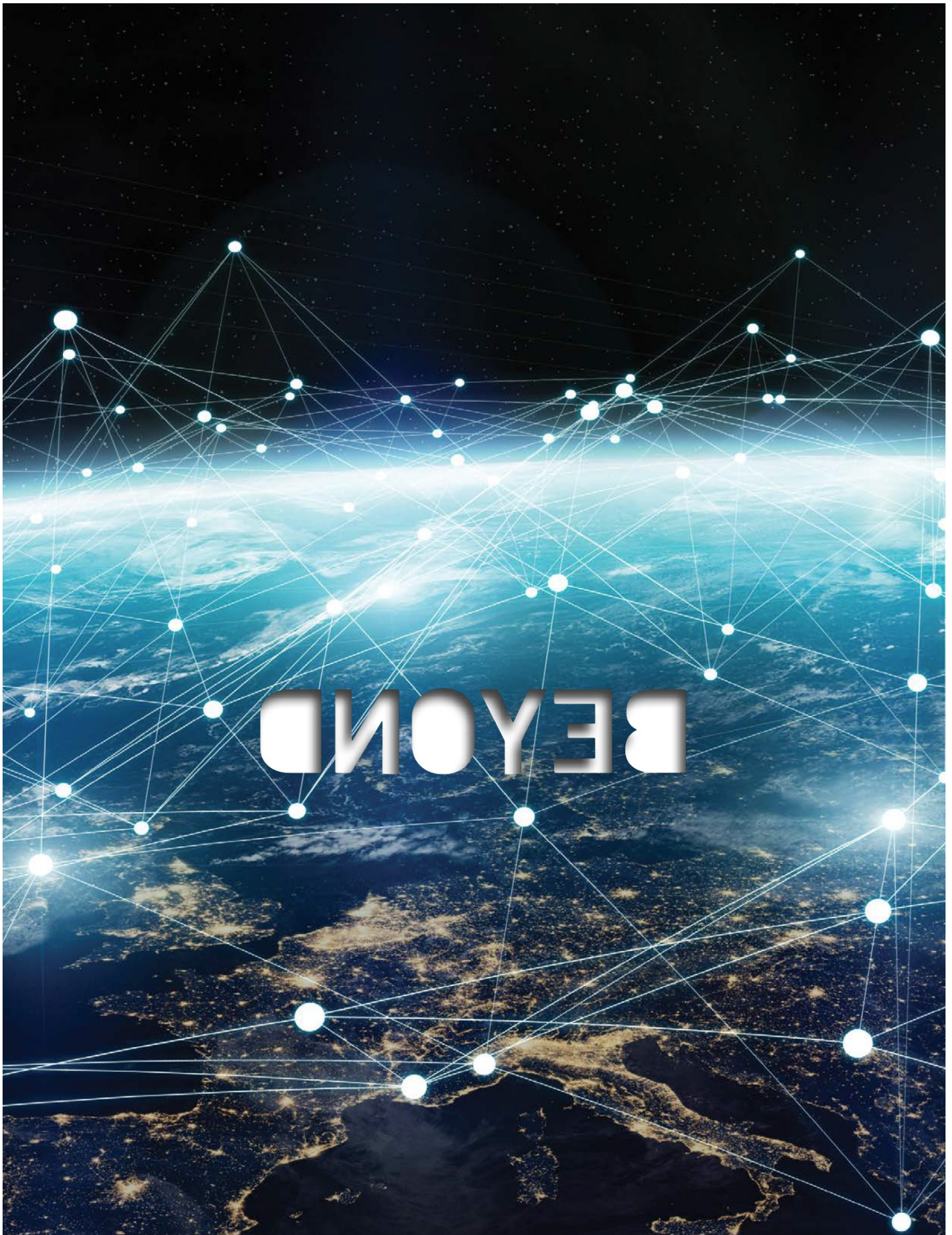


# INNOVATION IS LOOKING BEYOND

**Half-Year Financial Report at June 30, 2019**

*Board of Directors - July 31, 2019*





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**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 Domenico Peiretti
INDEPENDENT DIRECTORS	Donatella Busso Paolo Cantarella Carla Patrizia Ferrari Paola Gatto Mauro Mauri Marina Meliga
OTHER DIRECTORS	Rafic Y. Mansour Michael R. Mansour

### Internal Control Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paolo Cantarella Carla Patrizia Ferrari

### Remuneration Committee

CHAIRMAN	Mauro Mauri
MEMBERS	Paola Gatto Rafic Y. Mansour

### 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 Mauro Mauri Michael R. Mansour Marina Meliga

### Statutory Auditors Committee

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

### Audit Company

PricewaterhouseCoopers S.p.A.

### Expiry of Mandates and Appointments

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

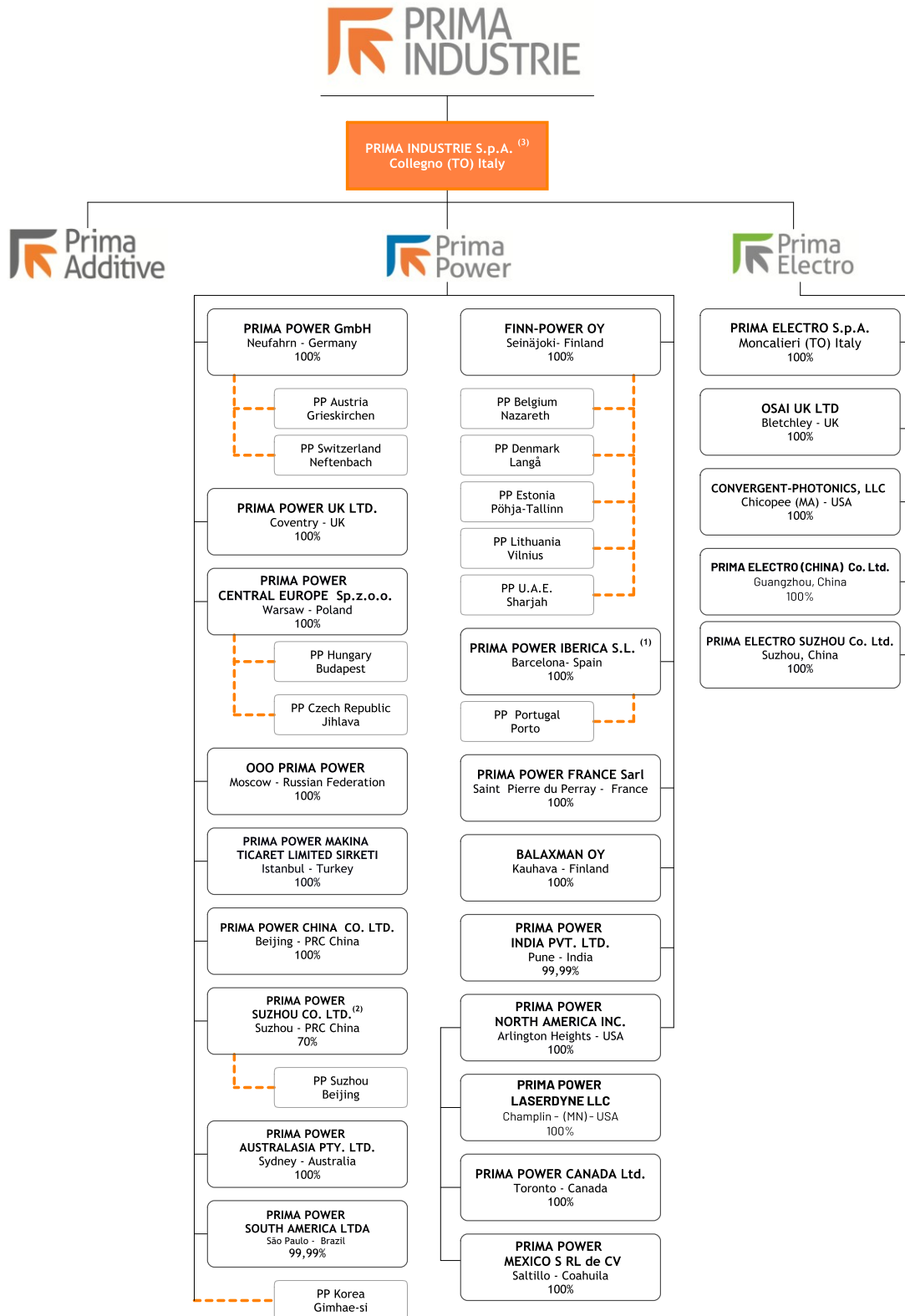
The Statutory Auditors Committee shall remain in office until the Approval of 2019-2020-2021 Financial Statements.

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

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, 2019. Group Branch offices are identified with dashed lines.

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



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**Prima Industrie Group  
Profile**

### CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE

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

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

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

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

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

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

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

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

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

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

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

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

This Company draft of consolidated half-year Financial Statements has been approved by the Board of Directors on July 31, 2019.

4

Introduction

## CHAPTER 4. INTRODUCTION

The Half-Year Financial Report at June 30, 2019 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 July 31, 2019 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 cost presentation is based on cost destination and is considered more representative than expenditure type. The form chosen conforms to internal *reporting* and business management procedures and is in line with international practice within the sector in which the Group operates.

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

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**Group Interim Management  
Report**

## CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT

## GROUP RESULTS SUMMARY

Values in euro thousand	June 30, 2019	June 30, 2018	Variations	%
ORDER INTAKE	189,904	240,236	(50,332)	-21.0%
BACKLOG	136,055	191,962	(55,907)	-29.1%
REVENUES	214,757	216,710	(1,953)	-0.9%
EBITDA	18,585	18,681	(96)	-0.5%
EBITDA %	8.7%	8.6%	0.1%	-
EBIT	6,480	10,826	(4,346)	-40.1%
EBIT %	3.0%	5.0%	-2.0%	-
NET RESULT	1,815	11,102	(9,287)	-83.7%
FCF	(26,628)	(9,256)	(17,372)	-187.7%
NET FINANCIAL DEBT	(132,824)	(75,544)	(57,280)	-75.8%
HEADCOUNT	1,856	1,834	22	1.2%

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

Values in euro thousand	June 30, 2019	June 30, 2018	Variations	%
REVENUES AT COSTANT EXCHANGE RATES	211,588	216,710	(5,122)	-2.4%
EBITDA Adj	19,735	19,967	(232)	-1.2%
EBITDA Adj %	9.2%	9.2%	0.0%	-
EBIT Adj	8,779	12,421	(3,642)	-29.3%
EBIT Adj %	4.1%	5.7%	-1.6%	-

(% calculated over the revenues)

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

**Introduction to the new IFRS 16 standard “Leases”**

The figures for the first half of 2019 reflect the Group’s adoption of the new IFRS 16 “Leases”. The modified retrospective method was applied without restatement of comparative data and with the following impacts at June 30, 2019 arising from the introduction of the new accounting standard applicable from January 1, 2019:

- increased net financial indebtedness by Euro 26,146 thousand
- cancellation of lease costs of Euro 2,689 thousand
- increased amortisation of Euro 2,582 thousand
- increased financial expenses of Euro 464 thousand.

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

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

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

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

#### APPOINTMENT OF NEW STATUTORY AUDITORS COMMITTEE

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

#### **ECONOMIC PERFORMANCE**

The company closed the first half of 2019 reaching a turnover of Euro 214,757 thousand, -0.9% compared to the first half of 2018. At a constant exchange rate the reduction would be by -2.4%.

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

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

Values in euro thousand

June 30, 2019	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT (*)	EBIT %	NET RESULT
PRIMA POWER	199,634	44,279	22.2%	15,952	8.0%	7,522	3.8%	3,459
PRIMA ELECTRO	27,233	5,545	20.4%	2,190	8.0%	(4,291)	-15.8%	(4,660)
CONSOLIDATION	(12,110)	236	1.9%	443	3.7%	3,249	26.8%	3,016
<b>GROUP</b>	<b>214,757</b>	<b>50,060</b>	<b>23.3%</b>	<b>18,585</b>	<b>8.7%</b>	<b>6,480</b>	<b>3.0%</b>	<b>1,815</b>

(% calculated over the revenues)

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

Therefore, it should be noted that the EBIT of PRIMA ELECTRO negative for Euro 4,291 thousand includes a negative effect deriving from the aforementioned impairment of Euro 3,819 thousand, then cancelled in the consolidation level for Euro 2,805 thousand.

Values in euro thousand

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
CONSOLIDATION	(13,156)	(61)	-0.5%	(83)	-0.6%	(83)	-0.6%	(61)
<b>GROUP</b>	<b>216,710</b>	<b>52,959</b>	<b>24.4%</b>	<b>18,681</b>	<b>8.6%</b>	<b>10,826</b>	<b>5.0%</b>	<b>11,102</b>

(% calculated over the revenues)

Values in euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	(53)	(1,473)	-2779.2%	(675)	-1273.6%	(2,863)	-5401.9%	(399)
PRIMA ELECTRO	(2,946)	(1,723)	-58.5%	53	1.8%	(4,815)	-163.4%	(11,965)
CONSOLIDATION	1,046	297	28.4%	526	50.3%	3,332	318.5%	3,077
<b>GROUP</b>	<b>(1,953)</b>	<b>(2,899)</b>	<b>148.4%</b>	<b>(96)</b>	<b>4.9%</b>	<b>(4,346)</b>	<b>222.5%</b>	<b>(9,287)</b>

(% calculated over the revenues)



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

Revenues	June 30, 2019		June 30, 2018	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
EMEA	133,603	62.2	139,037	64.2
AMERICAS	50,552	23.5	47,312	21.8
APAC	30,602	14.3	30,361	14.0
<b>TOTAL</b>	<b>214,757</b>	<b>100.0</b>	<b>216,710</b>	<b>100.0</b>

The above table shows that the Group turnover of the first half of 2019 (compared with the first half of 2018) registered a downturn in the EMEA area (-3.9%), increased in AMERICAS (+ 6.9%) and remained substantially stable in APAC area (+0.8%).

The Group generated consolidated revenues in the EMEA area for Euro 133,603 thousand; the main destination countries were Italy (18.5% of consolidated revenues, down compared to June 30, 2018), Russia and Eastern Europe (9.9% of consolidated revenues), Germany (7.2% of consolidated revenues), Spain and Portugal (6.0% of consolidated revenues) and Northern European countries (5.8% of consolidated revenues).

The share of revenues realized in AMERICAS increased compared to 2018 (Euro +3,240 thousand). It should be noted that at constant exchange rates, sales in the Americas would have been substantially stable compared to the previous year.

As regards APAC countries, revenues remained substantially stable compared to 2018, rising from Euro 30,361 thousand to Euro 30,602 thousand (+0.8%); however, such result includes a growth of the Chinese market (11.9% of consolidated revenues).

In China the collaboration with Lead Laser (after a rather difficult market phase) is being strengthened with the aim of achieving significant cost synergies on the mid-level range of the Group's laser machines. This collaboration has also intensified by virtue of the renewed Put and Call agreements which provide PRIMA INDUSTRIE with the possibility of exercise until March 31, 2021.

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

Revenues	June 30, 2019		June 30, 2018	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	199,634	93.0	199,687	92.1
PRIMA ELECTRO	27,233	12.7	30,179	13.9
Inter-sector revenues	(12,110)	(5.7)	(13,156)	(6.0)
<b>TOTAL</b>	<b>214,757</b>	<b>100.0</b>	<b>216,710</b>	<b>100.0</b>

As can be seen from the above table, the overall decrease in revenues is mainly attributable to the PRIMA ELECTRO division (Euro -2,946 thousand), the PRIMA POWER division shows a downturn of Euro 53 thousand.

The **cost of goods sold** at June 30, 2019 stood at Euro 164,697 thousand up Euro 946 thousand from June 30, 2018 (Euro 163,751 thousand).

Group **Gross Margin** at June 30, 2019 is equal to Euro 50,060 thousand, a decrease of Euro 2,899 thousand compared to Euro 52,959 thousand in the same period of 2018. The margin accounted for 23.3% of sales and was down slightly from June 30, 2018 (24.4%).

The **research and development** activity carried out by the Group during the first half of 2019 has been comprehensively equal to Euro 12,131 thousand equal to 5.6% of turnover (of which Euro 8,567 thousand in the PRIMA POWER sector and Euro 3,564 thousand in the PRIMA ELECTRO sector).

The capitalized share was equal to Euro 3,220 thousand (of which Euro 1,132 thousand in the PRIMA POWER sector and Euro 2,088 thousand in the PRIMA ELECTRO sector), a reduction compared to Euro 3,530 thousand at June 30, 2018.

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

During the first half of 2019 the main research and development activities of the PRIMA POWER division were:

- extension of the 2D product line with an entry-level model mainly destined to the lower-end market;
- development of new functions for 2D Laser cutting technology (increased power, sensors, technological parameters and optical components);
- expansion of the range of options and automation for a new 3D Laser machine model;
- development of a new series of panel bending machines with faster, quieter servo-electric technologies and lower energy consumption ;
- development of integrated solutions for the press brake;
- creation of a *concept* for the new punching machine with even greater performance, for the high-end of the market;
- expansion of the flexible warehousing system with integrated loading and unloading capabilities for the 2D laser;
- development of *Additive Manufacturing: Powder Bed Fusion e Laser Metal Deposition* technologies.

During the first half of 2019 the main activities carried out by the PRIMA ELECTRO division concerned:

- continuation of development activities of optoelectronic power components for fiber laser sources application to;
- development of new fiber laser sources to expand the range of power.

**Net research and development costs** were Euro 13,848 thousand up Euro 759 thousand from June 30, 2018 (Euro 13,089 thousand). 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.

**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 15,323 thousand, up Euro 542 thousand from Euro 14,781 thousand at June 30, 2018.

**General and administrative expenses**, which includes costs related to Group or Divisional management structures, Finance costs, HR, IT and overheads, were Euro 14,409 thousand, and are up slightly compared to Euro 14,263 thousand at June 30, 2018.

The Group **EBITDA** at June 30, 2019 amounted to Euro 18,585 thousand, equal to 8.7% of revenues (Euro 15,896 thousand, excluding the effects deriving from the application of IFRS16) compared to Euro 18,681 thousand, equal to 8.6% of revenues, at June 30, 2018.

It should be underlined that the EBITDA was negatively affected by non-recurring costs equal to Euro 1,150 thousand (at June 30, 2018 they were equal to Euro 1,286 thousand); therefore the **adjusted EBITDA<sup>(\*)</sup>** amounted to Euro 19,735 thousand (equal to 9.2% of revenues). In particular, in the second quarter of the year the **adjusted EBITDA<sup>(\*)</sup>** amounted to Euro 11,733 thousand (approximately 10% of turnover for the quarter).

The **EBIT** of the Group at June 30, 2019 amounts to Euro 6,480 thousand, equal to 3.0% of revenues (Euro 6,373 thousand excluding the effects deriving from the application of IFRS 16) compared to Euro 10,826 thousand equal to 5.0% of revenues in the corresponding period of the previous year.

This result is affected by:

- amortization of intangible assets of Euro 5,893 thousand (relating to development costs of Euro 4,494 thousand and the trademark recorded in the FINN-POWER business combination for Euro 924 thousand)
- amortization of tangible fixed assets for Euro 5,063 thousand (of which Euro 2,582 thousand relating to rights of use recognized in application of the new IFRS 16)
- *impairment* of the *goodwill* of CGU PRIMA ELECTRO - BU LASER for Euro 1,014 thousand (for more information, see Note 2 - Intangible assets in the Explanatory Notes)
- *impairment* of a development project previously capitalized by FINN-POWER OY for Euro 135 thousand.

The EBIT at June 30, 2019 is penalized by non-recurring costs mainly related to the aforementioned impairment; as a result, **adjusted EBIT<sup>(\*)</sup>** amounted to Euro 8,779 thousand (4.1% of revenues). In particular, in the second quarter, **adjusted EBIT<sup>(\*)</sup>** amounted to Euro 6,112 thousand (equal to 5.3% of turnover for the quarter).

The Group **EBT** at June 30, 2019 is positive for Euro 3,172 thousand (Euro 3,529 thousand excluding the effects deriving from the application of IFRS16) compared to Euro 12,192 thousand at June 30, 2018.

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

The Group EBT discounts net costs deriving from financial management (including profits and losses on exchange rates) for Euro 3,266 thousand (at June 30, 2018 they amounted to Euro 5,813 thousand); it should be noted that financial charges include Euro 464 thousand deriving from the application of the new IFRS16 accounting standard.

Financial results (€/000)	June 30, 2019	June 30, 2018
<i>Bond</i> expenses	(454)	(867)
<i>Bond</i> advance closing expenses	-	(1,515)
Loans 2018 expenses	(735)	(542)
<i>Club Deal</i> loan expenses	-	(94)
<i>Club Deal</i> advance closing expenses	-	(370)
Derivate expenses (CRS)	(259)	(809)
Derivates expenses (IRS)	(189)	(156)
Lease liabilities	(653)	(90)
Write-down of financial receivables	(118)	(118)
Other financial expenses	(677)	(967)
<b>Net financial expenses</b>	<b>(3,085)</b>	<b>(5,528)</b>
Net exchange differences	(181)	(285)
<b>TOTAL</b>	<b>(3,266)</b>	<b>(5,813)</b>

The Group **NET PROFIT** at June 30, 2019 is positive for Euro 1,815 thousand (Euro 2,082 thousand excluding the effects deriving from the application of IFRS16) against Euro 11,102 thousand at June 30, 2018 ; the Net Result ascribable to the Parent Company is Euro 1,806 thousand.

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

## ASSETS, LIABILITIES AND FINANCIAL POSITION

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

Values expressed in Euro thousand	June 30, 2019	December 31, 2018	Variations
Tangible and intangible fixed assets	104,204	78,716	25,488
Goodwill	102,034	103,032	(998)
Equity investments and other non-current assets	6,759	6,613	146
Deferred tax assets	12,295	11,973	322
<b>NON-CURRENT ASSETS</b>	<b>225,292</b>	<b>200,334</b>	<b>24,958</b>
Inventories	148,921	135,863	13,058
Trade receivables	94,964	110,757	(15,793)
Trade payables	(94,764)	(115,141)	20,377
Advances	(30,473)	(40,545)	10,072
<b>OPERATING WORKING CAPITAL</b>	<b>118,648</b>	<b>90,934</b>	<b>27,714</b>
Other current assets and liabilities	(12,281)	(14,733)	2,452
Current tax assets and liabilities	3,227	2,549	678
Provisions for risks and employee benefits	(29,441)	(30,574)	1,133
Deferred tax liabilities	(5,419)	(5,333)	(86)
Non-current assets held for sale	226	1,234	(1,008)
<b>NET INVESTED CAPITAL</b>	<b>300,252</b>	<b>244,411</b>	<b>55,841</b>
<b>NET INDEBTEDNESS</b>	<b>132,824</b>	<b>74,639</b>	<b>58,185</b>
<b>SHAREHOLDER'S EQUITY</b>	<b>167,428</b>	<b>169,772</b>	<b>(2,344)</b>
<i>Stockholders' equity of the Group</i>	164,061	166,438	(2,377)
<i>Minority interest</i>	3,367	3,334	33
<b>LOAN SOURCES</b>	<b>300,252</b>	<b>244,411</b>	<b>55,841</b>

Tangible and intangible fixed assets (other than Goodwill) of PRIMA INDUSTRIE Group increased by Euro 25,488 thousand from the previous year. Movements in the half-year were for:

- increases of Euro 27,066 thousand resulting from first-time application of the new IFRS 16;
- net increases of Euro 8,293 thousand (Euro 3,000 thousand for development costs);
- amortization and depreciation of Euro 11,091 thousand (of which Euro 2,582 thousand resulting from application of the new IFRS 16);
- increases of Euro 981 thousand due to reclassification of other balance sheet items;
- positive exchange rates of Euro 239 thousand.

The change in goodwill in the first half of the year is due to *impairment* relating to the PRIMA ELECTRO - BU Laser CGU (for more information, see Note 2 - Intangible Fixed Assets in the Explanatory Notes).

Operating Working capital increased from the previous financial year by Euro 27,714 thousand.

At June 30, 2019 the Group's **Net Financial Indebtedness**<sup>(\*)</sup> was Euro 132,824 thousand, compared to Euro 75,544 thousand at June 30, 2018 and Euro 74,639 thousand at December 31, 2018.

Net financial debt is negatively impacted by application of the new IFRS 16, which led to an increase of Euro 27,066 thousand at January 1, 2019. At June 30, 2019, this debt amounted to Euro 26,146 thousand.

The above reflects a temporary increase in working capital, mainly due to the increase in inventories caused by the unexpected drop in orders, which did not enable the Group to slow down ordered supplies. All initiatives have begun to reduce stocks in line with sales forecasts for the coming months and to rebalance working capital. This should improve year-end indebtedness.

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

<i>Values expressed in Euro thousand</i>	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
NON CURRENT FINANCIAL ASSETS	(4,243)	(4,876)	(4,407)
CASH & CASH EQUIVALENTS	(30,742)	(71,078)	(82,684)
CURRENT FINANCIAL ASSETS	(781)	(367)	(124)
CURRENT FINANCIAL LIABILITIES	36,124	35,846	35,767
CURRENT LEASING LIABILITIES	5,478	1,298	854
NON CURRENT FINANCIAL LIABILITIES	98,160	106,405	117,884
NON CURRENT LEASING LIABILITIES	28,828	7,411	8,254
<b>NET FINANCIAL INDEBTNESS</b>	<b>132,824</b>	<b>74,639</b>	<b>75,544</b>

Net Equity decreased by Euro 2,344 thousand compared to the previous year. This decrease is due to the positive effects of the Parent Company's results (Euro 1,806 thousand), the conversion reserve Euro (578 thousand) and the change in minority shareholders' equity (Euro 33 thousand), negatively offset by the payment of dividends (Euro 4,569 thousand) and the *fair value* adjustment reserve for derivatives (Euro 192 thousand).

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

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

Values in euro thousand	June 30, 2019	June 30, 2018	Variations
Net Indebtness Opening	(74,639)	(69,632)	(5,007)
Financial liabilities deriving from IFRS16 first application	(27,066)	-	(27,066)
Cash from operating activities before TWC	8,472	7,320	1,152
Change in Trade Working Capital	(27,714)	(9,653)	(18,061)
<b>Cash from operating activities</b>	<b>(19,242)</b>	<b>(2,333)</b>	<b>(16,909)</b>
Investments in development costs	(3,000)	(3,345)	345
Other investments	(4,385)	(3,578)	(807)
<b>Cash from investment activities</b>	<b>(7,385)</b>	<b>(6,923)</b>	<b>(462)</b>
<b>FREE CASH FLOW (FCF)</b>	<b>(26,627)</b>	<b>(9,256)</b>	<b>(17,371)</b>
Dividends	(4,569)	(4,193)	(376)
Net financial result of investments	(23)	7,179	(7,202)
Net result of investments accounted for using the equity method	(19)	-	(19)
Other changes	-	(41)	41
<b>Cash from financing activities</b>	<b>(4,611)</b>	<b>2,945</b>	<b>(7,556)</b>
Net exchange differences	119	399	(280)
<b>CASH FLOW - TOTAL</b>	<b>(31,119)</b>	<b>(5,912)</b>	<b>(25,207)</b>
<b>Net Indebtness Closing</b>	<b>(132,824)</b>	<b>(75,544)</b>	<b>(57,280)</b>

## BUSINESS PERFORMANCE

During the first half of 2019, the Group order acquisition (including the after-sale service) amounted to Euro 189.9 million, decreasing to Euro 240.2 million at June 30, 2018. This percentage is lower than what reported by UCIMU for the second quarter of the year and is also affected by the slowdown in the *automotive* sector. The acquisition of orders of the PRIMA POWER sector amounted to Euro 175.5 million, while the PRIMA ELECTRO ones, considering the ones from customers outside the Group, amounted to Euro 14.4 million.

The consolidated order backlog (not inclusive of the *after-sale service*) at June 30, 2019 amounts to Euro 136.1 million, downwards compared to Euro 192.0 million at June 30, 2018. The portfolio includes Euro 129.7 million relating to the PRIMA POWER sector and Euro 6.4 million relating to the PRIMA ELECTRO sector.

## PERSONNEL

At June 30, 2019, the Group had 1,856 employees of which 1,562 in PRIMA POWER Division and 294 in PRIMA ELECTRO Division. Compared to the December 31, 2018 the employee numbers decreased by 15.

Values expressed in units	PRIMA POWER			PRIMA ELECTRO			PRIMA GROUP		
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2018
Production & Installation	546	568	569	145	141	140	691	709	709
Service & Spare Parts	496	496	473	14	14	14	510	510	487
R&D	202	204	210	72	68	64	274	272	274
Sales & Marketing	187	183	174	34	34	36	221	217	210
General & Administrative	131	134	128	29	29	26	160	163	154
<b>Total</b>	<b>1,562</b>	<b>1,585</b>	<b>1,554</b>	<b>294</b>	<b>286</b>	<b>280</b>	<b>1,856</b>	<b>1,871</b>	<b>1,834</b>

## 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. 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 2018 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 2019, the PRIMA INDUSTRIE stock value rose from a unit value of Euro 17.34 on January 2, 2019 to a value of Euro 14.92 per share on June 28, 2019, with peaks of over Euro 22 in January and March.

The maximum value of the shares was Euro 22.25 (January 21, 2019), while the minimum value was Euro 14.66 on 26 June 26, 2019. Lastly, after the close of the half year, shares generally remained above Euro 15 per share.

This trend is shown in the chart below:



On April 16, 2019 the Shareholders' Meeting authorized the purchase of Prima Industrie SpA ordinary shares, in one or more times, for a period of eighteen months, for a maximum of 300,000 shares and in any case up to a maximum 300,000 shares in the portfolio, for a maximum purchase value of Euro 7.5 million.

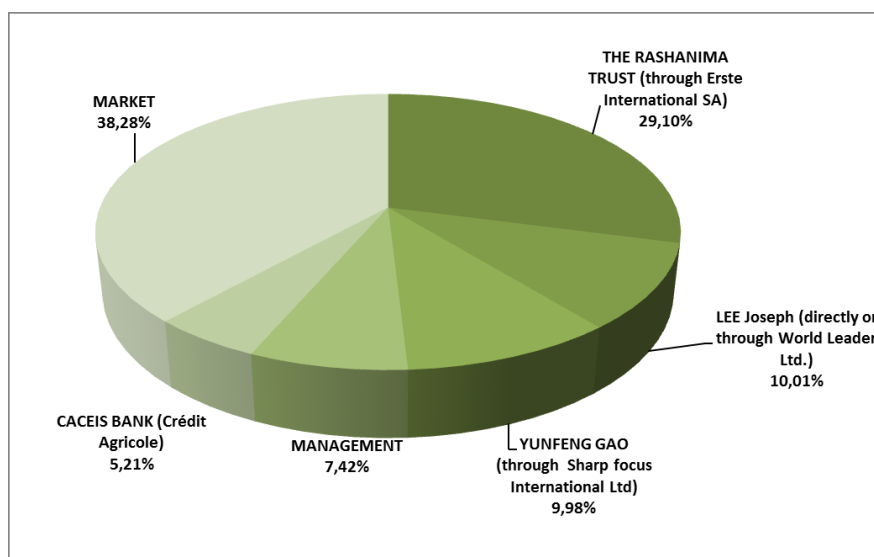
At the date of this Half-Year Report, PRIMA INDUSTRIE holds 100,000 treasury shares (0.95% of share capital), part of which may be freely assigned to service share incentive plans.



## SHAREHOLDING STRUCTURE

On June 30, 2019 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 Euro 2.50 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 IN MANAGEMENT

The recently ended half-year was marked by rapid decline in the capital goods market, against a backdrop of an economic slowdown in almost all countries. The Group took important steps to streamline the organizational structure and to contain costs which will bring structural benefits to future profitability.

Group forecasts put revenues for the year at Euro 420-440 million and *margin* EBITDA at around 9%.

The 2020-2022 three-year plan providing the main guidelines for the market will be drawn up once the current three-year plan has concluded and after the international fairs of the autumn.

The Group remains positive about medium-term prospects, thanks to the technological content of our products, our strengthened international position and the quality and professionalism of our human resources.

## EVENTS OCCURRING AFTER FINANCIAL HALF-YEAR CLOSING

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

### **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.

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**Consolidated Financial Statements  
of Prima Industrie Group  
June 30, 2019**  
Accounting tables

## CHAPTER 6. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AT JUNE 30, 2019

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Values in thousand euro</i>	Notes	June 30, 2019	December 31, 2018
Property, plant and equipment	1	63,717	36,749
Intangible assets	2	142,521	145,000
Investments accounted for using the equity method	3	299	-
Other investments	4	6,460	6,613
Non current financial assets	5	4,243	4,876
Deferred tax assets	6	12,295	11,973
<b>NON CURRENT ASSETS</b>		<b>229,535</b>	<b>205,211</b>
Inventories	7	148,921	135,863
Trade receivables	8	94,964	110,757
Other receivables	9	10,069	8,929
Current tax receivables	10	8,438	9,667
Derivatives	11	4	26
Financial assets	11	777	341
Cash and cash equivalents	11	30,742	71,078
<b>CURRENT ASSETS</b>		<b>293,915</b>	<b>336,661</b>
Assets held for sale	12	226	1,234
<b>TOTAL ASSETS</b>		<b>523,676</b>	<b>543,106</b>
Capital stock	13	26,208	26,208
Legal reserve	13	5,213	4,992
Other reserves	13	68,596	69,154
Currency translation reserve	13	3,284	2,706
Retained earnings	13	58,954	39,322
Net result	13	1,806	24,056
<b>Stockholders' equity of the Group</b>		<b>164,061</b>	<b>166,438</b>
<b>Minority interest</b>		<b>3,367</b>	<b>3,334</b>
<b>STOCKHOLDERS' EQUITY</b>		<b>167,428</b>	<b>169,772</b>
Interest-bearing loans and borrowings	11	126,103	113,180
Employee benefit liabilities	14	7,561	7,570
Deferred tax liabilities	15	5,419	5,333
Provisions	16	197	198
Derivatives	11	885	636
<b>NON CURRENT LIABILITIES</b>		<b>140,165</b>	<b>126,917</b>
Trade payables	17	94,764	115,141
Advance payments	17	30,473	40,545
Other payables	17	22,350	23,664
Interest-bearing loans and borrowings	11	41,570	37,028
Current tax payables	18	5,211	7,117
Provisions	16	21,683	22,806
Derivatives	11	32	116
<b>CURRENT LIABILITIES</b>		<b>216,083</b>	<b>246,417</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>		<b>523,676</b>	<b>543,106</b>

*The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.*

## CONSOLIDATED INCOME STATEMENT

<i>Values in euro thousand</i>	Notes	June 30, 2019	June 30, 2018
Net revenues	19	214,757	216,710
Cost of goods sold	20	(164,697)	(163,751)
<b>GROSS MARGIN</b>		<b>50,060</b>	<b>52,959</b>
Research and Development costs	21	(13,848)	(13,089)
Sales and marketing expenses	22	(15,323)	(14,781)
General and administrative expenses	23	(14,409)	(14,263)
<b>OPERATING PROFIT (EBIT)</b>		<b>6,480</b>	<b>10,826</b>
Financial income	24	2,072	2,670
Financial expenses	24	(5,157)	(8,198)
Net exchange differences	24	(181)	(285)
Net result of investments accounted for using the equity method	25	(19)	-
Net result of other investments	26	(23)	7,179
<b>RESULT BEFORE TAXES (EBT)</b>		<b>3,172</b>	<b>12,192</b>
Taxes	27	(1,357)	(1,090)
<b>NET RESULT</b>		<b>1,815</b>	<b>11,102</b>
- Attributable to Group shareholders		1,806	11,126
- Attributable to minority shareholders		9	(24)
<b>RESULT PER SHARE - BASIC (in euro)</b>	<b>28</b>	<b>0.17</b>	<b>1.06</b>
<b>RESULT PER SHARE - DILUTED (in euro)</b>	<b>28</b>	<b>0.17</b>	<b>1.06</b>

The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Values in euro thousand</i>	Notes	June 30, 2019	June 30, 2018
<b>NET RESULT (A)</b>		<b>1,815</b>	<b>11,102</b>
Gains/ (Losses) on actuarial defined benefit plans	13	-	-
Tax effect	13	-	-
<b>Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)</b>		<b>-</b>	<b>-</b>
Gains / (Losses) on cash flow hedges	13	(252)	(504)
Tax effect	13	60	126
Gains/ (Losses) on exchange differences on translating foreign operations	13	602	1,002
<b>Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)</b>		<b>410</b>	<b>624</b>
<b>TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)</b>		<b>2,225</b>	<b>11,726</b>
- <i>Attributable to Group shareholders</i>		2,192	11,736
- <i>Attributable to minority shareholders</i>		33	(10)

The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1, 2018 to June 30, 2018

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

from January 1, 2019 to June 30, 2019

Values in euro thousand	Capital stock	Additional paid-in capital	Treasury stock	Legal reserve	Capital increase expenses	Stock grant reserve	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at Dec 31, 2018	26,208	57,507	(1,966)	4,992	(1,286)	13	(465)	15,351	2,706	39,322	24,056	166,438	3,334	169,772
Dividends paid	-	-	-	-	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Allocation of prior year net result	-	-	-	221	-	-	-	4,203	-	19,632	(24,056)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	(192)	-	578	-	1,806	2,192	33	2,225
Balance as at June 30, 2019	26,208	57,507	(1,966)	5,213	(1,286)	13	(657)	14,985	3,284	58,954	1,806	164,061	3,367	167,428

The first six months 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures as at January 1, 2019.

## CONSOLIDATED CASH FLOW STATEMENT

<i>Values in Euro thousand</i>	June 30, 2019	June 30, 2018
<b>Net result</b>	<b>1,815</b>	<b>11,102</b>
<b>Adjustments (sub-total)</b>	<b>(21,090)</b>	<b>(13,352)</b>
Depreciation, impairment & write-off	12,105	7,855
Gain from sales of shares in other investments	-	(7,179)
Net change in deferred tax assets and liabilities	(236)	(888)
Change in employee benefits	(9)	22
Change in inventories	(13,058)	(23,592)
Change in trade receivables	15,793	12,885
Change in trade payables and advances	(30,449)	1,054
Net change in other receivables/payables and other assets/liabilities	(5,236)	(3,509)
<b>Cash Flows from (used in) operating activities</b>	<b>(19,275)</b>	<b>(2,250)</b>
<b>Cash flow from investments</b>		
Acquisition of tangible fixed assets (*)	(4,012)	(3,592)
Acquisition of intangible fixed assets	(465)	(684)
Capitalization of development costs	(3,000)	(3,345)
Net disposal of fixed assets (**)	1,262	58
Change in investments accounted for using the equity method	(138)	-
Net result of investments accounted for using the equity method	19	-
Write-off/Write-up Other Investments	23	-
Change in Other investments	(5)	7,906
<b>Cash Flows from (used in) investing activities</b>	<b>(6,316)</b>	<b>343</b>
<b>Cash flow from financing activities</b>		
Change in other financial assets/liabilities and other minor items	194	(2,945)
Increases in loans and borrowings (including bank overdrafts)	12,040	103,568
Repayment of loans and borrowings (including bank overdrafts)	(20,173)	(82,478)
Repayments in financial lease liabilities	(2,564)	(584)
Dividends paid	(4,569)	(4,193)
Other variations	-	(41)
<b>Cash Flows from (used in) financing activities</b>	<b>(15,072)</b>	<b>13,327</b>
<b>Cash Flows from (used in) change of minority shareholders</b>	<b>-</b>	<b>-</b>
Foreign exchange translation differences	327	743
<b>Net change in cash and equivalents</b>	<b>(40,336)</b>	<b>12,163</b>
<b>Cash and equivalents beginning of period</b>	<b>71,078</b>	<b>70,521</b>
<b>Cash and equivalents end of period</b>	<b>30,742</b>	<b>82,684</b>

<b>Additional Information to the Consolidated Statement of Cash-Flow</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<i>Values in euro thousand</i>		
Taxes paid	2,632	232
Interests paid	1,733	3,899

The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

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

(\*\*) Included assets held for sale.



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

Values in thousand euro	Notes	June 30, 2019	of which related parties	December 31, 2018	of which related parties
Property, plant and equipment	1	63,717	-	36,749	-
Intangible assets	2	142,521	-	145,000	-
Investments accounted for using the equity method	3	299	299	-	-
Other investments	4	6,460	-	6,613	180
Non current financial assets	5	4,243	-	4,876	-
Deferred tax assets	6	12,295	-	11,973	-
<b>NON CURRENT ASSETS</b>		<b>229,535</b>		<b>205,211</b>	
Inventories	7	148,921	-	135,863	-
Trade receivables	8	94,964	78	110,757	72
Other receivables	9	10,069	-	8,929	-
Current tax receivables	10	8,438	-	9,667	-
Derivatives	11	4	-	26	-
Financial assets	11	777	-	341	-
Cash and cash equivalents	11	30,742	-	71,078	-
<b>CURRENT ASSETS</b>		<b>293,915</b>		<b>336,661</b>	
Assets held for sale	12	226	-	1,234	-
<b>TOTAL ASSETS</b>		<b>523,676</b>		<b>543,106</b>	
Capital stock	13	26,208	-	26,208	-
Legal reserve	13	5,213	-	4,992	-
Other reserves	13	68,596	-	69,154	-
Currency translation reserve	13	3,284	-	2,706	-
Retained earnings	13	58,954	-	39,322	-
Net result	13	1,806	-	24,056	-
<i>Stockholders' equity of the Group</i>		<b>164,061</b>	-	<b>166,438</b>	-
<i>Minority interest</i>		<b>3,367</b>	-	<b>3,334</b>	-
<b>STOCKHOLDERS' EQUITY</b>		<b>167,428</b>		<b>169,772</b>	
Interest-bearing loans and borrowings	11	126,103	-	113,180	-
Employee benefit liabilities	14	7,561	-	7,570	-
Deferred tax liabilities	15	5,419	-	5,333	-
Provisions	16	197	-	198	-
Derivatives	11	885	-	636	-
<b>NON CURRENT LIABILITIES</b>		<b>140,165</b>		<b>126,917</b>	
Trade payables	17	94,764	-	115,141	-
Advance payments	17	30,473	-	40,545	-
Other payables	17	22,350	311	23,664	850
Interest-bearing loans and borrowings	11	41,570	-	37,028	-
Current tax payables	18	5,211	-	7,117	-
Provisions	16	21,683	-	22,806	-
Derivatives	11	32	-	116	-
<b>CURRENT LIABILITIES</b>		<b>216,083</b>		<b>246,417</b>	
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>		<b>523,676</b>		<b>543,106</b>	

The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

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

Values in euro thousand	Notes	June 30, 2019	of which related parties	June 30, 2018	of which related parties
Net revenues	19	214,757	24	216,710	7
Cost of goods sold	20	(164,697)	(103)	(163,751)	(24)
<b>GROSS MARGIN</b>		<b>50,060</b>	<b>-</b>	<b>52,959</b>	<b>-</b>
Research and Development costs	21	(13,848)	35	(13,089)	-
Sales and marketing expenses	22	(15,323)	-	(14,781)	-
General and administrative expenses	23	(14,409)	(635)	(14,263)	(688)
<b>OPERATING PROFIT (EBIT)</b>		<b>6,480</b>	<b>-</b>	<b>10,826</b>	<b>-</b>
<i>of which: non recurring items</i>		<i>(2,299)</i>		<i>(1,595)</i>	
Financial income	24	2,072	-	2,670	-
Financial expenses	24	(5,157)	-	(8,198)	-
Net exchange differences	24	(181)	-	(285)	-
Net result of investments accounted for using the equity method	25	(19)	(19)	-	-
Net result of other investments	26	(23)	-	7,179	7,179
<b>RESULT BEFORE TAXES (EBT)</b>		<b>3,172</b>		<b>12,192</b>	
<i>of which: non recurring items</i>		<i>(2,440)</i>	<i>-</i>	<i>3,581</i>	
Taxes	27	(1,357)	-	(1,090)	-
<b>NET RESULT</b>		<b>1,815</b>		<b>11,102</b>	
- Attributable to Group shareholders		1,806	-	11,126	-
- Attributable to minority shareholders		9	-	(24)	-
<b>RESULT PER SHARE - BASIC (in euro)</b>	<b>28</b>	<b>0.17</b>		<b>1.06</b>	
<b>RESULT PER SHARE - DILUTED (in euro)</b>	<b>28</b>	<b>0.17</b>		<b>1.06</b>	

The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

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

Values in Euro thousand	June 30, 2019	of which related parties	June 30, 2018	of which related parties
<b>Net result</b>	<b>1,815</b>		<b>11,102</b>	
<b>Adjustments (sub-total)</b>	<b>(21,090)</b>	<b>-</b>	<b>(13,352)</b>	<b>-</b>
Depreciation, impairment & write-off	12,105	-	7,855	-
Gain from sales of shares in other investments	-	-	(7,179)	(7,179)
Net change in deferred tax assets and liabilities	(236)	-	(888)	-
Change in employee benefits	(9)	-	22	-
Change in inventories	(13,058)	-	(23,592)	-
Change in trade receivables	15,793	(6)	12,885	161
Change in trade payables and advances	(30,449)	-	1,054	-
Net change in other receivables/payables and other assets/liabilities	(5,236)	(539)	(3,509)	(969)
<b>Cash Flows from (used in) operating activities</b>	<b>(19,275)</b>		<b>(2,250)</b>	
<b>Cash flow from investments</b>				
Acquisition of tangible fixed assets (*)	(4,012)	-	(3,592)	-
Acquisition of intangible fixed assets	(465)	-	(684)	-
Capitalization of development costs	(3,000)	-	(3,345)	-
Net disposal of fixed assets (**)	1,262	-	58	-
Change in investments accounted for using the equity method	(138)	(138)	-	-
Net result of investments accounted for using the equity method	19	19	-	-
Write-off/Write-up Other Investments	23	-	-	-
Change in Other investments	(5)	-	7,906	7,906
<b>Cash Flows from (used in) investing activities</b>	<b>(6,316)</b>		<b>343</b>	
<b>Cash flow from financing activities</b>				
Change in other financial assets/liabilities and other minor items	194	-	(2,945)	-
Increases in loans and borrowings (including bank overdrafts)	12,040	-	103,568	-
Repayment of loans and borrowings (including bank overdrafts)	(20,173)	-	(82,478)	-
Repayments in financial lease liabilities	(2,564)	-	(584)	-
Dividends paid	(4,569)	-	(4,193)	-
Other variations	-	-	(41)	-
<b>Cash Flows from (used in) financing activities</b>	<b>(15,072)</b>		<b>13,327</b>	
<b>Cash Flows from (used in) change of minority shareholders</b>	<b>-</b>		<b>-</b>	
Foreign exchange translation differences	327	-	743	-
<b>Net change in cash and equivalents</b>	<b>(40,336)</b>		<b>12,163</b>	
<b>Cash and equivalents beginning of period</b>	<b>71,078</b>		<b>70,521</b>	
<b>Cash and equivalents end of period</b>	<b>30,742</b>		<b>82,684</b>	

Additional Information to the Consolidated Statement of Cash-Flow	June 30, 2019		June 30, 2018	
<i>Values in euro thousand</i>				
Taxes paid	2,632	-	232	-
Interests paid	1,733	-	3,899	-

The first half 2019 figures include the application of the new accounting principle IFRS 16 "Leases" adopted by the Group applying the retrospective simplified approach with no restatement of comparative figures.

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

(\*\*) Included assets held for sale.

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**Explanatory Notes to  
Consolidated Financial Statements  
June 30, 2019**

## CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2019

### ACCOUNTING TABLES FORM AND CONTENT

The abbreviated consolidated balance sheet of PRIMA INDUSTRIE Group has been drawn up on the assumption of the company continuing trading and in accordance with the International *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 has been laid out in abbreviated form, in conformity with IAS 34 "Interim balances", and does not include therefore all the information required in the annual balance sheet and must be read together with the annual balance sheet prepared for the closed financial year at December 31, 2018, to which attention is drawn for greater detail.

The abbreviated consolidated balance on June 30, 2019 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, 2019 according to the principles described in the "Accounting Principles" Note of the consolidated balance on December 31, 2018, to which attention is drawn.

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

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

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

### DRAFTING PRINCIPLES AND CRITERIA

#### ACCOUNTING CRITERIA AND PRINCIPLES OF CONSOLIDATION

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

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

### IFRS 16 - Leases

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

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

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

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

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

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

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

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

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

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

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

<i>Values in € thousand</i>	Dec 31, 2018	IFRS16 Effect	Jan 1, 2019
Non current assets	205,211	27,066	232,277
Current assets	336,661	-	336,661
Assets held for sale	1,234	-	1,234
<b>Total Assets</b>	<b>543,106</b>	<b>27,066</b>	<b>570,172</b>
Net Equity	169,772	-	169,772
Non current liabilities	126,917	22,824	149,741
Current liabilities	246,417	4,242	250,659
<b>Total Liabilities</b>	<b>543,106</b>	<b>27,066</b>	<b>570,172</b>

At June 30, 2019 the Group recorded Euro 25,782 thousand in Rights of use after disclosure of Euro 2,582 thousand in amortisation and Euro 26,146 thousand in financial liabilities (including Euro 21,911 thousand classified as long-term). During the quarter, Euro 464 thousand of financial charges were recorded in the income statement relating to lease contracts previously classified as operational.

In addition to the application of the elements of IFRS 16 referred to above, the following amendments and interpretations became applicable from January 1 2019, as a consequence of transposition by the EU:

IFRIC 23 - Uncertainty over Income Tax Treatments (Reg. EU No 2018/1595)

The interpretation clarifies how to reflect uncertainty for accounting in income taxes in the event that the tax treatment on a specific transaction is unclear. The interpretation clarifies that tax treatment

uncertainties should only be reflected in the financial statements, if the entity is likely to pay or recover the amount in question.

Amendments to IFRS 9 - Financial Instruments - Prepayment features with negative compensation (Reg. EU No 2018/498)

The changes clarify the classification of certain financial assets that are repayable in advance.

Amendments to IAS 28 - Long-term interests in Associates and Joint Ventures (Reg. EU No 2019/237)

This document amendment clarifies the need for application of IFRS 9, including *impairment*-related requirements, to other long-term interests in associates and joint ventures to which the equity method is not applied.

Improvements to IFRSs (2015-2017 Cycle) (Reg. EU No 2019/412)

The amendments concern the following principles:

- IFRS 3, when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business;
- IFRS 11, when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business;
- IAS 12, an entity shall recognise the income tax consequences of dividends consistently with the transactions that generated the distributable profits; the entity must disclose the related income tax consequences in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transactions;
- IAS 23, to the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period.

Amendments to IAS 19 (Regulation (EU) No 2019/402)

The amendments specify that when an entity recalculates its net benefit liability (asset) determined after a plan amendment, curtailment or settlement, it should use updated actuarial assumptions to determine the current service cost and net interest for the remainder of the annual reporting period.

The adoption of these amendments and interpretations, with the exception of the principles of IFRS 16, did not affect the consolidated half-year financial statements to June 30, 2019.

ACCOUNTING PRINCIPLES AND INTERPRETATIONS ISSUED BY IASB AND NOT YET APPLICABLE

At the date of this half year report, the following new principles and interpretations have been issued by the IASB, but have not yet been applicable:

- Amendments to IFRS 3 : the amendments are intended to clarify the definition of “business” in practical terms, to facilitate the entity’s determination of whether it has acquired an asset or a group of assets. These changes are applicable from January 1, 2020.
- Amendments to IAS 1 and IAS 8: the amendments are intended to clarify the definition of material and align the definition used in the Conceptual Framework with the one used in the standards themselves. These changes are applicable from January 1, 2020.



- Amendment of references to the IFRS Conceptual Framework in current standards to align quotations and references to the document itself in the updated version. These changes are applicable from January 1, 2020.
- IFRS 17 *Insurance Contracts*, issued on May 18, 2017, the standard regulates the accounting treatment of insurance contracts issued and reinsurance contracts held.

Any impact on the Group consolidated financial statements arising from the new principles/interpretations are still under assessment.

#### 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 financial report requires the carrying out of estimates and assumptions which have effect on the values of revenues, costs, assets and liabilities of the financial report and on the information report relating to the potential assets and liabilities on the date of the interim financial report. 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 half year report, 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 July 31, 2019.

## EXPLANATORY NOTES

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

### SECTOR REPORT

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

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

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

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

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

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

The figures for the first semester of 2019 take account of the Group's adoption of the new IFRS 16 "Leases". The modified retrospective method was applied without restatement of comparative data.

Values in euro thousand	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Net revenues	199,634	199,687	27,233	30,179	(12,110)	(13,156)	214,757	216,710
Cost of goods sold	(155,355)	(153,935)	(21,688)	(22,911)	12,346	13,095	(164,697)	(163,751)
<b>GROSS MARGIN</b>	<b>44,279</b>	<b>45,752</b>	<b>5,545</b>	<b>7,268</b>	<b>236</b>	<b>(61)</b>	<b>50,060</b>	<b>52,959</b>
Research and Development costs	(11,250)	(9,555)	(2,823)	(3,534)	226	-	(13,848)	(13,089)
Sales and marketing expenses	(14,048)	(13,552)	(1,275)	(1,231)	-	2	(15,323)	(14,781)
General and administrative expenses	(11,459)	(12,260)	(5,738)	(1,979)	2,787	(24)	(14,409)	(14,263)
<b>OPERATING PROFIT (EBIT)</b>	<b>7,522</b>	<b>10,385</b>	<b>(4,291)</b>	<b>524</b>	<b>3,249</b>	<b>(83)</b>	<b>6,480</b>	<b>10,826</b>
Net financial expenses	(2,663)	(5,255)	(420)	(273)	1	-	(3,085)	(5,528)
Net exchange differences	(155)	(320)	(26)	35	-	-	(181)	(285)
Net result of investments accounted for using the equity method	(19)	-	-	-	-	-	(19)	-
Net result of other investments	-	-	(23)	7,179	-	-	(23)	7,179
<b>RESULT BEFORE TAXES (EBT)</b>	<b>4,685</b>	<b>4,810</b>	<b>(4,760)</b>	<b>7,465</b>	<b>3,250</b>	<b>(83)</b>	<b>3,172</b>	<b>12,192</b>
Taxes	(1,226)	(952)	100	(160)	(234)	22	(1,357)	(1,090)
<b>NET RESULT</b>	<b>3,459</b>	<b>3,858</b>	<b>(4,660)</b>	<b>7,305</b>	<b>3,016</b>	<b>(61)</b>	<b>1,815</b>	<b>11,102</b>
- Attributable to Group shareholders	3,450	3,882	(4,660)	7,305	3,016	(61)	1,806	11,126
- Attributable to minority shareholders	9	(24)	-	-	-	-	9	(24)

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
<i>Values in euro thousand</i>	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Property, plant and equipment	49,673	26,514	14,044	10,235	-	-	63,717	36,749
Intangible assets	124,750	127,531	17,983	20,482	(212)	(3,013)	142,521	145,000
Investments accounted for using the equity method	299	-	-	-	-	-	299	-
Other investments	17,355	17,485	49	73	(10,944)	(10,945)	6,460	6,613
Non current financial assets	2,728	3,362	1,515	1,515	-	(1)	4,243	4,876
Deferred tax assets	8,215	8,024	3,668	3,415	412	534	12,295	11,973
<b>NON CURRENT ASSETS</b>	<b>203,020</b>	<b>182,916</b>	<b>37,259</b>	<b>35,720</b>	<b>(10,744)</b>	<b>(13,425)</b>	<b>229,535</b>	<b>205,211</b>
Inventories	123,657	113,682	26,726	24,085	(1,462)	(1,904)	148,921	135,863
Trade receivables	89,280	104,760	15,091	15,411	(9,407)	(9,414)	94,964	110,757
Other receivables	7,012	7,516	3,053	1,410	4	3	10,069	8,929
Current tax receivables	5,846	5,964	3,340	4,275	(748)	(572)	8,438	9,667
Derivatives	4	26	-	-	-	-	4	26
Financial assets	9,207	5,631	-	-	(8,430)	(5,290)	777	341
Cash and cash equivalents	29,019	68,940	1,700	2,138	23	-	30,742	71,078
<b>CURRENT ASSETS</b>	<b>264,025</b>	<b>306,519</b>	<b>49,910</b>	<b>47,319</b>	<b>(20,020)</b>	<b>(17,177)</b>	<b>293,915</b>	<b>336,661</b>
Assets held for sale	226	1,234	-	-	-	-	226	1,234
<b>TOTAL ASSETS</b>	<b>467,271</b>	<b>490,669</b>	<b>87,169</b>	<b>83,039</b>	<b>(30,764)</b>	<b>(30,602)</b>	<b>523,676</b>	<b>543,106</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>144,062</b>	<b>144,858</b>	<b>35,628</b>	<b>40,188</b>	<b>(12,262)</b>	<b>(15,274)</b>	<b>167,428</b>	<b>169,772</b>
Interest-bearing loans and borrowings	114,507	107,402	20,026	11,068	(8,430)	(5,290)	126,103	113,180
Employee benefit liabilities	5,119	5,111	2,442	2,459	-	-	7,561	7,570
Deferred tax liabilities	3,559	3,582	1,860	1,863	-	(112)	5,419	5,333
Provisions	197	197	-	-	-	1	197	198
Derivatives	885	636	-	-	-	-	885	636
<b>NON CURRENT LIABILITIES</b>	<b>124,267</b>	<b>116,928</b>	<b>24,328</b>	<b>15,390</b>	<b>(8,430)</b>	<b>(5,401)</b>	<b>140,165</b>	<b>126,917</b>
Trade payables	90,052	109,218	14,081	15,325	(9,369)	(9,402)	94,764	115,141
Advance payments	29,937	40,017	224	216	312	312	30,473	40,545
Other payables	18,710	20,704	3,644	2,961	(4)	(1)	22,350	23,664
Interest-bearing loans and borrowings	33,938	29,616	7,632	7,412	-	-	41,570	37,028
Current tax payables	5,271	7,006	696	691	(756)	(580)	5,211	7,117
Provisions	21,002	22,206	936	856	(255)	(256)	21,683	22,806
Derivatives	32	116	-	-	-	-	32	116
<b>CURRENT LIABILITIES</b>	<b>198,942</b>	<b>228,883</b>	<b>27,213</b>	<b>27,461</b>	<b>(10,072)</b>	<b>(9,927)</b>	<b>216,083</b>	<b>246,417</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>467,271</b>	<b>490,669</b>	<b>87,169</b>	<b>83,039</b>	<b>(30,764)</b>	<b>(30,602)</b>	<b>523,676</b>	<b>543,106</b>

**CONSOLIDATED FINANCIAL POSITION****1. Property, plant and equipment**

Property, plant and equipment on June 30, 2019 are equal to Euro 63,717 thousand an increase of Euro 26,968 thousand compared with December 31, 2018.

This increase includes Euro 25,782 thousand for rights of use recorded for first application of the new IFRS 16, net of Euro 2,582 thousand of amortisation.

For further details, see 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
<b>Net value as at December 31, 2017</b>	<b>24,979</b>	<b>3,145</b>	<b>3,326</b>	<b>2,522</b>	<b>1,655</b>	<b>35,628</b>
<b>Movements 2018</b>						
Increases	141	2,029	1,200	2,780	1,210	7,360
Disinvestments	(61)	(490)	(61)	(1,337)	(138)	(2,087)
Utilization of accumulated depreciation	61	443	59	1,319	-	1,882
Depreciation	(1,116)	(768)	(1,403)	(1,242)	-	(4,529)
Reclassifications with tangible fixed assets	991	88	273	94	(1,446)	-
Reclassifications with Assets held for sale	(1,531)	-	-	-	-	(1,531)
Differences on exchange rates	2	(6)	63	(21)	(12)	26
<b>Net value as at December 31, 2018</b>	<b>23,466</b>	<b>4,441</b>	<b>3,457</b>	<b>4,115</b>	<b>1,269</b>	<b>36,749</b>
<b>2019 1st half's movements</b>						
Rights of use derived from the first application of IFRS16	21,514	818	225	4,509	-	27,066
Increases	420	2,008	496	1,982	165	5,071
Disinvestments	-	(32)	(11)	(621)	(175)	(839)
Utilization of accumulated depreciation	-	3	7	586	-	596
Depreciation	(1,957)	(560)	(808)	(1,738)	-	(5,063)
Reclassifications with tangible fixed assets	50	(1)	2	102	(153)	-
Reclassifications with intangible fixed assets	-	-	-	-	(61)	(61)
Differences on exchange rates	158	2	7	28	3	198
<b>Net value as at June 30, 2019</b>	<b>43,651</b>	<b>6,679</b>	<b>3,375</b>	<b>8,963</b>	<b>1,048</b>	<b>63,717</b>
<b>Of which Rights of use derived from the first application of IFRS16</b>						
Increases derived from the first application of IFRS16	21,514	818	225	4,509	-	27,066
Increases	397	-	-	842	-	1,239
Disinvestments	-	(18)	-	(23)	-	(41)
Depreciation	(1,412)	(98)	(41)	(1,031)	-	(2,582)
Differences on exchange rates	104	-	-	(4)	-	100

## 2. Intangible assets

The intangible assets on June 30, 2019 are equal to Euro 142,521 thousand and decreased by Euro 2,479 thousand compared with December 31, 2018.

For further details, see the table below

Intangible assets	Goodwill	Development costs	Other intangible assets	TOTAL
Net value as at December 31, 2017	102,911	35,099	11,593	149,603
<b>Movements 2018</b>				
Increases/(decreases)	-	5,431	1,399	6,830
Depreciation	-	(8,463)	(2,700)	(11,163)
Impairment	-	(645)	-	(645)
Differences on exchange rates	121	258	(4)	375
Net value as at December 31, 2018	103,032	31,680	10,288	145,000
<b>2019 1st half's movements</b>				
Increases/(decreases)	-	3,000	465	3,465
Depreciation	-	(4,494)	(1,399)	(5,893)
Impairment	(1,014)	(135)	-	(1,149)
Reclassifications with others items	-	981	61	1,042
Differences on exchange rates	16	34	6	56
Net value as at June 30, 2019	102,034	31,066	9,421	142,521

The most significant item is represented by Goodwill, which on June 30, 2019 amounts to Euro 102,034 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 cash generating units.

CASH GENERATING UNIT	BOOK VALUE GOODWILL June 30, 2019	BOOK VALUE GOODWILL December 31, 2018
PRIMA POWER	97,719	97,708
PRIMA ELECTRO - BU Electronics	4,315	4,316
PRIMA ELECTRO - BU Laser	-	1,008
<b>TOTAL</b>	<b>102,034</b>	<b>103,032</b>

Under IAS 36, goodwill is not subject to amortisation but rather to an annual impairment test conducted for the consolidated and individual financial statements. If impairment indicators are detected that point to possible impairment of goodwill, the impairment test is also conducted for the interim reports.

At 30 June 2019, external and internal events and circumstances had impacted the Prima Electro - BU Laser CGU, such that the company conducted analyses and investigations to ascertain whether impairment testing was indicated for the CGU.

The external and internal events are attributable to:

- tension arising from the trade war between the US and China;

- an unexpected and significant drop in the price of fibre lasers;
- a fall in captive volumes, mainly due to the slowdown in the automotive market and
- industrial cooperation delays with a third-party customer.

In light of the above, the company considered it appropriate to conduct the impairment test for the 2019 Half-Year Report for the PRIMA ELECTRO - BU Laser CGU.

No new elements relating to the PRIMA POWER and PRIMA ELECTRO - BU Electronics CGUs emerged that might point to goodwill impairment of the said CGUs, therefore the impairment test was not repeated during the year.

The recoverable value from the PRIMA ELECTRO - BU Laser CGU was determined from the value in use by discounting the cash flows in the business plan of the said division as approved by the Board of Directors of PRIMA ELECTRO SpA and concerning the period 2020-2024. The assumptions in the cash flow forecast in the explicit forecast were based on prudential findings and use realistic and achievable future expectations.

In order to determine the value in use of the CGU, the sum of the explicit projection cash flows, discounted by 5 years, and a terminal value were considered, to determine the criteria for discounting the perpetual annuity.

The discount rate applied to future cash flows was 8.44% (post-tax), calculated in consideration of the sector in which the CGU operates, the countries in which the CGU is expected to achieve the planned results, the fully operational debt structure and the current economic situation. For cash flows of financial years after the explicit projection period, a growth rate of 0.5% (the same used in previous years) was assumed, in line with recent market valuations.

Given the fact that:

- a significant portion of the value of the CGU is determined by its terminal value and
- the market uncertainty in the related market caused by the above external factors,

the company decided to discount future cash flows in the explicit period by 8.44%, while applying an additional risk premium of 2% (therefore bringing WACC to 10.44%) to discount the terminal value.

Determination of value in use using the above process led to a recoverable value that was Euro 1 million lower than the book value of the cash generating unit; it was therefore decided to impairment test the entire goodwill allocated to the PRIMA ELECTRO - BU Laser CGU of Euro 1,014 thousand.

It is useful to mention that this goodwill results from the US company Convergent, acquired in 2000 to increase the Group's technological knowhow and gain expertise in CO2 and NdYag laser generators.

As can be deduced from the year's progression, most increases in the first semester of 2019 were due to the capitalisation 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 capitalisation of development costs has been carried out by the PRIMA INDUSTRIE Group where there are the conditions set out in IAS 38. For all the development activities of capitalised new projects, the technical feasibility has been verified as well as the generation of probable future economic benefits. The capitalised costs on development projects are monitored individually and measured in terms of the economic benefits expected from the time of their implementation and are amortized on the basis of the period in which it is estimated they will produce

these benefits. The costs capitalised 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 net residual value of the FINN-POWER trademark is equal to Euro 6,648 thousand.

### 3. Investments accounted for using the equity method

The shareholding in 3D NT held by PRIMA INDUSTRIE SpA was valued using the equity method, since further shares were acquired in the first half of 2019 which, when added to those already held at December 31, 2018, take the overall stake to 20%. Thus, given the increased investment and the greater technical collaboration, the conditions are in place to change the valuation method starting 2019.

The value at June 30, 2019 of shareholdings valued using the equity method was Euro 299 thousand, of which Euro 180 thousand relate to the reclassification of the item “Other Investments”, Euro 138 thousand relate to the purchase of a further state and Euro 19 thousand relate to the result for the period.

### 4. Other Investments

The total value of Other Investments at June 30, 2019 is Euro 6,460 thousand and which is down from December 31, 2018. The decrease of Euro 153 thousand relates mainly to the reclassification of the stake in 3D NT, which is classified among the Shareholdings valued using the equity method, the write-down on the stake in Caretek held by Prima Electro SpA and to exchange rate differences for the stake in Lead Laser held by Prima Power Suzhou.

Consequently this heading on June 30, 2019 is composed of:

- Caretek Srl: Euro 49 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);
- Prima Power Sheet Metal Solution: Euro 41 thousand (investment equal to 19% held by PRIMA INDUSTRIE SpA);
- Lead Laser: Euro 6,246 thousand (investment equal to 19% held by PRIMA POWER SUZHOU);
- other minor investments: Euro 38 thousand.

### 5. Non- current financial assets

This item at June 30, 2019 amounted to Euro 4,243 thousand and refers to:

- a time deposit as guarantee for a loan granted by Cassa Depositi e Prestiti and Mediocredito Italiano (known as “Smilla Loan”) for Euro 4,233 thousand;
- a loan issued by PRIMA ELECTRO SpA to Caretek Srl of Euro 10 thousand.

### 6. Deferred tax assets

Tax assets for deferred taxes were Euro 12,295 thousand, increasing from the previous financial year of Euro 322 thousand. Deferred taxes are recorded in the financial statements only if the conditions for their recovery exist. The assessment of the recoverability of deferred tax assets takes account of expected profitability in future years. Deferred taxes on tax losses carried forward were entered recognised in relation to the likelihood of future taxable income against which they can be recovered. Considering the above, there were no elements that might change the previous assessments on the recoverability of deferred taxes.

## 7. Inventories

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

INVENTORIES	June 30, 2019	December 31, 2018
Raw materials	50,888	48,907
Semi-finished goods	28,294	25,996
Finished goods	79,292	69,370
(Inventory provisions)	(9,553)	(8,410)
<b>TOTAL</b>	<b>148,921</b>	<b>135,863</b>

The net value of inventories on June 30, 2019 shows an increase equal to Euro 13,058 thousand compared with December 31, 2018.

The inventory provisions during the first semester of 2019 were subject to the following movements.

Inventory Provisions	June 30, 2019
Value as at December 31, 2018	(8,410)
Provisions	(1,512)
Utilizations	388
Differences on exchange rates	(19)
<b>Value as at June 30, 2019</b>	<b>(9,553)</b>

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.

## 8. Trade Receivables

Net trade receivables at June 30, 2019 amounted to Euro 94,964 thousand a decrease of Euro 15,793 thousand compared to December 31, 2018.

TRADE RECEIVABLES	June 30, 2019	December 31, 2018
Receivables from customers	99,002	114,238
Bad Debt Reserve	(4,038)	(3,481)
<b>TOTAL</b>	<b>94,964</b>	<b>110,757</b>

The Bad Debt Reserve during the first semester of 2019 were subject to the following movements.

BAD DEBT RESERVE	Euro thousand
Value as at December 31, 2018	(3,481)
Provisions	(769)
Utilizations	211
Differences on exchange rates	1
<b>Value as at June 30, 2019</b>	<b>(4,038)</b>



In application of the new IFRS 9, the Group measures trade receivables according to expected credit 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.

#### 9. Other receivables

Other receivables on June 30, 2019 are equal to Euro 10,069 thousand and increased by Euro 1,140 thousand compared with December 31, 2018.

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

#### 10. Current tax receivables

The heading amounts to Euro 8,438 thousand and decreased by Euro 1,229 thousand compared to December 31, 2018. Tax assets mainly include VAT receivables for Euro 4,532 thousand (Euro 4,646 thousand on December 31, 2018), income tax receivables for Euro 2,051 thousand (Euro 1,331 thousand on December 31, 2018), 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 475 thousand (Euro 47 thousand on December 31, 2018), R&D tax credit for Euro 271 thousand (Euro 2,561 thousand at December 31, 2018) and by withholding taxes for Euro 61 thousand (Euro 34 thousand on December 31, 2018).

#### 11. Net Financial position

On June 30, 2019 the net financial position<sup>(\*)</sup> of the Group was negative for an amount of Euro 137,067 thousand increasing of Euro 57,552 thousand compared to December 31, 2018 (negative for Euro 79,515 thousand). The net financial position takes account of the new IFRS 16 accounting standard according to which, at January 1, 2019, debt was increased to Euro 27,066 thousand. At June 30, 2019, this debt amounted to Euro 26,146 thousand.

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

As required by the Consob communication No. DEM/6064293 of July 28, 2006, the net financial position at June 30, 2019 and December 31, 2018 is shown in the following table, determined with the indicated criteria in the CESR (Committee of European Securities Regulators) Recommendations of February 10, 2005 "Recommendations for the uniform activation of the European Commission Regulation on Information Sheets" and quoted by Consob itself.

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

	NET FINANCIAL POSITION	June 30, 2019	December 31, 2018	Variations
A	CASH	30,742	71,078	(40,336)
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	CASH ON HAND (A+B+C)	30,742	71,078	(40,336)
E	CURRENT FINANCIAL RECEIVABLES	781	367	414
F	CURRENT BANK DEBTS	3,502	2,718	784
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	30,403	30,474	(71)
H	BOND ISSUED	248	693	(445)
I	OTHER CURRENT FINANCIAL DEBTS	7,449	3,259	4,190
J	CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)	41,602	37,144	4,458
K	NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)	10,079	(34,301)	44,380
L	NON-CURRENT BANK DEBTS	65,501	72,818	(7,317)
M	BOND ISSUED	24,785	24,762	23
N	OTHER NON-CURRENT FINANCIAL DEBTS	36,702	16,236	20,466
O	NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)	126,988	113,816	13,172
P	NET FINANCIAL POSITION (K+O)	137,067	79,515	57,552

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

	Jun 30, 2019	Dec 31, 2018
Net financial position com. CONSOB n. DEM/6064293	137,067	79,515
Term deposit Smilla	(4,233)	(4,233)
Deposit Prima Power Suzhou	-	(633)
Loan Caretek	(10)	(10)
<b>Net Financial Indebtedness</b>	<b>132,824</b>	<b>74,639</b>

### Liquidity

Cash and cash equivalents amount to Euro 30,742 thousand and consist of:

- bank deposits for Euro 30,684 thousand and
- cash for Euro 58 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 781 thousand and include:

- Euro 771 thousand deposit owned by PRIMA POWER SUZHOU;
- receivables from the company Lamiera Servizi of Euro 6 thousand, a subsidiary of PRIMA INDUSTRIE SpA for 19%;
- currency rate swaps for Euro 4 thousand.

### Bonds issued

Debt to bondholders amount comprehensively to Euro 25,290 thousand, inclusive of accrued and unpaid interests amounting to Euro 290 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 25,033 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 24,785 thousand beyond 12 months.

### Indebtedness with banks

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, 2019, the BNL 2017/2022 loan amounted to a total of Euro 15,506 thousand. The net debt in the financial statements total Euro 15,438 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The BNL 2017/2022 loan is for Euro 12,464 thousand expiring beyond 12 months.

At June 30, 2019, the MPS 2018/2023 loan amounted to a total of Euro 9,367 thousand. The net debt in the financial statements total Euro 9,349 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The MPS 2018/2023 loan is for Euro 7,890 thousand expiring beyond 12 months.

At June 30, 2019, the BPM 2018/2022 loan amounted to a total of Euro 17,833 thousand. The net debt in the financial statements total Euro 17,737 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 13,445 thousand expiring beyond 12 months.

At June 30, 2019, the UNICREDIT 2018/2022 loan amounted to a total of Euro 22,454 thousand. The net debt in the financial statements total Euro 22,328 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The UNICREDIT 2018/2022 loan is for Euro 13,811 thousand expiring beyond 12 months.

At June 30, 2019, the INTESA 2018/2023 loan amounted to a total of Euro 16,379 thousand. The net debt in the financial statements total Euro 16,293 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The INTESA 2018/2023 loan is for Euro 9,943 thousand expiring beyond 12 months.

Non-current bank debts of Euro 7,063 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 885 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 2,973 thousand, MPS 2018/2023 loans for Euro 1,459 thousand, BPM 2018/2022 loans for Euro 4,292 thousand, UNICREDIT 2018/2022 loans for Euro 8,517 thousand and the INTESA 2018/2023 loans for Euro 6,350 thousand, in addition to *bank overdrafts* of Euro 3,470 thousand and other bank loans of Euro 6,812 thousand. Non-current bank debts also include a currency rate swap (CRS) for Euro 32 thousand.

#### Other financial debts

The Other financial debts amount comprehensively to Euro 44,151 thousand (of which current for Euro 7,449 thousand).

The other financial debts include:

- debts for financial lease amounting to Euro 34,306 thousand (of which current for Euro 5,478 thousand);
- other financial debts for Euro 9,845 thousand (of which current for Euro 1,971 thousand); 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, 2019 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 (**):	1.50 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:	3.50 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:	4.00 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:	1.50 for the duration of the loan, to be calculated at June 30 and at December 31 of each year

(\*) for MPS's loan the parameter is < 3.50

(\*\*) covenant applicable only to BPM and MPS loans (for MPS this parameter is <2.0)

The *covenants* measured on the consolidated financial statements at June 30, 2019 are met.

#### Cash flow hedging instruments and accounting for related transactions

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

IFRS 9 classifies, derivatives, which the Group uses only as hedging instruments and not for speculative investment, as assets/liabilities to be measured at *fair value*.

When defining risk management strategies and objectives, transactions require the following characteristics to qualify as a hedging relationship:

- the existence of an economic relationship between the hedged item and the hedging instrument such that the related changes in value would be offset, without this being affected by the counterparty credit risk;
- a hedging relationship that coincides with the entity's risk management objectives, which should be rebalanced where necessary. Any changes to the entity's risk management objectives, or any lapse in the conditions for qualification as hedge transactions, or any rebalancing operations will lead to partial or total discontinuation of the hedge.

At June 30, 2019 the Group holds several derivatives for an overall negative value of Euro 913 thousand, of which Euro 4 thousand are classed as current assets, Euro 885 thousand are non-current liabilities and Euro 32 thousand are current liabilities.

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 so valued.

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

Values in Euro thousand	December 31, 2018	IFRS16 first adoption	Variations from cash flow	Variations not in cash			June 30, 2019
				Issues	Exchange rate effect	Fair value	
Financial debts	116,044	-	(7,710)	-	-	-	108,334
Bond issued	25,455	-	(422)	-	-	-	25,033
Leasing	8,709	27,066	(2,564)	1,070	25	-	34,306
Derivatives	752	-	-	-	-	165	917
<b>TOTAL</b>	<b>150,960</b>	<b>27,066</b>	<b>(10,696)</b>	<b>1,070</b>	<b>25</b>	<b>165</b>	<b>168,590</b>

## 12. Assets held for sale

At June 30, 2019, the value of non-current assets held for sale is Euro 226 thousand down of Euro 1,008 thousand from the previous financial year, due to the sale of a building in Brescia and one of the properties under construction near Mantua, both owned by the parent company Prima Industrie SpA. All assets classified in this category are available for immediate sale, an event that is very likely since the Management has engaged in a divestment programme.

## 13. Shareholders' equity

Net Equity decreased by Euro 2,344 thousand. This decrease was due to the positive results in the Parent Company (Euro 1,806 thousand), the conversion reserve (Euro 578 thousand) and the change in the portion of minority shareholders' equity (Euro 33 thousand), which were offset by the negative effects of the dividends payment (Euro 4,569 thousand) and the *fair value* adjustment reserve for derivatives (Euro 192 thousand).

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

## 14. Employee benefit liabilities

The item employees benefits liabilities on June 30, 2019 is equal to Euro 7,561 thousand and is decreased compared to December 31, 2018 of Euro 9 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, 2019	December 31, 2019
Severance indemnity fund	5,002	5,115
Fidelity premium and other pension funds	2,559	2,455
<b>TOTAL</b>	<b>7,561</b>	<b>7,570</b>

#### 15. Deferred Tax Liabilities

The Deferred Tax Liabilities are equal to Euro 5,419 thousand, increasing compared with December 31, 2018 of Euro 86 thousand.

#### 16. Provisions

The provisions for liabilities and charges are equal to Euro 21,880 thousand and decreased by Euro 1,124 thousand compared with December 31, 2018; non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 197 thousand.

Below a brief overview of the short-term.

CURRENT PROVISIONS	Warranty provisions	Completion project and others provisions	TOTAL
<b>Value as at December 31, 2017</b>	<b>12,497</b>	<b>12,077</b>	<b>24,574</b>
Allocations	6,442	8,481	14,923
Utilizations in the period	(5,235)	(11,648)	(16,883)
Exchange rate differences	123	69	192
<b>Value as at December 31, 2018</b>	<b>13,827</b>	<b>8,979</b>	<b>22,806</b>
Allocations	2,416	1,762	4,178
Utilizations in the period	(2,146)	(3,231)	(5,377)
Exchange rate differences	39	37	76
<b>Value as at June 30, 2019</b>	<b>14,136</b>	<b>7,547</b>	<b>21,683</b>

Current provisions mainly relate to product warranties (equal to Euro 14,136 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 6,850 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 697 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.

#### 17. Trade payables, advance payments and other payables

The value of payables decreased compared to December 31, 2018 by Euro 20,377 thousand.

The advance payments decreased compared to December 31, 2018 and it is equal to Euro 30,473 thousand.

Other payables decreased to December 31, 2018 by Euro 1,314 thousand and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

#### 18. Current tax payables

Tax payables for current taxes on June 30, 2019 amounts to Euro 5,211 thousand which results in a reduction of Euro 1,906 thousand compared with December 31, 2018.

#### CONSOLIDATED INCOME STATEMENT

As already mentioned previously, the Group presents the income statement by “functional area”. In accordance with paragraph 104 of “IAS 1 - Presentation of Financial Statements”, personnel costs amount to Euro 58,114 thousand (Euro 55,991 thousand at June 30, 2018). At June 30, 2019, amortization/depreciation and impairment were Euro 12,105 thousand (at June 30, 2018 these were Euro 7,855 thousand). It should be noted that the amortization of development costs was Euro 4,494 thousand, while those deriving from the application of the new IFRS16 principle amount to Euro 2,582 thousand.

#### 19. 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”.

#### 20. 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 2019 stood at Euro 164,697 thousand up Euro 946 thousand from June 30, 2018; the main components include materials (Euro 108,801 thousand), processing and outsourcing (Euro 10,178 thousand).

#### 21. 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, 2019 were Euro 13,848 thousand, up Euro 759 thousand from the previous half year; public grants accounted for Euro 1,090 thousand.

#### 22. 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 2019 were Euro 15,323 thousand, against Euro 14,781 thousand at the end of the first half of 2018.

#### 23. 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 14,409 thousand at the end of the first half of 2019, up from June 30, 2018 (Euro 14,263 thousand).

#### 24. Financial Income and expenses

The financial income and expenses of the first six months of 2019 shows a negative result of Euro 3,266 thousand.



FINANCIAL MANAGEMENT	June 30, 2019	June 30, 2018
Financial income	2,072	2,670
Financial expenses	(5,157)	(8,198)
<b>Net financial expenses</b>	<b>(3,085)</b>	<b>(5,528)</b>
Net exchange of transactions in foreign currency	(181)	(285)
<b>Total Financial Management</b>	<b>(3,266)</b>	<b>(5,813)</b>

Financial expenses at June 30, 2019 include Euro 464 thousand resulting from application of the new IFRS 16 accounting standard.

#### 25. Net result from investments accounted for using the equity method

The net result from shareholdings valued using the equity method presented a loss of Euro 19 thousand and concerns the related 3D NT.

#### 26. Net result of other investments

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

#### 27. Current and deferred taxes

Income tax for the first six months of 2019 showed a net negative balance of Euro 1,357 thousand. The balance of current and deferred taxes is negative by Euro 1,264 thousand, IRAP is equal to Euro 29 thousand and other taxes, including those relating to prior years, are negative for Euro 122 thousand.

#### 28. Result per share

The result per share on June 30, 2019, positive by Euro 0.17 (positive by Euro 1,06 on June 30, 2018) is calculated by dividing the profits attributable to the shareholders of the parent company by the average number of ordinary shares in circulation during the financial year equal to 10.383.274.

Diluted result per share at June 30, 2019 were positive for Euro 0.17 (positive for Euro 1,06 at June 30, 2018), calculated by dividing the result attributable to the shareholders of the Parent Company by the weighted average number of shares in circulation, adjusted to take account of the effects of all potential ordinary shares with a diluting effect. Shares linked to the stock grant plan were considered to have a potential diluting effect.

#### INFORMATION ON RELATED PARTIES

Below is information on related parties with regard to the bodies for the administration, control and strategic management of the companies 3D-NT and Rodstein.

3D-NT is a start up in the field of additive manufacturing, and specifically metal powder bed technology. Prima Industrie SpA holds a 20% interest in the company.

RODSTEIN is a Finnish company that develops and produces busbars. It is considered a related party since several people with managerial roles in PRIMA INDUSTRIE SpA are involved in the said company.

OPERATIONS WITH RELATED PARTIES	Administrative, control boards and strategic management	3D-NT	RODSTEIN	TOTAL
RECEIVABLES AS AT January 01, 2019	-	72	-	72
RECEIVABLES AS AT June 30, 2019	-	78	-	78
PAYABLES AS AT January 01, 2019	850	-	-	850
PAYABLES AS AT June 30, 2019	311	-	-	311
REVENUES Jan 01, 2019 - Jun 30, 2019	-	62	-	62
COSTS Jan 01, 2019 - Jun 30, 2019	731	-	10	741
<b>VARIATIONS IN RECEIVABLES</b>				
Jan 01, 2019 - Jun 30, 2019	-	6	-	6
<b>VARIATIONS IN PAYABLES</b>				
Jan 01, 2019 - Jun 30, 2019	(539)	-	-	(539)

### SIGNIFICANT NOT RECURRING ITEMS

The table below summarises non-recurring items that have had a negative impact on the Income Statement during the first half of 2019 for a total of Euro 2,440 thousand.

Significant non-recurrent events and transactions (Values expressed in Euro thousand)	Gross Margin	Research and Development costs	Sales and marketing expenses	General and administrative expenses	Financial income and expenses	Total as at Jun 30, 2019	Total as at Jun 30, 2018	Variation 2019 verso 2018
Actions of reorganization/Restructuring	(225)	(328)	(182)	(88)	-	(823)	(346)	(477)
Legal/fiscal disputes and penalties from customers	(162)	-	-	(165)	-	(327)	(940)	613
Impairment of intangible fixed assets	-	(135)	-	-	-	(135)	-	(135)
Impairment of tangible fixed assets	-	-	-	-	-	-	(309)	309
Impairment of Goodwill	-	-	-	(1,014)	-	(1,014)	-	(1,014)
<b>EBIT</b>	<b>(387)</b>	<b>(463)</b>	<b>(182)</b>	<b>(1,267)</b>	<b>-</b>	<b>(2,299)</b>	<b>(1,595)</b>	<b>(704)</b>
Advance Bond and Club Deal & Finnish loan expenses	-	-	-	-	-	-	(1,885)	1,885
Devaluation of financial receivable	-	-	-	-	(118)	(118)	(118)	-
Write-down of investment in Caretek	-	-	-	-	(23)	(23)	-	(23)
Gain from sales of shares in EPS SA	-	-	-	-	-	-	7,179	(7,179)
<b>EBT</b>	<b>(387)</b>	<b>(463)</b>	<b>(182)</b>	<b>(1,267)</b>	<b>(141)</b>	<b>(2,440)</b>	<b>3,581</b>	<b>(6,021)</b>

Non-current costs which negatively impacted EBIT by a total of Euro 2,299 thousand include reorganisation costs in some group companies, relocation of the Finnish plant and a number of fines and legal disputes with customers.

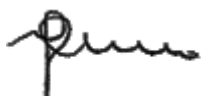
Legal disputes include legal advice relating to PRIMA POWER LASERDYNE Subpoena. At this purpose we remind that the US Company PRIMA POWER LASERDYNE on 2017, received a Federal Grand Jury subpoena requesting information relating to certain exports and related activities since 2011 onward. PRIMA POWER 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.

During the first half of 2019, activities continued, without significant or substantive changes, therefore the information currently available is not enough to assess the possible impact of this issue. These values were also affected by Euro 1,014 thousand goodwill impairment of the PRIMA ELECTRO BU-Laser CGU and Euro 135 thousand from a previously capitalised development project for FINN-POWER OY.

**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, appearing to be a stylized name, possibly 'P. M.', written in a cursive style.



**Annexes**

## ANNEXES

## ANNEX 1 - CONSOLIDATION AREA

PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
FINN POWER OY	Nuppiväylä 7, 60100 Seinäjoki, FINLAND	€ 30.000.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD.	459 Xingrui Road, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	USD 15.850.000	70%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	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	Am Gfild 9, 85375 Neufahrn, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER IBERICA S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	Ul. Holenderska 6 - 05 - 152 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	100%	Line-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 960.015	100%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED 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
PRIMA ELECTRO SUZHOU Co.Ltd.	459 Xingrui Road, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	€ 200.000	100%	Line-by-line method
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line-by-line method

## ANNEX 2 - “NON-GAAP” PERFORMANCE INDICATORS

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

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

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

EBIT: Operating Profit.

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

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

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

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

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

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

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

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	June 30, 2019	June 30, 2018	June 30, 2019	December 31, 2018
US DOLLAR	1.1298	1.2108	1.1380	1.1450
CHINESE RENMINBI	7.6670	7.7100	7.8185	7.8751
RUSSIAN RUBLE	73.7215	71.9802	71.5975	79.7153
TURKISH LIRA	6.3543	4.9551	6.5655	6.0588
POLISH ZLOTY	4.2920	4.2200	4.2496	4.3014
POUND STERLING	0.8736	0.8797	0.8966	0.8945
BRAZILIAN REAL	4.3407	4.1414	4.3511	4.4440
INDIAN RUPEE	79.1182	79.5123	78.5240	79.7298
AUSTRALIAN DOLLAR	1.6002	1.5693	1.6244	1.6220
CANADIAN DOLLAR	1.5067	1.5464	1.4893	1.5605
MEXICAN PESO	21.6539	23.0803	21.8201	22.4921

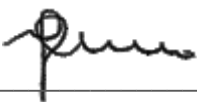
## ATTESTATION OF THE HALF- YEAR CONDENSED FINANCIAL STATEMENT

### 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, 2019 - June 30, 2019;
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.

July 31, 2019

Signature of the Chairman



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Signature Manager responsible for preparing the corporate accounting documents



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**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 2019, 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 2019 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 2019

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*

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### **PricewaterhouseCoopers SpA**

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