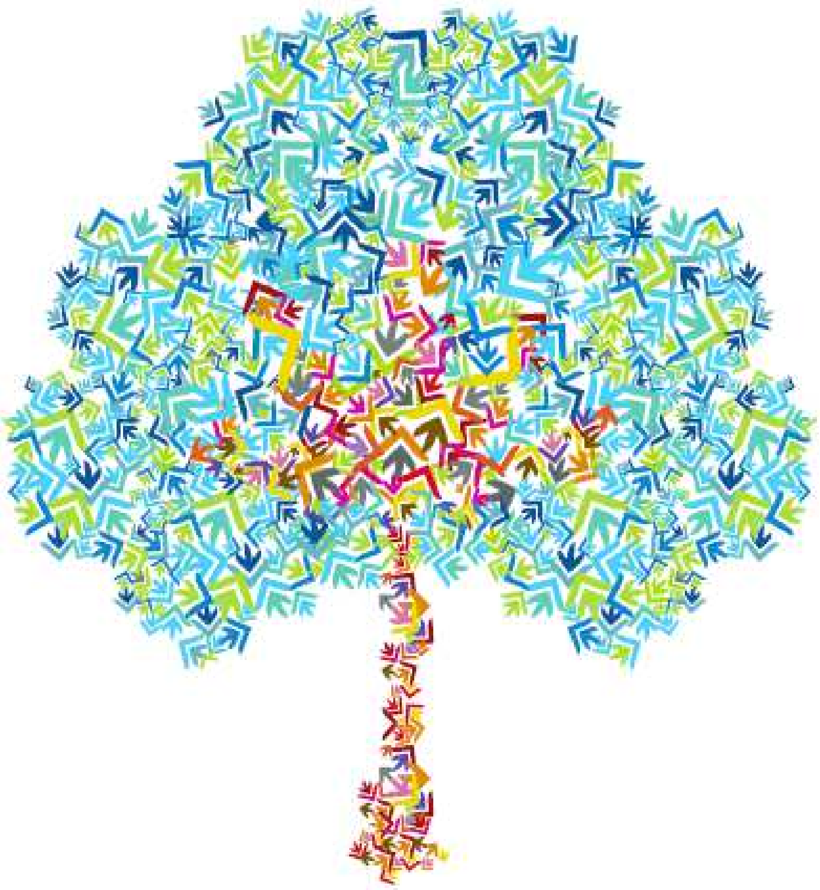
PRIMA INDUSTRIE



2014 ANNUAL FINANCIAL REPORT

PRIMA INDUSTRIE S.p.A.
Registered office: Via Antonelli 32 – Collegno (Turin)
Share Capital € 26.208.185 (fully paid-up)
Company Register of Turin and VAT number 03736080015

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, 2015 at 9:30 a.m. in its first, and possibly its second call on April 16, 2015 at 11 a.m. in the same location, to resolve on the following items of the
AGENDA

1. Financial statement 2014 and its reports: ensuing resolutions. Review of consolidated financial statement 2014;
2. Report on Remuneration of Board members, pursuant to art. 123-ter of T.U.F. (Consolidated Act).

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, 2015.

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 2, 2015 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 2, 2015 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.

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, 2015 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 20, 2015. 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 and on the authorized storage 1Info (www.1info.it) according to the current terms of law (shareholders so entitled may request copy thereof).

Executive Chairman
Gianfranco Carbonato

MANAGEMENT AND CONTROL

Board of Directors

Executive Chairman	Gianfranco Carbonato
Managing Directors	Ezio G. Basso (1) Domenico Peiretti
Independent Directors	Chiara Damiana Burberi Donatella Busso Sandro D'Isidoro Enrico Marchetti Mario Mauri
Other Directors	Rafic Y. Mansour Michael R. Mansour

Internal Control Committee	
Chairman	Enrico Marchetti
Members	Chiara Damiana Burberi Donatella Busso

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 2016 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 Stockholders'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*

(2) *Domenico Peiretti is also the Managing Director and General Manager of PRIMA ELECTRO SpA*

Message to the shareholders and other stakeholders

Ladies and Gentlemen,

our 2014 Consolidated Financial Statements, hereby submitted to your approval, show positive results and significant improvements on all Group financial indicators compared to the previous year.
This has been driven by both external factors and by the management strong efforts to improve the Group overall performance.

After a 2013 still weak, the market of Machine Tools recovered in 2014 according to the last available forecasts from Oxford Economics. Machine Tool consumption increased by 4.6% worldwide (not including China) as against a decrease of 4.0% in 2013.
Such market improvement positively impacted our Order Acquisition (374.6 m€), which registered a significant growth of 14.8%, and our year-end backlog, which increased by 25.7% to 94.5 m€.
The market has been good in North America and, after years of disappointing performances, also Europe Spain and, more recently, Italy (countries where our Group is strongly positioned) are finally showing positive investment trends.
To the contrary, all BRIC markets have been quite difficult during 2014, even if their situation is different from country to country. Machine Tool consumption slowed down in China (-7.1%), in India (-11.7%) and in Brazil (-17.8%). In Russia, notwithstanding the difficult political environment, Machine Tool investments have registered a limited decrease (-7.4%) although a further decline is expected in 2015 due to the crisis in Ukraine and consequent currency and economy collapses.
If we focus on orders of new machines, representing the segment of our business more sensitive to external conditions (while after-sale services and electronics are relatively more stable segments), we register very satisfactory increases (in the range of 20% or more) in Europe, China and Asia while US have been slowing by about 10% due to lower new investments from aerospace and automotive industries.
Overall we judge our commercial performance during year 2014 as very positive.
Revenues of the year have followed, with a few months' delay, the market trends represented above. In fact, after a weak first quarter, revenues have reached the previous year levels during second and third quarter and have accelerated in the last quarter to reach 350.5 m€. This amount is 4.4% higher than previous year, slightly above 2013 results and not too far from the Group record level registered in 2008, before the world financial crisis.
Profitability has also significantly improved with an Ebitda at 33.8 m€ (10% increase to reach 9.6% of the Revenues), Ebit at 22.3 m€ (+19%) and Net Profit at 9.4 m€ (+75%).
Such profitability indicators have been impacted by the start up costs of our new facility in Suzhou (Jiangsu, China) which have been fully expensed for an amount of 1.7 m€.
Total investment in Prima Power Suzhou has been 8 m$ of which 70% (corresponding to our stake in the company) has been supported by our Group. Prima Power Suzhou is fully consolidated in our Financial statements.
The new facility, whose official Opening Ceremony will take place in March 2015, is now operational and is in its ramp-up phase, as well as our new sales and service organization in China, further strengthened in order to better cover the huge "mid market" in this country.
We remind that China is our second largest world market (after USA) with outstanding growth potential for our Group.
We wish also to underline that the Ebitda and the Net Profit of the year have been influenced by the settlement of a dispute with the Italian tax authorities on transfer pricing, which otherwise would have implied long and expensive lawsuits.
Both our Divisions (Prima Power and Prima Electro) have contributed to the above results by increasing their revenues by 3.7% and 10% and their Ebitda by 9% and 18% respectively.

Investments in R&D have also increased by over 13.5% to 20.8 m€ (equivalent to almost 6% of the revenues). 52% of this amount has been capitalized while 48% has been expensed in accordance to IFRS rules.
Among R&D projects accomplished, it is worth to mention Laser Next, a new high performance 3D laser machine which has been successfully introduced to the market in the most important exhibition of the year (Euroblech 2014 in Hannover) and which represents today a world benchmark for high speed/high quality cutting of hot-stamped parts destined to the automotive industry.
Also important has been the boost of the cooperation already in place with Politecnico of Torino for R&D in optoelectronics and photonics. A new experienced engineering team has been created with access to new high value equipments and labs.
During the year 2014 a new Group project has been started in the area of Enterprise Risk Management with support from qualified external consultants.
Relevant integrated Internal Audit procedures will become operational as from 2015, starting from Prima Industrie S.p.A. as parent company of our Group.
After completion of the investment in China (where we now have not only a factory but also a Technology Centre well equipped to support customer applications) we have started a new project to build a new HQTC (Headquarters & Technology Centre) in Collegno (Torino).
A Technology Centre in Italy to serve European markets was, since a long time, a project to complete our worldwide network for marketing and sales promotion (besides Kauhava in Finland for Northern Europe, Arlington Heights-Chicago for Nafta and Suzhou in China for APAC).
The relevant land had been already purchased in 2008, before the financial crisis, but the project was then put on hold.
Finally the construction started at the end of 2014, expecting to have it completed within 2015.The additional investment will amount to 6.5 m€ and will be financed through a dedicated long term leasing contract.
After having successfully deleveraged the Group in the last years, it was mandatory, in our opinion, to unlock this project since current locations are no more adequate to the actual size and standing of our Group.
The above decision has been taken also in consideration of further improvement of our Financial Position, which is another positive achievement of the year 2014.
NFP was in fact at -92.1 m€ at year end, compared to -100.0 m€ at 31/12/2013.
This corresponds to a NFP/Ebitda ratio of 2.64, well below the challenging level of 3.0 which was set as a Bank Covenant several years ago.
Also NFP/Equity ratio is now at 0.76, allowing us to state that our Financial Ratios are now again well sustainable, after a few difficult years impacted by the large acquisition of Finn-Power and by the worldwide crisis immediately afterwards.
Since February 2008 our acquisition debt (so called “Finpolar loan”) has been indeed constantly reduced year-after-year and at 2014 year-end it was about halved.
Since the maturity date for the remaining debt repayment would have been February 2016, we have hardly and successfully worked to replace the mentioned debt facilities with new long term one and to diversify the Group financial sources.
As a result of this effort two new contracts have been signed in February 2015, one for a 7-years Bond (40 m€) and one for a 5/6 years amortizing/revolving Bank Facility (60 m€) with three main Italian banks (in the form of a Club Deal).
Part of the new financial resources have been used to anticipate the repayment of Finpolar loan, as above explained, so that our Group may now count on stable and long term financial resources at reasonable terms and conditions.
Of course we renew our thanks to our shareholders, who have supported the Company during this deleveraging process by increasing our share capital as well as converting warrants outstanding at end 2013. The good market performance of our stock in the year 2014 (up 44% to 13.49 €) and the very

good trend in these first months of 2015 may be considered a fair reward to their continuing confidence and support.
Our sincere thanks must also go to all our managers and employees for their efforts as well as to all our customers, suppliers and business partners with whom we enjoy long term successful relations.
Considering both the current situation and our positive outlook for the future, we are very pleased to submit to your approval the proposal of a dividend distribution of € 0.20 per share as a first sign of acknowledgement of our successful deleveraging and return to a reasonable level of profitability.

Being confident that you will appreciate our proposal we seize this opportunity to extend our warmest regards.

Yours sincerely,

Gianfranco Carbonato
Executive Chairman

PRIMA INDUSTRIE

2014 ANNUAL FINANCIAL REPORT

INDEX

Chapter

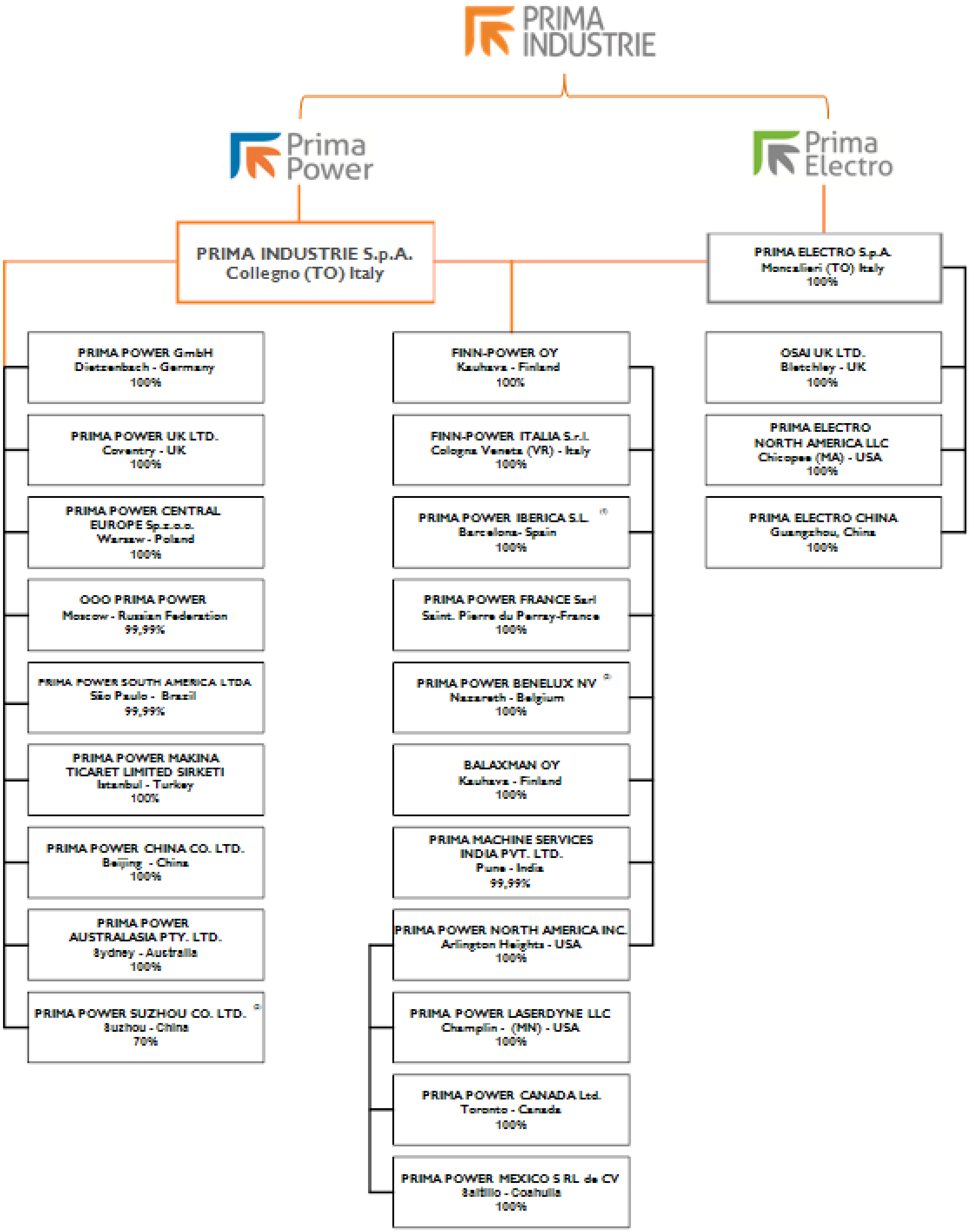
1

STRUCTURE AND PROFILE OF PRIMA INDUSTRIE GROUP

DECEMBER 31, 2014

CHAPTER 1. STRUCTURE AND PROFILE OF PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2014

PRIMA INDUSTRIE GROUP STRUCTURE



The statement on this page represents the corporate situation of PRIMA INDUSTRIE Group on December 31, 2014.

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 70% of PRIMA POWER SUZHOU Co. Ltd. (the remaining 30% 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, 2015.

CONSOLIDATION AREA

The changes that occurred in 2014 in the consolidation area have been the following:

- Entry of the new-established PRIMA POWER MEXICO (100% owned by PRIMA POWER NORTH AMERICA).
- Electro Power Systems SpA (EPS SpA) from non-qualified to owned company in which PRIMA ELECTRO SpA has significant influence (at 31/12/2014 hold 26.30%), so valued equity.
- Establishment of Electro Power System SA (EPS SA), a French company with the purpose to raise the necessary funds to develop the business of the EPS SpA; it is expected that at the end of the process of fund raising the EPS SA will hold 100% of the shares of EPS SpA; such participation is owned 33.33% by PRIMA ELECTRO SpA.
- Increased participation of PRIMA POWER SUZHOU from 51% to 70%.

On December 31st, 2014 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. Holenderska 6 - 05 - 152 Czosnów 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$ 2.809.365	99,99%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B1 B Dubleks Gül Blok Daire:3 Kartal – İSTANBUL	TRY 1.470.000	100%	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)	Xinrui Road 459, Wujiang Ec. & Tech. Develp. Zone, Suzhou City Jiangsu Prov. CHINA	USD 8.000.000	70%	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 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

ASSOCIATES				
PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
ELECTRO POWER SYSTEM S.p.A.	Via Digione 13 bis, 10143, Torino - ITALY	€ 1.004.255	26,30%	Net Equity Method
ELECTRO POWER SYSTEM SA	Boulevard Poissonnière 14-16, 75009 Paris - FRANCE	€ 37.000	33,33%	Net Equity 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 December 31st, 2014 in compliance with 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.

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 December 31st, 2014 and 2013 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 (which corresponds to 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	2014	2013	Dec. 31st, 2014	Dec. 31st, 2013
US DOLLAR	1,3288	1,3281	1,2141	1,3791
CHINESE RENMINBI	8,1883	8,1655	7,5358	8,3491
RUSSIAN RUBLE	51,0113	42,4915	72,3370	45,3246
TURKISH LIRA	2,9070	2,5329	2,8320	2,9605
POLISH ZLOTY	4,1845	4,1971	4,2732	4,1543
POUND STERLING	0,8064	0,8493	0,7789	0,8337
BRAZILIAN REAL	3,1228	2,8669	3,2207	3,2576
INDIAN RUPEE	81,0689	77,8753	76,7190	85,3660
AUSTRALIAN DOLLAR	1,4724	1,3770	1,4829	1,5423
CANADIAN DOLLAR	1,4669	1,3685	1,4063	1,4671
MEXICAN PESO	17,6621	17,0331	17,8679	18,0731

Chapter

3

GROUP MANAGEMENT REPORT

MANAGEMENT OF RISKS OF PRIMA INDUSTRIE GROUP

The *Risk Model* of PRIMA INDUSTRIE Group, based on reference standards adapted to specific risk categories of the Group, 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 and the cyclical nature of commodity markets of reference</u>

The economic 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. Consequently, any negative economic situation or political instability in one or more geographical markets in which the group works, including reduced opportunities for access to credit, can have a significant impact on the economic performance and can influence its future prospects both in the short term and in the medium long term.

The Group business also depends on the performance of some commodity market of reference (*automotive, aerospace, home appliances,* etc) which are historically subject to cyclical variations and uncertain future economic prospects. Any negative economic performance of one or more of these markets, regardless of the possible overall positive development of the global economy, may significantly affect the economic and financial performance and strategic perspective of the Group in the short, medium and long term and may have a negative effect on the business performed by the Group and on its economic and financial position.

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

The sector of the 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. 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, may enter the market and change the competitive framework and therefore the Group's product profitability. Similarly, the existing competitors of the Group can consolidate their positions through mergers, joint ventures or other forms of trade agreements. As a result, the PRIMA INDUSTRIE Group can compete with groups that have greater financial resources, of larger size and better production capacity, as well as a more diversified presence in the world able to develop greater economies of scale and aggressive pricing policies.

In addition, if the Group is unable to continue to provide its services to existing customers, ensuring a high level of satisfaction or to develop new products and services, in order to attract new customers, to meet their needs, to increase its efficiency and to reduce overheads, they may not be able to successfully compete in key markets. If the Group is unable to maintain its position in the relevant markets, this can have a negative impact on the business, results, financial condition or future prospects.

<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 a lease 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 debt renegotiation occurred in the first months of 2015, it is not possible to exclude that a market uncertainly situation that could result in a situation of financial stress and/or the inability to obtain sufficient resources to finance the growth and investment plans.

<u>Risks related to dependence on key personnel of the Group</u>
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 it 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
<u>Risks related to competition, technological innovation and introduction of new products</u>
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 can be adversely affected. Notwithstanding the existence of patents and other forms of intellectual property protection on which the Group relies, there is the possibility that competitors could develop (without infringing the Group's intellectual property) similar products or technologies or to create alternative ones, with lower costs and greater quality or with a higher functionality

level. This could have negative effects on the competitiveness of the Group, with a consequent negative impact on the economic and financial position of the Group.

Risks related to intellectual property and know-how

The PRIMA INDUSTRIE Group owns a number of patents and other intellectual property. In addition, the Group cannot guarantee that any required or planned patent, in the new technological development plans, is granted in each country in which the Group considers it necessary or it is expected to be granted. External parties may infringe the patents and/or intellectual property rights of the Group and, for legal or de facto reasons, may not be able to counter such violations. Consequently, if the Group is unable to protect its intellectual property, it may not be able to benefit from the technological progress achieved, leading to a reduction of future results, and a worsening of the Group's competitive position.

In parallel, the Group cannot exclude the possibility of infringing patents or other intellectual property rights of third parties which may result in the prohibition to use the technologies involved or the alteration of the production processes or the payment of compensation.

The PRIMA INDUSTRIE Group can not guarantee the protection of its trade secrets, or that third parties will not develop the same or similar *know how* independently. Any delivery and production restrictions or production interruptions due to patent infringement, or the subsequent acquisition of corresponding licenses, may have an important adverse effect on the business and results of the Group.

Risks related to the execution of business strategy

The PRIMA INDUSTRIE Group cannot guarantee to be able to implement its current strategy in whole or in part. In particular, the achievement of strategic objectives may be adversely affected by external events beyond the control of the Group (including adverse market conditions). In addition, in order to finance the implementation of business strategy, it may be necessary to support additional debt if the cash flows and capital resources are insufficient. These difficulties can worsen the results and financial condition of the Group.

Risks associated with potential future acquisitions

The PRIMA INDUSTRIE Group evaluates the opportunity to improve its business operations by making efficiency operations or expanding the range of its products. As a result, the Group has achieved, and may in the future perform, acquisitions or strategic *partnerships* or other relevant operations. These operations may result in a further rise of debt and/or other liabilities that may have an adverse effect on the economic and financial position of the group.

Risks associated with the presence on international markets and new emerging markets

The PRIMA INDUSTRIE Group in recent years has developed an extensive geographical organization and as of today has a sufficient commercial coverage of emerging markets. The management of an international organization requires strong management and significant financial resources. The presence of international markets involves additional risks such as, for example, changing market conditions, trade barriers, differences in taxation, restrictions on foreign investment and civil disorder. As a result, these international risks may have adverse effects on the business of the Group.

In recent years the Group has expanded its presence geographically also in emerging markets. Maintaining market share in these emerging markets 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 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.

Risks related to 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.

Risks related to dependence on suppliers and potential disruption in supply

The PRIMA INDUSTRIE Group purchases components from a large number of suppliers and relies on services and products provided by external companies. Close cooperation between manufacturers and suppliers is common in the sectors in which the Group operates and although this offers economic benefits in terms of cost reduction, it may also mean that the Group is exposed to the possibility that difficulties, including those of financial nature, experienced by those suppliers (whether caused by internal or external factors) could have a negative effect on the Group. 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.

Risks related to possible damage caused by the products of the Group

The PRIMA INDUSTRIE Group's products are used by customers for cutting, welding and bending metal components and, although highly automated, they need the assistance of customer's personnel, which are subject to certain risks related to the production processes. Consequently, any damage to customers' personnel, not entirely covered by insurance, may have a negative effect on the economic and financial position of the Group.

Risks related to production plants of the Group

The Group's production facilities are currently located in four countries and are subject to operational risks, including production risks such as failures of equipment, failure to comply with current regulations, revocation of permits and licenses, labour shortages or work interruptions, natural disasters, sabotage, attacks or disruptions of raw material supplies. Any interruption of work in the production facilities, because of these or other events, can have a negative impact on the economic and financial position of the Group.

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 loans to support operational activities in the time required. 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 necessary time 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.

Risks related to fluctuation in interest rates and exchange rates

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.

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.

It should be 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 depreciation 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.

COMPLIANCE RISKS

Risks associated with illegal or negligent management, if any

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.

Risks associated with failures of the IT system, the network outages and breaches in data security

The PRIMA INDUSTRIE Group is subject to IT system failures, power failures and violations of data security, which can adversely affect the business of the Group. The Group depends on technology to maintain and improve the efficiency and effectiveness of its operations and to interface with their customers, and to maintain the accuracy and efficiency of reporting and internal audits. Errors in the IT system can cause erroneous transaction, process inefficiencies, impediments in the production or shipment of products, the loss of or damage to intellectual property through security breach. The IT systems of the Group can also be penetrated by external parties intent on extracting information.

Risks relating to health, safety and environment

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.

Risks associated with litigation

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.

Tax risks

PRIMA INDUSTRIE Group is subject to changes in tax laws in the countries in which it operates. Although the Group draws up, where necessary, a provision for tax disputes, for unforeseen tax credits, it may experience a negative effect on the financial condition and results of the Group due to the incorrect interpretation and application of legislation, with a significant impact due to changes in the legislation itself (such as for example increased taxation).

Risks related to a partial or missing insurance coverage

The PRIMA INDUSTRIE Group signs insurance contracts with the major insurance companies, in order to cover the risks associated with ownership and employees, and risks arising from civil liability for products. All contracts are negotiated within a standard agreement in order to ensure consistency between the probability of a risk occurring and the damage that can occur for each company of the Group. This insurance, however, may not be sufficient or may not fully cover the risks to which the Group is exposed, for example, litigation and administrative issues. Some risks, such as war, terrorist acts, and some natural hazards, do not have adequate insurance coverage or may not be available on reasonable terms. Therefore, any damage resulting from the materialisation of these risks may result in large costs involved, as well as liabilities, which may have an adverse effect on the financial condition and results of the Group.

SIGNIFICANT EVENTS OF 2014

APPOINTMENT OF THE NEW BOARD OF DIRECTORS AND RELATED COMMITTEES

On 16/04/2014, the Shareholders' Meeting of PRIMA INDUSTRIE SpA appointed the new Board of Directors, which shall remain in office until the approval of the 2016 Financial Statements. It consists of: Gianfranco Carbonato (confirmed as Chairman of the Board of Directors), Ezio Basso, Rafic Mansour, Michael Mansour, Mario Mauri, Chiara Burberi, Donatella Busso, Sandro D'Isidoro, Domenico Peiretti and Enrico Marchetti.
The directors Mario Mauri, Chiara Burberi, Donatella Busso, Sandro D'Isidoro and Enrico Marchetti have stated that they meet the independence requirements provided by art. 148, paragraph 3, of the CFA - Consolidated Finance Act (applicable pursuant to art. 147-ter, paragraph 4 of the CFA) and by the Corporate Governance Code issued by Borsa Italian SpA, as applied by PRIMA INDUSTRIE SpA and set out in the Annual Report on Corporate Governance and Ownership Structure.

The Board of Directors meeting held immediately after the Shareholders' Meeting has:

- assigned executive power of attorney to the Chairman, Gianfranco Carbonato, appointed him as Executive Chairman and appointed Ezio Basso and Domenico Peiretti as Managing Directors, giving them operational power of attorney;
- appointed the Director in charge of the internal control system and risk management, with the task of establishment and maintenance of an effective internal control and risk management system, in the person of the Executive Chairman, Gianfranco Carbonato;
- appointed the Remuneration Committee, with the following members: Sandro D'Isidoro, Rafic Mansour and Mario Mauri and the Audit and Risk Committee, with the following members: Enrico Marchetti (appointed Chairman of this Committee), Chiara Burberi and Donatella Busso;
- appointed the Committee for operations with Related Parties, whose members coincide with those of the Audit and Risk Committee, with the task of expressing the opinions required by the Consob Regulation;
- designated as *lead independent director* (according to the Corporate Governance Code issued by Borsa Italian SpA) the independent director Enrico Marchetti.

PROCESS OF THE REPORT OF FINDINGS NOTIFIED TO FINN-POWER OY

On 24/07/2013, in response to an audit covering the period 01/01/2008 - 29/04/2013, held in FINN-POWER ITALIA 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 has considered the dispute completely unfounded from the beginning; in fact, the contradiction in proceedings established later with the Revenue office of Verona, led to the filing of the aforementioned report of findings on the hidden permanent establishment of FINN-POWER OY and then continued on the intercompany transfer pricing (so called *Transfer Pricing*) to FINN-POWER ITALIA Srl. The contradiction in proceedings closed with a tax assessment settlement with complete definition of the financial years 2008 to 2013, which resulted in additional taxes and penalties for a total of 608 thousand Euro. The contradiction in proceedings involved the purchase and sale of goods and services made by FINN-POWER ITALIA Srl and from other foreign companies of the Group, all located in ordinary taxation Countries. The claim advanced regarded incomes, which have already been regularly taxed to foreign subsidiaries. FINN-POWER ITALIA Srl has always operated in compliance with the law and in the absence of any tax manipulation. FINN-POWER ITALIA Srl and the parent company PRIMA INDUSTRIE SpA therefore remain firmly convinced of the correctness of their actions. Nevertheless, it was decided to join the formal notice of assessment proceeding to pay the amounts resulting from the analyses carried out by the tax authorities. This decision was taken in the knowledge that the subject matter of the dispute is purely evaluative as it regards the prices fairness assessment charged to foreign subsidiaries. It therefore leads to conflicting positions that are not easily solved in the framework of a judicial procedure, if not at the expense of long, exhausting and expensive defensive initiatives with an inevitably uncertain outcome.

MACRO ECONOMIC CONTEXT

One of the central topics in the economic situation is the different growth rate between the US and other advanced countries, hence the opposite orientation of monetary policies and the willingness to strengthen the dollar.

The trend of macroeconomic data in recent months has been characterized by negative surprises in most of the developed countries and in some major emerging countries. Except in the US, the growth rates were mild compared to past trends and the world trade growth is stalled on disappointing levels.

The intensification of the regional divergences has strengthened the expectations that the same trend would characterize in the coming months even the orientation of monetary policies, and has exacerbated the volatility of the currency markets. The relative strength of the US economy led the dollar on maximum multi-annual levels, while the acceleration of monetary stimulus in Japan and the Eurozone has accelerated the depreciation of the yen and the Euro. The low oil prices exert negative pressures on much of the energy sector, but also on industrial metals and agricultural products.

In the US, the recovery is established, thanks to an expanding private domestic demand. The Study and Research Department of Banca IMI, foresees to grow by 3.2% in 2015 and 3.1% in 2016, supported by growing consumption and a satisfactory dynamic of non-residential fixed capital formation.

The Eurozone is stopped in a trap of modest growth and low inflation. The Study and Research Department of Banca IMI does not expect a significant acceleration compared to 2014 (the year ended with a growth of 0.8%), confirming an estimate of 1.1% growth for 2015. 2014 ended worse than the consent expected a year ago, mainly as a result of a trend, more disappointing than expected, in Germany and Italy.
Growth in Japan was far below forecasts and caused an aggressive response from the of monetary and fiscal policy authorities. The Study and Research Department of Banca IMI indicates a growth of 0.3% in 2014, expected to accelerate to 0.8% in 2015 and 1.9% in 2016. An important factor in the household spending scenario is the labour market that, despite the excess demand, for now does not register an adjustment of wages to the new inflation context. The unemployment rate at 3.5% is the lowest since the late '90s.
GDP growth in China is slowing down, bringing the growth rate in 2014 to about 7.5%. The weakness in the real estate market continues to weigh negatively on the total investment reducing its contribution to growth. While net exports have increased thanks to the stability of the international demand, private consumption decelerated. The Study and Research Department of Banca IMI expects a growth of 7.1% in 2015 and 6.7% in 2016.
Despite the non-performing Italian economic situation, UCIMU (the Italian association that brings together machine tool manufacturers) reports that in the fourth quarter of 2014, machine tool orders increased by 19.1%. This result was affected the domestic orders by 18.8% and foreign orders by 19.3%. On an annual basis this indicator recorded an average increase, compared to 2013, by 14.7%. The result was due to the positive performance of the manufacturers in foreign markets (+ 10.1%) and by the good results collected in the domestic market (+ 37.2%) which returned to invest in capital goods, supported by the introduction of the New Sabatini Law.

REVENUES AND PROFITABILITY

In order to better represent the Group's operating activities, it was decided starting from 2014 to report the turnover data for the following geographical areas:

- EMEA (Europe, Russia, Middle East and Africa)
- AMERICAS (North, South and Central America)
- APAC (Asia and Pacific)

The **consolidated revenues** at 31/12/2014 amount to 350,464 thousand Euro, showing an increase of 4.4% compared to the corresponding period of the previous year (equal to 335,841 thousand Euro).

The consolidated turnover is shown below on a geographic basis at 31/12/2014 compared with the previous financial year.

Revenues	31/12/2014		31/12/2013	
	Euro thousand	*%*	*Euro thousand*	*%*
EMEA	209.750	59,9	187.675	55,9
AMERICAS	79.923	22,8	83.717	24,9
APAC	60.791	17,3	64.449	19,2
TOTAL	**350.464**	**100,0**	**335.841**	**100,0**

The group continues to generate a significant portion of revenues in the EMEA region, with a significant presence especially in Italy (12.6% of consolidated turnover), in East Europe (7.5% of consolidated turnover), and in Russia where, despite the complex political situation, the

Group continues to record strong sales (6.3% of consolidated turnover). The turnover generated outside of Europe was 51.5%, confirming the global nature of the group and the centre of gravity of the global economy. In the AMERICAS area the largest share of revenues has been made in the NAFTA area representing 21% of consolidated turnover. As for the APAC countries, the most significant sales were made in China (12% of consolidated turnover).

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	31/12/2014		31/12/2013	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	312.226	89,1	301.118	89,7
PRIMA ELECTRO	52.841	15,1	48.100	14,3
Inter-sector revenues	(14.603)	(4,2)	(13.377)	(4,0)
TOTAL	**350.464**	**100,0**	**335.841**	**100,0**

To complete information on proceeds, the sub-division of the same is shown below, detailed (net of the inter-sector transactions) per sector and per geographical area, both for the financial year 2014 and for the financial year 2013.

Revenues segment/area - 31/12/2014	EMEA	AMERICAS	APAC	TOTAL
€/000				
PRIMA POWER	180.965	77.390	53.837	312.192
PRIMA ELECTRO	28.785	2.533	6.954	38.272
TOTAL	**209.750**	**79.923**	**60.791**	**350.464**

Revenues segment/area - 31/12/2013	EMEA	AMERICAS	APAC	TOTAL
€/000				
PRIMA POWER	161.378	80.379	59.287	301.044
PRIMA ELECTRO	26.297	3.338	5.162	34.797
TOTAL	**187.675**	**83.717**	**64.449**	**335.841**

The PRIMA POWER division recorded in the financial year 2014 sales growth of 3.7% compared to the previous financial year. The division achieved 58% of sales in the EMEA region, 24.8% in the AMERICAS Countries and 17.2% in the APAC region.

The PRIMA ELECTRO division achieved sales growth of 10% compared to the previous financial year. The division achieved 75.2% of sales in the EMEA region (mainly Italy, Spain and Netherlands), 6.6% in the AMERICAS Countries and 18.2% in the APAC region (mainly China).

The **Value of production** at 31/12/2014 is equal to 372,410 thousand Euro, an increase of 8.9% with respect to financial year 2013 (increase of 30,537 thousand Euro).

The value of production in the period also includes increases in fixed assets for internal work equal to 11,502 thousand Euro (9,323 thousand Euro at 31/12/2013); these costs principally refer to investments in development costs. Other operational income amounts to 6,491 thousand Euro are present (5,564 thousand Euro at 31/12/2013); it should be noted that this item does not include non-recurring income from the sale of licenses resulting from industrial cooperation agreements for 2,940 thousand Euro (non-recurring income at 31/12/2013 amounted to 3,279 thousand Euro).

Performance indicators	31/12/14		31/12/13	
	Euro thousand	*% on sales*	*Euro thousand*	*% on sales*
EBITDA	33.780	9,6	30.567	9,1
EBIT	22.299	6,4	18.681	5,6
EBT	14.842	4,2	8.842	2,6
NET RESULT	9.389	2,7	5.358	1,6
NET RESULT ATTRIBUTABLE TO GROUP SHAREHOLDERS	9.763	2,8	5.429	1,6

The **EBITDA** of the Group amounted to 33,780 thousand Euro (9.6% of turnover); compared to financial year 2013 there was an improvement both in terms of percentage (from 9.1% to 9.6% increase), and in absolute terms (+3,213 thousand Euro).

The EBITDA of the Group is shown below at 31/12/2014 and at 31/12/2013 subdivided by sector (gross of the inter-sector transactions).

EBITDA	31/12/14		31/12/13	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	27.468	81,3	25.165	82,3
PRIMA ELECTRO	6.277	18,6	5.314	17,4
Inter sector items and eliminations	35	0,1	88	0,3
TOTAL	**33.780**	**100,0**	**30.567**	**100,0**

The consolidated **EBIT** at 31/12/2014 amounted to 22,299 thousand Euro and increased by 3,618 thousand Euro compared to the financial year 2013 (it amounted to 18,681 thousand Euro). Depreciation is influenced by intangible assets for an amount of 8,355 thousand Euro: by Property, Plant & Equipment for an amount of 2,927 thousand Euro and by *impairment* for an amount of 200 thousand Euro. With regard to the amortization of intangible fixed assets, the main items relate to the amortization of development costs (4,834 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 3,052 thousand Euro.

The EBIT of the group is shown below at 31/12/2014 and 31/12/2013, subdivided by sector gross of the inter-sector transactions.

EBIT	31/12/14		31/12/13	
	€/000	*%*	*€/000*	*%*
PRIMA POWER	18.322	82,2	15.291	81,9
PRIMA ELECTRO	3.930	17,6	485	2,6
Inter sector items and eliminations	47	0,2	2.905	15,5
TOTAL	**22.299**	**100,0**	**18.681**	**100,0**

The consolidated **EBT** at 31/12/2014 amounted to 14,842 thousand Euro in increase of 6,000 thousand Euro compared to financial year (it amounted to 8,842 thousand Euro); it should be noted that this value discounts net financial expenses arising from financial management (including Net exchange differences) of 7,258 thousand Euro (at 31/12/2013 equal to 8,828 thousand Euro).

Financial results (€/000)	31/12/14	31/12/13
Finpolar loan expenses	(2.855)	(3.664)
Derivates expenses (IRS)	(1.750)	(2.008)
Derivate income/expenses (CRS)	(168)	99
Other financial expenses	(2.338)	(2.181)
Net financial expenses	**(7.111)**	**(7.754)**
Net exchange differences	(147)	(1.074)
TOTAL	**(7.258)**	**(8.828)**

Financial expenses relate to the loan stipulated in 2008 for the acquisition of the FINN-POWER Group (hereafter for brevity "FINPOLAR loan") equal to 2,855 thousand Euro and net financial expenses for IRS derivatives (primarily connected to FINPOLAR loan) for 1,750 thousand Euro. The decrease of the charges relating to the FINPOLAR Loan is due to the decrease of residual capital as a result of the refunds made.

The result of exchange rate management of the year 2014 is negative for 147 thousand Euro (it was negative for 1,074 thousand Euro on 31/12/2013).

The net result from investments accounted for using the equity method includes the portion of results of the subsidiary Electro Power Systems SpA (hereinafter for brevity "EPS") held by PRIMA ELECTRO SpA and is negative for 250 thousand Euro.

The net result of other investments includes the depreciation of the investment in Caretek held by PRIMA ELECTRO SpA amounting to 20 thousand Euro and the capital gain following the sale of the last 5% of the investment held in the Chinese company Shanghai Unity Prima (hereinafter referred to for brevity as "SUP") equal to 71 thousand Euro.

The **NET RESULT** at 31/12/2014 is equal to 9,389 thousand Euro (5,358 thousand Euro at 31/12/2013). The income taxes for the financial year 2014 show a net negative balance of 5,453 thousand Euro, of which IRAP (Regional income tax) equal to 1,512 thousand Euro. This amount includes also the taxes due following the assessment with tax audit closing adhesion in FINN-POWER ITALIA Srl (for further details, see the section "Significant events of 2014"). At last, it should also be noted that the tax expense of 2013 included a positive effect due to the recording of 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).

BALANCE SHEET

The PRIMA INDUSTRIE Group's reclassified balance sheet is shown below.

Values expressed in Euro thousand	31/12/14	31/12/13
Tangible and intagible fixed assets	79.584	73.193
Goodwill	102.880	102.580
Equity investments and other non-current assets	985	422
Deferred tax assets	9.957	7.647
NON-CURRENT ASSETS	***193.406***	***183.842***
Inventories	77.504	66.215
Trade receivables	85.664	78.833
Trade payables	(77.594)	(68.118)
Advances	(16.934)	(13.580)
OPERATING WORKING CAPITAL	***68.640***	***63.350***
Other current assets and liabilities	(12.983)	(11.604)
Current tax assets and liabilities	(2.075)	(402)
Provisions for risks and employee benefits	(23.653)	(20.298)
Deferred tax liabilities	(10.822)	(10.350)
Non-current assets held for sale	284	1.484
NET INVESTED CAPITAL	***212.797***	***206.022***
NET INDEBTEDNESS	***92.089***	***99.961***
SHAREHOLDER'S EQUITY	***120.708***	***106.061***
Stockholders' equity of the Group	*119.558*	*104.976*
Minority interest	*1.150*	*1.085*
LOAN SOURCES	***212.797***	***206.022***

The value of PRIMA INDUSTRIE Group's tangible and intangible assets (other than Goodwill) increased by 6,391 thousand Euro in comparison with the previous year. The movements of the year are related to increases net of sales for 16,528 thousand Euro (of which 10,729 thousand Euro relating to development costs and 2,636 thousand Euro for PRIMA POWER SUZHOU), depreciation and *impairment* for 11,431 thousand Euro and positive exchange rate difference of 1,294 thousand Euro. Variation incurred in goodwill is attributable to the only currency adjustment. Investments and other non-current assets increased of 563 thousand Euro as a result of the share capital increase subscribed by EPS held by PRIMA ELECTRO SpA.

The Operational Working Capital increased in comparison to the previous financial year by 5,290 thousand Euro.

The Net Financial Position of the Group at 31/12/2014 amounted to 92,089 thousand Euro; compared to the end of the previous financial year there was an increase of 7,872 thousand Euro (for further comments on this item, refer to the following paragraph "Net Financial Position").

The Net Equity has increased in comparison to the previous financial year by 14,647 thousand Euro. This increase is the result of the positive effects arising from the Group's overall result of the period (14,521 thousand Euro) and share capital payments in PRIMA POWER SUZHOU (126 thousand Euro) made by third parties.

IMPAIRMENT TEST AND GOODWILL

It is important, in the current economic trend, the verification of possible assets value losses. An indispensable process in the preparation of the PRIMA INDUSTRIE Group Financial statements is the *impairment* test on goodwill recorded 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 emerged from the impairment tested assets.

NET FINANCIAL POSITION

At 31/12/2014 the net financial position of the Group shows a net debt of € 92,089 thousand, improving by 7,872 thousand euro compared to the previous year (it was negative for 99,961 thousand euro at 31/12/2013).

The net financial position detail is shown below.

Value expressed in Euro thousand	31/12/14	31/12/13
CASH & CASH EQUIVALENTS	(35.867)	(29.194)
CURRENT FINANCIAL RECEIVABLES	(442)	(47)
CURRENT FINANCIAL LIABILITIES	56.663	51.830
NON CURRENT FINANCIAL LIABILITIES	71.735	77.372
NET FINANCIAL LIABILITIES	**92.089**	**99.961**

It is important to note that following the issue of a seven-year bond loan of 40 million Euro and the conclusion of a new *club-deal* loan agreement for 60 million Euro (transactions that both took place in February 2015) the FINPOLAR loan was repaid in full. On both new forms of financing there are financial *covenants* with measurements on an annual and half-yearly basis.
For more details about these operations refer to the following paragraph "Events occurring after the reference date of the financial statements".

With the aim of supplying better information relating to the net financial position on 31/12/2014, the following should be remembered:

- the FINPOLAR loan amounts to 88,820 thousand Euro and is subject to compliance with regards to certain *covenants* measured on yearly and six monthly basis. It should be noted that at the approval date of these financial statements the company has correctly paid the installments relating to the FINPOLAR Loan expiring on 04/02/2015;
- Financial Lease Liabilities (almost exclusively of a property nature) amount to 2,752 thousand Euro;
- bank debts include the negative *fair value* of certain contracts IRS for 3,184 thousand Euro; the main IRS has been contracted by the Parent Company in partial cover of the

risk of interest rates on FINPOLAR Loan (the underwriting of these derivatives was foreseen by the financing contract below).

On 31/12/2014 all the *covenants* set are met.

For greater detail on the net financial position see the Note 8.11 - Net Financial Position.

TRADE ASSETS AND ORDER PORTFOLIO

During the financial year 2014 the **acquisition of orders** of the Group (including *after-sale service*) amounted to 374.6 million Euro (+14.8% related to 326.3 million Euro at 31/12/2013). The acquisition of orders of the PRIMA POWER segment amounted to 329.3 million Euro, while that of the PRIMA ELECTRO, only from customers outside the Group, amounted to 45.3 million Euro.

The consolidated **order portfolio** (not including the *after-sale service*) at 31/12/2014 amounts to 94.5 million Euro (compared to 75.2 million Euro at 31/12/2013). The portfolio includes 78.2 million Euro relating to the PRIMA POWER sector and 16.1 million Euro relating to the PRIMA ELECTRO sector.
At 31/01/2015, the order portfolio increased to 109.5 million Euro.

RESEARCH AND DEVELOPMENT

The research and development activity carried out by the Group during the financial year 2014 has been comprehensively equal to 20,850 thousand Euro (of which 15,648 thousand Euro in the PRIMA POWER sector and 5,202 thousand Euro in the PRIMA ELECTRO sector) equal to 6% of turnover.

The capitalized share was equal to 10,945 thousand Euro (of which 8,633 thousand Euro in the PRIMA POWER sector and 2,312 thousand Euro in the PRIMA ELECTRO sector).

The costs levels sustained in research and development activities for new products proved the Group main purposes in investing for the future and improving products always in the competitiveness on the international markets. For all the capitalized development activities, the technical feasibility has been verified as well as the generation of probable future economic benefits.

During the financial year 2014, the main activities that have affected the PRIMA POWER division were as follows:

- completion of the development, construction and testing of LaserNEXT, new 3D machine dedicated to the *automotive* market, whose strength is the greater productivity and efficiency and reduced spaces required for operation. In October 2014, the machine was presented at the prestigious EuroBlech fair in Hanover;
- carrying out of the development of new models of 2D laser machines, which will renew the product portfolio of the division and will be introduced to the market during the next year;
- introduction of the new SGe5 machine that represents the *entry-level* of the punching-shearing machine;
- introduction of a new generation of LPE6 machines with 4Kw fibre laser source;

- introduction of a new series of servo electrical panelling machines (EBe), characterized by new software, a new control system and new motors and drives;
- introduction of a new loading solution and a series of CAM 3D updates for the line of servo electric panelling machines (EBe);
- further development of the welding and drilling processes using both continuous (CW) and pulsed (QCW) high-power fibre laser.

The main research and development activities carried out within the PRIMA ELECTRO division covered the following topics:
- carrying out of the development of *solid state* modules of new laser sources;
- carrying out of the development of the new OPEN numerical control both on PRIMA POWER machines and for external customers of other production sectors;
- completion of the PLATINO alpha testing with the new OPEN numerical control; the development activities continued for the introduction of this new numeric control system in the field of metal processing and plasma cutting;
- development of a new family of drives called OD700 (OPENDrive 700) equipped with safety function according to SIL;
- completion of the application of the P30L control to the new 3D laser machine LaserNEXT;
- completion of the industrialization of a family of AC/DC power supplies and related inverter modules and high voltage transformer (which together constitute the HVPS-Mark 2 system).

WORKFORCE

At December 31st, 2014 Group employees were 1.579 of which 1.324 in PRIMA POWER division and 255 in PRIMA ELECTRO Division. Workforce shows an increase of 49 compared to December 31st, 2013.

Values expressed in units	PRIMA POWER		PRIMA ELECTRO		PRIMA GROUP (*)	
	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13
Production & Installation	464	448	125	120	589	568
Sales & Marketing	144	132	32	26	176	158
Service & Spare Parts	436	421	16	28	452	449
R&D and Product Management	167	160	60	60	227	220
General & Administrative	113	113	22	22	135	135
Total	**1.324**	**1.274**	**255**	**256**	**1.579**	**1.530**

** In order to provide better comparability, some data as at 31/12/2013 have been reclassified*

OPERATIONS WITH RELATED PARTIES

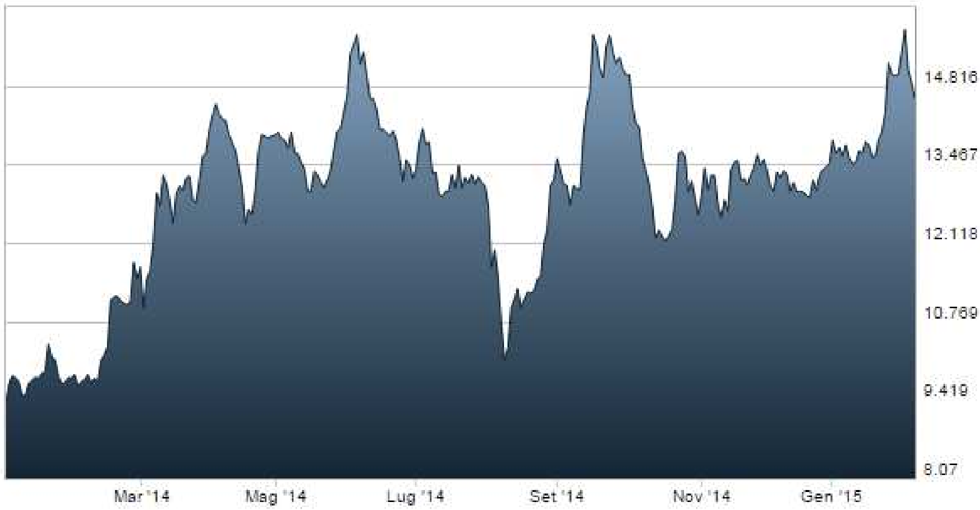
During the reporting period no significant operations with related parties were concluded in accordance with Article 5, paragraph 8 of the Regulations containing provisions on related parties No. 17221, issued by Consob on 12/03/2010.

For further details of the subject and of other operations carried out by the Group with related parties, refer to Note 8.31 -Information on related parties.

STOCK TREND AND TREASURY STOCK

During the financial year 2014, the PRIMA INDUSTRIE stocks passed from a unit value of 9.355 Euro on 02/01/2014 to a value of 13.49 Euro each share on 30/12/2014, therefore recording an appreciation of 44% in the period.

During the period the stock has reached the maximum values above 15 Euro per share at the beginning of June and in the second half of September, after the sharp drop coinciding with the decline of the financial markets in early August.
Subsequently, the share price has stabilized at over 12 Euro up to the end of the year, beginning to grow again in the second half of the month of January 2015 to more than 15 Euro per share.

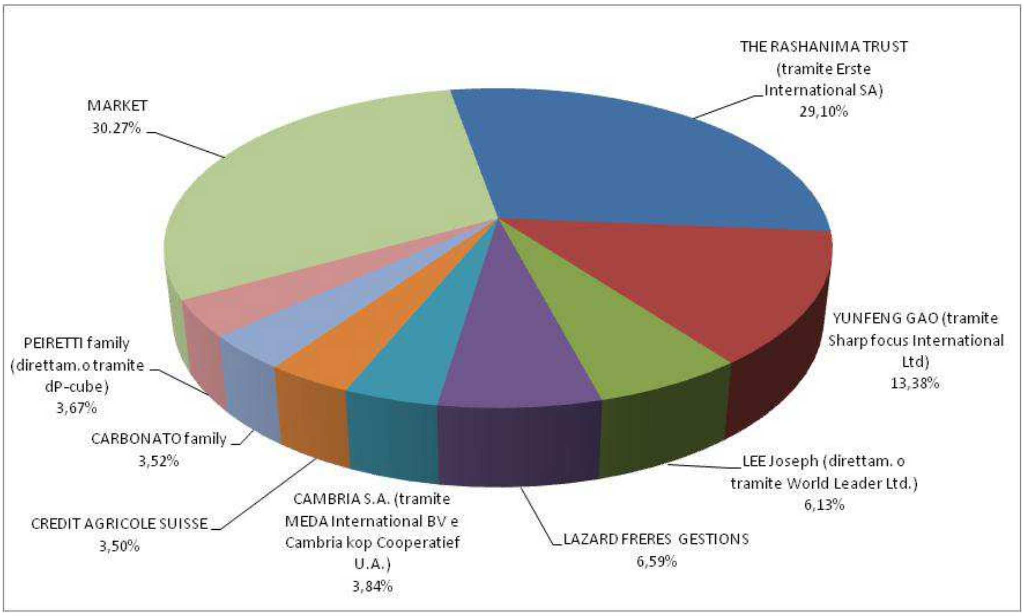


On 31/12/2014, also being the date of approval of this Annual Financial Report PRIMA INDUSTRIE SpA did not hold nor holds any of its own shares, as there is no current resolution authorizing the purchase of its own shares.

SHAREHOLDING STRUCTURE

On December 31st, 2014, the share capital of PRIMA INDUSTRIE SpA amounts to Euro 26,208,185 divided into 10,483,274 ordinary shares at the nominal value of 2.50 Euro each. No classes of shares or bonds have been issued other than ordinary shares.

In the light of the results of the shareholders diary and from subsequent communications carried out between the company and the overseeing authority, the most up-to-date share structure is as follows:



STOCK OPTION PLANS

The only stock option plan of the Group, whose beneficiaries included some of the top managers, has been expired on June 30th, 2014 (for further information on the stock option plan, refer to the information published on the website of the company: www.primaindustrie.com). None of the beneficiaries exercised the options, as they were widely *out of the money*.

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 approved on July 2014 by the Committee for the Corporate Governance promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime, Confindustria.

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 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 features of the Risk management and Internal audit system, involving the financial information process (consolidated as well);
c) regulations 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 December 31st, 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 document);
- 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 reviewed time by time 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.

In the course of 2014 the functions of Supervisory Board of PRIMA INDUSTRIE SpA were carried out by the Board of Auditors which had received a specific mandate to that effect at the time of appointment.

INVESTMENTS IN/EXPENSES RELATED TO SAFETY IN THE WORKPLACE

The total safety-related expenses incurred by PRIMA INDUSTRIE SpA in 2014 amount to 158 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

The expectations for 2015 are positive for the PRIMA INDUSTRIE Group, also in a macroeconomic context that remains characterized by persistent uncertainties. The forecasts are characterized by a moderate strengthening of the global economic growth mainly driven by the US, despite the risks related to the economic stagnation in Europe and a slight slowdown in China and other emerging markets.
The Group believes to continue the improvement trend both in revenue, and profitability, mainly due to the intensive use of the widespread geographical organization and the launch of new products.
Following the renewal of the financial payables in the first months of 2015 and the positive results obtained during the year, the Group has now achieved a balanced financial situation, which allows it to look to the future with optimism and to concentrate its resources in pursuing the international growth path.

SIGNIFICANT FACTS AFTER CLOSING DATE OF FINANCIAL STATEMENT

<u>NON CONVERTIBLE BOND LOAN ISSUE</u>

As part of the FINPOLAR loan refinancing (originally signed with a pool of banks to finance the acquisition of the FINN-POWER Group) expiring in 2016 and in the view of diversifying its loan sources, PRIMA INDUSTRIE SpA on 06/02/2015, in execution of the resolution of the Board of

Directors on 13/01/2015, has proceeded to issue a non-convertible bond loan for a nominal amount of 40 million Euro and with a duration of seven years.
The bonds, placed exclusively with qualified investors, have a minimum denomination of 200,000 Euro and six month fixed coupon payment of 5.875% per year. The bond loan, governed by the English law, will expire on February 6, 2022.
The contract governing the bond loan issue provides the compliance with certain financial *covenants*, which if not met do not lead to a decisive event (and therefore the mandatory early repayment) but implies only for the period in which they are not met the increase in the interest rate by one percentage point.

EBITDA/Consolidated Net Financial costs ratio not less than:	*3,5x for the duration of the loan, to be calculated at 30/06 and at 31/12 of each year*
Net Financial Borrowings/Consolidated EBITDA ratio not more than:	*4,0x for the duration of the loan, to be calculated at 30/06 and at 31/12 of each year*
Net Financial Borrowings/Consolidated Shareholders's Equity rario not more than:	*1,5x for the duration of the loan, to be calculated at 30/06 and at 31/12 of each year*

The bond issue is the beginning of PRIMA INDUSTRIE SpA on the Eurobond market. PRIMA INDUSTRIE SpA has applied for the bond loan admission for trading on the multilateral trading facility "Euro MTF Market" operated by the Luxembourg Stock Exchange.
The net proceeds of the bonds were allocated, on 12/02/2015, to the repayment of a part of the remaining FINPOLAR loan expiring on 04/02/2016.

<u>NEW MEDIUM-LONG TERM BANK LOAN CONTRACT AND FULL FINPOLAR LOAN REPAYMENT</u>
On 23/02/2015 PRIMA INDUSTRIE SpA has signed with a pool of Italian banks (Unicredit, Intesa Sanpaolo and BNL) a medium-long term *club deal* loan agreement for a total amount of 60 million Euro.
The main features of the loan agreement are as follows:

- the amount, totaling 60 million Euro, is composes by a quota of 40 million Euro in the form of loan repayment expiring on 30/06/2021 and a quota of 20 million Euro in the form of *revolving* credit lines expiring on 31/12/2019;
- the interest rate for both quotas is set in Euribor plus an additional margin of 3%;
- fees charged for failure to use the *revolving* credit line amount to 1% of the amount not used;
- penalties in the event of advanced repayment or voluntary cancellation amount to 0.5% of the refunded/cancelled amount for the first two years following the subscription of the loan and 0.4% of the refunded/cancelled amount in case this occurs on the third or fourth year from the subscription date;
- the reimbursement for the “amortized costs” part expire every six months starting from 31/12/2015;
- the maximum amount of debt allowed (including the bond loan and this loan) amount to 210 million Euro at Group level;
- the following financial *covenants* must be met:

EBITDA/Consolidated Net Financial costs ratio not less than:	*3,25 at December 31, 2014 and June 30, 2015* *3,50 at December 31, 2015 and June 30, 2016* *4,00 at December 31, 2016 and June 30, 2017* *4,25 for each measurement subsequent date*
Net Financial Borrowings/Consolidated EBITDA ratio not more than:	*3,75 at December 31, 2014 and June 30, 2015* *3,50 at December 31, 2015 and June 30, 2016* *3,25 at December 31, 2016 and June 30, 2017* *3,00 for each measurement subsequent date*

Failure to comply with these *covenants* constitutes a decisive event and implies the mandatory prepayment if it is not remedied within 20 working days from the non-compliance notification.
The loan was partially intended, on 02/03/2015 to the repayment of the remaining quota of the FINPOLAR load expiring on 04/02/2016, which, therefore, at that date was fully repaid.

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 November 12th, 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, 2014				
Values in Euro thousand	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	312.226	27.468	8,8%	18.322	5,9%
PRIMA ELECTRO	52.841	6.277	11,9%	3.930	7,4%
ELIMINATION	(14.603)	35	-0,2%	47	-0,3%
GROUP	**350.464**	**33.780**	**9,6%**	**22.299**	**6,4%**

	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%**

PRIMA POWER

The revenues of PRIMA POWER division increased by 3.7% compared with the previous year. The division achieved excellent results in terms of revenues in Italy (11% of consolidated turnover of the division), Eastern Europe (7.8% of consolidated turnover of the division), Russia (7.1% of consolidated turnover of the division), NAFTA countries (22.9% of consolidated turnover of the division) and China (11.7% of consolidated turnover of the division).

The EBITDA (Earning before interest, taxes, depreciation and amortization) for the sector amounted to 27,468 thousand Euro, that represents an increase both in absolute value (+2,303 thousand Euro), and in percentage terms (from 8.4% to 8.8%); the increase is due to non-recurring effects and to the greater level of efficiency achieved by the division.

In addition to the positive results for the year 2014, it must be recalled that the PRIMA POWER division is continuing its growth path, both in terms of geography, and product. Here are some of the most significant events of 2014, which will help in this development process:

- The new *plant* in Suzhou in the last quarter of 2014 has became operational and in the first months of 2015 it began the sale of the first laser and punching machines; there was also a reorganization of the company structure, which led to the exit of one of the local original partners and the transition of PRIMA INDUSTRIE SpA from 51% to 70%.
- The purpose of the opening of a new subsidiary in Mexico is to encourage the growth of the division in the NAFTA area, through the presence of local technical support.
- The new 3D LaserNEXT machine, innovative both in terms of performance and efficiency, was presented in October 2014 during the EuroBlech fair in Hanover, and orders in the first months suggest that the product will collect a good success among customers.
- The carrying out of the development of new 2D laser machine models, which will be introduced on the market during 2015, will renew the division's product portfolio, giving a new impetus to this product line.

PRIMA ELECTRO

The revenues of PRIMA ELECTRO division increased by 10% compared with the previous year. The EBITDA (Earning before interest, taxes, depreciation and amortization) of the division amounted to 6,277 thousand Euro, and is in increase compared to the previous year; it should be noted that the result of the previous year benefited from a government grant on a major research project; net of this non-recurring effect, the EBITDA would be further increased.

Even for the PRIMA ELECTRO division, 2014 was an important year in terms of overall results, and in terms of future growth; the most significant events are listed below:

- The launch of a major research project in the field of optoelectronic components, including those carried out through a partnership with the Politecnico di Torino, which led to the opening of a new local unit in Turin and hiring of 11 highly qualified engineers.
- The adoption by PRIMA ELECTRO of a new functional organization through the introduction of three *business units* corresponding to the three segments in which the division operates: dedicated electronics (DOTS), numerical controls and the *general motion* (OSAI) and laser sources (CONVERGENT). For this purpose a head, who is responsible for the sales and business development, as well as the responsibility on the financial results, was appointed for each of them.
- The signing of two capital increases in EPS SpA which allowed, through an investment of about 1 million Euro, to obtain a stake of 26.30% in a reality that could play a key role in the medium-term strategic plans of the division.

NET RESULT ALLOCATION

Ladies and Gentlemen,

We hope that you are in favour of the Company's return, after some years, on risk capital policy, and, taking this opportunity to thank you for the confidence that you have placed in us, we invite you to approve these financial statements of your company on 31/12/2014 that closes with a net profit of 784,956.00 Euro and:

- to allocate to the Legal Reserve a portion of the above mentioned net profit, amounting to 39,247.80 Euro;
- to distribute, in the form of ordinary dividend, the remaining 745,708.20 Euro of the above mentioned profit, and 1,350,946.60 Euro related to previous earnings and profits previously allocated to the Extraordinary Reserve, amounting to a total unitary dividend of 0.20 Euro for each of the 10,483,274 shares.

On behalf of the Board of Directors
Executive Chairman

Gianfranco Carbonato

Chapter

5

CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP

DECEMBER 31st, 2014

ACCOUNTING TABLES

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF DECEMBER 31ST, 2014

CONSOLIDATED BALANCE SHEET

Values in Euro	Notes	31/12/2014	31/12/2013
Property, plant and equipment	*8.1*	26.912.167	24.200.931
Intangible assets	*8.2*	155.552.322	151.571.901
Investments accounted for using the equity method	*8.3*	759.072	-
Other investments	*8.4*	171.358	288.735
Non current financial assets	*8.5*	35.000	113.000
Deferred tax assets	*8.6*	9.957.302	7.647.333
Other non current assets	*8.9*	19.867	20.624
NON CURRENT ASSETS		**193.407.088**	**183.842.524**
Inventories	*8.7*	77.503.950	66.214.465
Trade receivables	*8.8*	85.663.907	78.833.076
Other receivables	*8.9*	6.943.043	5.909.406
Current tax receivables	*8.10*	5.951.830	4.305.160
Derivatives	*8.11*	-	46.969
Financial assets	*8.11*	441.891	-
Cash and cash equivalents	*8.11*	35.866.508	29.194.149
CURRENT ASSETS		**212.371.129**	**184.503.225**
ASSETS HELD FOR SALE	***8.12***	***284.000***	***1.483.839***
TOTAL ASSETS		**406.062.217**	**369.829.588**
Capital stock	*8.13*	26.208.185	26.208.185
Legal reserve	*8.13*	4.455.497	4.321.310
Other reserves	*8.13*	71.967.701	68.144.867
Currency translation reserve	*8.13*	1.639.850	(2.138.106)
Retained earnings	*8.13*	5.523.165	3.010.955
Net result	*8.13*	9.762.948	5.428.982
Stockholders' equity of the Group		**119.557.346**	**104.976.193**
Minority interest		*1.150.354*	*1.084.685*
STOCKHOLDERS' EQUITY		**120.707.700**	**106.060.878**
Interest-bearing loans and borrowings	*8.11*	68.678.974	72.442.235
Employee benefit liabilities	*8.14*	8.682.372	7.731.540
Deferred tax liabilities	*8.15*	10.822.071	10.350.390
Provisions	*8.16*	144.551	137.137
Derivatives	*8.11*	3.055.597	4.929.519
NON CURRENT LIABILITIES		**91.383.565**	**95.590.821**
Trade payables	*8.17*	77.593.622	68.117.926
Advance payments	*8.17*	16.933.871	13.580.141
Other payables	*8.17*	19.926.668	17.513.397
Interest-bearing loans and borrowings	*8.11*	56.534.173	51.830.029
Current tax payables	*8.18*	8.027.279	4.707.193
Provisions	*8.16*	14.826.479	12.429.203
Derivatives	*8.11*	128.860	-
CURRENT LIABILITIES		**193.970.952**	**168.177.889**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**406.062.217**	**369.829.588**

CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2014	31/12/2013
Net revenues	8.19	350.464.388	335.841.391
Other income	8.20	6.490.991	5.563.964
Change in inventories of finished goods and WIP	-	3.952.493	(8.855.157)
Increases in fixed assets for internal work	8.21	11.502.326	9.322.513
Use of raw materials, consumables, supplies and goods	-	(161.559.297)	(145.143.061)
Personnel cost	8.22	(93.831.488)	(89.484.290)
Depreciation	8.23	(11.281.428)	(11.645.015)
Impairment	8.23	(199.618)	(241.336)
Other operating expenses	8.24	(83.239.814)	(76.677.650)
OPERATING PROFIT		**22.298.553**	**18.681.359**
Financial income	8.25	112.442	328.222
Financial expenses	8.25	(7.223.349)	(8.081.985)
Net exchange differences	8.25	(147.049)	(1.074.203)
Net result of investments accounted for using the equity method	8.26	(250.000)	
Net result of other investments	8.27	51.037	(1.011.019)
RESULT BEFORE TAXES		**14.841.634**	**8.842.374**
Taxes	8.28	(5.453.088)	(3.484.148)
NET RESULT		**9.388.546**	**5.358.226**
- Attributable to Group shareholders		*9.762.948*	*5.428.982*
- Attributable to minority shareholders		*(374.402)*	*(70.756)*
RESULT PER SHARE - BASIC (in euro)	8.29	**0,93**	**0,62**
RESULT PER SHARE - DILUTED (in euro)	8.29	**0,93**	**0,59**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	*Notes*	31/12/2014	31/12/2013
NET RESULT (A)		**9.388.546**	**5.358.226**
Gains/(Losses) on defined benefit plans	*8.13*	(653.622)	(32.464)
Total other Income/(Losses) not to be reclassified before Tax (B)		**(653.622)**	**(32.464)**
Portion of Gains/ (Losses) on cash flow hedge	*8.13*	1.968.294	1.992.054
Gains/(Losses) on exchange differences on translating foreign operations	*8.13*	3.817.213	(1.628.842)
Total Comprehensive Gains/(Losses) to be reclassified before Tax (C)		**5.785.507**	**363.212**
TOTAL COMPREHENSIVE INCOME (A) + (B) +(C)		**14.520.431**	**5.688.974**
- Attributable to Group shareholders		*14.855.576*	*5.774.972*
- Attributable to minority shareholders		*(335.145)*	*(85.998)*

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

from the 1st of January 2013 to 31st of December 2013

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 01/01/2013	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

from the 1st of January 2014 to 31st of December 2014

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 01/01/2014	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
Capital increase Prima Power Suzhou	-	-	-	-	-	-	-	(695.015)	-	-	-	(695.015)	821.406	126.391
Change of consolidation area	-	-	-	-	-	-	-	-	-	420.592	-	420.592	(420.592)	-
Reserve's reclassification	-	-	-	-	-	(1.295.506)	-	1.295.506	-	-	-	-	-	-
Allocation of prior year net result	-	-	-	134.187	-	-	-	2.549.555	-	2.745.240	(5.428.982)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	1.968.294	-	3.777.956	(653.622)	9.762.948	14.855.576	(335.145)	14.520.431
Balance as at 31/12/2014	26.208.185	-	57.506.537	4.455.497	(1.286.154)	-	(1.227.332)	16.974.650	1.639.850	5.523.165	9.762.948	119.557.346	1.150.354	120.707.700

CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/12/2014	31/12/2013
Net result	**9.388.546**	**5.358.226**
Adjustments (sub-total)	***10.761.197***	***12.836.285***
Depreciation and impairment	11.481.046	11.886.351
Net change in deferred tax assets and liabilities	(1.838.288)	11.804
Change in employee benefits	950.832	102.238
Change in inventories	(11.289.485)	14.869.303
Change in trade receivables	(6.830.831)	(8.130.654)
Change in trade payables and advances	12.829.426	(7.697.603)
Net change in other receivables/payables and other assets/liabilities	5.458.497	1.794.846
Cash Flows from (used in) operating activities (A)	**20.149.743**	**18.194.511**
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(5.290.850)	(2.838.538)
Acquisition of intangible fixed assets	(581.175)	(534.025)
Capitalization of development costs	(10.728.928)	(8.907.570)
Net disposal of fixed assets (*)	72.503	105.278
Decrease of SUP investment	1.149.839	2.424.212
Liquidation of SNK JV investment	-	77.780
Net result of SUP investment	-	518.591
Purchase/capital increase of other investments	-	(214.014)
Devaluation of other investments	20.000	492.428
Purchase/capital increase of investments accounted for using the equity method	(911.695)	-
Net result of investments accounted for using the equity method	250.000	-
Cash Flows from (used in) investing activities (B)	**(16.020.306)**	**(8.875.858)**
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	(1.311.267)	4.027.826
Increases in loans and borrowings (including bank overdrafts)	17.046.196	3.619.384
Repayment of loans and borrowings (including bank overdrafts)	(16.290.437)	(27.512.301)
Increases/(repayments) in financial lease liabilities	(191.551)	125.209
Capital increase	-	15.647.335
Other variations	2.849.911	(1.646.064)
Cash Flows from (used in) financing activities (C)	**2.102.852**	**(5.738.611)**
Cash Flows from (used in) change of minority shareholders (D)	**440.070**	**1.155.441**
Net change in cash and equivalents (E=A+B+C+D)	**6.672.359**	**4.735.483**
Cash and equivalents beginning of period (F)	**29.194.149**	**24.458.666**
Cash and equivalents end of period (G=E+F)	**35.866.508**	**29.194.149**

Additional Information to the Consolidated Statement of Cash-Flow	31/12/2014	31/12/2013
Values in Euro		
Taxes	(5.453.088)	(3.484.148)
Financial incomes	112.442	328.222
Financial expenses	(7.223.349)	(8.081.985)

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

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

Values in Euro	Notes	31/12/2014	*of which related parties*	31/12/2013	*of which related parties*
Property, plant and equipment	8.1	26.912.167	-	24.200.931	-
Intangible assets	8.2	155.552.322	-	151.571.901	-
Investments accounted for using the equity method	8.3	759.072	*759.072*	-	-
Other investments	8.4	171.358	-	288.735	-
Non current financial assets	8.5	35.000	-	113.000	-
Deferred tax assets	8.6	9.957.302	-	7.647.333	-
Other non current assets	8.9	19.867	-	20.624	-
NON CURRENT ASSETS		**193.407.088**	-	**183.842.524**	-
			-		-
Inventories	8.7	77.503.950	-	66.214.465	-
Trade receivables	8.8	85.663.907	*5.287*	78.833.076	-
Other receivables	8.9	6.943.043	-	5.909.406	-
Current tax receivables	8.10	5.951.830	-	4.305.160	-
Derivatives	8.11	-	-	46.969	-
Financial assets	8.11	441.891	-	-	-
Cash and cash equivalents	8.11	35.866.508	-	29.194.149	-
CURRENT ASSETS		**212.371.129**	-	**184.503.225**	-
ASSETS HELD FOR SALE	**8.12**	***284.000***	-	***1.483.839***	-
TOTAL ASSETS		**406.062.217**	-	**369.829.588**	-
			-		-
Capital stock	8.13	26.208.185	-	26.208.185	-
Legal reserve	8.13	4.455.497	-	4.321.310	-
Other reserves	8.13	71.967.701	-	68.144.867	-
Currency translation reserve	8.13	1.639.850	-	(2.138.106)	-
Retained earnings	8.13	5.523.165	-	3.010.955	-
Net result	8.13	9.762.948	-	5.428.982	-
Stockholders' equity of the Group		**119.557.346**	-	**104.976.193**	-
Minority interest		*1.150.354*	-	*1.084.685*	-
STOCKHOLDERS' EQUITY		**120.707.700**	-	**106.060.878**	-
			-		-
Interest-bearing loans and borrowings	8.11	68.678.974	-	72.442.235	-
Employee benefit liabilities	8.14	8.682.372	-	7.731.540	-
Deferred tax liabilities	8.15	10.822.071	-	10.350.390	-
Provisions	8.16	144.551	-	137.137	-
Derivatives	8.11	3.055.597	-	4.929.519	-
NON CURRENT LIABILITIES		**91.383.565**	-	**95.590.821**	-
			-		-
Trade payables	8.17	77.593.622	*5.527*	68.117.926	-
Advance payments	8.17	16.933.871	-	13.580.141	-
Other payables	8.17	19.926.668	*591.410*	17.513.397	*571.539*
Interest-bearing loans and borrowings	8.11	56.534.173	-	51.830.029	-
Current tax payables	8.18	8.027.279	-	4.707.193	-
Provisions	8.16	14.826.479	-	12.429.203	-
Derivatives	8.11	128.860	-	-	-
CURRENT LIABILITIES		**193.970.952**	-	**168.177.889**	-
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**406.062.217**	-	**369.829.588**	-

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

Values in Euro	Notes	31/12/2014	*of which related parties*	31/12/2013	*of which related parties*
Net revenues	*8.19*	350.464.388	*185.103*	335.841.391	-
Other income	*8.20*	6.490.991	*52.733*	5.563.964	-
Change in inventories of finished goods and WIP	-	3.952.493	-	(8.855.157)	-
Increases in fixed assets for internal work	*8.21*	11.502.326	-	9.322.513	-
Use of raw materials, consumables, supplies and goods	-	(161.559.297)	-	(145.143.061)	-
Personnel cost	*8.22*	(93.831.488)	*(338.520)*	(89.484.290)	*(445.119)*
Depreciation	*8.23*	(11.281.428)	-	(11.645.015)	-
Impairment	*8.23*	(199.618)	-	(241.336)	-
Other operating expenses	*8.24*	(83.239.814)	*(1.073.301)*	(76.677.650)	*(1.067.243)*
OPERATING PROFIT		**22.298.553**		**18.681.359**	
of which: non recurring items		***1.946.964***		***2.265.114***	
Financial income	*8.25*	112.442	-	328.222	-
Financial expenses	*8.25*	(7.223.349)	-	(8.081.985)	-
Net exchange differences	*8.25*	(147.049)	-	(1.074.203)	-
Net result of investments accounted for using the equity method	*8.26*	(250.000)	*(250.000)*		
Net result of other investments	*8.27*	51.037	-	(1.011.019)	-
RESULT BEFORE TAXES		**14.841.634**	-	**8.842.374**	-
of which: non recurring items		***1.947.497***		***1.772.686***	
Taxes	*8.28*	(5.453.088)	-	(3.484.148)	-
NET RESULT		**9.388.546**	-	**5.358.226**	-
- Attributable to Group shareholders		*9.762.948*		*5.428.982*	
- Attributable to minority shareholders		*(374.402)*		*(70.756)*	
RESULT PER SHARE - BASIC (in euro)	***8.29***	**0,93**		**0,62**	
RESULT PER SHARE - DILUTED (in euro)	***8.29***	**0,93**		**0,59**	

CONSOLIDATED CASH FLOWS STATEMENT ACCORDING TO N.15519 OF 27/07/2006

VALUES IN EURO	31/12/2014	*of which related parties*	31/12/2013	*of which related parties*
Net result	**9.388.546**	-	**5.358.226**	-
Adjustments (sub-total)	***10.761.197***	-	***12.836.285***	-
		-		
Depreciation and impairment	11.481.046	-	11.886.351	-
Net change in deferred tax assets and liabilities	(1.838.288)	-	11.804	-
Change in employee benefits	950.832	-	102.238	-
Change in inventories	(11.289.485)	-	14.869.303	-
Change in trade receivables	(6.830.831)	*5.287*	(8.130.654)	-
Change in trade payables and advances	12.829.426	*5.527*	(7.697.603)	-
Net change in other receivables/payables and other assets/liabilities	5.458.497	*19.871*	1.794.846	*(20.935)*
Cash Flows from (used in) operating activities (A)	**20.149.743**		**18.194.511**	
Cash flow from investments				
Acquisition of tangible fixed assets (*)	(5.290.850)	-	(2.838.538)	-
Acquisition of intangible fixed assets	(581.175)	-	(534.025)	-
Capitalization of development costs	(10.728.928)	-	(8.907.570)	-
Net disposal of fixed assets (*)	72.503	-	105.278	-
Decrease of SUP investment	1.149.839	-	2.424.212	-
Liquidation of SNK JV investment	-	-	77.780	-
Net result of SUP investment	-	-	518.591	-
Purchase/capital increase of other investments	-	-	(214.014)	-
Devaluation of other investments	20.000	-	492.428	-
Purchase/capital increase of investments accounted for using the equity method	(911.695)	*(911.695)*	-	-
Net result of investments accounted for using the equity method	250.000	*250.000*	-	-
Cash Flows from (used in) investing activities (B)	**(16.020.306)**		**(8.875.858)**	
Cash flow from financing activities				
Change in other financial assets/liabilities and other minor items	(1.311.267)	-	4.027.826	-
Increases in loans and borrowings (including bank overdrafts)	17.046.196	-	3.619.384	-
Repayment of loans and borrowings (including bank overdrafts)	(16.290.437)	-	(27.512.301)	-
Increases/(repayments) in financial lease liabilities	(191.551)	-	125.209	-
Capital increase	-	-	15.647.335	-
Other variations	2.849.911	-	(1.646.064)	-
Cash Flows from (used in) financing activities (C)	**2.102.852**		**(5.738.611)**	
Cash Flows from (used in) change of minority shareholders (D)	**440.070**		**1.155.441**	
Net change in cash and equivalents (E=A+B+C+D)	**6.672.359**		**4.735.483**	
Cash and equivalents beginning of period (F)	**29.194.149**		**24.458.666**	
Cash and equivalents end of period (G=E+F)	**35.866.508**		**29.194.149**	

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

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 2014 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 the article 9 of 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 01/01/2014.

BUSINESS CONTINUATION

The consolidated financial statement as of 31/12/2014 has been drafted on the assumption that the Company will continue its business, as it is reasonable to presume that PRIMA INDUSTRIE will continue to do in the near future. More specifically, the higher profits in 2014 compared to the previous year, the consistency of the orders portfolio, the rebalanced relationship between debt and equity, the rescheduling of bank debts at medium-long term, which occurred due to the two banking operations on February 2015 (for more information on this subject see the section "Significant facts after closing date of Financial Statement of the Group Management Report), the availability of credit lines enough to satisfy the Company's operating cash, is the main factor to consider that, at the present, there are no significant 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.

LOSS OF ASSET VALUE ("*IMPAIRMENT*")
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.

Capitalized 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 labour, 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 cancelled 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 cancelled 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.

(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 waive the plan;
- employees are encouraged to will fully 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.

PROVISION FOR RISKS AND CHARGES
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, 2014 and, in particular, when performing *impairment* tests, the foreseeable trend between the period 2015-2019 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 effective from January 1, 2014

- On May 12, 2011, the IASB issued "IFRS 10 - Consolidated Financial Statements" standard, which replaces the "SIC-12 Consolidation - Special purpose company (Special Purpose Vehicle)" and partially the "IAS 27 - Consolidated and Separate Financial Statements" which was renamed as Separate Financial Statements and will govern the accounting treatment of investments in the separate financial statements. The new standard introduces a new control model applicable to all entities including vehicles. It should be noted that the changes described above have not generated significant effects on Group's Financial Statements.
- On May 12, 2011, the IASB issued the "IFRS 11 - Sharing Agreements" standard, which will replace "IAS 31 - Interests in Joint Ventures" and "SIC-13 - Jointly Controlled Entities - Monetary contributions by venturers". The new standard provides criteria for identifying partnership agreements based on the rights and obligations arising from agreements rather than their legal form, and establishes the net equity method as the sole method of accounting the investments in joint ventures in the consolidated financial statements. Following the enactment of the standard, "IAS 28 - Investments in associated companies", it was amended to include in its scope, from the effective

date of the standard, even investments in jointly controlled companies. These changes have not generated significant effect on the Group's Financial Statements.

- On May 12, 2011, the IASB issued the standard "IFRS 12 - Additional Information on shareholdings in other companies", which is a completely new standard to provide additional information on each type of equity investment. These changes have not generated significant effect on the Group's Financial Statements.
- On December 16, 2011 the IASB issued an amendment to IAS 32 - Financial Instruments: disclosure in the financial statements", to clarify the application of some criteria for offsetting financial assets and financial liabilities present in IAS 32. These changes have not generated significant effect on the Group's Financial Statements.
- On May 20, 2013, the IASB issued IFRIC 21 – Tributes, an interpretation of IAS 37 "Provisions, Liabilities and Contingent Assets", which establishes the recognition of liabilities for the payment of different taxes than income taxes and sets in special which event originates the obligation and the moment of recognition of the liability. These changes have not generated significant effects on the Group's financial statements.
- On May 29, 2013, the IASB issued amendments to the "IAS 36 – Information on the recoverable value of non-financial assets ", which regulates the information note to be provided on the recoverable value of assets that have suffered impairment in value, if such amount is based on the *fair value* net of sale costs. These changes have not generated significant effect on the Group Financial Statements.
- On June 27, 2013 the IASB issued minor amendments to "IAS 39 - Financial Instruments: recognition and measurement "entitled "Novation of Derivatives and Continuation of Hedge Accounting". The changes allow to continue the *hedge accounting* if a financial derivative, designated as a hedging instrument, is novated following the application of laws or regulations in order to replace the original counter-party to ensure the successful conclusion of the obligation assumed and if certain conditions are met. The same change will also be included in IFRS 9 - Financial Instruments. These changes have not generated significant effect on the Group's Financial Statements.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

- On November 2013 the IASB issued minor amendments to "IAS 19 - Benefits to Employees - Fixed-benefit plans: Contributions of employees "that simplify the accounting treatment of the contributions to benefit plans defined by employees or third parties in specific cases. These amendments are applicable retrospectively for financial years beginning on or after 01/07/2014.
- In December 2013 IASB issued a set of amendments to the IFRS. Among the others the most relevant issues relate to:
    - "IFRS 2 – Share-based Payment" which defines the vesting conditions,
    - "IFRS 8 - Operating Segments" with respect to the information on the estimates and judgments used in aggregating the operating segments,
    - "IAS 24 - Information on Related Parties" for the purposes of identification and information of transactions with related parties in case of companies that provide services for the management of strategic managers to the company preparing the budget,

- "IFRS 3 - Business Combinations" for the exclusion of all types of joint control arrangement and to "IFRS 13- *Fair Value* Measurement" for some clarification on application exceptions.

These amendments are applicable for financial years beginning on or after 01/01/2015.

- On May 2014 the IASB issued some amendments to "IFRS 11 - Joint arrangements: Recognition of the acquisition of investments in jointly controlled assets "to clarify the accounting recognition of the acquisition of Investments in jointly controlled assets. These amendments are applicable retrospectively for financial years beginning on or after 01/01/2016.
- In May 2014, the IASB issued an amendment to "IAS 16 - Property, plant and equipment" and to "IAS 38 - Intangible Assets" clarifying that the use of methods based on revenues to calculate the depreciation of an asset or of an intangible asset are not appropriate; they are allowed only in some certain limited circumstances. These amendments are applicable retrospectively for financial years beginning on or after 01/01/2016.
- In May 2014, the IASB issued the standard "IFRS 15 - Revenue from Contracts with Customers", which requires to recognize revenues to represent the transfer of goods or services to customers at an amount that reflects the consideration price that is expected to receive in exchange for those goods or services; this new model of revenue recognition defines a five-step process and requires the use of estimates and judgments; this new standard is also applicable to certain repurchase agreements and requires more information about the nature, the amount, timing and uncertainty about the revenues and cash flows arising from contracts with customers. These amendments are applicable retrospectively for financial years beginning on or after 01/01/2017.
- In July 2014, the IASB issued the standard "IFRS 9 - Financial Instruments"; the number of changes made by the new standard includes the introduction of a logic model for the classification and measurement of financial instruments, a single model for the *impairment* of financial assets based on expected losses and a renewed approach to *hedge accounting*. These amendments are applicable retrospectively for financial years beginning on or after 01/01/2018.
- In September 2014, the IASB issued minors amendments to "IFRS 10 - Consolidated Financial Statements" and to "IAS 28 - Investments in associates and joint ventures (2011)" regarding the recognized inconsistency between the requirements of IFRS 10 and those of IAS 28 (2011), in the sales relations or transfer of assets between an investor and its subsidiary or joint venture. If the object of the transaction is a strategic asset then the gain or loss is recognized in full, while if the object of the transaction is not a strategic asset, then the gain or loss is recognized in part. These changes will be effective from 01/01/2016, on a prospective basis.
- In September 2014 IASB issued a set of amendments to the IFRS. Among the others the most relevant issues relate to:
  - "IFRS 5 – Non-current assets held for sale and discontinued operations" for the sale methods change
  - "IFRS 7 - Financial Instruments: information on service contracts"
  - "IAS 19 - Employee Benefits" on the discount rate

These amendments are applicable for financial years beginning on or after 01/01/2016.

- In December 2014, the IASB issued amendments to "IAS 1 - Presentation of Financial Statements" to improve the presentation and disclosure of financial reports. The amendments clarify that materiality is applied to the entire financial statements, and that the immaterial information must be included if it inhibits the usefulness of the financial information. The amendments also clarify that companies should rely on the judgement of an expert to determine where and in what order the information should be presented in the financial report. The changes are effective starting on or after 01/01/2016.

The Group will adopt these new standards, amendments and interpretations, based on the planned date of application, and will evaluate the potential impacts, when they will be endorsed by the European Union.

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

Incomes from cross-over are determined based on market prices.

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

- PRIMA POWER
- PRIMA ELECTRO

Below are the main figures for each division.

Segment results as at December 31st, 2014	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total sector revenues	312.226	52.841	-	**365.067**
(Inter-sector revenues)	(34)	(14.569)	-	**(14.603)**
Revenues	**312.192**	**38.272**	**-**	**350.464**
EBITDA	**28.922**	**4.858**	**-**	**33.780**
EBIT	**19.788**	**2.511**	**-**	**22.299**
Net financial income/expenses	(6.744)	(514)	-	(7.258)
Net result of investments accounted for using the equity method	-	(250)	-	(250)
Income/costs from equity investments not fully consolidated	71	(20)	-	51
Profit before taxes	**13.115**	**1.727**	**-**	**14.842**
Taxes	-	-	(5.453)	(5.453)
Net result	**-**	**-**	**-**	**9.389**

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, 2014	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	293.987	58.893	52.251	**405.131**
Associates and other equity investments	116	815	-	**931**
Total assets	**294.103**	**59.708**	**52.251**	**406.062**
Liabilities	**120.878**	**17.230**	**147.246**	**285.354**

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	**9.612**	**(770)**	**-**	**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*

INFORMATION BY GEOGRAPHICAL AREA

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

Non-current assets (Euro thousand)	31/12/14	31/12/13
Italy	40.112	37.939
Europe	127.428	128.450
North America	11.438	8.752
Rest of the world	3.770	966
TOTAL	**182.748**	**176.107**

Chapter

8

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

CHAPTER 8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31/12/2014 are equal to 26,912 thousand Euro, an increase of 2,711 thousand Euro compared with 31/12/2013.

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, 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
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**
Movements 2014						
Increases	3.617.818	692.412	1.092.537	1.163.367	224.716	6.790.850
Disinvestments	(1.500.000)	(228.603)	(169.601)	(527.051)	-	(2.425.255)
Utilization of accumulated depreciation	-	228.603	163.207	460.942	-	852.752
Depreciation	(586.080)	(470.486)	(893.706)	(976.391)	-	(2.926.663)
Impairment	(121.270)	(28.348)	-	-	-	(149.618)
Reclassifications with tangible fixed assets	435.846	61.900	326.418	37.872	(862.036)	-
Differences on exchange rates	368.897	46.145	141.426	421	12.281	569.170
Net value as at December 31st, 2014	**18.992.681**	**2.201.670**	**2.331.670**	**2.606.706**	**779.439**	**26.912.167**

The increases for the year amounted to 6,791 thousand Euro, of which 2,529 thousand Euro for the new production *plant* in Suzhou and net disposals amounted to 1,573 thousand Euro. It should be noted that compared to the previous year the Land and Buildings item has been reduced of 121 thousand Euro as a result of an *impairment* on the land located in Collegno (TO), where the new plant of the company will be located. During the year 2014 a *sale and lease back* contract has been signed relative to the construction of the first part of the new plant, which will included the management offices and the new demo and training centre; the contract also involves the *sale and lease back* of a portion of the above mentioned land in Collegno (TO), for a value of 1.5 million Euro; the additional investment will amount to 6.5 million Euro.

Depreciation and *impairment* amounted to 3,076 Euro, while exchange rate differences had a positive effect for 569 thousand Euro.

NOTE 8.2 – INTANGIBLE ASSETS

The intangible assets on 31/12/2014 are equal to 155,552 thousand Euro, an increase of 3,980 thousand Euro compared with 31/12/2013.

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

Intangible assets	Goodwill	Development costs	Other intaglible assets	TOTAL
Net value as at December 31st, 2012	**102.679.896**	**22.049.397**	**26.665.990**	**151.395.283**
Movements 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**
Movements 2014				
Increases/ (decreases)	-	10.728.928	581.175	11.310.103
Reclassifications with tangible fixed assets	-	-	-	-
Depreciation	-	(4.834.467)	(3.520.298)	(8.354.765)
Differences on exchange rates	300.623	657.642	66.818	1.025.083
Net value as at December 31st, 2014	**102.880.429**	**32.164.841**	**20.507.052**	**155.552.322**

The significant item is represented by Goodwill, which on 31/12/2014 is equal to 102,880 thousand Euro. All goodwill accounted for 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, 2014	BOOK VALUE GOODWILL December 31st, 2013
PRIMA POWER	97.613	97.427
OSAI (Service)	4.125	4.125
PRIMA ELECTRO NORTH AMERICA	951	837
MLTA	154	154
OSAI UK	37	37
TOTAL	**102.880**	**102.580**

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).

As of 31/12/2014 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 economic and financial plan of PRIMA POWER segment approved by the Board of Directors of PRIMA INDUSTRIE SpA concerning the time period 01/01/2015 - 31/12/2019 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 7,76% (post-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 in line with the rate used at the previous year closing (at 31/12/2013 the post-tax rate was 7.59%). 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 (*post-tax*) that would make the recoverable value of the CGU equal to its book value would be 15.75%.
A sensitivity test was also performed with forecast results lower than those reflected in the 2015 - 2019 plan. If revenues forecasted for 2015 were reduced by 5% (and likewise EBITDA) and the percentage growth rates were maintained for the following years, hence even (with a *post-tax* WACC of 7.76% 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 7.76%, a 8.50%

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 emphasized that the data for this sensitivity study refers to a theoretical year that has some 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, keeping the 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 31/12/2014 is greater than its book value of around 96 million Euro.

WACC	*7,76%*
Growth rate (g)	*0,50%*
Surplus of recoverable value of CGU over book value	*Euro 96 milioni*

OSAI (*Service*)
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 31/12/2014 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 2015-2019 (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 6.32%, *post-tax* (at 31/12/2013 amounted to 7.31%) 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 31/12/2014 the value of use of the CGU OSAI is greater than its book value of around 7.9 million Euro (3.8 million Euro at 31/12/2013).

WACC	*6,32%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*Euro 7,9 milioni*

PRIMA ELECTRO NORTH AMERICA

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 31/12/2014 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 2015-2019 (approved by the Board of Directors of PRIMA ELECTRO NORTH AMERICA), while the cash flows beyond 2019 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) equal to 0%.

The discount rate *post-tax* is equal to 7.81% (compared to the 8.26%*post-tax* WACC used for the *impairment test* at 31/12/2013), calculated taking account of the countries in which the company operates and its indebtedness structure.

From our audit of the possible value impairment of the goodwill referring to this CGU, it did not appear necessary to make any reduction in the value.

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	*7,81%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*US$ 6,5 milioni*

OTHER INTANGIBLE FIXED ASSETS

As it can be deduced by the year's progression, most increases in 2014 were due to the capitalization of development costs.

Considering the *business* of PRIMA INDUSTRIE SpA (and by all the other companies of the Group) having a high technological content, it is absolutely essential to have constant investment in research and development activities. 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 reference market recovery.

The capitalization of development costs has been carried out by the PRIMA INDUSTRIE group where there are the conditions set out in IAS 38. For all the development activities of capitalized new projects, the technical feasibility has been verified as well as the generation of probable future economic benefits. The capitalized costs on development projects are monitored individually and measured in terms of the economic benefits expected 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 of the *customer list* at 31/12/2014 are of 14,606 thousand Euro and 4,200 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 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item includes shareholdings in EPS SpA for 747 thousand Euro and 12 thousand Euro for the shareholdings in EPS SA. Both are owned by PRIMA ELECTRO SpA for 26.30% and 33.33%, respectively. During the year 2014, PRIMA ELECTRO SpA increased its investment in the company EPS SpA to 21.50% initially, and then to 26.30%; the investment value included an *embedded goodwill* amounting to 583 thousand Euro.

EPS SpA specializes in the design and implementation of *energy storage* systems for *small scale* applications and has recently launched the development and commercial promotion for the *grid stairs* application. The systems developed by EPS SpA represent batteries capable of storing energy in the form of gas returning it when necessary, through a process in fuel cells for the conversion of the gas into energy. Such processes have been integrated in a modular architecture that requires cutting-edge power and control electronics able to allow also the remote control of the equipment and infrastructure; electronics, hardware and software, has been largely developed by PRIMA ELECTRO jointly with EPS SpA. EPS SpA has started in the second half of the year a process to collect the necessary funds for the *business* development and the technology *deployment* on an industrial scale and at this purpose the reference shareholders have formed, in December, a French law vehicle so as at the end of the process EPS SA will hold 100% of the shares of EPS SpA. The process of raising capital on the date of preparation of this report appears to be in an advanced stage since it is scheduled to be completed by the end of April. As part of this process, with a view on the one hand to finance the company's current operations and on the other to ensure continuity, in December EPS SpA has obtained from its major shareholders (including PRIMA ELECTRO SpA) the subscription and the immediate payment of a "bridge" capital increase from 500 thousand Euro and the commitment to pay by the end of April 2015 further 1.5 million Euro, of which 467 thousand Euro pertaining to PRIMA ELECTRO SpA. Downstream of the capital increase, PRIMA ELECTRO brought its investment in EPS to 26.30%. Lastly, it should be noted that the company EPS SA was established in the month of December 2014 and was virtually inactive in the financial year 2014.

NOTE 8.4 - OTHER INVESTMENTS

The value of Other Investments at 31/12/2014 amounts to 171 thousand Euro.

The only changes that occurred in the financial year were related to:

- the Caretek Srl investment impairment for 20 thousand Euro;
- the reclassification of the investment in EPS, held by PRIMA ELECTRO SpA, which amounted to 97 thousand Euro, through the investments accounted for using the equity method.

Consequently this heading on 31/12/2014 is composed of:

- Caretek Srl: 56 thousand Euro (investment equal to 19.3% held by PRIMA ELECTRO SpA);
- Fimecc OY: 50 thousand Euro (investment equal to 2.4% held by FINN-POWER OY);
- Härmämedi OY: 25 thousand Euro (investment equal to 8.3% held by FINN-POWER OY);
- Lamiera Servizi Srl: 11 thousand Euro (investment equal to 19% held by PRIMA INDUSTRIE SpA);
- other minor investments: 30 thousand Euro.

NOTE 8.5 – NON CURRENT FINANCIAL ASSETS

This heading at 31/12/2014 is equal to 35 thousand Euro and consists of a loan issued by PRIMA ELECTRO SpA to the company Caretek Srl.

NOTE 8.6 – DEFERRED TAX ASSETS

The deferred tax assets are equal to 9,957 thousand Euro, in increase compared with the preceding financial year of 2,310 thousand Euro. The following table shows the movements during the year 2014.

Deferred tax assets	31/12/14	31/12/13
Opening balance	**7.647.333**	**6.605.259**
Provisions	2.536.652	2.336.416
Utilizations	(574.220)	(1.144.291)
Exchange rate	347.537	(150.051)
Closing balance	**9.957.302**	**7.647.333**

The composition of the tax deferred assets on 31/12/2014 is shown below.

Deferred tax assets	31/12/14	31/12/13
Provisions for risks and other liabilities	3.129.499	2.570.293
Inventories	2.763.868	2.489.243
Tax losses carried forward	1.381.841	930.232
Employee benefits	908.413	551.836
Non-current tangible/intangible assets/Financial leases	472.794	440.619
Trade receivables	408.471	307.397
Other	892.415	357.713
TOTAL	**9.957.302**	**7.647.333**

The accounting statement of prepaid taxes has been carried out, only where suppositions of recoverability exist. The assessment of recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that the prepaid taxes refer mainly to asset adjustment funds and funds for risks and costs, for which there is no expiration date. The prepaid taxes on the accumulated claimable losses have been recognized 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 prepaid taxes have not been experienced.

NOTE 8.7 - INVENTORIES

The following table shows the composition of the stock in hand at 31/12/2014 and at 31/12/2013.

Inventories	31/12/14	31/12/13
Raw materials	23.409.742	20.110.202
Semi-finished goods	13.204.340	9.104.962
Finished goods	48.096.743	43.066.884
(Inventories provisions)	(7.206.875)	(6.067.584)
TOTAL	**77.503.950**	**66.214.465**

The warehouse stock in hand at 31/12/2014 amounts to 77,504 thousand Euro, net of the warehouse devaluation fund for a total of 7,207 thousand Euro. The net value of the warehouse stock in hand on 31/12/2014 shows and increase equal to 11,289 thousand Euro compared with 31/12/2013.

NOTE 8.8 - TRADE RECEIVABLES

The trade receivables on 31/12/2014 amounted to 85,664 thousand Euro and compared to the previous financial year an increase of 6,831 thousand Euro was experienced.

Trade receivables	31/12/14	31/12/13
Receivables from customers	89.048.778	82.124.226
Provision for doubtful debts	(3.384.871)	(3.291.150)
TOTAL	**85.663.907**	**78.833.076**

The movements of the bad debt reserve during the year 2014 was as following.

Bad Debt Reserve	Euro Thousand
Value at Dec. 31st, 2013	**(3.291)**
Provisions	(607)
Utilizations	549
Exchange rate	(36)
Value at Dec. 31st, 2014	**(3.385)**

The reserve reflects the management best estimate about the expected losses of the Group. 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 equal to its *fair value*.

Below is a breakdown of trade receivables (net of the bad debt reserve) splitted according to expiry.

Receivables by maturity	Amount in thousand Euro
Due to expire	61.966
Expired 0 - 30 days	10.266
Expired 31 - 60 days	4.302
Expired 61 - 90 days	1.928
Expired 91 - 120 days	1.399
Expired over 120 days	9.188
TOTAL	**89.049**

NOTE 8.9 - OTHER RECEIVABLES

The other receivables on 31/12/2014 are equal to 6,943 thousand Euro and increased by 1,034 thousand Euro compared with 31/12/2013.

Other receivables	31/12/14	31/12/13
Contribution to be received for R&D projects	3.278.772	2.417.144
Prepayments and accrued income	1.608.576	1.440.089
Advances payments to suppliers	1.569.390	1.378.502
Advances to employees	289.242	279.726
Other receivables	197.063	393.945
TOTAL	**6.943.043**	**5.909.406**

The contribution of research and development to be received shows an increase of 862 thousand Euro compared to the previous year and relate to contributions on projects financed by the European Union, the Ministry of Economic Development and the "Regione Piemonte" to be disbursed to the companies PRIMA INDUSTRIE SpA, PRIMA ELECTRO SpA and FINN-POWER ITALIA srl.

Accrued income and prepaid expenses primarily include portions of costs (such as insurance, leasing fees, fees for licenses of IT systems and/or software) pertaining to future years whose financial disbursement has already occurred on 31/12/2014.

The other non-current receivables are equal to 20 thousand Euro.

NOTE 8.10 - CURRENT TAX ASSETS

The heading amounts to 5,952 thousand Euro and shows an increase of 1,647 thousand Euro compared to 31/12/2013. Tax assets are represented by VAT receivables of 3,214 thousand Euro (2,395 thousand Euro on 31/12/2013), by a tax receivable amounting to 1.247 thousand Euro (424 thousand Euro on 31/12/2013), by a tax credit of 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 withholding taxes for 325 thousand Euro (398 thousand Euro on 31/12/2013) and by other receivables for tax assets for 118 thousand Euro (40 thousand Euro on 31/12/2013).

NOTE 8.11 - NET FINANCIAL POSITION

On 31/12/2014, the net financial position of the Group was negative for an amount of 92,089 thousand Euro, which is an improvement of 7,872 thousand Euro compared to the previous financial year (99,961 thousand Euro). For a better understanding of the variation in the net financial position achieved during the financial year 2014, refer to the consolidated financial report for the period.

As required by the Consob communication No. DEM/6064293 of 28/07/2006, the net financial debt at 31/12/2014 and 31/12/2013 is shown in the following table, determined with the indicated criteria in the CESR (Committee of European Securities Regulators) Recommendations of 10/02/2005 "Recommendations for the uniform activation of the European Commission Regulation on Information Sheets" and quoted by Consob itself.

Values expressed in thousand Euro

		31/12/14	31/12/13	Variations
A	CASH	35.867	29.194	6.673
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**35.867**	**29.194**	**6.673**
E	**CURRENT FINANCIAL RECEIVABLES**	**442**	**47**	**395**
F	CURRENT BANK PAYABLES	26.577	14.647	11.930
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	25.146	36.113	(10.967)
H	OTHER CURRENT FINANCIAL PAYABLES	4.940	1.070	3.870
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**56.663**	**51.830**	**4.833**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**20.354**	**22.589**	**(2.235)**
K	NON-CURRENT BANK PAYABLES	67.454	73.648	(6.194)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	4.281	3.724	557
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**71.735**	**77.372**	**(5.637)**
O	**NET FINANCIAL POSITION (J+N)**	**92.089**	**99.961**	**(7.872)**

It is important to note that following the issue of a seven-year bond loan of 40 million Euro and the conclusion of a new *club-deal* loan agreement equal to 60 million Euro, the FINPOLAR loan was repaid in full. On both new forms of loan there are some *covenants* on consolidated financial statements at 31/12/2014.

LIQUIDITY

For more detail on the related liquid availability, see the Consolidated Financial Report.

CURRENT FINANCIAL RECEIVABLES

The current financial receivables amount to 442 thousand Euro and refer to a credit due from the company Wuhan Huagong Unity deriving from the sale of PRIMA INDUSTRIE SpA of the last 5% of the investment in SUP. For more details see note 8.12 - Non-current assets for disinvestment.

INDEBTEDNESS WITH BANKS

The main debt included in the indebtedness with banks is the FINPOLAR Loan. This financing, which at 31/12/2014 amounts comprehensively to 88,820 thousand Euro, is broken down as follows:

- Quota A: medium/long-term loan, last installment of 4,428 thousand Euro (*accounted for using the amortized cost method* expiring on 4 February 2015);
- Quota B: medium/long term financing of 63,707 thousand Euro (expiring on 4 February 2016 with a *bullet* repayment on expiry);
- Quota D: credit line for cash of 19,941 thousand Euro (of a maximum capital sum of 20 million Euro);
- on 31/12/2014 there were accrued and unpaid interests on all the quotas of the FINPOLAR loan for totally 744 thousand Euro.

The FINPOLAR Loan is for 64,015 thousand Euro expiring beyond 12 months.

At the date of preparation of these financial statements it should be noted that the installment expiring on 04/02/2015 has been regularly paid thanks to two refinancing transactions (*bond* issued on 06/02/2015 for an overall amount of 40 million Euro and the *club-deal* loan on 23/02/2015 for an overall amount of 60 million Euro).

The *covenants* on all forms of loan contracted by the companies of the PRIMA INDUSTRIE Group measured on the consolidated financial statements at 31/12/2014 were met.

Included in the non-current bank payables there are also other bank loans for 383 thousand Euro and the negative *fair value* of some derivative financial instruments (IRS - Interest Rate Swap) which amount comprehensively to 3,056 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 hedging derivative contracts highlighted, on 31/12/2014, 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 effectiveness test carried out on the derivative contracts on which the *hedge accounting* was not applied. For these contracts, the *fair value* variations were assigned to the income statement.

Included into the current indebtedness with banks (also considering the current part of the non-current debt) are the FINPOLAR Loan for 24,805 thousand Euro (also this part refinanced and rescheduled with the operations that took place in February 2015), *bank overdrafts* for 19,239 thousand Euro and other bank loans for 7,550 thousand Euro and financial instruments to hedge the exchange rate risk (*Currency Rate Swap*) for 129 thousand Euro.

<u>OTHER FINANCIAL PAYABLES</u>

The Other financial payables amount comprehensively to 9,221 thousand Euro (of which 4,940 thousand are current).

The other financial payables include:

- payables for financial leasing for a sum equal to 2,752 thousand Euro (of which 581 thousand Euro are current);
- other financial payables for 6,469 thousand Euro (of which 4,359 thousand Euro are current); these payables refer principally to ministerial loans and some contributions of funded research activities collected by PRIMA INDUSTRIE SpA, as the project leader, that will redistribute it in a short time between all partners in the project.

FINANCIAL INDICATORS ("*COVENANTS*") AND OTHER CONTRACT CLAUSES

Finpolar

The FINPOLAR Loan agreement includes certain 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 31/12/2014 and the following measurement periods (deriving from the FINPOLAR loan paid in full).

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

The FINPOLAR loan also contains certain 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 the latter does 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 D: Pro-tempore Euribor (as drawn) + a 195 basis point spread.

The covenants related to the FINPOLAR loan at 31/12/2014 are met.

As mentioned earlier in this document, the FINPOLAR loan was fully repaid in advance during the period from 06/02/2015 to 02/03/2015; new forms of loans agreed by PRIMA INDUSTRIE SpA in February 2015, consist of a bond loan and a *club deal* loan.

Even these new loans there include *covenants*. Some of the relevant features listed below.

<u>*Bond loan*</u>
PRIMA INDUSTRIE SpA on 06/02/2015, pursuant to the resolution of the Board of Directors on 13/01/2015, proceeded to issue a non-convertible bond loan for a nominal amount of 40 million Euro expiring in 7 years.
The bonds, placed exclusively with qualified investors, have a minimum denomination of 200,000 Euro and six month fixed coupon payment of 5.875% per year. The bond loan, governed by the English law, will expire on February 6, 2022.
The contract regulates the bond loan issue provides the compliance with certain financial *covenants*, which if not met do not lead to a decisive event (and therefore the mandatory early repayment) but implies only the increase in the interest rate by one percentage point.

EBITDA/Consolidated Net Financial costs ratio not less than:	*3,5x for the duration of the loan, to be calculated at 30/06 and at 31/12 of each year*
Net Financial Borrowings/Consolidated EBITDA ratio not more than:	*4,0x for the duration of the loan, to be calculated at 30/06 and at 31/12 of each year*
Net Financial Borrowings/Consolidated Shareholders's Equity rario not more than:	*1,5x for the duration of the loan, to be calculated at 30/06 and at 31/12 of each year*

The bond issue is the beginning of PRIMA INDUSTRIE SpA on the Eurobond market. PRIMA INDUSTRIE SpA has applied for the bond loan admission for trading on the multilateral trading facility "Euro MTF Market" operated by the Luxembourg Stock Exchange.

Medium-long term *club deal* bank loan

On 23/02/2015 PRIMA INDUSTRIE SpA signed with a pool of Italian banks (Unicredit, IntesaSanpaolo and BNL) a medium-long term *club deal* loan agreement for a total amount of 60 million Euro.

The main features of the loan agreement are as follows:

- the amount, totalling 60 million Euro, is divided into a quota of 40 million Euro in the form of loan repayment expiring on 30/06/2021 and a quota of 20 million Euro in the form of *revolving* credit lines expiring on 31/12/2019;
- the interest rate for both quotas is set in Euribor plus an additional margin of 3%;
- fees charged for failure to use the *revolving* credit line amount to 1% of the amount not used;
- penalties in the event of advanced repayment or voluntary cancellation amount to 0.5% of the refunded/cancelled amount for the first two years following the subscription of the loan and 0.4% of the refunded/cancelled amount in case this occurs on the third or fourth year from the subscription date;
- the reimbursement installments for the depreciation part expire every six months starting from 31/12/2015;
- the maximum amount of debt allowed (including the bond loan and this loan) amount to 210 million Euro at Group level;
- the following financial *covenants* must be met:

EBITDA/Consolidated Net Financial costs ratio not less than:	*3,25 at December 31, 2014 and June 30, 2015* *3,50 at December 31, 2015 and June 30, 2016* *4,00 at December 31, 2016 and June 30, 2017* *4,25 for each measurement subsequent date*
Net Financial Borrowings/Consolidated EBITDA ratio not more than:	*3,75 at December 31, 2014 and June 30, 2015* *3,50 at December 31, 2015 and June 30, 2016* *3,25 at December 31, 2016 and June 30, 2017* *3,00 for each measurement subsequent date*

Failure to comply with these *covenants* constitutes a decisive event and implies the mandatory prepayment if it is not remedied within 20 working days from the non-compliance notification.

MOVEMENT OF PAYABLES DUE TO BANKS AND LOANS

The payables due to banks and loans of the PRIMA INDUSTRIE Group on 31/12/2014 (not including the derivatives *fair value*) are equal to 125,213 thousand Euro and during the year 2014, changed as shown in the following table.

BANK PAYABLES AND LOANS	Euro thousand
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 OF DECEMBER 31st, 2013	**124.272**
Stipulation of loans and borrowings *(including bank overdrafts)*	17.046
Repayment of loans and borrowings *(including bank overdrafts)*	(16.290)
Stipulation/(repayments) of financial leasing	(192)
Exchange rate effect	377
TOTAL BANK PAYABLES AND LOANS AS OF DECEMBER 31st, 2014	**125.213**
of which:	
Bank Payables and loans - current portion (December 31st, 2014)	56.534
Bank Payables and loans - non-current portion (December 31st, 2014)	68.679
TOTAL BANK PAYABLES AND LOANS AS OF DECEMBER 31st, 2014	**125.213**

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	31/12/2014
Current bank payales			
Bank overdrafts	N/A	Sight	19.239
MPS	Libor 3m + 1,50%	Sight	1.441
Banco do Brasil	Euribor 6m + 2,50%	21/01/15	5.598
Derivative - CRS Nordea	N/A	N/A	71
Derivative - CRS Danske Bank	N/A	N/A	58
Interest owed	N/A	N/A	170
TOTAL			26.577
Current portion of non-current indebtedness			
FINPOLAR - Tranche A (Bank Pool)	Euribor 6m + 2,05%	04/02/15	4.428
FINPOLAR - Tranche B (Bank Pool)	Euribor 6m + 2,30%	04/02/16	(313)
FINPOLAR - Tranche D (Bank Pool)	Euribor pro-tempore + 1,95%	31/01/16	19.946
FINPOLAR - Interest owed	N/A	N/A	744
Unicredit	Euribor 6m + 1,00%	30/06/16	197
MPS	Euribor 3m + 1,50%	01/01/21	44
Banca Itau	2,700%	22/03/15	34
Banco do Brasil	1,841%	28/09/16	53
Interest owed	N/A	N/A	13
TOTAL			25.146
Other current financial payables			
MISE	0,448%	26/11/23	154
ICCREA	3,500%	30/06/17	544
MCC	0,730%	30/04/15	58
Contribution of R&D projects (Prima Industrie project leader)	N/A	N/A	3.603
Financial leasing	N/A	N/A	581
TOTAL			4.940

Non-current financial payables

Values expressed in Euro thousand	Effective interest rate	Expiry	31/12/2014
Non-current bank payables			
FINPOLAR - Tranche B (Bank Pool)	Euribor 6m + 2,30%	04/02/16	64.020
FINPOLAR - Tranche D (Bank Pool)	Euribor pro-tempore + 1,95%	31/01/16	(5)
Derivative - IRS Unicredit	N/A	04/02/16	1.182
Derivative - IRS Sanpaolo-IMI	N/A	04/02/16	1.182
Derivative - IRS Unicredit	N/A	07/05/17	692
Unicredit	Euribor 6m + 1,00%	30/06/16	111
MPS	Euribor 3m + 1,50%	01/01/21	237
Banco do Brasil	1,841%	28/09/16	35
TOTAL			67.454

Other non-current financial payables	Effective interest rate	Expiry	31/12/2014
MISE	0,448%	26/11/23	1.255
ICCREA	3,500%	30/06/17	856
Financial leasing	N/A	N/A	2.170
TOTAL			4.281

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

Values expressed in Euro thousand	2015	2016	2017	2018 onwards	Total
CURRENT BANK PAYABLES (*)	26.448	-	-	-	26.448
CURRENT PORTIONS OF NON-CURRENT PAYABLES	25.146	-	-	-	25.146
OTHER CURRENT FINANCIAL PAYABLES(*)	4.940	-	-	-	4.940
NON-CURRENT BANK PAYABLES	-	64.204	47	147	64.398
OTHER NON-CURRENT FINANCIAL PAYABLES	-	1.182	752	2.347	4.281
TOTAL	56.534	65.386	799	2.494	125.213

(*) excluding the fair value of derivatives

It should be noted that of the total amount of 56,534 thousand Euro payable in 2015:

- 19,239 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 31/01/2016.

DERIVATIVE FINANCIAL INSTRUMENTS

At 31/12/2014 the Group holds several derivative financial instruments for an overall negative value of 3,184 thousand Euro.

Notional values are indicated in the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/14
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	€ 17.924.107	-€ 1.181.979
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	€ 17.924.107	-€ 1.181.979
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	€ 10.000.000	-€ 691.639
CRS - Non hedge accounting	Finn-Power OY	Danske Bank	02/02/15	$2.378.680	-€ 57.915
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	02/02/15	$2.359.661	-€ 59.098
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	17/02/15	$308.660	-€ 3.706
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	02/03/15	$565.265	-€ 6.766
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	04/05/15	$1.569.092	-€ 1.375
				TOTAL	-€ 3.184.457

NOTE 8.12 – ASSETS HELD FOR SALE

On 31/12/2014, the value of assets held for sale is equal to 284 thousand Euro.

Non-current assets held for sale	SUP Investments (*)	Real Property Rivalta sul Mincio	TOTAL
Value as at December 31st, 2013	**1.149.839**	**334.000**	**1.483.839**
Disinvestments	(1.149.839)	-	(1.149.839)
Impairment	-	(50.000)	(50.000)
Value as at December 31st, 2014	**-**	**284.000**	**284.000**

** Shanghai Unity Prima (SUP)*

During the year 2014, the PRIMA INDUSTRIE SpA sold the last 5% stake in the Chinese company SUP. The buyer of this stake is Wuhan Huagong Unity, the majority shareholder of SUP, as well as indirectly (through Jinghai Group Ltd) also former member of PRIMA POWER SUZHOU. In order to pay this 5% Wuhan Huagong Unity has sold all the shares already paid in the PRIMA POWER SUZHOU, and agreed to pay a cash settlement. Following this, PRIMA INDUSTRIE SpA holds 70% of PRIMA POWER SUZHOU and Jinghai Group Ltd is no longer included in the company's structure. At 31/12/2014 PRIMA INDUSTRIE SpA must still collect 442 thousand Euro from this operation (credit classified as current financial).

In this heading, after the above mentioned sale, are classified only some properties under construction held by the Company FINN-POWER ITALIA Srl located in Mantova, Italy, that during the year 2014 have been depreciated for 50 thousand Euro to adapt them to their *fair value*.

NOTE 8.13 – NET 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).

LEGAL RESERVE

This item amounts to 4,455 thousand Euro and has increased as a result of the allocation of the mandatory share of the profit accrued in 2013.

OTHER RESERVES

This item has a value of 71,968 thousand Euro and, compared to 31/12/2013, it increased by 3,824 thousand Euro.

The item consists of:

Share Premium Reserve

This Share Premium Reserve amounts to 57,507 thousand Euro and, compared to the previous financial year, it remained unchanged.

Costs for Share Capital Increase

This reserve is negative for 1,286 thousand Euro and is unchanged compared to the previous financial year.

Reserve for adjustment to derivative fair value

This reserve consists of profits and losses net of taxes, entered directly in the shareholders' equity deriving from the adjustment to *fair value* of hedges subscribed by the Group. At 31/12/2014 this reserve had a negative value of 1,227 thousand Euro.

Other Reserves

This item has a value of 16,975 thousand Euro and, compared to 31/12/2013, it increased by 3,150 thousand Euro for effect of the allocation of the previous profit, of the *Stock Option* reserve reclassification and for the PRIMA POWER SUZHOU share capital increase.

CURRENCY TRANSLATION RESERVE

The currency translation reserve has a negative value of 1,640 thousand Euro and has increased over the previous financial year by 2,138 thousand Euro.

PROFITS CARRIED OVER

This amount, which is positive for 5.523 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 the effect of actuarial profits/losses net of taxes on severance indemnities for employees. In addition, the relevant amounts 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 the profit for the year, totalling 9,763 thousand Euro (5,429 thousand Euro on 31/12/2013) attributable to the majority shareholders of the Parent Company.

MINORITY SHAREHOLDERS EQUITY

This item is positive for 1,150 thousand Euro (on 31/12/2013 it was 1,085 thousand Euro) and it refers to the increase of share capital in PRIMA POWER SUZHOU, to the change in the consolidation area and to the total result of the period.

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 2014 and the Group's shareholders' equity at 31/12/2014 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, 2014	Income as at December 31st, 2014	Shareholders' Equity as at December 31st, 2013	Income as at December 31st, 2013
PRIMA INDUSTRIE S.p.A. Separate Financial Statements	102.227	785	99.686	2.684
Accounting for shareholders' equity and income from subsidiaries	172.732	11.285	155.107	6.130
Accounting Goodwill including share allocated on Trade Mark and Customer List	26.960	(3.052)	30.319	(3.023)
Elimination of values of consolidated shareholdings in PRIMA INDUSTRIE S.p.A. Financial Statements	(178.960)	402	(176.553)	2.800
Valuation of investments held for sale	-	(968)	968	(1.990)
Elimination of infragroup income included in stock and fixed assets	(5.965)	(210)	(5.407)	(465)
Elimination of depreciation/revaluation of consolidated shareholdings	7.330	1.120	6.571	362
Elimination of dividends paid between subsidiaries	-	(630)	-	-
Tax effect on consolidation adjustments	(3.374)	644	(4.371)	(93)
Other consolidate entries	(242)	12	(259)	(1.047)
PRIMA INDUSTRIE Group Financial Statements	120.708	9.388	106.061	5.358

PROFITS(LOSSES) ENTERED IN SHAREHOLDERS' EQUITY

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

- Change in the fair value of hedging derivatives negative for 1,227 thousand Euro;
- Currency translation reserve: positive for 1,640 thousand Euro;
- Effect on net equity of IAS 19 amendment negative for 654 thousand Euro.

NOTE 8.14 – EMPLOYEES BENEFITS LIABILITIES

The heading Benefits to employees 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 31/12/2006, 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 27/12/2006 ("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.

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

The table below compares the items in question.

Employee benefits	31/12/14	31/12/13
Severance indemnity fund	6.531.753	6.016.463
Fidelity premium and other pension funds	2.150.619	1.715.077
TOTAL	**8.682.372**	**7.731.540**

The table below shows a Severance Indemnity operation.

Severance indemnity fund (values expressed in Euro thousand)	2014	2013
Severance fund at the beginning of the year	**6.016**	**6.036**
Severance indemnity paid out during the period	(273)	(271)
Actuarial gains/losses	694	55
Financial expenses	182	196
Other movements	(87)	-
Severance fund at the end of the year	**6.532**	**6.016**

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

Actuarial hypotheses	31/12/14	31/12/13
Annual discount rate	1,5 % - 3,50%	3,15 % - 3,50%
Annual inflation rate	1,75% - 2,0%	2,0%
Annual Severance fund increase rate	2,81% - 3,0%	2,0% - 3,0%

The following demographic hypotheses have been used for Severance Indemnity only:

- 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 7.5% depending on the company;
- for the probability of advances an annual rate of 3.00% was supposed.

NOTE 8.15 – DEFERRED TAX LIABILITIES

The tax liabilities for prepaid taxes are equal to 10,822 thousand Euro, an increase compared with the preceding financial year of 472 thousand Euro; the following table shows their movements during the year 2014.

Deferred tax liabilities	31/12/14	31/12/13
Opening balance	**10.350.390**	**9.296.512**
Provisions	1.440.382	1.207.821
Utilizations	(1.293.017)	(52.632)
Exchange rate	324.316	(101.311)
Closing balance	**10.822.071**	**10.350.390**

The composition of the deferred tax liabilities on 31/12/2014 is shown below.

Deferred tax liabilities	31/12/14	31/12/13
Non-current tangible/intangible assets/Financial leases	10.515.562	10.032.243
Trade receivables/payables	270.239	254.314
Inventories	-	24.515
Employee benefits	36.271	39.318
TOTAL	**10.822.071**	**10.350.390**

It should be noted that the deferred tax liabilities on the trademark, on the relation with clients and the Cologna Veneta real estate deriving from the company merger of the FINN-POWER Group amount to 6,067 thousand Euro.

NOTE 8.16 – PROVISIONS

The provisions are equal to 14,971 thousand Euro and are increased compared with 31/12/2013 by 2,405 thousand Euro.

Non-current provisions	Cust. Agent. Ind. Provision	TOTAL
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**
Allocations	-	-
Utilizations in the period	7.414	7.414
December 31st, 2014	**144.551**	**144.551**

Current provisions	Warranty provisions	Completion project and others provisions	TOTAL
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 debts	-	399.874	399.874
Exchange rate differences	(154.026)	(33.298)	(187.323)
December 31st, 2013	**7.510.410**	**4.918.793**	**12.429.203**
Allocations	3.856.304	4.635.693	8.491.996
Utilizations in the period	(2.414.622)	(3.915.115)	(6.329.737)
Exchange rate differences	151.235	83.783	235.017
December 31st, 2014	**9.103.326**	**5.723.153**	**14.826.479**

The non-current risks funds refer exclusively to the agent client indemnity fund and amount comprehensively to 145 thousand Euro.

The current risks funds mainly relate to product warranties (equal to 9,103 thousand Euro) and the best estimate of costs still to be incurred for the completion of certain activities ancillary to the sale of machinery already sold (equal to 4,974 thousand Euro). The Guarantee Fund relates to the provisions for technical guarantee interventions on the group's products and is considered appropriate in comparison to the guarantee costs which have to be provided for.

The other funds amounting to 749 thousand Euro refer to legal, fiscal procedures and other disputes; these funds represent the best estimate by management of the liabilities which must be accounted for with reference to legal, fiscal proceedings occasioned during normal operational activity with regard to resellers, clients, suppliers or public authorities. This heading also includes legal proceedings relating to disputes with former employees.

NOTE 8.17 - TRADE PAYABLES, ADVANCE PAYMENTS AND OTHER PAYABLES

The value of these payables increased compared to 31/12/2013 by 15,243 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 booked as revenue. The Other payables heading includes 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	31/12/14	31/12/13
Trade payables	77.593.622	68.117.926
Advances	16.933.871	13.580.141
Other payables	19.926.668	17.513.397
TOTAL	**114.454.161**	**99.211.464**

NOTE 8.18 – CURRENT TAX PAYABLES

The Current Tax Payables on 31/12/2014 are equal to 8,027 thousand Euro, in increase of 3,320 thousand Euro compared with the previous fiscal year (4,707 thousand Euro on 31/12/2013).

Liabilities are divided as follows:

- payables for income taxes amounting to 4,526 thousand Euro;
- payables for VAT amounting to 2,159 thousand Euro;
- payables for withholding tax amounting to 1,288 thousand Euro and
- other minor payables for 54 thousand Euro.

NOTE 8.19 - NET INCOME FROM SALES AND SERVICES

The income from sales and services have been increased and commented on chapter 3 of this document "Financial Report" in the paragraph "Revenues and Profitability".

NOTE 8.20 – OTHER OPERATING INCOME

The Other Operating Income amounts to 6,491 thousand Euro (5,564 thousand Euro at 31/12/2013); they refer mainly to income for the sale of licenses resulting from industrial cooperation agreements and contributions for research and development activity received by public bodies; it should be noted that income from the sale of licenses resulting from industrial cooperation agreements are non-recurring and amount to 2,940 thousand Euro (non-recurring income at 31/12/2013 amounted to 3,279 thousand Euro).

NOTE 8.21 – INCREASES IN FIXED ASSETS FOR INTERNAL WORK

The increases in fixed assets for internal work on 31/12/2014 amount to 11,502 thousand Euro and refer mainly to the capitalization of new project development costs (10,945 thousand Euro), of which the technical feasibility and the generation of probable future economic benefits have been verified. The capitalized 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.

NOTE 8.22 – PERSONNEL COSTS

The personnel costs at 31/12/2014 is equal to 93,831 thousand Euro and shows an increase compared with the previous financial year of 4,347 thousand Euro.

NOTE 8.23 – DEPRECIATION -*IMPAIRMENT*

The depreciations at 31/12/2014 are equal to 11,281 thousand Euro (of which 8,355 thousand Euro are related to intangible assets).

Depreciation	31/12/14	31/12/13
Depreciation of tangible fixed assets	2.926.663	2.706.713
Depreciation of intangible fixed assets	8.354.766	8.938.302
TOTAL	**11.281.428**	**11.645.015**

It is opportune to highlight that the amortisation relating to the trademark and relationships with clients ("*customers list*") amount to a comprehensive 3,052 thousand Euro, while those relating to development costs are equal to 4,834 thousand Euro.

During the financial year 2014 the Group recorded an impairment loss of 200 thousand Euro on some real estate assets classified as "Assets held for sale" and certain property classified as intangible assets.

NOTE 8.24 – OTHER OPERATING EXPENSES

The Other operating expenses for the financial year 2014 amounted to 83,240 thousand Euro compared with 76,678 thousand Euro at 31/12/2013.
This item contains several different types of operating costs, including the following main types:

- external production services for 16,611 thousand Euro;
- travel expenses for 13,109 thousand Euro;
- transport and delivery expenses for 9,247 thousand Euro;
- rentals and other rental costs for 6,932 thousand Euro;
- commissions for 5,214 Euro;
- consulting (executive, administrative, fiscal, commercial and technical) for 4,080 thousand Euro;
- fairs and advertising expenses amounting to 3,696 thousand Euro;

NOTE 8.25 – FINANCIAL INCOME AND EXPENSES

The financial management over 2014 shows a negative result of 7,258 thousand Euro.

Financial Management	31/12/14	31/12/13
Financial income	112.442	328.222
Financial expenses	(7.223.349)	(8.081.985)
Net financial expenses	**(7.110.907)**	**(7.753.763)**
Net exchange of transactions in foreign currency	(147.049)	(1.074.203)
TOTAL	**(7.257.956)**	**(8.827.966)**

The financial expenses relating to the FINPOLAR Loan sustained by PRIMA INDUSTRIE are equal to 2,855 thousand Euro, while the financial costs on the derivatives stipulated by the group are equal to 1,918 thousand Euro.

NOTE 8.26 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

This item negative for 250 thousand Euro includes the amount of the loss recorded by the subsidiary EPS SpA after the transition from non-qualified investment to subsidiary. Lastly, it should be noted that the company EPS SA was established in the month of December 2014 and was virtually inactive in the financial year 2014.

NOTE 8.27 – NET RESULT ON OTHER INVESTMENTS

This heading on 31/12/2014 is positive for 51 thousand Euro (on 31/12/2013 it was negative for 1,011 thousand Euro) and mainly refers to the impairment of the investment in Caretek Srl owned by PRIMA ELECTRO SpA for 20 thousand Euro and to the gain generated by the sale of the last 5% of the stake owned by the company to the Chinese company SUP for 71 thousand Euro.

It must be noted that the net result of the last financial year included a depreciation (equal to 480 thousand Euro) relating to the investment in EPS held by PRIMA ELECTRO SpA that during the year 2014 has become an associated company and therefore was classified as an investment accounted for using the equity method.

NOTE 8.28 - CURRENT AND DEFERRED TAXES

The income taxes for the year 2014 show a net negative balance of 5,453 thousand Euro, of which IRAP (Regional income tax) for 1,512 thousand Euro and also they include taxes due following the assessment with the tax audit closing adhesion in FINN-POWER ITALIA Srl (for further details, see the section "Significant events of 2014"). At last, it should also be noted that the tax expenses of 2013 included a positive effect due to the recording of 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).

Values expressed in Euro thousand

Income tax	2014	2013
Current income tax (excluding regional trade tax IRAP)	(4.193)	(3.181)
IRAP (Regional Trade tax)	(1.512)	(1.408)
Taxes relating to previous year (*)	(677)	1.058
Deferred tax	988	64
Other taxes	(59)	(17)
TOTAL	**(5.453)**	**(3.484)**

(*) 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	2014	2013
Current tax on theoretical income (excluding regional trade tax IRAP)	(4.066)	(3.362)
Permanent changes	715	2.821
Temporary changes	(580)	(200)
Utilization/Surplus losses	(262)	(2.440)
CURRENT INCOME TAX	**(4.193)**	**(3.181)**

NOTE 8.29 – EARNINGS PER SHARE

The earnings per share on 31/12/2014, equal to 0.93 Euro (positive for 0.62 Euro on 31/12/2013) is calculated by dividing the profits attributable to the shareholders of the

Parent Company by the average number of ordinary shares in circulation during the financial year 2014 which are 10,483,274 (in the financial year 2013 they were 8,690,373). The diluted earning per share is equal to the basic earning because at 31/12/2014 there are no dilutive operations. The diluted earning per share on 31/12/2013 was positive for 0.59 Euro; this dilutive effect was determined by the potential ordinary shares with dilutive effect related to the *stock option* plan (expired on 30/06/2014) and to the *warrants* in circulation at that time.

NOTE 8.30 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The situation of the guarantees granted and commitments made by the Group at 31/12/2014 is shown below.

Values expressed in Euro thousand	31/12/14	31/12/13
Guarantees granted	17.234	29.499
Commitments to leasing companies	1.524	968
Other commitments and significant contracts rights	12.725	13.552
TOTAL	**31.483**	**44.019**

At 31/12/2014 the guarantees granted by PRIMA INDUSTRIE Group amounted to 17,234 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 8.31 - INFORMATION ON RELATED PARTIES

In addition to the relationships with the strategic management and the Board of Statutory Auditors, operations with related parties were connected to transactions with EPS SpA mainly for research and development of special electronic components.

OPERATIONS WITH RELATED PARTIES	Strategic Management	Board of Statutory Auditors	EPS	TOTAL
RECEIVABLES AS AT 01/01/2014	-	-	-	**-**
RECEIVABLES AS AT 31/12/2014	-	-	5.287	**5.287**
PAYABLES AS AT 01/01/2014	476.539	95.000	-	**571.539**
PAYABLES AS AT 31/12/2014	486.410	105.000	5.527	**596.937**
REVENUES 01/01/2014 - 31/12/2014	-	-	237.836	**237.836**
COSTS 01/01/2014 - 31/12/2014	1.301.294	105.000	5.527	**1.411.821**
VARIATIONS IN RECEIVABLES				
01/01/2014 - 31/12/2014	-	-	5.287	**5.287**
VARIATIONS IN PAYABLES				
01/01/2014 - 31/12/2014	*9.871*	*10.000*	*5.527*	***25.398***

NOTE 8.32 – 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.

<u>Interest rate risk</u>
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.

<u>Exchange rate risk</u>
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, because 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 and because the Group also works with other currencies for which hedging transactions are not available (or appropriate).

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 - 31/12/2014							
Values expressed in Euro thousand	Significant values as per IAS 39						
Assets	Category IAS 39	Financial value 31/12/14	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31/12/14
Cash and cash equivalents	NA	35.867	-	-	-	-	35.867
Assets held to maturity	Held to Maturity	-	-	-	-	-	-
Assets at fair value in profit or loss	Held for Trading	442	-	-	-	-	442
Assets valued under IAS 17	NA	3.807	-	-	-	3.807	3.807
TOTAL		40.116	-	-	-	3.807	40.116
Liabilities	Category IAS 39	Financial value 31/12/14	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31/12/14
Liabilities at amortized cost	Amortised Cost	122.462	122.462	-	-	-	122.870
Liabilities at fair value in profit or loss	Held for Trading	821	-	-	(193)	-	821
Hedge Derivatives	NA	2.364	-	1.968	(1.725)	-	2.364
Liabilities valued under IAS 17	NA	2.751	-	-	-	2.751	2.751
TOTAL		128.398	122.462	1.968	(1.918)	2.751	128.806

Profit and losses by category - IAS 39 - 31/12/2014 Values expressed in Euro thousand			
Assets	**Category IAS 39**	**Net profit and loss**	**Interests**
Cash and cash equivalents	NA	72	72
Assets held to maturity	Held to Maturity	-	-
Assets valued under IAS 17	NA	-	-
TOTAL		**72**	**72**
Liabilities	**Category IAS 39**	**Financial value 31/12/14**	**Amortized cost**
Liabilities at amortized cost	Amortised Cost	(3.403)	(2.999)
Liabilities at fair value in profit or loss	Held for Trading	(193)	(193)
Hedge Derivatives	NA	(1.725)	(1.845)
Liabilities valued under IAS 17	NA	(188)	(188)
Other Financial payables - factoring	NA	(160)	(160)
TOTAL		**(5.669)**	**(5.385)**

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 13 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 31/12/2014:

Values expressed in Euro thousand	Level 1	Level 2	Level 3
Assets valuated at fair value	-	-	-
Other Assets	-	-	-
TOTAL ASSETS	**-**	**-**	**-**
Liabilities valuated at fair value	-	3.185	-
Other Liabilities	-	-	-
TOTAL LIABILITIES	**-**	***3.185***	**-**

Moreover, the sole purpose of disclosure, is shown below the fair value of all the items included in the net financial position.

Values expressed in Euro thousand	Book Value	*Fair Value*
Cash	35.867	35.867
Other cash and cash equivalents	-	-
Cash on hand	**35.867**	**35.867**
Current financial receivables	**442**	**442**
Current bank payables	26.577	26.577
Current part of non-current indebtedness	25.146	25.519
Other current financial payables	4.940	4.940
Current financial indebtedness	**56.663**	**57.036**
Net current financial indebtedness	**20.354**	**20.727**
Non-current bank payables	67.454	67.489
Other non-current financial payables	4.281	4.281
Non-current financial indebtedness	**71.735**	**71.770**
Net financial position	**92.089**	**92.497**

NOTE 8.33 – NOT RECURRING ITEMS

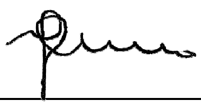
The table here below summarized the not recurring items that have had a positive impact on the Profit & Loss of 1,947 thousand euro.

Significant non-recurrent events and transactions (Values expressed in Euro thousand)	Other operating revenues	Personnel cost	Other operating costs	Impairment	Financial management	Net result of investments	Total
Sale of know-how and licenses	2.940	-	-	-	-	-	2.940
Reimbursement insurance contributions for employees	227	-	-	-	-	-	227
Actions of reorganization/Restructuring	-	(380)	-	-	-	-	(380)
Legal/fiscal disputes and penalties from customers	-	-	(750)	-	-	-	(750)
Other minor events	-	-	(40)	-	-	-	(40)
EBITDA	**3.167**	**(380)**	**(790)**	**-**	**-**	**-**	**1.997**
Impairment of non-current assets held for sale	-	-	-	(50)	-	-	(50)
EBIT	**3.167**	**(380)**	**(790)**	**(50)**	**-**	**-**	**1.947**
Financial expenses deriving from tax disputes	-	-	-	-	(51)	-	(51)
Economical effect on investments operations	-	-	-	-	-	51	51
NET RESULT BEFORE TAXES	**3.167**	**(380)**	**(790)**	**(50)**	**(51)**	**51**	**1.947**

NOTE 8.34 – TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL BUSINESS

Pursuant to Consob Bulletin of July 28, 2006, we wish to specify that in 2014, 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 Executive Chairman



CONSOLIDATED FINANCIAL STATEMENT AS OF 31.12.2014 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 (Executive Chairman) 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 2014.

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: 04.03.2015

Signature of the Executive Chairman

Signature of the Manager responsible for the drafting Corporate accounting documents

Chapter

9

FINANCIAL STATEMENTS OF PRIMA INDUSTRIE

DECEMBER 31, 2014

ACCOUNTING TABLES

CHAPTER 9. FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014

BALANCE SHEET

Values in Euro	Notes	31/12/14	31/12/13
Property, plant and Equipment	*11.1*	6.612.386	6.552.744
Intangible assets	*11.2*	7.237.967	5.296.199
Investment properties	*11.3*	134.686.788	131.930.600
Other investments	*11.4*	11.931	11.931
Financial assets-loan to the subsidiaries	*11.5*	42.580.356	46.559.461
Other financial assets	*11.6*	17.762.945	17.371.845
Deferred tax assets	*11.7*	3.172.022	2.390.165
NON CURRENT ASSETS		**212.064.395**	**210.112.945**
Inventories	*11.8*	18.767.027	15.589.239
Trade receivables	*11.9*	39.882.495	38.602.367
Other receivables	*11.10*	2.105.856	2.057.607
Current tax receivables	*11.11*	2.730.650	1.699.417
Derivatives	*11.14*	-	11.013
Other current financial assets	*11.5*	1.319.202	582.338
Cash and cash equivalents	*11.12*	6.820.329	3.402.024
CURRENT ASSETS		**71.625.559**	**61.944.005**
ASSETS HELD FOR SALE	***11.21***	**-**	***181.836***
TOTAL ASSETS		**283.689.954**	**272.238.786**
Capital stock	*11.13*	26.208.185	26.208.185
Legal reserve	*11.13*	4.455.497	4.321.310
Other capital reserves	*11.13*	72.662.718	68.144.869
Retained earnings	*11.13*	(1.883.860)	(1.672.067)
Net result	*11.13*	784.956	2.683.742
STOCKHOLDERS' EQUITY		**102.227.496**	**99.686.039**
Interest-bearing loans and borrowings	*11.15*	65.375.760	69.709.793
Employee benefit liabilities	*11.16*	4.100.916	3.714.577
Deferred tax liabilities	*11.17*	847.917	788.721
Provisions	*11.18*	7.404.404	6.278.927
Derivatives	*11.14*	2.363.958	3.986.082
NON CURRENT LIABILITIES		**80.092.955**	**84.478.100**
Trade payables	*11.19*	38.795.392	31.734.177
Advance payments	*11.19*	2.974.091	1.940.628
Other payables	*11.19*	7.054.614	4.823.418
Interest-bearing loans and borrowings	*11.15*	44.679.618	42.017.099
Current tax payables	*11.20*	2.949.688	2.638.025
Provisions	*11.18*	4.916.100	4.921.300
CURRENT LIABILITIES		**101.369.503**	**88.074.647**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**283.689.954**	**272.238.786**

INCOME STATEMENT

Values in Euro	Notes	31/12/14	31/12/13
Net revenues	*11.22*	98.016.681	97.502.822
Other income	*11.23*	6.271.515	4.784.119
Change in inventories of finished goods and WIP	-	818.389	352.121
Increases in fixed assets for internal work	*11.24*	3.244.630	2.431.503
Use of raw materials, consumables, supplies and goods	-	(51.788.636)	(49.187.180)
Personnel cost	*11.25*	(22.271.668)	(20.775.471)
Depreciation	*11.26*	(1.530.476)	(1.645.319)
Impairment	*11.26*	(121.270)	-
Other operating expenses	*11.27*	(25.984.124)	(26.281.933)
OPERATING PROFIT		**6.655.041**	**7.180.662**
Financial income	*11.28*	2.840.254	3.607.265
Financial expenses	*11.28*	(7.086.959)	(6.905.969)
Net exchange differences	*11.28*	(507.210)	(415.938)
RESULT BEFORE TAXES		**1.901.126**	**3.466.020**
Income taxes	*11.29*	(1.116.170)	(782.278)
NET RESULT		**784.956**	**2.683.742**

COMPREHENSIVE INCOME STATEMENT

Values in Euro	Notes	31/12/14	31/12/13
NET RESULT (A)		**784.956**	**2.683.742**
Gains/(Losses) on defined benefit plans	*11.13*	(211.793)	4.767
Total other Gains/(Losses) not to be reclassified before Tax (B)		**(211.793)**	**4.767**
Portion of Gains/(Losses) on cash flow hedge	*11.13*	1.968.294	1.992.054
Total comprehensive Gains/(Losses) to be reclasified before Tax (C)		**1.968.294**	**1.992.054**
TOTAL COMPREHENSIVE INCOME (A) + (B) +(C)		**2.541.457**	**4.680.563**

STATEMENT OF CHANGES IN 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	Retained earnings	Net result	STOCKHOLDERS' EQUITY
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)**	**11.933.426**	**(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
Balance as at 31/12/2013	**26.208.185**	**-**	**57.506.537**	**4.321.310**	**(1.286.154)**	**1.295.506**	**(3.195.626)**	**13.824.606**	**(1.672.067)**	**2.683.742**	**99.686.039**
Capital increase	-	-	-	-	-	-	-	-	-	-	-
Allocation of prior year net result	-	-	-	134.187	-	-	-	2.549.555	-	(2.683.742)	-
Reclassification	-	-	-	-	-	(1.295.506)	-	1.295.506	-	-	-
Result of comprehensive income	-	-	-	-	-	-	1.968.294	-	(211.793)	784.956	2.541.457
Balance as at 31/12/2014	**26.208.185**	**-**	**57.506.537**	**4.455.497**	**(1.286.154)**	**-**	**(1.227.332)**	**17.669.667**	**(1.883.860)**	**784.956**	**102.227.496**

CASH FLOW STATEMENT

Values in Euro	31/12/14	31/12/13
Net result	**784.956**	**2.683.742**
Adjustments (Sub-total)	***6.416.054***	***1.446.716***
Depreciation, impairment and amortization	1.651.746	1.645.319
Net change in deferred tax assets and liabilities	(722.661)	(353.665)
Change in employee benefits	386.339	146.261
Change in inventories	(3.177.788)	2.693.270
Change in trade receivables	(1.280.128)	(229.019)
Change in trade payables and advances	8.094.678	(181.282)
Net change in other receivables/payables and other assets/liabilities	1.463.868	(2.274.168)
Cash Flows from (Used in) operating activities (A)	**7.201.010**	**4.130.458**
Cash flow from investments		
Acquisition of tangible fixed assets	(2.123.865)	(360.316)
Acquisition of intangible fixed assets	(99.314)	(41.630)
Capitalization of development costs	(2.930.831)	(2.258.315)
Net disposal of fixed-assets and investment properties	1.500.853	-
Capital Increase PRIMA ELECTRO SpA	-	(9.000.000)
Capital injection PRIMA POWER SUZHOU	(2.611.629)	(1.218.466)
Capital injection PRIMA POWER SOUTH AMERICA	(206.603)	(400.000)
Decrease SUP Investment	466.072	361.524
Capital injection PRIMA POWER MAKINA TICARET LTD SIRKETI	(340.105)	-
Establishment PRIMA POWER AUSTRALASIA	-	(157.070)
Devaluation PRIMA POWER AUSTRALASIA	305.497	-
Devaluation PRIMA POWER GmbH	750.366	-
Decrease SUP investment	181.836	363.672
Liquidation SNK investment	-	83.500
Change in other investment	-	(10.925)
Cash flows from (Used in) investing activities (B)	**(5.107.723)**	**(12.638.026)**
Cash flow from financing activities		
Change in financial receivables and other financial assets	2.851.141	18.980.061
Change in other non current financial liabilities and other minor items	357.185	(70.621)
Increases in loans and borrowings *(including bank overdrafts)*	13.663.615	3.619.385
Repayment of loans and borrowings *(including bank overdrafts)*	(15.252.130)	(27.096.451)
Increases/(repaments) in financial lease liabilities	(83.000)	105.808
Capital increase	-	15.647.335
Other changes	(211.793)	4.767
Cash Flow from (Used in) financing activities (C)	**1.325.018**	**11.190.284**
Comprehensive Cash Flow (D=A+B+C)	**3.418.305**	**2.682.716**
Cash and Equivalents beginning of period (E)	**3.402.024**	**719.308**
Cash and Equivablend end of period (F=D+E)	**6.820.329**	**3.402.024**

Additional information to be Consolidated Statement of Cash-Flow *Values in Euro*	31/12/14	31/12/13
Taxes	(1.116.170)	(782.278)
Financial income	2.840.254	3.607.265
Financial expenses	(7.086.959)	(6.905.969)

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

Values in Euro	Notes	31/12/14	of which related parties	31/12/13	of which related parties
Property, plant and Equipment	*11.1*	6.612.386	-	6.552.744	-
Intangible assets	*11.2*	7.237.967	-	5.296.199	-
Investment properties	*11.3*	134.686.788	*134.686.788*	131.930.600	*131.930.600*
Other investments	*11.4*	11.931	-	11.931	-
Financial assets-loan to the subsidiaries	*11.5*	42.580.356	*42.580.356*	46.559.461	*46.559.461*
Other financial assets	*11.6*	17.762.945	*17.762.945*	17.371.845	*17.371.845*
Deferred tax assets	*11.7*	3.172.022	-	2.390.165	-
NON CURRENT ASSETS		**212.064.395**		**210.112.945**	
Inventories	*11.8*	18.767.027	-	15.589.239	-
Trade receivables	*11.9*	39.882.495	*14.720.480*	38.602.367	*12.079.386*
Other receivables	*11.10*	2.105.856	*44.400*	2.057.607	*78.180*
Current tax receivables	*11.11*	2.730.650	-	1.699.417	-
Derivatives	*11.14*	-	-	11.013	-
Other current financial assets	*11.5*	1.319.202	*877.311*	582.338	*582.338*
Cash and cash equivalents	*11.12*	6.820.329	-	3.402.024	-
CURRENT ASSETS		**71.625.559**		**61.944.005**	
ASSETS HELD FOR SALE	***11.21***	**-**	**-**	***181.836***	**-**
TOTAL ASSETS		**283.689.954**		**272.238.786**	
Capital stock	*11.13*	26.208.185	-	26.208.185	-
Legal reserve	*11.13*	4.455.497	-	4.321.310	-
Other capital reserves	*11.13*	72.662.718	-	68.144.869	-
Retained earnings	*11.13*	(1.883.860)	-	(1.672.067)	-
Net result	*11.13*	784.956	-	2.683.742	-
STOCKHOLDERS' EQUITY		**102.227.496**		**99.686.039**	
Interest-bearing loans and borrowings	*11.15*	65.375.760	-	69.709.793	-
Employee benefit liabilities	*11.16*	4.100.916	-	3.714.577	-
Deferred tax liabilities	*11.17*	847.917	-	788.721	-
Provisions	*11.18*	7.404.404	-	6.278.927	-
Derivatives	*11.14*	2.363.958	-	3.986.082	-
NON CURRENT LIABILITIES		**80.092.955**		**84.478.100**	
Trade payables	*11.19*	38.795.392	*9.192.266*	31.734.177	*7.108.880*
Advance payments	*11.19*	2.974.091	*365.329*	1.940.628	-
Other payables	*11.19*	7.054.614	*558.529*	4.823.418	*500.272*
Interest-bearing loans and borrowings	*11.15*	44.679.618	-	42.017.099	-
Current tax payables	*11.20*	2.949.688	-	2.638.025	-
Provisions	*11.18*	4.916.100	-	4.921.300	-
CURRENT LIABILITIES		**101.369.503**		**88.074.647**	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**283.689.954**		**272.238.786**	

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

Values in Euro	Notes	31/12/14	of which related parties	31/12/13	of which related parties
Net revenues	*11.22*	98.016.681	*36.198.700*	97.502.822	*35.794.471*
Other income	*11.23*	6.271.515	*1.590.778*	4.784.119	*1.364.574*
Change in inventories of finished goods and WIP	-	818.389		352.121	-
Increases in fixed assets for internal work	*11.24*	3.244.630		2.431.503	-
Use of raw materials, consumables, supplies and goods	-	(51.788.636)	*(11.973.646)*	(49.187.180)	*(10.858.915)*
Personnel cost	*11.25*	(22.271.668)	*(338.520)*	(20.775.471)	*(454.810)*
Depreciation	*11.26*	(1.530.476)		(1.645.319)	-
Impairment	*11.26*	(121.270)		-	-
Other operating costs	*11.27*	(25.984.124)	*(2.640.634)*	(26.281.933)	*(2.303.126)*
OPERATING PROFIT		**6.655.041**		**7.180.662**	
of which: non recurring items		***2.601.638***		***2.435.640***	
Financial income	*11.28*	2.840.254	*1.668.196*	3.607.265	*1.866.051*
Financial expenses	*11.28*	(7.086.959)		(6.905.969)	-
Net exchanges differences	*11.28*	(507.210)		(415.938)	-
RESULT BEFORE TAXES		**1.901.126**		**3.466.020**	
of which: non recurring items		***2.118.742***		***3.603.913***	
Income taxes	*11.29*	(1.116.170)		(782.278)	
NET RESULT		**784.956**		**2.683.742**	

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

Values in Euro	31/12/14	of which related parties	31/12/13	of which related parties
Net result	**784.956**	**-**	**2.683.742**	**-**
Adjustments (Sub-total)	***6.416.054***	**-**	***1.446.716***	**-**
Depreciation, impairment and amortization	1.651.746	-	1.645.319	-
Net change in deferred tax assets and liabilities	(722.661)	-	(353.665)	-
Change in employee benefits	386.339	-	146.261	-
Change in inventories	(3.177.788)	-	2.693.270	-
Change in trade receivables	(1.280.128)	*(2.641.094)*	(229.019)	*5.022.386*
Change in trade payables and advances	8.094.678	*2.083.386*	(181.282)	*(985.810)*
Net change in other receivables/payables and other assets/liabilitie	1.463.868	*(64.323)*	(2.274.168)	*(2.875.271)*
Cash Flows from (Used in) operating activities (A)	**7.201.010**		**4.130.458**	
Cash flow from investments				
Acquisition of tangible fixed assets	(2.123.865)	-	(360.316)	-
Acquisition of intangible fixed assets	(99.314)	-	(41.630)	-
Capitalization of development costs	(2.930.831)	-	(2.258.315)	-
Net disposal of fixed-assets and investment properties	1.500.853	-	-	-
Capital Increase PRIMA ELECTRO SpA	-	-	(9.000.000)	*(9.000.000)*
Capital injection PRIMA POWER SUZHOU	(2.611.629)	*(2.611.629)*	(1.218.466)	*(1.218.466)*
Capital injection PRIMA POWER SOUTH AMERICA	(206.603)	*(206.603)*	(400.000)	*(400.000)*
Decrease SUP Investment	466.072	*466.072*	361.524	*361.524*
Capital injection PRIMA POWER MAKINA TICARET LTD SIRKETI	(340.105)	*(340.105)*	-	-
Establishment PRIMA POWER AUSTRALASIA	-	-	(157.070)	*(157.070)*
Devaluation PRIMA POWER AUSTRALASIA	305.497	*305.497*	-	-
Devaluation PRIMA POWER GmbH	750.366	*750.366*	-	-
Decrease SUP investment	181.836	-	363.672	-
Liquidation SNK investment	-	-	83.500	-
Change in other investment	-	-	(10.925)	-
Cash flows from (Used in) investing activities (B)	**(5.107.723)**		**(12.638.026)**	
Cash flow from financing activities				
Change in financial receivables and other financial assets	2.851.141	*3.293.032*	18.980.061	*14.308.926*
Change in other non current financial liabilities and other minor ite	357.185	-	(70.621)	-
Increases in loans and borrowings *(including bank overdrafts)*	13.663.615	-	3.619.385	-
Repayment of loans and borrowings *(including bank overdrafts)*	(15.252.130)	-	(27.096.451)	-
Increases/(repaments) in financial lease liabilities	(83.000)	-	105.808	-
Capital increase	-	-	15.647.335	-
Other changes	(211.793)	-	4.767	-
Cash Flow from (Used in) financing activities (C)	**1.325.018**		**11.190.284**	
Comprehensive Cash Flow (D=A+B+C)	**3.418.305**		**2.682.716**	
Cash and Equivalents beginning of period (E)	**3.402.024**		**719.308**	
Cash and Equivablend end of period (F=D+E)	**6.820.329**		**3.402.024**	

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 31/12/2014.

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 in accordance to 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.

This Financial Statements are audited by Reconta Ernst & Young SpA

FINANCIAL STATEMENTS - FORMAT

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.

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 over 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 schemes 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.

CHANGES IN ACCOUNTING POLICIES

With regard to the changes in accounting principles that took place in 2014, 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 euro are converted into euro using the exchange rates applicable at the balance sheet date. All exchange differences are recognized in the income statement, provided that the accounting standards allow the revaluation in equity.

TANGIBLE ASSETS

All classes of tangible assets, including investment properties, are stated at historical cost, as expected by IFRS 1, 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, during 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 to its recoverable value immediately, 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, at 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 preserves 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.

INTANGIBLE ASSETS

Finite useful life

(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 cannot be capitalized retrospectively even if the requirements are met in the following years.
Development costs with a finite useful life are amortized starting from the date the product is commercialized, based on the period in which they are expected 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 are recorded 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 any 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: possible 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 any 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 current value of estimated cash flows, before tax, applying a discount rate that reflects current market assessments of the time value of money and the specific risk connected 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.

FINANCIAL INSTRUMENTS

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 previous 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 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
In compliance 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 of 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 completed 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 interrelated 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 different 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 sorted as short-term liabilities, unless the Company has an unconditional right to defer then over 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 is 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 this 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 selling costs.

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 cancelled, 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 recognition 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 considers the profits attributable to shareholders after certain adjustments. The Company records a liability to a fund only if it is probable that the event could happen, 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.

PROVISIONS FOR LIABILITIES AND CHARGES
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 to settle the obligation at the date of the balance sheet.

REVENUES RECOGNITION
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 sold goods ;
- 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 taxes related to items recognized directly in equity are 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 accomplished 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

Concerning the management of financial risks, please refer to paragraph 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 cannot be foreseen or estimated currently, 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 define 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.

Chapter

11

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

CHAPTER 11. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF 31/12/2014

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 tangible fixed assets at 31/12/2014 and at 31/12/2013, and the changes during the year.

Tangible Fixed Assets	Land, Buildings and Constructions	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Fixed assets under construction	TOTAL
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**
Year 2014						
Increases	1.646.874	52.529	308.385	106.925	9.152	2.123.865
Disinvestments	(1.500.000)	-	(2.275)	(99.393)		(1.601.668)
Use of depreciation fund	-	-	1.422	99.393	-	100.815
Depreciation	(56.554)	(35.904)	(279.267)	(70.375)	-	(442.100)
Impairment	(121.270)	-	-	-	-	(121.270)
Net value as at December 31st, 2014	**5.071.250**	**153.376**	**575.275**	**210.345**	**602.140**	**6.612.386**
December 31st, 2014						
Historical cost	6.244.163	2.137.252	4.196.171	3.116.933	602.140	16.296.659
Depreciation fund	(1.051.643)	(1.983.876)	(3.620.896)	(2.906.588)	-	(9.563.003)
Impairment	(121.270)	-	-	-	-	(121.270)
Net value as at December 31st, 2014	**5.071.250**	**153.376**	**575.275**	**210.345**	**602.140**	**6.612.386**

Land and buildings amounting to 5,071 thousand Euro includes:

- Land for a total value of 4,134 thousand Euro; compared to the previous year, this item has been reduced by 121 thousand Euro as a result of an *impairment* on land located in Collegno (TO), where the new plant of the company will be located. During the year 2014 a *sale and lease back* contract has been signed related to the construction of the first part of the new plant, which will included the management offices and the new demo and training centre; the contract also involves the *sale and lease back* of a portion of the above mentioned land in Collegno (TO), for a value of 1.5 million Euro. The additional investment will amount to 6.5 million Euro.
- Buildings for a total value of 912 thousand Euro. This heading includes the property leased to the PRIMA POWER UK LTD (147 thousand Euro) and the company establishment in via Antonelli No. 28 (765 thousand Euro).
- Light constructions for 25 thousand Euro.

Plants and Machinery amounting to 153 thousand Euro has increased during the year by 17 thousand Euro (increases by 53 thousand Euro and depreciation for 36 thousand Euro).

Industrial and trade equipment item equal to 575 thousand Euro has increased during the year by 28 thousand Euro and includes equipment for 514 thousand Euro and Dies for 61 thousand Euro. The value of this item has increased by 308 thousand Euro (it should be noted that 175 thousand Euro refer to equipment generated internally) and was decreased by 279 thousand Euro for depreciation and by 1 thousand Euro for net disposal.

The Other Assets heading amounts to 210 thousand Euro and is represented mainly by:

- Electronic office equipment with a value of 190 thousand Euro;
- Office furniture, furnishings and equipment with a value of 17 thousand Euro;
- Other assets for 3 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 31/12/2014 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 31/12/2014 and at 31/12/2013, and the changes during the year.

Intangible assets	Software	Development costs	Other intaglible assets	TOTAL
Net value as at December 31st, 2012	**220.606**	**3.982.470**	**2.651**	**4.205.727**
Year 2013				
Increases/ (Decreases)	41.630	2.258.315	-	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**
Year 2014				
Net value as at December 31st, 2013	127.195	5.167.237	1.767	5.296.199
Increases/ (Decreases)	99.314	2.930.831	-	3.030.145
Depreciation	(94.765)	(992.728)	(884)	(1.088.377)
Net value as at December 31st, 2014	**131.744**	**7.105.340**	**883**	**7.237.967**

The main component of intangible fixed assets consists of development costs (net value at 31/12/2014 of 7,105 Euro); projects totalling 3,070 thousand Euro were capitalized during the year 2014, also a net decrease of 139 thousand Euro should be noted; depreciation amounted to 993 thousand Euro.

NOTE 11.3 - EQUITY INVESTMENTS IN SUBSIDIARIES

The value of equity investments at 31/12/2014 amounts to 134,687 thousand Euro and it is increasing compared to the previous financial year by 2,756 thousand Euro.

Shareholding in subsidiaries	Investment value	Investment provisions	Net value at Dec. 31st, 2013	Increases	Devaluation	Net value at Dec. 31st, 2014
FINN POWER OY	116.948.538	-	116.948.538	-	-	116.948.538
PRIMA ELECTRO SpA	10.944.702	-	10.944.702	-	-	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	340.105	-	539.825
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	545.215	(506.739)	38.476	206.603	(245.079)	-
PRIMA POWER AUSTRALASIA Pty Ltd	157.070	-	157.070	-	(157.070)	-
PRIMA POWER SUZHOU CO LTD	1.218.466	-	1.218.466	2.611.628	-	3.830.095
TOTAL	**132.911.775**	**(981.175)**	**131.930.600**	**3.158.336**	**(402.149)**	**134.686.788**

The main events that contributed to this change in 2014 are illustrated below:

- PRIMA MAKINA TICARET LTD SIRKETI. In June 2014, the PRIMA INDUSTRIE SpA made a capital increase of EUR 340 thousand Euro; moreover, following the exit of the minority shareholder, holder of 1% of the share capital, PRIMA INDUSTRIE SpA acquired its stake (worth less than one thousand Euro) so currently it owns 100% of the share capital.
- PRIMA POWER SOUTH AMERICA Ltda. At 31/12/2014, despite the capital increase that occurred in February 2014 for 207 thousand Euro, the net equity of the Brazilian company is negative for 221 thousand Euro, including the loss of the financial year 2014 of 484 thousand Euro. This result led to consider the loss so far incurred as durable, so the cost of the investment was entirely written down. Moreover, in view of the losses in excess of shareholders' equity, the parent company PRIMA INDUSTRIE SpA included in the financial statements a risk fund for 221 million Euro as a consequence of the future settlement of these losses.
- PRIMA POWER AUSTRALASIA Pty Ltd. At 31/12/2014 the net assets of the Australian company is negative for 148 thousand Euro, including the loss of the financial year 2014 of 142 thousand Euro. This result led to consider the loss so far incurred as durable, so the cost of the investment, amounting to 157 thousand Euro, was entirely written down. Moreover, in view of the losses in excess of shareholders' equity, the parent company PRIMA INDUSTRIE SpA included in the financial statements a risk fund for 148 thousand Euro as a consequence of the future settlement of these losses.
- PRIMA POWER SUZHOU CO LTD. During the year 2014, the company continued the start-up of Chinese company; throughout the year it ended the construction of the plant and started the manufacturing operations that in 2015 will lead to the first sales of locally produced machines. It should be noted that during the year there has been a succession of members, which led to the exit of one of the three original partners and PRIMA INDUSTRIE SpA has consequently increased its stake from 51% to 70%. At 31/12/2014 PRIMA INDUSTRIE SpA had paid 3,830 thousand Euro (approximately 5,040 thousand dollars); the remaining quotas to complete the payment of the approved capital (8 million dollars) have been paid by PRIMA INDUSTRIE SpA and the shareholder Leeport in the January 2015.

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, 2014	Equity as at Dec. 31st, 2014	Stake	Equity pro-quota	Difference
FINN POWER OY	116.948.538	87.957.531	100,0%	87.957.531	(28.991.007)
PRIMA ELECTRO SpA	10.944.702	29.091.165	100,0%	29.091.165	18.146.463
PRIMA POWER IBERICA SL	1.441.304	5.841.219	22,0%	1.285.068	(156.236)
PRIMA POWER CHINA Company Ltd	766.765	2.415.376	100,0%	2.415.376	1.648.611
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	539.825	1.010.108	100,0%	1.010.108	470.283
OOO PRIMA POWER	122.737	1.401.890	100,0%	1.401.750	1.279.013
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	732.685	100,0%	732.685	639.864
PRIMA POWER UK LTD	1	907.825	100,0%	907.825	907.824
PRIMA POWER GmbH	-	(7.248.498)	100,0%	(7.248.498)	(7.248.498)
PRIMA POWER SOUTH AMERICA Ltda	-	(220.993)	100,0%	(220.993)	(220.993)
PRIMA POWER AUSTRALASIA Pty Ltd	-	(148.427)	100,0%	(148.427)	(148.427)
PRIMA POWER SUZHOU CO LTD	3.830.095	3.834.513	70,0%	2.684.159	(1.145.936)

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 2014 and the previous years, there were no indicators of *impairment* related to the value of the equity investment. FINN-POWER OY in 2014 achieved an EBITDA of 9,979 thousand Euro (equal to 9.3% 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 17,269 thousand Euro (equal to 8.0% of revenues) and net income of 8,627 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 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 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 2014 it gained profits for 515 thousand Euro. All the companies listed above fall within the area of consolidation of the PRIMA INDUSTRIE Group.

The emerging differences for PRIMA POWER GMBH, PRIMA POWER SOUTH AMERICA Ltda e PRIMA POWER AUSTRALASIA Pty Ltd investments are almost totally compensated by a risk provision amounting to 7,330 thousand Euro (see Note 11.18), so as to incorporate the losses considered durable; it should be noted that during the financial year 1,120 thousand Euro have been entered in this provision.

NOTE 11.4 - OTHER INVESTMENTS

The value of investments in other companies at 31/12/2014 amounts to 12 thousand Euro and is unchanged compared to the previous year.

Other investments	Unionfidi	Fidindustria	Lamiera Servizi	TOTAL
December 31st, 2012	**903**	**103**	**-**	**1.006**
Increases	-	-	10.925	10.925
Decreases	-	-	-	-
December 31st, 2013	**903**	**103**	**10.925**	**11.931**
Increases	-	-	-	-
Decreases	-	-	-	-
December 31st, 2014	**903**	**103**	**10.925**	**11.931**

Other shareholdings are related to two guarantee consortiums (Unionfidi and Fidindustria) to which the company has adhered, and to the company Lamiera Servizi of which it owns the 19% of the share capital.

In addition to the above shareholdings, PRIMA INDUSTRIE SpA holds other shareholdings whose book value at 31/12/2014 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) amounts to 42,580 thousand Euro and decreased during the year 2014 of 3,979 thousand Euro.

Financial assets - Loans to subsidiaries	FINN POWER OY	PRIMA ELECTRO SpA	PRIMA POWER UK LTD	TOTAL
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**
Increases	-	-	-	-
Decreases	(2.033.462)	(1.500.000)	(445.644)	(3.979.106)
December 31st, 2014	**35.099.999**	**7.300.000**	**180.356**	**42.580.356**

The decrease recorded during the year relates to the following transactions:

- repayment of PRIMA POWER UK for a total of 446 thousand Euro;
- repayment of FINN-POWER OY for 2,033 thousand Euro and
- repayment of PRIMA ELECTRO SpA for 1,500 thousand Euro.

The item "Current financial assets" amounts to 1,319 thousand Euro and concerns interest earned on financing to subsidiaries (classified as "Financial assets – financing granted to subsidiaries"), for 877 thousand Euro, and the amount due from Wuhan Huagong Unity relating to the sale of the last 5% of the investment in Shanghai Unity Prima for 442 thousand Euro (see also Note 11.21).

NOTE 11.6 - OTHER FINANCIAL ASSETS

This item amounts to 17.763 thousand Euro and refers exclusively to a loan 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 31/12/2013, there was an increase of 391 thousand Euro related to interest accrued during the year 2014.

NOTE 11.7 – DEFERRED TAX ASSETS

The following table shows the movement of deferred tax assets during the year 2014.

Deferred tax assets	31/12/14	31/12/13
Opening balance	**2.390.165**	**2.064.042**
Provisions	939.123	486.114
Utilizations	(157.266)	(159.991)
Closing balance	**3.172.022**	**2.390.165**

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	5.359.553	1.476.222
Inventories	2.140.166	588.546
Employee benefits	1.980.365	544.600
Derivatives	1.692.872	465.540
Current credits and debts	352.753	97.008
Other assets and liabilities	338	106
Total	**11.526.047**	**3.172.022**

With regard to the recoverability of these taxes it should be noted that PRIMA INDUSTRIE SpA has historically realized positive taxable incomes, both for IRES and IRAP purposes and expects to earn positive taxable incomes in the following financial years also.
The valuation on the recoverability of prepaid taxes take into account the expected profits in future financial years and furthermore, is supported by the fact that prepaid taxes refer to adjusted asset funds for which there is no expiry.

NOTE 11.8 - INVENTORIES

The inventories on 31/12/2014 amount to 18,767 thousand Euro, net of the warehouse devaluation fund.

Inventories	31/12/14	31/12/13
Raw materials	13.777.553	11.385.154
(Provision for raw materials)	(1.890.165)	(1.857.165)
Semi-finished goods	2.811.099	2.336.748
Finished goods	4.318.540	3.724.502
(Provision for finished goods)	(250.000)	-
Total	**18.767.027**	**15.589.239**

During 2014 inventories increased for 3,178 thousand Euro resulting from the following difference:

- overall decrease in inventories of raw materials and semi-finished products (net of impairment provisions) amounting to 2,834 thousand Euro, due to procurement and works in progress necessary for processing the numerous orders received with request for delivery in the first quarter of 2015;
- increase in finished products (net of impairment provisions) amounting to 344 thousand Euro.

The movements of the inventories impairment provisions that occurred during the year are provided below.

Depreciation Fund	Raw materials	Finished goods
Balance as at December 31st, 2013	**(1.857.165)**	**-**
Utilizations	-	-
Provisions	(33.000)	(250.000)
Balance as at December 31st, 2014	**(1.890.165)**	**(250.000)**

NOTE 11.9 - TRADE RECEIVABLES

The trade receivables on 31/12/2014 amounted to 39,882 thousand Euro and compared to the previous financial year an increase of 1,280 thousand Euro was experienced.

Trade Receivables	31/12/14	31/12/13
Receivables from customers	25.368.084	26.652.294
Provisions for bad debts	(206.069)	(129.313)
Receivables from other customers (net)	**25.162.015**	**26.522.981**
Receivables from Related Parties	14.720.480	12.079.386
Receivables from customers (net)	**39.882.495**	**38.602.367**

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 as of 31/12/2014, adjustments to the exchange rate were entered correctly. Receivables denominated in currencies other than the reference currency are converted into Euro at the effective exchange rate 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 considered period are as follows:

Provisions for bad debts	
Provisions for bad debts as of December 31st, 2013	**129.313**
Utilizations	(278.790)
Provisions	355.546
Provisions for bad debts as of December 31st, 2014	**206.069**

The provision reflects the better management's estimate of expected losses by PRIMA INDUSTRIE SpA on its receivables.

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

Receivables by due date	31/12/14	31/12/13
Values expressed in Euro thousand		
Not due	28.297	22.991
Expired 0 - 60 days	4.489	5.855
Expired 61 - 120 days	2.549	4.829
Expired over 120 days	4.754	5.056
Total	**40.089**	**38.731**

NOTE 11.10 - OTHER RECEIVABLES

The Other Receivables are equal to 2,106 thousand Euro, increasing by of 48 thousand Euro compared to the previous financial year (2,058 thousand Euro on 31/12/2013) and include:

- contributions to be received for 1,325 thousand Euro; refer to contributions on projects financed by the European Union, the Ministry of Economic Development and the Piedmont Region.
- advances to suppliers (for 275 thousand Euro) paid on orders for future deliveries (of which 44 thousand Euro due from related parties);
- accruals and deferrals (for 248 thousand Euro);
- security deposits (for 159 thousand Euro);

- receivables from employees (51 thousand Euro) for advances on travel expenses granted to employees;
- other minor receivables (for 48 thousand Euro).

NOTE 11.11 - OTHER TAX ASSETS

The other tax assets amounted to 2,731 thousand Euro at 31/12/2014, against 1,699 thousand Euro at 31/12/2013 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 IRES and IRAP tax advances and Italian VAT credit.

Current Tax Receivables	31/12/14	31/12/13
Tax Receivables - IRES reimbursment IRAP deduction	970.392	970.392
Tax Receivables - Advances direct (IRES and IRAP) taxes	899.316	281.007
VAT Receivables - Italy	337.595	-
Tax Receivables - Witholding taxes	323.021	397.422
Tax Receivables - Tax Consolidation (IRES)	189.879	26.250
VAT Receivables - Foreign countries	10.447	24.346
Total	**2.730.650**	**1.699.417**

NOTE 11.12 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31/12/2014 amount to 6,820 thousand Euro, against 3,402 thousand Euro at 31/12/2013 and is composed of cash (including foreign currency), checks and sight bank credits.

Cash and cash equivalents	31/12/14	31/12/13
Cash and checks	21.007	15.672
Bank accounts	6.799.322	3.386.352
Total	**6.820.329**	**3.402.024**

NOTE 11.13 – NET 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), and has remained unchanged compared with 31/12/2013.

LEGAL RESERVE

This item amounts to 4,455 thousand Euro and has increased as a result of the allocation of the mandatory share of the profit accrued in 2013.

OTHER RESERVES

The item "Other Reserves" has a value of 72,663 thousand Euro and is composed of:

- Extraordinary reserve: amounting to 16,991 thousand Euro; increased by 3,845 thousand Euro with respect to 31/12/2013 due for 2,550 thousand Euro to the partial allocation of the profit of year 2013 in excess of the allocation to the legal reserve and for 1,296 thousand Euro for the transfer of stock options reserve that became available at the expiry of the plan;

- Share premium reserve: amounting to 57,507 thousand Euro and has remained unchanged compared with 31/12/2013. 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 1,227 thousand Euro, representing the part entered directly to shareholders' equity at the market value of the risks hedge contracts on interest rate variability.
- Costs 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 31/12/2013.
- Subsidiaries value recovery reserve: amounting to 679 thousand Euro and has remained unchanged compared with 31/12/2013.

EARNINGS (LOSSES) CARRIED FORWARD

The item has a negative value of 1,884 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 net of taxes.

PROFIT (LOSS) FOR THE YEAR

The Result for the year is positive for 785 thousand Euro.

For more information on the subject of:

- derivative financial instruments for hedging, see Consolidated Financial Statements at Note 8.11 - Net Financial Position.

NOTE 11.14 - DERIVATIVE FINANCIAL INSTRUMENTS

At 31/12/2014 PRIMA INDUSTRIE SpA holds several derivative financial instruments for a net negative value of 2,364 thousand Euro.

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/14
IRS - Hedge accounting	Prima Industrie SpA	Unicredit	04/02/16	€ 17.924.107	-€ 1.181.979
IRS - Hedge accounting	Prima Industrie SpA	Intesa-Sanpaolo	04/02/16	€ 17.924.107	-€ 1.181.979
				TOTAL	**-€ 2.363.958**

At the time of drafting the financial statements at 31/12/2014, a valuation of the financial derivatives held by the company was made in order to ascertain their type and establish how they had to be recorded.

On 31/12/2014 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 specialized in actuarial valuations.

In compliance with IAS 39 the *hedge accounting* derivatives were recorded as follows: variations in the effective portion of *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 derivative instruments qualified as non-effective is directly disclosed in the income statement under financial costs.
During the year, the variations in the *fair value* of *non-hedge accounting* derivatives are disclosed in the income statement under financial costs. For more information on the subject of the IRS see the Consolidated Financial Statements at Note 8.11 - Net Financial Position.

NOTE 11.15 – LOANS
The following table is a breakdown of PRIMA INDUSTRIE SpA's loan status on 31/12/2014 (in comparison with 31/12/2013).

Bank borrowings and other financing	31/12/14	31/12/13
Current		
Bank overdrafts	1.729.013	1.192.478
Short-term payable for bank loans	24.954.083	35.860.271
Short-term payable for other financing	3.756.263	369.049
Short-term payable for advances on invoices	14.240.259	4.595.301
Total Current	**44.679.618**	**42.017.099**
Non-current		
Payable for operational leasings	105.808	188.808
Long-term payable for bank loans	64.015.428	68.113.541
Long-term payable for other financing	1.254.524	1.407.444
Total Non-current	**65.375.760**	**69.709.793**
TOTAL	**110.055.378**	**111.726.892**

The main debt included in the indebtedness with banks is the FINPOLAR Loan. This loan, which at 31/12/2014 amounts comprehensively to 88,020 thousand Euro, is subdivided as follows:

- Quota A: medium/long-term loan, last instalment of 4,428 thousand Euro expiring on 4 February 2015;
- Quota B: medium/long term loan of 63,707 thousand Euro (expiring in February 2016 with a *bullet* repayment on expiry);
- Quota D: credit line for cash of 19,941 thousand Euro (of a maximum capital sum of 20 million Euro);
- on 31/12/2014 there were accrued and unpaid interests on all the quotas of the FINPOLAR loan for totally 744 thousand Euro.

It should be noted that in the year 2014, the FINPOLAR loan has been reduced by 15,351 thousand Euro, of which 5,050 thousand for the regular repayment of the instalments provided for by the repayment plan of quota A and 10,302 thousand Euro for the settlement of quota C2.

It is important to note that following the issue of a seven-year bond loan of 40 million Euro and the conclusion of a new *club-deal* loan agreement (transactions that both took place in February 2015) the FINPOLAR loan was repaid in full. On both new forms of loan there are some *covenants* on consolidated financial statements at 31/12/2014.

On 31/12/2014 all the *covenants* set are met.

For more details about of PRIMA INDUSTRIE SpA and on the two transactions that took place in the month of February 2015, see the Management Report and the consolidated financial statements at the Note 8.11 - Net Financial Position.

The movements of the financial payables of PRIMA INDUSTRIE SpA during 2014 are illustrated below.

Bank borrowings and other financing Movements	31/12/13	Increases	Decreases	Reclassification	31/12/14
Current					
Bank overdrafts	1.192.478	536.535	-	-	1.729.013
Payable for operational leasings	-	-	(83.000)	83.000	
Short-term payable for factoring transactions	-	-	-	-	-
Short-term payable for bank loans	35.860.271	(14.000)	(14.990.301)	4.098.113	24.954.083
Short-term payable for other financing	369.049	3.496.124	(108.910)	-	3.756.263
Short-term payable for advances on invoices	4.595.301	9.644.958	-	-	14.240.259
Total Current	**42.017.099**	**13.663.617**	**(15.182.211)**	**4.181.113**	**44.679.618**
Non-current					
Payable for operational leasings	188.808	-	-	(83.000)	105.808
Long-term payable for bank loans	68.113.541	-	-	(4.098.113)	64.015.428
Long-term payable for other financing	1.407.444	-	(152.920)	-	1.254.524
Total Non-current	**69.709.793**	**-**	**(152.920)**	**(4.181.113)**	**65.375.760**
TOTAL	**111.726.892**	**13.663.617**	**(15.335.131)**	**-**	**110.055.378**

During 2014 financial payables decreased by a total of 1,672 thousand Euro. The table below lists, for the assets and liabilities at 31/12/2014 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, 2014							
Values expressed in Euro thousand	Significant values as per IAS 39						
Assets	Category IAS 39	Financial value 31.12.14	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31.12.14
Cash and cash equivalents	NA	6.820	-	-	-	-	6.820
Assets held to maturity	Held to Maturity	442	-	-	-	-	442
Assets at fair value in profit or loss	Held for Trading	-	-	-	-	-	-
Assets valued under IAS 17	NA	1.500	-	-	-	-	1.500
Total		8.762	-	-	-	-	8.762
Liabilities	**Category IAS 39**	**Financial value 31.12.14**	**Amortized cost**	**FV in Equity**	**FV in income statement**	**IAS 17**	**Fair Value 31.12.14**
Liabilities at amortized cost	Amortised Cost	109.950	109.950	-	-	-	110.358
Liabilities at fair value in profit or loss	Held for Trading	-	-	-	(68)	-	-
Hedge Derivatives	NA	2.364	-	1.968	(1.725)	-	2.364
Liabilities valued under IAS 17	NA	106	-	-	-	106	106
Total		**112.420**	**109.950**	**1.968**	**(1.793)**	**106**	**112.828**

Profit and losses by category - IAS 39 - December 31st, 2014 Values expressed in Euro thousand Assets	Category IAS 39	Net profit and loss	Interests
Cash and cash equivalents	NA	5	5
Assets at fair value in profit or loss	Held for Trading	8	8
Total		**13**	**13**
Liabilities	**Category IAS 39**	**Net profit and loss**	**Interests**
Liabilities at amortized cost	Amortised Cost	(2.824)	(2.420)
Liabilities at fair value in profit or loss	Held for Trading	(11)	(11)
Hedge Derivatives	NA	(1.725)	(1.845)
Total		**(4.560)**	**(4.276)**

NOTE 11.16 – EMPLOYEE BENEFITS LIABILITIES

The following table shows the composition of liabilities for employee benefits at 31/12/2014 and at the closing of the previous year.

Employee benefits Liabilities	31/12/14	31/12/13
Italian employee's benefits liabilities	2.729.633	2.508.870
Fidelity premium	1.371.283	1.205.707
TOTAL	**4.100.916**	**3.714.577**

The Employees' Severance Indemnity Fund, provided by the Italian law, is 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.
Below are shown the changes of the Employees' Severance Indemnity Fund and of the Fidelity Premium during the year 2014.

Italian employee's benefits liabilities	31/12/14	31/12/13
Opening balance	**2.508.870**	**2.491.110**
Italian employee's benefits indemnities paid out during the period	(143.624)	(58.455)
Actuarial gains/losses	288.106	(4.767)
Financial expenses	76.281	80.961
Other movements		21
Closing balance	**2.729.633**	**2.508.870**

Fidelity Premium	31/12/14	31/12/13
Opening balance	**1.205.707**	**1.077.206**
Fidelity Premium paid out during the period	(52.933)	-
Provisions/Actuarial Adjustment	180.529	93.491
Financial expenses	37.980	35.010
Closing balance	**1.371.283**	**1.205.707**

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	31/12/14	31/12/13
Annual discount rate	1,50%	3,15%
Annual inflation rate	1,75%	2,00%
Annual Italian employee's benefits increase rate	2,81%	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 7.5% 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 2014.

Deferred tax liabilities	31/12/14	31/12/13
Opening balance	**788.721**	**816.263**
Provisions	541.544	236.458
Utilizations	(482.348)	(264.000)
Closing balance	**847.917**	**788.721**

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

Deferred tax liabilities	Deferred taxability	Deferred tax liabilities
Current debts and credits	2.466.475	678.280
Tangible fixed assets	616.863	169.637
Total	**3.083.338**	**847.917**

NOTE 11.18 – PROVISIONS

The provisions for risks and charges as at 31/12/2014 amounted to 12,321 thousand Euro (7,404 of non-current). During the year 2014 they had an overall increase of 1,120 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, 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**
Provisions	5.691	1.119.786	1.125.477
Utilizations	-	-	-
December 31st, 2014	**74.696**	**7.329.708**	**7.404.404**

Current provisions	Risks fund on tax claims	Warranty provisions and project's completion	TOTAL
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**
Provisions	-	3.973.000	3.973.000
Utilizations	-	(3.978.200)	(3.978.200)
December 31st, 2014	**-**	**4.916.100**	**4.916.100**

Provision for equity investment losses

This provision relates to the subsidiary PRIMA POWER GmbH for 6,960 thousand Euro, to the company PRIMA POWER SOUTH AMERICA Ltda for 221 thousand Euro and to the company PRIMA POWER AUSTRALASIA Pty Ltd for 148 thousand Euro. For further details on this subject see Note 11.3.

Agent client indemnity fund

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 2013 they decreased for a total of 5 thousand Euro.

NOTE 11.19 - TRADE PAYABLES, ADVANCE PAYMENTS AND OTHER PAYABLES

Trade payables at 31/12/2014 amount to 38,795 thousand Euro, of which 29,603 thousand Euro due to third party suppliers and 9,192 thousand Euro due to related parties.

Trade, advances and other payables	31/12/14	31/12/13
Payable owed to suppliers	29.603.126	24.625.297
Payable owed to related parties	9.192.266	7.108.880
Trade payables	**38.795.392**	**31.734.177**
Advances from customers	2.608.762	1.940.628
Advances from related parties	365.329	-
Advances from customers	**2.974.091**	**1.940.628**
Social security payables	1.683.879	1.513.447
Amounts due to employees	2.158.009	1.862.524
Accrued expenses and deferred income	2.501.179	716.361
Other payables	153.018	230.814
Other payable owed to related parties	558.529	500.272
TOTAL	**7.054.614**	**4.823.418**

Trade payables increased during the year 2014 for a total amount of 7,061 thousand Euro. This increase is mainly attributable to both the increased volume of business of the second half of 2014, and to the expected growth of 2015.
Advances from clients has increased over the previous year of 1,033 thousand Euro; at 31/12/2014 it amounted to 2,974 thousand Euro against 1,941 thousand Euro at 31/12/2013. This item mainly consists of advances received from customers on orders for machines not yet delivered. Other payables to related parties amount to 559 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 refers to salaries not yet paid, and compensation matured but not yet paid for leave not taken, for production bonus and incentives matured by managers and sales personnel and for advance payment of travel expenses in account of the company for employees out for work.

Accruals and Deferrals has increased compared to the previous year of 1,785 thousand Euro; at 31/12/14 it amounted to 2,501 thousand Euro against 716 thousand Euro at 31/12/13. This item is mainly composed of deferred income related to a know-how license and some facilitations on an unsecured basis for research and development.

NOTE 11.20 – CURRENT TAXES PAYABLES

This heading totals 2,950 thousand Euro (2,638 thousand Euro at 31/12/2013) and includes:

- Payables for IRES and IRAP: 1,510 thousand Euro
- Payables for withholding taxes: 583 thousand Euro
- Payables to subsidiaries for tax consolidation 451 thousand Euro
- Other payables to the revenue office: 406 thousand Euro

NOTE 11.21 – ASSETS HELD FOR SALE

This heading on 31/12/2014 is zero, following the sale of the last 5% stake held in the Chinese company SUP. Following this sale, the remaining credit from the buyer amounts to 442 thousand Euro.

NOTE 11.22 - NET INCOME FROM SALES AND SERVICES

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	14.870.678	19,33%	22.313.526	29,00%	6.677.526	8,68%	33.073.880	42,99%	76.935.610
Spare parts	4.509.639	29,31%	5.146.026	33,45%	2.602.761	16,92%	3.126.141	20,32%	15.384.567
Services	3.473.271	81,41%	449.898	10,55%	143.227	3,36%	200.015	4,69%	4.266.411
Other sales - miscellaneous	36.039	2,52%	824.386	57,65%	261.790	18,31%	307.878	21,53%	1.430.093
Total	**22.889.627**		**28.733.836**		**9.685.304**		**36.707.914**		**98.016.681**

Revenues at 31/12/2014 amounted to 98,017 thousand Euro compared with 2013, they increased by 0.6 thousand Euro (at 31/12/2013 their value amounted to 97,503 thousand Euro).

NOTE 11.23 – OTHER OPERATING INCOME

Below is a summary report of the Other operating income.

Other operating income	31/12/14	31/12/13
Services provided and costs charged back to subsidiaries	1.590.778	1.364.574
Research and development projects income	2.940.000	2.585.000
Government grants	984.938	438.999
Extraordinary income	296.780	315.211
Insurance refunds	34.220	15.486
Other	424.799	64.849
Total	**6.271.515**	**4.784.119**

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.

Income for research and development, refer for 2.9 million Euro to "*license agreements*". The contingent assets mainly refer to adjustments of commitments made in the previous year.

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

NOTE 11.24 – INCREASES IN FIXED ASSETS FOR INTERNAL WORK

Capitalization for increases for internal work amount to 3,245 thousand Euro in 2014 compared to 2,432 thousand Euro of the previous year.

The amount entered in the income statement for the year refers to 3,070 thousand Euro for capitalization of research and development costs and 175 thousand Euro for costs incurred for the construction of production equipment and off-line testing of components or pre-assembled groups. For all the capitalized projects, the technical feasibility has been verified as well as the generation of probable future economic benefits. The former category of costs is classified among the intangible assets, and the latter among the tangible assets.

NOTE 11.25 – PERSONNEL COSTS

The personnel costs at 31/12/2014 is equal to 22,272 thousand Euro and shows an increase compared with the corresponding financial year of 1.5 thousand Euro.

Personnel costs	31/12/14	31/12/13
Salaries and wages	15.805.624	14.691.165
Social security contributions	4.894.607	4.622.595
Severance indemnities paid into complementary	973.833	939.160
Fidelity Premium	180.529	93.491
Other costs	417.075	429.060
TOTAL	**22.271.668**	**20.775.471**

Here below is shown the number of employees at 31/12/14 compared to the end of the previous year.

Personnel movements	31/12/14	31/12/13
Executives	18	15
Front-line managers	23	20
Managers	19	17
Office staff	191	190
Intermediate	4	5
Production workers	88	94
Foreign branch office employees	2	-
Total	**345**	**341**

The overall workforce at PRIMA INDUSTRIE went from 341 units (at 31/12/2013) to 345 units (at 31/12/2014). It should be noted that, since the Company operates in a high-tech sector, employees are, on average, very specialized and thus labor costs are higher than the average industry standard.

NOTE 11.26 – DEPRECIATION - IMPAIRMENT

Despite the increase in the value of assets at 31/12/14 compared to 31/12/13, it is noted that the value of depreciation has decreased compared to the previous year, as a substantial part of the assets has not yet entered into the production cycle.

Depreciation	31/12/14	31/12/13
Depreciation of intangible fixed assets	1.088.377	1.209.473
Depreciation of tangible fixed assets	442.100	435.846
TOTAL	**1.530.477**	**1.645.319**

During the year 2014 the Group has recorded an impairment loss of 121 thousand Euro on a land property.

NOTE 11.27 – OTHER OPERATING EXPENSES

The other operating costs at 31/12/2014 amounted to 25.984 thousand Euro and compared to the previous financial year the item recorded a decrease of 298 thousand Euro.

Other operating costs	31/12/14	31/12/13
External services	11.365.296	10.859.565
Travel expenses	2.631.541	2.592.267
Transport and custom duties	1.911.057	2.123.799
Technical, legal, fiscal and administrative consultancies	1.919.580	1.562.580
Commissions	1.603.101	1.900.505
Rentals and other costs for leases	1.100.868	1.052.332
Utility	769.833	761.575
Other costs for services	841.893	942.730
Advertising and promotion	564.422	368.164
External maintenance	443.593	453.552
Administrators' fee	588.573	567.014
Rent	547.609	541.562
Insurances	413.105	436.725
Extraordinary liabilities	209.416	223.112
Statutory auditors' fee	108.000	106.600
Temporary work	107.268	154.877
Taxes	84.093	82.867
Other operating costs	424.530	479.807
Provision for risks	3.973.000	4.232.000
Utilization of provision for risks	(3.978.200)	(3.259.700)
Provision for doubtful debts	355.546	100.000
Total	**25.984.124**	**26.281.933**

This decrease of 298 thousand Euro relates primarily to costs for transportation, commissions, temporary employment, provisions for risks and charges, modulated by an increase in external work, technical and administrative consulting, advertising and promotion, receivable write-down. 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 362 thousand Euro;
- cleaning costs for 170 thousand Euro;
- entertainment expenses for 59 thousand Euro;
- other service costs for 164 thousand Euro;
- costs for expatriate personnel for 42 thousand Euro;
- Differentials on the derivative for 46 thousand Euro.

The most significant “Other operating costs” include:

- corporate expenses for 178 thousand Euro;
- membership in trade associations for 108 thousand Euro;
- translation services for 123 thousand Euro;
- miscellaneous expenses for 16 thousand Euro.

NOTE 11.28 – FINANCIAL INCOME AND EXPENSES

The financial management of the financial year 2014 shows a total negative result of 4,754 thousand Euro.

Financial management	31/12/14	31/12/13
Impairment of investments	(1.521.935)	(362.190)
Interests on payable for bank loans (current/non current)	(378.343)	(321.443)
Borrowing expenses FINPOLAR	(2.854.761)	(3.664.177)
Derivatives expenses (IRS)	(1.844.859)	(2.071.757)
Derivatives expenses (CRS)	(11.013)	(81.585)
Interests paid on employee tax benefits	(114.261)	(115.971)
Bank charges	(357.950)	(266.738)
Interest on trade allowances	(3.837)	(22.108)
Other	-	-
Financial expenses	**(7.086.959)**	**(6.905.969)**
Derivatives income (IRS)	119.370	59.608
Derivatives income (CRS)	8.140	144.663
Gain of the sale of the stake	1.039.039	1.530.463
Recovery of value of equity investments in subsidiaries	1.668.194	1.866.051
Interest income from customers	4.555	3.687
Bank interest income	956	2.793
Other financial income	-	-
Financial income	**2.840.254**	**3.607.265**
Exchange rate difference	**(507.210)**	**(415.938)**
FINANCIAL INCOME AND EXPENSES (NET)	**(4.753.915)**	**(3.714.642)**

The financial burdens relating to the FINPOLAR Loan are equal to 2,855 thousand Euro, while the net financial burdens on the derivatives are equal to 1,728 thousand Euro. As shown in the table above, interest payables to credit institutions have increased of about 57 thousand Euro. It should also be noted that, the financial expenses include 1,522 thousand Euro for impairment of investments (related to Prima Power GmbH for 750 thousand Euro, to Prima Power South America Ltda. for 466 thousand Euro and to Prima Power Australasia Pty Ltd for 305 thousand Euro).

Among the financial income there is a capital gain for the sale of the equity investment in the company SUP for 1,039 thousand Euro. For more information refer to the consolidated financial statements in Note 8.11 - Net Financial Position.

NOTE 11.29- CURRENT AND DEFERRED TAXES

The tax burden of PRIMA INDUSTRIE SpA at 31/12/2014 compared to the data of the previous year is summarized below.

Current tax liabilities and deferred taxes	31/12/14	31/12/13
IRAP (Regional Trade tax)	(735.007)	(746.152)
IRES *(included the effect derived from consolidated taxation)*	(548.512)	(909.039)
Taxes relating to previous year	33.386	519.248
Deferred tax assets	198.345	326.123
Deferred tax liabilities	(59.196)	27.542
Other taxes	(5.186)	-
TOTAL	**(1.116.170)**	**(782.278)**

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 theorical tax rates	2014	2013
RESULT BEFORE TAXES	**1.901.126**	**3.370.528**
IRES rate	*27,50%*	*27,50%*
THEORICAL IRES ON INCOME	**522.810**	**926.895**
PERMANENT INCREASE	2.178.608	1.002.466
TEMPORARY INCREASE	6.235.362	5.938.123
PERMANENT DECREASE	-2.551.897	(2.365.029)
TEMPORARY DECREASE	-5.768.610	(4.640.491)
NON-DEDUCTIBLE INTEREST	690.468	1.371.368
ROL SURPLUS RECOVERED FROM ITALIAN FISCAL CONSOLIDATED	-690.468	(1.255.997)
ROL SURPLUS RECOVERED FROM SUBSIDIARIES	-	(115.371)
INCREASE/DECREASE	**93.463**	**(64.931)**
EFFECTIVE FISCAL RESULT	**1.994.589**	**3.305.597**
IRES rate	*27,50%*	*27,50%*
EFFECTIVE IRES ON INCOME	**548.512**	**909.039**

NOTE 11.30 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The guarantees granted and commitments undertaken by the Company at 31/12/2014 are shown below.

Values expressed in Euro thousand

Potential guarantees, commitments and liabilities	31/12/14	31/12/13	31/12/12	31/12/11
Guarantees granted	13.991	28.464	25.271	20.368
Commitments to leasing companies	1.524	968	1.271	1.432
Other commitments and significant contracts rights	3.686	3.065	2.383	2.564
TOTAL	**19.201**	**32.497**	**28.925**	**24.364**

At 31/12/2014 the guarantees granted by PRIMA INDUSTRIE SpA amounted to 13,991 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 - INFORMATION SHEET ON 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 2014 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:

Associated parties – financial items

Counterparty	Financial receivables	Trade receivables	Other receivables	Trade payables and advances	Other payables
PRIMA POWER GmbH	-	1.817.224	-	58.702	-
PRIMA POWER UK LTD	182.240	510.711	-	57.626	7.119
PRIMA POWER CENTRAL EUROPE Spzoo	-	525.038	-	137.769	-
PRIMA POWER CHINA Company Ltd	-	1.097.036	-	1.792.201	-
OOO PRIMA POWER	-	336.493	-	13.577	-
PRIMA ELECTRO SpA	7.553.599	115.491	-	1.799.295	-
PRIMA ELECTRO NORTH AMERICA LLC	-	57.576	-	4.275.872	-
FINN-POWER OY	53.484.773	2.851.125	-	749.011	-
PRIMA POWER IBERICA	-	1.231.171	-	130.464	-
PRIMA POWER FRANCE Sarl	-	481.196	-	370.889	-
PRIMA POWER NORTH AMERICA Inc	-	3.703.658	-	5.439	-
PRIMA POWER BENELUX NV	-	185.895	-	-	-
FINN-POWER ITALIA Srl	-	101.494	-	8.300	-
PRIMA POWER LASERDYNE LLC	-	223.430	-	2.843	-
PRIMA POWER SOUTH AMERICA LTDA	-	146.728	44.400	45.667	-
PRIMA MACHINE SERVICE INDIA PR. LTD	-	226.497	-	88.566	-
PRIMA POWER MAKINA TICARET LTD	-	155.260	-	18.974	-
PRIMA POWER AUSTRALASIA PTY LTD	-	-	-	-	-
PRIMA POWER SUZHOU CO. LTD	-	954.457	-	2.400	-
STRATEGIC MANAGEMENT	-		-		446.410
BOARD OF AUDITORS	-		-		105.000
TOTAL	*61.220.612*	*14.720.480*	*44.400*	*9.557.595*	*558.529*

Associated parties – economic items

Counterparty	Revenues	Other operating revenues	Financial income	Purchases	Personnel costs	Other operating costs
PRIMA POWER GmbH	4.979.280	89.604	33.056	100.312	-	71.155
PRIMA POWER UK LTD	1.237.951	56.526	10.637	179.197	-	6.004
PRIMA POWER CENTRAL EUROPE Spzoo	3.693.451	121.106	2.484	274.753	-	93.957
PRIMA POWER CHINA Company Ltd	1.012.324	55.697	-	1.154.823	-	712.550
OOO PRIMA POWER	1.630.701	38.624	-	50.377	-	-
PRIMA ELECTRO SpA	20.765	182.659	253.599	4.071.319	-	268.480
PRIMA ELECTRO NORTH AMERICA LLC	3.198	24.908	-	4.905.301	-	-
FINN-POWER OY	3.964.528	191.897	1.334.072	456.435	-	362.353
PRIMA POWER IBERICA	6.543.870	27.620	4.116	356.053	-	168.145
PRIMA POWER FRANCE Sarl	491.007	22.468	2.823	17.901	-	15.850
PRIMA POWER NORTH AMERICA Inc	9.647.298	156.407	2.018	-	-	5.758
PRIMA POWER BENELUX NV	873.274	22.188	-	1.890	-	-
FINN-POWER ITALIA Srl	52.719	280.898	20.531	163.609	-	21.293
PRIMA POWER LASERDYNE LLC	34.810	268.118	4.862	65.999	-	-
PRIMA POWER SOUTH AMERICA LTDA	117.978	3.804	-	58.838	-	103.734
PRIMA MACHINE SERVICE INDIA PR. LTD	64.113	1.760	-	19.798	-	99.055
PRIMA POWER MAKINA TICARET LTD	894.898	14.248	-	97.042	-	7.268
PRIMA POWER AUSTRALASIA PTY LTD	-	1.124	-	-	-	-
PRIMA POWER SUZHOU CO LTD	936.536	31.120	-	-		2.400
STRATEGIC MANAGEMENT				-	338.520	597.632
BOARD OF AUDITORS				-	-	105.000
TOTAL	*36.198.700*	*1.590.778*	*1.668.196*	*11.973.646*	*338.520*	*2.640.634*

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 (receivables from PRIMA ELECTRO for 118 thousand Euro and payables to FINN-POWER ITALIA of 909 thousand Euro).

NOTE 11.32 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

The table below summarizes non-recurring transactions that have had a positive impact on the income statement for a total of 2,119 thousand Euro, of which 2,602 thousand Euro on EBITDA and 483 thousand Euro on financial items.

Values expressed in Euro thousand	Other operating revenues	Personnel costs	Other operating costs	Financial income and expenses	TOTAL
Research and development projects	2.940	-	-	-	2.940
Legal/fiscal disputes	-	-	(250)	-	(250)
Organization actions	-	(50)	(2)	-	(52)
Other minor events	-	-	(36)	-	(36)
Surplus value fpr SUP transfer	-	-	-	1.039	1.039
Impairment of investments	-	-	-	(1.522)	(1.522)
December 31st, 2014	**2.940**	**(50)**	**(288)**	**(483)**	**2.119**

NOTE 11.33 - TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with CONSOB Communication dated 28 July 2006, during 2014 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 31/12/2014 amounted to 60,343 thousand Euro (at 31/12/2013 they totalled 63,931 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 greater detail on the subject of the net financial position to see the following notes:

- 11.5 - Financial assets - Loans to subsidiaries
- 11.12 - Cash and cash equivalents
- 11.15 – Loans

Values expressed in thousand Euro

		31/12/14	31/12/13	Variations
A	CASH	6.820	3.402	3.418
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**6.820**	**3.402**	**3.418**
E	**CURRENT FINANCIAL RECEIVABLES**	**1.319**	**593**	**726**
F	CURRENT BANK PAYABLES	15.969	5.788	10.181
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	24.955	35.861	(10.906)
H	OTHER CURRENT FINANCIAL PAYABLES	3.756	368	3.388
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**44.680**	**42.017**	**2.663**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**36.541**	**38.022**	**(1.481)**
K	NON-CURRENT BANK PAYABLES	66.379	72.100	(5.721)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	1.360	1.596	(236)
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**67.739**	**73.696**	**(5.957)**
O	**NET FINANCIAL POSITION (J+N)**	**104.280**	**111.718**	**(7.438)**

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, 2014

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	PRIMA POWER MEXICO SRL de CV
NON-CURRENT ASSETS	322	87	176	309	83	39	92	4	3.510	123.432	11.751	282	52	39	19	28	3.331	-	4.446	-
CURRENT ASSETS	7.450	2.323	4.980	4.855	573	5.059	1.866	418	3.438	59.847	23.203	9.029	2.394	2.222	76	526	31.825	405	13.367	212
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-	-	-	-	-	-	-	284	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**7.772**	**2.410**	**5.156**	**5.164**	**656**	**5.098**	**1.958**	**422**	**6.948**	**183.279**	**35.238**	**9.311**	**2.446**	**2.261**	**95**	**554**	**35.156**	**405**	**17.813**	**212**
SHAREHOLDERS' EQUITY	(7.248)	908	733	1.402	(221)	2.416	1.010	(148)	3.835	87.957	10.291	5.841	(646)	(394)	87	85	12.606	287	5.342	12
NON-CURRENT LIABILITIES	484	180	28	134	35	2	-	-	-	53.050	2.870	-	72	7	-	-	1.552	-	1.116	-
CURRENT LIABILITIES	14.536	1.322	4.395	3.628	842	2.680	948	570	3.113	42.272	22.077	3.470	3.020	2.648	8	469	20.998	118	11.355	200
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7.772**	**2.410**	**5.156**	**5.164**	**656**	**5.098**	**1.958**	**422**	**6.948**	**183.279**	**35.238**	**9.311**	**2.446**	**2.261**	**95**	**554**	**35.156**	**405**	**17.813**	**212**

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	PRIMA POWER MEXICO SRL de CV
REVENUES	24.690	3.323	16.889	20.954	1.250	3.234	7.258	729	-	107.140	46.238	15.583	7.088	8.149	-	376	64.734	983	18.406	5
EBIT	(420)	121	575	1.465	(390)	1.090	138	(140)	(1.273)	7.782	1.615	709	(386)	(183)	-	(8)	3.312	27	842	12
PROFIT BEFORE TAXES	(490)	132	482	789	(484)	1.115	174	(142)	(1.248)	6.650	1.433	762	(400)	(185)	-	13	3.017	18	768	12
NET INCOME	**(497)**	**117**	**423**	**603**	**(484)**	**847**	**140**	**(142)**	**(1.248)**	**6.543**	**259**	**515**	**(400)**	**(196)**	**-**	**13**	**1.750**	**18**	**484**	**12**

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	35.988	16	11.061	1
CURRENT ASSETS	24.467	769	14.229	1.621
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-
TOTAL ASSETS	**60.455**	**785**	**25.290**	**1.622**
SHAREHOLDERS' EQUITY	29.091	681	18.433	374
NON-CURRENT LIABILITIES	5.056	-	2.547	-
CURRENT LIABILITIES	26.308	104	4.310	1.248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**60.455**	**785**	**25.290**	**1.622**

Values expressed in Euro thousand	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
REVENUES	38.880	646	14.842	1.615
EBIT	4.496	(92)	(678)	278
PROFIT BEFORE TAXES	4.247	(84)	(650)	336
NET INCOME	**2.921**	**(84)**	**(554)**	**245**

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 2014 for audit and non-audit services provided by the independent auditors and entities belonging to its network.

Audit Costs (expressed in Euro thousand)	2014
Parent Company audit	106
Subsidiary audit	209
Other services	8
TOTAL	**323**

FINANCIAL STATEMENT AS AT 31.12.2014 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 (Executive Chairmam) 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 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 2014.

2. That no significant facts have emerged regarding thereto

3. We also certify that:

3.1 the 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.

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: 04/03/2015

Signature of the Executive Chairman

Signature of the Manager responsible for the drafting Corporate accounting documents

Reconta Ernst & Young S.p.A.
Via Confienza, 10
10121 Torino

Tel: +39 011 5161611
Fax: +39 011 5612554
ey.com

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 2014 and for the year then ended, comprising the balance sheet, the income statement, the comprehensive income statement, 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.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 21, 2014.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at 31 December 2014 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 2014.

Turin, 18 March 2015

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.

Building a better
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 consolidated financial statements of Prima Industrie S.p.A. and its subsidiaries, (the "Prima Industrie Group") as of 31 December 2014 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.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 21, 2014.

3. In our opinion, the consolidated financial statements of Prima Industrie Group at 31 December 2014 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 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

Reconta Ernst & Young S.p.A.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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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 2014.

Turin, 18 March 2015

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 (Turin)
Share capital: 26,208,185.00 Euro fully paid up
Registered in the Turin Business Registry under No. 03736080015
www.primaindustrie.com

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BOARD OF AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING CONVENED FOR APPROVAL OF THE FINANCIAL STATEMENTS AS OF
31 December 2014
(in accordance with art. 153 of Legislative Decree No. 58 dated February 24, 1998) and art. 2429 of the Italian civil code)

To the Shareholders of Prima Industrie S.p.A.,

in accordance with the provisions and obligations set out in Articles 153 and 149 of Legislative Decree No. 58 dated February 24, 1998, with the regulations and recommendations provided and in accordance with Article 2429, paragraph 2, of the Italian Civil Code, we report the following with regard to the activities carried out in the past financial year 2014 and to the conclusions we have reached.

Oversight and information received

During the year we have:

- held seven board meetings, each attended by all members of the board, attended eleven meetings held by the Board of Directors, as well as the six meetings held by the Audit and Risk Committee, intervening also in our function of Committee for Internal Control and Audit and took part in a one Shareholders' Meeting;
- maintained a constant informative channel and held regular meetings with the auditing company, for timely exchanges of data and information relative to the performance of their respective duties;
- gathered documents and information deemed relevant by the Executive Directors, the Manager in charge of drafting the company's accounting documents and other company functions and met the Internal Auditor Group;

The functions of Supervisory Body pursuant to Legislative Decree no. 231/2001 have been carried out by the Board of Auditors as assigned by the Board of Directors on May 14, 2013. The Body met eight times in 2014 and issued its annual report on February 25, 2015.

During the Board meetings, we were informed about the activities performed and the most significant transactions from the economic, financial and equity viewpoint, implemented and being implemented, and we acquired information relative to their compliance with the law, the by-laws, the resolutions passed by shareholders' meetings and the absence of any conflicts of interest.

With particular reference to art. 19 of Legislative Decree No. 39 dated January 27, 2010 , we held joint meetings and we have coordinated with the Audit and Risk Committee, proceeding in particular to supervise the process related to financial information, the effectiveness of the internal audit and risk management systems, on statutory annual and consolidated audit and on aspects relating to the independence of the external auditing firm.

In the sphere of the meetings with the external auditing company and the risk control committee, we examined the work program adopted by them, received information about the accounting standards used, the book representation of the most significant transactions that took place during the year under consideration, and the outcome of the auditing activities.

We acknowledge that the external auditing company Reconta Ernst & Young S.p.A., on the independence of which we have no reservations, presented us today the report referred to in the third paragraph of Art. 19 of Legislative Decree no. 39 dated January 27, 2010 , reporting that there were no fundamental issues or significant deficiencies in the internal audit system with reference to the financial reporting process and the document "*Annual independence confirmation*" pursuant to art. 17, paragraph 9, of the aforementioned decree.

We assessed and verified the adequacy of internal auditing and administrative-accounting systems and the reliability of the latter in correctly representing the management information. This was done by collecting information from the managers of the respective functions, as well as by analysing the company documents, analysing the report of the Internal Audit Group, analysing the results of the work performed by the external auditing company and by taking part in the meetings of the Auditing and Risks Committee established by the Board of Directors of the company and consisting of three independent members of the Board.

The Board of Auditors acknowledges that the company has started projects in the Enterprise Risk Management field and related to the preparation of the integrated audit plan for 2015, in light of the increased complexity of the company's organizational structure and the competitive environment in which the company operates, and hopes that such a path is implemented in the year 2015 through the structuring of more efficient audits.

We monitored the method of actual implementation of the rules of corporate governance specified by the Code of Self-discipline adopted by Prima Industrie S.p.A.. In particular, we checked, on an annual basis the existence of the requirement of independence in relation to the independent members of the Board of Directors.

We acknowledged that the Board of Directors has carried out a self-assessment, as recommended by the Code of Conduct.

On the basis of the activities of oversight performed by us, we can express an evaluation of adequacy of the organization structure to the size and activities performed by the company, the system of internal control as a whole, and the ability of the account management to correctly represent the events of management.

The Board of Directors sent us the financial report relating to the first six months of the previous financial year, as well as the quarterly reports for the first and third quarter of 2014, within the specified period. These were published within the periods and as required by the regulations.

The half-yearly report on consolidated information on Prima Industrie Group was subject to a limited audit by Ernst & Young S.p.A. The quarterly data and information were not audited as this was not a mandatory requirement.

We examined the draft Financial Statements at December 31, 2014, prepared by the Directors as required by the law and communicated by them to the Board of Statutory Auditors during the board meeting held on March 4, 2015. The financial statements include the certification by the Chairman and Manager appointed to prepare the corporate accounting documents pursuant to art. 154-bis of Legislative Decree no. 58 dated February 24, 1998.

In particular, we ascertained that no exceptions were applied as referred to in art. 2423, fourth paragraph, of the Italian Civil Code.

In addition, we acquired the necessary information from the external auditing company Reconta Ernst & Young S.p.A. on the report which has been issued on today's date on the Financial Statements 2014 in accordance with article 156 of Legislative Decree No. 58 of February 24, 1998 and nothing of any particular significance was raised.

We monitored, for the aspects of our responsibility, the Procedure compliance with local regulations concerning transactions with related parties. Concerning intercompany transactions, or those with related parties of ordinary nature, they are described in the Management Report and we will refer to it in relation to their characteristics and their economic importance.

We assessed the adequacy, in relation to the method, of the *impairment* process set up to check the existence of any impairment losses on assets entered in the balance sheet.

We have verified that the Directors' Report on Operations for the year ended on December 31, 2014 conforms to the laws and regulations in force, consistent with the resolutions adopted by the Board of Directors, with the facts represented by the financial statements and those occurring after the end of the year.

In the course of the supervision, carried out according to the method described above, no significant facts have emerged that would require reporting to the control bodies or to be mentioned in this report.

Consob Communication no. 1025564 of April 6, 2001

With reference to the Consob recommendations we indicate that:

- The information provided by the Directors in the Management Report was found to be thorough and complete.
- in compliance with the Consolidated Text on Finance (Legislative Decree No. 58 of February 24, 1998), we have been constantly informed on all matters within our sphere of competence;
- the periodical reviews and audits made on the company have not brought to light the existence of atypical and/or unusual transactions with third parties, related parties or intercompany, as defined by the Consob Communication dated July 28, 2006;
- the instructions given by Prima Industrie S.p.A. to its subsidiaries, in accordance with article 114, paragraph 2 of Legislative Decree No. 58 of February 24, 1998 are believed to be adequate;
- with reference to the provision of Article 36 of the Market Regulation issued by Consob concerning relevant subsidiaries established and governed by the laws of non-EU countries - as of December 31, 2014 - the company to which applies this provision are included among the relevant companies related to Prima Industrie control system on financial reporting with respect to which no deficiencies were reported;
- as regards intra-group operations, the Directors, in their Report on Operations, highlight and illustrate the existence of relations between the company and the other companies of the group to which it belongs, as well as associated companies, specifying that these relations were entertained at market conditions deemed normal on the respective reference markets, taking account of the characteristics of the goods and services provided and/or loans granted to the subsidiaries. These transactions are carried out in compliance with the specific procedures adopted by the Company, and meet the company interest, and comply with the provisions introduced in this regard;
- from the talks and the meetings with the management and the supervisory bodies of the main subsidiaries no aspects to be reported have emerged;
- the organizational, management and control model appears adequate pursuant to Legislative Decree no. 231 of June 8, 2001 and subsequent amendments, concerning the administrative liability of the Bodies for

offenses provided for by those regulations, but could be further improved in terms of prevention of offenses and on the audit system organization. The model needs to be updated for the introduction of new offenses such as the "*self-laundering*" criminal offense;

- no critical aspects arose during the meetings held with the auditors pursuant to art. 150 of Legislative Decree No. 58 dated February 24, 1998;
- additional assignments were not conferred to Prima Industrie SpA, by the external auditing firm Ernst & Young SpA in addition to the provisions of art. 155 of Legislative Decree no. 58 dated February 24, 1998. The activities required to the external auditing company and their fees are detailed in the notes to the financial statements and they have been summarized by the auditors themselves (Audit of the parent company for 106,000 Euro. Audit of subsidiaries 209,000 Euro. Other services 8,000 Euro);
- the external auditing company's report, issued in today's date, does not contain any objections, informative observations or proposals and considers the Management Report coherent;
- in compliance with art. 149, paragraph n. 1, sub-paragraph c) bis of Legislative Decree no. 58 of February 24, 1998 the Directors in their report on Corporate Governance and Ownership Structure point out that: *"The Issuer complies with the Code of Conduct for listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana SpA, Abi, Ania, Assogestioni, Assonime, and Confindustria".* The above was 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 to for a more adequate and complete information about it. This report is consistent with the provisions of art. 123-bis of the Unified Text of the Law and the auditing company has expressed its finding of coherence of the information cited in clause 4 of legislation;
- we examined the Remuneration Report prepared pursuant to art. 123-ter of Legislative Decree no. No. 58 dated February 24, 1998) and art. 84 quater of the Issuers Regulations transmitted to us by the Board of Directors at the board meeting held on March 4, 2015, on which the Board is asked to vote in favour or against with non-binding vote;
- pursuant to art. 2408 of the Italian Civil Code, we have not received any complaints from shareholders relating to any potentially censurable deeds, and no claims have been filed by shareholders and/or others;.
- during the year we provided the opinion pursuant to art. 2389, paragraph 3, of the Italian Civil Code on the determination of the remuneration of directors vested with special powers.

We acknowledge that Prima Industrie S.p.A. is not in a situation of dependence or subsidiarity to other companies and that it does not hold any treasury stock.

We inform you that the stock option plan approved by the Ordinary Shareholders' Meeting held on April 29, 2008, has expired on June 30, 2014.

Conclusions

In concluding our report, we acknowledge that the Board of Directors has provided during the year to check the effective independence of the independent directors, and we confirm the correct application of the criteria and procedures for ascertaining this pursuant to art. 3.cl.5 of the Code of Self-Discipline while, for our part, we verified our own independence as required by art. 8.c.1. of the same Code.

As regards the financial statements for the year ending December 31, 2014, showing a profit of Euro 784,956, we verified respect of the laws regulating its composition and format, through the controls performed by us, within the limits of our competence, in accordance with art.149 of Legislative Decree no. 58 dated February 24, 1998, taking account of the information provided to us by the auditing company.

In view of the above, in consideration of the statutory audit performed by the external auditing firm Ernst & Young SpA which reported that no irregularities were found on the financial statements of your Company, to the best of our knowledge we believe that the financial statements of the year ended on December 31, 2014 can be approved as well as the proposal of the Board of Directors regarding the allocation of profit for the year equal to 784,956 Euro for 39,248 Euro to the Legal Reserve and to the distribution, in the form of ordinary dividends, of the remaining 745,708 Euro of the above mentioned profit, and 1,350,947 Euro related to earnings and profits previously allocated to the Extraordinary Reserve, amounting to a total dividend of 0.20 Euro per share.

Collegno, March 18, 2015

The Board of Statutory Auditors

(Mr. Franco Nada)
Chairman

(Mrs. Paola Borracchini)
Statutory Auditor

(Mr. Roberto Petrignani)
Statutory Auditor

PRIMA INDUSTRIE GROUP

***

BOARD OF AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING ON
31 December 2014

To the Shareholders of Prima Industrie S.p.A.,

the Board of Directors of your Company has drafter and approved the consolidated financial statements for the year ending on December 31, 2014 in compliance with Legislative Decree No. 127 dated April 9, 1991 and the provisions enacted to implement art. 9 of Legislative Decree No. 38 of February 28, 2005 which were presented to us at the Board Meeting on March 4, 2015.

The consolidated financial statements of the group include certification by the Chairman and Manager appointed to prepare the accounting and corporate documents pursuant to art. 154-bis of Legislative Decree no. 58 dated February 24, 1998.

The consolidated financial statements of the Prima Industrie Group, which are presented to you, show a net Result of 9,388,546 Euro of which attributable to shareholders of the parent company for 9,762,948 Euro and to minority shareholders for 374,402 Euro and are drafted in compliance with the International Financial Reporting Standards (IAS/IFRS).

During the course of the year, the Board of Statutory Auditors performed the activities of oversight required by the law and was regularly informed by the parent company's Board of Directors about significant economic and financial operations, both ordinary and extraordinary, undertaken within the scope of group.

We verified that the operations resolved and implemented were in accordance with the law and Articles of Association, were not in conflict with the resolutions of the meetings, or in potential conflict of interest and that compliance with the principles of proper management was assured.

We paid particular attention to reviewing intra-group operations taking place during the year, observing the regularity of transactions, both where these operations were of a commercial nature and also where they related to the loans extended by the parent company to the subsidiaries.

The checks carried out by Reconta Ernst & Young S.p.A., who were appointed to perform the legal audit, verified that the information of the consolidated financial statements corresponded to the accounting entries of the parent company, as well as to the financial statements of the subsidiaries and associated data officially communicated by them.
The Board of Statutory Auditors did therefore not review these Financial Statements, in accordance with the provisions of section 41 no. 3 of Legislative Decree No. 127 dated April 9, 1991.

We record that we obtained the necessary information in relation to the Report on the Consolidated Financial Statements from the auditing company, in accordance with Art. 156 of Legislative Decree No. 58 of February 24, 1998, on today's date and nothing of any particular significance was raised. The auditing company confirmed that the Report on Operations was coherent with the consolidated financial statements of Prima Industrie S.p.A. and the information provided pursuant to art. 123-bis of Legislative Decree no. 58 dated February 24, 1998 in the report on corporate governance and proprietary arrangements.

The determination of the area of consolidation and the choice of the consolidation standards and procedures adopted comply with the IFRS requirements. The Consolidated Financial Statements structure is therefore to be considered technically correct and as a whole in accordance with the applicable regulations.

As in previous financial years the Board of Directors drafted a single Report on Operations, which provides all information required in relation to the Parent Company and individual Subsidiaries.

We make reference to this report, which adequately illustrates the economic, equity and financial performance of the company in 2014, to the main risks to which the company is exposed and the foreseeable developments relative to 2015 for all the companies included in the area of consolidation.

The examination conducted by us confirmed congruence with the Group Consolidated Financial Statements.

The Explanatory Notes to the Consolidated Financial Statements highlight the general criteria used in the preparation of the financial statements, as well as the criteria applied in the evaluation of each item.

For purposes of comparison, the consolidated financial statements present the data corresponding to the previous year.

On the basis of the checks performed, the Board of Statutory Auditors agrees with the content and the form of the Consolidated Financial Statements of the Group for the year ending December 31, 2014.

Collegno, March 18, 2015

The Board of Statutory Auditors

(Mr. Franco Nada)
Chairman

(Mrs. Paola Borracchini)
Statutory Auditor

(Mr. Roberto Petrignani)
Statutory Auditor