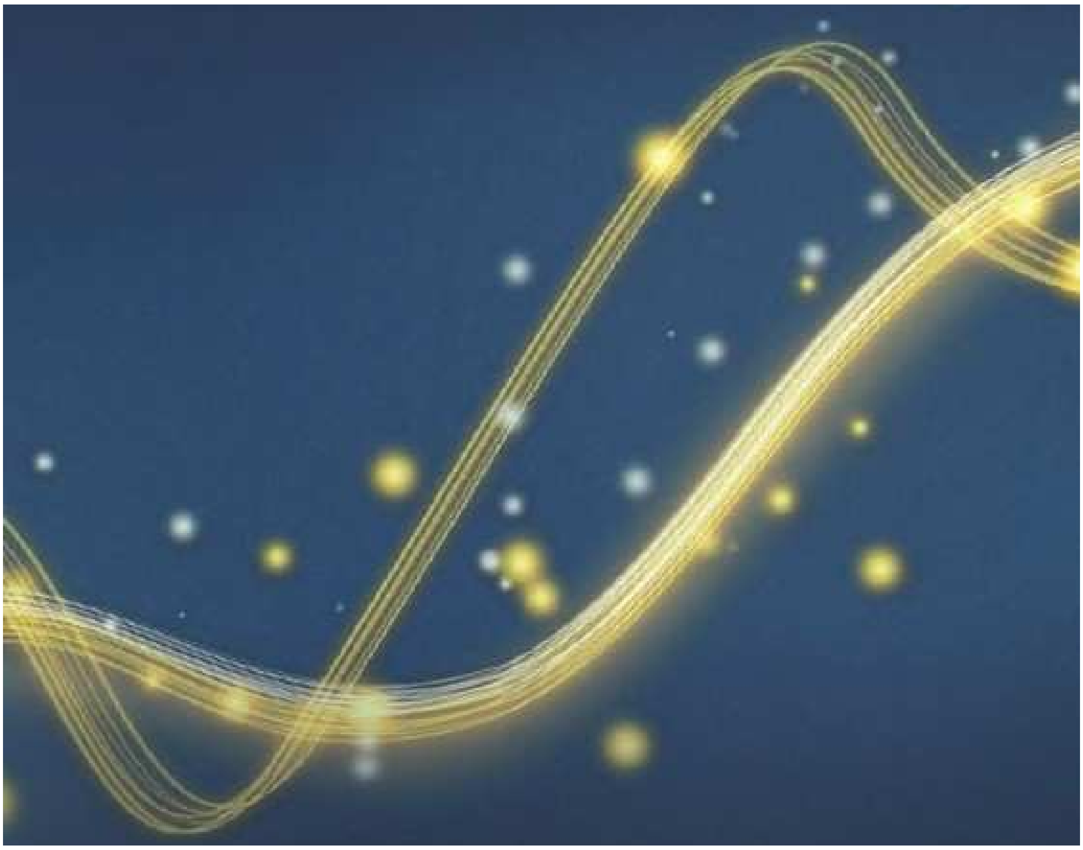


2015 ANNUAL FINANCIAL REPORT

PRIMA INDUSTRIE S.p.A.
Registered office: via Antonelli 32 – Collegno (Turin)
Share Capital 26,208,185 Euro (fully paid-up)
Company Register of Turin and VAT No. 03736080015

CONVOCATION OF SHAREHOLDERS MEETINGS
Please note that the Ordinary Shareholders' Meeting convening notice has been published on the website of the Company (www.primaindustrie.com). It will be held at the Associated Notary's Office Nardello Stefani Marcoz, Corso Duca degli Abruzzi no. 18, Turin, at 9.30 am on April 20, 2016 on first call, and on second call, if necessary, on April 21, 2016, at 11:00 am at the new offices of the Company's located in Strada Torino-Pianezza no. 36 Collegno (TO) to discuss the following:

AGENDA

1. 2015 Financial Statements and related reports: subsequent resolutions. Audit of the 2015 consolidated financial statements;
2. Remuneration report in accordance with Article 123-ter of the T.U.F. (Unified Finance Law);
3. Appointment of the Board of Statutory Auditors and of its Chairman; determination of the remuneration for the entire term of office, financial years 2016-2017-2018;
4. Authorization to buy and sell treasury shares in accordance with articles 2357 and 2357-ter of the Italian Civil Code, art. 132 of the T.U.F. (Unified Finance Law) and art. 144-bis of the Issuers Regulations and subsequent additions and modifications; related and consequent resolutions.

It is envisaged as of now, given the shareholding structure of the Company, that the Board may be constituted and deliberate on April 21, 2016.

Entitlement to attend
Those entitled to attend the meeting are the holders of voting rights at the end of the accounting day of April 11, 2016 (record date) and for which the Company has received notification by the qualified intermediary.
Each entitled can appoint a representative for the Meeting with a proxy pursuant to the law.
The proxy forms are available on the Company's website (www.primaindustrie.com) and they will be sent to those who request them by telephone at the no. 011.0923200.

Documentation
The Meeting convening notice has been published on the website of the Company (www.primaindustrie.com). It contains all the information and detailed instructions on the rights exercisable by Shareholders (submission of applications, additions to the agenda, filing of lists appointment of the Board of Statutory Auditors).
The reports and proposals on the topics on the agenda are made available to the public at the registered office, in the aforementioned website of the Company, as well as in the storage site 1Info (www.1info.it) within the terms of the law and will be provided to those who request it.

Chairman of the Board of Directors
Gianfranco Carbonato

MANAGEMENT AND CONTROL

Board of Directors

Executive Chairman	Gianfranco Carbonato
Managing Directors	Ezio G. Basso [(1)] Domenico Peiretti [(2)]
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

"We are investing to reach the next upper level"

Ladies and Gentlemen,

In 2015 Consolidated Revenues of our Group have reached € 364.5 million, so finally returning to 2008 pre-crisis level. This represents an annual growth rate (CAGR) in last six years of 7.8%, fully organic, as no change has occurred to our business area since the fundamental acquisition of Finn-Power in early 2008.
In the last two years, however, our growth rate has been slowing down to about 4.2% per year, mainly because of soft landing in China and significant issues in other emerging markets such as Russia and Brazil.

Market volatility has increased in last months and also Market Reports issued by Independent Economic Analysts, such as Oxford Economics, are more uncertain when addressed to future forecasts as well as when looking backwards, because of significant currency exchange variations recently experienced.
However, last Autumn 2015 Oxford Economics Report forecasted a 4.3% decline in World Machine Tool consumption (measured in local currencies) for 2015 and a 4.1% growth for 2016.
Also considering that laser segment is usually more dynamic (being higher tech) we believe that our 4.0% growth for 2015 should be consequently regarded as a positive result.

In terms of profitability the Group reached an Ebitda of € 31.4 million and a Net Profit of € 6.0 million. Our profitability has been impacted by several factors such as i) not recurring costs for restructuring of some of our subsidiaries, ii) one-off costs for refinancing our m/l term debt up to 2021 and iii) lower proceeds from licensing and other incomes.
To the contrary, we have increased our depreciations since we have continued to invest to reach the next upper level and to enhance our m/l term perspectives.

Among our recent investments we would like to mention:

1. The new facility in Suzhou and the new sales and service organization in China.
   China is the world largest market for capital goods and is our second largest (after USA). We strongly believe we have made the right choice for our future, even if it may have impacted our short term profit.

2. The significant R&D investments (6.5% of revenues), as acknowledged by EU Authorities, which have confirmed Prima Industrie in the group of the most 500 knowledge-based Companies in the continent.
   In particular, our laser machines segment has recorded a substantial activity on new product developments. After the successful launch of Laser Next in late 2014 (which is today the most performing 3D laser machine in the market), we introduced Laser Genius in November 2015 at Blechexpo (Stuttgart) and Fabtech (Chicago) exhibitions.

Laser Genius is a very advanced 2D laser system, based on innovative materials (Synthetic Granite for the frame, Carbon Fiber and Linear Motors for high dynamics moving parts) and can be defined as an "ironless machine tool", whose performance is at the top of today's technology.

3. As part of our R&D activity, we are proud to have completed development and industrial start up of our Fiber Laser CF3000. We are the first laser machine manufacturer to introduce its fully proprietary Fiber Laser to the market.
   This will offer more alternatives to our customers, will improve our margins and make more effective our application support and after sale service activities.
   The new laser is the first of a family of products which will be manufactured in Italy, USA and China by our Prima Electro Division.

4. Also as a new R&D investment, we have started a new Research activity, partially supported by Horizon 2020 projects (such as BOREALIS, of which we are the leading company), in the new promising business of Additive Manufacturing by laser direct deposition process.

Our Group policy, oriented to strategic long term growth, is also confirmed for 2016, as we will inaugurate soon our new Headquarters and Demo Center in Collegno, Torino, to better serve our customer base in Europe.

Looking forward, our outlook for 2016 is quite positive and is supported by a record order intake in Q4/2015 and by an increase of 25% of our year-end backlog, even though the new year has unfortunately started under a huge storm on all financial markets.

The new situation is driven by external factors, such as oil & gas price collapse, instability of EU banking system, slow down of Chinese economy and political turbulences in the Middle East. These factors may put at risk the consumers' and investors' confidence, particularly in Europe, where recovery has just started after many years of recession or slow growth.
So uncertainty and volatility will be again a probable scenario for 2016, but our commitment is to face them as effectively as we can.

In consideration of the year-end results and of our stable financial situation, we are pleased to propose to the next Shareholder's Meeting a Dividend distribution of € 0.25/share (25% higher than previous year), corresponding to a pay-out ratio of approximately 50%.

In conclusion, we would like to warmly thank all our shareholders, employees, customers partners and the Company's friends for their confidence and support.

Yours sincerely,

Gianfranco Carbonato
Executive Chairman

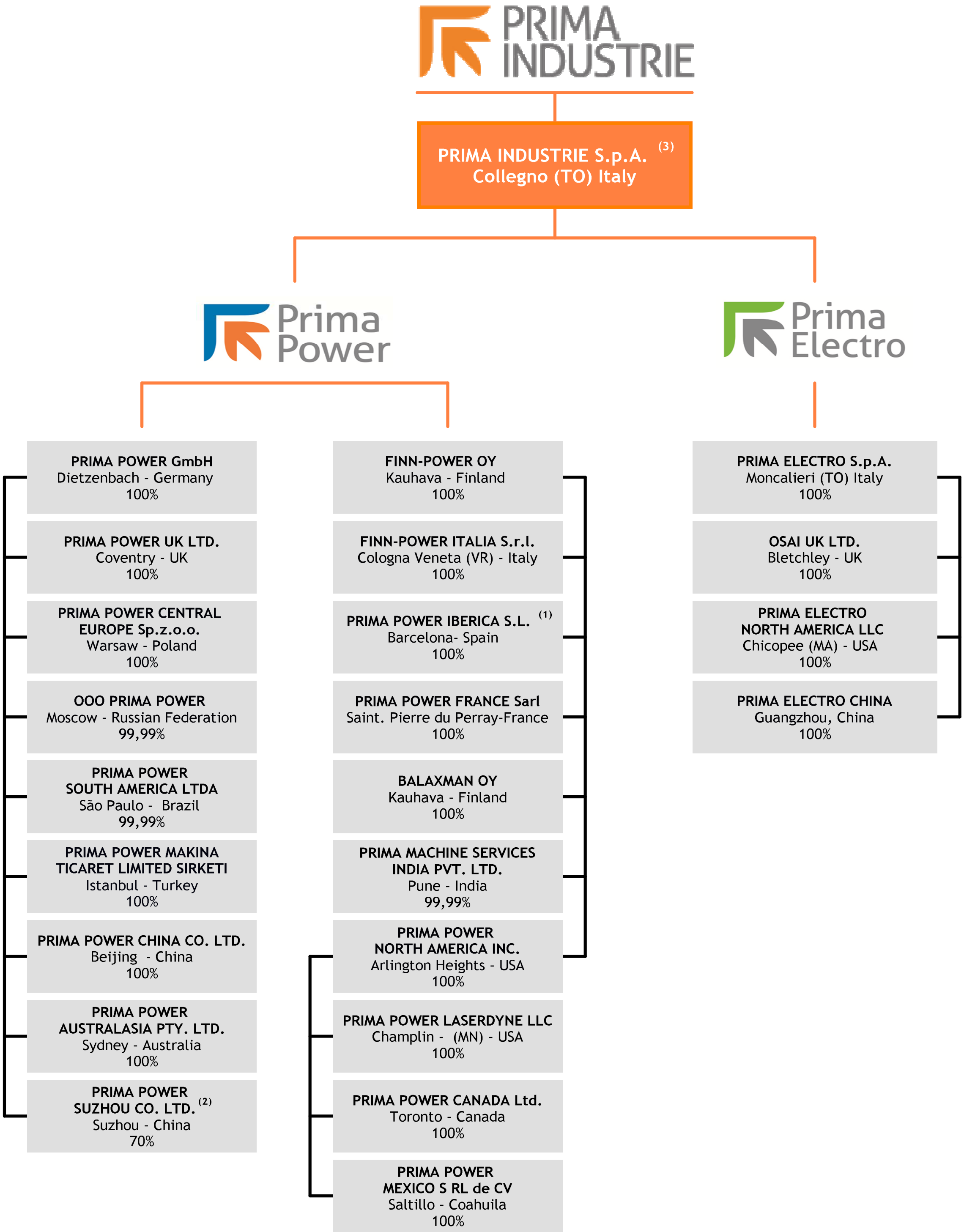
INDEX

CHAPTER 1

Structure and Profile of PRIMA INDUSTRIE GROUP
December 31st, 2015

CHAPTER 1. STRUCTURE AND PROFILE OF PRIMA INDUSTRIE GROUP AS OF DECEMBER,31ST, 2015

STRUCTURE OF PRIMA INDUSTRIE GROUP



The statement on this page represents the corporate situation of PRIMA INDUSTRIE Group on December 31, 2015.

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

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 12,000 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), in China (PRIMA POWER Suzhou Co. Ltd.) and has direct sales and customer service facilities in France, Switzerland, Spain, Germany, the United Kingdom, Belgium, Poland, Czech Republic, Lithuania, Hungary, Russia, Turkey, USA, Canada, 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 9, 2016.

AREA OF CONSOLIDATION

The only corporate change that occurred during the year 2015 relates to the Belgian company Prima Power Benelux NV, 100% owned by FINN-POWER OY, that on 01/07/2015 has merged with the *branch* office of the same Finnish parent company located in Belgium. This change does not affect the consolidation area.

On December 31st, 2015 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, POLAND	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 – Istanbul, TURKEY	TRY 1.470.000	100%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Room 2006, Unit C, Tower 1, Wangjing SOHO, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
PRIMA POWER AUSTRALASIA Pty. LTD.	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	€ 160.005	100%	Line-by-line method
BALAXMAN Oy	Metallitie 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method
PRIMA MACHINE SERVICES INDIA PVT. LTD.	Plot No A-54/55, H Block, MIDC, Pimpri, Pune - 411018, Maharashtra, INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER 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

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 SA	Boulevard Poissonnière 14-16, 75009 Paris - FRANCE	€ 1.576.361	18,19%	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, 2015 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, 2015 and 2014 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 EBT (which corresponds to the "Income before taxation"),
- EBITDA, EBIT and EBT Adjusted (hereinafter referred to as “Adj”) correspond to the same alternative performance indicators net of non-recurring items.

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	2015	2014	31/12/15	31/12/14
US DOLLAR	1,1096	1,3288	1,0887	1,2141
CHINESE RENMINBI	6,9730	8,1883	7,0608	7,5358
RUSSIAN RUBLE	68,0068	51,0113	80,6736	72,3370
TURKISH LIRA	3,0219	2,9070	3,1765	2,8320
POLISH ZLOTY	4,1828	4,1845	4,2639	4,2732
POUND STERLING	0,7260	0,8064	0,7340	0,7789
BRAZILIAN REAL	3,6916	3,1228	4,3117	3,2207
INDIAN RUPEE	71,1752	81,0689	72,0215	76,7190
AUSTRALIAN DOLLAR	1,4765	1,4724	1,4897	1,4829
CANADIAN DOLLAR	1,4176	1,4669	1,5116	1,4063
MEXICAN PESO	17,5995	17,6621	18,9145	17,8679

CHAPTER 3

GROUP Management Report

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's 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, although the diffusion of the fiber technology has reduced the barriers for the entrance of laser machines. 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, it may not be able to successfully compete in key markets. If the Group is unable to maintain its position in the relevant markets, this could have a negative impact on the business, results, financial condition or future prospects.

Risks associated with financial requirements

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.

Risks related to employment of key personnel of the Group

The PRIMA INDUSTRIE Group includes some key figures who, through their experience in the industry and deep knowledge of the Group business, achieved by virtue of the long-term relationship with the Group, have contributed decisively to its success. The future results of the Group depend in part on the skills and involvement of key figures.

The ability to attract and retain qualified personnel by the Group is one of the elements that contribute to the achievement of certain results. If one or more key figures should stop its cooperation with the Group and the latter would not able to attract additional qualified personnel, there may be a risk that it will not able to replace them in a timely manner with figures equally qualified and capable of ensuring, even in the short term, the same contribution, with consequent negative effects on business and on the economic and financial position of the Group.

PROCESS RISKS - STRATEGIC

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

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 assets, 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 it is necessary or it is expected to be granted. External parties may infringe the patents and/or intellectual property rights of the Group and it 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 cannot 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 would not be sufficient. 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 might result in a further rise of debt and/or other liabilities that could 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 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; if these are missing the percentage held by the company could be reduced, with negative impacts on the overall economic performance.

PROCESS RISKS - OPERATING

Risks associated with possible defects of products sold by the Group

The PRIMA INDUSTRIE Group manufactures and markets products with high technological content. A significant portion of the products sold is represented by new or newly designed products, which by their nature can show defects. Any defects of products may require extraordinary maintenance and entail contractual liabilities. In this regard, it should be noted that both divisions of the PRIMA INDUSTRIE Group consider continuous quality improvement a primary goal. In this respect, the two divisions have formed autonomous organizations aimed at continuous quality control, while in each production plant there are local units that operate according to the principles of quality defined by 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. The possible dependence on manufacturers of fiber laser sources (currently the prerogative of a few parties), will be mitigated by the industrialization of our laser with fiber technology. 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 could be 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 the delivery of raw materials and semi-finished products could lead to delays in the delivery of products to the customer; this does not ensure the certainty to recover by the supplier possible claim for damages by the customer, with 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 collection on its sales and more generally from the difficulty of obtaining loans to support operational activities in the necessary time. 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 collection can also be done in quotas, whose last one occurs after the commissioning of the machine or system at its plant- The period of time necessary for the production cycle and the commissioning is therefore usually much longer than that relating to the payment of suppliers. In addition, customers often carry out the investment with a medium long term financial support, support which sometimes requires a long time to be obtained. It is usual that the Group has to face these needs and therefore that its working capital cycle may lengthen in time and adversely affect the liquidity of the Group. These situations create the need for the Group to have adequate lines of credit and bear the cost for their use. A difficult trend in the financial market or intrinsic difficulties by customers in raising financial funds in the short term could have a negative impact on the economic and financial performance of the Group.

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 may use, if necessary, 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 Net Financial Position part not promptly hedged by derivatives. It should be specified that the current Net Financial Position of the Group includes a seven-year non-convertible bond whose interest rate is fixed, so it is not exposed to interest rate changes. 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.

Credit risk

The Group only deals with noted and trustworthy clients; furthermore, the amount of receivables 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 assets are shown in the financial statements 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 possibly 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. C*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 and 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 can 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 related to legal, tax or labour law 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.

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 payables, 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.

2015 SIGNIFICANT EVENTS

NON CONVERTIBLE BOND LOAN ISSUE

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 bond, placed exclusively with qualified investors, has 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*

(*) net of non recurring costs

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.

NEW MEDIUM-LONG TERM BANK LOAN CONTRACT AND FULL FINPOLAR LOAN REPAYMENT

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" quota expires every six months starting from 31/12/2015;
- the maximum amount of debt allowed (including the bond loan and this loan) is 210 million Euro at Group level;
- the following financial *covenants* must be met:

EBITDA*/Consolidated Net Financial costs ratio not less than:	*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:	*3,50 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*

(*) net of non recurring costs

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.

EPS SA IPO ON EURONEXT PARIS
On 22/04/2015 the company Electro Power System SA (hereinafter referred to as "EPS SA"), an associate of PRIMA ELECTRO SpA, announced its listing on the Euronext Paris regulated market. EPS SA is a forerunner of intelligent *energy-storage* hydrogen cell based systems.
The offer price was set at Euro 7.30 per share; overall 1,974,032 new shares were issued corresponding to a capital increase of approximately Euro 14.4 million, including the exercise of the *over-allotment* option.

NEW MEDIUM-LONG TERM BANK LOAN CONTRACT WITH FINNISH BANKS
On 29/06/2015 FINN-POWER OY, a subsidiary of PRIMA INDUSTRIE SpA, has signed a medium-long term loan agreement with two Finnish banks (Nordea Bank Finland Plc and Danske Bank Plc) in which PRIMA INDUSTRIE SpA assumes the role of guarantor of the operation.
This contract, with total duration of 5 years, consists of two quotas, each amounting to 12.5 million Euro, of which one of *amortizing* type and one with total expiring at the end of the period, and a third quota amounting to 11 million Euro consisting of commercial credit lines.
The entire loan was granted on 01/07/2015. The interest is fixed in Euribor plus an additional margin of 2.50%.

The proceeds of the two quotas of 12.5 million of euro has been used by FINN-POWER OY to fully reimburse the remaining amount of the intercompany loan to PRIMA INDUSTRIE SpA.

MACRO ECONOMIC CONTEXT

In the summer of 2015, the global economic climate has been shaken by the events of Greece and China. First of all, Greece appeared to be dangerously close to the *default*, thus potentially placing the basis for an exit from the Euro zone. Despite the Greek economy is very small and does not have a direct systemic importance to the economy of the Euro area, there was considerable concern that the *default* would have had an important spillover effect on the European financial markets. This possibility has not occurred and the problem was solved, moving away, at least for the moment, the risk of a Eurozone crisis fomented by the economic conditions in Greek.

After archiving the risks related to Greece, concerns for the much larger Chinese economy started to grow. It was known that the Chinese economy was slowing, the bubble in the financial markets was at risk and China's financial system was fraught with imbalances. Therefore, once the Greek risk was dismissed, the Chinese situation has begun to overflow. Stock prices have fallen, the central bank allowed the currency to depreciate and, finally, also, stock prices started to decline at global level. Despite the economy in the United States is strong and the recovery in Europe continues, the slowdown in China has raised many questions about the general global economic outlook. In fact, China has a great importance in the global economy, affecting the prices of raw materials, capital flows, growth in emerging markets, and business *sentiment* around the world.

The problem for China is mainly due to a few factors. First, there is excess capacity in heavy industry and in real estate, sectors that have seen in recent years a boom in investments made by loans. Second, exports have fallen, partly due to the weakness of the global demand and partly because of the local currency that had been tied to the dollar and, therefore, when the dollar appreciated, this has reduced the competitiveness margin of Chinese exports. It is increasingly evident that the Chinese stock market is misaligned with respect to the real Chinese economy state. The stock market is not well integrated into the real economy, and it does not play an important role in Chinese investment financing or as a source of wealth for Chinese families. Therefore, it is unlikely that the fall in Chinese stock prices can be considered the reason of the events in the rest of the world. Secondly, the China slowdown has a global impact, but this impact is not uniform, however. The slowdown in fixed investment has caused a drop in raw material prices, thereby damaging exporters such as Australia and Brazil. The decline in the manufacturing and trade sectors has penalized the East Asian countries that are integrated in the supply chain to the Chinese manufacturing system (including South Korea, Taiwan, and several other countries of Southeast Asia). The impact of China's slowdown on the United States and Europe, however, will probably be more subtle. Although China is the third largest export market for both United States and Europe, a substantial decline in exports to China would lead to a reduction of the European or US GDP only for a few tenths of a percentage point, being more probable that such economies are influenced by the markets and local interest rates expectations.

Finally, although the Chinese economy has slowed down, it seems unlikely that China will lead towards a recession.

Globally it appears uncertain whether the recovery in consumption will be accompanied by a significant increase in investment. The raw materials crisis will depress the cost of capital expenditure in the mining sector, but only in a few countries this sector may determine aggregate trends. The context of moderate economic expansion, reduced uncertainty and accommodative financial conditions seem favourable to a stable or increasing capital spending in the 2016-17 period: stable in the United States, where it already ranks at 0.8% of GDP, and in Japan; in increase in the Eurozone, where it could rise from 0.4 to 0.8% in 2016.

The year 2016 has not started with many good news. The International Monetary Fund has revised its global growth forecast downward to 3.4% in 2016 and 3.6% in 2017. The recovery of global growth is weak and irregular in all economies, with the emerging markets that have more risks now. Advanced economies will see a modest recovery, while emerging markets and developing economies are now facing slower growth, a new situation for these Countries.
The advanced economies are expected to grow at 2.1% in 2016 and 2017.
In general, the activity remains strong in the United States and Japan (on the basis of tax subsidies, low oil prices and accommodative financial conditions). In the Euro area, the stronger private consumption, thanks to the lower oil prices and good financial conditions, offset the decrease in net exports.
The growth forecasts for most of the emerging and developing market economies reveal a slower recovery than previously estimated by the International Monetary Fund: the growth is estimated at 4% in 2015 (the lowest rate since the financial crisis of 2008-2009), 4.3% and 4.7% respectively in 2016 and 2017. Moreover, there is a significant difference between the various Countries in this group. A fast pace growth is expected in India and parts of Asia; Latin America, however, will again experience a decline in 2016, due to the recession in Brazil and other countries in the area.
As part of the machine tool industry, CECIMO (the association that brings together European manufacturers) points out that the European industry statistical results show the sector competitiveness and its ability to adapt to new challenges.
Europe remains the most important market for European manufacturers of machine tools; but also the demand from the Americas and Asia is strong. Exports to both these regions increased by 3%, and together the two markets represent 41% of CECIMO exports.
Among the most important single export markets, the United States and Russia have recorded a decrease of 3% and 22%. The machine tool market in the United States had a good performance, but it is probably starting to show some signs of saturation, while the sanctions against Russia have slowed the business opportunities in the country. At the same time, exports to China have increased by 4%.
The European production of machine tools grew by 1%, reaching 23.0 billion Euro in 2014. It is estimated that production will increase to 23.6 billion Euro in 2015 (+ 3%).
In particular among the European states, the machine tool orders increased in France and United Kingdom, while the trend was negative in Austria and Germany. The results of the competitiveness support reforms instead start giving good results in Italy and Spain where orders have recorded a significant increase on an annual basis.

REVENUES AND PROFITABILITY

The main Revenues and Profitability details of the Prima Industrie Group are shown below.

Revenues and Profitability	31/12/15	31/12/14	Variations
Values expressed in Euro thousand			
REVENUES	364,466	350,464	14,002
EBITDA	31,402	33,780	(2,378)
EBIT	17,487	22,299	(4,812)
EBT	8,132	14,842	(6,710)
NET RESULT	5,606	9,389	(3,783)

The **consolidated revenues** at 31/12/2015 amount to 364,466 thousand Euro, showing an increase of 4.0% compared to the corresponding period of the previous year (equal to 350,464 thousand Euro).

The consolidated turnover is shown below on a geographic basis at 31/12/2015 compared with the previous financial year.

Revenues	31/12/15		31/12/14	
	Euro thousand	*%*	*Euro thousand*	*%*
EMEA	228,640	62.7	209,750	59.9
AMERICAS	80,919	22.2	79,923	22.8
APAC	54,907	15.1	60,791	17.3
TOTAL	**364,466**	**100.0**	**350,464**	**100.0**

The trend that sees the Group generate a significant portion of revenues in the EMEA region is confirmed; the weight of this area increased from 59.9% at 31/12/2014 to 62.7% at 31/12/2015. In particular, the Group achieved good results in Italy (14.9% of consolidated turnover, positively impacted by revenues from the PRIMA ELECTRO division), in the countries of Northern Europe (9.3% of consolidated turnover), in Spain (7.2% of consolidated turnover), Germany (6.8% of consolidated turnover) and in Eastern Europe (6.2% of consolidated turnover).
The turnover achieved in Russia, in the light of the complicated political situation, decreased from 6.3% at 31/12/2014 to 3.7% at 31/12/2015; however, it should be noted that the PRIMA ELECTRO division achieved an excellent turnover with the acquisition of a major order in Kazakhstan.
The share of turnover in the AMERICAS is mainly attributable to North America, whose turnover represents 21.7% of consolidated revenues at 31/12/2015.
As for the APAC countries, the main portion refers to China (10.6% 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	31/12/15		31/12/14	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	326,190	89.5	312,226	89.1
PRIMA ELECTRO	53,435	14.7	52,841	15.1
Inter-sector revenues	(15,159)	(4.2)	(14,603)	(4.2)
TOTAL	**364,466**	**100.0**	**350,464**	**100.0**

For a clearer view of revenues, the following table shows the breakdown by both segment and geographical area, net of intercompany amounts, for year 2015 and for year 2014.

Revenues segment/area - 31/12/2015	EMEA	AMERICAS	APAC	TOTAL
Euro thousand				
PRIMA POWER	199,135	77,836	49,133	326,104
PRIMA ELECTRO	29,505	3,083	5,774	38,362
TOTAL	**228,640**	**80,919**	**54,907**	**364,466**

Revenues segment/area - 31/12/2014	EMEA	AMERICAS	APAC	TOTAL
Euro thousand				
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**

The revenues of PRIMA POWER division are growing by 4.5% compared with the previous year. The division achieved 61.0% of sales in the EMEA region (mainly Italy, Spain, Germany and countries of the North and East Europe), 23.9% in the AMERICAS Countries and 15.1% in the APAC region (mainly China).

The revenues of PRIMA ELECTRO division are substantially in line compared with the 2014 financial year. The division achieved 76.9% of sales in the EMEA region (mainly Italy, Benelux, Kazakhistan and Spain), 8.0% in the AMERICAS Countries and 15.1% in the APAC region (mainly China).

The **Value of production** at 31/12/2015 is equal to 390,657 thousand Euro, an increase of 4.9% with respect to financial year 2014 (increase of 18,247 thousand Euro).

The value of production in the period also includes increases in fixed assets for internal work equal to 11,751 thousand Euro (11,502 thousand Euro at 31/12/2014); these costs principally refer to investments in development costs. Also Other operational income for 4,773 thousand Euro are present (6,491 thousand Euro at 31/12/2014); it should be noted that this item does not include non-recurring income from the sale of licenses resulting from industrial cooperation agreements for 1,260 thousand Euro (non-recurring income at 31/12/2014 amounted to 2,940 thousand Euro).

Performance indicators	31/12/15		31/12/14	
	Euro thousand	*% on sales*	*Euro thousand*	*% on sales*
EBITDA	31,402	8.6	33,780	9.6
EBITDA Adj (*)	32,011	8.8	31,783	9.1
EBIT	17,487	4.8	22,299	6.4
EBIT Adj (*)	18,504	5.1	20,352	5.8
EBT	8,132	2.2	14,842	4.2
EBT Adj (*)	11,558	3.2	12,895	3.7
NET RESULT	5,606	1.5	9,389	2.7
NET RESULT ATTRIBUTABLE TO GROUP SHAREHOLDERS	*6,017*	*1.7*	*9,763*	*2.8*

(*) net of non recurring items

The Group **EBITDA** is 31,402 thousand Euro (8.6% of turnover), in decrease of 2,378 thousand Euro compared with the previous financial year.
The EBITDA of the Group is shown below at 31/12/2015 and at 31/12/2014 subdivided by sector (gross of the inter-sector transactions).

EBITDA	31/12/15		31/12/14	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	25,246	80.4	27,468	81.3
PRIMA ELECTRO	6,134	19.5	6,277	18.6
Inter sector items and eliminations	22	0.1	35	0.1
TOTAL	**31,402**	**100.0**	**33,780**	**100.0**

This indicator, despite the increase in turnover, is in decrease as it essentially reflects the lower performance of the PRIMA POWER segment compared to the previous year.
In this respect, however, it should be specified that EBITDA at 31/12/2014 benefited from a non-recurring net positive effect amounting to 1,997 thousand Euro; on the 31/12/2015 result, however, non-recurring events are negative for 609 thousand Euro and refer mainly to an income on the sale of licenses amounting to 1,260 thousand Euro and restructuring/reorganization costs, customers litigation and penalties amounting to 1,869 thousand Euro. In addition the result is negatively affected by the decline in sales in Russia (high-margin market for PRIMA POWER products) and the continuation of investment in PRIMA POWER Suzhou, for which it has continued to incur costs for the start-up of production and for the strengthening of the sales and after-sales service organization.

Consolidated **EBIT** at 31/12/2015 amounted to 17,487 thousand Euro, and is in decrease of 4,812 thousand Euro compared to the 2014 financial year (it amounted to 22,299 thousand Euro).This decrease derives not only from the lower EBITDA (and related non-recurrent events) previously illustrated, but also by increased depreciation equal to 13,507 thousand Euro (in increase on 31/12/2014 of 2,226 thousand Euro); this increase is mainly due to development costs (increase of 1,646 thousand Euro).

In particular depreciation is related to intangible fixed assets for 10,104 thousand Euro, to tangible fixed assets for 3,403 thousand Euro and an *impairment* for 408 thousand Euro (mainly on the PRIMA ELECTRO Division development costs). With regard to the depreciation of intangible fixed assets, the main items refer to the depreciation of development costs

(6,480 thousand Euro) and the depreciation 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 3,094 thousand Euro.

The EBIT of the group is shown below at 31/12/2015 and 31/12/2014, subdivided by sector gross of the inter-sector transactions.

EBIT	31/12/15		31/12/14	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	14,578	83.4	18,322	82.2
PRIMA ELECTRO	2,872	16.4	3,930	17.6
Inter sector items and eliminations	37	0.2	47	0.2
TOTAL	**17,487**	**100.0**	**22,299**	**100.0**

The consolidated **EBT** at 31/12/2015 amounted to 8,132 thousand Euro and is in decrease by 6,710 thousand Euro compared to the previous year (it was 14,842 thousand Euro). This value discounts net charges arising from financial management (including profits and losses) for 9,311 thousand Euro (at 31/12/2014 they amounted to 7,258 thousand Euro). Also in this case the decline in financial costs is due to non-recurring factors; In fact, it should be noted that, the financial costs for the year 2015 include expenses incurred between February and March 2015 due to the full early repayment of the FINPOLAR loan, amounting to 2,123 thousand Euro; these costs (mainly relating to the subscribed hedging derivative stipulated simultaneously with the loan) would be calculated pro-rata in subsequent quarters until February 2016, in case FINPOLAR would have come to its natural end.
It should also be noted that, among the other financial costs there is an impairment, for 236 thousand Euro, of the financial receivable from Wuhan Unity company resulting from the sale by PRIMA INDUSTRIE SpA of the last 5% of the investment in Shanghai Unity Prima.

Financial results	31/12/15	31/12/14
Values expressed in Euro thousand		
Advance Finpolar loan expenses	(2,123)	-
Finpolar loan expenses	(295)	(2,855)
Bond expenses	(2,167)	-
Club-Deal loan expenses	(1,436)	-
Finnish Loan expenses	(351)	-
Derivates expenses (IRS)	(1)	(1,750)
Derivate expenses (CRS)	442	(168)
Other financial expenses	(2,848)	(2,338)
Net financial expenses	**(8,779)**	**(7,111)**
Net exchange differences	(532)	(147)
TOTAL	**(9,311)**	**(7,258)**

The EBT was also negatively impacted by the financial result of the foreign exchange management, which in the year 2015 is negative for 532 thousand Euro (it was negative for 147 thousand Euro on 31/12/2014); therefore the effect arising from the management of foreign exchange derivatives, which is positive for 442 thousand Euro, should be noted.

The net result of other investments was negative for 44 thousand Euro and consists of:

- a positive effect for 6 thousand Euro which refers to the dividend of the company Lamiera Servizi, whose 19% investment is owned by PRIMA INDUSTRIE SpA;
- a negative effect for 50 thousand Euro relating to the impairment of the investment in Caretek srl owned by PRIMA ELECTRO SpA.

The Group **NET RESULT** at 31/12/2015 amounted to 5,606 thousand Euro (9,389 thousand Euro at 31/12/2014); while the Net Result of the Parent Company amounted to 6,017 thousand Euro (9,763 thousand Euro at 31/12/2014). Income taxes for the year 2015 amount to a net negative balance of 2,526 Euro. The current and deferred tax amounts to 1,557 thousand Euro, IRAP is equal to 720 thousand Euro and the taxes related to prior years amounted to 249 thousand Euro.

BALANCE SHEET

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

Values expressed in Euro thousand	31/12/15	31/12/14	Variations
Tangible and intagible fixed assets	83,067	79,584	3,483
Goodwill	103,170	102,880	290
Equity investments and other non-current assets	1,400	985	415
Deferred tax assets	9,846	9,957	(111)
NON-CURRENT ASSETS	**197,483**	**193,406**	**4,077**
Inventories	93,993	77,504	16,489
Trade receivables	86,414	85,664	750
Trade payables	(78,323)	(77,594)	(729)
Advances	(21,385)	(16,934)	(4,451)
OPERATING WORKING CAPITAL	**80,699**	**68,640**	**12,058**
Other current assets and liabilities	(11,200)	(12,983)	1,783
Current tax assets and liabilities	(229)	(2,075)	1,846
Provisions for risks and employee benefits	(23,860)	(23,653)	(207)
Deferred tax liabilities	(10,518)	(10,822)	304
Non-current assets held for sale	284	284	-
NET INVESTED CAPITAL	**232,659**	**212,797**	**19,862**
NET INDEBTEDNESS	**101,747**	**92,089**	**9,658**
SHAREHOLDER'S EQUITY	**130,912**	**120,708**	**10,204**
Stockholders' equity of the Group	129,716	119,558	10,158
Minority interest	1,196	1,150	46
LOAN SOURCES	**232,659**	**212,797**	**19,862**

Property, Plant & Equipment and intangible assets (other than Goodwill) of PRIMA INDUSTRIE Group increased by 3,483 thousand Euro compared to 31/12/2014. The movements of the

year are related to increases net of wind-up for 16,098 thousand Euro (of which 10,338 thousand Euro relating to development costs), depreciation and impairment for 13,915 thousand Euro and positive exchange rates difference for 1,300 thousand Euro. The change in Goodwill in the half year is attributable to the only currency adjustment.
Investments and other non-current assets increased by 414 thousand Euro, as a result of:

- a positive effect for 464 thousand Euro, due to the capital increase subscribed by PRIMA ELECTRO SpA related to the listing of the associate company EPS SA;
- a negative effect for 50 thousand Euro due to the impairment of Caretek Srl stake held by PRIMA ELECTRO SpA.

The Operational Working Capital increased compared to the previous year of 12,058 thousand Euro, mainly due to increased inventories needed to cope with the production volumes to be incurred in the first half of the year 2016 thanks to the good order backlog at 31/12/2015.

The Net Invested Capital has increased compared to the previous year of 19,862 thousand Euro due to the increase of 12,058 thousand Euro in Operational Working Capital, as previously mentioned and the increase in the item Other current assets and liabilities (mainly for the increase the Other Receivables amounting to 1,076 thousand Euro) and Heading current tax assets and liabilities (mainly to the increase in Other tax assets amounting to 1,077 thousand Euro).

The Net Financial Position of the Group at 31/12/2015 amounted to 101,747 thousand Euro; compared to the end of the previous financial year there was an increase of 9,658 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 10,204 thousand Euro. This increase is the result of the positive effects arising from the Group's overall result of the period (11,526 thousand Euro) and share capital payments in PRIMA POWER Suzhou (774 thousand Euro) and the negative impact resulting from the payment of dividends (2,097 thousand Euro).

IMPAIRMENT TEST AND GOODWILL

In the current economic situation, checking for any loss of value in the Group's assets is of fundamental importance. An essential part of drafting the PRIMA INDUSTRIE Group's financial statements consists of performing the *impairment test* of the goodwill items entered in the statements.

In order to enable the users of the financial statements to understand properly the whole assets valuation process (the underlying assumptions, the estimation methods, the parameters used, etc.) an extensive explanation of the methods employed by the directors for this purpose is given in the notes attached to the consolidated financial statements (see Note 8.2 – Intangible assets). The methods and basic assumptions used in performing the goodwill *impairment test* by the directors of PRIMA INDUSTRIE occurred independently and prior to the approval of these financial statements.

No problems were found in the *impairment* test.

NET FINANCIAL POSITION

On 31/12/2015, the net financial position of the Group was negative for an amount of 101,747 thousand Euro, compared to 92,089 thousand Euro on 31/12/2014.

The net financial position detail is shown as follows.

Value expressed in Euro thousand	31/12/15	31/12/14
CASH & CASH EQUIVALENTS	(41,365)	(35,867)
CURRENT FINANCIAL RECEIVABLES	(839)	(442)
CURRENT FINANCIAL LIABILITIES	25,731	56,663
NON CURRENT FINANCIAL LIABILITIES	118,220	71,735
NET FINANCIAL POSITION	**101,747**	**92,089**

Following the issue of a seven-year *Bond* of 40 million Euro and the conclusion of a new *Club Deal* loan agreement for 60 million Euro, that both took place in February 2015, the residual capital value of the FINPOLAR loan was fully repaid in advance. Both new forms of financing required financial *covenants to be met* with measurements on an annual and half-yearly basis.
Thanks to such medium-long term debt refinancing operation and to the*Finnish Loan* granted by the Finnish banks (Nordea Bank Finland Plc and Danske Bank Plc) to the company FINN-POWER OY, the Group has financial resources with average duration over 5 years.
For more details on these operations refer to the previous paragraph “2015 Significant events”.

With the aim of supplying better information relating to the net financial position on 31/12/2015, the following should be noted that (including charges):

- the *Club-Deal* loan amounts comprehensively to 35,995 thousand Euro;
- the *Bond* loan amounts comprehensively to 40,460 thousand Euro;
- the *Finnish Loan* amounts comprehensively to 23,517 thousand Euro;
- the payables due to leasing companies (almost exclusively of a property nature) amount to 2,654 thousand Euro.

The *covenants* measured on the interim consolidated financial statements of December 31st, 2015 were met.

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

TRADE ASSETS AND ORDER PORTFOLIO

During the year 2015 the **acquisition of orders** of the Group (including *after-sale service*) amounted to 389.9 in increase of 4.1% from 374.6 million at 31/12/2014.
The acquisition of orders of the PRIMA POWER sector amounted to 360.5 million Euro, while the PRIMA ELECTRO’s acquisition of orders, only from customers outside the Group, amounted to 29.4 million Euro.

The consolidated **order portfolio** (not including the *after-sale service*) at 31/12/2015 amounts to 117.7 million Euro (compared to 94.5 million Euro at 31/12/2014). The portfolio includes 110.4 million Euro relating to the PRIMA POWER sector and 7.3 million Euro relating to the PRIMA ELECTRO sector.

At 31/01/2016, the order portfolio was equal to 129.3 million Euro.

RESEARCH AND DEVELOPMENT

The research and development activity carried out by the Group during the year 2015 has been comprehensively equal to 23,564 thousand Euro (of which 16,704 thousand Euro in the PRIMA POWER sector and 6,860 thousand Euro in the PRIMA ELECTRO sector) equal to 6.5% of turnover.

The capitalized share was equal to 10,844 thousand Euro (of which 7,012 thousand Euro in the PRIMA POWER sector and 3,832 thousand Euro in the PRIMA ELECTRO sector).

Costs 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 the main activities made by the PRIMA POWER division were as follows:

- construction of the new *Laser Genius*; a new 2D laser machine that is positioned in the high-end market;
- the development activities are completed by the start of production and installation at the customers of *Laser Next* (new 3D laser machine), dedicated to the *automotive* market; the strengths of this new machine are the greater productivity, efficiency and reduced spaces required for operation;
- construction of a new generation of turret punches (*Punch Genius*), which provides better energy efficiency, low maintenance requirements and high speed of operation;
- implementation of a new punching and laser cutting machine (*Combi Genius*), whose fundamental elements are the wide range of *tools*, their fast and easy replacement;
- construction of the new *Shear Brilliance 8*, a combined punching and shearing machine. This new machine is equipped with the latest servo electrical technology for composite materials and linear motors to achieve the very best performance;
- completion of the development costs, start of production and installation at customers of the new series of panelling machines;
- Start of the development activities of a new series of large press bending machines;
- development of a "*dual workstation*" designed to support the increased productivity in the aeronautical sector; it is a new system equipped with two independent machining stations within a single structure.

During the financial year the main activities made by the PRIMA ELECTRO division were as follows (divided by business line):

Open Control Products

- completion of the application development of a new numerical control for laser machine for 2D cutting and for panelling machines for which a new control console was designed;
- completion of the development of the control system related to the new bending press characterized by the development of special algorithms and by the adoption of special electric motors for the reduction of electricity consumption;
- development of the new family of OD700 electric drives with EtherCAT interface;
- completion of a new numerical control for plasma and laser cutting machines.

Special Products

- development of the power electronics for controlling motors of stationary compressors which show a better energy efficiency;
- launch of the project of a power control and conversion unit for the "Energy Storage" systems based on hydrogen;
- development of a wireless portable terminal;
- development of an inverter for controlling motors for driving electrical industrial vehicles.

Laser Sources

- completion of the CF3000 fiber laser development of which ten units were delivered to PRIMA POWER, some of which are currently in beta testing on machines at the customers' site;
- start of the CF4000 project whose prototype will be completed in the first quarter of 2016;
- continuation of development activities of solid-state modules for the new fiber laser sources.

PERSONNEL

At December 31st, 2015 the Group employees are 1,643 of which 1,379 in PRIMA POWER division and 264 in PRIMA ELECTRO division. Respect to the 31/12/2014 the employees increases by 64 units.

Values expressed in units	PRIMA POWER		PRIMA ELECTRO		PRIMA GROUP	
	31/12/15	31/12/14	31/12/15	31/12/14	31/12/15	31/12/14
Production & Installation	485	464	128	125	613	589
Sales & Marketing	156	144	33	32	189	176
Service & Spare Parts	447	436	16	16	463	452
R&D and Product Management	176	167	62	60	238	227
General & Administrative	115	113	25	22	140	135
Total	**1.379**	**1.324**	**264**	**255**	**1.643**	**1.579**

OPERATIONS WITH RELATED PARTIES

Pursuant to article 5, paragraph 8 of the Regulation no. 17221 on Related Parties enacted on March 12, 2010 by Consob, here following there is a summary report of the operations (disbursements and repayments) related to intercompany loans that, pursuant to art. 14, paragraph 2 of the said Regulation and art. 32 of the Regulation adopted by the company with regard to related parties, are exempt from the application of the related procedure.

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.

Values expressed in Euro thousand	31/12/14	Issued (*)	Reimbursements	Interests	31/12/15
Loans issued by Prima Industrie SpA					
Finn-Power OY	35,722	-	(35,618)	-	104
Prima Electro SpA	7,554	-	(7,554)	-	-
Prima Power UK LTD.	182	-	(182)	-	-
Prima Power Laserdyne LLC	-	3,215	-	24	3,239
Prima Power Suzhou CO. LTD.	-	1,500	-	17	1,517
Loans issued by Prima Power Iberica S.L.					
Finn-Power OY	2,214	-	(2,214)	-	-
Prima Industrie SpA	-	2,500	(38)	57	2,519
Loans issued by Prima Electro North America					
Prima Power Laserdyne LLC	3,244	-	(3,244)	-	-
Loans issued by Osai UK LTd					
Prima Electro SpA	221	-	(21)	6	206
Loans issued by Prima Power North America					
Prima Power Laserdyne LLC	-	919	(6)	15	927
TOTAL	**49,137**	**8,134**	**(48,877)**	**119**	**8,512**

(*)Loans to Prima Power Laserdyne LLC are issued in dollars

STOCK TREND AND TREASURY STOCK

During the year 2015, the PRIMA INDUSTRIE stocks passed from a unit value of 13.88 Euro on 02/01/2015 to a value of 14.82 Euro each share on 30/12/2015.
The minimum value of the stock was equal to 13.15 (29/09/2015), while the maximum valuer reached was equal to 19.63 Euro per share (20/04/2015).

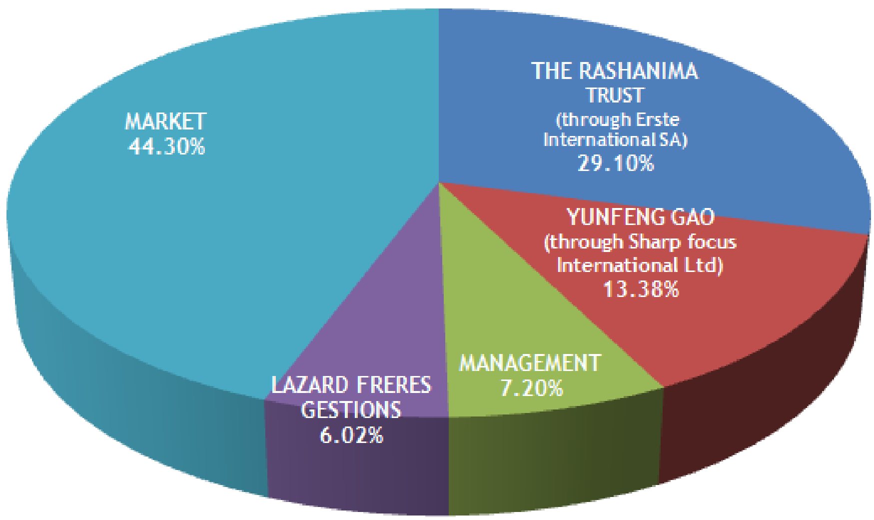
The stock trend, compared with the reference stock index (FTSE STAR) has been the following:

On 31/12/2015, also being the date of approval of this 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, 2015, 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:



Pursuant to the combined provisions of Article 1, paragraph 1, sub-paragraph w-quater 1) of Legislative Decree no. 58/1998 and Article 117, paragraph 1 of the Issuers Consob Regulation 11971/1999, significant investments are the investment of those who participate in the Issuer's share capital with a share of over 5%, as the Issuer is defined as SME.

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 2015 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 MADE FOR SAFETY IN THE WORKPLACES
A total of 208 thousand Euro was spent by PRIMA INDUSTRIE SpA in 2015 for safety. The cost items refer to documentation, consultant services and training for safety, devices for vision protection from laser beams, personal protective equipment, signs, the creation of safe conditions in work zones and actions to improve workstation ergonomics.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT
The PRIMA INDUSTRIE Group with the implementation of the fiber laser has achieved excellent results, thanks to which it will be able to offer customers a choice between two alternatives, finding each time the best solution for the customer, but with the possibility to propose itself as the sole supplier for the end user. The results for 2015 reflect this important investment, the implementation of which required several years of work, and many other ongoing investments to propel the company to new and higher business levels. The forecasts for the year 2016, based on the excellent backlog of the beginning of the year are moderately optimistic, although the year began in an economic environment disrupted by new uncertainties that this time characterise both the emerging Countries and those with dynamics that are considered more stable. The Group will therefore face the possible volatility of markets with great determination and flexibility.

EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENT

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

ATYPICAL AND USUAL 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.

Values expressed in Euro thousand

31/12/15	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	326,190	25,246	7.7	14,578	4.5
PRIMA ELECTRO	53,435	6,134	11.5	2,872	5.4
ELIMINATION	(15,159)	22	(0.1)	37	(0.2)
GROUP	**364,466**	**31,402**	**8.6**	**17,487**	**4.8**

Values expressed in Euro thousand

31/12/14	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**

PRIMA POWER

The revenues of PRIMA POWER division increased by 4.5% compared with the corresponding period of the previous year. The division has achieved excellent results in terms of revenues in Italy (12.4% of the division revenues), in the northern European Countries (10.3%), in Germany (7.5%), in Spain (7.1%), in Eastern Europe (6.8%); in the NAFTA countries they are worth 23.3% of the division revenues and China influences it for 10.3%.

The EBITDA of the PRIMA POWER segment amounts to 25,246 thousand Euro and is in decrease compared to the previous financial year by 2,222 thousand Euro. In this respect it should be specified that EBITDA at 31/12/2014 benefited from a non-recurring net positive effect amounting to 2,237 thousand Euro; on the 31/12/2015 result, however, non-recurring events are negative for 317 thousand Euro and refer mainly to an income on the sale of licenses amounting to 1,260 thousand Euro and restructuring/reorganization costs, customers litigation and penalties amounting to 1,577 thousand Euro. In addition the result is also negatively affected by the decline in sales in Russia (high-margin market for PRIMA POWER products) and the continuation of investment in PRIMA POWER Suzhou, for which it has continued to incur costs for the start-up of production and for the strengthening of the sales and after-sales service organization. EBIT also decreased compared to 2014; this decrease was affected by the increase in depreciation for 1,671 thousand Euro and non-recurring negative events for 367 thousand Euro; among these the *impairment* of tangible and intangible assets for 50 thousand Euro should be noted.

PRIMA ELECTRO

Revenues of the PRIMA ELECTRO division, net of elisions to the PRIMA POWER division, are substantially in line with the previous year.

The EBITDA for the division was 6,134 thousand Euro, a slight decrease both in absolute value (-143 thousand Euro), and in percentage rate (from 11.9% to 11.5%) compared to the previous year. It should be noted that EBITDA at 31/12/2015 is affected by non-recurring negative events for 292 thousand Euro (at 31/12/2014 they were negative for 240 thousand Euro); such events mainly relate to legal/tax litigation and penalties from customers. EBIT also decreased compared to 2014; this decrease was affected by the increase in depreciation for 557 thousand Euro and non-recurring negative events for 650 thousand Euro; among these (in addition to those already mentioned for EBITDA) an *impairment* of development costs of the company PRIMA ELECTRO North America LLC for 358 thousand Euro has been recorded.

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 31/12/2015 that closes with a net profit of 1,406,734.00 Euro and:

- to allocate to the Legal Reserve a portion of the above mentioned net profit, amounting to 70,336.70 Euro;
- to distribute, in the form of ordinary dividend, the remaining 1,336,397.30 Euro of the above mentioned profit, and 1,284,421.20 Euro related to previous earnings and profits previously allocated to the Extraordinary Reserve, amounting to a total unitary dividend of 0.25 Euro for each of the 10,483,274 shares.

On behalf of the Board of Directors
Executive Chairman

CHAPTER 5

Consolidated Financial Statements of PRIMA INDUSTRIE GROUP
December 31st, 2015
Accounting Tables

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF DECEMBER 31ST, 2015

CONSOLIDATED BALANCE SHEET

Values in Euro	*Notes*	31/12/2015	31/12/2014
Property, plant and equipment	*8.1*	28,465,557	26,912,167
Intangible assets	*8.2*	157,770,974	155,552,322
Investments accounted for using the equity method	*8.3*	1,223,555	759,072
Other investments	*8.4*	121,358	171,358
Non current financial assets	*8.5*	35,000	35,000
Deferred tax assets	*8.6*	9,845,765	9,957,302
Other non current assets	*8.9*	19,703	19,867
NON CURRENT ASSETS		197,481,912	193,407,088
Inventories	*8.7*	93,992,707	77,503,950
Trade receivables	*8.8*	86,413,895	85,663,907
Other receivables	*8.9*	8,019,131	6,943,043
Current tax receivables	*8.10*	7,029,222	5,951,830
Derivatives	*8.11*	47,225	-
Financial assets	*8.11*	791,509	441,891
Cash and cash equivalents	*8.11*	41,365,408	35,866,508
CURRENT ASSETS		237,659,097	212,371,129
Assets held for sale	***8.12***	**284,000**	**284,000**
TOTAL ASSETS		435,425,009	406,062,217
Capital stock	*8.13*	26,208,185	26,208,185
Legal reserve	*8.13*	4,494,745	4,455,497
Other reserves	*8.13*	72,243,694	71,967,701
Currency translation reserve	*8.13*	5,965,409	1,639,850
Retained earnings	*8.13*	14,786,376	5,523,165
Net result	*8.13*	6,016,715	9,762,948
Stockholders' equity of the Group		***129,715,124***	***119,557,346***
Minority interest		***1,196,407***	***1,150,354***
STOCKHOLDERS' EQUITY		130,911,531	120,707,700
Interest-bearing loans and borrowings	*8.11*	117,805,350	68,678,974
Employee benefit liabilities	*8.14*	7,912,782	8,682,372
Deferred tax liabilities	*8.15*	10,518,305	10,822,071
Provisions	*8.16*	150,551	144,551
Derivatives	*8.11*	414,635	3,055,597
NON CURRENT LIABILITIES		136,801,623	91,383,565
Trade payables	*8.17*	78,323,460	77,593,622
Advance payments	*8.17*	21,385,159	16,933,871
Other payables	*8.17*	19,218,309	19,926,668
Interest-bearing loans and borrowings	*8.11*	25,700,281	56,534,173
Current tax payables	*8.18*	7,257,725	8,027,279
Provisions	*8.16*	15,796,491	14,826,479
Derivatives	*8.11*	30,430	128,860
CURRENT LIABILITIES		167,711,855	193,970,952
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		435,425,009	406,062,217

CONSOLIDATED INCOME STATEMENT

Values in Euro	*Notes*	31/12/2015	31/12/2014
Net revenues	*8.19*	364,465,523	350,464,388
Other income	*8.20*	4,773,331	6,490,991
Change in inventories of finished goods and WIP	-	9,667,276	3,952,493
Increases in fixed assets for internal work	*8.21*	11,751,310	11,502,326
Use of raw materials, consumables, supplies and goods	-	(173,263,011)	(161,559,297)
Personnel cost	*8.22*	(100,223,151)	(93,831,488)
Depreciation	*8.23*	(13,507,132)	(11,281,428)
Impairment	*8.23*	(407,924)	(199,618)
Other operating expenses	*8.24*	(85,769,211)	(83,239,814)
OPERATING PROFIT		**17,487,011**	**22,298,553**
Financial income	*8.25*	693,514	112,442
Financial expenses	*8.25*	(9,472,762)	(7,223,349)
Net exchange differences	*8.25*	(531,702)	(147,049)
Net result of investments accounted for using the equity method	*8.26*	-	(250,000)
Net result of other investments	*8.27*	(44,300)	51,037
RESULT BEFORE TAXES		**8,131,761**	**14,841,634**
Taxes	*8.28*	(2,525,917)	(5,453,088)
NET RESULT		**5,605,844**	**9,388,546**
- Attributable to Group shareholders		*6,016,715*	*9,762,948*
- Attributable to minority shareholders		*(410,871)*	*(374,402)*
RESULT PER SHARE - BASIC (in euro)	***8.29***	***0.57***	***0.93***
RESULT PER SHARE - DILUTED (in euro)	***8.29***	***0.57***	***0.93***

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	*Notes*	31/12/2015	31/12/2014
NET RESULT (A)		**5,605,844**	**9,388,546**
Gains/ (Losses) on actuarial defined benefit plans	*8.13*	285,220	(653,622)
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)		**285,220**	**(653,622)**
Gains /(Losses) on cash flow hedges	*8.13*	1,227,332	1,968,294
Gains/(Losses) on exchange differences on translating foreign operations	*8.13*	4,408,057	3,817,213
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)		**5,635,389**	**5,785,507**
TOTAL COMPREHENSIVE INCOME (A) + (B) +(C)		**11,526,453**	**14,520,431**
- Attributable to Group shareholders		*11,854,826*	*14,855,576*
- Attributable to minority shareholders		*(328,373)*	*(335,145)*

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

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

VALUES IN EURO	Capital stock	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**

from the 1st of January 2015 to the 31st of December 2015

VALUES IN EURO	Capital stock	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 01/01/2015	**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**
Capital increase Prima Power Suzhou	-	-	-	-	-	-	399,607	-	-	-	399,607	374,426	774,033
Dividends paid	-	-	-	-	-	-	(2,096,655)	-	-	-	(2,096,655)	-	(2,096,655)
Allocation of prior year net result	-	-	39,248	-	-	-	745,709	-	8,977,991	(9,762,948)	-	-	-
Result of comprehensive Income	-	-	-	-	-	1,227,332	-	4,325,559	285,220	6,016,715	11,854,826	(328,373)	11,526,453
Balance as at 31/12/2015	**26,208,185**	**57,506,537**	**4,494,745**	**(1,286,154)**	**-**	**-**	**16,023,311**	**5,965,409**	**14,786,376**	**6,016,715**	**129,715,124**	**1,196,407**	**130,911,531**

CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/12/2015	31/12/2014 (**)
Net result	**5,605,844**	**9,388,546**
Adjustments (sub-total)	**(1,759,599)**	**10,761,197**
Depreciation and impairment	13,915,056	11,481,046
Net change in deferred tax assets and liabilities	(192,229)	(1,838,288)
Change in employee benefits	(769,590)	950,832
Change in inventories	(16,488,757)	(11,289,485)
Change in trade receivables	(749,988)	(6,830,831)
Change in trade payables and advances	5,181,126	12,829,426
Net change in other receivables/payables and other assets/liabilities	(2,655,217)	5,458,497
Cash Flows from (used in) operating activities (A)	**3,846,245**	**20,149,743**
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(4,558,955)	(5,290,850)
Acquisition of intangible fixed assets	(1,334,088)	(581,175)
Capitalization of development costs	(10,337,511)	(10,728,928)
Net disposal of fixed assets (*)	133,191	72,503
Decrease of SUP investment	-	1,149,839
Devaluation of other investments	50,000	20,000
Changes in capital of investments accounted for using the equity method	(464,483)	(911,695)
Net result of investments accounted for using the equity method	-	250,000
Cash Flows from (used in) investing activities (B)	**(16,511,846)**	**(16,020,306)**
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	(3,127,350)	(1,311,267)
Increases in loans and borrowings (including bank overdrafts)	138,290,097	17,046,196
Repayment of loans and borrowings (including bank overdrafts)	(120,076,216)	(16,290,437)
Dividends paid	(2,096,655)	-
Change in currency translation reserve	4,325,559	3,777,956
Other variations	392,142	(1,119,596)
Cash Flows from (used in) financing activities (C)	**17,707,577**	**2,102,852**
Cash Flows from (used in) change of minority shareholders (D)	**456,924**	**440,070**
Net change in cash and equivalents (E=A+B+C+D)	**5,498,900**	**6,672,359**
Cash and equivalents beginning of period (F)	**35,866,508**	**29,194,149**
Cash and equivalents end of period (G=E+F)	**41,365,408**	**35,866,508**

(*) included tangible fixed assets classified in the assets held for sale
(**) for a better comparability, some of the 2014 figures have been reclassified

Additional Information to the Consolidated Statement of Cash-Flow	31/12/2015	31/12/2014 (**)
Values in Euro		
Taxes	(2,525,917)	(5,453,088)
Financial incomes	693,514	112,442
Financial expenses	(9,472,762)	(7,223,349)

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

Values in Euro	Notes	31/12/2015	of which related parties	31/12/2014	of which related parties
Property, plant and equipment	8.1	28,465,557	-	26,912,167	-
Intangible assets	8.2	157,770,974	-	155,552,322	-
Investments accounted for using the equity method	8.3	1,223,555	1,223,555	759,072	759,072
Other investments	8.4	121,358	-	171,358	-
Non current financial assets	8.5	35,000	-	35,000	-
Deferred tax assets	8.6	9,845,765	-	9,957,302	-
Other non current assets	8.9	19,703	-	19,867	-
NON CURRENT ASSETS		197,481,912		193,407,088	
Inventories	8.7	93,992,707	-	77,503,950	-
Trade receivables	8.8	86,413,895	221,005	85,663,907	5,287
Other receivables	8.9	8,019,131	-	6,943,043	-
Current tax receivables	8.10	7,029,222	-	5,951,830	-
Derivatives	8.11	47,225	-	-	-
Financial assets	8.11	791,509	-	441,891	-
Cash and cash equivalents	8.11	41,365,408	-	35,866,508	-
CURRENT ASSETS		237,659,097		212,371,129	
Assets held for sale	**8.12**	**284,000**	**-**	**284,000**	**-**
TOTAL ASSETS		435,425,009		406,062,217	
Capital stock	8.13	26,208,185	-	26,208,185	-
Legal reserve	8.13	4,494,745	-	4,455,497	-
Other reserves	8.13	72,243,694	-	71,967,701	-
Currency translation reserve	8.13	5,965,409	-	1,639,850	-
Retained earnings	8.13	14,786,376	-	5,523,165	-
Net result	8.13	6,016,715	-	9,762,948	-
Stockholders' equity of the Group		***129,715,124***	**-**	***119,557,346***	**-**
Minority interest		***1,196,407***	**-**	***1,150,354***	**-**
STOCKHOLDERS' EQUITY		130,911,531		120,707,700	
Interest-bearing loans and borrowings	8.11	117,805,350	-	68,678,974	-
Employee benefit liabilities	8.14	7,912,782	-	8,682,372	-
Deferred tax liabilities	8.15	10,518,305	-	10,822,071	-
Provisions	8.16	150,551	-	144,551	-
Derivatives	8.11	414,635	-	3,055,597	-
NON CURRENT LIABILITIES		136,801,623		91,383,565	
Trade payables	8.17	78,323,460	1,283	77,593,622	5,527
Advance payments	8.17	21,385,159	-	16,933,871	-
Other payables	8.17	19,218,309	617,896	19,926,668	591,410
Interest-bearing loans and borrowings	8.11	25,700,281	-	56,534,173	-
Current tax payables	8.18	7,257,725	-	8,027,279	-
Provisions	8.16	15,796,491	-	14,826,479	-
Derivatives	8.11	30,430	-	128,860	-
CURRENT LIABILITIES		167,711,855		193,970,952	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		435,425,009		406,062,217	

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

Values in Euro	Notes	31/12/2015	of which related parties	31/12/2014	of which related parties
Net revenues	8.19	364,465,523	373,914	350,464,388	185,103
Other income	8.20	4,773,331	38,736	6,490,991	52,733
Change in inventories of finished goods and WIP	-	9,667,276	-	3,952,493	-
Increases in fixed assets for internal work	8.21	11,751,310	-	11,502,326	-
Use of raw materials, consumables, supplies and goods	-	(173,263,011)	-	(161,559,297)	-
Personnel cost	8.22	(100,223,151)	(350,186)	(93,831,488)	(338,520)
Depreciation	8.23	(13,507,132)	-	(11,281,428)	-
Impairment	8.23	(407,924)	-	(199,618)	-
Other operating expenses	8.24	(85,769,211)	(1,064,961)	(83,239,814)	(1,073,301)
OPERATING PROFIT		17,487,011		22,298,553	
of which: non recurring items		*(1,017,205)*		*1,946,964*	
Financial income	8.25	693,514	-	112,442	-
Financial expenses	8.25	(9,472,762)	-	(7,223,349)	-
Net exchange differences	8.25	(531,702)	-	(147,049)	-
Net result of investments accounted for using the equity method	8.26	-	-	(250,000)	(250,000)
Net result of other investments	8.27	(44,300)	-	51,037	-
RESULT BEFORE TAXES		8,131,761		14,841,634	
of which: non recurring items		*(3,425,832)*		*1,947,497*	
Taxes	8.28	(2,525,917)	-	(5,453,088)	-
NET RESULT		5,605,844		9,388,546	
- Attributable to Group shareholders		*6,016,715*	-	*9,762,948*	-
- Attributable to minority shareholders		*(410,871)*	-	*(374,402)*	-
RESULT PER SHARE - BASIC (in euro)	8.29	0.57		0.93	
RESULT PER SHARE - DILUTED (in euro)	8.29	0.57		0.93	

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

VALUES IN EURO	31/12/2015	*of which related parties*	31/12/2014 (**)	*of which related parties*
Net result	**5,605,844**		**9,388,546**	
Adjustments (sub-total)	**(1,759,599)**	-	**10,761,197**	-
Depreciation and impairment	13,915,056	-	11,481,046	-
Net change in deferred tax assets and liabilities	(192,229)	-	(1,838,288)	-
Change in employee benefits	(769,590)	-	950,832	-
Change in inventories	(16,488,757)	-	(11,289,485)	-
Change in trade receivables	(749,988)	(215,718)	(6,830,831)	5,287
Change in trade payables and advances	5,181,126	(4,244)	12,829,426	5,527
Net change in other receivables/payables and other assets/liabilities	(2,655,217)	26,486	5,458,497	19,871
Cash Flows from (used in) operating activities (A)	**3,846,245**		**20,149,743**	
Cash flow from investments				
Acquisition of tangible fixed assets (*)	(4,558,955)	-	(5,290,850)	-
Acquisition of intangible fixed assets	(1,334,088)	-	(581,175)	-
Capitalization of development costs	(10,337,511)	-	(10,728,928)	-
Net disposal of fixed assets (*)	133,191	-	72,503	-
Decrease of SUP investment	-	-	1,149,839	-
Devaluation of other investments	50,000	-	20,000	-
Changes in capital of investments accounted for using the equity method	(464,483)	(464,483)	(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)	**(16,511,846)**		**(16,020,306)**	
Cash flow from financing activities				
Change in other financial assets/liabilities and other minor items	(3,127,350)	-	(1,311,267)	-
Increases in loans and borrowings (including bank overdrafts)	138,290,097	-	17,046,196	-
Repayment of loans and borrowings (including bank overdrafts)	(120,076,216)	-	(16,290,437)	-
Dividends paid	(2,096,655)	-	-	-
Change in currency translation reserve	4,325,559	-	3,777,956	-
Other variations	392,142	-	(1,119,596)	-
Cash Flows from (used in) financing activities (C)	**17,707,577**		**2,102,852**	
Cash Flows from (used in) change of minority shareholders (D)	**456,924**		**440,070**	
Net change in cash and equivalents (E=A+B+C+D)	**5,498,900**		**6,672,359**	
Cash and equivalents beginning of period (F)	**35,866,508**		**29,194,149**	
Cash and equivalents end of period (G=E+F)	**41,365,408**		**35,866,508**	

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

(**) for a better comparability, some of the 2014 figures have been reclassified

CHAPTER 6

Description of Accounting Principles

CHAPTER 6. DESCRIPTION OF ACCOUNTING PRINCIPLES

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of PRIMA INDUSTRIE S.p.A. (the parent company) and its subsidiaries as of December 31 of every year. The financial statements of the subsidiaries are prepared applying the same accounting standards as the parent company; any corrections for consolidation are made to harmonize the items that are affected by application of different accounting standards. All infragroup balances and transactions, including any profits not realized deriving from relations engaged in between companies in the Group are entirely eliminated. The profits and losses not realized with affiliates are eliminated for the part pertaining to the Group. Any losses not realized are eliminated with the exception of the case in which they are representative of impairments.
The subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group acquires control, and cease to be consolidated as of the date on which control is transferred outside the Group. Minority interests represent the part of profits or losses and net assets not held by the Group, and are reported in a separate item in the income statement, and in the income statement, and in the balance sheet among the elements of net equity, separately from the net equity of the Group.

(a) Subsidiaries

All companies, including any vehicle-company, in which the Group has the capacity to control the financial and operating choices, are defined as subsidiary companies. Generally, control is presumed to exist if the Group holds more than half of the voting rights, also via Para-corporate agreements or potential voting rights. Subsidiaries are consolidated at the time in which the Group is capable of exercising control and are de-consolidated when this control ceases.
The Group records acquisitions of controlling shareholdings by means of the acquisition method.
The acquisition cost is the sum of the price paid and any potential accessory charges.
Identifiable and acquired assets and liabilities are initially booked within the consolidated financial statements at the *fair value*, determined on the date of acquisition.
The excess cost with respect to the investment quota of the *fair value* of net assets acquired is capitalized as goodwill amongst intangible assets, if positive; if negative, it is immediately entered to the income statement.
The costs, income, receivables, payables and profits/losses realized among companies belonging to the group are eliminated. Where necessary, the accounting principles of the Subsidiaries are amended to bring them into line with those of the Parent Company.

(b) Affiliates and joint ventures

Affiliated companies are those in which the Group exercises considerable influence but no form of control. Significant influence is presumed in the case that more than 20% of voting rights are held; this threshold is reduced to 10% for listed companies. Affiliated companies are initially recorded at cost and then accounted for, using the equity method. Joint Ventures are companies subject to joint control. They are booked in accordance with the provisions of IFRS 11.

Group equity investment in affiliated companies and joint ventures includes goodwill, as recorded at the time of acquisition and net of any potentially accumulated value losses.
The Group's Income Statement reflects the applicable share of the affiliated company and joint venture's result. If the affiliated company or the Joint Venture records an adjustment with a direct effect on net equity, the Group determines the portion that applies to it, reflecting such change in the Net Equity statement of change.
Booking the quota of a loss from an affiliated company or joint venture within the accounts of the Group includes a limit relative to the zeroing out of the investment value; additional loss quotas are entered under the liabilities if the Group has assumed obligations or has implemented payments on behalf of the affiliated company or joint venture.

(c) Other enterprises
Equity investments in other minor enterprises are booked at cost, and may be written down for impairment of value.

ACCOUNTING STANDARDS APPLIED
<u>STANDARDS TO APPLY WHEN DRAFTING THE CONSOLIDATED FINANCIAL STATEMENT</u>

The consolidated Financial statement for 2015 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 01/01/2015.

<u>ON-GOING CONCERN</u>
The consolidated financial statements at 31/12/2015 were prepared on the basis of the going concern principle, as it is reasonable to expect that PRIMA INDUSTRIE will continue its business in the foreseeable future. In particular, the value of the order backlog, the rebalanced relationship between payables and equity, the rescheduling of medium-term bank debt, which occurred due to the two operations in February 2015 (for more information on this subject see the section "Significant events in 2015 "of the Management Report), the availability of sufficient credit lines, are the main factors taken into consideration to ascertain that, at the current time, there are no doubts about the Group's prospects of remaining in 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.

<u>INTANGIBLE ASSETS</u>
<u>Assets with indefinite useful life</u>
(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.

<u>Assets with finite useful life</u>
(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.

<u>FINANCIAL INSTRUMENTS</u>
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 and they are not subject to amortization.

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.

CURRENT AND DEFERRED TAXES

The income tax burden for the year is determined according to the legislation in force and at the date of closure of the financial statements. Income tax is reflected in the income statement. In particular as regards the three Italian companies,it is highlighted that the national consolidated taxation regime is in force, in accordance with article 117/129 of the Consolidation Act on Income Tax (TUIR).

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.

<u>DISTRIBUTION OF DIVIDENDS</u>
Dividends distributed among shareholders generate a debt on the date their distribution is approved by the Shareholders' Assembly.

<u>PROFIT PER SHARE</u>
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.

<u>PUBLIC CONTRIBUTIONS</u>
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. Revenues from Public Contributions are recorded in the Income Statement if the costs for which they were granted are actually incurred.

<u>CURRENCY CONVERSIONS</u>
(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, 2015

- On May 20, 2013, the IASB issued IFRIC 21 – Tributes, an interpretation of IAS 37 "Provisions, Liabilities and Contingent Assets", (effective from January 1st, 2014 but approved by CEE on June 2014 therefore applicable starting from January 1st, 2015) 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.
- 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 changes have not had significant impact on the Group's financial statements.
- *Annual Improvements* 2010–2012 *Cycle*: a series of amendments to IFRS in response to eight themes addressed during the 2010-2012 cycle. They mainly refer to clarifications. These changes have not had significant impact on the Group's financial statements.
- *Annual Improvements* 2011-2013 *Cycle*: a series of amendments to IFRS in response to four themes addressed during the 2011-2013 cycle. They mainly refer to clarifications. These changes have not had significant impact on the Group's financial statements.

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

- 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.

- *Annual Improvements* 2012-2014 *Cycle* (with effect from 01/01/2016): a series of amendments to IFRS in response to four themes addressed during the 2012-2014 cycle. They mainly refer to clarifications.
- 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 August 2014, the IASB issued an amendment to "IAS 27 Separate Financial Statements". The amendment will allow the company to use the net equity method for accounting investments in subsidiaries, *joint ventures* and associates in their separate financial statements. This amendment will come into force from 01/01/2016.
- 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 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.
- In December 2014 the IASB published some minor amendments to the "IFRS 10 - Consolidated Financial Statements", "IFRS 12 - Disclosure of Interests in Other Entities" and "IAS 28 - Investments in associates and joint ventures" principles relating to problems arising from the application of the exception to the consolidation planned for investment entities. The changes are effective starting on or after 01/01/2016.
- In September 2015 the IASB published an amendment to "'IFRS 15 - Revenue from contracts with customers" with which it delays the entry into force of the standard of one year, i.e. to 1 January 2018.

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.

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

Information by business segment was prepared in accordance with IFRS 8.

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, 2015	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total sector revenues	326,190	53,435	-	379,625
(Inter-sector revenues)	(86)	(15,073)	-	(15,159)
Revenues	**326,104**	**38,362**	**-**	**364,466**
EBITDA	**26,390**	**5,012**	**-**	**31,402**
EBIT	**15,737**	**1,750**	**-**	**17,487**
Net financial income/expenses	(8,899)	(412)	-	(9,311)
Net result of other investments	6	(50)	-	(44)
Profit before taxes	**6,844**	**1,288**	**-**	**8,132**
Taxes	-	-	(2,526)	(2,526)
Net result	**6,844**	**1,288**	**(2,526)**	**5,606**

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, 2015	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	317,097	57,904	59,079	434,080
Associates and other equity investments	116	1,229	-	1,345
Total assets	**317,213**	**59,133**	**59,079**	**435,425**
Liabilities	**126,629**	**16,158**	**161,727**	**304,514**

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)
Net result of other investments	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**

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 "Revenues and profitability".

Non-current assets (Euro thousand)	31/12/15	31/12/14
Italy	43,602	40,112
Europe	125,091	127,428
North America	13,810	11,438
Rest of the world	4,017	3,770
TOTAL	**186,520**	**182,748**

CHAPTER 8

Explanatory notes to the consolidated Financial Statements December 31st, 2015

CHAPTER 8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015

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 31/12/2015 are equal to 28,466 thousand Euro, an increase of 1,554 thousand Euro compared with 31/12/2014.

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, 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**
Movements 2015						
Increases	473.892	548.917	2.059.884	1.065.328	431.175	4.579.196
Disinvestments	(98.837)	(86.612)	(42.257)	(680.349)	-	(908.055)
Utilization of accumulated depreciation	5.835	85.503	40.888	622.397	-	754.623
Depreciation	(718.985)	(495.993)	(1.125.844)	(1.062.226)	-	(3.403.048)
Impairment	-	-	-	(25.087)	-	(25.087)
Reclassifications with tangible fixed assets	-	-	208.993	19.439	(228.432)	-
Differences on exchange rates	322.577	38.593	137.960	53.590	3.041	555.761
Net value as at December 31st, 2015	**18.977.163**	**2.292.078**	**3.611.294**	**2.599.798**	**985.223**	**28.465.557**

The increases for the year amounted to 4,579 thousand Euro and net disposals amounted to 153 thousand Euro. As shown in the table above, the most significant increases in the year relate to Industrial & Commercial Equipment and to Other Assets; the latter category includes electronic office equipment, furniture, cars, etc. The depreciations and the *impairments* of the year amounted to a total of 3,428 thousand Euro, while the exchange rate differences had a positive effect for 556 thousand Euro.

It should be noted that at the end of 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; this investment (in addition to the land with a value of 1.5 million Euro sold at the signing of the contract by PRIMA INDUSTRIE SpA) will amount to about 7 million Euro and will be completed in the first half of 2016.

NOTE 8.2 – INTANGIBLE ASSETS

The intangible assets on 31/12/2015 are equal to 157,771 thousand Euro, an increase of 2,219 thousand Euro compared with 31/12/2014.

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, 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
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**
Movements 2015				
Increases/ (decreases)	-	10.337.511	1.334.088	11.671.599
Depreciation	-	(6.479.777)	(3.624.307)	(10.104.084)
Impairment	-	(357.777)	(25.060)	(382.837)
Differences on exchange rates	289.417	683.479	61.078	1.033.974
Net value as at December 31st, 2015	**103.169.846**	**36.348.277**	**18.252.851**	**157.770.974**

The most significant item is represented by Goodwill, which on 31/12/2015 is equal to 103,170 thousand Euro. All goodwill recorded into the financial statements refers to the larger value paid with respect to the fair value of the net assets acquired. It should also be noted that the increase in "Other Intangible Fixed Assets", is mostly due to the purchase of software (which in 2015 amounted to 783 thousand Euro).
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, 2015	BOOK VALUE GOODWILL December 31st, 2014
PRIMA POWER	97.794	97.613
OSAI (Service)	4.125	4.125
PRIMA ELECTRO NORTH AMERICA	1.060	951
MLTA	154	154
OSAI UK	37	37
TOTAL	**103.170**	**102.880**

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 31/12/2015 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 01/01/2016 - 31/12/2020. 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*). 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 7.81% (*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 31/12/2014 the *post-tax* rate was 7.76%). 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 14.15%.
A sensitivity test was also performed with forecast results lower than those reflected in the 2016 - 2020 plan. If revenues forecasted for 2016 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 7.81% and growth rate of 0.5%) the values of use would not show *impairment* losses. Considering a growth rate (g) of 0.5% and a WACC of 7.81%, a 10% 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 10% 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 31/12/2015 is greater than its book value of around 70 million Euro.

WACC	*7.81%*
Growth rate (g)	*0.50%*
Surplus of recoverable value of CGU over book value	*Euro 70 millions*

<u>OSAI (*Service*)</u>
The acquisition of the OSAI Group during 2007 reflects the strategy of penetration and development of the *service* market, in which the acquired Group has a consolidated position. The goodwill remaining at the end of the process of allocation of the price paid is therefore entirely allocated to the *service* segment and represents the entire value of the capital invested in that segment.
The value recoverable from this cash flow generator at December 31/12/2015 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 2016-2020 (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 6.12%, *post-tax* (at 31/12/2014 amounted to 6.32%) 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 31/12/2015 the value of use of the CGU OSAI is greater than its book value of around 11.9 million Euro (7.9 million Euro at 31/12/2014).

WACC	*6.12%*
Growth rate (g)	*0.00%*
Surplus of recoverable value of CGU over book value	*Euro 11.9 millions*

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 31/12/2015 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 2016-2020 (approved by the Board of Directors of PRIMA ELECTRO NORTH AMERICA), while the cash flows beyond 2020 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 7.97% (compared to the 7.81% *post-tax* WACC used for the *impairment test* at 31/12/2014), 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	*7.97%*
Growth rate (g)	*0.00%*
Surplus of recoverable value of CGU over book value	*US$ 1.5 millions*

OTHER INTANGIBLE FIXED ASSETS

As it can be deduced by the year's progression, most increases in 2015 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 31/12/2015 are of 12,911 thousand Euro and 2,800 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 the investment in EPS SA for 1,224 thousand Euro, owned 18.19% by PRIMA ELECTRO SpA. The difference of 464 thousand Euro refers to the listing on the regulated market of Euronext Paris; there are other movements, since the effect on the income statement arising from the valuation of this investment using the net equity method amounted to zero. This assessment takes into consideration the latest data available at the time of approval of this Financial Report by EPS SA (sole subsidiary included in this category).

NOTE 8.4 - OTHER INVESTMENTS

At 31/12/2015 this Other Investments amount to 121 thousand Euro and is in decrease compared to 31/12/2014 by 50 thousand Euro.
The only change that occurred during the financial year amounting to 50 thousand Euro relates to the impairment of Caretek Srl investment held by PRIMA ELECTRO SpA.
Consequently this heading on 31/12/2015 is composed of:

- Caretek Srl: 5 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 31/12/2015 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 9,846 thousand Euro, in increase compared with the preceding financial year of 111 thousand Euro. The following table shows the movements during the year 2015.

Deferred tax assets	31/12/15	31/12/14
Opening balance	**9.957.302**	**7.647.333**
Provisions	1.186.292	2.536.652
Utilizations	(1.745.334)	(574.220)
Differences on exchange rates	447.505	347.537
Closing balance	**9.845.765**	**9.957.302**

The composition of the tax deferred assets on 31/12/2015 is shown below.

Deferred tax assets	31/12/15	31/12/14
Provisions for risks and other liabilities	2.790.946	3.129.499
Inventories	2.997.283	2.763.868
Tax losses carried forward	2.315.371	1.381.841
Employee benefits	600.187	908.413
Non-current tangible/intangible assets/Financial leases	522.640	472.794
Trade receivables	151.154	408.471
Other	468.184	892.415
TOTAL	**9.845.765**	**9.957.302**

The calculation of prepaid taxes considers the IRES rate reduction (from 27.50% to 24.00%) from 2017, as required by the recent Law No. 208/2015 (Stability Law 2016).

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 31/12/2015 and at 31/12/2014.

Inventories	31/12/15	31/12/14
Raw materials	28.983.532	23.409.742
Semi-finished goods	18.200.325	13.204.340
Finished goods	54.485.981	48.096.743
(Inventories provisions)	(7.677.131)	(7.206.875)
TOTAL	**93.992.707**	**77.503.950**

The inventories on 31/12/2015 amount to 93,993 thousand Euro, net of the warehouse devaluation fund for a total of 7,677 thousand Euro. The net value of the warehouse inventories on 31/12/2015 shows and increase equal to 16,489 thousand Euro compared with 31/12/2014, mainly due to the high order backlog at 31/12/2015, from which it follows the need for procurement and ongoing work necessary to process the orders with delivery requested in the first months of 2016.

NOTE 8.8 - TRADE RECEIVABLES

The trade receivables on 31/12/2015 amounted to 86,414 thousand Euro an increase of 750 thousand Euro compared to the previous financial year.

Trade receivables	31/12/15	31/12/14
Receivables from customers	90.264.658	89.048.778
Bad Debt Reserve	(3.850.763)	(3.384.871)
TOTAL	**86.413.895**	**85.663.907**

The movements of the bad debt reserve during the year 2015 was as following.

Bad Debt Reserve	Euro thousand
Value at Dec. 31st, 2014	**(3.385)**
Provisions	(758)
Utilizations	288
Exchange rate	4
Value at Dec. 31st, 2015	**(3.851)**

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 (inclusive of the bad debt reserve) by due date .

Receivables by maturity	Amount in Euro thousand
Due to expire	49.984
Expired 0 - 30 days	12.208
Expired 31 - 60 days	6.564
Expired 61 - 90 days	4.034
Expired 91 - 120 days	4.488
Expired over 120 days	12.987
TOTAL	**90.265**

NOTE 8.9 - OTHER RECEIVABLES

The other receivables on 31/12/2015 are equal to 8,019 thousand Euro and increased by 1,076 thousand Euro compared with 31/12/2014.

Other receivables	31/12/15	31/12/14
Advances payments to suppliers	3.438.338	1.569.390
Contribution to be received for R&D projects	2.857.574	3.278.772
Prepayments and accrued income	1.062.144	1.608.576
Other receivables	452.051	197.063
Advances to employees	209.024	289.242
TOTAL	**8.019.131**	**6.943.043**

The contribution of research and development to be received shows a decrease of 421 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 31/12/2015.

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

NOTE 8.10 - CURRENT TAX ASSETS

The heading amounts to 7,029 thousand Euro and shows an increase of 1,077 thousand Euro compared to 31/12/2014. Tax assets are represented by VAT receivables of 1,730 thousand Euro (3,214 thousand Euro on 31/12/2014), by a tax receivable amounting to 3,956 thousand Euro (1,247 thousand Euro on 31/12/2014), 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 184 thousand Euro

(325 thousand Euro on 31/12/2014) and by other receivables for tax assets for 111 thousand Euro (118 thousand Euro on 31/12/2014).

NOTE 8.11 - NET FINANCIAL POSITION

On 31/12/2015, the net financial position of the Group was negative for an amount of 101,747 thousand Euro, increasing of 9,658 thousand Euro compared to the previous financial year (negative of 92,089 thousand Euro). For a better understanding of the variation in the net financial position achieved during the financial year 2015, 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 31/12/2015 and 31/12/2014 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 Euro thousand

		31/12/15	31/12/14	Variations
A	CASH	41.365	35.867	5.498
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**41.365**	**35.867**	**5.498**
E	**CURRENT FINANCIAL RECEIVABLES**	**839**	**442**	**397**
F	CURRENT BANK PAYABLES	9.222	26.577	(17.355)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	14.328	25.146	(10.818)
H	BOND ISSUED	869	-	869
I	OTHER CURRENT FINANCIAL PAYABLES	1.312	4.940	(3.628)
J	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)**	**25.731**	**56.663**	**(30.932)**
K	**NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)**	**(16.473)**	**20.354**	**(36.827)**
L	NON-CURRENT BANK PAYABLES	74.077	67.454	6.623
M	BOND ISSUED	39.591	-	39.591
N	OTHER NON-CURRENT FINANCIAL PAYABLES	4.552	4.281	271
O	**NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)**	**118.220**	**71.735**	**46.485**
P	**NET FINANCIAL POSITION (K+O)**	**101.747**	**92.089**	**9.658**

Before commenting the all items related to the Net Financial Position it is important to note that following the issue of a 40 million Euro *Bond* and the conclusion of a new *Club Deal* loan agreement for 60 million Euro (transactions that were both concluded in February 2015) the residual amount of the FINPOLAR loan was repaid in full. On both new forms of financing there are financial *covenants* with measurements on annual and half-yearly consolidated basis. Thanks to such medium-long term debt refinancing operation and to the *Finnish Loan*,the Group has greater financial resources for an average duration of 5 years. For more information on the average duration see the details on the distribution of time of the financial payables payments.

LIQUIDITY

Liquid assets amounted to 41,365 thousand Euro and consist of:
- bank deposits for 39,449 thousand Euro and
- cash for 1,916 thousand Euro.

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

CURRENT FINANCIAL RECEIVABLES

The current financial receivables amount to 839 thousand Euro and include:
- a term deposit (expiring within 12 months) signed by PRIMA INDUSTRIE SpA as guarantee for a loan granted to the Brazilian subsidiary PRIMA POWER SOUTH AMERICA LTDA equal to 550 thousand Euro;
- receivables from the company Wuhan Huagong Unity deriving from the sale by PRIMA INDUSTRIE SpA of the last 5% of the investment in Shanghai Unity Prima amounting to 236 thousand Euro; during the year this receivable was written down by 236 thousand euro to reflect management’s estimation on its collectability;
- financial instruments for coverage of the exchange rate risk(*Currency Rate Swap)* for 47 thousand Euro;
- receivables from the company Lamiera Servizi of 6 thousand Euro, a subsidiary of PRIMA INDUSTRIE SpA for 19%.

BONDS ISSUED

The debt to bondholders amount to 40,940 thousand Euro, including interest accrued but not yet paid for an amount of 940 thousand Euro. The debt relates exclusively to the *Bond* issued in the first quarter of 2015, and expires on 06/02/2022. The net debt on the accounting statement amounts to 40,460 thousand Euro as the accessory charges incurred at the bonds issue, partially reduced the debt. The quota due after 12 months is equal to 39,591 thousand Euro.

INDEBTEDNESS WITH BANKS

The main debt included in the bank payables is the *Club Deal* loan and the *Finnish Loan*.
The Club Deal loan 31/12/2015 amounted to 36,667 thousand euro and consists to the loan repayment due on 30/06/2021; the Club Deal loan also consists of a quota in the form of *revolving* credit lines amounting to 20,000 thousand euro expiring on 31/12/2019 to 31/12/2015 such commercial credit lines were fully available. Net debt in the balance sheet amounted to 35,995 and includes any additional costs incurred on the execution of the loan. The Club Deal loan was disbursed in the first quarter of 2015 for an amount of 40,000 thousand euro; in the last quarter 2015 was repaid a share of 3,333 thousand euro.

The *Club Deal* loan is for 29,524 thousand Euro expiring beyond 12 months.

On both the *Club Deal* loan and the *Bond* there are *covenants* with measurements on annual and half-yearly consolidated basis; at 31/12/2015 the *covenants* set have been met.

The Finnish Loan at 31/12/2015 amounts to 23,517 thousand euro and consists of two quotas of an amount of 12.5 milion Euro each and a third in the amount of 11.0 milion euro constituted from commercial credit lines; it is noted that these 31/12/2015 commercial credit lines were fully available and one of the two tranches was paid for 1,259 thousand Euros. Net debt on the accounting statement and a partial reduction of the accessory charges incurred at the issuing time and calculated in the debt reduction amounting to 233 thousand Euro.
The *Finnish Loan* is for 21,079 thousand Euro expiring beyond 12 months.

The non current bank debt also includes other bank loans for 23.059 thousand Euro and relate mainly to new loans from the three Italian companies PRIMA INDUSTRIE SpA, PRIMA ELECTRO SpA e FINN-POWER ITALIA S.r.l. within the long term refinancing operation TLTRO (*Targeted Longer - Term Refinancing Operations*) issued by the European Central Bank. The non current bank debt also includes the negative *fair value* of a derivative financial instrument (IRS – Interest Rate Swap) equal to 415 thousand Euro whose *fair value* variations have been directly attributed to the income statement as the *hedge accounting* criteria has not been applied.

Encompassed into the current indebtedness with banks (also considering the current part of the non-current debt) there is the *Club Deal* loan for 6,471 thousand Euro, the *Finnish Loan* for 2,438 thousand Euro, the *Bond* for 869 thousand Euro, *bank overdrafts* for 6,861 thousand Euro, other bank loans for 7,750 thousand Euro and other financial instruments hedging the foreign exchange risk (*Currency Rate Swap)* equal to 30 thousand Euro.

<u>OTHER FINANCIAL PAYABLES</u>
The Other financial payables amount comprehensively to 5,864 thousand Euro (of which 1,312 thousand are current).
The other financial payables encompass:
- payables for financial leasing for a sum equal to 2,654 thousand Euro (of which 574 thousand Euro are current);
- other financial payables for 3,209 thousand Euro (of which 738 thousand Euro are current); these payables refer principally to subsidized ministerial loans and some contributions of funded research activities collected by PRIMA INDUSTRIE SpA, as the project leader, that will be redistribute it in a short time between all partners in the project.

<u>FINANCIAL INDICATORS ("*COVENANTS*") AND OTHER CONTRACT CLAUSES</u>

<u>*Bond*</u>
On February 2nd, 2015 Prima Industrie SpA has completed the issuance of non-convertible bonds for an aggregate nominal amount of EUR 40 million and with 7 years maturity, as approved by the Board of Directors on January 13 2015.
The bonds, exclusively placed with qualified investors, have a minimum denomination of EUR 200,000 and pay semi-annually a fixed coupon of 5.875% per annum. The bonds, governed under English law, will be redeemed on February 6, 2022.

The contract governing the bond issue expects for compliance with certain financial covenants, which if not followed is not a decisive event (and therefore mandatory early repayment) but only requires an 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*

(*) net of non recurring costs

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.

<u>Medium-long term *Club Deal* bank loan</u>

On 23/02/2015 PRIMA INDUSTRIE SpA has 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 instalments 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:	*3,50 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:	*3,50 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*

(*) at net of non recurring costs

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. As previously indicated, the *covenants* measured on the consolidated financial statements at 31/12/2015 are met.

MOVEMENT OF PAYABLES DUE TO BANKS AND LOANS

The payables due to banks and loans of the PRIMA INDUSTRIE Group on 31/12/2015 (not including the derivatives *fair value* of derivatives) are equal to 143,505 thousand Euro and during the year 2015, they have changed as shown in the following table.

BANK PAYABLES AND LOANS	*Euro thousand*
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**
Stipulation of loans and borrowings (including bank overdrafts)	138.290
Repayment of loans and borrowings (including bank overdrafts)	(120.076)
Stipulation/(repayments) of financial leasing	(293)
Exchange rate effect	371
TOTAL BANK PAYABLES AND LOANS AS OF DECEMBER 31st, 2015	**143.505**
of which:	
Bank Payables and loans - current portion (December 31st, 2015)	25.700
Bank Payables and loans - non-current portion (December 31st, 2015)	117.805
TOTAL BANK PAYABLES AND LOANS AS OF DECEMBER 31st, 2015	**143.505**

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

Current bank payables	Effective interest rate	Expiry	31/12/15
Bank overdrafts	N/A	Sight	6.647
MPS	Libor 3m + 1,50%	Sight	184
Banco do Brasil	Euribor 12m + 1,50%	23/07/18	1.662
Finimp	2,300%	10/06/16	596
Banco do Brasil	1,841%	28/09/16	26
Banco Itau	2,700%	22/03/16	13
Derivative - CRS Nordea Bank	N/A	N/A	30
Interest owed	N/A	N/A	64
TOTAL			**9.222**

Values expressed in Euro thousand

Current portion of non-current indebtedness	Effective interest rate	Expiry	31/12/15
Club Deal (amortizing quota)	Euribor 6m + 3,0%	30/06/21	6.529
Club Deal (revolving quota)	Euribor 6m + 3,0%	31/12/19	(58)
Finnish Loan	Euribor 6m + 2,50%	30/06/20	2.438
Banca Popolare di Milano	Euribor 3m + 1,30%	30/09/19	(3)
Banco Popolare	Euribor 3m + 1,40%	30/09/19	2.456
ICBC	Euribor 12m + 1,75%	29/09/16	1.981
Banca Unicredit / Sace	Euribor 3m + 1,80%	30/06/20	591
Banca Sella	Euribor 3m + 1,70%	24/06/19	280
Banca Unicredit	Euribor 6m + 1,0%	30/06/16	105
Interest owed	N/A	N/A	9
TOTAL			**14.328**

Values expressed in Euro thousand

Bond issued	Effective interest rate	Expiry	31/12/15
Bond	5,875%	06/02/22	869
TOTAL			**869**

Values expressed in Euro thousand

Other current financial payables	Effective interest rate	Expiry	31/12/15
MISE	0,448%	26/11/23	173
ICCREA	3,400%	30/06/17	565
Financial leasing	N/A	N/A	574
TOTAL			**1.312**

Non-current financial payables

Values expressed in Euro thousand

Non-current bank payables	Effective interest rate	Expiry	31/12/15
Club Deal (amortizing quota)	Euribor 6m + 3,0%	30/06/21	29.697
Club Deal (revolving quota)	Euribor 6m + 3,0%	31/12/19	(173)
Finnish Loan	Euribor 6m + 2,50%	30/06/20	21.079
Banca Popoloare di Milano	Euribor 3m + 1,30%	30/09/19	9.994
Banco Popolare	Euribor 3m + 1,40%	30/09/19	6.934
Banco do Brasil	Euribor 12m + 1,50%	23/07/18	3.326
Banca Unicredit / Sace	Euribor 3m + 1,80%	30/06/20	2.085
Banca Sella	Euribor 3m + 1,70%	24/06/19	720
Derivative - IRS Unicredit	N/A	07/05/17	415
TOTAL			**74.077**

Values expressed in Euro thousand

Bond issued	Effective interest rate	Expiry	31/12/15
Bond	5,875%	06/02/22	39.591
TOTAL			**39.591**

Values expressed in Euro thousand

Other non-current financial payables	Effective interest rate	Expiry	31/12/15
UBI	0,500%	03/06/26	954
ICCREA	3,400%	30/06/17	291
MISE	0,448%	26/11/23	1.227
Financial leasing	N/A	N/A	2.080
TOTAL			**4.552**

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

Values expressed in Euro thousand	2016	2017	2018	2019 onwards	Total
CURRENT BANK PAYABLES (*)	9.192	-	-	-	9.192
CURRENT PORTIONS OF NON-CURRENT PAYABLES	15.197	-	-	-	15.197
OTHER CURRENT FINANCIAL PAYABLES	1.312	-	-	-	1.312
NON-CURRENT BANK PAYABLES (*)	-	16.930	18.043	38.689	73.662
BOND ISSUED	-	(69)	(73)	39.733	39.591
OTHER NON-CURRENT FINANCIAL PAYABLES	-	1.027	624	2.900	4.552
TOTAL	**25.700**	**17.888**	**18.594**	**81.322**	**143.505**

(*) excluding the fair value of derivatives

It should be noted that of the total amount of 25,700 thousand Euro payable in 2016, 6,647 thousand Euro refer to *bank overdrafts*.

DERIVATIVE FINANCIAL INSTRUMENTS

At 31/12/2015 the Group holds several derivative financial instruments for an overall negative value of 398 thousand Euro.

Notional values are indicated in the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/15
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	€ 10.000.000	-€ 414.635
CRS - Non hedge accounting	Prima Industrie SpA	BNL	11/03/16	£260.000	€ 1.136
CRS - Non hedge accounting	Prima Industrie SpA	BNL	27/04/16	¥7.000.000	-€ 9.881
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	21/03/16	$1.000.000	€ 13.607
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	22/06/16	$1.900.000	€ 30.327
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	21/09/16	$650.000	€ 12.036
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	15/03/16	¥8.462.221	-€ 11.700
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	01/04/16	¥8.462.221	-€ 10.507
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	24/06/16	¥8.462.221	-€ 8.223
				TOTAL	**-€ 397.840**

NOTE 8.12 – ASSETS HELD FOR SALE

On 31/12/2015, the value of assets held for sale is equal to 284 thousand Euro and is unchanged compared to 31/12/2014. It refers to some properties under construction held by the Company FINN-POWER ITALIA Srl located in Mantova, Italy. The properties are available for immediate sale and it is believed that this event is highly likely, as the Management has engaged in a divestment program.

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 4,495 thousand Euro and has increased as a result of the allocation of the mandatory share of the profit accrued in 2014.

OTHER RESERVES

This item has a value of 72,244 thousand Euro and, compared to 31/12/2014, it increased by 276 thousand Euro.

The item consists of:

Share Premium Reserve

This Share Premium Reserve totals 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 underwritten by the Group. This reserve has been, during 2015, fully used due to the full repayment of the FINPOLAR loan.

Other Reserves

This item has a value of 16,023 thousand Euro and, compared to 31/12/2014, it decreased by 952 thousand Euro for effect of the allocation of the previous profit, of the payment of dividends and for the PRIMA POWER SUZHOU share capital increase.

CURRENCY TRANSLATION RESERVE

The currency translation reserve has a positive value of 5,965 thousand Euro and has increased over the previous financial year by 4,325 thousand Euro.

PROFITS CARRIED OVER

This amount, which is positive for 14,786 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 amounts relative to differences in accounting methods on the date of IAS/IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

PROFIT FOR THE YEAR

This item includes the profit for the year, totalling 6,017 thousand Euro (9,763 thousand Euro on 31/12/2014) attributable to the majority shareholders of the Parent Company.

MINORITY SHAREHOLDERS EQUITY

This item is positive for 1,196 thousand Euro (on 31/12/2014 it was 1,150 thousand Euro) and compared to the previous financial year, it remained substantially unchanged. The changes in Net Equity attributable to minority shareholders refer to the increase of share capital in PRIMA POWER Suzhou and to the overall result for 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 2015 and the Group’s shareholders' equity at 31/12/2015 with the same values of the Parent Company PRIMA INDUSTRIE SpA.

Values expressed in Euro thousand

Reconciliation between Net Result and Shareholders' equity of the parent company and related Group values	Shareholders' Equity as at December 31st, 2015	Net result as at December 31st, 2015	Shareholders' Equity as at December 31st, 2014	Net result as at December 31st, 2014
PRIMA INDUSTRIE S.p.A. Separate Financial Statements	**102.873**	**1.407**	**102.227**	**785**
Accounting for shareholders' equity and income from subsidiaries	198.037	6.056	172.732	11.285
Accounting Goodwill including share allocated on Trade Mark and Customer List	23.775	(3.095)	26.960	(3.052)
Elimination of values of consolidated shareholdings in PRIMA INDUSTRIE S.p.A. Financial Statements	(185.478)	850	(178.960)	402
Valuation of investments held for sale	-	-	-	(968)
Elimination of infragroup income included in stock and fixed assets	(6.514)	(184)	(5.965)	(210)
Elimination of depreciation/revaluation of consolidated shareholdings	1.063	694	7.330	1.120
Elimination of dividends paid between subsidiaries	-	(750)	-	(630)
Tax effect on consolidation adjustments	(2.615)	617	(3.374)	644
Other consolidate entries	(229)	11	(242)	12
PRIMA INDUSTRIE Group Financial Statements	**130.912**	**5.606**	**120.708**	**9.388**

PROFITS(LOSSES) ENTERED IN SHAREHOLDERS' EQUITY

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

- Currency translation reserve: positive for 4,408 thousand Euro (of which 4,326 thousand Euro refer to the majority shareholders and 82 thousand Euro to minority shareholders);
- Reserve for *fair value* adjustment of derivatives for 1,227 thousand Euro (net of a tax effect of 466 thousand Euro);
- Effect of actuarial profit/losses on employee severance indemnities according to the application of IAS 19*revised* for 285 thousand Euro (net of a tax effect of 116 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;
- a liability for employee benefits in recorded by PRIMA INDUSTRIE SpA for its *branch office* in South Korea.

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	31/12/15	31/12/14
Severance indemnity fund	5.831.601	6.531.753
Fidelity premium and other pension funds	2.081.181	2.150.619
TOTAL	**7.912.782**	**8.682.372**

The table below shows a Severance Indemnity operation.

Severance indemnity fund (values expressed in Euro thousand)	2015	2014
Opening balance	**6.532**	**6.016**
Severance indemnity paid out during the period	(409)	(273)
Actuarial gains/losses	(386)	694
Financial expenses	95	182
Other movements	-	(87)
Closing balance	**5.832**	**6.532**

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

Actuarial hypotheses	31/12/15	31/12/14
Annual discount rate	2,03% - 2,33%	1,5 % - 3,50%
Annual inflation rate	1,75% - 2,0%	1,75% - 2,0%
Annual Severance fund increase rate	2,0% - 2,81%	2,81% - 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 0.5% depending on the company;
- for the probability of advances an annual rate of 3.0% was supposed.

NOTE 8.15 – DEFERRED TAX LIABILITIES

The Deferred Tax Liabilities are equal to 10,518 thousand Euro, in decrease compared with 31/12/2014 of 304 thousand Euro; the following table shows their movements during the year 2015.

Deferred tax liabilities	31/12/15	31/12/14
Opening balance	**10.822.071**	**10.350.390**
Provisions	712.520	1.440.382
Utilizations	(1.402.336)	(1.293.017)
Exchange rate	386.050	324.316
Closing balance	**10.518.305**	**10.822.071**

The composition of the deferred tax liabilities on 31/12/2015 is shown below.

Deferred tax liabilities	31/12/15	31/12/14 (*)
Non-current tangible/intangible assets/Financial leases	9.599.803	9.575.090
Trade receivables/payables and other entries	885.964	1.210.710
Employee benefits	32.538	36.271
TOTAL	**10.518.305**	**10.822.071**

(*) for a better comparability, the 2014 figures have been reclassified

The calculation of prepaid taxes considers the IRES rate reduction (from 27.50% to 24.00%) from 2017, as required by the recent Law No. 208/2015 (Stability Law 2016).

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 5,440 thousand Euro.

Tax liabilities were not recorded on undistributed profit reserves of subsidiaries.

NOTE 8.16 – PROVISIONS

The provisions are equal to 15,947 thousand Euro and are increased compared with 31/12/2014 by 976 thousand Euro.

Non-current provisions	Cust. Agent. Ind. Provision	TOTAL
December 31st, 2013	**137.137**	**137.137**
Allocations	-	-
Utilizations in the period	7.414	7.414
December 31st, 2014	**144.551**	**144.551**
Allocations	9.688	9.688
Utilizations in the period	(3.688)	(3.688)
December 31st, 2015	**150.551**	**150.551**

Current provisions	Warranty provisions	Completion project and others provisions	TOTAL
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**
Allocations	5.682.938	7.487.450	13.170.388
Utilizations in the period	(5.057.111)	(7.515.428)	(12.572.539)
Exchange rate differences	256.167	115.996	372.163
December 31st, 2015	**9.985.320**	**5.811.171**	**15.796.491**

The non-current risks funds refer exclusively to the agent client indemnity fund and amount comprehensively to 151 thousand Euro.
The current risks funds mainly relate to product warranties (equal to 9,985 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 5,351 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 460 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.

Finally it should be noted that, during the second half of 2015 a tax audit on the years 2011, 2012 and 2013 was started at the German subsidiary PRIMA POWER GmbH. At present, taking into account that the process is at an early stage and that no document has been issued by the German tax authorities, it is not possible to reasonably assume the probability of success in a litigation, or to reliably determine the possible amount of the obligation, furthermore currently there is no obligation; therefore no fund for risks was set up on this matter.

NOTE 8.17 - TRADE PAYABLES, ADVANCE PAYMENTS AND OTHER PAYABLES

The value of these payables has increased compared to 31/12/2014 by 4,473 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 thus not accountable as revenue. Advance Payments from customers increased due to the growth of the order backlog at 31/12/2015. The Other payables heading encompasses social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

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

Trade, advances and other payables	31/12/15	31/12/14
Trade payables	78.323.460	77.593.622
Advances	21.385.159	16.933.871
Other payables	19.218.309	19.926.668
TOTAL	**118.926.928**	**114.454.161**

NOTE 8.18 – CURRENT TAX PAYABLES

The Current Tax Payables on 31/12/2015 are equal to 7,258 thousand Euro, a decrease of 769 thousand Euro compared with the previous fiscal year (8,027 thousand Euro on 31/12/2014). Liabilities are divided as follows:

- payables for income taxes amounting to 3,483 thousand Euro;
- payables for VAT amounting to 2,361 thousand Euro;
- payables for withholding tax amounting to 1,362 thousand Euro and
- other minor payables for 52 thousand Euro.

NOTE 8.19 - NET INCOME FROM SALES AND SERVICES

The consolidated turnover is shown below on a geographic basis at 31/12/2015 compared with the previous financial year.

Revenues	31/12/15		31/12/14	
	Euro thousand	*%*	*Euro thousand*	*%*
EMEA	228,640	62.7	209,750	59.9
AMERICAS	80,919	22.2	79,923	22.8
APAC	54,907	15.1	60,791	17.3
TOTAL	**364,466**	**100.0**	**350,464**	**100.0**

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	31/12/15		31/12/14	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	326,190	89.5	312,226	89.1
PRIMA ELECTRO	53,435	14.7	52,841	15.1
Inter-sector revenues	(15,159)	(4.2)	(14,603)	(4.2)
TOTAL	**364,466**	**100.0**	**350,464**	**100.0**

The revenues from sales and services has already been dealt with both in chapter 3 of this document: “Group Management Report” in the paragraph entitled “Revenues and Profitability”.

NOTE 8.20 – OTHER OPERATING INCOME

The Other Operating Income amounts to 4,773 thousand Euro; 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 1,260 thousand Euro (non-recurring income at 31/12/2014 amounted to 2,940 thousand Euro).

NOTE 8.21 – INCREASES IN FIXED ASSETS FOR INTERNAL WORK

The increases in fixed assets for internal work on 31/12/2015 amount to 11,751 thousand Euro and refer mainly to the capitalization of new project development costs (10,844 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 31/12/2015 is equal to 100,223 thousand Euro and shows an increase compared with the previous financial year of 6,392 thousand Euro. It should be noted that the Group's personnel at 31/12/2014 amounted to 1,579 units, while at 31/12/2015 it amounted to 1,643 units, with an increase of 64 units. Finally it should be noted that the non-recurring events recorded in this item amounted to 634 thousand Euro.

NOTE 8.23 – DEPRECIATION -*IMPAIRMENT*

The depreciations at 31/12/2015 are equal to 13,507 thousand Euro (of which 10,104 thousand Euro are related to intangible assets).

Depreciation	31/12/15	31/12/14
Depreciation of tangible fixed assets	3.403.048	2.926.663
Depreciation of intangible fixed assets	10.104.084	8.354.766
TOTAL	**13.507.132**	**11.281.428**

The increase in depreciation of tangible assets is mainly due to Industrial & Commercial Equipment (increase of 232 thousand Euro), the Buildings (increase of 133 thousand Euro) and to Other Assets (increase of 86 thousand Euro); the increase in depreciation of intangible assets is mainly due to development costs (increase of 1,646 thousand Euro).

It should be noted that depreciation of the trademark and relationships with clients ("*customers list*") amount to a total of 3,094 thousand Euro, while those relating to development costs are equal to 6,480 thousand Euro.

During 2015 an *impairment* amounting to 408 thousand Euro relating mainly to development costs of the PRIMA ELECTRO division has been recorded.

NOTE 8.24 – OTHER OPERATING EXPENSES

The Other operating expenses for the year 2015 amount to 85,769 thousand Euro compared with 83,240 thousand Euro at 31/12/2014.

The main operating expenses are:

- external production services amounted to 18,538 thousand Euro;
- travel expenses amounted to 14,049 thousand Euro;
- transport and delivery costs amounted to 8,782 thousand Euro;
- rents and use of third party assets amounted to 7,706 thousand Euro;
- consultancies (directional, administrative, fiscal, commercial, and technical) amounted to 5,172 thousand Euro;
- exhibitions and advertising expenses amounted to 3,595 thousand Euro;
- commissions amounted to 3,497 thousand Euro.

NOTE 8.25 – FINANCIAL INCOME AND EXPENSES

The financial management of 2015 shows a negative result of 9,311 thousand Euro.

Financial Management	31/12/15	31/12/14
Financial income	693.514	112.442
Financial expenses	(9.472.762)	(7.223.349)
Net financial expenses	**(8.779.248)**	**(7.110.907)**
Net exchange of transactions in foreign currency	(531.702)	(147.049)
Total Financial Management	**(9.310.950)**	**(7.257.956)**

It is highlighted that, the financial charges at 31/12/2015 include the extraordinary costs incurred between February and March 2015 due to the full early repayment of the FINPOLAR loan, amounting to 2,123 thousand Euro; these costs (mainly relating to the hedging derivative instrument subscribed simultaneously to the financing), if FINPOLAR had come to its natural end, they would have been calculated pro rata in the following quarters up to February 2016. Financial costs amounting to 2,167 thousand Euro related to the issue of the *Bond*, 1,436 thousand Euro related to the *Club Deal* loan and 351 thousand Euro related to the *Finnish Loan*. The result of exchange rate management of the year 2015 is negative for 532 thousand Euro (it was negative for 147 thousand Euro on 31/12/2014); also the effect arising from the management of foreign exchange derivatives, which is positive for 442 thousand Euro, should be noted.
Among the financial costs a negative effect for 236 thousand Euro relating to the write-down of the loan towards the company Wuhan Unity resulting from the sale by PRIMA INDUSTRIE SpA of the last 5% of the investment in Shanghai Unity Prima.

NOTE 8.26 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The effect on the income statement of the year arising from the assessment of investments accounted for using the net equity method amounts to zero.
This assessment considers the latest available data of EPS SA (sole subsidiary included in this category) at the time of approval of this Financial Report.

NOTE 8.27 – NET RESULT ON OTHER INVESTMENTS

This heading on 31/12/2015 is negative for 44 thousand Euro and includes:

- a positive effect for 6 thousand Euro which refers to the dividend of the company Lamiera Servizi, whose 19% participation is owned by PRIMA INDUSTRIE SpA;
- by a negative effect for 50 thousand Euro relating to the impairment of the investment in Caretek srl owned by PRIMA ELECTRO SpA.

NOTE 8.28 - CURRENT AND DEFERRED TAXES

The taxes on income for the year 2015 show a net negative balance of 2,526 thousand Euro, of which current negative for 3,134 thousand (of which IRAP (Regional income tax) for 720 thousand Euro) and deferred positive for 614 thousand Euro.

Values expressed in Euro thousand

Income tax	2015	2014
Current income tax (excluding regional trade tax IRAP)	(2.165)	(4.193)
IRAP (Regional Trade tax)	(720)	(1.512)
Taxes relating to previous year	(249)	(677)
Deferred tax	614	988
Other taxes	(6)	(59)
TOTAL	**(2.526)**	**(5.453)**

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 the countries where the Group companies are residing, is as follows:

Values expressed in Euro thousand

Current income taxes	2015	2014
Current tax on theoretical income (excluding regional trade tax IRAP)	(2.029)	(4.066)
Permanent changes	843	715
Temporary changes	(156)	(580)
Utilization/Surplus losses	(823)	(262)
CURRENT INCOME TAX	**(2.165)**	**(4.193)**

NOTE 8.29 – RESULT PER SHARE

The earnings per share on 31/12/2015, positive for 0.57 Euro (0.93 Euro on 31/12/2014) 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 which are 10,483,274. The diluted earnings per share is equal to the basic earning because at 31/12/2015 there are no dilutive operations.

NOTE 8.30 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The situation of the guarantees granted and commitments made by the Group at 31/12/2015 is shown below.

Values expressed in Euro thousand	31/12/15	31/12/14
Guarantees granted	21.163	17.234
Commitments to leasing companies	1.185	1.524
Other commitments and significant contracts rights	11.861	12.725
TOTAL	**34.209**	**31.483**

At 31/12/2015 the guarantees granted by PRIMA INDUSTRIE Group amounted to 21,163 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 indicated.

Finally it should be noted that, during the second half of 2015 a tax audit on the years 2011, 2012 and 2013 was started at the German subsidiary PRIMA POWER GmbH. At present, taking into account that the process is at an early stage and that no document has been issued by the German tax authorities, it is not possible to reasonably assume the probability of success in a litigation, or to reliably determine the possible amount of the obligation, furthermore currently there is no obligation; therefore no fund for risks was set up on this matter.

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 (100% owned by EPS SA) mainly for research and development of special electronic components.

OPERATIONS WITH RELATED PARTIES	Strategic Management	Board of Statutory Auditors	EPS	TOTAL
RECEIVABLES AS AT 01/01/2015	-	-	5.287	5.287
RECEIVABLES AS AT 31/12/2015	**-**	**-**	**221.005**	**221.005**
PAYABLES AS AT 01/01/2015	486.410	105.000	5.527	596.937
PAYABLES AS AT 31/12/2015	**512.896**	**105.000**	**1.283**	**619.179**
REVENUES 01/01/2015 - 31/12/2015	**-**	**-**	**412.650**	**412.650**
COSTS 01/01/2015 - 31/12/2015	**1.304.936**	**105.000**	**5.211**	**1.415.147**
VARIATIONS IN RECEIVABLES				
01/01/2015 - 31/12/2015	-	-	215.718	215.718
VARIATIONS IN PAYABLES				
01/01/2015 - 31/12/2015	26.486	-	(4.244)	22.242

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 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 policies with the aims of correctly managing the risks mentioned, in order to safeguard its own activity and capacity to create value for shareholders and for all the stakeholders.

The objectives and politics of the Group for the management of risks described above is detailed below.

Interest rate risk

The debit position towards the credit system and capital markets can be negotiated at a fixed or variable rate.
Variations of interest rate in the market generate the following categories of risk:

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

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

- Interest rate ⟶ Management/Hedging

Exposure to interest rates is by nature structural, in that the net financial position generates net financial burdens subject to the volatility of interest rates, according to the contractual conditions established with the financing party. Consequently, the identified strategy is of Management/Hedging and is confirmed by:

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

At the date of approval of this Financial Report, the Group has not any derivative financial instrument to hedge the interest rate risk; in the future the Group could decide to hedge this risk using derivative instruments.

Exchange rate risk

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

on account. In this case, the financial burden of the debit in currency is subject to the interest rate risks, not of the European market, but of the market of the chosen currency.
The attitude and strategy to follow with regards to risk factors are determined by the plurality of elements which concerned both the characteristics of the reference market and their impact on the company balance sheet results. Indeed, four possible strategic and distinctive areas for the operational management of individual risk factors can be identified:

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

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

- Exchange rate → Management/Hedging

Exposure to exchange rate risks deriving from financial factors is currently contained, in that the company does not take on financing in currency different from the Europe, with the exception of some financing of the U.S. subsidiaries, for which the U.S. dollar is the reference currency.
In relation to the commercial transactions, on the other hand, at Group level there exists a certain exposure to exchange rate risk, 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.

The Group has recently provided itself with guidelines for managing the foreign exchange risk in the major currencies in which it operates (mainly the US dollar and Chinese renminbi). The goal is to cover the budget results from the exchange risk, through the subscription of hedging derivatives. This hedging is managed by the Parent Company PRIMA INDUSTRIE SpA.

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 and Chinese Renminbi not hedged by *ad hoc* derivatives, 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.
For this purpose, with regards to PRIMA INDUSTRIE, a function of Group of credit management has been put in place.

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 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 05/08/2011, 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 table below lists, for the assets and liabilities as of 31/12/2015 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 - 31/12/2015 - Values expressed in Euro thousand

Assets	Category IAS 39	Financial value 31/12/15	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31/12/15
Cash and cash equivalents	NA	41.365	-	-	-	-	41.365
Assets held to maturity	Held to Maturity	792	-	-	-	-	793
Assets at fair value in profit or loss	Held for Trading	47	-	-	46	-	47
Assets valued under IAS 17	NA	3.682	-	-	-	3.682	3.682
TOTAL		**45.886**	**-**	**-**	**46**	**3.682**	**45.887**

Liabilities	Category IAS 39	Financial value 31/12/15	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31/12/15
Liabilities at amortized cost	Amortised Cost	139.983	139.983	-	-	-	142.293
Liabilities at fair value in profit or loss	Held for Trading	445	-	-	97	-	445
Hedge Derivatives	NA	-	-	-	-	-	-
Liabilities valued under IAS 17	NA	2.654	-	-	-	2.654	2.654
TOTAL		**143.082**	**139.983**	**-**	**97**	**2.654**	**145.392**

Profit and losses by category - IAS 39 - 31/12/2015 - Values expressed in Euro thousand

Assets	Category IAS 39	Net profit and loss	of which Interests
Cash and cash equivalents	NA	-	69
Assets held to maturity	Held to Maturity	-	-
Assets valued under IAS 17	NA	-	-
TOTAL		**-**	**69**

Liabilities	Category IAS 39	Financial value 31/12/15	Amortized cost
Liabilities at amortized cost	Amortised Cost	(5.828)	(4.386)
Liabilities at fair value in profit or loss	Held for Trading	97	97
Hedge Derivatives	NA	-	-
Liabilities valued under IAS 17	NA	(191)	(191)
Other Financial payables - factoring	NA	(101)	(101)
TOTAL		**(6.023)**	**(4.581)**

Hierarchical levels for assessment of fair value

In relation to the financial instruments disclosed in the financial position for *fair value* accounting purposes, IFRS 13 requires these values to be classified as a hierarchy of levels reflecting the weight of inputs used to determine the *fair value*. The following levels are used:

- level 1 – quoted prices in active markets for assets or liabilities subject to valuation;
- level 2 – inputs other than quoted prices included in level one that are observable either directly (as prices) or indirectly (derived from prices) on the market;
- level 3 – inputs that are not based on observable market data.

The following table shows the assets and liabilities entered at *fair value* at 31/12/2015, according to hierarchical valuation of *fair value*.

Values expressed in Euro thousand	Level 1	Level 2	Level 3
Assets valuated at fair value	-	47	-
Other Assets	-	-	-
TOTAL ASSETS	**-**	**47**	**-**
Liabilities valuated at fair value	-	445	-
Other Liabilities	-	-	-
TOTAL LIABILITIES	**-**	**445**	**-**

Furthermore, for the sole purpose of *disclosure*, the *fair value* of all the items included in the net financial position are reported below.

Values expressed in Euro thousand	Book Value	Fair Value
Cash	41.365	41.365
Other cash and cash equivalents	-	-
Cash on hand	**41.365**	**41.365**
Current financial receivables	**839**	**839**
Current bank payables	9.222	9.227
Current part of non-current indebtedness	14.328	14.688
Bond issued	869	869
Other current financial payables	1.312	1.312
Current financial indebtedness	**25.731**	**26.096**
Net current financial indebtedness	**(16.473)**	**(16.108)**
Non-current bank payables	74.077	74.745
Bond issued	39.591	39.999
Other non-current financial payables	4.552	4.552
Non-current financial indebtedness	**118.220**	**119.296**
Net financial position	**101.747**	**103.188**

NOTE 8.33 - SIGNIFICANT NOT RECURRING ITEMS

The table below summarizes not recurring items that have had a negative impact on the income statement for a total of 3,426 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	1.260	-	-	-	-	-	1.260
Actions of reorganization/Restructuring	-	(634)	(221)	-	-	-	(855)
Legal/fiscal disputes and penalties from customers	30	-	(1.044)	-	-	-	(1.014)
EBITDA	**1.290**	**(634)**	**(1.266)**	**-**	**-**	**-**	**(609)**
Impairment of intangible fixed assets	-	-	-	(383)	-	-	(383)
Impairment of tangible fixed assets	-	-	-	(25)	-	-	(25)
EBIT	**1.290**	**(634)**	**(1.266)**	**(408)**	**-**	**-**	**(1.017)**
Advance Finpolar loan expenses	-	-	-	-	(2.123)	-	(2.123)
Devaluation of financial receivables	-	-	-	-	(236)	-	(236)
Economical effect on investments operations	-	-	-	-	-	(50)	(50)
NET RESULT BEFORE TAXES	**1.290**	**(634)**	**(1.266)**	**(408)**	**(2.359)**	**(50)**	**(3.426)**

For comparison purposes, the same Not Recurrent Events table for 2014 is shown below.

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 31.12.2015 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 2015.
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: 09.03.2016

Signature of the Executive Chairman

Signature of the Manager responsible for the drafting Corporate accounting documents

CHAPTER 9

Financial Statements of PRIMA INDUSTRIE
December 31st, 2015
Accounting tables

CHAPTER 9. FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

BALANCE SHEET

Values in Euro	31/12/2015	31/12/2014
Property, plant and equipment	6,773,620	6,612,386
Intangible assets	9,487,291	7,237,967
Investment in subsidiaries	141,200,554	134,686,788
Other investments	11,931	11,931
Financial assets - loan to the subsidiaries	-	42,580,356
Other financial assets	18,128,639	17,762,945
Deferred tax assets	2,381,269	3,172,022
NON CURRENT ASSETS	**177,983,304**	**212,064,395**
Inventories	21,515,280	18,767,027
Trade receivables	39,260,864	39,882,495
Other receivables	2,377,098	2,105,856
Current tax receivables	4,377,960	2,730,650
Derivatives	47,225	-
Other current financial assets	5,650,714	1,319,202
Cash and cash equivalents	5,514,785	6,820,329
CURRENT ASSETS	**78,743,926**	**71,625,559**
TOTAL ASSETS	**256,727,230**	**283,689,954**
Capital stock	26,208,185	26,208,185
Legal reserve	4,494,745	4,455,497
Other capital reserves	72,539,104	72,662,718
Retained earnings	(1,775,643)	(1,883,860)
Net result	1,406,734	784,956
STOCKHOLDERS' EQUITY	**102,873,125**	**102,227,496**
Interest-bearing loans and borrowings	83,429,200	65,375,760
Employee benefit liabilities	3,738,078	4,100,916
Deferred tax liabilities	816,000	847,917
Provisions	1,140,534	7,404,404
Derivatives	-	2,363,958
NON CURRENT LIABILITIES	**89,123,812**	**80,092,955**
Trade payables	34,405,904	38,795,392
Advance payments	2,990,067	2,974,091
Other payables	6,254,049	7,054,614
Interest-bearing loans and borrowings	12,357,303	44,679,618
Current tax payables	4,080,670	2,949,688
Provisions	4,642,300	4,916,100
CURRENT LIABILITIES	**64,730,293**	**101,369,503**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**256,727,230**	**283,689,954**

INCOME STATEMENT

Values in Euro	*Notes*	31/12/2015	31/12/2014
Net revenues	*11.21*	109,781,243	98,016,681
Other income	*11.22*	4,531,445	6,271,515
Change in inventories of finished goods and WIP	-	4,147,894	818,389
Increases in fixed assets for internal work	*11.23*	3,002,678	3,244,630
Use of raw materials, consumables, supplies and goods	-	(61,549,655)	(51,788,636)
Personnel cost	*11.24*	(23,075,526)	(22,271,668)
Depreciation	*11.25*	(1,679,938)	(1,530,476)
Impairment	*11.25*	-	(121,270)
Other operating expenses	*11.26*	(26,915,791)	(25,984,124)
OPERATING PROFIT		**8,242,350**	**6,655,041**
Financial income	*11.27*	2,176,719	2,840,254
Financial expenses	*11.27*	(8,092,411)	(7,086,959)
Net exchange differences	*11.27*	(144,063)	(507,210)
RESULT BEFORE TAXES		**2,182,595**	**1,901,126**
Income taxes	*11.28*	(775,861)	(1,116,170)
NET RESULT		**1,406,734**	**784,956**

COMPREHENSIVE INCOME STATEMENT

Values in Euro	*Notes*	31/12/2015	31/12/2014
NET RESULT (A)		**1,406,734**	**784,956**
Gains/ (Losses) on actuarial defined benefit plans	*11.13*	108,217	(211,793)
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)		**108,217**	**(211,793)**
Gains /(Losses) on cash flow hedges	*11.13*	1,227,332	1,968,294
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)		**1,227,332**	**1,968,294**
TOTAL COMPREHENSIVE INCOME (A) + (B) +(C)		**2,742,283**	**2,541,457**

STATEMENT OF CHANGES IN EQUITY

Values in Euro	Capital stock	Additional paid-in capital	Legal reserve	Capital increase - expenses	Stock option reserve	FV derivates adjustment reserve	Other reserves	Retained ernings	Net result	EQUITY
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**
Capital increase	-	-	-	-	-	-	-	-	-	-
Allocation of prior year net result	-	-	39,248	-	-	-	745,708	-	(784,956)	-
Reclassification	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(2,096,654)	-	-	(2,096,654)
Result of comprehensive Income	-	-	-	-	-	1,227,332	-	108,217	1,406,734	2,742,283
Balance as at 31/12/2015	**26,208,185**	**57,506,537**	**4,494,745**	**(1,286,154)**	**-**	**-**	**16,318,721**	**(1,775,643)**	**1,406,734**	**102,873,125**

CASH FLOW STATEMENT

VALUES IN EURO	31/12/2015	31/12/2014 (*)
Net result	**1,406,734**	**784,956**
Adjustments (sub-total)	**(20,204,277)**	**6,416,054**
Depreciation, impairment and amortization	1,679,938	1,651,746
Net change in deferred tax assets and liabilities	758,836	(722,661)
Change in employee benefits liabilities	(362,838)	386,339
Change in inventories	(2,748,253)	(3,177,788)
Change in trade receivables	621,631	(1,280,128)
Change in trade payables and advances	(4,373,512)	8,094,678
Net change in other receivables/payables and other assets/liabilities	(15,780,079)	1,463,868
Cash Flows from (used in) operating activities (A)	**(18,797,543)**	**7,201,010**
Cash flow from investments		
Acquisition of tangible fixed assets	(750,116)	(2,123,865)
Acquisition of intangible fixed assets	(764,939)	(99,314)
Capitalization of development costs	(2,670,393)	(2,930,831)
Net disposal of fixed assets and investment in subsidiaries	94,952	1,500,853
Capital Increase FINN-POWER OY	(5,000,000)	-
Capital Increase PRIMA POWER GMBH	(1,039,712)	-
Devaluation PRIMA POWER GMBH	-	750,366
Reversal of devaluation provision of PRIMA POWER GMBH	6,960,288	-
Capital Increase PRIMA POWER SUZHOU	(474,053)	(2,611,629)
Capital Increase PRIMA POWER SOUTH AMERICA Ltda	-	(206,603)
Devaluation PRIMA POWER SOUTH AMERICA Ltda	650,948	466,072
Capital Increase PRIMA POWER MAKINA TICARET LIMITED SIRTEKI	-	(340,105)
Devaluation PRIMA POWER AUSTRALASIA	43,037	305,497
Decrease SUP Investment	-	181,836
Cash Flows from (used in) investing activities (B)	**(2,949,988)**	**(5,107,723)**
Cash flow from financing activities		
Change in financial receivables and other financial assets	37,883,150	2,851,141
Change in other non current financial liabilities and other minor items	(1,082,282)	274,185
Increases in loans and borrowings (including bank overdrafts)	94,324,602	13,663,615
Repayment of loans and borrowings (including bank overdrafts)	(108,695,046)	(15,252,130)
Dividends	(2,096,654)	-
Other changes	108,217	(211,793)
Cash Flows from (used in) financing activities (C)	**20,441,987**	**1,325,018**
Net change in cash and equivalents (D=A+B+C)	**(1,305,544)**	**3,418,305**
Cash and equivalents beginning of period (E)	**6,820,329**	**3,402,024**
Cash and equivalents end of period (F=D+E)	**5,514,785**	**6,820,329**

Additional Information to the Consolidated Statement of Cash-Flow	31/12/2015	31/12/2013
Values in Euro		
Taxes	(775,861)	(1,116,170)
Financial incomes	2,176,719	2,840,254
Financial expenses	(8,092,411)	(7,086,959)

(*) for a better comparability, some of the 2014 figures have been reclassified

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

Values in Euro	31/12/2015	*of which related parties*	31/12/2014	*of which related parties*
Property, plant and equipment	6,773,620	-	6,612,386	-
Intangible assets	9,487,291	-	7,237,967	-
Investment in subsidiaries	141,200,554	*141,200,554*	134,686,788	*134,686,788*
Other investments	11,931	-	11,931	-
Financial assets - loan to the subsidiaries	-	-	42,580,356	*42,580,356*
Other financial assets	18,128,639	*18,128,639*	17,762,945	*17,762,945*
Deferred tax assets	2,381,269	-	3,172,022	-
NON CURRENT ASSETS	**177,983,304**		**212,064,395**	
Inventories	21,515,280	-	18,767,027	-
Trade receivables	39,260,864	*16,657,363*	39,882,495	*14,720,480*
Other receivables	2,377,098	-	2,105,856	*44,400*
Current tax receivables	4,377,960	-	2,730,650	-
Derivatives	47,225	-	-	-
Other current financial assets	5,650,714	*4,859,205*	1,319,202	*877,311*
Cash and cash equivalents	5,514,785	-	6,820,329	-
CURRENT ASSETS	**78,743,926**		**71,625,559**	
TOTAL ASSETS	**256,727,230**		**283,689,954**	
Capital stock	26,208,185	-	26,208,185	-
Legal reserve	4,494,745	-	4,455,497	-
Other capital reserves	72,539,104	-	72,662,718	-
Retained earnings	(1,775,643)	-	(1,883,860)	-
Net result	1,406,734	-	784,956	-
STOCKHOLDERS' EQUITY	**102,873,125**		**102,227,496**	
Interest-bearing loans and borrowings	83,429,200	*2,500,000*	65,375,760	-
Employee benefit liabilities	3,738,078	-	4,100,916	-
Deferred tax liabilities	816,000	-	847,917	-
Provisions	1,140,534	-	7,404,404	-
Derivatives	-	-	2,363,958	-
NON CURRENT LIABILITIES	**89,123,812**		**80,092,955**	
Trade payables	34,405,904	*6,100,042*	38,795,392	*9,192,266*
Advance payments	2,990,067	*58,285*	2,974,091	*365,329*
Other payables	6,254,049	*579,190*	7,054,614	*558,529*
Interest-bearing loans and borrowings	12,357,303	-	44,679,618	-
Current tax payables	4,080,670	-	2,949,688	-
Provisions	4,642,300	-	4,916,100	-
CURRENT LIABILITIES	**64,730,293**		**101,369,503**	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**256,727,230**		**283,689,954**	

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

Values in Euro	*Notes*	31/12/2015	*of which related parties*	31/12/2014	*of which related parties*
Net revenues	*11.21*	109,781,243	*49,854,708*	98,016,681	*36,198,700*
Other income	*11.22*	4,531,445	*1,626,864*	6,271,515	*1,590,778*
Change in inventories of finished goods and WIP	-	4,147,894	-	818,389	-
Increases in fixed assets for internal work	*11.23*	3,002,678	-	3,244,630	-
Use of raw materials, consumables, supplies and goods	-	(61,549,655)	*(12,644,599)*	(51,788,636)	*(11,973,646)*
Personnel cost	*11.24*	(23,075,526)	*(338,368)*	(22,271,668)	*(338,520)*
Depreciation	*11.25*	(1,679,938)	-	(1,530,476)	-
Impairment	*11.25*	-	-	(121,270)	-
Other operating expenses	*11.26*	(26,915,791)	*(2,427,124)*	(25,984,124)	*(2,640,634)*
OPERATING PROFIT		**8,242,350**		**6,655,041**	
of which: non recurring items		***1,038,142***		***2,601,638***	
Financial income	*11.27*	2,176,719	*2,437,881*	2,840,254	*1,668,196*
Financial expenses	*11.27*	(8,092,411)	*(751,373)*	(7,086,959)	-
Net exchange differences	*11.27*	(144,063)	-	(507,210)	-
Net result of investments accounted for using the equity method		-		-	
RESULT BEFORE TAXES		**2,182,595**		**1,901,126**	
of which: non recurring items		***(2,014,470)***		***2,118,742***	
Income taxes	*11.28*	(775,861)	-	(1,116,170)	-
NET RESULT		**1,406,734**		**784,956**	

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

VALUES IN EURO	31/12/2015	of which related parties	31/12/2014 (*)	of which related parties
Net result	**1,406,734**	**-**	**784,956**	**-**
Adjustments (sub-total)	**(20,204,277)**	**-**	**6,416,054**	**-**
Depreciation, impairment and amortization	1,679,938	-	1,651,746	-
Net change in deferred tax assets and liabilities	758,836	-	(722,661)	-
Change in employee benefits liabilities	(362,838)	-	386,339	-
Change in inventories	(2,748,253)	-	(3,177,788)	-
Change in trade receivables	621,631	*(1,936,883)*	(1,280,128)	*(2,641,094)*
Change in trade payables and advances	(4,373,512)	*(3,092,224)*	8,094,678	*2,083,386*
Net change in other receivables/payables and other assets/liabilities	(15,780,079)	*(23,739)*	1,463,868	*(64,323)*
Cash Flows from (used in) operating activities (A)	**(18,797,543)**		**7,201,010**	
Cash flow from investments				
Acquisition of tangible fixed assets	(750,116)	-	(2,123,865)	-
Acquisition of intangible fixed assets	(764,939)	-	(99,314)	-
Capitalization of development costs	(2,670,393)	-	(2,930,831)	-
Net disposal of fixed assets and investment in subsidiaries	94,952	-	1,500,853	-
Capital Increase FINN-POWER OY	(5,000,000)	*(5,000,000)*	-	-
Capital Increase PRIMA POWER GMBH	(1,039,712)	*(1,039,712)*	-	-
Devaluation PRIMA POWER GMBH	-	-	750,366	*750,366*
Reversal of devaluation provision of PRIMA POWER GMBH	6,960,288	-	-	-
Capital Increase PRIMA POWER SUZHOU	(474,053)	*(474,053)*	(2,611,629)	*(2,611,629)*
Capital Increase PRIMA POWER SOUTH AMERICA Ltda	-	-	(206,603)	*(206,603)*
Devaluation PRIMA POWER SOUTH AMERICA Ltda	650,948	*650,948*	466,072	*466,072*
Capital Increase PRIMA POWER MAKINA TICARET LIMITED SIRTEKI	-	-	(340,105)	*(340,105)*
Devaluation PRIMA POWER AUSTRALASIA	43,037	*43,037*	305,497	*305,497*
Decrease SUP Investment	-	-	181,836	-
Cash Flows from (used in) investing activities (B)	**(2,949,988)**		**(5,107,723)**	
Cash flow from financing activities				
Change in financial receivables and other financial assets	37,883,150	*38,232,768*	2,851,141	*3,293,032*
Change in other non current financial liabilities and other minor items	(1,082,282)	-	274,185	-
Increases in loans and borrowings (including bank overdrafts)	94,324,602	*2,500,000*	13,663,615	-
Repayment of loans and borrowings (including bank overdrafts)	(108,695,046)	-	(15,252,130)	-
Dividends	(2,096,654)	-	-	-
Other changes	108,217	-	(211,793)	-
Cash Flows from (used in) financing activities (C)	**20,441,987**		**1,325,018**	
Net change in cash and equivalents (D=A+B+C)	**(1,305,544)**		**3,418,305**	
Cash and equivalents beginning of period (E)	**6,820,329**		**3,402,024**	
Cash and equivalents end of period (F=D+E)	**5,514,785**		**6,820,329**	

(*) for a better comparability, some of the 2014 figures have been reclassified

CHAPTER 10

Description of Accounting Principles

CHAPTER 10. DESCRIPTION OF ACCOUNTING PRINCIPLES

COMPANY INFORMATION

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

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

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

PRIMA INDUSTRIE SpA, as the parent company, has also prepared the consolidated financial statements of the PRIMA Group at 31/12/2015.

EVALUATION CRITERIA

The 2015 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 PRINCIPLES” 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 2015, refer to as stated in the consolidated financial statements in Chapter 6 “DESCRIPTION OF ACCOUNTING PRINCIPLES”.

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.

The calculation of prepaid and deferred taxes considers the IRES rate reduction (from 27.50% to 24.00%) from 2017, as required by the recent Law No. 208/2015 (Stability Law 2016).

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 31st, 2015

CHAPTER 11. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF 31/12/2015

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 31/12/2015 and at 31/12/2014, 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, 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**
Year 2015						
Increases	77.114	-	485.434	187.568	-	750.116
Disinvestments	(93.002)	-	-	(15.597)	-	(108.599)
Use of depreciation fund	-	-	-	13.647	-	13.647
Depreciation	(53.475)	(33.047)	(316.747)	(90.661)	-	(493.930)
Impairment	-	-	-	-	-	-
Net value as at December 31st, 2015	**5.001.887**	**120.329**	**743.962**	**305.302**	**602.140**	**6.773.620**

Land and buildings amounting to 5,002 thousand Euro includes:

- Land for a total value of 4,096 thousand Euro. 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 additional investment will amount to 7 million Euro.
- Buildings for a total value of 866 thousand Euro. This heading includes the property leased to the PRIMA POWER UK LTD (141 thousand Euro) and the company establishment in via Antonelli No. 28 (725 thousand Euro).
- Light constructions for 40 thousand Euro.

Plants and Machinery amounting to 120 thousand Euro has decreased during the year by 33 thousand, due to the effect of depreciation.

Industrial and trade equipment item equal to 744 thousand Euro has increased during the year by 169 thousand Euro and includes equipment for 636 thousand Euro and Dies for 108 thousand Euro. The value of this item has increased by 411 thousand Euro (it should be noted that 285 thousand Euro refer to equipment generated internally) and was decreased by 289 thousand Euro for depreciation.

The Other Assets heading amounts to 305 thousand Euro and is represented mainly by:

- Electronic office equipment with a value of 292 thousand Euro;

- Office furniture, furnishings and equipment with a value of 10 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 31/12/2015 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 31/12/2015 and at 31/12/2014, and the changes during the year.

Intangible assets	Software	Development costs	Other intaglible assets	TOTAL
Net value as at December 31st, 2013	**127.195**	**5.167.237**	**1.767**	**5.296.199**
Year 2014				
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**
Year 2015				
Increases/ (Decreases)	746.801	2.670.393	18.138	3.435.332
Depreciation	(92.319)	(1.087.085)	(6.604)	(1.186.008)
Net value as at December 31st, 2015	**786.226**	**8.688.648**	**12.417**	**9.487.291**

The main component of intangible fixed assets consists of development costs (net value at 31/12/2015 of 8,689 Euro); projects totalling 2,718 thousand Euro were capitalized during the year 2015, also a net decrease of 47 thousand Euro should be noted; depreciation amounted to 1,087 thousand Euro.
During the 2015 financial year there was also an increase of 747 thousand Euro for software; the most significant component is related to the investment for the new ERP, whose go-live occurred in January 2016, and for which the depreciation is still in progress.

NOTE 11.3 - EQUITY INVESTMENTS IN SUBSIDIARIES

The value of equity investments at 31/12/2015 amounts to 141,201 thousand Euro and it is increasing compared to the previous financial year by 6,514 thousand Euro.

Shareholding in subsidiaries	Investment value	Investment provisions	Net value at Dec. 31st, 2014	Increases	Devaluation	Net value at Dec. 31st, 2015
FINN POWER OY	116.948.538	-	116.948.538	5.000.000	-	121.948.538
PRIMA ELECTRO SpA	10.944.702	-	10.944.702	-	-	10.944.702
PRIMA POWER IBERICA SL	1.441.305	-	1.441.305	-	-	1.441.305
PRIMA POWER CHINA Company Ltd	766.765	-	766.765	-	-	766.765
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	539.825	-	539.825	-	-	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)	-	1.039.712	-	1.039.712
PRIMA POWER SOUTH AMERICA Ltda	751.819	(751.819)	-	-	-	-
PRIMA POWER AUSTRALASIA Pty Ltd	157.070	(157.070)	-	-	-	-
PRIMA POWER SUZHOU CO LTD	3.830.094	-	3.830.094	474.053	-	4.304.148
TOTAL	**136.070.113**	**(1.383.325)**	**134.686.788**	**6.513.765**	-	**141.200.554**

The main events that contributed to this change in 2015 are illustrated below:

- FINN-POWER OY. In March 2015, PRIMA INDUSTRIE SpA made a capital increase of for 5 million Euro.
- PRIMA POWER GmbH. In March 2015, PRIMA INDUSTRIE SpA made a capital increase of for 8 million Euro. This payment compensated for 6,960 thousand Euro the subsidiaries loss risk fund set up in previous years and for 1,040 thousand Euro it increased the investment value.
- PRIMA POWER SUZHOU CO LTD. During the year 2015, the company continued the start-up of the Chinese company; in the year the manufacturing operations continued and the first sales of locally produced machines have started. In order to complete the payment of the capital approved by the shareholders (equal to 8 million dollars), PRIMA INDUSTRIE SpA paid 560 thousand dollars (equal to 474 thousand Euro) in the month of January 2015.

The Details of the cost of investments compared with the net equity pro-rata 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, 2015	Equity as at Dec. 31st, 2015	Stake	Equity pro-quota	Difference
FINN POWER OY	121.948.538	97.179.293	100%	97.179.293	(24.769.245)
PRIMA ELECTRO SpA	10.944.702	31.473.285	100%	31.473.285	20.528.583
PRIMA POWER IBERICA SL	1.441.305	6.559.525	22%	1.443.096	1.791
PRIMA POWER CHINA Company Ltd	766.765	2.273.528	100%	2.273.528	1.506.763
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	539.825	951.007	100%	951.007	411.182
OOO PRIMA POWER	122.737	933.827	100%	933.734	810.997
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	1.131.925	100%	1.131.925	1.039.104
PRIMA POWER UK LTD	1	1.036.708	100%	1.036.708	1.036.707
PRIMA POWER GmbH	1.039.712	746.637	100%	746.637	(293.075)
PRIMA POWER SOUTH AMERICA Ltda	-	(871.941)	100%	(871.941)	(871.941)
PRIMA POWER AUSTRALASIA Pty Ltd	-	(191.465)	100%	(191.465)	(191.465)
PRIMA POWER SUZHOU CO LTD	4.304.148	3.988.025	70%	2.791.618	(1.512.531)

The difference between the cost and the net equity 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 already achieved and the probable future results by the company and by the FINN-POWER Group during the year 2015 and during the previous years, there were no impairment indicators related to the value of the equity investment. FINN-POWER OY in 2015 achieved an EBITDA of 9,659 thousand Euro (equal to 9.1% 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 16,330 thousand Euro (equal to 7.1% of revenues) and net income of 7,624 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.

The difference between the cost and the net equity of PRIMA POWER Suzhou is not representative of a loss in value of the investment, but it is due to the fact that the company is still considered to be in a start-up phase and PRIMA INDUSTRIE SpA management considers that this difference will be filled in the coming years from the profits that the Chinese company will generate.

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 1,063 thousand Euro (see Note 11.18), so as to incorporate the losses considered durable; it should be noted that during the financial year 694 thousand Euro have been entered in this fund (to cover additional losses of Brazilian and Australian companies), and 6,960 thousands Euro were used (following the share capital increase of the German company PRIMA POWER GMBH).

NOTE 11.4 - OTHER INVESTMENTS

The value of investments in other companies at 31/12/2015 amounts to 12 thousand Euro and is unchanged compared to the previous year.

Other investments	Unionfidi	Fidindustria	Lamiera Servizi	TOTAL
December 31st, 2013	**903**	**103**	**10.925**	**11.931**
Increases	-	-	-	-
Decreases	-	-	-	-
December 31st, 2014	**903**	**103**	**10.925**	**11.931**
Increases	-	-	-	-
Decreases	-	-	-	-
December 31st, 2015	**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 can be seen from the table shown below, the loans granted to subsidiaries (classified under non-current assets) at the end of 2015 have been fully repaid by the companies of the Group. At 31/12/2014 this asset amounted to 42,580 thousand.

Financial assets - Loans to subsidiaries	FINN POWER OY	PRIMA ELECTRO SpA	PRIMA POWER UK LTD	TOTAL
December 31st, 2013	**37.133.461**	**8.800.000**	**626.000**	**46.559.461**
Increases	-	-	-	-
Decreases	(2.033.461)	(1.500.000)	(445.644)	(3.979.105)
December 31st, 2014	**35.100.000**	**7.300.000**	**180.356**	**42.580.356**
Increases	-	-	-	-
Decreases	(35.100.000)	(7.300.000)	(180.356)	(42.580.356)
December 31st, 2015	**-**	**-**	**-**	**-**

"Current financial assets" amounted to 5,651 thousand Euro and it changed in the year 2015 as follows.

Other current financial assets	Loan to Prima Power Laserdyne LLC	Loan to Prima Power Suzhou Co.Ltd	Deposit account Banco Do Brasil	Financial receivable v/Wuhan Unity	Loan to subsidiaries	Interests on non-current loans	TOTAL
December 31st, 2014	**-**	**-**	**-**	**441.891**	**-**	**877.311**	**1.319.202**
Issued	3.117.762	1.500.000	550.000	-	5.700	-	5.173.462
Reimbursements	-	-	-	-	-	(877.311)	(877.311)
Interests	24.045	16.645	-	-	-	103.672	144.362
Devaluation	-	-	-	(235.809)	-	-	(235.809)
Differences on exchange rates	97.081	-	-	29.727	-	-	126.808
December 31st, 2015	**3.238.888**	**1.516.645**	**550.000**	**235.809**	**5.700**	**103.672**	**5.650.714**

It should be noted that:

- interest on non-current loans still outstanding at 31/12/2015 refer to the FINN-POWER OY subsidiary;
- the receivable from Wuhan Unity refers to the sale of the last 5% of the investment in Shanghai Unity Prima during the year 2014; during the year this receivable was depreciated for 236 thousand Euro to reflect the estimates of the management on its payable nature;
- the time deposit was set by the company as security for a loan granted to one of its subsidiaries.

NOTE 11.6 - OTHER FINANCIAL ASSETS

This item amounts to 18,129 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 31/12/2014, there was an increase of 366 thousand Euro related to interest accrued during the year 2015.

NOTE 11.7 – DEFERRED TAX ASSETS

The following table shows the movement of deferred tax assets during the year 2015.

Deferred tax assets	31/12/15	31/12/14
Opening balance	**3.172.022**	**2.390.165**
Provisions	63.137	939.123
Utilizations	(853.890)	(157.266)
Closing balance	**2.381.269**	**3.172.022**

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	5.114.645	1.406.754
Inventories	2.158.000	593.450
Employee benefits	1.526.133	366.271
Other assets and liabilities	53.796	14.794
Total	**8.852.574**	**2.381.269**

The calculation of prepaid taxes considers the IRES rate reduction (from 27.50% to 24.00%) from 2017, as required by the recent Law No. 208/2015 (Stability Law 2016).

With regard to the recoverability of these taxes it should be noted that PRIMA INDUSTRIE SpA has historically achieved positive taxable incomes, both for IRES and IRAP purposes and expects to earn positive taxable incomes in the following financial years too.
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 31/12/2015 amount to 21,515 thousand Euro, net of the warehouse devaluation fund.

Inventories	31/12/15	31/12/14
Raw materials	12.426.994	13.777.553
(Provision for raw materials)	(1.945.000)	(1.890.165)
Semi-finished goods	5.523.571	2.811.099
Finished goods	5.722.715	4.318.540
(Provision for finished goods)	(213.000)	(250.000)
Total	**21.515.280**	**18.767.027**

During the year 2015 there was an increase of 2,748 thousand Euro, mainly due to the high order backlog at 31/12/2015, from which it follows the need for procurement and ongoing work necessary to process the orders with delivery requested in the first months of 2016.

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, 2014	**(1.890.165)**	**(250.000)**
Utilizations	70.000	250.000
Provisions	(124.835)	(213.000)
Balance as at December 31st, 2015	**(1.945.000)**	**(213.000)**

NOTE 11.9 - TRADE RECEIVABLES

The trade receivables on 31/12/2015 amounted to 39,261 thousand Euro and compared to the previous financial year an decrease of 622 thousand Euro was experienced.

Trade Receivables	31/12/15	31/12/14
Receivables from customers	22.808.134	25.368.084
Provisions for bad debts	(204.633)	(206.069)
Receivables from other customers (net)	**22.603.501**	**25.162.015**
Receivables from Related Parties	16.657.363	14.720.480
Receivables from customers (net)	**39.260.864**	**39.882.495**

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 31/12/2015, 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	Amount
Provisions for bad debts as of December 31st, 2014	**206.069**
Utilizations	(36.945)
Provisions	35.509
Provisions for bad debts as of December 31st, 2015	**204.633**

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	31/12/15	31/12/14
Not due	20.059	28.297
Expired 0 - 60 days	9.134	4.489
Expired 61 - 120 days	2.855	2.549
Expired over 120 days	7.418	4.754
Total	**39.466**	**40.089**

NOTE 11.10 - OTHER RECEIVABLES

The Other Receivables are equal to 2,377 thousand Euro, increasing by of 271 thousand Euro compared to the previous financial year (2,106 thousand Euro on 31/12/2014) and include:

- contributions to be received for 1,432 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 477 thousand Euro) paid on orders for future deliveries;
- accruals and deferrals (for 189 thousand Euro);
- security deposits (for 187 thousand Euro);
- receivables from employees (49 thousand Euro) for advances on travel expenses granted to employees;
- other minor receivables (for 43 thousand Euro).

NOTE 11.11 - OTHER TAX ASSETS

The other tax assets amounted to 4,378 thousand Euro at 31/12/2015, against 2,731 thousand Euro at 31/12/2014 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.

Below is a summary table with the comparison between the 31/12/2015 and the 31/12/2014, which shows that the increase of these activities is mainly due to the receivable from the tax authorities for IRES and IRAP advances.

Current Tax Receivables	31/12/15	31/12/14
Tax Receivables - Advances direct (IRES and IRAP) taxes	2.200.706	899.316
Tax Receivables - IRES reimbursment IRAP deduction	970.392	970.392
Tax Receivables - Tax Consolidation (IRES)	569.697	189.879
VAT Receivables - Italy	327.936	337.595
Tax Receivables - Witholding taxes	182.690	323.021
Tax Receivables - R&D	113.219	-
VAT Receivables - Foreign countries	13.320	10.447
Total	**4.377.960**	**2.730.650**

NOTE 11.12 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31/12/2015 amount to 5,515 thousand Euro, against 6,820 thousand Euro at 31/12/2014 and is composed of cash (including foreign currency), checks and sight bank credits. For more details on Cash and cash equivalents, see the Financial Report.

Cash and cash equivalents	31/12/15	31/12/14
Cash and checks	22.179	21.007
Bank accounts	5.492.606	6.799.322
Total	**5.514.785**	**6.820.329**

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 31/12/2014.

LEGAL RESERVE

This item amounts to 4,495 thousand Euro and has increased as a result of the allocation of the mandatory share of the profit accrued in 2014.

OTHER RESERVES

The item "Other Reserves" has a value of 72,539 thousand Euro and is composed of:

- Extraordinary reserve: equal to 15,640 thousand Euro; it decreased compared to 31/12/2014 due to its distribution as a dividend; it should be noted that the Shareholders' Meeting held on 16/04/2015 approved the distribution of a ordinary dividend of 0.20 Euro per each of the 10,483,274 shares. After the allocation to the Legal Reserve of the mandatory share, 745,708.20 Euro of the profit were distributed as well as 1,350,946.60 Euro related to undistributed past profit and previously allocated to the Extraordinary Reserve.
- Share premium reserve: amounting to 57,506 thousand Euro and has remained unchanged compared with 31/12/2014. This item is generated by the premium on the issue of new shares with respect to the nominal value.

- 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 31/12/2014.
- Subsidiaries value recovery reserve: amounting to 679 thousand Euro and has remained unchanged compared with 31/12/2014.
- It should also be noted that the Reserve for derivatives *fair value* adjustment, that at 31/12/2014 was negative for 1,227 thousand Euro (and it represented the part entered directly to shareholders' equity at the market value of the risks hedge contracts on interest rate variability) and it was fully released in the year 2015, following the early termination of derivatives and of the related underlying loan.

EARNINGS (LOSSES) CARRIED FORWARD
The item has a negative value of 1,776 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.

OVERALL RESULT OF THE PERIOD
The overall result of the period positively affects both the full release of the Reserve for fair value adjustment of derivatives for a total amount of 1,227 thousand Euro (net of tax effect for 466 thousand Euro) and the effect of actuarial profits/losses on severance indemnities for employees according to the application of IAS 19 *revised* for an amount of 108 thousand Euro (net of a tax effect amounting to 41 thousand Euro).

PROFIT (LOSS) FOR THE YEAR
The Result for the year is positive for 1,407 thousand Euro.

For more details on this subject, see the table statements of changes in Equity.

NOTE 11.14 - DERIVATIVE FINANCIAL INSTRUMENTS

At 31/12/2015 PRIMA INDUSTRIE SpA holds several derivative financial instruments for a net positive value of 47 thousand Euro.

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/15
CRS - Non hedge accounting	Prima Industrie SpA	BNL	11/03/16	£260.000	€ 1.136
CRS - Non hedge accounting	Prima Industrie SpA	BNL	27/04/16	¥7.000.000	-€ 9.881
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	21/03/16	$1.000.000	€ 13.607
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	22/06/16	$1.900.000	€ 30.327
CRS - Non hedge accounting	Prima Industrie SpA	Banca Akros	21/09/16	$650.000	€ 12.036
				TOTAL	**€ 47.225**

For the purpose of drafting the financial statements at 31/12/2015, a valuation of the financial derivatives held by the company was made in order to ascertain their type and establish how they were to be recorded.

At 31/12/2015 all the financial instruments held by PRIMA INDUSTRIE SpA, though they were recorded to hedge trade and financial transactions in foreign currency, have been accounted for as NON HEDGE ACCOUNTING.

In compliance with IAS 39 the *non-hedge accounting* derivatives were recorded as follows: variations in *fair value* and *non-hedge accounting* derivatives are recorded in the income statement under the 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 31/12/2015 (in comparison with 31/12/2014).

Bank borrowings and other financing	31/12/15	31/12/14
Current		
Bank overdrafts	-	1.729.013
Short-term payable for financial leasings	25.515	-
Short-term payable for bank loans	10.774.819	24.954.083
Short-term payable for Bond	868.748	-
Short-term payable for other financing	172.221	3.756.263
Short-term payable for advances on invoices	516.000	14.240.259
Total Current	**12.357.303**	**44.679.618**
Non-current		
Long-term payable for operational leasings	105.808	105.808
Long-term payable for financial leasings	76.054	-
Long-term payable for bank loans	39.928.956	64.015.428
Long-term payable for Bond	39.591.067	-
Long-term payable for other financing	1.227.315	1.254.524
Long-term payable for loan from subsidiaries	2.500.000	-
Total Non-current	**83.429.200**	**65.375.760**
TOTAL	**95.786.503**	**110.055.378**

Before commenting the various Loans it is important to note that following the issue of a 40 million Euro *Bond* and the conclusion of a new *Club Deal* loan agreement for 60 million Euro (transactions that were both concluded in February 2015) the residual amount of the FINPOLAR loan was repaid in full. On both new forms of financing there are financial *covenants* with measurements on annual and half-yearly consolidated basis.

The *Club Deal* loan at 31/12/2015 amounted to a total of 36,667 thousand Euro and refer to the loan under depreciation expiring on 30/06/2021; the *Club Deal* loan also consists of a quota in the form of *revolving* credit lines equal to 20,000 thousand Euro expiring on 31/12/2019 that at 31/12/2015 was fully available. The net debt in the financial statements amounted to 35,995 and includes the additional costs incurred at the signing of the loan. The *Club Deal* loan has been granted in the first quarter of 2015 for an amount of 40,000 thousand

Euro for the portion to be depreciated; in the last quarter of 2015 a share of 3,333 thousand Euro was repaid.

The *Club Deal* loan is for 29,524 thousand Euro expiring beyond 12 months.

The *Bond* amounts to 40,940 thousand Euro, inclusive of interest accrued but not yet paid amounting to 940 thousand Euro. The payables refer exclusively to the *Bond* issued during the first quarter of 2015 and expiring on 06/02/2022. The Net debt in the financial statements amounts to 40,460 thousand Euro. This amount is compensated by the additional expenses held for the issue of bonds. The quota with expiry over 12 months is equal to 39,591 thousand Euro.

On both the *Club Deal* loan and on the Bond there are *covenants* with measurements on annual and half-yearly basis; the *covenants* measured on the consolidated financial statements at 31/12/2015 have been met.

For more details about the Financing of PRIMA INDUSTRIE SpA, see the Management Report and the consolidated financial statements at the Note 8.11 - Net Financial Position.

The movements in the financial payables of PRIMA INDUSTRIE SpA during 2015 are illustrated below.

Bank borrowings and other financing Movements	31/12/14	Increases	Decreases	Reclassification	31/12/15
Current					
Bank overdrafts	1.729.013	-	(1.729.013)	-	-
Short-term payable for financial leasings	-	42.134	(16.619)	-	25.515
Short-term payable for bank loans	24.954.083	10.774.819	(24.954.083)	-	10.774.819
Short-term payable for Bond	-	868.748	-	-	868.748
Short-term payable for other financing	3.756.263	17.928	(3.756.263)	154.293	172.221
Short-term payable for advances on invoices	14.240.259	516.000	(14.240.259)	-	516.000
Total Current	**44.679.618**	**12.219.629**	**(44.696.237)**	**154.293**	**12.357.303**
Non-current					
Long-term payable for operational leasings	105.808	-	-	-	105.808
Long-term payable for financial leasings	-	76.054	-	-	76.054
Long-term payable for bank loans	64.015.428	39.928.956	(64.015.428)	-	39.928.956
Long-term payable for Bond	-	39.591.067	-	-	39.591.067
Long-term payable for other financing	1.254.524	127.084	-	(154.293)	1.227.315
Long-term payable for loan from subsidiaries	-	2.500.000	-	-	2.500.000
Total Non-current	**65.375.760**	**82.223.161**	**(64.015.428)**	**(154.293)**	**83.429.200**
TOTAL	**110.055.378**	**94.442.790**	**(108.711.665)**	**-**	**95.786.503**

During 2015 financial payables decreased by a total of 14.3 million Euro. The table below lists, for the assets and liabilities at 31/12/2015 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, 2015 - Values expressed in Euro thousand

Assets	Category IAS 39	Financial value 31.12.15	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair value 31.12.15
Cash and cash equivalents	NA	5.515	-	-	-	-	5.515
Assets held to maturity	Held to Maturity	792	-	-	-	-	792
Assets at fair value in profit or loss	Held for Trading	47	-	-	-	47	47
Assets valued under IAS 17	NA	1.597	-	-	-	1.597	1.597
Total		**7.951**	**-**	**-**	**-**	**1.644**	**7.951**

Liabilities	Category IAS 39	Financial value 31.12.15	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair value 31.12.15
Liabilities at amortized cost	Amortised Cost	93.079	93.079	-	-	-	94.287
Liabilities at fair value in profit or loss	Held for Trading	-	-	-	-	-	-
Hedge Derivatives	NA	-	-	-	-	-	-
Liabilities valued under IAS 17	NA	207	-	-	-	207	207
Other financial liabilities - factoring	NA	-	-	-	-	-	-
Total		**93.286**	**93.079**	**0**	**0**	**207**	**94.494**

Profit and losses by category - IAS 39 - December 31st, 2015 - Values expressed in Euro thousand

Assets	Category IAS 39	Net profit and loss	of which Interests
Cash and cash equivalents	NA	6	6
Assets at fair value in profit or loss	Held for Trading	411	411
Assets valued under IAS 17	NA	-	-
Total		**417**	**417**

Liabilities	Category IAS 39	Net profit and loss	of which Interests
Liabilities at amortized cost	Amortised Cost	(3.798)	(3.550)
Liabilities at fair value in profit or loss	Held for Trading	(67)	(67)
Hedge Derivatives	NA	-	-
Liabilities valued under IAS 17	NA	(1)	(1)
Other financial liabilities - factoring	NA	-	-
Total		**(3.866)**	**(3.618)**

NOTE 11.16 – EMPLOYEE BENEFITS LIABILITIES

The following table shows the composition of liabilities for employee benefits at 31/12/2015 and at the closing of the previous year.

Employee benefits Liabilities	31/12/15	31/12/14
Italian employee's benefits liabilities	2.382.188	2.729.633
Fidelity premium	1.340.216	1.371.283
TOTAL	**3.722.404**	**4.100.916**

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 the changes of the Employees' Severance Indemnity Fund and of the Fidelity Premium are shown during the year 2015.

Italian employee's benefits liabilities	31/12/15	31/12/14
Opening balance	**2.729.633**	**2.508.870**
Italian employee's benefits indemnities paid out during the period	(237.966)	(143.624)
Actuarial gains/losses	(149.265)	288.106
Financial expenses	39.786	76.281
Closing balance	**2.382.188**	**2.729.633**

Fidelity Premium	31/12/15	31/12/14
Opening balance	**1.371.283**	**1.205.707**
Fidelity Premium paid out during the period	(131.300)	(52.933)
Provisions/Actuarial Adjustment	80.648	180.529
Financial expenses	19.585	37.980
Closing balance	**1.340.216**	**1.371.283**

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	31/12/15	31/12/14
Annual discount rate	2,03%	1,50%
Annual inflation rate	1,75%	1,75%
Annual Italian employee's benefits increase rate	2,81%	2,81%

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 0.5% depending on the company;
- probability of advances with an annual rate of 3%.

It is also note that a liability for employee benefits of 16 thousand euro has been enrolled by PRIMA INDUSTRIE SpA for its *branch office* in South Korea.

NOTE 11.17 – DEFERRED TAX LIABILITIES

The following table shows the movements of deferred tax liabilities during the year 2015.

Deferred tax liabilities	31/12/15	31/12/14
Opening balance	**847.917**	**788.721**
Provisions	403.495	541.544
Utilizations	(435.412)	(482.348)
Closing balance	**816.000**	**847.917**

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	2.541.896	667.952
Tangible fixed assets	616.863	148.048
Total	**3.158.759**	**816.000**

The calculation of deferred taxes considers the IRES rate reduction (from 27.50% to 24.00%) from 2017, as required by the recent Law No. 208/2015 (Stability Law 2016).

NOTE 11.18 – PROVISIONS

The provisions for risks and charges as at 31/12/2015 amounted to 5,783 thousand Euro (1,141 of non-current). During the year 2015 they had an overall decrease of 6,538 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, 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**
Provisions	6.121	693.985	700.106
Utilizations	(3.688)	(6.960.288)	(6.963.976)
December 31st, 2015	**77.129**	**1.063.405**	**1.140.534**

Current provisions	Risks fund on tax claims	Warranty provisions and project's completion	TOTAL
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**
Provisions	-	3.657.000	3.657.000
Utilizations	-	(3.930.800)	(3.930.800)
December 31st, 2015	-	**4.642.300**	**4.642.300**

Provision for equity investment losses
This provision relates to the subsidiary PRIMA POWER SOUTH AMERICA Ltda for 872 thousand Euro and to the company PRIMA POWER AUSTRALASIA Pty Ltd for 191 thousand Euro. Utilizations in the period equal to 6,960 thousand Euro refer to the increase of share capital of the German company PRIMA POWER GmbH. 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 2014 they decreased for a total of 274 thousand Euro.

NOTE 11.19 - TRADE PAYABLES, ADVANCE PAYMENTS AND OTHER PAYABLES
Trade payables at 31/12/2015 amount to 34,406 thousand Euro, of which 28,306 thousand Euro due to third party suppliers and 6,100 thousand Euro due to related parties.

Trade, advances and other payables	31/12/15	31/12/14
Payable owed to suppliers	28.305.862	29.603.126
Payable owed to related parties	6.100.042	9.192.266
Trade payables	**34.405.904**	**38.795.392**
Advances from customers	2.931.782	2.608.762
Advances from related parties	58.285	365.329
Advances from customers	**2.990.067**	**2.974.091**
Social security payables	1.709.564	1.683.879
Amounts due to employees	2.238.136	2.158.009
Accrued expenses and deferred income	1.582.491	2.501.179
Other payables	144.668	153.018
Other payable owed to related parties	579.190	558.529
Other payables	**6.254.049**	**7.054.614**

Trade payables decreased during the year 2015 for a total amount of 4,389 thousand Euro. This decrease is mainly attributable to an improvement in the payment timing, due to an efficient management of working capital.
Advances from clients has remained substantially stable compared to the previous year; at 31/12/2015 it amounted to 2,990 thousand Euro against 2,974 thousand Euro at 31/12/2014. This item mainly consists of advances received from customers on orders for machines not yet delivered. The Advance Payments from Related Parties amount to 58 thousand Euro.
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.

Accrued expenses and Deferred Income has decreased compared to the previous year of 919 thousand Euro; at 31/12/2015 it amounted to 1,582 thousand Euro against 2,501 thousand Euro at 31/12/2014. This item is mainly composed of deferred income related to some facilitations on an unsecured basis for research and development and revenues from maintenance contracts relating to future years.

NOTE 11.20 – CURRENT TAXES PAYABLES

This heading amounts 4,081 thousand Euro (2,950 thousand Euro at 31/12/2014) and includes:

- Payables for IRES and IRAP: 2,231 thousand Euro
- Payables to subsidiaries for tax consolidation: 1,190 thousand Euro
- Payables for withholding income taxes:646 thousand Euro
- Other payables / tax authorities: 14 thousand euro

NOTE 11.21 - NET INCOME FROM SALES AND SERVICES AND OTHER INCOME

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	13.502.080	15,57%	35.169.942	40,55%	9.780.453	11,28%	28.271.127	32,60%	86.723.602
Spare parts	4.826.884	29,22%	5.443.825	32,95%	2.856.659	17,29%	3.392.322	20,54%	16.519.690
Services	3.912.245	81,51%	509.964	10,63%	146.596	3,05%	230.811	4,81%	4.799.616
Other sales - miscellaneous	40.434	2,33%	1.401.999	80,65%	51.526	2,96%	244.376	14,06%	1.738.335
Total	**22.281.643**		**42.525.730**		**12.835.234**		**32.138.636**		**109.781.243**

Revenues at 31/12/2015 amounted to 109,781 thousand Euro compared with 2014, they increased by 11,764 thousand Euro (at 31/12/2014 their value amounted to 98,017 thousand Euro).

NOTE 11.22 – OTHER OPERATIONAL INCOME

Below is a summary report of the Other operational income.

Other operating income	31/12/15	31/12/14
Research and development projects income	2.317.406	3.924.938
Services provided and costs charged back to subsidiaries	1.624.795	1.590.778
Extraordinary income	505.255	296.780
Other	83.989	459.019
Total	**4.531.445**	**6.271.515**

Income for research and development, refer for 1.3 million Euro to "*license agreements*" and for the remaining to contributions entered in the income statement relating to facilitations on an unsecured basis for research and development accrued in the period of competence.

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

The contingent assets mainly refer to adjustments of commitments made in the previous year.

NOTE 11.23 – INCREASES IN FIXED ASSETS FOR INTERNAL WORK

Capitalization for increases for internal work amount to 3,003 thousand Euro in 2015 compared to 3,245 thousand Euro of the previous year.

The amount entered in the income statement for the year refers to 2,718 thousand Euro for capitalization of research and development costs and 285 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 11.24 – PERSONNEL COSTS

The personnel costs at 31/12/2015 is equal to 23,076 thousand Euro and shows an increase compared with the corresponding financial year of 804 thousand Euro.

Personnel costs	31/12/15	31/12/14
Salaries and wages	16.481.976	15.805.624
Social security contributions	5.004.992	4.894.607
Severance indemnities paid into complementary	1.000.713	973.833
Fidelity Premium	80.648	180.529
Other costs	507.197	417.075
TOTAL	**23.075.526**	**22.271.668**

Here below is shown the number of employees at 31/12/15 compared to the end of the previous year.

Personnel movements	31/12/15	31/12/14
Executives	19	18
Front-line managers	22	23
Managers	24	19
Office staff	185	191
Intermediate	4	4
Production workers	103	88
Foreign branch office employees	3	2
Total	**360**	**345**

The overall workforce at PRIMA INDUSTRIE went from 345 units (at 31/12/2014) to 360 units (at 31/12/2015). 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 11.25 – DEPRECIATION - IMPAIRMENT

Depreciation for the year 2015 amounted to 1,680 thousand Euros, an increase compared to the previous year of 149 thousand euro. The increase is due to the fact that part of the assets has not yet entered into the production cycle during the year.

Depreciation	31/12/15	31/12/14
Depreciation of intangible fixed assets	1.186.008	1.088.377
Depreciation of tangible fixed assets	493.930	442.100
TOTAL	**1.679.938**	**1.530.477**

NOTE 11.26 – OTHER OPERATING EXPENSES

The other operating costs at 31/12/2015 amounted to 26,916 thousand Euro and compared to the previous financial year the item recorded an increase of 932 thousand Euro.

The table below shows the details of these costs:

Other operating costs	31/12/15	31/12/14
External services	12.958.416	11.365.296
Travel expenses	2.531.022	2.631.541
Transport and custom duties	1.781.092	1.911.057
Technical, legal, fiscal and administrative consultancies	1.743.492	1.919.580
Commissions	1.590.528	1.603.101
Rentals and other costs for leases	1.164.761	1.100.868
Utility	655.787	769.833
Other costs for services	868.236	841.893
Advertising and promotion	271.531	564.422
External maintenance	449.013	443.593
Administrators' fee	620.863	588.573
Rent	621.083	547.609
Insurances	397.385	413.105
Extraordinary liabilities	101.887	209.416
Statutory auditors' fee	108.000	108.000
Temporary work	809.637	107.268
Taxes	79.244	84.093
Other operating costs	390.788	424.530
Provision for risks	3.657.000	3.973.000
Utilization of provision for risks	(3.930.800)	(3.978.200)
Provision for doubtful debts	46.826	355.546
Total	**26.915.791**	**25.984.124**

This increase of 932 thousand euro refers mainly to outsourcing and temporary work; the increase in these items was, however, mitigated by lower advertising and promotion costs, technical consulting, legal, fiscal and administrative, transport and provisions for risks.

The most significant “Other service costs” include:

- costs for storage for 281 thousand Euro;
- cleaning costs for 162 thousand Euro;
- Personnel research costs for 82 thousand Euro;
- Differentials on the derivative for 69 thousand Euro;
- entertainment expenses for 61 thousand Euro;
- costs for expatriate personnel for 48 thousand Euro;
- other service costs for 165 thousand Euro.

The most significant “Other operating costs” include:

- corporate expenses for 176 thousand Euro;
- membership in trade associations for 106 thousand Euro;
- translation services for 86 thousand Euro;
- miscellaneous expenses for 23 thousand Euro.

NOTE 11.27 – FINANCIAL INCOME AND EXPENSES

The financial management of the financial year 2015 shows a total negative result of 6,060 thousand Euro.

Financial management	31/12/15	31/12/14
Interests on Bond	(2.166.993)	-
Interests on loan Club Deal	(1.435.997)	-
Interests on payable for bank loans (current/non current)	(538.173)	(378.343)
Borrowing expenses Finpolar	(294.766)	(2.854.761)
Interests on loans from subsidiaries	(57.388)	-
Advance Finpolar loan expenses	(2.122.627)	-
Derivatives expenses (CRS)	(67.771)	(11.013)
Interests on financial leasing	(698)	-
Interests paid on employee tax benefits	(59.371)	(114.261)
Impairment of investments	(693.985)	(1.521.935)
Impairment of financial receivables	(235.809)	-
Bank charges	(408.051)	(357.950)
Other financial expenses	(10.782)	(3.837)
Derivatives expenses (IRS)	-	(1.844.859)
Financial expenses	**(8.092.411)**	**(7.086.959)**
Interests income on loans to subsidiaries	893.940	1.613.313
Dividends	756.139	-
Derivatives income (CRS)	411.296	8.140
Interest income from customers	66.831	4.555
Bank interest income	5.450	956
Other financial income	43.063	54.881
Derivatives income (IRS)	-	119.370
Gain of the sale of the stake	-	1.039.039
Financial income	**2.176.719**	**2.840.254**
Exchange rate difference	**(144.063)**	**(507.210)**
FINANCIAL INCOME AND EXPENSES (NET)	**(6.059.755)**	**(4.753.915)**

The financial management of 2015 includes the costs incurred between February and March 2015 due to the full early repayment of the FINPOLAR loan, amounting to 2,123 thousand Euro; these costs (mainly relating to the hedging derivative instrument subscribed simultaneously to the financing), if FINPOLAR had come to its natural end, they would have been calculated pro-rata throughout 2015, up to February 2016.

The financial costs related to the Bond amount to 2,167 thousand Euro, while interests on the Club Deal Loan amount to 1,436 thousand Euro; both transactions were completed in February 2015. The ordinary costs on the FINPOLAR loan amount to 295 thousand Euro.
As shown in the table above, interest payables to credit institutions amount to 538 thousand Euro. It should also be noted that, the financial charges include 694 thousand Euro for impairment of investments (related to Prima Power South America Ltda for 651 thousand Euro and Prima Power Australasia Pty Ltd for 43 thousand Euro) and 236 thousand Euro for impairment of financial assets (referred to a receivable from the Company Wuhan Unity resulting from the transfer by PRIMA INDUSTRIE SpA of the last 5% of the investment In Shanghai Unity Prima).

Among the financial income there are interest receivables from subsidiaries amounting to 894 thousand Euro, dividend for 756 thousand Euro (OOO PRIMA POWER for 390 thousand Euro, PRIMA ELECTRO SpA for 360 thousand Euro and Lamiera Servizi for 6 thousand Euro) and income for the management of foreign currency derivatives (CRS) for 411 thousand Euro. For more information refer to the consolidated financial statements in Note 8.11 - Net Financial Position.

NOTE 11.28- CURRENT AND DEFERRED TAXES

The tax burden of PRIMA INDUSTRIE SpA at 31/12/2015 compared to the data of the previous year is summarized below.

Current tax liabilities and deferred taxes	31/12/15	31/12/14
IRAP (Regional Trade tax)	(391.114)	(735.007)
IRES (included the effect derived from consolidated taxation)	(126.970)	(548.512)
Taxes relating to previous year	216	33.386
Deferred tax assets	(284.165)	198.345
Deferred tax liabilities	31.917	(59.196)
Other taxes	(5.745)	(5.186)
TOTAL	**(775.861)**	**(1.116.170)**

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	2015	2014
RESULT BEFORE TAXES	**2.182.595**	**1.901.126**
IRES rate	27,50%	27,50%
THEORICAL IRES ON INCOME	**600.214**	**522.810**
PERMANENT INCREASE	1.437.874	2.178.608
TEMPORARY INCREASE	5.494.634	6.235.362
PERMANENT DECREASE	(2.272.250)	(2.551.897)
TEMPORARY DECREASE	(6.381.146)	(5.768.610)
NON-DEDUCTIBLE INTEREST	2.071.625	690.468
ROL SURPLUS RECOVERED FROM ITALIAN FISCAL CONSOLIDATED	(2.071.625)	(690.468)
ROL SURPLUS RECOVERED FROM SUBSIDIARIES	-	-
INCREASE/DECREASE	**(1.720.888)**	**93.463**
EFFECTIVE FISCAL RESULT	**461.707**	**1.994.589**
IRES rate	27,50%	27,50%
EFFECTIVE IRES ON INCOME	**126.970**	**548.512**

NOTE 11.29 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The guarantees granted and commitments undertaken by the Company at 31/12/2015 are shown below.

Potential guarantees, commitments and liabilities	31/12/15	31/12/14
Guarantees granted	17.612	13.991
Commitments to leasing companies	1.185	1.524
Other commitments and significant contracts rights	3.473	3.686
TOTAL	**22.270**	**19.201**

At 31/12/2015 the guarantees granted by PRIMA INDUSTRIE SpA amounted to 17,612 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 11.30 - 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 2015 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	Financial payables	Trade payables and advances	Other payables
PRIMA POWER GmbH	-	967.816	-	415.106	-
PRIMA POWER UK LTD	-	222.929	-	126.897	1.431
PRIMA POWER CENTRAL EUROPE Spzoo	-	196.716	-	84.405	-
PRIMA POWER CHINA Company Ltd	-	1.393.016	-	1.302.852	-
OOO PRIMA POWER	-	812.520	-	36.950	-
PRIMA ELECTRO SpA	-	61.169	-	1.522.914	
PRIMA ELECTRO NORTH AMERICA LLC	-	12.513	-	1.564.036	-
FINN-POWER OY	18.232.312	2.503.670	-	47.223	-
PRIMA POWER IBERICA	-	134.192	2.500.000	54.440	-
PRIMA POWER FRANCE Sarl	-	1.154.481	-	96.420	-
PRIMA POWER NORTH AMERICA Inc	-	5.214.133	-	609	-
PRIMA POWER BENELUX NV	-	-	-	-	-
FINN-POWER ITALIA Srl	-	936.773	-	36.660	-
PRIMA POWER LASERDYNE LLC	24.045	502.284	-	60.656	-
PRIMA POWER SOUTH AMERICA LTDA	-	212.860	-	15.302	-
PRIMA MACHINE SERVICE INDIA PR. LTD	-	320.356	-	8.456	-
PRIMA POWER MAKINA TICARET LTD	-	205.964	-	8.114	-
PRIMA POWER AUSTRALASIA PTY LTD	-	-	-	-	-
PRIMA POWER SUZHOU CO. LTD	16.644	1.805.971	-	777.287	-
STRATEGIC MANAGEMENT	-	-	-	-	414.050
BOARD OF AUDITORS	-	-	-	-	105.000
TOTAL	**18.273.001**	**16.657.363**	**2.500.000**	**6.158.327**	**520.481**

Associated parties – economic items

Counterparty	Revenues	Other operating revenues	Financial income	Purchases	Personnel costs	Other operating costs	Financial expenses
PRIMA POWER GmbH	7.868.227	58.941	4.675	366.808	-	257.865	-
PRIMA POWER UK LTD	2.184.841	59.906	1.216	130.486	-	11.057	-
PRIMA POWER CENTRAL EUROPE Spzoo	2.902.815	82.350	3.844	243.901	-	147.800	-
PRIMA POWER CHINA Company Ltd	569.028	23.881	-	570.722	-	319.856	-
OOO PRIMA POWER	1.781.689	36.497	390.439	58.672	-	1.263	-
PRIMA ELECTRO SpA	38.789	169.986	490.423	4.479.461	-	205.412	-
PRIMA ELECTRO NORTH AMERICA LLC	23.749	1.870	-	4.973.531	-	70.230	-
FINN-POWER OY	2.754.150	210.833	721.612	302.119	1.148	55.879	-
PRIMA POWER IBERICA	11.083.473	29.387	1.800	254.925	-	111.589	57.388
PRIMA POWER FRANCE Sarl	3.308.254	26.596	3.877	133.862	-	203.612	-
PRIMA POWER NORTH AMERICA Inc	12.774.122	82.334	-	77.165	-	23.373	-
PRIMA POWER BENELUX NV	622.349	8.000	-	-	-	-	-
FINN-POWER ITALIA Srl	722.802	425.408	10.846	247.539	-	3.887	-
PRIMA POWER LASERDYNE LLC	37.363	217.268	25.538	90.354	-	190	-
PRIMA POWER SOUTH AMERICA LTDA	89.599	6.094	-	45.810	-	58.398	-
PRIMA MACHINE SERVICE INDIA PR. LTD	126.931	5.777	-	9.205	-	594	-
PRIMA POWER MAKINA TICARET LTD	872.082	20.859	10.554	96.730	-	17.579	-
PRIMA ELECTRO CHINA Guangzhou	-	-	-	4.692	-	-	-
PRIMA POWER SUZHOU CO LTD	2.094.444	160.878	22.618	558.615	-	214.541	-
STRATEGIC MANAGEMENT	-	-	-	-	337.220	619.000	-
BOARD OF AUDITORS	-	-	-	-	-	105.000	-
TOTAL	49.854.708	1.626.864	1.687.442	12.644.599	338.368	2.427.124	57.388

In terms of the impact on the financial flows of relationships with associated parties, these were not represented in a table, since they are almost entirely linked to transactions with companies that are directly or indirectly controlled by the Company, as illustrated previously. The above table does not contain items deriving from national consolidated taxation, since they do not represent actual exchanges, but rather only those originating from the financial procedures provided for in national taxation legislation (payables to PRIMA ELECTRO for 281 thousand Euro and payables to FINN-POWER ITALIA of 909 thousand Euro). Furthermore dividend financial income and impairment of investments are not included.

NOTE 11.31 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

The table below summarizes non-recurring transactions that have had anegative impact on the income statement for a total of 2,015 thousand Euro, of which one positive for 1,038 thousand Euro on EBITDA and one negative for 3,053 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	1.260	-	-	-	1.260
Legal/fiscal disputes	-	-	(24)	-	(24)
Actions of reorganization/Restructuring	-	(162)	(36)	-	(198)
Advance Finpolar loan expenses	-	-	-	(2.123)	(2.123)
Impairment of financial receivables Wuhan Unity	-	-	-	(236)	(236)
Impairment of investments	-	-	-	(694)	(694)
Total	**1.260**	**(162)**	**(60)**	**(3.053)**	**(2.015)**

For comparison purposes, the same Not Recurrent Items table for 2014 is shown below.

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)
Total	**2.940**	**(50)**	**(288)**	**(483)**	**2.119**

NOTE 11.32 - TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with CONSOB Communication dated 28 July 2006, during 2015 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 11.33 - 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 31/12/2015 amounted to 18,129 thousand Euro (at 31/12/2014 they totalled 60,343 thousand Euro). These assets relate to 31/12/2015, to the loan granted to the subsidiary FINN-POWER OY for the credit relating to an E class share (so-called E-Share).

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 Euro thousand

		31/12/15	31/12/14	Variations
A	CASH	5.515	6.820	(1.305)
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**5.515**	**6.820**	**(1.305)**
E	**CURRENT FINANCIAL RECEIVABLES**	**5.698**	**1.319**	**4.379**
F	CURRENT BANK PAYABLES	516	15.969	(15.453)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	10.775	24.955	(14.180)
H	BOND ISSUED	869	-	869
I	OTHER CURRENT FINANCIAL PAYABLES	198	3.756	(3.558)
J	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)**	**12.358**	**44.680**	**(32.322)**
K	**NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)**	**1.145**	**36.541**	**(35.396)**
L	NON-CURRENT BANK PAYABLES	39.929	66.379	(26.450)
M	BOND ISSUED	39.591	-	39.591
N	OTHER NON-CURRENT FINANCIAL PAYABLES	3.909	1.360	2.549
O	**NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)**	**83.429**	**67.739**	**15.690**
P	**NET FINANCIAL POSITION (K+O)**	**84.574**	**104.280**	**(19.706)**

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, 2015

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	254	66	172	136	53	35	82	-	3.822	124.359	10.982	2.654	54	-	6	76	3.353	-	5.044	-
CURRENT ASSETS	9.115	2.976	4.186	3.623	446	5.085	3.369	131	12.865	54.068	28.764	6.693	7.165	-	93	569	31.536	313	14.708	184
NON-CURRENT ASSETS HELD FOR SALE	-	-	-	-	-	-	-	-	-	-	284	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**9.369**	**3.042**	**4.358**	**3.759**	**499**	**5.120**	**3.451**	**131**	**16.687**	**178.427**	**40.030**	**9.347**	**7.219**	**-**	**99**	**645**	**34.889**	**313**	**19.752**	**184**
SHAREHOLDERS' EQUITY	747	1.037	1.132	934	(872)	2.274	951	(192)	3.988	97.179	10.043	6.560	(98)	-	89	(141)	15.234	278	6.425	13
NON-CURRENT LIABILITIES	409	-	2	29	-	-	-	-	-	39.369	5.597	-	83	-	-	-	1.543	-	1.323	-
CURRENT LIABILITIES	8.213	2.005	3.224	2.796	1.371	2.846	2.500	323	12.699	41.879	24.390	2.787	7.234	-	10	786	18.112	35	12.004	171
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9.369**	**3.042**	**4.358**	**3.759**	**499**	**5.120**	**3.451**	**131**	**16.687**	**178.427**	**40.030**	**9.347**	**7.219**	**-**	**99**	**645**	**34.889**	**313**	**19.752**	**184**

	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	23.487	5.395	19.261	8.274	801	3.360	6.920	-	8.975	105.735	51.971	20.335	12.384	3.257	-	463	62.821	-	18.099	32
EBIT	125	72	690	264	(552)	(184)	94	(44)	(1.264)	6.673	17	879	(263)	(231)	2	(244)	2.298	21	946	7
PROFIT BEFORE TAXES	51	90	570	10	(826)	(246)	68	(44)	(1.370)	4.935	(159)	948	(302)	(231)	2	(234)	2.050	12	356	1
NET INCOME	**(64)**	**74**	**421**	**(8)**	**(826)**	**(308)**	**53**	**(44)**	**(1.370)**	**4.857**	**(294)**	**718**	**(302)**	**(233)**	**2**	**(234)**	**1.154**	**12**	**459**	**1**

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	38.070	29	11.530	1
CURRENT ASSETS	22.163	856	15.067	1.070
TOTAL ASSETS	**60.233**	**885**	**26.597**	**1.071**
SHAREHOLDERS' EQUITY	31.473	769	19.925	289
NON-CURRENT LIABILITIES	14.092	-	3.058	-
CURRENT LIABILITIES	14.668	116	3.614	782
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**60.233**	**885**	**26.597**	**1.071**

	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
REVENUES	40.728	966	14.685	1.285
EBIT	4.425	47	(1.196)	(73)
PROFIT BEFORE TAXES	3.926	46	(1.154)	(76)
NET INCOME	**2.670**	**46**	**(619)**	**(111)**

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 2015 for audit and non-audit services provided by the independent auditors and entities belonging to its network.

Values expressed in Euro thousand

Audit Costs	2015
Parent Company audit	127
Subsidiaries audit	204
Other services	30
TOTAL	**361**

FINANCIAL STATEMENT AS AT 31.12.2015 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 2015.

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: 09/03/2016

Signature of the Executive Chairman

____

Signature of the Manager responsible for the drafting Corporate accounting documents

____

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Prima Industrie S.p.A.

Financial statements as at December 31, 2015

Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010

EY
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Reconta Ernst & Young S.p.A.
Via Meucci, 5
10121 Torino

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

Independent auditor's report
in accordance with articles 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.

Report on the financial statements

We have audited the accompanying financial statements of Prima Industrie S.p.A., which comprise the balance sheet as at December 31, 2015, the income statement, the comprehensive income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting principles and explanatory notes.

Directors' responsibility for the financial statements

The Directors of Prima Industrie S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prima Industrie S.p.A. as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

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Report on other legal and regulatory requirements

Opinion on the consistency of the Group Management Report and of specific information of the Report on Corporate Governance and the Shareholding Structure with the financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Group Management Report and of specific information of the Report on Corporate Governance and the Shareholding Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Prima Industrie S.p.A. are responsible for the preparation of the Group Management Report and of the Report on Corporate Governance and the Shareholding Structure in accordance with the applicable laws and regulations. In our opinion the Group Management Report and the specific information of the Report on Corporate Governance and the Shareholding Structure are consistent with the financial statements of Prima Industrie S.p.A. as at December 31, 2015.

Turin, March 24, 2016

Reconta Ernst & Young S.p.A.
Signed by: Stefania Boschetti, Partner

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

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Prima Industrie S.p.A.

Consolidated financial statements as at December 31, 2015

Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010

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Reconta Ernst & Young S.p.A.
Via Meucci, 5
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Independent auditor's report
in accordance with articles 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.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Prima Industrie Group, which comprise the consolidated balance sheet as at December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting principles and explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of Prima Industrie S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Prima Industrie Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as

Reconta Ernst & Young S.p.A.
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Capitale Sociale € 1.402.500,00 i.v.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Group Management Report and of specific information of the Report on Corporate Governance and the Shareholding Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Group Management Report and of specific information of the Report on Corporate Governance and the Shareholding Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Prima Industrie S.p.A. are responsible for the preparation of the Group Management Report and of the Report on Corporate Governance and the Shareholding Structure in accordance with the applicable laws and regulations. In our opinion the Group Management Report and the specific information of the Report on Corporate Governance and the Shareholding Structure are consistent with the consolidated financial statements of Prima Industrie Group as at December 31, 2015.

Turin, March 24, 2016

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, 10093 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 STATUTORY AUDITORS REPORT
TO THE SHAREHOLDERS' MEETING CONVENED FOR APPROVAL OF THE FINANCIAL STATEMENTS AS OF
31 December 2015
(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 2015 and to the conclusions we have reached.

Oversight and information received

During the year we have:

- held four board meetings, each attended by all members of the board, attended eight meetings held by the Board of Directors, as well as the five 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;

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 six times in 2015 and issued its annual report on February 22, 2016 and nothing of any particular significance was raised.

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 , 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 Statutory Auditors expresses satisfaction for the continuation of the ERM project that has seen its subsidiary Prima Electro start the project implementation during 2015 and for the identification of an internal resource to whom the role of internal auditor has been assigned in the light of increased complexity of the company's organizational structure and the competitive environment in which the company operates.

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..

We have ascertained on the basis of statements made by individual directors and assessments made by the Board of Directors, that the criteria and procedures adopted by the latter to assess the independence of its members were correctly applied.

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 2015, 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, 2015, 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 9, 2016. The financial statements includes 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 2015 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, 2015 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, 2015 - 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;
- a new organizational, management and control model 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, was approved by the Board

of Directors on January 15, 2016 to complement the offenses recently included in Legislative Decree 231/2001;

- 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 127,000 Euro. Audit of subsidiaries 204,000 Euro. Other services 30,000 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 9, 2016, 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 furnished the required opinions requested by law.

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.

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, 2015, showing a **profit** of **1,406,734 Euro**, 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, 2015 can be approved as well as the proposal of the Board of Directors regarding the allocation of profit for the year equal to 1,406,734 Euro for 70,336.70 Euro to the Legal Reserve and to the distribution, in the form of ordinary dividends, of the remaining 1,336,397.30 Euro of the above mentioned profit, and 1,284,421.20 Euro related to earnings and profits previously allocated to the Extraordinary Reserve, amounting to a total dividend of 0.25 Euro per share.

Collegno, March 24, 2016

The Board of Statutory Auditors

(Mr. Franco Nada)
Chairman

(Mrs. Paola Borracchini)
Statutory Auditor

(Mr. Roberto Petrignani)
Statutory Auditor

PRIMA INDUSTRIE GROUP

***

BOARD OF STATUTORY AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 December 2015

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

the Board of Directors of your Company has drafted and approved the consolidated financial statements for the year ending on December 31, 2015 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 9, 2016.

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 negative net negative Result of 5,605,844 Euro of which attributable to shareholders of the parent company for 6,016,715 Euro and to minority shareholders for 410,871 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 2015, to the main risks to which the company is exposed and the foreseeable developments relative to 2016 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, 2015.

Collegno, March 24, 2016

The Board of Statutory Auditors

(Mr. Franco Nada)
Chairman

(Mrs. Paola Borracchini)
Statutory Auditor

(Mr. Roberto Petrignani)
Statutory Auditor