



40

YEARS OF INNOVATION

Half-Year Report as of June 30, 2018

Board of Directors - August 2, 2018



**PRIMA
INDUSTRIE**

INDEX

CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL	4
CHAPTER 2. PRIMA INDUSTRIE GROUP STRUCTURE	6
CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE	8
CHAPTER 4. INTRODUCTION	10
CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT	12
GROUP RESULTS SUMMARY	12
ECONOMIC PERFORMANCE	15
ASSETS, LIABILITIES AND FINANCIAL POSITION	20
BUSINESS PERFORMANCE	21
PERSONNEL	22
OPERATIONS WITH RELATED PARTIES	22
RISK FACTORS	22
STOCK TREND AND TREASURY STOCK	22
SHAREHOLDING STRUCTURE	23
SIGNIFICANT EVENTS OCCURRING AFTER FINANCIAL HALF-YEAR CLOSING	24
ATYPICAL AND UNUSUAL TRANSACTIONS	24
MANAGEMENT AND COORDINATION ACTIVITIES	24
OPT-OUT REGIME	24
CHAPTER 6. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF JUNE 30, 2018	26
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	26
CONSOLIDATED INCOME STATEMENT	27
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	28
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	29
CONSOLIDATED CASH FLOW STATEMENT	30
CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB N.15519 OF JULY 27, 2006	31
CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB N.15519 OF JULY 27, 2006	32
CONSOLIDATED CASH FLOW STATEMENT PURSUANT TO CONSOB N.15519 OF JULY 27, 2006	33
CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018	35
ACCOUNTING TABLES FORM AND CONTENT	35
DRAFTING PRINCIPLES AND CRITERIA	35
EXPLANATORY NOTES	40
ANNEXES	59
ANNEX 1 - CONSOLIDATION AREA	59
ANNEX 2 - "NON-GAAP" PERFORMANCE INDICATORS	60
ANNEX 3 - CURRENCY EXCHANGE RATES	61
ATTESTATION OF THE HALF - YEAR CONDENSED FINANCIAL STATEMENT	62

1

Prima Industrie SpA
Management and Control

CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL

Board of Directors

EXECUTIVE CHAIRMAN	Gianfranco Carbonato
MANAGING DIRECTORS	Ezio G. Basso ⁽¹⁾ Domenico Peiretti ⁽²⁾
INDEPENDENT DIRECTORS	Donatella Busso Paolo Cantarella Carla Patrizia Ferrari Paola Gatto Mario Mauri Marina Meliga
OTHER DIRECTORS	Rafic Y. Mansour Michael R. Mansour

Internal Control Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paolo Cantarella Carla Patrizia Ferrari

Remuneration Committee

CHAIRMAN	Mario Mauri
MEMBERS	Paola Gatto Rafic Y. Mansour

Operations with Related parties Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paola Gatto Marina Meliga

Strategic Committee

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

Board of Statutory Auditors

CHAIRMAN	Franco Nada
REGULAR AUDITORS	Maura Campra Roberto Pettrignani
ALTERNATE AUDITORS	Roberto Coda Gaetana Laselva

Audit Company

PricewaterhouseCoopers S.p.A.

Expiry of Mandates and Appointments

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

The Board of Statutory Auditors shall remain in office until the approval of 2018 Financial Statements.

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

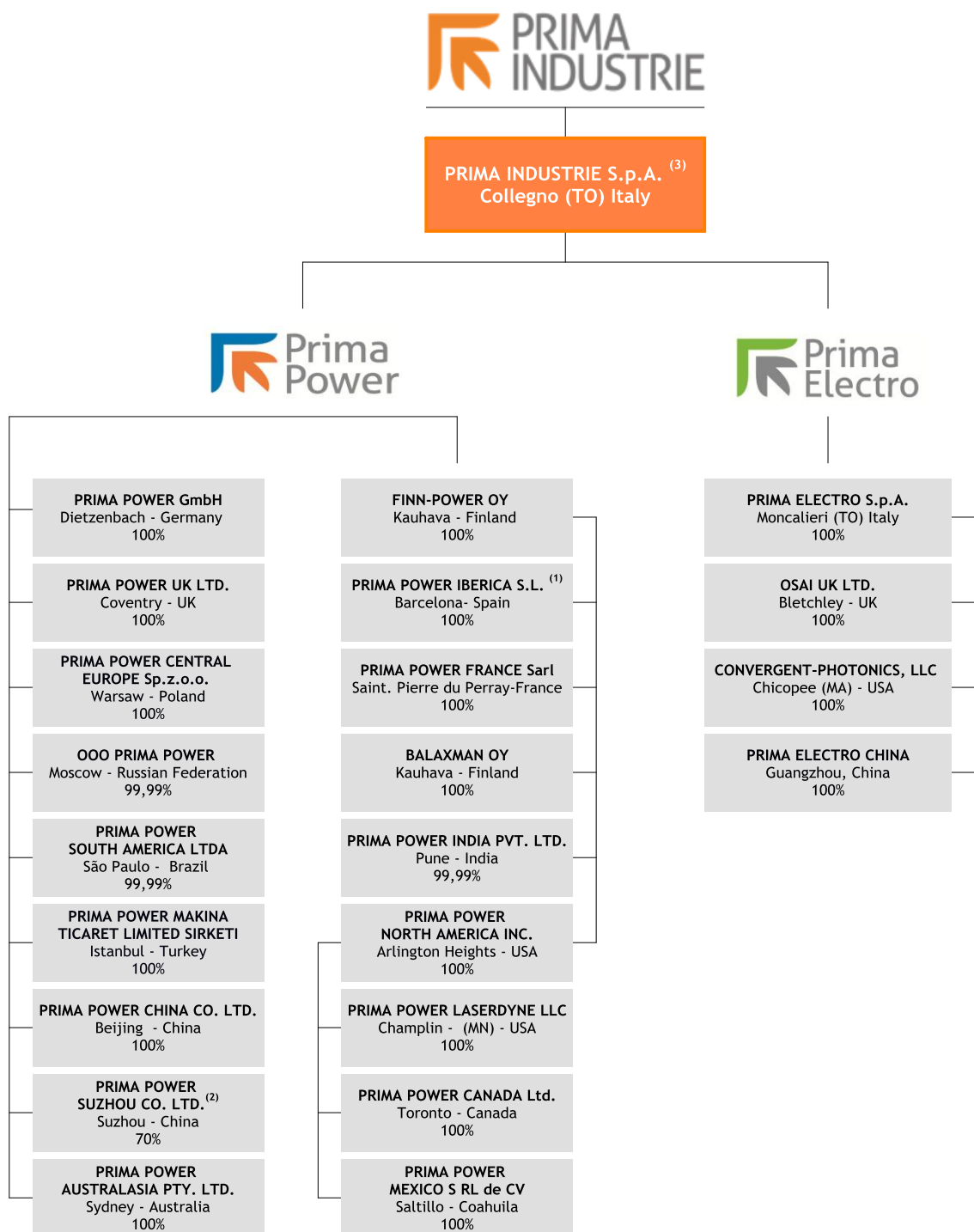
⁽¹⁾ Ezio G. Basso is also the General Manager of PRIMA INDUSTRIE SpA

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

2

Prima Industrie Group Structure

CHAPTER 2. PRIMA INDUSTRIE GROUP STRUCTURE



The statement on this page represents the corporate situation of PRIMA INDUSTRIE Group on June 30, 2018.

- (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.

3

Prima Industrie Group profile

CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE

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

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

The PRIMA INDUSTRIE Group is present on the market over 40 years and boasts over 13,000 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. Since 2011, 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), in Finland (FINN-POWER OY), in the United States (PRIMA POWER LASERDYNE Llc), in China (PRIMA POWER Suzhou Co. Ltd.) and has direct sales and customer service facilities in France, Switzerland, Spain, Germany, the United Kingdom, Belgium, Poland, Czech Republic, Lithuania, Hungary, Russia, Turkey, USA, Canada, Mexico, Brazil, China, India, South Korea, Australia and the United Arab Emirates.

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

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

This Company draft of consolidated half-year Financial Statements has been approved by the Board of Directors on August 2, 2018.

4

Introduction

CHAPTER 4. INTRODUCTION

The Half-Year Financial Report at June 30, 2018 of PRIMA INDUSTRIE Group was prepared pursuant to article 154-ter of Leg. Decree, paragraph 5 of Consolidated Law on Finance and subsequent amendments, as well as the issuer's Regulation issued by CONSOB; it has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the *International Accounting Standards Board* ("IASB") recognized by the European Union and by Italian legislation and regulations.

This report was approved by the Board of Directors on August 2, 2018 and is published in accordance with the provisions of article 2.2.3 of Borsa Italiana SpA Regulations applicable to issuers listed in the STAR segment.

The condensed Consolidated Half-Year Financial Statements, including the Half-Year Financial Report, has undergone a limited audit.

It should be noted that, to improve disclosure of its financial results, the Group has presented the income statement according to functional area, rather than by expenditure type.

The Group presents the income statement according to functional area otherwise referred to as "Cost of Sales"; this cost presentation is based on cost destination and is considered more representative than expenditure type. The form chosen conforms to internal *reporting* and business management procedures and is in line with international practice within the sector in which the Group operates.

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

5

Group Interim Management Report

CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT

GROUP RESULTS SUMMARY

Key performance indicator ("KPI")

Values in euro thousand	June 30, 2018	June 30, 2017	Variations	%
ORDER INTAKE	240,236	240,673	(437)	-0.2%
BACKLOG	191,962	177,805	14,157	8.0%
REVENUES	216,710	202,415	14,295	7.1%
EBITDA	18,681	19,211	(530)	-2.8%
EBITDA %	8.6%	9.5%	-0.9%	-
EBIT	10,826	10,644	182	1.7%
EBIT %	5.0%	5.3%	-0.3%	-
NET RESULT	11,102	7,505	3,597	47.9%
FCF	(9,256)	(4,897)	(4,359)	-89.0%
NFP	(75,544)	(95,490)	19,946	20.9%
HEADCOUNT	1,834	1,718	116	6.8%

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

Values in euro thousand	June 30, 2018	June 30, 2017	Variations	%
REVENUES AT COSTANT EXCHANGE RATES	224,584	202,415	22,169	11.0%
EBITDA Adj	19,967	20,034	(67)	-0.3%
EBITDA Adj %	9.2%	9.9%	-0.7%	-
EBIT Adj	12,421	11,490	931	8.1%
EBIT Adj %	5.7%	5.7%	0.0%	-

(% calculated over the revenues)

For the definition of the indices, please refer to Annex 2 "NON-GAAP performance indicators".

SIGNIFICANT EVENTS OF THE PERIOD

MERGER OF FINN-POWER ITALIA Srl INTO PRIMA INDUSTRIE SpA

With notary's deed of January 25, 2018, with legal effect from February 1, 2018, FINN-POWER ITALIA Srl was merged into PRIMA INDUSTRIE SpA (100% shareholding), with accounting and tax effect backdated to January 1, 2018. The organisational and financial reasons for this merger can be found in the optimisation of the structure of the PRIMA INDUSTRIE Group, which will involve shortening the chain of monitoring of investments and streamlining cash, administration and organisation and also centralising decision-making on strategic investments to the parent company. The merger will also be the opportunity for an overall corporate re-organisation, aimed at improving integration of Italian sales and after-sales, and the running of the two Italian production plants, not to mention lowering costs.

As a simplified merger in accordance Article 2505 of the Italian Civil Code, with PRIMA INDUSTRIE SpA controlling 100% of FINN-POWER ITALIA Srl, it was submitted to the decision of the Board of Directors of PRIMA INDUSTRIE SpA, in observance of the provisions of Article 22 of the Company's articles of association.

SALE OF PARTICIPATION IN ELECTRO POWER SYSTEMS SA

On January 24, 2018 PRIMA ELECTRO SpA has been signed an agreement with a company belonging to the ENGIE Group (one of the largest global utilities based in Paris) for the sale of the entire stake held in ELECTRO POWER SYSTEMS SA ("EPS"), a company operating in the *energy storage* systems listed at the Euronext stock market in Paris.

The agreement was also signed with the other main shareholders of EPS and with the management of the company for the acquisition of the majority stake of EPS. The transaction took place on the basis of an evaluation of Euro 9.5 per share and was followed by the filing of a mandatory Public Purchase Offer at the same price.

The completion and settlement of the transaction has been took place during the first quarter of 2018, generating a capital gain of about Euro 7.2 million for PRIMA INDUSTRIE Group.

ISSUE OF A BOND LOAN

On February 9, 2018 the Board of Directors of PRIMA INDUSTRIE S.p.A. resolved to issue a 7-year non-convertible, fixed rate, bond loan for a total of Euro 25 million. The bond is to be placed with approved Italian and/or foreign investors residing in the European Economic Area, with the exception of those in the USA. Even after issue, the bond may only be circulated among these approved investors. The bonds have a minimum denomination of 100,000 Euro and pay a fixed annual coupon of 3.5%. The bond issue, which will be governed by English law, will expire in February 2025. PRIMA INDUSTRIE S.p.A. does not intend to request that the bond be traded in a trading establishment.

REFINANCING OF MEDIUM/LONG-TERM DEBT

During the first quarter of 2018, PRIMA INDUSTRIE SpA completed the refinancing of the main medium/long-term debt operations, by taking out - in addition to the new bond - new five-year loans (mean rate 1.70%) with BNL, MPS, BPM, UNICREDIT and INTESA for a total of Euro 90 million, with separate amortisation plans, the last instalment of which will be due on March 31, 2023 (hereinafter referred as "2018 Loans").

Furthermore, during the first quarter of 2018, the main financing transactions signed in 2015, the *Club Deal* signed in Italy with Unicredit, Intesa and BNL, were fully repaid on March 14, 2018 and the bond was fully repaid on March 28, 2018. The so-called *Finnish Loan* signed in Finland with Nordea & Danske had already been repaid at the end of 2017.

Thanks to these transactions, the Group has obtained an average extension of more than three years on its medium/long-term loans, at a weighted average annual interest rate of approximately 2.10%, that is, 1.60% lower than the previous rate of approximately 3.70%.

PURCHASE OF TREASURY STOCK

On April 20, 2018 the Shareholders' Meeting authorized the purchase, in one or more times, for a period of eighteen months, of ordinary shares of PRIMA INDUSTRIE SpA for a maximum number of shares equal to 300,000, or for a maximum purchase value equal to Euro 12 million, authorizing the disposal of treasury shares, in one or more times, without time limits, in the manner deemed most appropriate in the interest of the Company and in compliance with applicable law.

The scope of the authorization includes the possibility to assign the shares to service the stock incentive plans in favor of directors, employees and collaborators of the company or group companies, or the use for free assignments to the shareholders, or to service extraordinary transactions or as an instrument to support market liquidity. Purchases will be made on regulated stock markets according to the operating procedures established in the regulations for the organization and management of the same markets according to the operating procedures established in the regulation of Borsa Italiana SpA,

in compliance with art. 144 bis, paragraph 1, lett. b) of the Consob Regulation no. 11971/99 and subsequent amendments.

2018 - 2020 SHARE INCENTIVE PLAN

On April 20, 2018, the Shareholders' Meeting approved the Management Incentive Plan, previously approved by the Board of Directors on March 16, 2018, based on the free assignment, subject to the achievement of predefined company targets, of financial instruments pursuant to art. 114 bis of T.U.F; the Plan represents an incentive, loyalty and retention tool for managers who contribute most to the development of the Company and the Group.

ASSIGNMENT OF A POWER OF ATTORNEY TO THE BOARD OF DIRECTORS TO CARRY OUT A CAPITAL INCREASE WITHIN THE LIMITS OF 10% OF THE SHARE CAPITAL

On April 20, 2018, the extraordinary Shareholders' Assembly assigned all relevant powers to the Board of Directors, for a period of five years from the date of the resolution, the right pursuant to Article 2443 of the Italian Civil Code, with any inherent power, to increase the paid share capital, in one or more times, separately and also in multiple tranches, through the issuance of ordinary shares with the exclusion of option rights within the limits of 10% of the share capital existing at the time the proxy is exercised, pursuant to art. 2441, paragraph 4, second sentence of the Italian Civil Code, thus modifying Article 5 of the Company By-Laws.

ASSIGNMENT OF A POWER OF ATTORNEY TO THE BOARD OF DIRECTORS TO PROCEED WITH A SHARE CAPITAL FREE INCREASE FOR THE 2018-2020 SHARE BASED INCENTIVE PLAN

On April 20, 2018 the extraordinary Shareholders' Meeting assigned rights to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for the five-year period from the date of the present resolution, the right to increase the share capital free of charge even in several tranches, to service the implementation of the "2018-2020 Share based Incentive Plan", for a maximum amount of Euro 337,500 (to be fully attributed to capital) corresponding to maximum 135,000 ordinary shares, with the same characteristics as those outstanding, regular entitlement, by assigning the corresponding maximum amount of profits and/or reserves of profits resulting from the last financial statements approved pursuant to Article 2349 of the Italian Civil Code, under the terms and conditions and according to the procedures set out in the "2018-2020 Share Based Incentive Plan", thereby modifying Article 5 of the Company By-laws. The maximum dilutive effect on shareholders deriving from the capital increase to service the Plan, in the case of all the shares being assigned, is equal to 1.29%.

ACQUISITION OF 19% STAKE IN THE COMPANY CANGZHOU LEAD LASER

Prima Industrie SpA through its subsidiary Prima Power Suzhou Co. Ltd, of which it holds 70%, has signed on June 15, 2018 an agreement, subject to conditions that occurred in early July, for the acquisition of a 19% stake in the Chinese company Cangzhou Lead Laser Technology Co. Ltd. (Lead Laser); the total counter value is approximately 50 million Renminbi (about Euro 6.7 million).

The agreement provides the non-binding option for the Group to acquire, by 2020, an additional 41% of Laser Lead capital at predefined conditions.

The transaction is aimed at increasing the Group's market share in the Chinese market of 2D laser machines, the largest in the world in terms of size and growth rate.

The *closing* of the transaction, with payment and transfer of shares, has been completed in the second half of July.

ECONOMIC PERFORMANCE

In recent years the Group has made numerous investments for the renewal of the product range, the technological innovation and the strengthening of its commercial presence that has meanwhile become global.

Some of these investments, such as the development and introduction of proprietary fiber lasers, have already made a significant contribution to the results; others, such as those relating to Diode Fab, are being finalized by the Group, which in the first half of 2018 invested about 6% of consolidated turnover in R & D.

The most recent investments were made in the new premises built and just inaugurated in Germany in Munich, the entry into the Additive Manufacturing field with the collection of the first orders and the construction of the new production plant in Finland, entirely financed by local institutions.

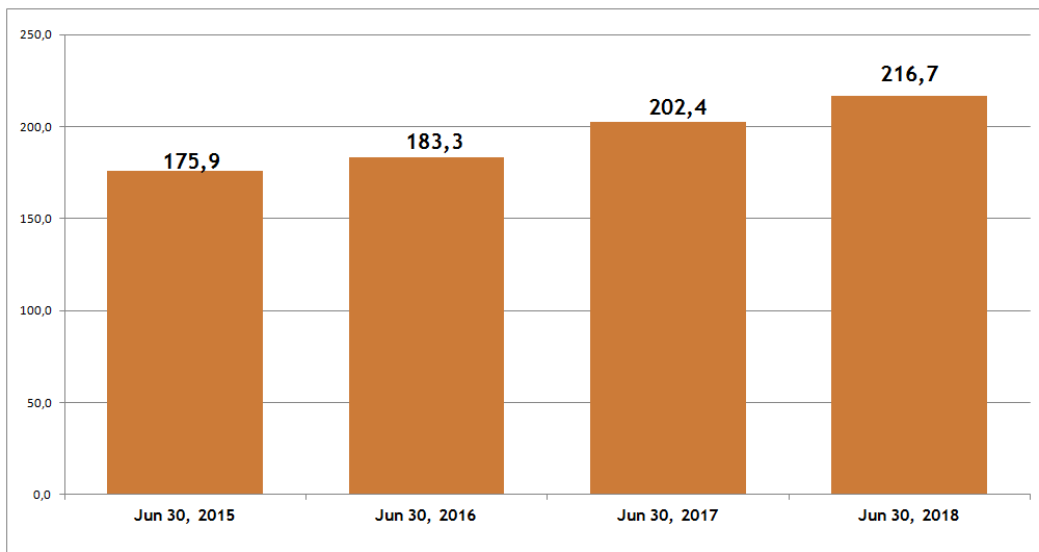
Lastly, very recent is the acquisition in China of a minority share of Lead Laser for the strengthening of the market share in China.

As usual, the Group's objective is to continue investing for its growth and strengthening, in particular in some promising geographical areas such as South Korea and the Asean market.

The Group closed the first half of 2018 reaching a turnover of Euro 216,710 thousand, up from the first half of 2017 by 7.1%. At constant exchange rates, growth would have been approximately 11%.

Growth in turnover is a steady trend over time and in the last three years revenue growth for the first half of the year shows an annual increase (CAGR) of 7.2% (as can be seen from the chart below).

Values in Euro million



The Group's profitability was influenced in the first six months 2018 by a product mix with machines destined to the *sheet metal fabrication* sector prevailing over machines for the *automotive* industry.

In addition, the performance was affected by some non-recurring costs, which penalized EBITDA for a total of Euro 1,286 thousand, and mainly refer to professional consultancies for extraordinary events and to the restructuring of the German company.

The consolidated net result instead benefited from non-recurring profits (equal to Euro 7,179 thousand) related to the sale of the equity investment held by PRIMA ELECTRO SpA in the company ELECTRO

POWER SYSTEMS SA (EPS), which more than offset the financial costs (about Euro 1,885 thousand) of a non-recurring nature related to the refinancing of the *Bond* and the medium-term bank debt.

Below are the main economic indicators of the Group by Division, compared with the corresponding period of the previous year:

Values in euro thousand

June 30, 2018	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	199,687	45,752	22.9%	16,627	8.3%	10,385	5.2%	3,858
PRIMA ELECTRO	30,179	7,268	24.1%	2,137	7.1%	524	1.7%	7,305
ELIMINATIONS	(13,156)	(61)	-0.5%	(83)	-0.6%	(83)	-0.6%	(61)
GROUP	216,710	52,959	24.4%	18,681	8.6%	10,826	5.0%	11,102

(% calculated over the revenues)

Values in euro thousand

June 30, 2017	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	190,202	45,325	23.8%	18,577	9.8%	11,679	6.1%	7,515
PRIMA ELECTRO	24,323	4,961	20.4%	814	3.3%	(862)	-3.5%	92
ELIMINATIONS	(12,110)	(163)	-1.3%	(180)	-1.5%	(173)	-1.4%	(102)
GROUP	202,415	50,123	24.8%	19,211	9.5%	10,644	5.3%	7,505

(% calculated over the revenues)

Values in euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	9,485	427	4.5%	(1,950)	-20.6%	(1,294)	-13.6%	(3,657)
PRIMA ELECTRO	5,856	2,307	39.4%	1,323	22.6%	1,386	23.7%	7,213
ELIMINATIONS	(1,046)	102	9.8%	97	9.3%	90	8.6%	41
GROUP	14,295	2,836	19.8%	(530)	-3.7%	182	1.3%	3,597

(% calculated over the revenues)

PRIMA ELECTRO Division shows a marked improvement in revenues (24.1%) and profitability (EBITDA from 3.3% to 7.1% of revenues) while, as mentioned above, the results of PRIMA POWER Division are affected by non-recurring costs.

Following is the consolidated revenues geographical break down at June 30, 2018 compared with the same period of the previous year:

Revenues	June 30, 2018		June 30, 2017	
	Euro thousand	%	Euro thousand	%
EMEA	139,037	64.2	104,431	51.6
AMERICAS	47,312	21.8	59,603	29.4
APAC	30,361	14.0	38,381	19.0
TOTAL	216,710	100.0	202,415	100.0

The above table shows that Group revenues for the first half of 2018 (compared to the first half of 2017) had an important growth in EMEA area (+33.1%); on the other hand, there was a downturn both in AMERICAS (-20.6%) and in APAC (-20.9%).

The Group generated consolidated revenues in the EMEA area for Euro 139,037 thousand; in particular, the Group achieved good results in Italy (20.8% of consolidated revenues), in Russia and in Eastern Europe (7.9% of consolidated revenues), in Northern Europe (7.5% of consolidated revenues), in Spain (5.4% of consolidated revenues) and in Germany (4.9% of consolidated revenues).

The share of revenues generated by AMERICAS decreased compared to 2017, from Euro 59,603 thousand to Euro 47,312 thousand (-20.6%). It should be noted that at constant exchange rates, turnover in the Americas area would have been 10.6% lower than last year, due to a slowdown of investments in *automotive* sector. The order acquisition in dollars is stable compared to the first half of 2017, since the *sheet metal* and *aerospace* sectors offset the decline in the *automotive* market.

As for the APAC countries, revenues decreased compared to 2017, passing from Euro 38,381 thousand to Euro 30,361 thousand (-20.9%); this decrease mainly refers to a temporary decline in China, whose revenues went from Euro 27,815 thousand to Euro 17,229 thousand.

In China the reduction comes mainly from a shift to following quarters of an important order in the *automotive* sector.

Shown below it is a subdivision of the revenues by sector of the gross inter-sector transactions:

Revenues	June 30, 2018		June 30, 2017	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	199,687	92.1	190,202	94.0
PRIMA ELECTRO	30,179	13.9	24,323	12.0
Inter-sector revenues	(13,156)	(6.0)	(12,110)	(6.0)
TOTAL	216,710	100.0	202,415	100.0

As can be seen from the above table, total revenue growth was seen from both the PRIMA POWER division (Euro 9,485 thousand) and the PRIMA ELECTRO division (Euro 5,856 thousand).

The **cost of goods sold** at June 30, 2018 stood at Euro 163,751 thousand up Euro 11,459 thousand from June 30, 2017 (Euro 152,292 thousand).

Group **Gross Margin** at June 30, 2018 is equal to Euro 52,959 thousand, an increase of Euro 2,836 thousand compared to Euro 50,123 thousand in the same period of 2017. The margin accounted for 24.4% of sales and was down slightly from June 30, 2017 (24.8%).

The **net cost of research and development** was Euro 13,089 thousand of about 6% of consolidated revenues (of which Euro 9,555 thousand in the PRIMA POWER segment and Euro 3,534 thousand in the PRIMA ELECTRO segment) and were up from Euro 11,138 thousand at June 30, 2017. This item includes non-capitalizable research and development costs, *Tech Center* costs and *overheads* and is disclosed net of grants (national and European) entered on an accrual basis.

The capitalized portion was Euro 3,530 thousand (of which Euro 1,946 thousand in the PRIMA POWER segment and Euro 1,584 thousand in the PRIMA ELECTRO segment) and were down from Euro 3,948 thousand at June 30, 2017.

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.

In the first half of 2018, the main research and development activities of the PRIMA POWER division were:

- development of new 3D laser machine models, to cover larger work areas and equipped with fibre laser engineered internally;
- development of a new model of 2D laser machine to cover the low-end market;
- development of a new cutting head equipped with adaptive optics;
- development of new software and a new numerical control, both for 2D laser machines, in line with Industry 4.0 specifications;
- the implementation of a new punching and laser cutting technology, whose key elements are the fiber laser equipment internally developed and the wide range of *tools*, their fast and easy replacement;
- development of a new model of panel bending machine with technologies to improve product performance;
- research into *Additive Manufacturing*, in which technical operations were conducted for European funded projects, in which PRIMA INDUSTRIE is group leader.

During the first half of 2018 the main activities carried out by the PRIMA ELECTRO division concerned:

- completion of development activities of solid-state modules for optical of the new fiber laser sources;
- completion of a new numerical control hardware platform whose computing power enables integration of the latest Industry 4.0 technologies;
- development of new fiber laser sources to expand the range of power;
- development of a new laser model for specific applications in Additive Manufacturing field.

Sales and marketing expenses, which include business structure costs such as personnel, trade fairs and events, the *demo center*, promotional and advertising activities and related *overheads*, were Euro 14,781 thousand, up Euro 517 thousand from Euro 14,264 thousand at June 30, 2017.

General and administrative expenses, which includes costs related to Group or Divisional management structures, Finance costs, HR, IT and overheads were Euro 14,263 thousand and are slightly up on Euro 14,077 thousand at June 30, 2017.

Group EBITDA at June 30, 2018 is equal to Euro 18,681 thousand (8.6% of revenues).

It is necessary to point out that EBITDA has been negatively influenced by non-recurring costs equal to Euro 1,286 thousand (at June 30, 2017 they were Euro 823 thousand); therefore, *adjusted* EBITDA is equal to Euro 19,967 thousand (equal to 9.2% of revenues). In particular, in the second quarter of the year *adjusted* EBITDA amounted to Euro 13,055 thousand (equal to about 11% of the quarter's turnover).

The Group's EBIT at June 30, 2018 is equal to Euro 10,826 thousand (5.0% of revenues) and is up Euro 182 thousand compared to June 30, 2017 (Euro 10,644 thousand, equal to 5.3% of revenues). This result was affected by the amortization of intangible assets for Euro 5,376 thousand, of tangible fixed assets for Euro 2,170 thousand and impairment of Euro 309 thousand. With regard to the amortization of intangible assets, these mainly refer to amortization of development costs (Euro 4,040 thousand) and amortization relating to the trademark registered as part of the business combination of the FINN-POWER Group, amounting to Euro 911 thousand.

EBIT at June 30, 2018 is influenced by non-recurring costs related to the *impairment* of a building; as a consequence, *adjusted* EBIT amounted to Euro 12,421 thousand (5.7% of revenues), up by 8.1% compared to June 30, 2017 (equal to Euro 11,490 thousand). In particular, in the second quarter the *adjusted* EBIT amounted to Euro 9,286 thousand (equal to 7.7% on the quarterly turnover).

The EBT of the Group at June 30, 2018 is positive for Euro 12,192 thousand and is up by Euro 3,451 thousand compared to June 30, 2017. The EBT of the Group includes net expenses from financial management (including profits and losses on exchange rates) for Euro 5,813 thousand (at June 30, 2017 they were equal to Euro 2,807 thousand).

Financial expenses also include Euro 1,885 thousand of costs due to the advanced closing of *Bond* and *Club Deal* loan for the debt refinancing, with the aim of extending the maturities by approximately 3 years and reducing the interest rate by around 2%.

Financial results (€/000)	June 30, 2018	June 30, 2017
<i>Bond</i> expenses	(867)	(1,200)
<i>Advance Bond</i> expenses	(1,515)	-
<i>Club-Deal</i> loan expenses	(94)	(516)
<i>Advance Club-Deal</i> loan expenses	(370)	-
2018 Loans expenses	(542)	-
<i>Finnish Loan</i> loan expenses	-	(297)
Derivate expenses (CRS)	(809)	2,086
Derivates expenses (IRS)	(156)	(38)
Devaluation of financial receivables	(118)	-
Other financial expenses	(1,057)	(1,138)
Net financial expenses	(5,528)	(1,103)
Net exchange differences	(285)	(1,704)
TOTAL	(5,813)	(2,807)

The result of other equity investments is positive for Euro 7,179 thousand and refers to the capital gain coming from the full sale of the investment in EPS SA (already classified as "Non-current assets held for sale"). For more information about this operation, see the section "Significant events of the period."

The **NET RESULT** of the Group at June 30, 2018 is positive for Euro 11,102 thousand (at June 30, 2017 it was Euro 7,505 thousand); the portion of Net Result pertaining to the Parent Company amounted to Euro 11,126 thousand.

ASSETS, LIABILITIES AND FINANCIAL POSITION

The reclassified balance sheet of PRIMA INDUSTRIE Group is shown below.

Values expressed in Euro thousand	June 30, 2018	December 31, 2017	Variations
Tangible and intangible fixed assets	81,138	82,320	(1,182)
Goodwill	102,985	102,911	74
Equity investments and other non-current assets	355	365	(10)
Deferred tax assets	12,061	11,340	721
NON-CURRENT ASSETS	196,539	196,936	(397)
Inventories	136,627	113,035	23,592
Trade receivables	100,764	113,649	(12,885)
Trade payables	(106,902)	(110,465)	3,563
Advances	(48,237)	(43,620)	(4,617)
OPERATING WORKING CAPITAL	82,252	72,599	9,653
Other current assets and liabilities	(13,156)	(16,931)	3,775
Current tax assets and liabilities	1,713	3,308	(1,595)
Provisions for risks and employee benefits	(31,134)	(32,440)	1,306
Deferred tax liabilities	(5,830)	(5,997)	167
Non-current assets held for sale	1,606	1,111	495
NET INVESTED CAPITAL	231,990	218,586	13,404
NET INDEBTEDNESS	75,544	69,632	5,912
SHAREHOLDER'S EQUITY	156,446	148,954	7,492
<i>Stockholders' equity of the Group</i>	155,170	147,668	7,502
<i>Minority interest</i>	1,276	1,286	(10)
LOAN SOURCES	231,990	218,586	13,404

Tangible and intangible fixed assets (other than Goodwill) of PRIMA INDUSTRIE Group decreased by Euro 1,182 thousand from the previous year. Movements in the half-year were for:

- net increases of Euro 7,650 thousand in the period (Euro 3,345 thousand for development costs);
- amortization and depreciation accounted for Euro 7,546 thousand;
- reclassification of Euro 1,531 thousand of “non-current assets held for sale” for a property located in Brescia province owned by the parent company;
- positive exchange rates Euro 245 thousand.

The half-year change in Goodwill is attributable to currency adjustments only.

Net working capital increased from the previous financial year by Euro 9,653 thousand.

At June 30, 2018, the Group's net debt is equal to Euro 75,544 thousand, compared with Euro 95,490 thousand at June 30, 2017 and Euro 69,632 thousand at December 31, 2017. The increase in debt in the first half of 2018 is due to a negative Free Cash Flow (“FCF”) that reflects the higher volumes expected in the second half of the year.

Following is a detail of the Group's net debt:

<i>Values expressed in Euro thousand</i>	June 30, 2018	December 31, 2017	June 30, 2017
NON CURRENT FINANCIAL ASSETS	(4,407)	-	-
CASH & CASH EQUIVALENTS	(82,684)	(70,521)	(44,741)
CURRENT FINANCIAL ASSETS	(124)	(849)	(1,770)
CURRENT FINANCIAL LIABILITIES	36,621	42,525	36,265
NON CURRENT FINANCIAL LIABILITIES	126,138	98,477	105,736
NET INDEBTNESS	75,544	69,632	95,490

Net Equity increased by Euro 7,492 thousand compared to the previous year. This increase is due to the positive effects of the results of the shareholders of the Parent Company (Euro 11,126 thousand), Currency translation reserve (Euro 988 thousand), negatively offset by the payment of dividends (Euro 4,193 thousand), the fair value adjustment reserve for derivatives (Euro 378 thousand) and the change in minority shareholders' equity (Euro 10 thousand), in addition to the retrospective restatement of shareholders' equity net of the effects of adopting the new IFRS15 (negative by Euro 41 thousand).

Below is the *Cash Flow* of the PRIMA INDUSTRIE Group at June 30, 2018, compared with the corresponding period of the previous year.

<i>Values in euro thousand</i>	June 30, 2018	June 30, 2017	Variations
Net Indebtness Opening	(69,632)	(84,215)	14,583
Cash from operating activities before TWC	7,320	10,909	(3,589)
Change in Trade Working Capital	(9,653)	(9,513)	(140)
Cash from operating activities	(2,333)	1,396	(3,729)
Investments in development costs	(3,345)	(3,948)	603
Other investments	(3,578)	(2,345)	(1,233)
Cash from investment activities	(6,923)	(6,293)	(630)
FREE CASH FLOW (FCF)	(9,256)	(4,897)	(4,359)
Dividends	(4,193)	(3,145)	(1,048)
Net financial result of investments	7,179	904	6,275
Other changes	(41)	-	(41)
Cash from financing activities	2,945	(2,241)	5,186
Net exchange differences	399	(4,136)	4,535
CASH FLOW - TOTAL	(5,912)	(11,274)	5,362
Net Indebtness Closing	(75,544)	(95,490)	19,946

BUSINESS PERFORMANCE

During the first half of 2018 the order acquisition (including *after-sale service*) amounted to Euro 240.2 million, in line with the Euro 240.7 million at June 30, 2017. The acquisition of orders of the PRIMA POWER sector amounted to Euro 223.1 million, while the PRIMA ELECTRO ones, considering the ones from customers outside the Group, amounted to Euro 17.1 million.

The order backlog (not inclusive of the *after-sale service*) at June 30, 2018 amounts to Euro 192.0 million (+ 8.0% compared to Euro 177.8 million at June 30, 2017). The portfolio includes Euro 184.0 million relating to the PRIMA POWER sector and Euro 8.0 million relating to the PRIMA ELECTRO sector.

PERSONNEL

At June 30, 2018, the Group had 1,834 employees of which 1,554 in PRIMA POWER Division and 280 in PRIMA ELECTRO Division. Compared to the December 31, 2017 the employee numbers increased by 53.

Values expressed in units	PRIMA POWER			PRIMA ELECTRO			PRIMA GROUP		
	Jun 30, 2018	Dec 31, 2017	Jun 30, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2017
Production & Installation	569	547	521	140	128	123	709	675	644
Service & Spare Parts	473	476	468	14	15	15	487	491	483
R&D	210	190	189	64	67	58	274	257	247
Sales & Marketing	174	168	161	36	36	35	210	204	196
General & Administrative	128	128	124	26	26	24	154	154	148
Total	1,554	1,509	1,463	280	272	255	1,834	1,781	1,718

OPERATIONS WITH RELATED PARTIES

During the reporting period no significant operations with related parties were concluded in accordance with Article 5, paragraph 8 of the Regulations containing provisions on related parties No. 17221, issued by CONSOB on March 12, 2010, with the exception of the 100% merger of the subsidiary FINN-POWER ITALIA Srl into PRIMA INDUSTRIE SpA. This transaction was exempted from application of the procedure for transactions with related parties in accordance with the provisions of Consob Regulation no. 17220 of 2010 concerning transactions with related parties and the Procedure for transactions with related parties adopted by the Company (article 14 (2)).

For further details of the operations carried out by the Group with related parties, refer to - Information on related parties on Explanatory Notes.

RISK FACTORS

The main risks for the PRIMA INDUSTRIE Group in the months immediately following the current financial year are unchanged from those described in the "Management of Risks of PRIMA INDUSTRIE Group" section of the 2017 Financial Annual Statements. Updates on specific risk positions are described in the "Significant events of the period" section of this Half-Year Report.

STOCK TREND AND TREASURY STOCK

During the first half year of 2018, the PRIMA INDUSTRIE stock value increased from 33.81 Euro (minimum stock value of the check period) on January 2, 2018 to 36.75 Euro on June 30, 2018, with an increase of 8.7% during six months.

The maximum value of the share during the period was 42.50 Euro, reached on May 3, 2018. Lastly, after the close of the half year, shares remained steady above 36 Euro per share.

This trend is shown in the chart below:



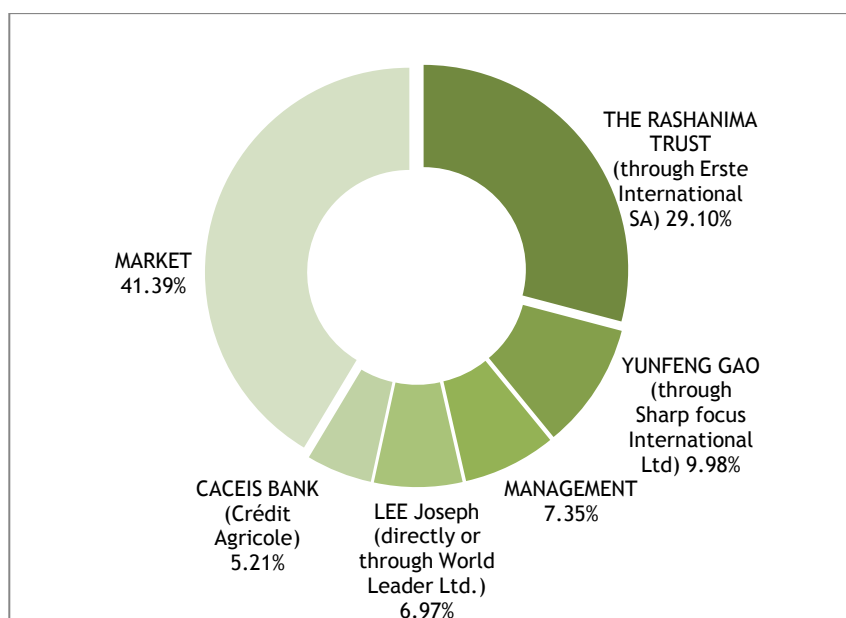
For resolutions concerning possible future capital transactions and the authorisation for the purchase of treasury shares, reference should be made to the “SIGNIFICANT EVENTS” section.

At the date of this financial report, PRIMA INDUSTRIE does not hold any treasury stock.

SHAREHOLDING STRUCTURE

On June 30, 2018 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-quarter 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.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The Group's performance was satisfactory in the first half of the year, despite the wider economic context of concern for recent world trade and political tensions. Based on the positive orders book, the Group expects revenues and results to accelerate in the second half of the year.

SIGNIFICANT EVENTS OCCURRING AFTER FINANCIAL HALF-YEAR CLOSING **CLOSING OF THE ACQUISITION OF 19% STAKE IN CANGZHOU LEAD LASER**

Prima Industrie SpA has announced that on the date July 17, 2018 Prima Power Suzhou Co. Ltd (of which Prima Industrie SpA holds 70%) has completed the closing of the purchase of a 19% stake of the Chinese company Cangzhou Lead Laser Technology Co., Ltd.

ATYPICAL AND UNUSUAL TRANSACTIONS

Pursuant to CONSOB Bulletin of July 28, 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 12, 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 waive the obligation of publishing documents describing its mergers, demergers, share capital increases by contributions in kind, purchases and transfers.

6

Consolidated Financial Statements
Prima Industrie Group
as of June 30, 2018

CHAPTER 6. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF JUNE 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Values in thousand euro</i>	Notes	June 30, 2018	December 31, 2017
Property, plant and equipment	1	35,623	35,628
Intangible assets	2	148,500	149,603
Other investments	3	355	355
Non current financial assets	4	4,407	10
Deferred tax assets	5	12,061	11,340
NON CURRENT ASSETS		200,946	196,936
Inventories	6	136,627	113,035
Trade receivables	7	100,764	113,649
Other receivables	8	10,347	8,019
Current tax receivables	9	7,778	9,380
Derivatives	10	-	58
Financial assets	10	124	791
Cash and cash equivalents	10	82,684	70,521
CURRENT ASSETS		338,324	315,453
Assets held for sale	11	1,606	1,111
TOTAL ASSETS		540,876	513,500
Capital stock	12	26,208	26,208
Legal reserve	12	4,992	4,653
Other reserves	12	71,174	69,311
Currency translation reserve	12	2,348	1,360
Retained earnings	12	39,322	27,620
Net result	12	11,126	18,515
<i>Stockholders' equity of the Group</i>		155,170	147,668
<i>Minority interest</i>		1,276	1,286
STOCKHOLDERS' EQUITY		156,446	148,954
Interest-bearing loans and borrowings	10	125,541	98,396
Employee benefit liabilities	13	7,716	7,694
Deferred tax liabilities	14	5,830	5,997
Provisions	15	172	172
Derivatives	10	597	80
NON CURRENT LIABILITIES		139,856	112,339
Trade payables	16	106,902	110,465
Advance payments	16	48,237	43,620
Other payables	16	23,503	24,951
Interest-bearing loans and borrowings	10	36,031	42,525
Current tax payables	17	6,065	6,072
Provisions	15	23,246	24,574
Derivatives	10	590	-
CURRENT LIABILITIES		244,574	252,207
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		540,876	513,500

CONSOLIDATED INCOME STATEMENT

<i>Values in euro thousand</i>	Notes	June 30, 2018	June 30, 2017 (*)
Net revenues	18	216,710	202,415
Cost of goods sold	19	(163,751)	(152,292)
GROSS MARGIN		52,959	50,123
Research and Development costs	20	(13,089)	(11,138)
Sales and marketing expenses	21	(14,781)	(14,264)
General and administrative expenses	22	(14,263)	(14,077)
OPERATING PROFIT (EBIT)		10,826	10,644
Financial income	23	2,670	2,279
Financial expenses	23	(8,198)	(3,382)
Net exchange differences	23	(285)	(1,704)
Net result of other investments (**)	24	7,179	904
RESULT BEFORE TAXES (EBT)		12,192	8,741
Taxes	25	(1,090)	(1,236)
NET RESULT		11,102	7,505
- Attributable to Group shareholders		11,126	7,449
- Attributable to minority shareholders		(24)	56
RESULT PER SHARE - BASIC (in euro)	26	1.06	0.71
RESULT PER SHARE - DILUTED (in euro)	26	1.06	0.71

(*) For a better comprehension, the 2017 figures have been re-exposed

(**) It must be outlined that this figure includes a financial gain deriving from EPS SA sale of share. In the Balance Sheet the EPS SA investment was classified in the Assets held for sale.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	June 30, 2018	June 30, 2017
NET RESULT (A)		11,102	7,505
Gains/ (Losses) on actuarial defined benefit plans	12	-	-
Tax effect	12	-	-
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)		-	-
Gains / (Losses) on cash flow hedges	12	(504)	77
Tax effect	12	126	(19)
Gains/ (Losses) on exchange differences on translating foreign operations	12	1,002	(3,625)
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)		624	(3,567)
TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)		11,726	3,938
- <i>Attributable to Group shareholders</i>		11,736	3,949
- <i>Attributable to minority shareholders</i>		(10)	(11)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1, 2017 to 30 of June 2017

Values in euro thousand	Capital stock	Additional paid-in capital	Legal reserve	Capital increase expenses	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 January 1, 2017	26,208	57,507	4,565	(1,286)	(63)	14,581	6,849	19,277	10,102	137,740	1,212	138,952
Dividends paid	-	-	-	-	-	(3,145)	-	-	-	(3,145)	-	(3,145)
Allocation of prior year net result	-	-	88	-	-	1,670	-	8,344	(10,102)	-	-	-
Result of comprehensive Income	-	-	-	-	58	2	(3,560)	-	7,449	3,949	(11)	3,938
Balance as at June 30, 2017	26,208	57,507	4,653	(1,286)	(5)	13,108	3,289	27,621	7,449	138,544	1,201	139,745

from January 1, 2018 to 30 of June 2018

Values in euro thousand	Capital stock	Additional paid-in capital	Legal reserve	Capital increase expenses	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 December 31, 2017	26,208	57,507	4,653	(1,286)	(58)	13,149	1,360	27,620	18,515	147,668	1,286	148,954
Impact of IFRS15 adoption	-	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Balance as at January 1, 2018	26,208	57,507	4,653	(1,286)	(58)	13,149	1,360	27,579	18,515	147,627	1,286	148,913
Dividends paid	-	-	-	-	-	(4,193)	-	-	-	(4,193)	-	(4,193)
Allocation of prior year net result	-	-	339	-	-	6,433	-	11,743	(18,515)	-	-	-
Result of comprehensive Income	-	-	-	-	(378)	-	988	-	11,126	11,736	(10)	11,726
Balance as at June 30, 2018	26,208	57,507	4,992	(1,286)	(436)	15,389	2,348	39,322	11,126	155,170	1,276	156,446

CONSOLIDATED CASH FLOW STATEMENT

<i>Values in Euro thousand</i>	June 30, 2018	June 30, 2017 (*)
Net result	11,102	7,505
Adjustments (sub-total)	(13,352)	(7,875)
Depreciation, impairment & write-off	7,855	8,567
Gain from sales of shares in other investments (****)	(7,179)	(904)
Net change in deferred tax assets and liabilities	(888)	(1,439)
Change in employee benefits	22	(99)
Change in inventories	(23,592)	(20,784)
Change in trade receivables	12,885	(6,855)
Change in trade payables and advances	1,054	18,126
Net change in other receivables/payables and other assets/liabilities	(3,509)	(4,487)
Cash Flows from (used in) operating activities	(2,250)	(370)
Cash flow from investments		
Acquisition of tangible fixed assets (**)	(3,592)	(2,020)
Acquisition of intangible fixed assets	(684)	(169)
Capitalization of development costs	(3,345)	(3,947)
Net disposal of fixed assets	58	50
Capital increase/decrease in Other investments (***)	7,906	812
Cash Flows from (used in) investing activities	343	(5,274)
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	(2,945)	(2,032)
Increases in loans and borrowings (including bank overdrafts)	103,568	6,671
Repayment of loans and borrowings (including bank overdrafts)	(82,478)	(10,783)
Repayments in financial lease liabilities	(584)	(223)
Dividends paid	(4,193)	(3,145)
Other variations	(41)	-
Cash Flows from (used in) financing activities	13,327	(9,512)
Cash Flows from (used in) change of minority shareholders	-	-
Foreign exchange translation differences	743	(2,783)
Net change in cash and equivalents	12,163	(17,939)
Cash and equivalents beginning of period	70,521	62,680
Cash and equivalents end of period	82,684	44,741

<i>Additional Information to the Consolidated Statement of Cash-Flow</i>	June 30, 2018	June 30, 2017 (*)
<i>Values in euro thousand</i>		
Taxes paid	232	3,118
Interests paid	3,899	1,968

(*) For a better comprehension, the 2017 figures have been re-exposed.

(**) Not included financial lease.

(***) Included investments classified in the Assets held for sale.

(****) The gain is relevant to EPS SA sale for share, this investment was classified in the Assets held for Sale.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB N.15519 OF JULY 27, 2006

<i>Values in thousand euro</i>	Notes	June 30, 2018	<i>of which related parties</i>	December 31, 2017	<i>of which related parties</i>
Property, plant and equipment	1	35,623	-	35,628	-
Intangible assets	2	148,500	-	149,603	-
Other investments	3	355	180	355	180
Non current financial assets	4	4,407	-	10	-
Deferred tax assets	5	12,061	-	11,340	-
NON CURRENT ASSETS		200,946		196,936	
Inventories	6	136,627	-	113,035	-
Trade receivables	7	100,764	3	113,649	164
Other receivables	8	10,347	-	8,019	-
Current tax receivables	9	7,778	-	9,380	-
Derivatives	10	-	-	58	-
Financial assets	10	124	-	791	-
Cash and cash equivalents	10	82,684	-	70,521	-
CURRENT ASSETS		338,324		315,453	
Assets held for sale	11	1,606	-	1,111	727
TOTAL ASSETS		540,876		513,500	
Capital stock	12	26,208	-	26,208	-
Legal reserve	12	4,992	-	4,653	-
Other reserves	12	71,174	-	69,311	-
Currency translation reserve	12	2,348	-	1,360	-
Retained earnings	12	39,322	-	27,620	-
Net result	12	11,126	-	18,515	-
<i>Stockholders' equity of the Group</i>		155,170	-	147,668	-
<i>Minority interest</i>		1,276	-	1,286	-
STOCKHOLDERS' EQUITY		156,446		148,954	
Interest-bearing loans and borrowings	10	125,541	-	98,396	-
Employee benefit liabilities	13	7,716	-	7,694	-
Deferred tax liabilities	14	5,830	-	5,997	-
Provisions	15	172	-	172	-
Derivatives	10	597	-	80	-
NON CURRENT LIABILITIES		139,856		112,339	
Trade payables	16	106,902	-	110,465	-
Advance payments	16	48,237	-	43,620	-
Other payables	16	23,503	584	24,951	1,553
Interest-bearing loans and borrowings	10	36,031	-	42,525	-
Current tax payables	17	6,065	-	6,072	-
Provisions	15	23,246	-	24,574	-
Derivatives	10	590	-	-	-
CURRENT LIABILITIES		244,574		252,207	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		540,876		513,500	

CONSOLIDATED INCOME STATEMENT PURSUANT TO CONSOB N.15519 OF JULY 27, 2006

<i>Values in euro thousand</i>	Notes	June 30, 2018	<i>of which related parties</i>	June 30, 2017 (*)	<i>of which related parties</i>
Net revenues	18	216,710	7	202,415	226
Cost of goods sold	19	(163,751)	(24)	(152,292)	-
GROSS MARGIN		52,959	-	50,123	-
Research and Development costs	20	(13,089)	-	(11,138)	-
Sales and marketing expenses	21	(14,781)	-	(14,264)	-
General and administrative expenses	22	(14,263)	(688)	(14,077)	(655)
OPERATING PROFIT (EBIT)		10,826	-	10,644	-
<i>of which: non recurring items</i>		<i>(1,595)</i>		<i>(846)</i>	
Financial income	23	2,670	-	2,279	-
Financial expenses	23	(8,198)	-	(3,382)	-
Net exchange differences	23	(285)	-	(1,704)	-
Net result of other investments (**)	24	7,179	7,179	904	904
RESULT BEFORE TAXES (EBT)		12,192		8,741	
<i>of which: non recurring items</i>		<i>3,581</i>	<i>-</i>	<i>58</i>	
Taxes	25	(1,090)	-	(1,236)	-
NET RESULT		11,102		7,505	
- <i>Attributable to Group shareholders</i>		<i>11,126</i>	<i>-</i>	<i>7,449</i>	<i>-</i>
- <i>Attributable to minority shareholders</i>		<i>(24)</i>	<i>-</i>	<i>56</i>	<i>-</i>
RESULT PER SHARE - BASIC (in euro)	26	1.06		0.71	
RESULT PER SHARE - DILUTED (in euro)	26	1.06		0.71	

(*) For a better comprehension, the 2017 figures have been re-exposed

(**) It must be outlined that this figure includes a financial gain deriving from EPS SA sale of share. In the Balance Sheet the EPS SA investment was classified in the Assets held for sale.

CONSOLIDATED CASH FLOW STATEMENT PURSUANT TO CONSOB N.15519 OF JULY 27, 2006

Values in Euro thousand	June 30, 2018	of which related parties	June 30, 2017 (*)	of which related parties
Net result	11,102		7,505	
Adjustments (sub-total)	(13,352)	-	(7,875)	-
Depreciation, impairment & write-off	7,855	-	8,567	-
Gain from sales of shares in other investments (****)	(7,179)	(7,179)	(904)	(904)
Net change in deferred tax assets and liabilities	(888)	-	(1,439)	-
Change in employee benefits	22	-	(99)	-
Change in inventories	(23,592)	-	(20,784)	-
Change in trade receivables	12,885	161	(6,855)	(228)
Change in trade payables and advances	1,054	-	18,126	-
Net change in other receivables/payables and other assets/liabilities	(3,509)	(969)	(4,487)	(339)
Cash Flows from (used in) operating activities	(2,250)		(370)	
Cash flow from investments				
Acquisition of tangible fixed assets (**)	(3,592)	-	(2,020)	-
Acquisition of intangible fixed assets	(684)	-	(169)	-
Capitalization of development costs	(3,345)	-	(3,947)	-
Net disposal of fixed assets	58	-	50	-
Capital increase/decrease in Other investments (***)	7,906	7,906	812	852
Cash Flows from (used in) investing activities	343		(5,274)	
Cash flow from financing activities				
Change in other financial assets/liabilities and other minor items	(2,945)	-	(2,032)	-
Increases in loans and borrowings (including bank overdrafts)	103,568	-	6,671	-
Repayment of loans and borrowings (including bank overdrafts)	(82,478)	-	(10,783)	-
Repayments in financial lease liabilities	(584)	-	(223)	-
Dividends paid	(4,193)	-	(3,145)	-
Other variations	(41)	-	-	-
Cash Flows from (used in) financing activities	13,327		(9,512)	
Cash Flows from (used in) change of minority shareholders	-		-	
Foreign exchange translation differences	743		(2,783)	
Net change in cash and equivalents	12,163		(17,939)	
Cash and equivalents beginning of period	70,521		62,680	
Cash and equivalents end of period	82,684		44,741	

Additional Information to the Consolidated Statement of Cash-Flow	June 30, 2018		June 30, 2017 (*)	
Values in euro thousand				
Taxes paid	232	-	3,118	-
Interests paid	3,899	-	1,968	-

(*) For a better comprehension, the 2017 figures have been re-exposed.

(**) Not included financial lease.

(***) Included investments classified in the Assets held for sale.

(****) The gain is relevant to EPS SA sale for share, this investment was classified in the Assets held for Sale.

7

Explanatory Notes to Consolidated Financial Statements as of June 30, 2018

CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018

ACCOUNTING TABLES FORM AND CONTENT

The abbreviated consolidated balance sheet of PRIMA INDUSTRIE Group on June 30, 2018 has been drawn up on the assumption of the company continuing trading and in accordance with the International *Financial Reporting Standards* issued by the International Accounting Standards Board and recognised by the European Union (defined as "IFRS"), as well as the legislative and regulatory directions in force in Italy (with particular reference to Leg. Decree 58/1998 and subsequent amendments, as well as the issuer's Regulation issued by CONSOB). "IFRS" is also meant as the International *Accounting Standard* (IAS) still in force, as well as all the interpretive documents issued by the International *Financial Reporting Interpretations Committee* ("IFRIC") previously called the *Standing Interpretations Committee* ("SIC").

The abbreviated consolidated balance sheet June 30, 2018 has been laid out in abbreviated form, in conformity with IAS 34 "Interim balances", and does not include therefore all the information required in the annual balance sheet and must be read together with the annual balance sheet prepared for the closed financial year at December 31, 2017, to which attention is drawn for greater detail.

The abbreviated consolidated balance on June 30, 2018 of PRIMA INDUSTRIE Group is presented in a Euro which is also the currency of the economies in which the Group mainly operates.

The foreign subsidiaries are included in the abbreviated consolidated balance sheet on June 30, 2018 according to the principles described in the "Accounting Principles" Note of the consolidated balance on December 31, 2017, to which attention is drawn.

For purposes of comparison, the balance sheet data on December 31, 2017 have been presented as well as the data of the profit and loss account and the financial statement relating to June 30, 2017 with the movements of net assets of the first six months of 2017 as well, as required by IAS 1.

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

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

DRAFTING PRINCIPLES AND CRITERIA

ACCOUNTING CRITERIA AND PRINCIPLES OF CONSOLIDATION

The accounting criteria and principles of consolidation adopted for setting out the abbreviated consolidated balance sheet at June 30, 2018 are compatible with those used for the consolidated annual balance sheet at December 31, 2017, to which reference is made subject to the new standards/interpretations adopted by the Group starting from January 1, 2018, as well as the adjustments required by the nature of the interim findings.

IFRS 9 Financial Instruments

The new “IFRS 9 - Financial Instruments” accounting standard came into force on January 1, 2018, replacing “IAS 39 - Financial Instruments: Recognition and Measurement” and makes important changes to the previous guide on the classification and measurement of financial assets, introducing an “*expected credit loss*” model for the impairment of financial assets.

Specifically, IFRS 9 introduces the following:

a) Classification and measurement

IFRS 9 classifies financial assets into three main categories: 1) amortized cost (AC), 2) *Fair Value Through Other Comprehensive Income* (FVTOCI), 3) *Fair Value Through Profit or Loss* (FVTPL). Classification within the three categories is based on *business model* (i.e. “*hold to collect*” / “*hold to collect and sell*”) and the characteristics of the cash flows (i.e. “*principal / principal + interest*”).

The Group identified no significant impacts at June 30, 2018 resulting from application of the classification and measurement requirements of IFRS 9.

b) Impairment

The new requirements for *impairment* set out in IFRS 9 are based on an *Expected Credit Loss* (“ECL”) model and replace the loss model of IAS 39. The expected loss model applies to debt instruments (such as bank deposits, loans, debt securities and trade receivables) recognised at AC or FVTOCI, plus lease receivables, contract assets and financial guarantee contracts not valued at FVTPL.

For contract assets relating to IFRS 15 and trade receivables, the Group applies a simplified model for recognizing expected losses over the life of the asset, since these items have no significant financing component.

c) *Hedge accounting*

The new rules introduced by IFRS 9 for the recognition of hedging assets have introduced no significant elements but have provided for a greater link between the substance of risk management operations and their recognition. The new model makes application of *Hedge Accounting* simpler, allowing entities to apply hedging operations on a larger scale.

The Group has established that all existing hedging relationships that are currently designated as effective hedges should continue to qualify for hedge accounting in accordance with IFRS 9.

Since IFRS 9 does not change the general principle whereby an entity recognizes effective hedging relationships, application of the requirements of IFRS 9 for the definition of hedges has not had a significant impact on the Group's financial statements.

IFRS 15 - Revenue from Contracts with Customers

The new IFRS 15 - “Revenue from contracts with customers” and the related “Clarifications to IFRS 15 Revenues from contracts with customers” (hereafter “IFRS 15”) replace the previous IAS 18 “Revenue”, IAS 11 “Construction Contracts” and various interpretations concerning revenue.

The new accounting standard provides for recognition of revenues based on the following five steps:

- identification of the contract with the customer;
- identification of *performance obligations*, i.e. contractual commitments to supply goods and/or services to the customer;
- determination of transaction price;

- allocation of the transaction price to the *performance obligation*, based on the *stand-alone* sale price of each good or service; and
- recognition of revenue with the *performance obligation* is satisfied.

Application of the new standard to the sale of goods (laser systems, sheet metal processing and components machines) had no impact.

These revenues were therefore recognized under the definitions set out according to the new “*at point in time*” principle of IFRS 15. As a result of the adoption of IFRS 15, the Group identified a *performance obligation* in the warranty extension period on machinery compared to normal conditions, to be accounted for separately.

On the basis of the analyses carried out by the Group on other types of revenue (provision of services, dividends), application of the standard had no impact on shareholders' equity at December 31, 2017 and June 30, 2018.

As provided for in IFRS 15, the Group has elected to recognise the effect of retrospective restatement of the values in the shareholders' equity at January 1, 2018, having regard to the cases existing on that date, without restating the previous years presented for comparison.

Following is a summary of how adoption of the new standards affected opening balances at January 1, 2018; there is no effect on the net financial position:

	Reported	Impact	Restated
<i>Values in € thousand</i>	Jan. 1, 2018	IFRS 15	Jan. 1, 2018
Non current assets	196,936	16	196,952
Current assets	315,453	-	315,453
Assets held for sale	1,111	-	1,111
Total Assets	513,500	16	513,516
Net Equity	148,954	(41)	148,913
Non current liabilities	112,339	-	112,339
Current liabilities	252,207	57	252,264
Total Liabilities	513,500	16	513,516

Furthermore, adoption of the following interpretations and amendments had no effect on the Group's consolidated financial statements:

- In March 2018, the IASB issued an amendment to IFRS 22 “Foreign Currency Transactions and Advance Consideration”. This interpretation clarifies the accounting treatment of transactions carried out in foreign currencies, where advances or deposits are recognized in the financial statements, before the related asset, cost or revenue. This interpretation is applicable from January 1, 2018.
- In February 2018, the IASB issued an amendment to IFRS 2 “Classification and measurement of share-based payment transactions”. The document contains a number of clarifications for the recognition and classification of certain types of share-based payments. This amendment is applicable from January 1, 2018.
- In February 2018, the IASB issued the document “Annual Improvements to IFRSs: 2014-2016 Cycle”. The document partially integrates the pre-existing standards “IFRS 1 First-Time Adoption

of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters”, IAS 28 “Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice”, “IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard”. Most of these amendments are applicable from January 1, 2018.

ACCOUNTING PRINCIPLES AND INTERPRETATIONS ISSUED BY IASB AND NOT YET APPLICABLE

- In March 2018, the IASB issued an amendment to IFRS 9 “Prepayment Features with Negative”. The document clarifies the classification of certain financial assets that are repayable in advance. This amendment is applicable from January 1, 2019, although early application is permitted.
- “IFRS 16 - Leases”, applicable from January 1, 2019, with the full or simplified retrospective method described above in relation to IFRS 15. IFRS 16 replaces “IAS 17 - Leases” and its related interpretations, “IFRIC 4 - Determining whether an Arrangement Contains a Lease”, “SIC 15 - Operating Leases - Incentives”, “SIC 27 - Evaluating the Substance of Transactions Involving the Legal form of a Lease”. For the lessee, IFRS 16 requires that for all passive lease contracts, regardless of whether they are operational or financial in nature, a liability should be entered in the balance sheet, represented by the current value of future lease fees, against an entry among the assets of the right to use the leased asset. Leases of less than or equal to 12 months’ duration and leases of low value assets can be exempt from application of IFRS 16. The main impacts of the new standard on the financial statements will be: a) balance sheet and financial position, greater non-current assets due to the inclusion of the right to use the leased asset set off against financial payables; b) income statement, inclusion of amortization of the right to use the leased asset and interest charges on current operating lease fees.

ACCOUNTING PRINCIPLES AND INTERPRETATIONS ISSUED BY IASB AND NOT YET TRANSPOSED BY THE EUROPEAN UNION

At the date of this half-year report, the following new principles and interpretations have been issued by the IASB but have not been transposed into European Union law:

- On May 18, 2017, IASB issued “IFRS 17 - Insurance Contracts” which replaces IFRS 4 “Insurance Contracts”. The new international accounting standard for accounting treatment of insurance contracts is applicable from January 1, 2021. Nevertheless, early application is only permitted for entities which apply “IFRS 9 - Financial Instruments” and “IFRS 15 - Revenue from Contracts with Customers”.
- On June 7, 2017, the IASB issued the interpretive document “IFRIC 23 - Uncertainty over Income Tax Treatments”. The interpretation addresses the issue of uncertainties about the tax treatment to be adopted for income taxes in certain circumstances. The new interpretation is applicable from January 1, 2019, although early application is permitted.
- On October 12, 2017, the IASB issued an amendment to IAS 28 entitled “Long-term Interests in Associates and Joint Ventures”. The amendment clarifies the applicability of IFRS 9 to long-term receivables in associates and joint ventures to which the equity method is not applied. This amendment is applicable from January 1, 2019, although early application is permitted.
- On December 12, 2017, the IASB issued the document “Annual Improvements to IFRSs: 2015-2017 Cycle”. The document integrates and partially amends the pre-existing “IFRS 3 Business Combinations”, “IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation”, “IAS 12 Income Taxes - Income tax consequences of payments on financial

instruments classified as equity” e “IAS 23 Borrowing costs Disclosure of Interests in Other Entities - Borrowing costs eligible for capitalisation”. These amendments are applicable from January 1, 2019, although early application is permitted.

- On February 7, 2018, the IASB issued an amendment to IAS 19 entitled “Plant Amendment, Curtailment or Settlement”. The amendment clarifies how pension costs should be determined in the event of changes to a defined benefit plan. The amendment is applicable from January 1, 2019, although early application is permitted.
- On March 29, 2018, the IASB issued amendments to the references in IFRSs to the *Conceptual Framework for Financial Reporting*. The new references will be applicable from January 1, 2020.

ON-GOING CONCERN

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

USE OF ACCOUNTING ESTIMATES

The drawing up of an interim balance sheet requires the carrying out of estimates and assumptions which have effect on the values of revenues, costs, assets and liabilities of the balance sheet and on the information report relating to the potential assets and liabilities on the date of the interim balance sheet. If in the future, such estimates and assumptions which are based on the best evaluation by management, should differ through effective circumstances, they will be modified in an appropriate manner in the period in which the circumstance themselves vary. In particular, with regard to the condensed consolidated balance sheet of June 30, 2018, the taxes on income for the period of the individual consolidated companies are determined on the basis of the best estimate possible in relation to the available information, and on a reasonable forecast of the progress of the financial year up to the end of the tax period.

This Half-Year Financial Report was authorized for publication by the Board of Directors on August 2, 2018.

EXPLANATORY NOTES

The data shown in the explanatory notes are expressed in Euro thousand.

SECTOR REPORT

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

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

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

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

The following tables show the financial information directly attributable to the two divisions.

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
<i>Values in euro thousand</i>								
Net revenues	199,687	190,202	30,179	24,323	(13,156)	(12,110)	216,710	202,415
Cost of goods sold	(153,935)	(144,877)	(22,911)	(19,362)	13,095	11,947	(163,751)	(152,292)
GROSS MARGIN	45,752	45,325	7,268	4,961	(61)	(163)	52,959	50,123
Research and Development costs	(9,555)	(8,766)	(3,534)	(2,372)	-	-	(13,089)	(11,138)
Sales and marketing expenses	(13,552)	(12,870)	(1,231)	(1,395)	2	1	(14,781)	(14,264)
General and administrative expenses	(12,260)	(12,010)	(1,979)	(2,056)	(24)	(11)	(14,263)	(14,077)
OPERATING PROFIT (EBIT)	10,385	11,679	524	(862)	(83)	(173)	10,826	10,644
Net financial expenses	(5,255)	(875)	(273)	(228)	-	-	(5,528)	(1,103)
Net exchange differences	(320)	(1,647)	35	(57)	-	-	(285)	(1,704)
Net result of other investments	-	-	7,179	904	-	-	7,179	904
RESULT BEFORE TAXES (EBT)	4,810	9,157	7,465	(243)	(83)	(173)	12,192	8,741
Taxes	(952)	(1,642)	(160)	335	22	71	(1,090)	(1,236)
NET RESULT	3,858	7,515	7,305	92	(61)	(102)	11,102	7,505
- Attributable to Group shareholders	3,882	7,459	7,305	92	(61)	(102)	11,126	7,449
- Attributable to minority shareholders	(24)	56	-	-	-	-	(24)	56

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
<i>Values in euro thousand</i>	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017
Property, plant and equipment	25,824	26,995	9,800	8,632	(1)	1	35,623	35,628
Intangible assets	130,702	132,525	20,805	20,073	(3,007)	(2,995)	148,500	149,603
Other investments	11,281	11,281	19	19	(10,945)	(10,945)	355	355
Non current financial assets	3,193	-	1,214	10	-	-	4,407	10
Deferred tax assets	8,438	8,053	3,218	2,921	405	366	12,061	11,340
NON CURRENT ASSETS	179,438	178,854	35,056	31,655	(13,548)	(13,573)	200,946	196,936
Inventories	117,745	95,716	20,334	18,687	(1,452)	(1,368)	136,627	113,035
Trade receivables	93,882	106,973	16,026	15,598	(9,144)	(8,922)	100,764	113,649
Other receivables	8,707	6,599	1,636	1,416	4	4	10,347	8,019
Current tax receivables	6,248	7,606	1,943	2,186	(413)	(412)	7,778	9,380
Derivatives	-	58	-	-	-	-	-	58
Financial assets	3,564	1,602	-	-	(3,440)	(811)	124	791
Cash and cash equivalents	75,920	68,052	6,764	2,469	-	-	82,684	70,521
CURRENT ASSETS	306,066	286,606	46,703	40,356	(14,445)	(11,509)	338,324	315,453
Assets held for sale	1,606	384	-	727	-	-	1,606	1,111
TOTAL ASSETS	487,110	465,844	81,759	72,738	(27,993)	(25,082)	540,876	513,500
STOCKHOLDERS' EQUITY	131,993	132,101	39,401	31,688	(14,948)	(14,835)	156,446	148,954
Interest-bearing loans and borrowings	118,438	90,720	7,103	7,676	-	-	125,541	98,396
Employee benefit liabilities	5,135	5,117	2,580	2,576	1	1	7,716	7,694
Deferred tax liabilities	4,046	4,311	1,893	1,793	(109)	(107)	5,830	5,997
Provisions	172	172	-	-	-	-	172	172
Derivatives	597	80	-	-	-	-	597	80
NON CURRENT LIABILITIES	128,388	100,400	11,576	12,045	(108)	(106)	139,856	112,339
Trade payables	101,070	105,954	14,971	13,356	(9,139)	(8,845)	106,902	110,465
Advance payments	47,695	43,167	230	453	312	-	48,237	43,620
Other payables	20,249	21,928	3,254	3,039	-	(16)	23,503	24,951
Interest-bearing loans and borrowings	28,525	32,506	10,941	10,879	(3,435)	(860)	36,031	42,525
Current tax payables	5,899	6,011	586	481	(420)	(420)	6,065	6,072
Provisions	22,701	23,777	800	797	(255)	-	23,246	24,574
Derivatives	590	-	-	-	-	-	590	-
CURRENT LIABILITIES	226,729	233,343	30,782	29,005	(12,937)	(10,141)	244,574	252,207
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	487,110	465,844	81,759	72,738	(27,993)	(25,082)	540,876	513,500

CONSOLIDATED FINANCIAL POSITION

1. Property, plant and equipment

The tangible fixed assets on June 30, 2018 are equal to Euro 35,623 thousand a decrease of Euro 5 thousand compared with December 31, 2017.

For more details figure, refer to the table below.

Property, plant and equipment	Land and Building	Plants and Machinery	Industrial and Commercial equipment	Other tangible fixed assets	Fixed assets under construction	TOTAL
Net value as at December 31, 2016	25,420	2,975	3,456	2,742	687	35,281
Movements 2017						
Increases	837	895	1,491	1,178	1,168	5,569
Disinvestments	-	(450)	(307)	(737)	-	(1,494)
Utilization of accumulated depreciation	-	425	277	692	-	1,394
Depreciation	(1,001)	(812)	(1,389)	(1,184)	-	(4,386)
Impairment	-	-	-	-	(23)	(23)
Reclassifications with tangible fixed assets	5	147	2	-	(154)	-
Reclassifications with intangible assets	-	-	-	(73)	-	(73)
Differences on exchange rates	(282)	(35)	(204)	(96)	(23)	(640)
Net value as at December 31, 2017	24,979	3,145	3,326	2,522	1,655	35,628
2018 1st half's movements						
Increases	429	324	1,048	631	1,247	3,679
Disinvestments	-	(46)	(14)	(114)	-	(174)
Utilization of accumulated depreciation	-	-	13	103	-	116
Depreciation	(534)	(372)	(693)	(571)	-	(2,170)
Reclassifications with tangible fixed assets	595	359	120	(133)	(941)	-
Reclassifications with Assets held for sale	(1,531)	-	-	-	-	(1,531)
Differences on exchange rates	42	3	41	(4)	(7)	75
Net value as at June 30, 2018	23,980	3,413	3,841	2,434	1,954	35,623

2. Intangible assets

The intangible assets on June 30, 2018 are equal to Euro 148,500 thousand and decreased by Euro 1,103 thousand compared with December 31, 2017.

For more details, refer to the table below.

Intangible assets	Goodwill	Development costs	Other intangible assets	TOTAL
Net value as at December 31, 2016	103,262	37,536	14,915	155,713
Movements 2017				
Increases/(decreases)	-	6,843	641	7,484
Depreciation	-	(8,488)	(3,984)	(12,472)
Reclassifications with tangible fixed assets	-	-	73	73
Differences on exchange rates	(351)	(792)	(52)	(1,195)
Net value as at December 31, 2017	102,911	35,099	11,593	149,603
2018 1st half's movements				
Increases/(decreases)	-	3,345	684	4,029
Depreciation	-	(4,040)	(1,336)	(5,376)
Differences on exchange rates	74	163	7	244
Net value as at June 30, 2018	102,985	34,567	10,948	148,500

The most significant item is represented by Goodwill, which on June 30, 2018 amounts to Euro 102,985 thousand. Goodwill accounted for refers to the larger value paid with respect to the fair value of the net assets acquired, at the acquisition date.

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

CASH GENERATING UNIT	BOOK VALUE GOODWILL June 30, 2018	BOOK VALUE GOODWILL December 31, 2017
PRIMA POWER	97,679	97,633
PRIMA ELECTRO - BU Electronics	4,316	4,316
PRIMA ELECTRO - BU Laser	990	962
TOTAL	102,985	102,911

Goodwill (being an asset with an undefined life) is not subject to depreciation and is subject to verification at least annually of the reduction of value (*impairment test*). On December 31, 2017 the Group carried out the *impairment test* on the value of the main elements of goodwill (PRIMA POWER, PRIMA ELECTRO - Business Unit ELECTRONICS and PRIMA ELECTRO - Business Unit LASER), for which attention is drawn to the Consolidated Financial Statements at December 31, 2017. Regarding the above mentioned goodwill, as no indicators of loss in value have appeared compared with the financial statements closed on December 31, 2017, it was not considered necessary to update the related *impairment tests*.

As it can be deduced by the half year's progression, most increases in 2018 were due to the capitalization of development costs. Considering the business of PRIMA INDUSTRIE Group, having a high technological content, it is absolutely essential to have constant investment in research and development activities. The capitalization of development costs has been carried out by the 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 costs capitalized on development projects are monitored individually, they are measured through the economic benefits expected from their entry into operation and are depreciated over the period in which it is estimated that they will produce these benefits. The costs capitalized on projects where the technical feasibility is uncertain or no longer strategic are assigned to the income statement.

It should be noted that the "Other intangible fixed assets" category contains the trademark deriving from the *Purchase Price Allocation* of FINN-POWER OY occurred in 2008. The residual net value of the FINN-POWER trademark amounted to Euro 8,483 thousand.

3. Other Investments

The value of Other Investments at June 30, 2018 is Euro 355 thousand and remain unchanged compared to December 31, 2017.

Consequently this heading on June 30, 2018 is composed of:

- Caretek Srl: Euro 18 thousand (investment equal to 19.3% held by PRIMA ELECTRO SpA);
- Fimecc OY: Euro 50 thousand (investment equal to 2.4% held by FINN-POWER OY);
- Härmämedi OY: Euro 25 thousand (investment equal to 8.3% held by FINN-POWER OY);
- Lamiera Servizi Srl: Euro 11 thousand (investment equal to 19% held by PRIMA INDUSTRIE SpA);
- 3D NT: Euro 180 thousand (investment equal to 15% held by PRIMA INDUSTRIE SpA);
- Prima Power Sheet Metal Solution: Euro 41 thousand (investment equal to 19% held by PRIMA INDUSTRIE SpA);
- other minor investments: Euro 30 thousand.

4. Non- current financial assets

This item at June 30, 2018 amounted to Euro 4,407 thousand and refers to:

- a term deposit as guarantee for a loan granted by Cassa Depositi e Prestiti and Mediocredito Italiano (known as "Smilla Loan") for Euro 3,486 thousand;
- a deposit of Euro 911 thousand on the acquisition of the shareholding in Lead Laser ("Lead Laser Deposit");
- a loan of Euro 10 thousand issued by PRIMA ELECTRO SpA to Caretek Srl.

5. Deferred tax assets

The Deferred Tax Assets amounts to Euro 12,061 thousand, showing an increase compared with the preceding financial year of Euro 721 thousand. The accounting statement of prepaid taxes has been carried out, only where suppositions of recoverability exist. The valuation on the recoverability of anticipated taxes takes into account the expected profits in future financial years. The anticipated taxes calculated on the losses carried forward have been recognized in the measure at which it is probable that a future taxable income against which they might be recovered. In light of the above, no elements have been identified which could modify the valuations made with regard to the recoverability of deferred tax assets.

6. Inventories

The following table shows the composition of inventories at June 30, 2018 and December 31, 2017.

INVENTORIES	June 30, 2018	December 31, 2017
Raw materials	45,364	38,434
Semi-finished goods	27,553	24,223
Finished goods	71,466	58,043
(Inventory provisions)	(7,756)	(7,665)
TOTAL	136,627	113,035

The net value of inventories on June 30, 2018 shows an increase equal to Euro 23,592 thousand compared with December 31, 2017. This increase is due to support the production volumes in subsequent quarters.

The inventory provisions during the half-year of 2018 were subject to the following movements.

Inventory Provisions	June 30, 2018
Value as at December 31, 2017	(7,665)
Provisions	(592)
Utilizations	547
Differences on exchange rates	(46)
Value as at June 30, 2018	(7,756)

Appropriations during the period mainly occurred after the sale of assets for which provisions had previously been set aside or because estimated expected losses were updated.

7. Trade Receivables

Net trade receivables at June 30, 2018 amounted to Euro 100,764 thousand a decrease of Euro 12,885 thousand compared to December 31, 2017.

TRADE RECEIVABLES	June 30, 2018	December 31, 2017
Receivables from customers	104,256	117,032
Bad Debt Reserve	(3,492)	(3,383)
TOTAL	100,764	113,649

The Bad Debt Reserve during the half year of 2018 were subject to the following movements.

BAD DEBT RESERVE	Euro thousand
Value as at December 31, 2017	(3,383)
Provisions	(289)
Utilizations	168
Differences on exchange rates	12
Value as at June 30, 2018	(3,492)

In application of the new IFRS 9, the Group measures trade receivables according to expected loss. The Group has adopted a simplified approach, therefore the provisions for doubtful accounts reflects expected losses based on the life of the receivable. In determining these provisions, the Group referred to historical experience, external indicators and forecasts.

8. Other receivables

Other receivables on June 30, 2018 are equal to Euro 10,347 thousand and increased by Euro 2,328 thousand compared with December 31, 2017.

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

9. Current tax receivables

The heading amounts to Euro 7,778 thousand and decreased by Euro 1,602 thousand compared to December 31, 2017. Tax assets mainly include VAT receivables for Euro 4,165 thousand (Euro 5,762 thousand on December 31, 2017), income tax receivables for Euro 1,839 thousand (Euro 1,497 thousand on December 31, 2017), a tax receivable amounting to Euro 1,048 thousand following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011) which arose in February 2013, other receivables for tax assets for Euro 700 thousand (Euro 1,062 thousand on December 31, 2017) and by withholding taxes for Euro 26 thousand (Euro 11 thousand on December 31, 2017).

10. Net Indebtness

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

	NET INDEBTNESS	June 30, 2018	December 31, 2017	Variations
A	CASH	82,684	70,521	12,163
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	CASH ON HAND (A+B+C)	82,684	70,521	12,163
E	CURRENT FINANCIAL RECEIVABLES	124	849	(725)
F	CURRENT BANK DEBTS	2,513	6,192	(3,679)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	31,232	31,295	(63)
H	BOND ISSUED	262	867	(605)
I	OTHER CURRENT FINANCIAL DEBTS	2,614	4,171	(1,557)
J	CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)	36,621	42,525	(5,904)
K	NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)	(46,187)	(28,845)	(17,342)
L	NON-CURRENT BANK DEBTS	84,684	47,355	37,329
M	BOND ISSUED	24,780	39,733	(14,953)
N	OTHER NON-CURRENT FINANCIAL DEBTS	16,673	11,389	5,284
O	NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)	126,137	98,477	27,660
P	NET FINANCIAL INDEBTEDNESS (K+O)	79,950	69,632	10,318

Reconciliation with the Group's net debt shown in the Management Half-Year Report is as follows:

	Note	Jun 30, 2018	Dec 31, 2017
Net financial indebtedness com. CONSOB n. DEM/6064293		79,950	69,632
Term deposit Smilla	4	3,486	-
Advance Lead Laser	4	911	-
Loan Caretek	4	10	-
Net Financial Indebtedness		75,544	69,632

Liquidity

Cash and cash equivalents amount to Euro 82,684 thousand and consist of:

- bank deposits for Euro 82,633 thousand and
- cash for Euro 51 thousand.

For more details on cash and cash equivalents, see the Consolidated Cash Flow Statement.

Current financial receivables

The current financial receivables amount to Euro 124 thousand and include:

- receivables from the company Wuhan Unity deriving from the sale by Prima Industrie SpA of the last 5% of the investment in Shanghai Unity Prima amounting to Euro 118 thousand;
- receivables from the company Lamiera Servizi of Euro 6 thousand, a subsidiary of Prima Industrie SpA for 19%.

Bonds issued

In order to better understand the changes in debenture bonds, it should be noted that in the first quarter of 2018, PRIMA INDUSTRIE SpA issued a new 7-year non-convertible fixed rate bond with a fixed annual coupon of 3.5%. The total amount was for Euro 25 million and the previous loan of Euro 40 million taken out in the first quarter of 2015 was fully repaid.

Debt to bondholders amount comprehensively to Euro 25,297 thousand, inclusive of accrued and unpaid interests amounting to Euro 297 thousand. Debt refers exclusively to the *Bond* issued during the first quarter of 2018 and expiring on February 9, 2025. The net debt accounted for in the financial statements amounts to Euro 25,042 thousand. The transactions costs incurred at the issuing of the bond were accounted for in reduction of financial debt.

The long term debt amounts to Euro 24,780 thousand beyond 12 months

The bond, issued in the first quarter of 2015 and amounting to Euro 40 million had been fully repaid in the first quarter of 2018.

Indebtedness with banks

In order to better understand the changes in bank debt, it should be noted that during the first quarter of 2018, PRIMA INDUSTRIE SpA completed the refinancing of the main medium/long-term debt operations, by taking out - in addition to the new bond - new five-year loans (mean rate 1.70%) with BNL, MPS, BPM, UNICREDIT and INTESA for a total of Euro 90 million, with separate amortisation plans, the last instalment of which will be due on March 31, 2023.

Furthermore, during the first quarter of 2018, the main financing transactions signed in 2015, the *Club Deal* signed in Italy with Unicredit, Intesa and BNL, were fully repaid on March 14, 2018. The so-called *Finnish Loan* signed in Finland with *Nordea & Danske* had already been repaid at the end of 2017.

The main figures included in the indebtedness with banks are the 2018 Loans:

- BNL 2017/2022
- MPS 2018/2023
- BPM 2018/2022
- UNICREDIT 2018/2022
- INTESA 2018/2023

At June 30, 2018, the BNL 2017/2022 loan amounted to a total of Euro 18,500 thousand. The net debt in the financial statements total Euro 18,418 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The BNL 2017/2022 loan is for Euro 15,443 thousand expiring beyond 12 months.

At June 30, 2018, the MPS 2018/2023 loan amounted to a total of Euro 10,000 thousand. The net debt in the financial statements total Euro 10,029 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The MPS 2018/2023 loan is for Euro 8,576 thousand expiring beyond 12 months.

At June 30, 2018, the BPM 2018/2022 loan amounted to a total of Euro 20,000 thousand. The net debt in the financial statements total Euro 19,868 thousand Euro and includes matured interest and accessory charges incurred at the time the loan was issued.

The BPM 2018/2022 loan is for Euro 17,756 thousand expiring beyond 12 months.

At June 30, 2018, the UNICREDIT 2018/2022 loan amounted to a total of Euro 25,000 thousand. The net debt in the financial statements total Euro 24,817 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The UNICREDIT 2018/2022 loan is for Euro 19,319 thousand expiring beyond 12 months.

At June 30, 2018, the INTESA 2018/2023 loan amounted to a total of Euro 15,000 thousand. The net debt in the financial statements total Euro 14,919 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The INTESA 2018/2023 loan is for Euro 13,252 thousand expiring beyond 12 months.

Non-current bank debts of Euro 9,741 thousand are included among other bank loans and mainly refer to loans taken out by the two Italian companies PRIMA INDUSTRIE SpA and PRIMA ELECTRO SpA. Non-current bank debts include an interest rate swap (IRS - Interest Instalments Swap) for Euro 597 thousand.

Current bank debt (including the current portion of non-current indebtedness) includes the short-term portion of the BNL 2017/2022 loans for Euro 2,975 thousand, MPS 2018/2023 loans for Euro 1,453 thousand, BPM 2018/2022 loans for Euro 2,112 thousand, UNICREDIT 2018/2022 loans for Euro 5,498 thousand and the INTESA 2018/2023 loans for Euro 1,667 thousand, in addition to *bank overdrafts* of Euro 1,923 thousand and other bank loans of Euro 17,527 thousand. Non-current bank debts also include a currency rate swap (CRS) for Euro 590 thousand.

Other financial debts

The Other financial debts amount comprehensively to Euro 19,287 thousand (of which Euro 2,614 thousand expire within 12 months).

The other financial debts include:

- debts for financial lease amounting to Euro 9,107 thousand (of which Euro 854 thousand expire within 12 months);
- other financial debts for Euro 10,180 thousand (of which Euro 1,760 thousand expire within 12 months); such debts refer mainly to government loans.

Financial indicators (“Covenants “)

The BNL, Intesa, Unicredit, BPM, MPS loan agreements and the *Bond* require compliance with certain economic and financial ratios (*covenants*) for their entire period of duration and with variable values in the different measurement periods.

The table below details the *ratios* applicable as at June 30, 2018 and for the following measurement periods.

BNL, Intesa, Unicredit, BPM, MPS	
EBITDA(*)/Consolidated Net Financial costs ratio not less than:	4,25 for the duration of the loan, to be calculated at June 30 and at December 31 of each year
Net Financial Indebtedness/Consolidated EBITDA(*) ratio not more than (**):	3,00 for the duration of the loan, to be calculated at June 30 and at December 31 of each year
Net Financial Indebtedness/Consolidated Shareholders's Equity ratio not higher than (***):	1,5 for the duration of the loan, to be calculated at June 30 and at December 31 of each year

Bond	
EBITDA(*)/Consolidated Net Financial costs ratio not less than:	3,5 for the duration of the loan, to be calculated at June 30 and at December 31 of each year
Net Financial Indebtedness/Consolidated EBITDA(*) ratio not more than:	4,0 for the duration of the loan, to be calculated at June 30 and at December 31 of each year
Net Financial Indebtedness/Consolidated Shareholders's Equity ratio not higher than:	1,5 for the duration of the loan, to be calculated at June 30 and at December 31 of each year

(*) net of non recurring costs

(**) for MPS's loan the parameter is 3,5

(***) covenant only applicable to the BPM loan

The *covenants* measured on the consolidated financial statements at June 30, 2018 are met.

Cash flow hedging instruments and accounting for related transactions

In accordance with policy, PRIMA INDUSTRIE Group uses financial instruments to hedge foreign exchange fluctuations, with reference to USD, RMB and GBP transactions.

Coherently with the contents of IFRS9, 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 IFRS9.

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 statements 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 Income Statement 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 Income Statement 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 statements that are attributable to a particular risk which may affect the Income Statement, 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 Income Statement on the date in which the offshore asset is dismissed.

IFRS 7 requires the classification of financial instruments at fair value to be determined on the basis of the quality of the input sources used in their valuation.

The IFRS 7 classification has the following hierarchy:

- Level 1: fair value determined according to *unadjusted* prices in active markets for identical *assets or liabilities*;
- Level 2: *fair value* determined according to inputs other than quoted market prices included within Level 1 but which are either directly or indirectly observable. This category includes the instruments the Group uses to hedge risks arising from interest rate and exchange rate fluctuations;
- Level 3: fair value determined according to valuation models whose inputs are not based on observable inputs ("*unobservable inputs*"). There are no financial instruments valued in this way.

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

Values in Euro thousand	December 31, 2017	Variations from cash flow	Variations not in cash			June 30, 2018
			Issues	Exchange rate	Fair value	
Financial debts	90,743	36,648	-	32	-	127,423
Bond issued	40,600	(15,558)	-	-	-	25,042
Leasing	9,578	(584)	87	27	-	9,108
Derivatives	80	-	-	-	1,106	1,186
TOTAL	141,001	20,506	87	59	1,106	162,759

11. Non-current assets held for sale

At June 30, 2018, the value of non-current assets held for sale is Euro 1,606 thousand and increased by Euro 495 thousand from the previous financial year; these are the changes:

- sale of 10.1% shareholding in EPS (held by PRIMA ELECTRO SpA at December 31, 2017) for Euro 727 thousand;
- reclassification of Euro 1,531 thousand for a property in the province of Brescia (at December 31, 2017 it was disclosed under Land and buildings); during the first half of 2018, the value of the building was reduced by Euro 309 thousand to bring it to its *fair value*.

This item includes Euro 384 thousand for a number of properties under construction owned by the parent company PRIMA INDUSTRIE SpA in Mantua, Italy. All assets classified in this category are available for immediate sale, an event that is very likely since the Management has engaged in a divestment programme.

12. Shareholders' equity

Net Equity increased by Euro 7,492 thousand. This increase was due to the positive results in the parent company (Euro 11,126 thousand), the conversion reserve (Euro 988 thousand), negatively offset by the payment of dividends (Euro 4,193 thousand), the *fair value* adjustment reserve for derivatives (Euro 378 thousand) and the change in minority shareholders' equity (Euro 10 thousand), in addition to the retrospective restatement of shareholders' equity net of the effects of adopting the new IFRS15 (negative by Euro 41 thousand).

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

13. Employee benefit liabilities

The item employees benefits liabilities on June 30, 2018 is equal to Euro 7,716 thousand and is increased compared to December 31, 2017 of Euro 22 thousand, this item includes:

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

The table below compares the items in question.

EMPLOYEE BENEFITS	June 30, 2018	December 31, 2017
Severance indemnity fund	5,268	5,330
Fidelity premium and other pension funds	2,448	2,364
TOTAL	7,716	7,694

14. Deferred tax liabilities

Deferred tax liabilities amounts to Euro 5,830 thousand, showing a decrease of Euro 167 thousand compared with December 31, 2017.

15. Provisions

The provisions for liabilities and charges are equal to Euro 23,418 thousand and decreased by Euro 1,328 thousand compared with December 31, 2017; Non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 172 thousand.

Below a brief overview of the short-term.

CURRENT PROVISIONS	Warranty provisions	Completion project and others provisions	TOTAL
Value as at December 31, 2016	10,769	7,655	18,424
Allocations	9,791	10,913	20,704
Utilizations in the period	(7,563)	(6,148)	(13,711)
Exchange rate differences	(500)	(343)	(843)
Value as at December 31, 2017	12,497	12,077	24,574
Allocations	3,439	3,736	7,175
Utilizations in the period	(3,148)	(5,518)	(8,666)
Exchange rate differences	77	86	163
Value as at June 30, 2018	12,865	10,381	23,246

Current provisions mainly relate to product warranties (equal to Euro 12,865 thousand) and to the best estimate of costs still to be incurred for the completion of certain activities ancillary to the sale of machinery already sold (equal to Euro 9,306 thousand). The warranty provision relates to the provisions for technical interventions on the Group's products and is considered appropriate in comparison to the warranty costs which have to be provided for.

The other provisions amounting to Euro 1,075 thousand refer to legal, fiscal procedures and other disputes; these provisions represent the best estimate by management of the liabilities which must be accounted for with regard to legal, fiscal proceedings occasioned during normal operational activity with regard to dealers, clients, suppliers or public authorities.

16. Trade payables, advance payments and other payables

The value of payables decreased compared to December 31, 2017 by Euro 3,563 thousand.

The advance payments heading increased compared to December 31, 2017 by Euro 4,617 thousand.

Other payables decreased to December 31, 2017 by Euro 1,448 thousand and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

17. Current tax payables

Tax payables for current taxes on June 30, 2018 amounts to Euro 6,065 thousand which results in a reduction of Euro 7 thousand compared with December 31, 2017.

CONSOLIDATED INCOME STATEMENT

As already mentioned previously, the Group presents the income statement by “functional area”. In accordance with paragraph 104 of “IAS 1 - Presentation of Financial Statements”, personnel costs amount to Euro 55,991 thousand (Euro 55,520 thousand at June 30, 2017). At June 30, 2018, amortization/depreciation and impairment were Euro 7,855 thousand (at June 30, 2017 these were Euro 8,567 thousand). It should be noted that the amortization of intangible assets was Euro 5,376 thousand (of which Euro 4,040 thousand was for development costs and Euro 911 thousand for trademarks).

18. Net revenues

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

19. Cost of goods sold

“Cost of sales” includes costs relating to the functional areas involved directly or indirectly in the generation of revenues with the sale of goods or services. Therefore this item includes the production or purchase cost of products and goods sold. It also includes all costs for materials, processing and overheads directly attributable to production. Furthermore, it contains write-downs on inventories, provisions to cover warranty costs on sold goods, transport and insurance costs incurred for deliveries to customers and sales commissions to agents or third-party distributors. The cost of sales in the first half of 2018 stood at Euro 163,751 thousand up Euro 11,459 thousand from June 30, 2017; the main components include materials (Euro 117,691 thousand), processing and outsourcing (Euro 11,535 thousand).

20. Research and development costs

This item includes non-capitalizable research and development costs, *Tech Center* costs and *overheads* and is disclosed net of grants (national and European) entered on an accrual basis. Net research and development costs at June 30, 2018 were Euro 13,089 thousand, up Euro 1,951 thousand from the previous half year; public grants accounted for Euro 1,289 thousand.

21. Sales and marketing expenses

This item includes, for allocation, business structure costs such as personnel, trade fairs and events, the demo center, promotional and advertising activities and related overheads.

Sales and marketing costs in the first half of 2018 were Euro 14,781 thousand, against Euro 14,264 thousand at the end of the first half of 2017.

22. General and administrative expenses

This item includes all costs related to Group or Divisional management structures, Finance costs, HR, IT and overheads. General and administration costs were Euro 14,263 thousand at the end of the first half of 2018, up from June 30, 2017 (Euro 14,077 thousand).

23. Financial Income and expenses

The financial income and expenses of the first six months of 2018 shows a negative result of Euro 5,813 thousand.

FINANCIAL MANAGEMENT	June 30, 2018	June 30, 2017
Financial income	2,670	2,279
Financial expenses	(8,198)	(3,382)
Net financial expenses	(5,528)	(1,103)
Net exchange of transactions in foreign currency	(285)	(1,704)
Total Financial Management	(5,813)	(2,807)

Financial expenses at June 30, 2018 include non-recurring expenses due to the full early repayment of Euro 1,515 thousand and Euro 370 thousand on the Bond and the Club Deal loan respectively.

24. Net result of other investments

The net profits from other shareholdings were positive for Euro 7,179 thousand and relate to capital gains on the sale of shares in EPS SA, held by Prima Electro SpA. For more information on this transaction, see the section “Significant events” in the Management Report.

25. Current and deferred taxes

Income tax for the first six months of 2018 showed a net negative balance of Euro 1,090 thousand. The balance of current and deferred taxes is negative by Euro 778 thousand, IRAP is equal to Euro 276 thousand and other taxes, including those relating to prior years, are negative for Euro 36 thousand.

26. Result per Share

The earnings per share on June 30, 2018, positive by 1.06 Euro (positive by 0.71 Euro on June 30, 2017) 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 June 30, 2018 no dilutive operations occurred.

INFORMATION ON RELATED PARTIES

Below is information on related parties with regard to strategic management, the Board of Statutory Auditors and the companies EPS (considered related party until the complete disinvestment of the shares in the first quarter of 2018) and 3D-NT.

OPERATIONS WITH RELATED PARTIES	Administrative, control boards and strategic management	EPS	3D-NT	TOTAL
RECEIVABLES AS AT January 1, 2018	-	160	4	164
RECEIVABLES AS AT June 30, 2018	-	-	3	3
PAYABLES AS AT January 1, 2018	1,553	-	-	1,553
PAYABLES AS AT June 30, 2018	584	-	-	584
REVENUES Jan 1, 2018 - Jun 30, 2018	-	-	7	7
COSTS Jan 1, 2018 - Jun 30, 2018	712	-	-	712
VARIATIONS IN RECEIVABLES				
Jan 1, 2018 - Jun 30, 2018	-	(160)	(1)	(161)
VARIATIONS IN PAYABLES				
Jan 1, 2018 - Jun 30, 2018	(969)	-	-	(969)

SIGNIFICANT NOT RECURRING ITEMS

The table below summarises non-recurring items that have had a positive impact on the Income Statement during the first half of 2018 for a total of Euro 3,581 thousand.

Significant non-recurrent events and transactions (Values expressed in Euro thousand)	Gross Margin	Sales and marketing expenses	General and administrative expenses	Financial income and expenses	Net result of investments	Total as at Jun 30, 2018	Total as at Jun 30, 2017	Variation 2018 verso 2017
M&A/Actions of reorganization/Restructuring	(82)	(77)	(187)	-	-	(346)	(241)	(105)
Legal/fiscal disputes and penalties from customers	(35)	(6)	(899)	-	-	(940)	(365)	(575)
Other minor events	-	-	-	-	-	-	(217)	217
EBITDA	(117)	(83)	(1,086)	-	-	(1,286)	(823)	(463)
<i>Impairment of tangible fixed assets</i>	-	-	(309)	-	-	(309)	(23)	(286)
EBIT	(117)	(83)	(1,395)	-	-	(1,595)	(846)	(749)
Advance Bond and Club Deal loan expenses	-	-	-	(1,885)	-	(1,885)	-	(1,885)
Devaluation of financial receivable	-	-	-	(118)	-	(118)	-	(118)
Economical effect on other investments	-	-	-	-	-	-	904	(904)
Gain from sales of shares in EPS SA	-	-	-	-	7,179	7,179	-	7,179
EBT	(117)	(83)	(1,395)	(2,003)	7,179	3,581	58	3,523

Non-current costs negatively impacted EBITDA by Euro 1,286 thousand and include consultants' fees for the purchase of 19% in Lead Laser and legal fees relating to the PRIMA POWER LASERDYNE *Subpoena* described in the 2017 Financial Statements. At this purpose we remind that the US Company PRIMA POWER LASERDYNE received a Federal Grand Jury *subpoena* requesting information relating to certain exports and related activities since 2011. PRIMA POWER LASERDYNE, with the support of the Law Firms appointed to assist the Company on this matter, is in the process of responding to the *subpoena* and cooperating with the Government's investigation. On the basis of the current available information, it is not possible to opine with respect to the exposure, if any, to PRIMA POWER LASERDYNE in connection with this matter.

EBIT was negatively impacted by the *impairment* of the building located in Brescia province, which is classified as a non-current asset held for sale.

EBT was negatively affected by the costs involved in the early repayment of the *Bond* and the *Club Deal* loan, which took place as part of the refinancing of the medium to long-term loan. This produced capital gains from the full sale of the shareholding in EPS.

SUBSEQUENT EVENTS

No events occurred after the date of the Interim Management Report which, if known, would have resulted in a correction of the values.

Signature of the authorized governing body

A handwritten signature in black ink, consisting of a stylized 'P' followed by several loops and a vertical line at the end, positioned above a horizontal line.

Annexes

ANNEXES

ANNEX 1 - CONSOLIDATION AREA

PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
FINN POWER OY	Metallitie 4, FI - 62200 Kauhava, FINLAND	€ 30.000.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD.	Xinrui Road 459, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	USD 8.000.000	70%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	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
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER IBERICA S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	Ul. Holenderska 6 - 05 - 152 Czosnow 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 FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 960.015	100%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B2 A Dupleks Gül Blok Daire:4 Kartal - Istanbul, TURKEY	TRY 1.470.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER INDIA PVT. LTD.	Plot No A-54/55, H Block, MIDC, Pimpri, Pune - 411018, Maharashtra, INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 - Freguesia do Ó - 02968-00, Sao Paulo BRAZIL	R\$ 4.471.965	99,99%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Room 2006, Unit C, Tower 1, Wangjing SOHO, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
PRIMA POWER AUSTRALASIA Pty. LTD.	Suite 2, First Floor, 100 Queen street, PO Box 878, Campbelltown, NSW, 2560 AUSTRALIA	A\$ 1	100%	Line-by-line method
BALAXMAN OY	Metallitie 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method

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

ANNEX 2 - “NON-GAAP” PERFORMANCE INDICATORS

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

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

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

EBIT: Operating Profit.

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

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

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

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

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

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

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

ANNEX 3 - CURRENCY EXCHANGE 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:

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017
US DOLLAR	1.2108	1.0825	1.1658	1.1993
CHINESE RENMINBI	7.7100	7.4417	7.7170	7.8044
RUSSIAN RUBLE	71.9802	62.7349	73.1582	69.3920
TURKISH LIRA	4.9551	3.9379	5.3385	4.5464
POLISH ZLOTY	4.2200	4.2685	4.3732	4.1770
POUND STERLING	0.8797	0.8601	0.8861	0.8872
BRAZILIAN REAL	4.1414	3.4393	4.4876	3.9729
INDIAN RUPEE	79.5123	71.1244	79.8130	76.6055
AUSTRALIAN DOLLAR	1.5693	1.4356	1.5787	1.5346
CANADIAN DOLLAR	1.5464	1.4445	1.5442	1.5039
MEXICAN PESO	23.0803	21.0280	22.8817	23.6612

ATTESTATION OF THE HALF - YEAR CONDENSED FINANCIAL STATEMENT

PURSUANT TO ART. 81-ter of CONSOB Regulation No. 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Gianfranco Carbonato (Executive Chairman) and Davide Danieli (Manager responsible for preparing the corporate accounting documents) of PRIMA INDUSTRIE SpA, pursuant to the provisions of the art. 154-bis, comma 3 and 4, of the legislative decree 24th February 1998, no. 58 hereby attest:

- The adequacy in relation to the structure of the company and
- The effective application of a administrative and accounting procedures for the preparation of half year condensed, during the period January 1, 2018 - June 30, 2018;

2. In this regard there are no significant issues.

3. In addition, we attest that:

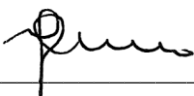
3.1 The consolidated half-year financial statement:

- (a) is prepared in accordance with International accounting standards adopted by the European Community pursuant to regulations (CE) no. 1606/2002 of the European Council and Parliament, at July 19, 2002;
- (b) corresponds to the amounts shown in the company's accounts, books and records;
- (c) is able to give a true and fair representation of the financial position, the results and the cash flow of the companies included in the consolidation.

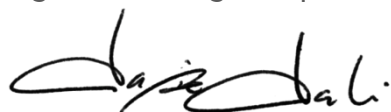
3.2 The interim management report includes a fair analysis of the important events that have occurred in the first six months of the financial year and their effect on the condensed financial statement, together with a description of the main risks and uncertain for the six months of the financial year. The interim management report comprehends, a reliable analysis about the information on significant transactions with related parties.

August 2, 2018

Signature of the Chairman



Signature Manager responsible for preparing the corporate accounting documents





PRIMA INDUSTRIE GROUP

**REVIEW REPORT ON CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS**



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Prima Industrie SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Prima Industrie SpA and its subsidiaries (the “Prima Industrie Group”) as of 30 June 2018, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders’ equity, the cash flow statement and the related explanatory notes. The directors of Prima Industrie SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Prima Industrie Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, 6 August 2018

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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