It's in our nature to evolve

FINANCIAL REPORT 2020

PRIMA INDUSTRIE

2020 Annual Financial Report

PRIMA INDUSTRIE S.p.A.
Registered office: via Torino-Pianezza 36 – Collegno (TO)
Share Capital Euro 26,208,185 fully paid-up
Company Register and VAT no. 03736080015

MESSAGE TO SHAREHOLDERS AND OTHER STAKEHOLDERS

Dear Stakeholders,

It is now over a year that our world and our normal life have been overwhelmed by COVID-19 pandemic.
The top priority during the past year was to preserve the health of our people, who represent the most significant asset of our Company. This took place through a rigorous system for securing the workplace and encouraging, wherever possible, the smart working.
We have learned from the pandemic that no sustainability is possible without resilience, that is the ability of resisting and adapting to a status quo which is no longer the same as before.
In such a picture, PRIMA INDUSTRIE proved to be resilient thanks to an intrinsic feature, that of having customers, but also production activities, belonging to very different geographical areas; this is extremely important because even when a crisis, such as that induced by COVID-19, affects all areas of the world, the impact temporal dynamics of the crisis on each area are different as well as the actions implemented to cope with them.
Also the diversification of the industrial markets of our products has represented an important resilience factor since the impact of the crisis has not affected in the same way all sectors to which the Group addresses its products; for example, as opposed to a very strong and sudden contraction in demand from sectors such as civil aeronautics or the already depressed automotive sector, the group was able to serve segments such as, for example, HVAC, space economy and medical sector, whose demand has considerably grown being linked to underlying macro trends in strong development.
Finally, it should be emphasised that almost 30% of the Group revenues come from after-sale services towards our wide machines installed base in 80 countries worldwide. Such activity is less influenced by the economic cycle than the new investments and, even in the current emergency, has shown a downturn of about 10% compared to the stronger contraction of the market for new installations.
But, beyond the aforementioned intrinsic resilience features, the Group, facing the serious crisis of recent months, has been able to seize the opportunity to conceive a sustainability concept valid not only now but capable of becoming, also and above all in the future, a new tool, a new operating model.
In fact, when people's travels and moving have become complicated or, in many cases, even impossible, the Group invested in technology to make possible in a virtual way some processes which were previously taking place by transferring persons and their skills. Through streaming and virtual reality systems, we have connected our employees with customers, making possible to remotely install and service our machines, despite their technological complexity. Several training sessions were conducted "from distance" in order to make our employees and our distributors, locally present around the world, able to operate.
Furthermore, to the benefit of customers, Prima Industrie launched a streaming platform called "Prima at Home", through which virtual webinars and open houses are possible to serve customers without having them travelling to reach the Group showrooms.

In the difficult and unusual context characterising the year just ended, the Group reported revenues down by 22% to Euro 333.0 million at December 31, 2020 and EBITDA down by 29% to Euro 27.2 million, that is 8.2% of revenues.
EBIT was negative for Euro 5.3 million, also due the net impairment of Euro 8.5 million made on the capitalised costs of Research and Development in the LASER BU of PRIMA ELECTRO Division and caused by the technological evolution of the sector, the increased price competition and the limited volumes.
The net result is therefore negative for Euro 7.4 million, after many years in profit (the last negative result was in 2010, as an effect of the global financial crisis of the preceding two years).
However, we wish to underline that, excluding the aforementioned impairment and other non-recurring costs, the net result would still have been positive for Euro 4.3 million.

The above was possible thanks to a strong cost-saving action, partly as a consequence of the pandemic (travel blocking and limitation of exhibitions) and partly through the actions, mostly temporary and partly voluntary, reducing the labour cost.
From a financial point of view, despite the additional credit lines obtained at the beginning of the pandemic, as a precaution, the Group paid particular attention to the management of working capital and, consequently, reduced the net financial exposure by approximately Euro 11 million to Euro 96.3 million, a value including Euro 35.7 million of IFRS 16 impact.
The year closed with a fairly good order backlog of Euro 124.7 million (not including, as usual, after-sale activities). This also thanks to a recovery of order intake in the last months of the year, allowing us to look forward with confidence to the near future.
As usual the Group, even in difficult market contingencies, continued to invest a 5.7% share of turnover in Research & Development, particularly in Automation and Software areas, which will be increasingly crucial for competitiveness and success.

Finally, I wish to recall that we have never stopped investing for the future of the Company and of all stakeholders by realising, in recent years, modern and energy efficient production sites in China, Finland and USA. Prima Industrie is also completing the construction of the new headquarters in Collegno (Torino), where the Advanced Laser Center (the Lab dedicated to laser applications) has been already terminated and where the new production plant is near to completion and should be ended within next Summer 2021. The building is equipped with the most modern technologies for energy saving thanks to photovoltaic and solar panels and a geothermal system. The lighting is managed by a home automation system to reduce wastes while the car parking is equipped with charging towers for electric or hybrid vehicles.

For the current year, just started, we expect a partial recovery of the market, in line with the forecasts by external sources and, as a consequence of an improvement in the economic picture, also induced by a softening of the pandemic situation.
The launch of new products, together with the recovery of the market, confirmed also in the first months of 2021, allows us to foresee a significant growth in revenues.
In terms of margins, we also expect a significant improvement resulting from a strong action on costs and from the growing digitalisation of all business processes.

We wish as always to thank all our employees, partners, customers, shareholders and stakeholders in general for having contributed to the realisation of our targets, even in a highly unstable context such as the one we experienced in year 2020 and we hope to treasure what we have learned to ensure a new phase of development of the Company and a better world for present and future generations.

Gianfranco Carbonato
Executive Chairman

Contents

CHAPTER 1

Parent Company Governance

CHAPTER 1. PARENT COMPANY GORVENANCE

Board of Directors

EXECUTIVE CHAIRMAN	Gianfranco Carbonato(*)
DEPUTY EXECUTIVE CHAIRMAN	Domenico Peiretti(*)
MANAGING DIRECTOR	Ezio Giovanni Basso
INDIPENDENT DIRECTORS	Donatella Busso Francesca de Fraja Frangipane Paola Gatto Carlalberto Guglielminotti Giuliana Mattiazzo
OTHER DIRECTORS	Lisa Tan Mario Mauri Michael R. Mansour

Control and Risks Committee and Related Parties Committee

CHAIRMAN	Donatella Busso
MEMBERS	Francesca de Fraja Frangipane Paola Gatto

Remuneration Committee

CHAIRMAN	Francesca de Fraja Frangipane
MEMBERS	Mario Mauri Paola Gatto

Strategic Committee

CHAIRMAN	Domenico Peiretti
MEMBERS	Carlalberto Guglielminotti Giuliana Mattiazzo Michael R. Mansour Mauro Mauri

Board of Statutory Auditors

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

Audit Company

PricewaterhouseCoopers S.p.A.

Expiry of Mandates

The Board of Directors shall remain in office until the approval of 2022 Financial Statements.

The Board of Statutory Auditors shall remain in office until the approval of 2021 Financial Statements.

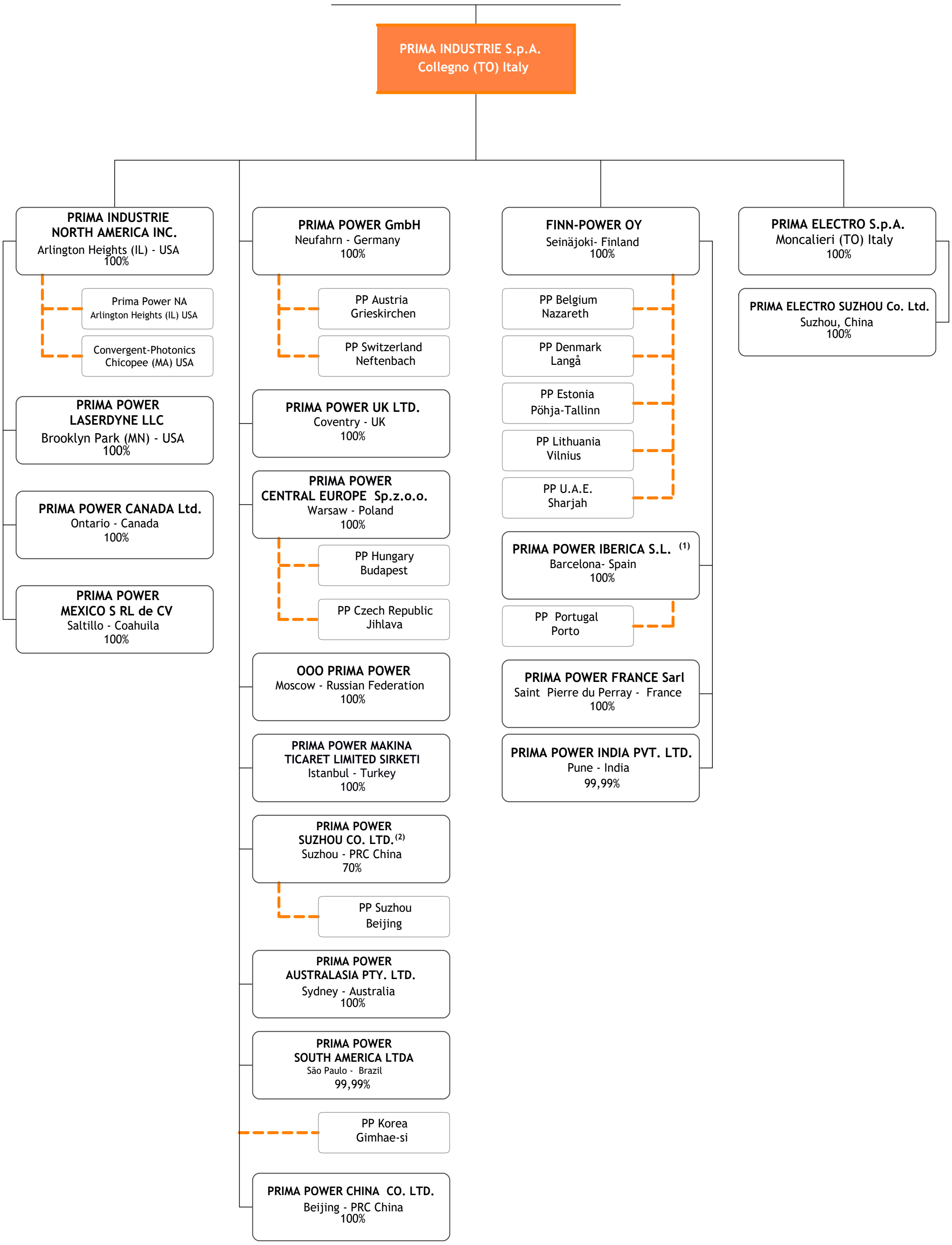
The Audit Company was appointed by the Stockholders' Meeting held on 11 April 2017 for the period 2017-2025.

(*) *The Executive Chairman and the Deputy Executive Chairman were also assigned the position of Managing Director.*

CHAPTER 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 December 31, 2020. Group business units 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).

CHAPTER 3

Prima Industrie Group Profile

CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE

The PRIMA INDUSTRIE Group is a market leader in the development, manufacture and sale of laser systems for industrial applications and of machines to process sheet metal, besides in the fields of industrial electronics and laser sources.
The Parent Company PRIMA INDUSTRIE SpA, established in 1977 and listed in the Italian Stock Exchange since 1999 (currently MTA - STAR segment), designs and manufactures high-power laser systems for cutting, welding and surface treatment of three-dimensional (3D) and flat (2D) components, panel bending and bending machines as well as turnkey solutions for the main Additive Manufacturing technologies: Powder Bed Fusion - PBF and Direct Metal Deposition – DMD.

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 (PRIMA INDUSTRIE NORTH AMERICA Inc. - CONVERGENT-PHOTONICS), as well as sales facility in China.

The **PRIMA ADDITIVE** division, established in the second half of 2018 and dedicated to the design, production and sale of turnkey solutions for the main Additive Manufacturing technologies: Powder Bed Fusion – PBF and Direct Metal Deposition – DMD, and the relative support and services for its applications. The 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 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.

On March 9, 2021, the Board of Directors approved these draft Financial Statements for the year 2020, the Consolidated Financial Statements and the Report on Operations.

CHAPTER 4

Introduction

CHAPTER 4. INTRODUCTION

This Annual Financial Report at December 31, 2020 of PRIMA INDUSTRIE Group was prepared pursuant to article 154-ter of Leg. Decree, paragraphs 2, 3 and 4 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") recognised by the European Union and by Italian legislation and regulations.

This report was approved by the Board of Directors on March 9, 2021and 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.

This Annual Financial Report has been audited.

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 goods sold" 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.

CHAPTER 5

Group Report on Operations

CHAPTER 5. GROUP REPORT ON OPERATIONS

GROUP RESULTS SUMMARY

Values in Euro thousand	December 31, 2020	December 31, 2019	Variations	%
ORDER INTAKE	323,093	410,417	(87,324)	-21.3%
BACKLOG	124,722	142,332	(17,610)	-12.4%
REVENUES	332,963	427,582	(94,619)	-22.1%
EBITDA	27,185	38,432	(11,247)	-29.3%
EBITDA %	*8.2%*	*9.0%*	*-0.8%*	-
EBIT	(5,258)	14,391	(19,649)	-136.5%
EBIT %	*-1.6%*	*3.4%*	*-5.0%*	-
NET RESULT	(7,414)	8,818	(16,232)	-184.1%
FCF	15,600	(4,197)	19,797	471.7%
NET FINANCIAL DEBT	(96,274)	(107,343)	11,069	10.3%
HEADCOUNT	1,735	1,781	(46)	-2.6%

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

Values in Euro thousand	December 31, 2020	December 31, 2019	Variations	%
REVENUES AT COSTANT EXCHANGE RATES	339,197	427,582	(88,385)	-20.7%
EBITDA *Adj*	28,438	41,014	(12,576)	-30.7%
EBITDA *Adj %*	8.5%	9.6%	-1.1%	-
EBIT *Adj*	6,481	18,610	(12,129)	-65.2%
EBIT *Adj* %	1.9%	4.4%	-2.5%	-

(% 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)

SIGNIFICANT EVENTS 2020

COVID-19 PANDEMIC

The performance in 2020 was conditioned by the health emergency due to the COVID-19 pandemic, which, as is well known, after starting in January 2020 in China, rapidly spread first to Italy and then to the rest of Europe and the World, resulting in an unfavourable overall picture that marked the entire financial year; there were some positive signs of partial recovery in the second half of 2020, but the context of crisis remains in place and is expected to continue for the first part of 2021. The recovery is postponed, a real recovery could take place only from mid-2021 if vaccination will bring down the health emergency and restart consumption.

Following the health emergency proclaimed by the World Health Organization, the government authorities of various countries have been issuing random measures to suspend production and commercial activities, often restricting people's freedom of movement. The restrictive measures and the containment of the epidemic put in place at international level led to a lockdown of many industrial and commercial activities, in particular, as far as Italy is concerned, between March and June, with serious consequences not only for social life but also for operational management.

The resulting emergency, in addition to the dramatic costs in social and human terms, is also causing a significant contraction in world economic activity, affecting the regular and ordinary course of the Group’s business activities; this global context of economic recession is also causing great uncertainty about the outlook *for* 2021.

The capital goods sector in which the Group operates is derived from the macroeconomic trend and is therefore penalised even more significantly. Lockdowns in the various countries everywhere caused a very marked slowdown in the machine tool market, which had already entered a slowdown phase from late 2018.

In particular, the Group was penalised, in addition to the closure of the production plants in Italy and China (and only partially in the United States), by the severe limitations on travel and journeys, which negatively affected in particular the installation of new machines at customers' premises and after-sales service and maintenance activities, generating a significant slowdown in revenues, which were approximately 22.1% lower in 2020 than in 2019.

The Group promptly put in place all the protocols and measures necessary to protect the health and safety of its employees, suspending production activities where required, reinforcing health and safety protocols and encouraging remote work as far as possible; the Group has incurred costs for sanitisation, sanitary adjustments and supply of PPE to all employees on the basis of local regulations which, where required by the governments of the countries in which Prima Industrie operates, have been offset by the use of social safety nets.

The Group has shown great strength and organisational flexibility by responding promptly to the extraordinary context of the crisis; thanks to the results resulting from the cost containment measures already initiated since the end of 2019 and which will also continue in 2021 managed to maintain a gross operating profitability (EBITDA) of around 8.2% of turnover in the year.

Management also reacted positively on the financial debt front, which was better at December 31, 2020 than in the same period in 2019.

The Group has benefited in some countries from the suspension of tax and social security payments, and has also received government grants in the USA and Poland, but above all it has adopted a series of measures aimed at preserving the Group’s liquidity, its ability to meet its maturing financial obligations and to mitigate the impact of the crisis on its consolidated net financial position.

Among the most significant actions are:

- implementation of a programme to reduce operating costs in all divisions;
- reduction, on a voluntary basis, of both the emoluments of executive directors and the remuneration of executives;
- strengthening of net working capital management procedures;
- revision of the investment plan, postponing those investments considered less strategic at present;
- making requests to the banking system for additional credit lines compared to those in place at the beginning of 2020;
- the resolution not to distribute dividends;
- withdrawal of the proposal to purchase treasury shares.

The significant financial and economic effects include:

- expenses incurred by the Group mainly for the purchase of safety equipment, the sanitation of environments and any costs incurred for the cancellation of both employee travel and commercial events for a total amount of Euro 951 thousand;
- government incentives granted to certain Group companies to cope with the COVID-19 emergency in the amount of Euro 1,511 thousand;

- use of the COVID-19 redundancy fund for Italian companies amounting to Euro 3,995 thousand;
- marginal use of the moratorium (only capital portion) on some bank loans granted to Italian companies for a total amount of Euro 5,984 thousand.

In the light of the above, of the substantial order backlog, of the ability demonstrated by the management to react promptly to the new scenario, of the confidence in its own business fundamentals and of the cash and lines of credit available, even in this highly uncertain context, no doubts arise as to the existence of the going concern assumption.

APPOINTMENT OF NEW BOARD OF DIRECTORS

On May 12, 2020 PRIMA INDUSTRIE SpA appointed the new Board of Directors which will remain in office until the approval of the financial statements for the year 2022 and which is composed of the following 11 Directors:

- Gianfranco Carbonato (with the position of Chairman), Ezio Giovanni Basso, Donatella Busso, Francesca de Fraja Frangipane, Paola Gatto, Carlalberto Guglielminotti, Michael Mansour, Giuliana Mattiazzo, Mario Mauri - taken from the list submitted by Erste International SA
- Domenico Peiretti (as Vice-Chairman) and Lisa Marie Tan - taken from the list presented by World Leader Limited and dPcube S.r.l.

The CVs and information regarding the newly elected Directors are available on the Company's website http://www.primaindustrie.com/it/information-for-the-shareholders/.

The directors Donatella Busso, Francesca de Fraja Frangipane, Paola Gatto, Carlalberto Guglielminotti and Giuliana Mattiazzo certified that they meet the independence requirements of Article 148, paragraph 3 of the CFA (applicable pursuant to Article 147-ter, paragraph 4 of the CFA) and the Corporate Governance Code promoted by Borsa Italiana S.p.A.

The existence of the requirements of independence, as well as the requirements of integrity, was verified and confirmed at the first meeting of the Board of Directors.

WITHDRAWAL OF AUTHORISATION TO PURCHASE TREASURY SHARES

On May 12, 2020 PRIMA INDUSTRIE SpA revoked the authorisation by the Shareholders' Meeting of April 16, 2019 relating to the purchase for a period of eighteen months of PRIMA INDUSTRIE SpA ordinary shares of up to 300,000 shares.

RESOLUTION AUTHORISING THE DISPOSAL OF TREASURY SHARES

On May 12, 2020, PRIMA INDUSTRIE SpA resolved to authorise the disposal of the treasury shares already in its portfolio, pursuant to Article 2357-ter of the Italian Civil Code. The request for authorisation to dispose of treasury shares is based on the opportunity to grant the Board of Directors the power to dispose of the shares purchased, in compliance with current legislation, or to service any share incentive plans approved by the Company in favour of directors, employees and collaborators of the Company or Group companies, to service any free allocations to shareholders, including as dividends in kind, to service any extraordinary transactions, or to support market liquidity.

FINANCIAL LOAN BY “CASSA DEPOSITI E PRESTITI”

In September 2020 the Cassa Depositi e Prestiti (hereinafter referred to as CDP for brevity) granted PRIMA INDUSTRIE SpA a Euro 12.5 million loan with the aim of supporting the Group's investment plan for the next three years in research and innovation. In particular, the resources will be used to support the Group's innovative projects oriented towards new developments relating to machines and laser sources, machines operating in the *sheet metal fabrication* and *Additive Manufacturing* sectors, and will also be allocated to the digitalisation of products and processes according to *Industry 4.0* criteria. This investment plan, supported by CDP, underscores the Group's strong technological and innovative spirit, with the aim of continuing to strengthen its leadership and competitiveness both nationally and internationally.

MACROECONOMIC CONTEXT

After a year marked by the COVID-19 pandemic, business operators are wondering if 2021 will be the year of the restart. However, making predictions in this context of uncertainty, still characterised by the pandemic, requires a particularly effective exercise of scenario analysis and the respective probabilities. Still, the start of the global vaccination plan, Biden's electoral victory in the US and the massive monetary and fiscal stimulus lead us to start the year with a degree of optimism. After the pause imposed on many sectors of the economy by repeated lockdowns during 2020, 2021 seems to be starting off on the right foot from the perspective of economic recovery that could translate into a subsequent acceleration.

Already in the second half of 2020, despite a context of increasing adversity related to the resurgence of the pandemic, the global economic recovery continued. Activity in the manufacturing and services sectors remained robust, although the continued lockdowns in the countries hardest hit by the pandemic pose increasing downside risks. The recovery in world trade is continuing, despite some signs of a loss of momentum observed towards the end of 2020. International financial conditions remain highly accommodative as equity markets are supported by COVID-19 vaccine-related developments, expansionary fiscal policies and a reduced degree of uncertainty about the future of EU-UK trade relations.

After the unprecedented decline in euro area output in the first half of 2020, economic growth rebounded strongly in the third quarter of the year. However, economic data, business survey results, and the most recent high-frequency indicators all suggest that the resurgence of the pandemic and the associated intensification of containment measures likely resulted in a decline in activity in the fourth quarter of 2020, with the impact of this being expected to extend into the first quarter of 2021.

While activity in the services sector, as a result of tighter containment measures, is undergoing a sharp contraction (albeit on a smaller scale than during the first wave of the pandemic in spring 2020), activity in the manufacturing sector, on the other hand, continues to show good resilience.

In the euro area, growth trends are expected to remain uneven across sectors and countries. Looking ahead, the distribution of vaccines, which began in late December, increases the confidence that the health crisis will be resolved. Achieving widespread immunity, however, will take time and further adverse developments of the pandemic cannot be excluded, with associated difficulties for public health and economic prospects. Over the medium term, economic recovery in the euro area is expected to be underpinned by favourable financing conditions, expansionary fiscal policies and a pick-up in demand as restraint is lifted and uncertainty subsides.

As the impact of the pandemic recedes, a pick-up in demand, supported by accommodative monetary and fiscal policies, should place upward pressure on inflation over the medium term.

In its "*World Economic Outlook*" published on January 26, 2021, the International Monetary Fund (IMF) forecasts that the global economy will grow by 5.5% in 2021; this represents an increase of 0.3 percentage points over the previous forecast in October. Current forecasts call for more positive growth in 2022 with a further 4.2% expansion of the global economy. The world’s advanced economies are expected to show strong growth with projections of 4.3% in 2021 and over 3% in 2022, an improvement over the IMF’s October forecast.

Driving the projected growth rates are global emerging markets which are expected to have a projected growth of 6.3% in 2021 and 5% in 2022, which marks a marginal increase from the IMF’s October forecast of 6%.

China showed excellent performance in the last quarter and has returned to pre-pandemic levels to become the world's leading economy. China was the only major economy to experience growth in 2020, thanks in part to strong economic relief measures and quarantine policies implemented to deal with the pandemic. Looking forward to 2021, the Chinese economy is expected to recover with IMF projected growth rates of 8.1% and then a growth rate of 5.6% in 2022.
The euro area economies are recovering faster than expected with the rate of contraction reduced by 1.1% for 2020 and a projected growth rate of 4.2% in 2021 and 3.6% in 2022. In particular, Italy performed better than expected, with a reduction of 9.2%. For the years 2021 and 2022, Italy is expected to record growth of 3% and 3.6% respectively.
The U.S. recovery is now projected at a rate of 5.1% for 2021 with further growth of 2.5% in 2022.
With specific reference to the context of capital goods, it should be noted that the impossibility of transporting goods and people, as well as the almost total absence of exhibitions, placed a strain on activities in 2020.
In Italy, the UCIMU notes that the total index of the collection of orders on an annual basis, marked a decline of 18.6% in 2020 compared to the previous year. The result was determined by the collapse of orders collected on the domestic market (-35.1%) and the reduction of those collected on the foreign market (-13.6%).
Again according to UCIMU, expectations for 2021 are, however, optimistic: in fact, production is expected to increase by 16.6%, driven by the recovery of exports (+11.8%) and the increase in deliveries by manufacturers on the domestic market (+23.2%). There will be a recovery of 23.6% in imports, while the export-to-production figure will return to 55.6% as a result of Italian manufacturers balancing their activities between the domestic and foreign markets.
In particular, the UCIMU recalls, "on the domestic front, the measures envisaged by the Transition 4.0 plan included in the Budget Law 2021 are an excellent incentive for the resumption, in Italy, of investments in new technologies, digital and otherwise, and the availability of vaccines will contribute to the resumption of business even across borders, facilitating the mobility of people, which is crucial for *Business*".

ECONOMIC PERFORMANCE

The Group's turnover at December 31, 2020 was Euro 332,963 thousand, down 22.1% compared to 2019.

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

Values in Euro thousand

December 31, 2020	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	310,799	65,342	21.0%	25,443	8.2%	8,851	2.8%	4,592
PRIMA ELECTRO	41,060	3,485	8.5%	1,802	4.4%	(14,048)	-34.2%	(9,861)
ELIMINATIONS	(18,896)	(138)	-0-7%	(60)	-0.3%	(61)	-0.3%	(2,145)
GROUP	**332,963**	**68,689**	**20.6%**	**27,185**	**8.2%**	**(5,258)**	**-1.6%**	**(7,414)**

(% calculated over the revenues)

Values in Euro thousand

December 31, 2019	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	398,629	86,724	21.8%	33,193	8.3%	15,532	3.9%	7,741
PRIMA ELECTRO	51,163	10,713	20.9%	4,392	8.6%	(1,989)	-3.9%	574
ELIMINATIONS	(22,210)	384	1.7%	847	3.8%	848	3.8%	503
GROUP	**427,582**	**97,821**	**22.9%**	**38,432**	**9.0%**	**14,391**	**3.4%**	**8,818**

(% calculated over the revenues)

Values in Euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	(87,830)	(21,382)	-24.3%	(7,750)	-8.8%	(6,681)	-7.6%	(3,149)
PRIMA ELECTRO	(10,103)	(7,228)	-71.5%	(2,590)	-25.6%	(12,059)	-119.4%	(10,435)
ELIMINATIONS	3,314	(522)	15.8%	(907)	27.4%	(909)	27.4%	(2,648)
GROUP	**(94,619)**	**(29,132)**	**-30.8%**	**(11,247)**	**-11.9%**	**(19,649)**	**-20.8%**	**(16,232)**

(% calculated over the revenues)

The consolidated revenues, broken down by geographical area, as of December 31, 2020 compared with the corresponding period of the previous year are shown below:

Revenues	December 31, 2020		December 31, 2019	
	Euro thousand	*%*	*Euro thousand*	*%*
EMEA	189,862	57.0	262,798	61.5
AMERICAS	99,061	29.8	107,740	25.2
APAC	44,040	13.2	57,044	13.3
TOTAL	**332,963**	**100.0**	**427,582**	**100.0**

The above shows that the Group's turnover at December 31, 2020 (compared to the same period of the previous year) recorded a notable decline in EMEA (-27.8%) and in APAC (-22.8%) and a smaller one on the AMERICAS (-8.1%).

The Group achieved consolidated revenues in EMEA of Euro 189,862 thousand; the main destination countries were Italy (14.8% of consolidated revenues), Northern Europe (8.9% of consolidated revenues), Russia and Eastern Europe (7.7% of consolidated revenues), and Germany, Austria and Switzerland (7.0% of consolidated revenues).

The turnover portion generated by the AMERICAS decreased by 8.1% compared to 2019, from Euro 107,740 thousand to Euro 99,061 thousand.

As for APAC countries, compared to 2019 revenues decreased from Euro 57,044 thousand to Euro 44,040 thousand (-22.8%). The decrease is mainly attributable to revenues in China, which fell from Euro 42,579 thousand (as at December 31, 2019) to Euro 26,617 thousand (as at December 31, 2020).

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

Revenues	December 31, 2020		December 31, 2019	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	310,799	93.3	398,629	93.2
PRIMA ELECTRO	41,060	12.3	51,163	12.0
Inter-sector revenues	(18,896)	(5.6)	(22,210)	(5.2)
TOTAL	**332,963**	**100.0**	**427,582**	**100.0**

As can be seen from the table above, the overall decrease in revenues can be attributed to both divisions; the reduction in PRIMA POWER comes to Euro 87,830 thousand and in PRIMA ELECTRO to Euro 10,103 thousand.

The **cost of goods sold** at December 31, 2020 was Euro 264,274 thousand, down Euro 65,487 thousand from December 31, 2019 (equal to Euro 329,761 thousand).

Group **Gross Margin** at December 31, 2020 was Euro 68,689 thousand, a decrease of Euro 29,132 thousand compared to Euro 97,821 thousand in the same period of 2019; the margin accounted for 20.6% of sales and was a decrease compared to December 31, 2019 (22.9%).

The **research and development** activity carried out by the Group during 2020 has been equal overall to Euro 18,995 thousand (of which Euro 13,498 thousand in the PRIMA POWER sector and Euro 5,497 thousand in the PRIMA ELECTRO sector), which comes to 5.7% of turnover.
The capitalised share was equal to Euro 5,479 thousand (of which Euro 2,063 thousand in the PRIMA POWER sector and Euro 3,416 thousand in the PRIMA ELECTRO sector), an increase compared to Euro 7,116 thousand at December 31, 2019.
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 capitalised development activities, the technical feasibility has been verified as well as the generation of probable future economic benefits.

During the year, the main activities of the PRIMA POWER division concerned:

- acquisition and development of laser systems in the aeronautical field with process certification;
- development of new performances on 3D machines dedicated to intensive production with significant cycle time reductions;
- development of vision systems for digital control of bend angle accuracy;
- expansion of available configurations and software functionalities for robotic bending cells;
- optimisation of the cyclicality of the interlocking devices of automatic bending lines;
- developing a new additive manufacturing machine with PBF technology (*Powder Bed Fusion*) for the production of medium-sized components;
- developing a new additive manufacturing machine with DED-LMD technology (*Direct Energy Deposition - Laser Metal Deposition*) suitable for 3D productions, reprocessing and repairs.

During the year, the main activities of the PRIMA ELECTRO division concerned:

- continuation of the multi-year project for the development of optoelectronic components *(multi-emitter laser diodes)* for application in fibre laser sources;
- development of high-power fibre laser sources;

- continuation of projects to develop control systems (hardware and software) dedicated to 3D printing (*additive manufacturing*).

Net research and development costs were Euro 28,728 thousand, up Euro 3,725 thousand from the figure of Euro 25,003 thousand at December 31, 2019. This item includes non-capitalisable research and development costs, *Tech Centre* costs and overheads and is disclosed net of grants (national and European) entered on an accrual basis. This item also includes an *impairment* amounting to Euro 10,486 thousand on certain development expenses of the PRIMA ELECTRO Division (for further information see Note 2 - Intangible Fixed Assets of the Explanatory Notes).

Sales and marketing expenses, which include business structure costs such as personnel, trade fairs and events, the *demo centre*, promotional and advertising activities and related overheads, were Euro 22,911 thousand, decreasing by Euro 8,344 thousand from Euro 31,255 thousand at December 31, 2019.

General and administrative expenses, which includes costs related to Group or Divisional management structures, Finance costs, HR, IT and overheads, were Euro 22,308 thousand, decreasing by Euro 4,864 thousand from Euro 27,172 thousand at December 31, 2019.

Group **EBITDA** at December 31, 2020 came to Euro 27,185 thousand, equal to 8.2% of revenues against Euro 38,432 thousand, equal to 9.0% of revenues at December 31, 2019.
EBITDA has been affected by non-recurring costs for Euro 1,253 thousand (at December 31, 2019 these costs amounted to Euro 2,582 thousand), therefore Group's ***Adjusted* EBITDA** (1) is equal to Euro 28,438 thousand (8.5% of revenues). In particular, in the last quarter of the year ***Adjusted* EBITDA**(1) amounted to Euro 10,311 thousand (equal to 10.4% on the quarterly turnover).

Group **EBITDA** at December 31, 2020 was negative for Euro 5,258 thousand, equal to a drop of -1.6% in revenues against Euro 14,391 thousand, equal to 3.4% of revenues in the previous year.
This result is affected by:

- the impairment of certain development costs of the PRIMA ELECTRO - LASER BU Division for Euro 10,486 thousand (for further information, see Note 2 - Intangible Assets of the Notes to the Financial Statements);
- the amortisation of intangible assets for Euro 10,688 thousand (related to development costs for Euro 7,951 thousand and to the trademark recorded in the context of the FINN-POWER Group business combination for Euro 1,878 thousand);
- depreciation of property, plant and equipment amounting to Euro 11,268 thousand.

EBIT at December 31, 2020 was affected by non-recurring costs of Euro 11,739 thousand (among which the aforementioned impairment of the PRIMA ELECTRO Division); consequently ***Adjusted* EBIT**(1) amounted to Euro 6,481 thousand (1.9% of revenues). In the last quarter of the year, ***Adjusted* EBIT**(1) was positive for Euro 4,775 thousand (equal to 4.8% on the quarterly turnover).

The Group **EBT** at December 31, 2020 is negative for Euro 10,560 thousand compared to positive Euro 10,456 thousand at December 31, 2019.
The Group EBT includes net costs deriving from financial management (including foreign exchange profits and losses) for Euro 5,307 thousand (at December 31, 2019 these were equal to Euro 6,516 thousand).

Financial results (€/000)	Dec 31, 2020	Dec 31, 2019
Bond expenses	(917)	(918)
Loans 2018 expenses	(1,282)	(1,460)
Derivatives expenses (CRS)	749	(432)
Derivatives expenses (IRS)	(315)	(382)
Lease expenses	(1,292)	(1,238)
Write-down of financial receivables	-	(118)
Other financial expenses	(1,065)	(1,560)
Net financial expenses	**(4,122)**	**(6,108)**
Net exchange differences	(1,185)	(408)
TOTAL	**(5,307)**	**(6,516)**

Exchange rate management was negative at Euro1,185 thousand (it was negative for Euro 408 thousand at December 31, 2019); however, it is important to point out that the management of exchange rate derivatives is positive at Euro 749 thousand.

Net result of other investments is positive at Euro 5 thousand and refers for Euro 54 thousand to the capital gain for the sale of the Härmämedi OY investment achieved by FINN-POWER OY and for Euro 49 thousand to the write-down of the Caretek Srl held by PRIMA ELECTRO SpA.

The Group **NET RESULT** at December 31, 2020 is negative for Euro 7,414 thousand against Euro 8,818 thousand at December 31, 2019; the Net Result ascribable to the Parent Company is negative for Euro 7,201 thousand.

Income taxes in the 2020 financial year indicate a positive net balance of Euro 3,146 thousand. The balance of current and deferred taxes is positive at Euro 3,177 thousand, and other taxes including those relating to prior financial years are Euro 31 thousand.

(1) 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 Financial Report.

ASSETS, LIABILITIES AND FINANCIAL POSITION

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

Values expressed in Euro thousand	December 31, 2020	December 31, 2019	Variations
Tangible and intagible fixed assets	87,367	105,991	(18,624)
Goodwill	97,751	97,894	(143)
Equity investments and other non-current assets	6,620	6,853	(233)
Deferred tax assets	17,656	14,671	2,985
NON-CURRENT ASSETS	**209,394**	**225,409**	**(16,015)**
Inventories	118,689	127,818	(9,129)
Trade receivables	77,624	85,406	(7,782)
Trade payables	(69,390)	(81,290)	11,900
Advances	(40,019)	(34,715)	(5,304)
OPERATING WORKING CAPITAL	**86,904**	**97,219**	**(10,315)**
Other current assets and liabilities	(10,512)	(12,764)	2,252
Current tax assets and liabilities	(691)	1,612	(2,303)
Provisions for risks and employee benefits	(26,853)	(27,883)	1,030
Deferred tax liabilities	(4,759)	(5,366)	607
Non-current assets held for sale	5,255	4,229	1,026
NET INVESTED CAPITAL	**258,738**	**282,456**	**(23,718)**
NET INDEBTEDNESS	**96,274**	**107,343**	**(11,069)**
SHAREHOLDER'S EQUITY	**162,464**	**175,113**	**(12,649)**
Stockholders' equity of the Group	159,620	171,981	(12,361)
Minority interest	2,844	3,132	(288)
LOAN SOURCES	**258,738**	**282,456**	**(23,718)**

Property, plant and equipment and intangible fixed assets (other than Goodwill) decreased by Euro 18,624 thousand from the previous year. Movements in the year 2020 were for:

- net increases of Euro 16,861 thousand (including Euro 5,729 thousand for development costs);
- early termination of real estate lease contracts for Euro 2,106 thousand;
- amortisation for Euro 21,956 thousand;
- *impairment* of certain development costs of the PRIMA ELECTRO-BU LASER Division for Euro 10,486 thousand;
- increases of Euro 697 thousand due to reclassification of other balance sheet items;
- negative exchange rate effect of Euro 1,634 thousand.

The change in the year relating to Goodwill is only attributable to currency adjustments.

Operating Working capital decreased from the previous year by Euro 10,315 thousand.

At December 31, 2020 the Group's **Net Financial Indebtedness** (2) was equal to Euro 96,274 thousand, improving compared to Euro 107,343 thousand at December 31, 2019.

In addition to cash of approximately Euro 63 million, at December 31, 2020 the Group has unused available credit lines of over Euro 50 million.

Below is a breakdown of Group net financial indebtedness:

Values expressed in Euro thousand	Dec 31, 2020	Dec 31, 2019
NON CURRENT FINANCIAL ASSETS	(4,233)	(4,243)
CASH & CASH EQUIVALENTS	(62,999)	(55,136)
CURRENT FINANCIAL ASSETS	(423)	(532)
CURRENT FINANCIAL LIABILITIES	52,861	43,326
NON CURRENT FINANCIAL LIABILITIES	75,336	85,056
NET FINANCIAL DEBT (before leasing)	**60,542**	**68,471**
LEASING LIABILITIES	35,732	38,872
NET FINANCIAL DEBT	**96,274**	**107,343**

To provide better information with regard to the consolidated net financial indebtedness at December 31, 2020, the following should be considered (including ancillary costs and accrued interest):

- the Bond amounted comprehensively to Euro 25,540 thousand;
- loans 2018 amount to Euro 53,509 thousand;
- payables due to leasing companies amount to Euro 35,732 thousand.

For more details on the net financial position, see Note 11 - Net Financial Indebtedness.

Net equity attributable to shareholders of the parent company decreased by Euro 12,361 thousand compared to the previous year. This decrease is due to the negative effects from the results of the period (Euro 7,201 thousand), currency translation reserve (Euro 5,228 thousand) and other reserves (Euro 66 thousand), which are offset by the positive effects of the *fair value* adjustment reserve for derivatives (Euro 134 thousand). The equity of minority shareholders decreased by Euro 288 thousand due to the overall result for the period attributable to third parties.

(2) *Reconciliation between Group **Net Financial Indebtedness** (used as a performance indicator) and net financial position required by CONSOB Communication no. DEM/6064293 of 28/07/2006 is provided in the Explanatory Notes.*

Below is the Cash Flow of the PRIMA INDUSTRIE Group at December 31, 2020, compared with the previous year.

Values in Euro thousand	Dec 31, 2020	Dec 31, 2019	Variations
Net Financial Indebtedness Opening	**(107,343)**	**(74,639)**	**(32,704)**
Financial liabilities deriving from IFRS 16 first application	**-**	**(27,066)**	**27,066**
Cash from operating activities before TWC	19,946	24,223	(4,277)
Change in Trade Working Capital	10,315	(7,788)	18,103
Cash from operating activities	**30,261**	**16,435**	**13,826**
Investments in development costs	(5,729)	(5,972)	243
Other investments	(8,932)	(14,660)	5,728
Cash from investment activities	**(14,661)**	**(20,632)**	**5,971**
FREE CASH FLOW (FCF)	**15,600**	**(4,197)**	**19,797**
Dividends	-	(4,569)	4,569
Net financial result of investments	5	2,605	(2,600)
Net result of investments accounted for using the equity method	-	(24)	24
Cash from financing activities	**5**	**(1,988)**	**1,993**
Net exchange differences	(4,536)	547	(5,083)
CASH FLOW - TOTAL	**11,069**	**(5,638)**	**16,707**
Net Financial Indebtedness Closing	**(96,274)**	**(107,343)**	**11,069**

IMPAIRMENT TEST

The impairment test on assets within the scope of IAS 36, including goodwill is an essential part of preparing the PRIMA INDUSTRIE Group's financial statements.
To enable users of the financial statements to understand the entire asset measurement process (the underlying assumptions, the estimation method, the parameters used, etc.), the following notes to the consolidated financial statements (see Note 2 – Intangible assets) will provide a broad explanation of the Directors' assessments and assumptions on this matter. The methodological approach and the assumptions underlying the *impairment* test on goodwill were approved independently by the Directors of PRIMA INDUSTRIE before approval of these financial statements.
The goodwill of Euro 1,014 thousand attributable to the CGU PRIMA ELECTRO – BU LASER was fully written down as a result of the impairment test carried out for the preparation of the consolidated half-year financial statements as at June 30, 2019. However, during the drafting of the 2021 - 2023 business plan, some *impairment* indicators emerged that made it necessary to carry out in-depth analyses on the recoverability of some intangible assets and specifically of the development costs capitalised in previous years; this analysis revealed a write-down on these development costs of Euro 10,486 thousand (for further information, see Note 2 - Intangible Assets of the Explanatory Notes to the Financial Statements);

BUSINESS PERFORMANCE

During 2020 the Group's order acquisition (including *after-sale service*) amounted to Euro 323.1 million, a decreased of 21.3% compared to the Euro 410.4 million at December 31, 2019. The acquisition of orders of the PRIMA POWER sector amounted to Euro 296.8 million, while the PRIMA ELECTRO segment, considering the ones from customers outside the Group, amounted to Euro 26.3 million.
The consolidated order backlog (not including the *after-sale service*) at December 31, 2020 amounted to Euro 124.7 million, down from Euro 142.3 million at December 31, 2019. The portfolio includes Euro

115.5 million relating to the PRIMA POWER sector and Euro 9.2 million relating to the PRIMA ELECTRO sector.

PERSONNEL

At December 31, 2020, the Group had 1,735 employees of which 1,502 in PRIMA POWER Division and 233 in PRIMA ELECTRO Division. Compared to December 31, 2019 there was an overall decrease of 46 employees.

Values expressed in units	PRIMA POWER		PRIMA ELECTRO		PRIMA GROUP	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Production & Installation	504	527	132	137	636	664
Service & Spare Parts	502	499	-	-	502	499
R&D	202	200	63	64	265	264
Sales & Marketing	171	185	17	13	188	198
General & Administrative	123	126	21	30	144	156
Total	**1,502**	**1,537**	**233**	**244**	**1,735**	**1,781**

Personnel costs for the 2020 financial year amounted to Euro 96,498 thousand, down from the previous year by Euro 15,786 thousand (Euro 112,284 thousand at December 31, 2019). The decrease is due both to the reduction in the number of employees and to the use of social safety nets made available by the countries in which the Group operates; specifically this included the savings due to the use of the redundancy fund for Italian companies amounting to Euro 3,995 thousand;

RELATED-PARTY TRANSACTIONS

During the reporting period no significant related-party transactions 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.

There follows a summary report of the operations (disbursements and repayments) related to intercompany loans which, pursuant to article 14, paragraph 2 of the said Regulation and article 32 of the Regulation adopted by the company with regard to related parties, are exempt from the application of the related procedure.

Values expressed in Euro thousand	Dec 31, 2019	Reimbursements	Differences on exchange rates	Interests	Dec 31, 2020
Loans issued by Prima Industrie SpA					
Prima Power South America Ltda	509	-	-	10	519
Prima Power Laserdyne LLC	1,074	(1,097)	18	5	-
Prima Power Suzhou CO. LTD.	2,201	-	-	39	2,240
Loans issued by Prima Power Iberica S.L.					
Prima Industrie SpA	2,000	(36)	-	36	2,000
Loans issued by Finn-Power OY					
Prima Industrie SpA	4,340	(4,359)	-	24	5
Finanziamenti erogati da Prima Electro SpA					
Prima Industrie SpA	12,318	(3,283)	-	193	9,228
Loans issued by Prima Power Central Europe Sp.z.o.o.					
Prima Industrie SpA	2,039	(30)	-	36	2,045
Loans issued by Prima Industrie North America - Prima Power NA					
Prima Power Laserdyne LLC	1,286	(1,124)	-	24	186
Prima Industrie SpA	4,451	(16)	(376)	78	4,137
Prima Industrie North America - Convergent-Photonics	8,534	(165)	-	-	8,369
TOTAL	**38,752**	**(10,110)**	**(358)**	**445**	**28,729**

RISK MANAGEMENT OF PRIMA INDUSTRIE GROUP

The *Risk Model* of PRIMA INDUSTRIE Group, based on reference standards adapted to the Group's specific risk categories, involves the mapping of risks by categories identified according to the nature of the risks. Following the business acquisitions of the recent past, this model is reconsidered concurrently with the required organisational changes that are the result of the integration process that is underway. These updates are aimed at the reallocation of risk maps based on their category: context risk, process risk (in turn divided into strategic, operational and financial).
Generally, the PRIMA INDUSTRIE Group operates within a very dynamic market and hence faces multiple risks as it conducts business. Therefore, in addition to the risks described below, further risks and uncertainties may arise of which the Group currently has no knowledge or which are not currently considered important.

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

CONTEXT RISK

Risks associated with general economic conditions and the cyclical nature of the reference commodity markets

Since it operates within a global competitive context, the economic and financial situation of PRIMA INDUSTRIE Group is influenced by general conditions and world economic trends. Therefore, any negative economic situation or political instability in one or several of the group's geographical markets, including reduced opportunities for access to credit, can have a significant impact on economic performance and can influence its future prospects, in the short, medium and long term.
The Group's business also depends on the performance of some commodity markets (*automotive, aerospace, home appliances*, etc.) which are historically subject to cyclical variations and uncertain future economic prospects. Any negative economic performance on one or more of these markets, regardless of overall positive developments in the global economy, may significantly affect the Group's economic and financial performance and strategic perspective in the short, medium and long term and may have a negative effect on the business conducted by the Group and on its economic and financial position.

Risks relating to catastrophes, climate -related events and pandemics

As an international industrial group, PRIMA INDUSTRIE is also exposed to the risks related to epidemics and pandemics. The recent health emergency from COVID-19 represented a major discontinuity with impacts not only on people's health but also on economic performance in the world market. The aspects related to the COVID-19 health emergency were included in the ERM risk analysis (Enterprise Risk Management) to identify and implement possible measures to minimise the risk of the spread of the pandemic and redirect corporate strategy.

Risks associated with new competitors entering the market

The Group's sector of industry is characterised by a high technological barrier to entry. It is therefore unlikely that a large number of new competitors will enter sector, although the spread of fibre technology has reduced barriers to entry for laser machines. However, it is possible that investors with substantial financial resources – and therefore able to attract sufficient human resources and to financially support the considerable initial investment required to become competitive in the market – may enter the market and change the competitive framework and therefore the Group's product profitability. Similarly, the Group's existing competitors can consolidate their positions through mergers, joint ventures or other forms of trade agreements. As a result, the PRIMA INDUSTRIE Group can compete with groups that have greater financial resources, are larger and with better production capacity, as well

as a more diversified presence in the world able to develop greater economies of scale and aggressive pricing policies.
In addition, if the Group should be unable to continue to supply its services to existing customers, ensure a high level of satisfaction or develop new products and services, to attract new customers, meet their needs, increase efficiency and reduce overheads, it might not be able to successfully compete in key markets. If the Group is unable to maintain its position in the relevant markets, this could have a negative impact on the business, results, financial condition or future prospects.

PROCESS RISKS - STRATEGIC

Risks related to competition

The market in which PRIMA INDUSTRIE Group operates is characterised by strong competition and a high rate of technological innovation. In light of this, the Group's activities are particularly focused on research and development and introducing new technologically advanced products to meet market demand. However, there is no certainty that these activities will enable the Group to maintain and/or improve its competitive position, even in the face of the possibility of more innovative competing products. In this case, the Group's assets, operating profitability and financial position can be adversely affected. Notwithstanding the existence of patents and other forms of intellectual property protection on which the Group relies, there is the possibility that competitors might develop (without infringing the Group's intellectual property) similar products or technologies or create alternative ones, with lower costs and greater quality or with a higher level of functionality. This could have negative effects on the Group's competitiveness, with a consequent negative impact on its economic and financial position.

Risks related to technological innovation and the introduction of new products

The business of PRIMA INDUSTRIE Group heavily features research and development and the introduction of new technologically advanced products. Any delay in the introduction of new products, in the context of a dynamic and competitive market, is likely to damage the Group's strategy, with negative effects on profitability and financial standing.

Risks related to intellectual property and *know-how*

The PRIMA INDUSTRIE Group owns a number of patents and other intellectual property. In addition, the Group cannot guarantee that any required or planned patent, in the new technological development plans, will be granted in each country in which it is needed or is expected to be granted. External parties may infringe the Group's patents and/or intellectual property rights and it may not be able to counter such violations. Consequently, if the Group should be unable to protect its intellectual property, it might not be able to benefit from the technological progress achieved, leading to lower future results, and a worsening of the Group's competitive position.
In parallel, the Group cannot rule out the possibility of infringing patents or other intellectual property rights of third parties, which could result in a ban on use of the technologies involved or alteration of production processes or the payment of compensation.
The PRIMA INDUSTRIE Group cannot guarantee protection of its trade secrets, or that third parties will not develop the same or similar know-how independently. Any delivery and production restrictions or production interruptions due to patent infringement, or the subsequent acquisition of corresponding licences, may have an important adverse effect on the Group's business and results.

Risks associated with potential future acquisitions

The PRIMA INDUSTRIE Group evaluates the opportunity to improve its *business* operations by carrying out efficiency drives or expanding its product range. As a result, the Group has achieved, and may in the future perform, acquisitions or strategic partnerships or other significant operations. These operations could result in a further rise in debt and/or other liabilities that could have an adverse effect on the Group's economic and financial position.

Risks associated with the Group’s presence on international markets and new emerging markets

In recent years, the PRIMA INDUSTRIE Group has developed an extensive geographical organisation and today has sufficient commercial coverage of emerging markets. The management of an international organisation requires strong *management* and significant financial resources. The presence of international markets involves additional risks such as changing market conditions, trade barriers, differences in taxation, restrictions on foreign investment and civil disorder. In addition, the highly dynamic current international context could give rise to situations not foreseen in the Group’s strategy with the risk of having negative effects on the Group’s activities.

In recent years, the Group has expanded its presence geographically into emerging markets. Maintaining market share in these emerging markets could require investments in financial, trade and technical terms; if these are missing the market share held by the company could be reduced, with negative impacts on overall economic performance.

Risks related to the employment of key personnel in the Group

The PRIMA INDUSTRIE Group includes some key figures who, through their experience in the industry and deep knowledge of the Group’s business, gained thanks to their long relationship with the Group, have contributed decisively to its success. The Group's future results depend in part on the skills and involvement of key figures.

The Group's ability to attract and retain qualified personnel is one of the elements that contribute to certain results. If one or more key figures stops working with the Group and the latter were unable to attract additional qualified personnel, there is a risk that it might not be able to replace them quickly with equally qualified people who are capable of providing, even in the short term, the same contribution, with consequent negative effects on business and on the Group's economic and financial position.

PROCESS RISKS - OPERATING

Risks associated with possible defects in products sold by the Group and related to the timing of deliveries to customers

The PRIMA INDUSTRIE Group manufactures and markets products with high technological content. A significant portion of the products sold is represented by new or newly designed products, which, due to their complexity, can present quality issues and require long installation times. Any defects in products may require extraordinary maintenance and entail contractual liabilities, as well as having a negative impact on the Group’s image.

In this regard, it should be noted that both divisions of the PRIMA INDUSTRIE Group consider continuous quality improvement a primary goal. In this respect, the two divisions have formed autonomous organisations aimed at continuous quality control, while each production plant has local units that operate according to the principles of quality defined by the respective division. Any situations where production is concentrated at particular times of the year can lead to difficulties in delivery times agreed with the customer resulting in potential compensation claims for damages.

Risks related to dependence on suppliers and potential disruption in supply

The PRIMA INDUSTRIE Group purchases raw materials, components and services for the manufacturing and assembly of its own products from a large number of suppliers. Any delays in the delivery of raw materials and semi-finished products could lead to delays in the delivery of products to the customer;

there is no certainty of recovering from the supplier possible claims for damages brought by customers, with consequent negative impact on the company. Moreover, close cooperation between manufacturers and suppliers is common in the Group's sectors and although this offers economic benefits in terms of cost reduction, it may also mean that the Group could be exposed to the difficulties experienced by suppliers, including those of a financial nature, (whether caused by internal or external factors) and this could have a negative effect on the Group.

Risks related to possible injury caused by the Group's products

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

Risks related to the Group's production plants

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

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

The PRIMA INDUSTRIE Group is subject to IT system failures, power failures and violations of data security, which can adversely affect the Group. The Group depends on technology to maintain and improve the efficiency and effectiveness of its operations and to interface with their customers, and to maintain the accuracy and efficiency of *reporting* and internal audits. IT system errors can cause erroneous transactions, process inefficiencies, can impede the production or shipment of products and the loss of or damage to intellectual property through security breach. The Group's IT systems can also be penetrated by external parties intent on extracting information. The Group has taken all necessary measures to contain these risks by continuously monitoring the management of the infrastructure and applications.

Risks relating to health, safety and the environment

The PRIMA INDUSTRIE Group is subject to regulations regarding health, safety and the environment in the countries in which it operates. Failure to comply with these rules as a result of operating processes not suitably monitored or, particularly in new markets, an inadequate assessment of these requirements can expose the Group to risks with significant impacts on the Group's economic, equity and financial situation and its reputation. In order to reduce this risk, it should be noted that the Group will adopt systems to manage health, safety and the environment aimed at ensuring compliance with local regulations.

Risks related to legal issues, tax or labour law litigation

In the exercise of its business activities, the PRIMA INDUSTRIE Group may encounter legal, tax or labour law litigation. The Group adopts the necessary measures to prevent and mitigate any penalties that may result from these proceedings.

PRIMA INDUSTRIE Group is subject to changes in tax laws in the countries in which it operates. Although the Group allocates provisions, where necessary, for tax disputes, for unforeseen tax payables, it can experience a negative effect on the financial condition and results due to insufficient provisions or due to unforeseeable circumstances.

PROCESS RISKS – FINANCIAL

Liquidity risk and management of working capital

Liquidity risk is the risk that financial resources may not be sufficient to fund the financial and commercial obligations within the pre-established periods and due dates. The liquidity risk to which the group is subject may derive from late collections and, more generally, from the difficulty of obtaining loans to support operational activities within the necessary time. Cash flows, financing needs and the liquidity of the Group's companies are monitored or managed centrally under the control of the Group Treasury, with the aims of guaranteeing effective and efficient management of financial resources.

The Group's finished products are usually an investment for client companies, therefore their collection can also be done in quotas, with the last occurring after the machine or system has been commissioned on their premises. The period of time necessary for the production cycle and the commissioning is therefore usually much longer than that for payment of suppliers. In addition, customers often make the investment with medium to long-term financial support, which sometimes takes a long time to obtain. It is normal for the Group to have to face these needs and thus its working capital cycle may be longer and adversely affect Group liquidity. These situations create the need for the Group to have adequate lines of credit and bear the cost for their use. A difficult trend in the financial market or intrinsic difficulties by customers in raising financial funds in the short term could have a negative impact on the Group's economic and financial performance.

Risks related to fluctuation in interest rates and exchange rates

The PRIMA INDUSTRIE Group uses various forms of financing to cover the financial requirements of its business. Changes in interest rate levels can therefore lead to increases or decreases in the financing cost. In order to manage risks related to fluctuations in interest rates on financing transactions, the Group may use, if necessary, financial hedge instruments. Despite this, sudden fluctuations in interest rates could have a negative impact on the economic and financial results due to higher interest expense on the Net Financial Position part not promptly hedged by derivatives. It should be specified that the Group's current Net Financial Position includes a seven-year non-convertible bond whose interest rate is fixed, so it is not exposed to interest rate changes. Moreover, since the PRIMA INDUSTRIE Group operates on a world-scale and with subsidiaries in many countries of the world, the impact of the fluctuation of the different currencies in which are denominated the Group's financial statements may determine relevant economic and financial consequences; to cope with this financial risk, the Group has a hedging policy through the use of derivative instruments.

Credit risk

The Group only deals with known and trustworthy clients; furthermore, the amount of credit is monitored during the financial year so that the sum exposed to losses is not significant.

It should be noted that there are no significant concentrations of credit risk within the Group. Financial assets are shown in the balance sheet net of the write-downs calculated on the basis of risk of non-fulfilment by the counter party, determined in consideration of the information available on the solvency of the client and eventually considering historical data.

Risks associated with financial requirements

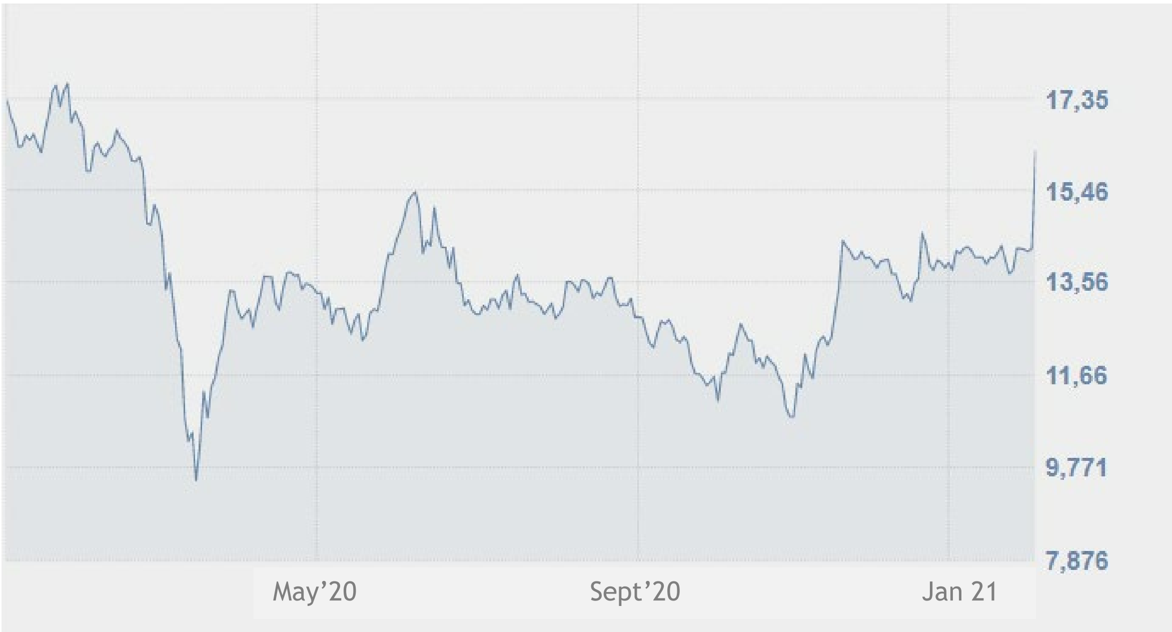
Ordinary management of the company involves the availability of considerable financial resources to devote to working capital. Competition dynamics also involves the need for substantial financial resources to support investments in research and development of new products, as well as commercial and production investments for direct establishment in new geographical markets of interest.

In addition, as happened several times, the Group may need to consider a loan to evaluate growth opportunities through acquisitions. In line with its development strategy, the Group has credit lines and bank loans granted by major credit institutes, at a level deemed appropriate to avoid financial stress.

However, even considering the recent debt renegotiation, it is not possible to rule out that market uncertainty could lead to financial stress and/or the inability to obtain sufficient resources to finance growth and investment plans.

STOCK TREND AND TREASURY STOCK

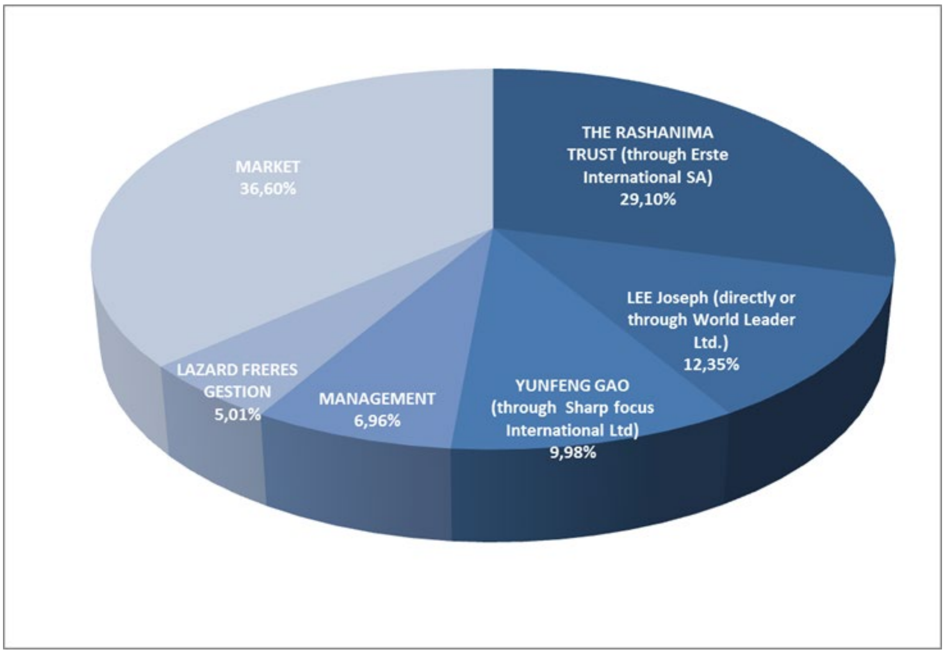
During 2020, PRIMA INDUSTRIE shares went from a unit value of Euro 17.26 at January 2, 2020 to Euro 13.96 per share at December 30, 2020. The share performance was marked by the sharp depreciation in conjunction with the spread of the pandemic, i.e. from the second half of February.
On March 12, 2020, the share price reached its lowest value of the year, equal to Euro 9.50 per share, compared to a maximum value of Euro 17.62 reached on December 24, 2020.
Since the end of the first quarter, the share price has risen again, remaining above Euro 11 per share and more often between Euro 12 and Euro 14 per share.
Finally, after the end of the year, also on the back of the more positive news on the state of the pandemic (particularly in Italy), the vaccination campaign and the Italian political situation, the stock reached values above Euro 16 per share.



SHAREHOLDERS

At December 31, 2020 the share capital of PRIMA INDUSTRIE SpA amounted 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.

The most up-to-date share structure is as follows:



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

CORPORATE GOVERNANCE

The overall corporate governance framework of PRIMA INDUSTRIE, the system of rules and procedures that company boards refer to in deciding their line of conduct and in attending to their several responsibilities towards their stakeholders, has been defined bearing in mind the applicable standards and guidelines of the Code of Conduct approved in 2015 by the *Corporate Governance* Committee promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime, Confindustria.

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

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

The same Report, moreover, provides news on remuneration (fees) of Directors and Executives who have strategic responsibilities (also by recalling the Report on remuneration, renamed the Report on remuneration policy and compensation paid in accordance with article 123-ter of the TUF), on the policy

to apply when processing confidential information and when conducting major transactions (financial or capital) with associates, or that are atypical or unusual.
In particular, in observance of Leg. Decree no. 173/2008 which implements Directive 2006/46 as part of the legislation, the Report includes information on:

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

Furthermore, the Report incorporates the amendments introduced by Legislative Decree no. 254 of 30 December 2016 to Article 123-bis of the Consolidated Law on Finance, requiring issuers to include in their corporate governance reports “a description of the diversity policies applied regarding the structure of the administrative, management and auditing bodies in relation to aspects such as age, gender and training/professional courses taken, with a description of the objectives, implementation methods and results of said policies".

The Report is a separate document from the Financial Statements and can be viewed by Shareholders on the company's website (www.primaindustrie.com) each year, along with the documentation submitted to the Assembly for the approval of the financial statements.

PRIMA INDUSTRIE SpA wholly owns certain companies that have offices in non-EU countries and are crucial to its business, pursuant to article 36 of CONSOB Regulation no. 16191/2007, as per its amendments ratified with CONSOB Resolution no. 18214/2012, concerning "Market regulation". With reference to the data available as at December 31, 2020, please note that procedures have been adopted to ensure that the previously mentioned legislation is complied with and that none of the conditions stated in said Article 36 are in place.

CONSOLIDATED NON-FINANCIAL STATEMENT

As a public interest entity, starting from the financial year 2017, PRIMA INDUSTRIE SpA draws up and presents consolidated non-financial statements, in the form of a separate report, as required by art. 5 of Legislative Decree 254/2016 “Context of the statement and disclosure regime" concerning the disclosure of non-financial information and information on diversity by certain companies and large groups. Annexed to the non-financial statement is the report of the independent auditor appointed in accordance with article 3, paragraph 10 of the aforesaid Legislative Decree 254/2016.
The consolidated non-financial statement can be found in the “Investors” section of the website *www.primaindustrie.com*.

APPLICATION OF LEGISLATIVE DECREE 231/2001

The Issuing Party has adopted an Organisation, management and control model, as required by Leg. Decree no. 231/2001.

The Organisation, Management and Control Model responds to the following requirements:

- it describes the contents and aims of Decree no. 231/01;
- it lists and describes Presumed Breaches, identifies the "Sensitive Areas" in which they may occur and arranges "Protocols" to prevent their commission;
- it applies the Company Code of Ethics, sensitising all recipients to its diligent compliance;

- it defines the criteria for appointing members to the Supervisory Board ("SB"), their tasks and responsibilities, and the method to use when reporting presumed breaches to the Model;
- it stresses the need for training and briefing sessions to increase awareness of the Model and of its related documents in all of its recipients;
- it adopts a System of Administrative Fines for negligent conduct (Model breach).

The Model is reviewed from time to time to take account of the changing legislative framework, of changes to the company's organisational structure and/or of any imperfections of the Model in its day-by-day application.

The task of monitoring the correct application and observance of the Organisation Model, including revising its contents, is entrusted to the Supervisory Board, which answers to the Board of Directors.

On May 18, 2020, the Board of Directors also appointed the new Supervisory Board, consisting of two members of the Board of Auditors and the head of Group Internal Auditing, who will remain in office until approval of the financial statements for the financial year 2022.

INVESTMENTS MADE FOR SAFETY IN THE WORKPLACES

A total of Euro 29 thousand were spent by PRIMA INDUSTRIE SpA in 2020 for safety. The cost items refer to documentation, consultant services and training for safety, devices for vision protection from laser beams, personal protective equipment, signs, the creation of safe conditions in work zones and actions to improve workstation ergonomics.

OUTLOOK OF OPERATIONS

The PRIMA INDUSTRIE Group reacted strongly to the difficult situation in 2020, maintaining positive margins despite a significant drop in revenues, improving its net financial position and generating significant FCF (over Euro 15 million). All this while continuing to invest, not only in products, but above all in the digitalisation of business processes. In the latter part of the year and in the first few months of 2021 (order intake in the first two months of the year up 21% compared to 2020), the Group has caught the first signs of recovery, thanks also to the diversification that distinguishes its reality, both with reference to geographical areas and to the destination sectors of its products. The Group hopes that these signs will consolidate in the current year and that, despite the continuing uncertainty about the timing of ultimate success in the fight against the pandemic, we can look to 2021 as a year of recovery towards a phase of further growth, as highlighted by the objectives of the 2021-2023 Three-Year Business Plan approved on March 2, 2021.

SIGNIFICANT EVENTS OCCURRING AFTER FINANCIAL YEAR CLOSING

APPROVAL OF THE 2021-2023 INDUSTRIAL PLAN

On March 2, 2021 the Board of Directors of PRIMA INDUSTRIE SpA approved the Group's Industrial Plan for the three-year period 2021-2023. The plan assumes a significant recovery of the reference markets starting from mid-2021 and the beginning of a new multi-year positive cycle in the following years. In particular, strong growth is expected in the Chinese market and in the APAC area in general, with the AMERICAS and EMEA improving at a slower pace. In order to achieve the challenging objectives set out in the plan, PRIMA INDUSTRIE will adopt a new organisational model that, in addition to central staff functions, will include four Business Units with a strong technological and regional focus, which will enable it to better focus its activities on the respective business areas. This entails a simplification of the structure and greater decentralisation of activities, which will be achieved through the development of local technical expertise and the introduction of digitalisation tools. The plan also envisages a strengthening of the Group’s capital structure, thanks in part to the expected generation of cash, which will help finance the investment plan and make it possible to plan adequate remuneration for shareholders.

ATYPICAL AND UNUSUAL TRANSACTIONS

Pursuant to CONSOB Bulletin of 28/07/2006 no. DEM/6064296, we wish to specify that in the examined period, the Group has not engaged in transactions defined as atypical or unusual in the Bulletin.

MANAGEMENT AND COORDINATION ACTIVITIES

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

OPT-OUT REGIME

The Board of Directors of PRIMA INDUSTRIE SpA 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 Article 70, paragraph 8 and Article 71, paragraph 1-bis of the Regulation, therefore choosing to avail itself of the right to waiver the obligation of publishing documents describing its mergers, demergers, share capital increases by contributions in kind, purchases and transfers.

PROPOSAL FOR USE OF PROFIT FOR THE FINANCIAL YEAR

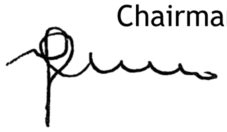
Dear Shareholders,

In inviting you to approve Your Company's Financial Statements as at December 31, 2020, we propose that the profit of Euro 2,339,966 be treated as follows:

- allocate to the Legal Reserve a portion of the aforesaid profit equal to Euro 28,906 and
- allocate the remaining Euro 2,311,060 to the Extraordinary Reserve.

On behalf of the Board of Directors

Chairman



Gianfranco Carbonato

CHAPTER 6

Consolidated financial statements of Prima Industrie Group at December 31, 2020

Accounting Tables

CHAPTER 6. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AT DECEMBER 31, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Values in thousand euro	Notes	December 31, 2020	December 31, 2019
Property, plant and equipment	*1*	64,281	69,180
Intangible assets	*2*	120,837	134,705
Investments accounted for using the equity method	*3*	394	394
Other investments	*4*	6,226	6,458
Non current financial assets	*5*	4,233	4,243
Deferred tax assets	*6*	17,656	14,671
NON CURRENT ASSETS		213,627	229,651
Inventories	*7*	118,689	127,818
Trade receivables	*8*	77,624	85,406
Other receivables	*9*	8,732	9,298
Current tax receivables	*10*	5,013	8,057
Derivatives	*11*	365	-
Financial assets	*11*	58	532
Cash and cash equivalents	*11*	62,999	55,136
CURRENT ASSETS		273,480	286,247
Assets held for sale	*12*	**5,255**	**4,229**
TOTAL ASSETS		492,362	520,127
Capital stock	*13*	26,208	26,208
Legal reserve	*13*	5,213	5,213
Other reserves	*13*	66,461	68,557
Currency translation reserve	*13*	(1,225)	4,003
Retained earnings	*13*	70,164	58,954
Net result	*13*	(7,201)	9,046
Stockholders' equity of the Group		***159,620***	***171,981***
Minority interest		***2,844***	***3,132***
STOCKHOLDERS' EQUITY		162,464	175,113
Interest-bearing loans and borrowings	*11*	105,318	117,740
Employee benefit liabilities	*14*	7,104	7,017
Deferred tax liabilities	*15*	4,759	5,366
Provisions	*16*	238	222
Derivatives	*11*	419	600
NON CURRENT LIABILITIES		117,838	130,945
Trade payables	*17*	69,390	81,290
Advance payments	*17*	40,019	34,715
Other payables	*17*	19,244	22,061
Interest-bearing loans and borrowings	*11*	58,192	48,914
Current tax payables	*18*	5,704	6,445
Provisions	*16*	19,511	20,644
CURRENT LIABILITIES		212,060	214,069
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		492,362	520,127

CONSOLIDATED INCOME STATEMENT

Values in euro thousand	Notes	December 31, 2020	December 31, 2019
Net revenues	*19*	332,963	427,582
Cost of goods sold	*20*	(264,274)	(329,761)
GROSS MARGIN		**68,689**	**97,821**
Research and Development costs	*21*	(28,728)	(25,003)
Sales and marketing expenses	*22*	(22,911)	(31,255)
General and administrative expenses	*23*	(22,308)	(27,172)
OPERATING PROFIT (EBIT)		**(5,258)**	**14,391**
Financial income	*24*	4,601	2,241
Financial expenses	*24*	(8,723)	(8,349)
Net exchange differences	*24*	(1,185)	(408)
Net result of investments accounted for using the equity method	*25*	-	(24)
Net result of other investments	*26*	5	2,605
RESULT BEFORE TAXES (EBT)		**(10,560)**	**10,456**
Taxes	*27*	3,146	(1,638)
NET RESULT		**(7,414)**	**8,818**
- Attributable to Group shareholders		*(7,201)*	*9,046*
- Attributable to minority shareholders		*(213)*	*(228)*
RESULT PER SHARE - BASIC (in euro)	***28***	***(0.69)***	***0.86***
RESULT PER SHARE - DILUTED (in euro)	***28***	***(0.69)***	***0.85***

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in euro thousand		December 31, 2020	December 31, 2019
NET RESULT (A)		**(7,414)**	**8,818**
Gains/ (Losses) on actuarial defined benefit plans	*13*	(99)	(339)
Tax effect	*13*	24	82
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)		**(75)**	**(257)**
Gains /(Losses) on cash flow hedges	*13*	177	34
Tax effect	*13*	(43)	(8)
Gains/(Losses) on exchange differences on translating foreign operations	*13*	(5,281)	1,323
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)		**(5,147)**	**1,349**
TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)		**(12,636)**	**9,910**
- Attributable to Group shareholders		*(12,348)*	*10,112*
- Attributable to minority shareholders		*(288)*	*(202)*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

***from** January 1, 2019 to December 31, 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 January 1,2019	**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	-	-	-	-	-	-	26	(257)	1,297	-	9,046	10,112	(202)	9,910
Balance as at December 31 ,2019	**26,208**	**57,507**	**(1,966)**	**5,213**	**(1,286)**	**13**	**(439)**	**14,728**	**4,003**	**58,954**	**9,046**	**171,981**	**3,132**	**175,113**

***from** January 1, 2020 to December 31, 2020*

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 January 1, 2020	**26,208**	**57,507**	**(1,966)**	**5,213**	**(1,286)**	**13**	**(439)**	**14,728**	**4,003**	**58,954**	**9,046**	**171,981**	**3,132**	**175,113**
Allocation of prior year net result	-	-	-	-	-	-	-	(2,164)	-	11,210	(9,046)	-	-	-
Stock grant plan	-	-	-	-	-	(13)	-	-	-	-	-	(13)	-	(13)
Result of comprehensive Income	-	-	-	-	-	-	134	(53)	(5,228)	-	(7,201)	(12,348)	(288)	(12,636)
Balance as at December 31, 2020	**26,208**	**57,507**	**(1,966)**	**5,213**	**(1,286)**	**-**	**(305)**	**12,511**	**(1,225)**	**70,164**	**(7,201)**	**159,620**	**2,844**	**162,464**

CONSOLIDATED CASH FLOW STATEMENT

Values in Euro thousand	December 31, 2020	December 31, 2019 (*)
Net result	**(7,414)**	**8,818**
Adjustments (sub-total)	***36,448***	***10,616***
Depreciation, impairment & write-off	32,442	24,041
Net change in deferred tax assets and liabilities	(3,592)	(2,764)
Change in employee benefits	12	41
Change in inventories	9,129	6,450
Change in trade receivables	7,782	25,153
Change in trade payables and advances	(6,596)	(39,391)
Net change in other receivables/payables and other assets/liabilities	(2,803)	(3,766)
Change in investments accounted for using the equity method	-	(238)
Net result of investments accounted for using the equity method	-	24
Gain on disposal of shares in other investments	(54)	(2,629)
Write-off/Write-up Other Investments	49	24
Change in Other investments	79	(5)
OSAI business sale	-	3,676
Cash Flows from (used in) operating activities	**29,034**	**19,434**
Cash flow from investments		
Acquisition of tangible fixed assets (**)	(4,329)	(7,727)
Acquisition of intangible fixed assets	(278)	(733)
Capitalization of development costs	(5,729)	(5,972)
Net disposal of fixed assets (***)	149	1,805
Cash Flows from (used in) investing activities	**(10,187)**	**(12,627)**
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	74	341
Increases in loans and borrowings *(including bank overdrafts and Credit lines)*	20,729	18,802
Repayment of loans and borrowings *(including bank overdrafts and Credit lines)*	(20,581)	(32,520)
Repayments in financial lease liabilities	(6,687)	(5,802)
Dividends paid	-	(4,569)
Other variations	(13)	-
Cash Flows from (used in) financing activities	**(6,478)**	**(23,748)**
Cash Flows from (used in) change of minority shareholders	**-**	**-**
Foreign exchange translation differences	(4,506)	999
Net change in cash and equivalents	**7,863**	**(15,942)**
Cash and equivalents beginning of period	**55,136**	**71,078**
Cash and equivalents end of period	**62,999**	**55,136**

Additional Information to the Consolidated Statement of Cash-Flow	Dec 31, 2020	Dec 31, 2019 (*)
Values in euro thousand		
Taxes paid	849	4,396
Interests paid	2,919	3,922

(*) For a better comprehension, the 2019 figures have been re-exposed

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

(***) Included assets held for sale.

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

Values in thousand euro	Notes	December 31, 2020	*of which related parties*	December 31, 2019	*of which related parties*
Property, plant and equipment	*1*	64,281	-	69,180	-
Intangible assets	*2*	120,837	-	134,705	-
Investments accounted for using the equity method	*3*	394	*394*	394	*394*
Other investments	*4*	6,226	-	6,458	-
Non current financial assets	*5*	4,233	-	4,243	-
Deferred tax assets	*6*	17,656	-	14,671	-
NON CURRENT ASSETS		213,627		229,651	
Inventories	*7*	118,689	-	127,818	-
Trade receivables	*8*	77,624	*2,129*	85,406	*2,040*
Other receivables	*9*	8,732	-	9,298	*59*
Current tax receivables	*10*	5,013	-	8,057	-
Derivatives	*11*	365	-	-	-
Financial assets	*11*	58	-	532	-
Cash and cash equivalents	*11*	62,999	-	55,136	-
CURRENT ASSETS		273,480		286,247	
Assets held for sale	*12*	**5,255**	-	**4,229**	-
TOTAL ASSETS		492,362		520,127	
Capital stock	*13*	26,208	-	26,208	-
Legal reserve	*13*	5,213	-	5,213	-
Other reserves	*13*	66,461	-	68,557	-
Currency translation reserve	*13*	(1,225)	-	4,003	-
Retained earnings	*13*	70,164	-	58,954	-
Net result	*13*	(7,201)	-	9,046	-
Stockholders' equity of the Group		***159,620***	-	***171,981***	-
Minority interest		***2,844***	-	***3,132***	-
STOCKHOLDERS' EQUITY		162,464		175,113	
Interest-bearing loans and borrowings	*11*	105,318	-	117,740	-
Employee benefit liabilities	*14*	7,104	-	7,017	-
Deferred tax liabilities	*15*	4,759	-	5,366	-
Provisions	*16*	238	-	222	-
Derivatives	*11*	419	-	600	-
NON CURRENT LIABILITIES		117,838		130,945	
Trade payables	*17*	69,390	*1,914*	81,290	*94*
Advance payments	*17*	40,019	-	34,715	-
Other payables	*17*	19,244	*486*	22,061	*519*
Interest-bearing loans and borrowings	*11*	58,192	-	48,914	-
Current tax payables	*18*	5,704	-	6,445	-
Provisions	*16*	19,511	-	20,644	-
CURRENT LIABILITIES		212,060		214,069	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		492,362		520,127	

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

Values in euro thousand	Notes	December 31, 2020	*of which related parties*	December 31, 2019	*of which related parties*
Net revenues	*19*	332,963	*4,124*	427,582	*6,901*
Cost of goods sold	*20*	(264,274)	*(1,793)*	(329,761)	*(130)*
GROSS MARGIN		**68,689**	-	**97,821**	-
Research and Development costs	*21*	(28,728)	*(359)*	(25,003)	*60*
Sales and marketing expenses	*22*	(22,911)	*(16)*	(31,255)	*(58)*
General and administrative expenses	*23*	(22,308)	*(1,294)*	(27,172)	*(1,388)*
OPERATING PROFIT (EBIT)		**(5,258)**	-	**14,391**	-
of which: non recurring items		***(11,739)***		***(4,219)***	
Financial income	*24*	4,601	-	2,241	-
Financial expenses	*24*	(8,723)	-	(8,349)	-
Net exchange differences	*24*	(1,185)	-	(408)	-
Net result of investments accounted for using the equity method	*25*	-	-	(24)	*(24)*
Net result of other investments	*26*	5	-	2,605	-
RESULT BEFORE TAXES (EBT)		**(10,560)**		**10,456**	
of which: non recurring items		***(11,734)***	-	***(1,732)***	
Taxes	*27*	3,146	-	(1,638)	-
NET RESULT		**(7,414)**		**8,818**	
- Attributable to Group shareholders		*(7,201)*	-	*9,046*	-
- Attributable to minority shareholders		*(213)*	-	*(228)*	-
RESULT PER SHARE - BASIC (in euro)	***28***	***(0.69)***		***0.86***	
RESULT PER SHARE - DILUTED (in euro)	***28***	***(0.69)***		***0.85***	

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

Values in Euro thousand	December 31, 2020	*of which related parties*	December 31, 2019 (*)	*of which related parties*
Net result	**(7,414)**		**8,818**	
Adjustments (sub-total)	***36,448***	-	***10,616***	-
Depreciation, impairment & write-off	32,442	-	24,041	-
Net change in deferred tax assets and liabilities	(3,592)	-	(2,764)	-
Change in employee benefits	12	-	41	-
Change in inventories	9,129	-	6,450	-
Change in trade receivables	7,782	*(89)*	25,153	*(1,968)*
Change in trade payables and advances	(6,596)	*1,820*	(39,391)	*94*
Net change in other receivables/payables and other assets/liabilities	(2,803)	*26*	(3,766)	*(390)*
Change in investments accounted for using the equity method	-	-	(238)	*(238)*
Net result of investments accounted for using the equity method	-	-	24	*24*
Gain on disposal of shares in other investments	(54)	-	(2,629)	-
Write-off/Write-up Other Investments	49	-	24	-
Change in Other investments	79	-	(5)	-
OSAI business sale	-	-	3,676	-
Cash Flows from (used in) operating activities	**29,034**		**19,434**	
Cash flow from investments				
Acquisition of tangible fixed assets (**)	(4,329)	-	(7,727)	-
Acquisition of intangible fixed assets	(278)	-	(733)	-
Capitalization of development costs	(5,729)	-	(5,972)	-
Net disposal of fixed assets (***)	149	-	1,805	-
Cash Flows from (used in) investing activities	**(10,187)**		**(12,627)**	
Cash flow from financing activities				
Change in other financial assets/liabilities and other minor items	74	-	341	-
Increases in loans and borrowings *(including bank overdrafts and Credit lines)*	20,729	-	18,802	-
Repayment of loans and borrowings *(including bank overdrafts and Credit lines)*	(20,581)	-	(32,520)	-
Repayments in financial lease liabilities	(6,687)	-	(5,802)	-
Dividends paid	-	-	(4,569)	-
Other variations	(13)	-	-	-
Cash Flows from (used in) financing activities	**(6,478)**		**(23,748)**	
Cash Flows from (used in) change of minority shareholders	**-**		**-**	
Foreign exchange translation differences	(4,506)		999	
Net change in cash and equivalents	**7,863**		**(15,942)**	
Cash and equivalents beginning of period	**55,136**		**71,078**	
Cash and equivalents end of period	**62,999**		**55,136**	

Additional Information to the Consolidated Statement of Cash-Flow	Dec 31, 2020		Dec 31, 2019 (*)	
Values in euro thousand				
Taxes paid	849		4,396	
Interests paid	2,919		3,922	

(*) For a better comprehension, the 2019 figures have been re-exposed
(**) Not included leases and included assets held for sale.
(***) Included assets held for sale.

CHAPTER 7

Description of Accounting Principles

CHAPTER 7. DESCRIPTION OF ACCOUNTING PRINCIPLES

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of PRIMA INDUSTRIE SpA (the parent company) and its subsidiaries drawn up on the same closing date of the year of the parent company. The financial statements of the subsidiaries are prepared applying the same accounting standards as the parent company; any corrections for consolidation are made to harmonise the items that are affected by application of different accounting standards. All infra-group balances and transactions, including any profits not realised deriving from relations engaged in between companies in the Group, are entirely eliminated. The profits and losses not realised with affiliates are eliminated for the part pertaining to the Group.
The subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group acquires control, and cease to be consolidated at the date on which control is transferred outside the Group. Minority interests represent the part of profits or losses and net assets not held by the Group, and are reported in a separate item in the Income Statement, and in the Income Statement, and in the balance sheet among the elements of net equity, separately from the Group's net equity.

(a) Subsidiaries

Control exists when the parent company has the power to direct the relevant activities of the company and is exposed to variability of results. Generally, control is presumed to exist if the Group holds more than half of the voting rights, also via Para-corporate agreements or potential voting rights. Subsidiaries are consolidated at the time in which the Group is capable of exercising control and are de-consolidated when this control ceases.
The Group records acquisitions of controlling shareholdings by means of the acquisition method, according to which identifiable and acquired assets and liabilities are initially booked within the consolidated financial statements at the *fair value*, determined on the date of acquisition.
The excess cost with respect to the investment quota of the *fair value* of net assets acquired is capitalised as goodwill among intangible assets, if positive; if negative, it is immediately entered to the Income Statement.
The costs, income, receivables, payables and profits/losses realised among companies belonging to the group are eliminated. Where necessary, the accounting principles of the Subsidiaries are amended to bring them into line with those of the parent company.

(b) Affiliates and joint ventures

Affiliated companies are those in which the Group exercises considerable influence but no form of control. Significant influence is presumed in the case that more than 20% of voting rights are held. Affiliated companies are initially recorded at cost and then accounted for, using the equity method. Joint Ventures are companies subject to joint control. They are booked in accordance with the provisions of IFRS 11.
Group equity investment in affiliated companies and joint ventures includes goodwill, as recorded at the time of acquisition and net of any potentially accumulated value losses.
The Group's Income Statement reflects the applicable share of the affiliated company and joint venture's result. If the affiliated company or the joint venture records an adjustment with a direct effect on net equity, the Group determines the portion that applies to it, reflecting such change in the Net Equity statement of change.
Booking the quota of a loss from an affiliated company or joint venture within the Group's accounts includes a limit relative to the zeroing out of the investment value; additional loss quotas are entered

under the liabilities if the Group has assumed obligations or has implemented payments on behalf of the affiliated company or joint venture.

(c) Other companies

Investments in which the Group does not exercise control, significant influence or joint control are initially recorded at fair value.

In accordance with IFRS 9, these investments are subsequently valued at fair value with effects on the income statement. This is unless they are irrevocably selected as equity investments valued at fair value with effects recorded in the statement of comprehensive income, in accordance with the option provided for in the same standard.

The choice of valuation method for these investments is made selectively for each investment.

The valuation at cost of a minority shareholding is permitted in certain cases where the cost is an adequate estimate of the fair value.

ACCOUNTING STANDARDS APPLIED

STANDARDS TO APPLY WHEN DRAFTING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2020 were drafted in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the measures issued to implement Article 9 of Legislative Decree no. 38/2005.

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

The financial statements are drafted based on the principle of historical cost, except for those financial assets which have been listed at their fair value. The Group has applied accounting principles that are coherent with those applied in previous years; the application of new accounting standards effective from January 1, 2020 did not have a significant impact.

Going concern

The consolidated financial statements were prepared on the basis of the going-concern principle, as it is reasonable to expect that PRIMA INDUSTRIE will continue its business in the foreseeable future.

Despite the decline in revenue in 2020, it is considered that there is no doubt about the prospect of the Group continuing as a going concern, following the following assessments:

- substantial order backlog;
- reasonable certainty of meeting its obligations over the next 12 months;
- availability of sufficient cash and credit lines to meet operating cash requirements.

The risks and uncertainties relating to the business are described in the relevant section of the Management Report.

Financial Statements

The Group presents the income statement according to functional areas, otherwise referred to as "at cost of goods sold”. 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 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.

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

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

Please note, furthermore, that with reference to CONSOB Resolution no. 15519 of July 27, 2006 concerning the format of financial statements, specific supplementary schemes have been added for the Income Statement and for the Consolidated Statement of Financial Position, which particularly stress those relations with associates and non-recurrent transactions that are most significant, in order to make the financial statements more readily comprehensible.

STAKE ACQUISITIONS AND GOODWILL

Stake acquisitions

Stake acquisitions are entered using the acquisition method (in accordance with the guidelines of IFRS3). The amount paid for a purchased stake is calculated as the sum of the amount transferred at its fair value on the date of the acquisition with any minority stake already held in the purchased company. For all stake acquisitions, the buyer must enter any minority stake in the purchased company at its fair value, or proportionately to the share of the minority stake under the identifiable net assets of the purchased company. Costs of acquisition are covered and classified as administrative expenses.

All potential purchase prices must be listed by the buyer at their *fair value* on the date of acquisition.

In the case of the acquisition of companies, the identifiable assets, liabilities and potential liabilities acquired are recorded at their *fair value* on the date of acquisition. The positive difference between the acquisition cost and the Group's share in the current value of these assets and liabilities is classified as goodwill and entered in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised in the income statement at the time of acquisition.
After its initial recognition, goodwill is not subject to amortisation and is decreased by any accumulated impairment losses, as determined below. Goodwill relating to investments in subsidiaries and joint ventures is included in the book value of those companies.

Goodwill recoverability is analysed on a yearly basis or more frequently, if events or changes of circumstance lead to presumable loss of value. In order to audit the actual loss of value, goodwill acquired as part of a stake acquisition is allocated on the date of the acquisition to the Group's single cash-flow generating units, or to the groups of cash-flow generating units that are expected to benefit of the purchase's synergies, independently of whether other assets or liabilities of the purchased company have been assigned to those units or unit groupings.

Every unit or unit group to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is no larger than a reportable segment under IFRS 8.

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

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

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

LOSS OF ASSET VALUE (“*IMPAIRMENT*”)
Assets with an indefinite useful life whose value does not depreciate are annually audited to establish their recovery (“*impairment*”) and whenever there is reason to believe their book value has suffered loss.
Assets that do depreciate are "*impairment”* tested only if there is reason to believe that their book value has decreased.
Value recoverability is calculated for goodwill purchased and allocated throughout the business year, at the end of the year the latter was purchased and allocated.
In order to verify its recoverability, goodwill is allocated on the date of its acquisition to the unit or group of cash-generating units that benefit of the acquisition.
The amount depreciated because of “*impairment”* is calculated as the difference between the asset's book value and its recoverable value, determined as the price of sale net of transaction costs and its expendable value, either of which is higher, or the current value, in other words, of the estimated financial flows gross of taxes, applying a discount rate that reflects current market cash value and risks

that are specific to the asset. The loss because of a drop in value is at first attributed to the book value of the goodwill allocated to the unit (or unit group) and only later to the other unit assets, proportionately to their book value, up to the amount of the recoverable value of assets with a finite useful life. An impairment loss is recognised if the recoverable amount is less than the book value. When a loss of asset value other than goodwill subsequently falls short or decreases, the book value of that asset or cash-flow generating unit is increased to the new estimated recoverable value and cannot exceed the value that would have been determined if no loss due to the drop had been reported. The reversal of an impairment loss is recognised immediately in the Income Statement.

PROPERTY, PLANT AND EQUIPMENT

All categories of property, plant and equipment, including real estate investments, are listed in the financial statements at their historical cost, minus the amortisation and "*impairment*", except for land, which is entered at its historical cost, minus any *"impairment"*. Cost includes all expenses directly attributable to the acquisition.

Costs incurred after the acquisition of the asset are accounted for as an increase of their historical value or booked separately only if it is probable that they will generate future economic benefits and the costs can be measured reliably.

Depreciation of property, plant and equipment is calculated with the linear method, to distribute the residual book value over the asset's estimated economic-technical lifespan.

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

The residual value and the useful life of property, plant and equipment are reviewed and adjusted, if appropriate, at the reporting date.

Gains and losses on disposal of property, plant and equipment are recognised in the Income Statement and are determined by comparing the carrying amount with the sale price.

Leases bestow exclusive use of an identified or identifiable asset, providing the substantive right to all the financial benefits deriving from its use for a defined period of time in exchange for a fee, within the scope of IFRS 16.

These leases are recognised in the balance sheet as "right-of-use" assets and as a liability measured at the present value of the lease payments. The "right of use" is depreciated on a straight-line basis over the term of the lease, or the relevant financial-technical useful life, if shorter.
At the commencement date of the lease, defined as the date on which the lessor makes the underlying asset available to the lessee, the cost value of the "right-of-use" asset comprises:

- the amount of the initial valuation of the lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the lessee;
- any costs, estimated and discounted, to be incurred at the time of vacating facilities, offset against a specific provision in the liabilities where there are obligations to dismantle, remove assets and restore sites.

The amount of the initial valuation of the lease liability referred to in a) above includes the following:

- fixed payments;
- variable payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The following lease asset categories qualify for this method of recognition:

- buildings;
- vehicles;
- office equipment.

The Group avails itself of the option provided for in IFRS 16 – Leases to recognise as a cost, on an accrual basis, leases that are i) short term (i.e. less than 12 months), ii) for low-value underlying assets (i.e. less than Euro 5,000 when new).

The lease liability is recognised at the commencement date of the lease and is equal to the present value of the lease payments.

The present value of the lease payments is measured using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee 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.

After the commencement date, the lease liability is measured using the amortised cost method; subsequently, the liability may be restated (i.e. the lease cash flows are revised as a result of the original contractual terms) or revised (i.e. changes to the subject matter or consideration not provided for in the original contractual terms) with adjustments to the "right of use".

INTANGIBLE ASSETS

Assets with indefinite useful life

(a) Goodwill

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

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

Finite useful life
(b) Software
Software licences are capitalised at their cost of purchase and the cost to put them in service, and are depreciated based on their estimated lifespan.
Costs associated with the development and maintenance of software are treated as period costs and charged to the Income Statement on an accruals basis.

(c) Research and development costs
Research costs are recognised in the Income Statement in the period in which they are incurred.
Development costs incurred in relation to a specific project are capitalised if the following conditions are met:
- the costs can be measured reliably;
- the technical feasibility of the projects, the forecasted volumes and prices indicate that the costs sustained as part of R&D activities will generate economic benefits in the future.

R&D costs attributed to Income Statement over the course of previous years are not post-capitalised, if at a later date the requirements are met.
Capitalised R&D costs are depreciated from the date the product is sold, based on the period in which they are estimated to generate economic benefits (max. 8 years). Development costs that do not meet these characteristics are charged to the Income Statement in the year in which they are incurred.

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

(e) Other intangible assets
Other intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at fair value at the acquisition date.
After their first entry, intangible assets with finite useful life are entered at their cost, minus amortisation and "*impairment*"; intangible assets with indefinite useful life are instead entered at their cost, minus "*impairment*" only.

Intangible assets are annually subjected to an "*impairment* test", whenever there are reasons to caution its performance; this analysis can be conducted on the individual intangible asset or on a cash-flow generating unit of assets. The useful lives of other intangible assets are reviewed annually: possible changes are applied prospectively, where possible.

FINANCIAL INSTRUMENTS
Presentation
The financial instruments held by the Group are included in the financial statement entries described below.
The entry “Equity investments and other non-current assets” includes stakes in other companies, stakes in joint ventures and other non-current financial assets.
Current financial assets include receivables and cash and cash equivalents. In particular, the item Cash and cash equivalents include bank deposits.

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

Valuation

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

IFRS 9 identifies the following categories of financial assets, classified according to the following aspects: a) the *business model* adopted to manage the financial assets, and b) the characteristics of the contractual cash flows generated by them:

- Financial assets measured at amortised cost (AC): these assets are part of a hold-to-collect *business model* and generate contractual cash flows in the form of principal and interest.
- Financial assets measured at *fair value* with changes in *fair value* recorded in the statement of comprehensive income (FVOCI): these assets are part of a hold-to-collect-and-sell *business model* and generate contractual cash flows in the form of principal and interest.
- Financial assets measured at *fair value* with changes in *fair value* through profit or loss (FVPL): this category has a residual nature and includes all financial assets other than those measured at amortised cost and at *fair value* with changes in *fair value* entered in the profit and loss account, including minority interests, as well as financial assets that do not pass the SPPI test, including non-hedging derivatives and investments other than those measured using the equity method.
- Any minority shareholdings, irrevocably selected as FVOCI financial instruments without “recycling” at the time of initial recognition. In the context of this option, contrary to what generally occurs in the FVOCI category: 1) gains and losses recognised as OCI are not subsequently transferred to the income statement, although the cumulative gain or loss may be transferred to shareholders' equity; 2) equity instruments categorised as FVOCI according to this option are not subject to impairment accounting; 3) dividends are still recognised in the income statement, unless they clearly represent a recovery of part of the investment cost.

Derivative financial instruments

Coherently with the contents of IFRS 9, hedging instruments can be entered according to hedge accounting methods only when:

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

All hedging instruments are measured at their *fair value*, as established by IFRS 9.
When financial instruments have the characteristics to be accounted for under *hedge accounting*, the following accounting treatment applies:

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

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

FINANCIAL LIABILITIES

Financial liabilities encompass financial debts, which include debts for advance payments on orders or on transfers of credits, as well as other financial liabilities, including hedging instruments and liabilities against assets entered in the scope of financial leasing agreements.

Financial liabilities are classified under the following two categories in accordance with IFRS 9: 1) financial liabilities measured at amortised cost using the effective interest rate ("AC") method; 2) financial liabilities measured at *fair value* with changes in *fair value* through profit or loss ("FVPL"), which in turn are classified under the two subcategories *Held for Trading* and FVPL at inception. Most of the Group's financial liabilities are in the first category.

LOANS

Loans are initially recognised at *fair value*, net of any incidental charges. After their first entry, they are accounted for on the basis of the depreciated cost criteria. Any difference between the proceeds net of any transaction costs and the redemption value is recognised in the Income Statement on an accrual basis at the effective interest rate method. Financings are listed among short-term liabilities, unless the Group does not enjoy unconditional right to defer them to a more than twelve months after the closing date of the financial statements.

INVENTORIES

Inventories are stated at the lower amount between cost and net realisable value, the latter is represented by the normal sales value during ordinary activities, less the variable costs of sale. The cost is determined using the weighted average cost method. The cost of finished goods and semi-finished goods includes the cost of design, raw materials, direct labour, other direct costs and other indirect costs allocated to production activities based on normal production capacity and on the progress. This costing does not include interest expense.

Provision is made for materials, finished goods, spare parts and other supplies considered obsolete or slow moving, taking into account their expected future use and realisable value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially entered at their *fair value* and subsequently quantified at their depreciated cost by applying the effective interest method, net of impairment, to account for receivables that prove uncollectable.

The receivables are written down according expected losses model provided for in IFRS 9. Specifically, trade receivables are written down using a simplified approach, which estimates the expected loss over their entire life. The estimate is chiefly made by determining the average expected non-collectability, based on historical experience, external indicators and forecasts. Specific measurements are made on individual receivables in certain categories of loans subject to particular elements of risk.

ASSIGNMENT OF RECEIVABLES

Receivables assigned through factoring transactions are eliminated from assets if and only if the risks and benefits that come with their ownership have all been transferred to the beneficiary. The receivables with or without recourse that do not meet the aforementioned requirement remain in the company's financial statements, although they have been legally ceded; a financial liability of the same amount is entered in the consolidated financial statements as debts for advance payments on credit transfers. Profits and losses from the assignment of these assets are only reported when those assets have been cancelled from the Group's Balance Sheet.

CASH AND CASH EQUIVALENTS

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

ASSETS HELD FOR SALE

Assets held for sale include non-current assets (or disposal groups) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets for sale are entered at the least between the net book value and the fair value net of costs of sale and they are not subject to amortisation.

SHARE CAPITAL

Ordinary shares are classified in the Net Equity.

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

CURRENT AND DEFERRED TAXES

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

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

Deferred taxes are not accounted for:

- on goodwill deriving from business combinations;
- on the initially entered asset and liability deriving from a transaction other than a business combination and that does not affect either the operating profit calculated in the financial statements or the taxable income.

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

Deferred tax assets are entered in the financial statements only if it is likely that when the temporary differences are reversed, a taxable income will be generated that is sufficient to compensate the credit. Deferred tax assets are reviewed at the end of every business year and if need be reduced, to the extent that it is improbable that sufficient taxable income will be available in the future, so that part or all the credit can be used.
Deferred taxes are also calculated on temporary differences that originate on stakes in subsidiaries, associates and JV's, except when the reversal of those differences can be contained by the Group and it is likely that they will not occur in the near future. Deferred taxes related to items recognised directly in equity are also recognised directly in equity.

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

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

(a) Pension plans
Up to December 31, 2006, Severance Pay (TFR) of Italian companies was considered a plan of fixed benefits. The legislation applying to the liability was modified by Law of December 27,2006, no. 296 ("Financial Law 2007") and the subsequent Decrees and Regulations issued in the first months of 2007. In light of those amendments, and with reference in particular to companies with at least 50 employees, Severance Pay is now considered a plan exclusively for the amounts accrued before January 1, 2007 (and not adjusted in the financial statements), whereas for the amounts accrued after that date it is similar to a defined contribution plan.

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

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

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

PROVISIONS FOR RISKS AND CHARGES
Provisions for risks and charges are recognised when:
- the Group is faced with a legal or implicit obligation as result of previous events;
- an outflow of resources to settle the obligation is probable;
- its amount is reliably determinable.

The restructuring provisions include liabilities arising from the leave incentives. Provisions are not set aside for risks and charges in respect of future operating losses.
Provisions entered in the financial statements are the best updated estimates made by Directors in identifying the costs (amount) the Group will be called to incur on the closing date to extinguish the obligation.

REVENUE RECOGNITION
Revenues are recorded net of VAT, returns, discounts and transactions between Group companies.

The Group recognises revenues according to IFRS 15 – Revenues from Contracts with Customers, which introduced a reference framework for the recognition and measurement of revenues for the faithful representation of the process of transferring goods and services to customers for an amount that reflects the amount expected in exchange for them. This standard is applied using a model made up of the five following stages:
- Identification of the contract with the customer: the parties approve the contract, which has commercial substance, and identify their respective rights and obligations. The contract must be legally binding, must identify the right to receive goods and/or services, the consideration and the payment terms;
- Identification of the performance obligations of the contract, i.e. promises to transfer separate goods and services.
- Determination of the transaction price: this is the total consideration contracted with the counterparty over the duration of the contract.

- Allocation of the price to the various performance obligations: in proportion to the respective stand-alone selling prices determined from the list prices.
- Recognition of revenue subject to fulfilment of performance obligations.

(a) Sale of goods
With regard to the sale of laser systems, sheet metal working machines and components, the Group recognises revenue when it transfers control of the goods to its customers. This generally coincides with the time when the Group obtains the right to receive payment and with the transfer of the material possession of the goods, which includes the transfer of the significant risks and benefits of ownership. The Group considers a warranty extension beyond normal market conditions as a performance obligation that should be recorded separately.

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

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

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

PUBLIC CONTRIBUTIONS
Public contributions are entered in the financial statements at their *fair value* only if it is reasonably certain they will be paid and the Group has satisfied all the requirements established by the conditions to obtain them. Revenues from government grants are recognised in the Income Statement based on the costs for which they were granted.

CURRENCY CONVERSIONS
All values are rounded to the nearest Euro.

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

(b) Assets, liabilities and transactions in foreign currencies
Transactions in foreign currency are initially recorded at the exchange rate at the transaction date.
Assets and liabilities in a foreign currency are converted to Euros using the exchange rate applicable on the closing date of the financial statements. All currency exchange differences are reported in Profit & Loss.

(c) Group companies

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

THE ESTIMATE OF *FAIR VALUE*

The *fair value* of financial instruments traded in an active market is determined based on market prices at the reporting date. The market price used as reference for financial assets held by the Group is the current price of sale (or price of purchase for financial liabilities).
The *fair value* of financial instruments that are not traded in an active market is determined using various valuation techniques and assumptions based on market conditions existing at the reporting date. For medium and long-term liabilities comparing prices of similar listed financial instruments, for the other categories of financial instruments cash flows are discounted.
The *fair value* of IRS is determined by discounting the estimated deriving cash flows at the reporting date. For receivables it is assumed that the nominal value net of any adjustments made to take account of their payable approximates their *fair value*. For the purpose of the required information provided in this report, the *fair value* of financial liabilities is determined by updating cash flow generated by contracts at an interest rate approximating the market rate the Group applies to fund its business.

DISCRETIONAL ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements requires Management to make a number of subjective assumptions and estimates based on past experience.
The application of these estimates and assumptions affects the amounts of assets and liabilities recognised in the balance sheet, as well as expenses and income recognised in the Income Statement. Actual results may differ significantly from the estimates made, in view of the natural uncertainty surrounding the assumptions and conditions on which the estimates are based.

More specifically, taking account of the uncertainty that persists in certain markets and the economic-financial context in which the Group operates, it cannot be excluded that in the next business year, results will be different from our estimates and that adjustments (even significant) to the book value of the given entries may therefore prove necessary, which cannot presently be either estimated or forecasted. The main items affected by these situations of uncertainty are provisions for doubtful accounts receivable and inventory, non-current assets (tangible and intangible assets), pension liabilities and other post-employment benefits, deferred tax assets.

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

Recoverable amount of goodwill

The *impairment test* of the goodwill took place in the value in use configuration, determined with reference to the value of the income flows, discounted to the WACC, for the explicit period 2021-2023, increased by the terminal value. This exercise did not highlight the need to make write-downs to the carrying amount of goodwill.

Recoverability considerably depends on the discount rate used as part of updated cash-flow models, including cash flow expected in the future and the rate of growth used for extrapolation. The key assumptions made in determining recovery for the several cash-flow generating units (CGU), including a sensitivity analysis, are described in detail in Note 2 – Intangible assets.

Development costs

Development costs that meet the requirements for capitalisation are recorded under Intangible Fixed Assets. The average life of research and development projects is estimated at a maximum of 8 years, which is the average period in which the products are estimated to generate cash flows for the Group.

Deferred tax assets and liabilities

Deferred tax assets and liabilities entered in the financial statements are determined by applying the difference between the carrying value and the fiscally recognised value of the various assets and liabilities, the tax rates that are presumed to apply in the various countries in the year the temporary differences are expected to fall short. Deferred tax assets relating to fiscal losses reportable in following years are entered in the financial statements only if and to the extent that the management expects the concerned company to generate a fiscal profit in those years, such as to allow their absorption.

If arising circumstances after the estimates are made induce management to modify those evaluations, i.e. the rate used in calculating the deferred taxes has changed, the items entered in the financial statements are accordingly adjusted.

Provision for inventory write-down

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

Allowance for doubtful accounts

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

Employee Benefits

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

VARIATIONS TO ACCOUNTING PRINCIPLES

Accounting principles and interpretations transposed by the European Union and applicable from January 1,2020

In accordance with the requirements of IAS 8 (Accounting principles, changes in accounting estimates and errors), the IFRS in force at January 1, 2020 are indicated and briefly illustrated below.

- On November 29, 2019 the European Commission issued Regulation No. 2019/2104 harmonising the document “Amendments to IAS 1 and IAS 8: definition of material”. The definition of material was integrated with the concept of “obscure” information, that is, information that is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The amended IAS 1 states that “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. This amendment led to the transposition of the new definition of material in IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, IAS 10 – Events After the Reporting Period, IAS 34 – Interim Financial Reporting, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.
- On November 29, 2019 the European Commission issued Regulation No 2019/2075 harmonising the document “Amendments to the Conceptual Framework in IFRS”. The changes are intended to update the existing references to the previous “systematic framework" into different international standards and their interpretations, replacing them with references to the previous "Conceptual Framework", replacing them with references to the revised "Conceptual Framework".
- On January 15, 2020 the European Commission issued Regulation No. 2020/34 which made changes to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: recognition and measurement, to IFRS 7 - Financial Instruments: supplementary information, as a result of the *Interest Rate Benchmark Reform*. The aim of these amendments is to avoids entities having to discontinue hedges as a result of uncertainties resulting from the IBOR reform introduced by the *European Financial Benchmark Regulation*. In particular it addresses concerns regarding an inability to meet the specific accounting requirements for hedging transactions in the periods before the transition. The amendments also require companies to provide additional disclosures in the financial statements regarding hedging relationships directly affected by the uncertainties generated by the IBOR reform.
- On April 21, 2020 the European Commission issued Regulation No. 2020/551 "Amendments to IFRS 3 - Business Combinations" which provides some clarification on the definition of business. In particular, the amendment clarifies, on the one hand, that the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets, and, on the other hand, that an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that contribute to the creation of an output. The amendment also introduced an optional test ("*concentration test*"), which makes it possible to exclude the presence of a business if the price paid is substantially referable to a single activity or group of activities.
- On May 28, 2020, the IASB published an amendment entitled "COVID-19 *Related Rent Concessions (Amendment to IFRS 16)*" which provides lessees with the option of accounting for COVID-19 related rent reductions without having to assess, through contract analysis, whether the definition of lease modification under IFRS 16 is met. Therefore, lessees applying this option will be able to

account for the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment, applicable to financial statements starting on June 1, 2020, without prejudice to the possibility of early application to financial statements starting on January 1, 2020, was implemented by the European Union on October 9, 2020 with Regulation no. 2020/1434.

The adoption of these amendments and interpretations did not affect the consolidated financial statements as at December 31, 2020.

Accounting standards endorsed by the European Union but not yet mandatorily applicable

At the date of this Annual Report, the following standards had been endorsed by the European Union but were not yet mandatory.

On January 13, 2021, the European Commission issued Regulation 2021/25 approving the document *"Interest rate Benchmark Reform - Phase 2"*, applicable as of January 1, 2021, containing amendments to, inter alia, the following *standards*: "*IFRS 9 - Financial Instruments*", *"IFRS 7 - Financial Instruments: Disclosures", "IFRS 16 - Leases*". The amendments introduced provide for a specific accounting treatment that spreads over time the changes in value of financial instruments or leasing contracts due to the replacement of the benchmark index used to determine interest rates, thus avoiding immediate repercussions on the result for the year and interruptions to hedging relationships following the replacement of the reference index used to determine interest rates.

The Group will adopt these new principles, amendments and interpretations from their date of application.

The Group is currently analysing these standards and assessing whether their adoption will have a significant impact on the consolidated financial statements.

Accounting principles and interpretations issued by IASB and not yet transposed by the European Union

At the date of this Annual Report, the following principles have been issued by the IASB and not yet transposed by the European Union:

On January 23, 2020 the IASB issued the document *"Amendments to IAS 1 Presentation of Financial Statements*: *classification of liabilities as current or non-current*" to clarify the requirements for classifying liabilities as "current" or "non-current". More specifically, the amendments specify that i) the conditions existing at the end of the reporting period are those that should be used to determine whether the right to defer settlement of a liability exists; ii) management's expectations about events after the reporting date are not material; iii) clarify the situations that are considered to be the settlement of a liability. The amendments shall enter into force on January 1, 2023.

On May 14, 2020 the IASB published the following amendments, which are applicable to reporting periods beginning on or after January 1, 2022.

- Amendments to IAS 37 *"Onerous Contracts - Cost of Fulfilling a Contract"*, aimed at providing clarifications on how to determine the onerousness of a contract. The amendment clarifies that in estimating whether a contract is onerous, it is necessary to consider all costs directly attributable to the contract, including incremental costs and all other costs that the enterprise cannot avoid as a result of entering into the contract.

- Amendments to IAS 16 *“Property, Plant and Equipment: Proceeds before Intended Use”*, aimed at defining that the revenues deriving from the sale of goods produced by an asset, before it is ready for its intended use, are entered in the income statement together with the relative production costs.
- Amendments to IFRS 3 *"Reference to the Conceptual Framework"*. The purpose of the amendments is to update the reference in IFRS 3 to the *Conceptual Framework* in the revised version, without making any changes to the provisions of the standard.
- Issuance of the document "*Annual Improvements to IFRS Standards 2018- 2020 Cycle*", containing amendments, essentially of a technical and editorial nature, to the following international accounting standards: *"IFRS 1 - First-time Adoption of International Financial Reporting Standards"*, *"IFRS 9 - Financial Instruments*, *"IAS 41 - Agriculture"*, illustrative examples of *"IFRS 16 - Leases"*.

On May 18, 2017, the IASB issued the standard “*IFRS 17 – Insurance Contracts*”, to replace the current “*IFRS 4 – Insurance Contracts*”. The new standard, applicable to annual reporting periods beginning on or after January 1, 2023, regulates the accounting treatment of insurance contracts issued and reinsurance contracts held.

The Group will adopt these new principles, amendments and interpretations from their date of application.

The Group is currently analysing these standards and assessing whether their adoption will have a significant impact on the consolidated financial statements.

CHAPTER 8

Explanatory Notes to the Consolidated Financial Statements at December 31, 2020

CHAPTER 8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

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

SEGMENT REPORTING

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 segment 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 high-power laser sources for industrial applications, intended for the machines of the Group and third customers.

The PRIMA ADDITIVE division, established in the second half of 2018 and dedicated to the design, production and sale of turnkey solutions for the main Additive Manufacturing technologies: Powder Bed Fusion – PBF and Direct Metal Deposition – DMD, and the relative support and services for its applications. The division boasts a strong team of highly specialised young experts, qualified managers and engineers. The purpose of this 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 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.

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

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
Values in euro thousand	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Net revenues	310,799	398,629	41,060	51,163	(18,896)	(22,210)	332,963	427,582
Cost of goods sold	(245,457)	(311,905)	(37,575)	(40,450)	18,758	22,594	(264,274)	(329,761)
GROSS MARGIN	**65,342**	**86,724**	**3,485**	**10,713**	**(138)**	**384**	**68,689**	**97,821**
Research and Development costs	(15,318)	(19,986)	(13,484)	(5,391)	74	374	(28,728)	(25,003)
Sales and marketing expenses	(21,368)	(28,966)	(1,551)	(2,289)	8	-	(22,911)	(31,255)
General and administrative expenses	(19,805)	(22,240)	(2,498)	(5,022)	(5)	90	(22,308)	(27,172)
OPERATING PROFIT (EBIT)	**8,851**	**15,532**	**(14,048)**	**(1,989)**	**(61)**	**848**	**(5,258)**	**14,391**
Net financial expenses	(3,905)	(5,131)	(217)	(977)	-	-	(4,122)	(6,108)
Net exchange differences	(1,095)	(347)	(90)	(61)	-	-	(1,185)	(408)
Net result of investments accounted for using the equity method	-	(24)	-	-	-	-	-	(24)
Net result of other investments	2,154	-	(49)	2,605	(2,100)	-	5	2,605
RESULT BEFORE TAXES (EBT)	**6,005**	**10,030**	**(14,404)**	**(422)**	**(2,161)**	**848**	**(10,560)**	**10,456**
Taxes	(1,413)	(2,289)	4,543	996	16	(345)	3,146	(1,638)
NET RESULT	**4,592**	**7,741**	**(9,861)**	**574**	**(2,145)**	**503**	**(7,414)**	**8,818**
- Attributable to Group shareholders	*4,805*	*7,969*	*(9,861)*	*574*	*(2,145)*	*503*	*(7,201)*	*9,046*
- Attributable to minority shareholders	*(213)*	*(228)*	-	-	-	-	*(213)*	*(228)*

Values in euro thousand	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Property, plant and equipment	52,075	55,275	12,206	13,905	-	-	64,281	69,180
Intangible assets	115,453	121,443	5,596	13,474	(212)	(212)	120,837	134,705
Investments accounted for using the equity method	394	394	-	-	-	-	394	394
Other investments	17,171	17,353	-	49	(10,945)	(10,944)	6,226	6,458
Non current financial assets	2,728	2,728	1,505	1,515	-	-	4,233	4,243
Deferred tax assets	12,256	9,957	5,083	4,413	317	301	17,656	14,671
NON CURRENT ASSETS	200,077	207,150	24,390	33,356	(10,840)	(10,855)	213,627	229,651
Inventories	97,557	103,473	22,247	25,404	(1,115)	(1,059)	118,689	127,818
Trade receivables	72,565	80,310	11,493	14,991	(6,434)	(9,895)	77,624	85,406
Other receivables	7,145	7,497	1,584	1,797	3	4	8,732	9,298
Current tax receivables	2,484	7,253	3,545	1,217	(1,016)	(413)	5,013	8,057
Derivatives	365	-	-	-	-	-	365	-
Financial assets	8,427	9,066	43	-	(8,412)	(8,534)	58	532
Cash and cash equivalents	61,894	52,611	1,105	2,525	-	-	62,999	55,136
CURRENT ASSETS	250,437	260,210	40,017	45,934	(16,974)	(19,897)	273,480	286,247
Assets held for sale	**1,255**	**229**	**4,000**	**4,000**	**-**	**-**	**5,255**	**4,229**
TOTAL ASSETS	451,769	467,589	68,407	83,290	(27,814)	(30,752)	492,362	520,127
STOCKHOLDERS' EQUITY	148,996	148,902	27,579	38,180	(14,111)	(11,969)	162,464	175,113
Interest-bearing loans and borrowings	95,133	107,958	15,454	18,239	(5,269)	(8,457)	105,318	117,740
Employee benefit liabilities	5,420	5,333	1,684	1,685	-	(1)	7,104	7,017
Deferred tax liabilities	3,865	3,541	894	1,825	-	-	4,759	5,366
Provisions	238	222	-	-	-	-	238	222
Derivatives	419	600	-	-	-	-	419	600
NON CURRENT LIABILITIES	105,075	117,654	18,032	21,749	(5,269)	(8,458)	117,838	130,945
Trade payables	63,889	79,995	11,925	11,224	(6,424)	(9,929)	69,390	81,290
Advance payments	39,557	34,232	150	171	312	312	40,019	34,715
Other payables	16,668	19,232	2,576	2,829	-	-	19,244	22,061
Interest-bearing loans and borrowings	52,152	41,080	7,083	7,867	(1,043)	(33)	58,192	48,914
Current tax payables	6,517	6,550	211	315	(1,024)	(420)	5,704	6,445
Provisions	18,915	19,944	851	955	(255)	(255)	19,511	20,644
CURRENT LIABILITIES	197,698	201,033	22,796	23,361	(8,434)	(10,325)	212,060	214,069
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	451,769	467,589	68,407	83,290	(27,814)	(30,752)	492,362	520,127

PRIMA POWER

Revenues of the PRIMA POWER division decreased by 22.0% compared to the previous year. The division achieved good revenue results in Italy (12.7% of the division's revenues), in Northern Europe (9.5%), Germany, Austria and Switzerland (7.3%) and in Spain and Portugal (4.1%). Sales in NAFTA countries account for 31.3% of the division's revenues, whereas China accounts for 8.6%.

EBIT at December 31, 2020 amounted to Euro 8,851 thousand and had decreased by Euro 6,681 thousand; this result was affected by amortisation and impairment for Euro 16,593 thousand, of which Euro 5,377 thousand related to amortisation of development costs and to the amortisation relating to Trademark registration recognised in the business merger of the FINN-POWER Group equal to Euro 1,878 thousand.

It should be specified that EBIT at December 31, 2020 was affected by non-recurring events of Euro 2,816 thousand and related mainly to Euro 1,337 thousand for restructuring/reorganisation costs, Euro 2,091 thousand for legal/tax litigation costs and penalties from customers and Euro 899 thousand for costs related to COVID-19. Also included were government subsidies paid in response to the COVID-19 pandemic in the amount of Euro 1,511 thousand. At December 31, 2019, non-recurring events were negative for Euro 3,205 thousand.

PRIMA ELECTRO

Revenues in the PRIMA ELECTRO division decreased by Euro 10,103 thousand from December 31, 2019 (equal to -19.7%). EBIT was negative at Euro 14,048 thousand and decreased by Euro 12,059 thousand compared to the previous year. This result is affected by depreciation of property, plant and equipment for Euro 2,684 thousand, by amortisation of intangible fixed assets for Euro 2,679 thousand and the aforementioned impairment of CGU PRIMA ELECTRO – BU Laser goodwill for Euro 10,486 thousand (for more information on this impairment please refer to Note 2 Intangible Assets of the Consolidated Statement of Financial Position).

CONSOLIDATED FINANCIAL POSITION

1. <u>Property, plant and equipment</u>

The property, plant and equipment as at December 31, 2020 came to Euro 64,281 thousand, a decrease of Euro 4,899 thousand compared with December 31, 2019.

For more details, refer to the table below.

Property, plant and equipment	Land and Building	Plants and Machinery	Industrial and Commercial equipment	Other tangible fixed assets	Fixed assets under construction	TOTAL
Net value as at December 31, 2018	**23,466**	**4,441**	**3,457**	**4,115**	**1,269**	**36,749**
Movements 2019						
Rights of use derived from the first application of IFRS16	21,514	818	225	4,509	-	27,066
Increases	7,017	2,832	1,764	4,534	379	16,526
Disinvestments	(291)	(390)	(100)	(945)	(39)	(1,765)
Utilization of accumulated depreciation	40	224	96	608	-	968
Depreciation	(3,945)	(1,236)	(1,598)	(3,693)	-	(10,472)
Reclassifications with tangible fixed assets	320	-	330	104	(754)	-
Reclassifications with intangible fixed assets	-	-	-	-	(61)	(61)
Differences on exchange rates	78	4	30	51	7	170
Net value as at December 31, 2019	**48,199**	**6,693**	**4,204**	**9,283**	**801**	**69,180**
Movements 2020						
Increases	4,962	720	842	3,215	1,162	10,901
Disinvestments	(219)	(30)	(60)	(541)	-	(850)
Utilization of accumulated depreciation	196	36	66	505	-	803
Leasing contracts Advance Closing	(2,106)	-	-	-	-	(2,106)
Depreciation	(4,341)	(1,365)	(1,647)	(3,915)	-	(11,268)
Reclassifications with tangible fixed assets	3	-	147	-	(150)	-
Reclassifications with intangible fixed assets	-	-	-	9	-	9
Reclassifications to Assets held for sale	(1,041)	-	-	-	-	(1,041)
Differences on exchange rates	(964)	(38)	(155)	(156)	(34)	(1,347)
Net value as at December 31, 2020	**44,689**	**6,016**	**3,397**	**8,400**	**1,779**	**64,281**
Of which Rights of use derived from the first application of IFRS16						
Net value as at December 31, 2019	25,254	647	143	4,521	-	30,565
Increases	3,991	35	-	2,561	-	6,587
Disinvestments	(24)	-	-	(29)	-	(53)
Leasing contracts Advance Closing	(2,106)	-	-	-	-	(2,106)
Depreciation	(3,210)	(188)	(80)	(2,882)	-	(6,360)
Reclassifications	-	-	-	464	-	464
Differences on exchange rates	(775)	-	-	(79)	-	(854)
Total Rights of use	**23,130**	**494**	**63**	**4,556**	**-**	**28,243**

The increases come to Euro 10,901 thousand and relate mainly to Industrial and Commercial Equipment and Other assets (which include electronic office machinery, furniture and vehicles).

Depreciation in the year totalled Euro 11,268 thousand, while exchange rate differences had a negative impact of Euro 1,347 thousand.

2. Intangible assets

The intangible assets on December 31, 2020 are equal to Euro 120,837 thousand and decreased by Euro 13,868 thousand compared with December 31, 2019.

For more details, refer to the table below.

Intangible assets	Goodwill	Development costs	Other intaglible assets	TOTAL
Net value as at December 31, 2018	**103,032**	**31,680**	**10,288**	**145,000**
Movements 2019				
Increases/(decreases)	-	5,972	733	6,705
Depreciation	-	(9,140)	(2,792)	(11,932)
Impairment	(1,014)	(623)	-	(1,637)
Reclassifications with others items	-	1,034	61	1,095
OSAI business sale	(4,162)	(520)	-	(4,682)
Differences on exchange rates	38	109	9	156
Net value as at December 31, 2019	**97,894**	**28,512**	**8,299**	**134,705**
Movements 2020				
Increases/(decreases)	-	5,729	278	6,007
Depreciation	-	(7,951)	(2,737)	(10,688)
Impairment	-	(10,486)	-	(10,486)
Reclassifications with others items	-	1,738	-	1,738
Reclassifications with tangible fixed assets	-	-	(9)	(9)
Differences on exchange rates	(143)	(257)	(30)	(430)
Net value as at December 31, 2020	**97,751**	**17,285**	**5,801**	**120,837**

The most significant item is represented by Goodwill, which on December 31, 2020 amounts to Euro 97,751 thousand.
All goodwill recorded in the financial statements relates to the higher value paid compared to the fair value of the net assets acquired, at the date of acquisition.

The table below shows the book value of the goodwill allocated to each of the Cash Generating Units (CGU).

CASH GENERATING UNIT	BOOK VALUE GOODWILL December 31, 2020	BOOK VALUE GOODWILL December 31, 2019
PRIMA POWER	97,598	97,741
PRIMA ELECTRO - BU Electronics	153	153
TOTAL	**97,751**	**97,894**

PRIMA POWER

At December 31, 2020, the recoverable value of the cash generating unit underwent an *impairment* test to ascertain any loss in value. This involved a comparison of the carrying amount of the CGU (including goodwill) and its value in use, that is the present value of the expected future cash flows from its continuous use and from its disposal at the end of its useful life.

The value in use was determined by discounting the cash flows in the PRIMA POWER division business plan approved by the Board of Directors of PRIMA INDUSTRIE SpA on March 2, 2021 and concerning the period January 1, 2021 – December 31, 2023. The assumptions in the cash flow forecast in the explicit projection period were based on prudential finding 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 3 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 6.47% post-tax (at December 31, 2019 the post-tax was 7.82%), 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 growth expectations.

Determination of the value-in-use using the process illustrated led to a recoverable value above the book value of the cash-flow generating unit, making it possible to avoid any reductions in the value of goodwill allocated to the PRIMA POWER segment.

In terms of the basic assumptions described above, a sensitivity analysis of the results was also carried out in relation to the WACC, the growth rate (g) and the forecast results. Specifically, even with significant increases in the cost of capital and the zeroing of the perpetuity growth rate (g), the values in use show no impairment losses. Indeed fact, assuming a growth rate (g) of zero, the (post-tax) WACC that would make the recoverable value of the CGU equal to its book value would be 10.5%.

A sensitivity analysis was also carried out with expected results lower than forecast in the 2021 - 2023 plan. If the revenues forecast for 2021 were to be lower by 5% (and consequently EBITDA) and the percentage growth rates for subsequent financial years remain unchanged, in this case, too (with a post-tax WACC of 6.47% and a growth rate of 0.5%), the values in use would not lead to impairment losses. Considering a growth rate (g) of 0.5% and a post-tax WACC of 6.47%, a reduction in future revenues of about 8.5% (with percentage growth rates in subsequent years remaining unchanged and with a cost structure consistent with turnover levels), would make the recoverable value of the CGU equal to its book value.

It should be emphasised that the data for this sensitivity study refers to a theoretical year that has some limitations. Indeed, in the reference industry, the greater the revenue contractions, the higher the growth rates during the positive phase of the cycle. Hence a reduction in revenues of 8.5%, keeping the growth rates constant in the following years (i.e. no recovery of the percentage loss of revenues during the five-year period), would mean either a contraction in the machine tools market during the next cycle or a loss in market share for the PRIMA POWER segment. Neither of these events appears likely at the moment. The sensitivity analyses described above include uncertainties in the macroeconomic environment related to the COVID-19 pandemic.

At the end of the test, the value-in-use of the PRIMA POWER CGU at December 31, 2020 is greater than its book value of around Euro 141 million.

PRIMA ELECTRO

With reference to the PRIMA ELECTRO - LASER BU CGU, during the drafting of the new 2021-2023 industrial plan, exogenous factors emerged linked to changes in the technological environment and competitive dynamics that were considered as *impairment* indicators.

In light of these indicators, an exercise was carried out to measure the recoverable value of the individual assets, included in this *business unit*, capable of generating independent cash flows; the analyses carried out showed that some of the development costs capitalised in previous years no longer met the requirement of generating probable future economic benefits that would recover their carrying amount. As a result, certain development costs have been written down, aligning the carrying amount to their recoverable amount.

The write-down of assets amounted to Euro 10,486 thousand and resulted in an impact on the income statement of Euro 8,513 thousand due to the release of government grants and R&D tax credits relating to these development costs previously recognised as deferred income in order to align costs and revenues.

Subsequently, after the abovementioned write-down, an *impairment test* was performed on the entire PRIMA ELECTRO - LASER BU CGU.

The value in use was determined by discounting the cash flows in the PRIMA POWER ELECTRO BU ELECTRONICS business plan concerning the period January 1, 2021–December 31, 2023, approved by the Board of Directors of PRIMA ELECTRO SpA on February 11, 2021 and the parent company PRIMA INDUSTRIE SpA on March 2, 2021.
Determination of value in use using the above process led to a recoverable value that was substantially higher than the carrying amount of the cash generating unit, making it possible not to make any further reductions to the value of property, plant and equipment and intangible assets assigned to the PRIMA ELECTRO BU ELECTRONICS CGU.

The assumptions in the cash flow forecast in the explicit projection period were based on prudential finding 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 3 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 6.47% (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.

In consideration of the fact that a significant portion of the CGU's value derives from its terminal value and that the context in which the CGU's business develops is characterised by constant technological innovation and a very fluid competitive scenario that makes it complex to make realistic medium/long-term forecasts, it was decided to apply an additional *risk premium* of 2.00% in discounting the terminal value (which therefore brings the WACC to 8.47%).

Determination of value in use using the above process led to a recoverable value that was higher than the carrying amount of the cash generating unit, making it possible not to make reductions to the value of property, plant and equipment and intangible assets assigned to the PRIMA ELECTRO BU ELECTRONICS CGU.

In terms of the basic assumptions described above, a sensitivity analysis of the results was also carried out in relation to the WACC, the growth rate (g) and the forecast results. Specifically, even with significant increases in the cost of capital and the zeroing of the perpetuity growth rate (g), the values in use show no impairment losses. Indeed fact, assuming a growth rate (g) of zero and with an additional risk premium of 2.00%, the (post-tax) WACC that would make the recoverable value of the CGU equal to its book value would be 14.3%.
A sensitivity analysis was also carried out with expected results lower than forecast in the 2021-2023 plan. If the revenues forecast for 2020 were to be lowered by 5% (and consequently EBITDA) and the percentage growth rates for subsequent financial years remain unchanged, in this case, too (with a post-tax WACC of 6.47% and a growth rate of 0.5%), the values in use would not lead to *impairment* losses. Considering a growth rate (g) of 0.5% and a post-tax WACC of 6.47%, a reduction in future revenues of about 16.8% (with percentage growth rates in subsequent years remaining unchanged and with a cost structure consistent with turnover levels), would make the recoverable value of the CGU equal to its book value. The sensitivity analyses described above include uncertainties in the macroeconomic environment related to the pandemic from COVID-19.

OTHER INTANGIBLE FIXED ASSETS
As can be deduced from the year's progression, most increases in 2020 were due to the capitalisation of development costs.
Considering the business of Prima Industrie SpA (and by all other Group companies) 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. The costs capitalised on projects where the technical feasibility is uncertain or no longer strategic are assigned to the Income Statement. The rate applied for the number of hours of internal development reflects the cost of industrial man-hours.
It should be noted that an impairment of Euro 10,486 thousand was recognised on the previously capitalised development costs of PRIMA ELECTRO and PRIMA INDUSTRIE NORTH AMERICA - CONVERGENT-PHOTONICS.

It should be noted that the “Other intangible fixed assets” category contains the trademark deriving from the *Purchase Price Allocation* of FINN-POWER OY that occurred in 2008. The net values of the FINN-POWER trademark at December 31, 2020 is equal to Euro 3,847 thousand.
The “FINN-POWER” trademark has been defined an asset with finite life, as we consider that its use for business and production purposes will be limited in time to 15 years, and consequently it is subject to the depreciation process.

3. Investments accounted for using the equity method
The value of Investments accounted for using the equity method refers to the shareholding in 3D NT held by PRIMA INDUSTRIE SpA (19.9%) and is equal to Euro 394 thousand, unchanged from the previous year.

4. Other Investments

The total value of Other Investments at December 31, 2020 amounted to Euro 6,226 thousand, which was down from December 31, 2019. The decrease of Euro 232 thousand relates mainly to the negative exchange rate differences of the stake in Lead Laser (held by PRIMA POWER SUZHOU) for Euro 158 thousand, the write-down on the stake in Caretek (19.3% held by PRIMA ELECTRO SpA) for Euro 49 thousand and the sale of the stake in Härmämedi OY for Euro 25 thousand.

Consequently this heading on December 31, 2020 is composed of:

- Lead Laser: Euro 6,086 thousand (investment equal to 19% held by PRIMA POWER SUZHOU);
- Fimecc OY: Euro 50 thousand (investment equal to 2.4% held by FINN-POWER OY);
- Prima Power Sheet Metal Solution: Euro 41 thousand (investment equal to 19% held by PRIMA INDUSTRIE SpA);
- Lamiera Servizi Srl: Euro 11 thousand (investment equal to 19% held by PRIMA INDUSTRIE SpA);
- other minor investments: Euro 38 thousand.

5. Non-current financial assets

Non-current financial assets as at December 31, 2020 amounted to Euro 4,233 thousand and related to an escrow deposit as a guarantee for a loan granted by Cassa Depositi e Prestiti and Mediocredito Italiano (known as a "Smilla Loan").

6. Tax assets for deferred taxes

Tax assets for deferred taxes were Euro 17,656 thousand, increasing from the previous financial year, where they were Euro 2,985 thousand.

DEFERRED TAX ASSETS	December 31, 2020	December 31, 2019
Opening balance	**14,671**	**11,973**
Increase	6,162	3,793
Decrease	(2,620)	(1,204)
Differences on exchange rates	(557)	109
Closing balance	**17,656**	**14,671**

Below is the breakdown of Tax assets for deferred taxes at December 31, 2020.

DEFERRED TAX ASSETS	December 31, 2020	December 31, 2019
Provisions for risks and other liabilities	3,440	4,546
Inventories	3,518	3,257
Tax losses carried forward	5,446	4,955
Employee benefits	754	738
Non-current tangible/intangible assets/Leases	2,661	190
Trade receivables	108	209
Other	1,729	776
TOTAL	**17,656**	**14,671**

Deferred taxes are recorded in the financial statements only if the conditions for their recovery exist. The assessment of the recoverability of prepaid 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 December 31, 2020 and December 31, 2019.

INVENTORIES	December 31, 2020	December 31, 2019
Raw materials	41,056	42,603
Semi-finished goods	19,545	24,260
Finished goods	69,231	70,787
(Inventory provisions)	(11,143)	(9,832)
TOTAL	**118,689**	**127,818**

The net value of inventories at December 31, 2020 shows a decrease equal to Euro 9,129 thousand compared with December 31, 2019.

The inventory provisions during the year 2020 were subject to the following movements.

Inventory Provisions	December 31, 2020
Value as at December 31, 2019	**(9,832)**
Provisions	(2,717)
Utilizations	1,065
Differences on exchange rates	341
Value as at December 31, 2020	**(11,143)**

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 December 31, 2020 amounted to Euro 77,624 thousand, a decrease of Euro 7,782 thousand compared to December 31, 2019.

TRADE RECEIVABLES	December 31, 2020	December 31, 2019
Receivables from customers	82,389	89,572
Bad Debt Reserve	(4,765)	(4,166)
TOTAL	**77,624**	**85,406**

The bad debt reserve during the year 2020 were subject to the following movements.

BAD DEBT RESERVE	
Value as at December 31, 2019	**(4,166)**
Provisions	(1,464)
Utilizations	792
Differences on exchange rates	73
Value as at December 31, 2020	**(4,765)**

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.
Specific measurements were made on individual credit positions in certain categories of loans subject to particular elements of risk.

Below is a breakdown of trade receivables (inclusive of the bad debt reserve) by due date.

RECEIVABLES BY MATURITY	December 31, 2020
Due to expire	50,952
Expired 0 - 180 days	20,723
Expired 180 - 365 days	1,910
Expired over 1 year	8,804
TOTAL	**82,389**

The high average *credit standing* of customers and the lack of a significant concentration of receivables reduce credit risk and means the provisions for doubtful accounts are sufficient. Specifically, the recoverability of receivables and any need to write down receivables are the result of a process involving the subjective judgement of the Group. The factors considered mainly concern the creditworthiness of the counterparty, technical components (such as any design changes and/or delays in execution), the amount and the timing of expected future payments and any actions taken or to be taken to recover the receivables.

9. Other receivables

Other current receivables at December 31, 2020 were Euro 8,732 thousand and decreased from December 31, 2019 by Euro 566 thousand.

Here is a breakdown of Other Receivables compared with the previous year.

OTHER RECEIVABLES	December 31, 2020	December 31, 2019
Advances payments to suppliers	4,283	5,679
Prepayments and accrued income	2,406	1,682
Contribution to be received for R&D projects	1,224	1,059
Other receivables	671	719
Advances to employees	148	159
TOTAL	**8,732**	**9,298**

Receivable research and development grants, are increased by Euro 165 thousand from the previous year, are for projects financed by the European Community, the Ministry of Economic Development and the Regione Piemonte to be paid to the companies PRIMA INDUSTRIE SpA and PRIMA ELECTRO SpA.
Accrued income and prepaid expenses mainly include portions of costs (such as insurance, leasing fees, fees for information system and/or software licences) regarding subsequent financial years for which the financial outlay had already been made at December 31, 2020.

10. Other tax assets

The heading amounts to Euro 5,013 thousand at December 31, 2020 and decreased by Euro 3,044 thousand compared to December 31, 2019.

CURRENT TAX RECEIVABLES	December 31, 2020	December 31, 2019
VAT receivables	2,003	2,663
Direct tax advances	2,178	2,168
Tax credit for R&D	683	2,151
Receivables towards tax authorities	-	970
Other receivables for minor tax assets	98	59
Withholding taxes	51	46
TOTAL	**5,013**	**8,057**

The tax receivable refers to a submission of claims for IRES reimbursement at February 2013 was valued at Euro 970 thousand at December 31, 2019, collected by PRIMA INDUSTRIE SpA on July 1, 2020.

11. Net financial indebtedness

At December 31, 2020 the net financial position[3] of the Group was negative for an amount of Euro 100,507 thousand a decrease of Euro 11,079 thousand compared to December 31, 2019 (negative for Euro 111,586 thousand).
For a better understanding of the variation in the net financial position achieved during the 2020 financial year, 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 December 31, 2020 and December 31, 2019 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.

	NET FINANCIAL POSITION	December 31, 2020	December 31, 2019	Variations
A	CASH	62,999	55,136	7,863
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**62,999**	**55,136**	**7,863**
E	**CURRENT FINANCIAL RECEIVABLES**	**423**	**532**	**(109)**
F	CURRENT BANK DEBTS	2,862	4,141	(1,279)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	46,241	35,250	10,991
H	BOND ISSUED	690	691	(1)
I	OTHER CURRENT FINANCIAL DEBTS	8,399	8,832	(433)
J	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)**	**58,192**	**48,914**	**9,278**
K	**NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)**	**(5,230)**	**(6,754)**	**1,524**
L	NON-CURRENT BANK DEBTS	33,660	53,059	(19,399)
M	BOND ISSUED	24,850	24,806	44
N	OTHER NON-CURRENT FINANCIAL DEBTS	47,227	40,475	6,752
O	**NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)**	**105,737**	**118,340**	**(12,603)**
P	**NET FINANCIAL POSITION (K+O)**	**100,507**	**111,586**	**(11,079)**

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

	December 31, 2020	December 31, 2019
Net financial position com. CONSOB n. DEM/6064293	100,507	111,586
Term deposit Smilla	(4,233)	(4,233)
Loan Caretek	-	(10)
Net financial indebtedness	**96,274**	**107,343**

Liquidity

Cash and cash equivalents amount to Euro 62,999 thousand and consist of:

- bank deposits for Euro 62,962 thousand and
- cash for Euro 37 thousand.

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

(3) *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 these Explanatory Notes.*

Current financial receivables

The current financial receivables amount to Euro 423 thousand and include:

- a deposit of Euro 52 thousand held by PRIMA POWER SUZHOU;
- receivables from the company Lamiera Servizi of Euro 6 thousand, a subsidiary of PRIMA INDUSTRIE SpA for 19%;
- financial instruments to hedge the exchange rate risk (*Currency Rate Swaps*) for Euro 365 thousand.

Bonds issued

Debt to bondholders amount comprehensively to Euro 25,734 thousand, inclusive of accrued and unpaid interest amounting to Euro 734 thousand. The net debt accounted for in the financial statements amounts to Euro 25,540 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 24,850 thousand beyond 12 months

Indebtedness with banks

Below are the main loans included in the bank debt granted to PRIMA INDUSTRIE SpA.

At December 31, 2020, the BNL loan amounted to a total of Euro 12,505 thousand inclusive of accrued and unpaid interest amounting to Euro 5 thousand. The net debt in the financial statements total Euro 12,473 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The BNL loan is for Euro 4,491 thousand expiring beyond 12 months.

At December 31, 2020, the MPS loan amounted to a total of Euro 6,500 thousand, the net debt in the financial statements totals Euro 6,488 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The MPS loan is for Euro 5,094 thousand expiring beyond 12 months.

At December 31, 2020, the BPM loan amounted to a total of Euro 13,500 thousand, the net debt in the financial statements totals Euro 13,459 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The BPM loan is for Euro 9,145 thousand expiring beyond 12 months.

At December 31, 2020, the UNICREDIT loan amounted to a total of Euro 11,110 thousand, the net debt in the financial statements totals Euro 11,084 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The UNICREDIT loan is for Euro 5,547 thousand expiring beyond 12 months.

At December 31, 2020, the INTESA loan amounted to a total of Euro 10,024 thousand, inclusive of accrued and unpaid interest amounting to Euro 24 thousand. The net debt in the financial statements total Euro 10,005 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.

The INTESA loan is for Euro 6,658 thousand expiring beyond 12 months.

On the Intesa, Unicredit, BPM, MPS and BNL loans and on the bond there are covenants with measurements on annual and half-yearly basis; the covenants measured on the consolidated financial statements at December 31, 2020 have been met.

Non-current bank debts of Euro 2,333 thousand are included among other bank loans and mainly refer to loans taken out by PRIMA ELECTRO SpA. Non-current bank debts include an interest rate swap financial instrument whose fair value is equal to Euro 419 thousand.

Current bank debt (including the current portion of non-current indebtedness) includes the short-term portion of the BNL loans for Euro 7,982 thousand, MPS loans for Euro 1,394 thousand, BPM loans for Euro 4,314 thousand, UNICREDIT loans for Euro 5,537 thousand and the INTESA loans for Euro 3,347 thousand, in addition to bank overdrafts for Euro 23,866 thousand and other bank loans for Euro 2,663 thousand.

Other financial debts

Other financial debts amount overall to Euro 55,626 thousand (of which current debts for Euro 8,399 thousand).

The other financial debts include:

- debts for financial lease amounting to Euro 35,732 thousand (of which current debts for Euro 5,331 thousand);
- CDP financial debt of Euro 12,500 thousand;
- other financial debts for Euro 7,192 thousand (of which current debts for Euro 1,304 thousand). these payables refer mainly to subsidised ministerial loans;
- government incentives granted to PRIMA POWER LASERDYNE for Euro 30 thousand and PRIMA POWER CENTRAL EUROPE for Euro 172 thousand to cope with the COVID-19 emergency.

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 tables below show the covenants currently in place for December 31, 2020 and 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 December 31, 2020 are met.

It should be noted that, in relation to the loan taken out with CDP in September 2020, PRIMA INDUSTRIE SpA undertakes for the entire duration of the loan to comply with the following financial covenants (to be calculated on the consolidated financial statements at 31 December each year starting with the financial statements for the year ending 31 December 2021).

- EBITDA / Net Financial Charges >= 3.5x
- NFP / EBITDA <= 3.0x
- NFP / SE <= 1.5x

<u>Cash flow hedging instruments and accounting for related transactions</u>

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 December 31, 2020 the Group held some derivative instruments for a total net negative amount of Euro 54 thousand, of which current assets of Euro 365 thousand and non-current liabilities of Euro 419 thousand.

Derivatives current assets

Type	Company	Counterparty	Expiry date	Reference notional	MTM Dec 31, 2020
CRS - Non hedge accounting	Prima Industrie SpA	MPS	March 19, 2021	$3.000	€ 122
CRS - Non hedge accounting	Prima Industrie SpA	MPS	June 21, 2021	$3.000	€ 121
CRS - Non hedge accounting	Prima Industrie SpA	MPS	September 20,2021	$3.000	€ 122
				TOTAL	**€ 365**

Derivatives non current liabilities

Type	Company	Counterparty	Expiry date	Reference notional	MTM Dec 31, 2020
IRS - Hedge accounting	IRS - Hedge accounting	BNL	December 19, 2022	€ 17.000	€ 72
IRS - Hedge accounting	IRS - Hedge accounting	BPM	December 31, 2022	€ 20.000	€ 143
IRS - Hedge accounting	IRS - Hedge accounting	Unicredit	December 31, 2022	€ 22.222	€ 105
IRS - Hedge accounting	IRS - Hedge accounting	Intesa Sanpaolo	March 31, 2023	€ 15.000	€ 99
				TOTAL	**€ 419**

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	*Dec 31, 2019*	*Variations from cash flow*	*Variations not in cash*			*Dec 31, 2020*
			Issues	*Exchange rate effect*	*Fair value*	
Financial debts	102,286	104	-	(152)	-	102,238
Bond issued	25,497	43	-	-	-	25,540
Leasing	38,871	(6,687)	4,554	(1,006)	-	35.732
Derivatives	600	-	-	-	(181)	419
TOTAL	**167,254**	**(6,540)**	**4,554**	**(1,158)**	**(181)**	**163,929**

Breakdown of financial payables by expiration and interest rate

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

Current financial payables

CURRENT BANK DEBTS	Effective interest rate	Expiry	Dec 31, 2020
Bank overdrafts	N/A	Sight	2,799
Bank interests	N/A	N/A	63
TOTAL			**2,862**

CURRENT PART OF NON-CURRENT INDEBTEDNESS	Effective interest rate	Expiry	Dec 31, 2020
BNL	Euribor 6m + 1.55%	June 19,2023	7,982
Unicredit *revolving*	Euribor 6m + 1.85%	December 31, 2022	5,988
Intesa *revolving*	Euribor 6m + 1.45%	March 31, 2023	5,980
Unicredit	Euribor 6m + 1.85%	December 31, 2022	5,537
BNL revolving	Euribor 3m + 1.45%	April 30, 2021	5,007
BPM	Euribor 6m + 1,80%	June 30, 2023	4,314
Intesa	Euribor 6m + 1.25%	September 30, 2023	3,347
MPS *revolving*	Euribor 6m + 1,25%	February 28, 2021	2,028
Banca Popolare di Sondrio *revolving*	1.65%	April 30, 2021	2,001
MPS	Euribor 6m + 1.45%	June 30, 2023	1,394
Banco BPM	Euribor 3m + 1.55%	March 31, 2023	1,309
Banca d'Alba	Euribor 3m + 1.20%	December 31, 2021	1,017
CR Savigliano	Euribor 6m + 1.5%	June 30, 2021	337
TOTAL			**46,241**

BOND ISSUED	Effective interest rate	Expiry	Dec 31, 2020
Bond	3.5%	February 28, 2025	690
TOTAL			**690**

OTHER CURRENT FINANCIAL DEBTS	Effective interest rate	Expiry	Dec 31, 2020
CDP Loan	Euribor 6m + spread 1.2%	June 30, 2025	1,562
Smilla	0.5%	December 31, 2025	1,021
MISE	0.448%	November 26, 2023	176
UBI	0.5%	June 3, 2026	107
Government incentives	N/A	N/A	202
Leasing	N/A	N/A	5,331
TOTAL			**8,399**

Non-current financial payables

NON-CURRENT BANK DEBTS	Effective interest rate	Expiry	Dec 31, 2020
BPM	Euribor 6m + 1.80%	June 30, 2023	9,145
Intesa	Euribor 6m + 1.25%	September 30, 2023	6,646
Unicredit	Euribor 6m + 1.85%	December 31, 2022	5,532
MPS	Euribor 6m + 1.45%	June 30, 2023	5,094
BNL	Euribor 6m + 1.55%	June 19, 2023	4,491
Banco BPM	Euribor 3m + 1.55%	March 31, 2023	2,333
Derivative - IRS	N/A	N/A	419
TOTAL			**33,660**

BOND ISSUED	Effective interest rate	Expiry	Dec 31, 2020
Bond	3.5%	February 28, 2025	24,850
TOTAL			**24,850**

OTHER NON-CURRENT FINANCIAL DEBTS	Effective interest rate	Expiry	Dec 31, 2020
CDP Loan	Euribor 6m + spread 1.2%	June 30, 2025	10,938
Smilla	0.5%	December 31, 2025	4,144
Smilla	Euribor 6m + 3.5%	December 31, 2025	847
UBI	0,50%	June 3, 2026	542
MISE	0.448%	November 26, 2023	355
Leasing	N/A	N/A	30,401
TOTAL			**47,227**

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

Values expressed in Euro thousand	2021	2022	2023	2024 onwards	Total
CURRENT BANK DEBTS	2,862	-	-	-	2,862
CURRENT PART OF NON-CURRENT INDEBTEDNESS	46,241	-	-	-	46,241
OTHER CURRENT FINANCIAL DEBTS	8,399	-	-	-	8,399
NON-CURRENT BANK DEBTS (*)	-	20,213	13,028	-	33,241
BOND ISSUED	690	(46)	(47)	24,943	25,540
OTHER NON-CURRENT FINANCIAL DEBTS	-	9,145	8,645	29,437	47,227
TOTAL	**58,192**	**29,312**	**21,626**	**54,380**	**163,510**

(*) excluding the fair value of derivatives

12. Non-current assets held for sale

At December 31, 2020, the value of non-current assets held for sale was Euro 5,255 thousand and referred to:

- an equity investment held by PRIMA ELECTRO SPA for Euro 4,000 thousand in the company OSAIcnc;
- to a portion of the industrial plant located in Collegno in the province of Turin of the parent company PRIMA INDUSTRIE SpA (at December 31, 2019 it was classified under Land and Buildings) for Euro 1,041 thousand;
- some properties under construction owned by the parent company PRIMA INDUSTRIE SPA, located in the Mantua area, for Euro 214 thousand; one of the property units was sold during the 2020 financial year.

13. Net Equity

SHARE CAPITAL

The Share Capital amounts to Euro 26,208 thousand (divided into 10,483,274 ordinary shares with a par value of 2.50 Euro each).

LEGAL RESERVE

The Share Capital amounted to Euro 5,213 thousand and has remained unchanged compared with 2019.

OTHER RESERVES

The item Other Reserves has a value of Euro 66,461 thousand and is made up as follows:

- Share premium reserve: amounting to Euro 57,507 thousand.
- Reserve for the purchase of treasury stock: negative for Euro 1,966 thousand.
- Costs for share capital increase: negative for Euro 1,286 thousand and represents costs incurred for share capital increases (such as bank fees, legal and administrative consultant fees, etc.).
- Fair value adjustment reserve: negative for Euro 305 thousand and consists of the portion directly entered directly as net assets, net of taxes, of the market value of derivative contracts hedging exchange rate fluctuation.
- Other Reserves: Euro 12,511 thousand.

CURRENCY TRANSLATION RESERVE

The currency translation reserve has a negative value of Euro 1,225 thousand and has decreased over the previous financial year by Euro 5,228 thousand.

RETAINED EARNINGS

This amount, which is positive for Euro 70,164 thousand and includes the results of previous years of consolidated companies as well as the change in the area of consolidation and the capital losses/gains generated as a result of the acquisition or transfer of treasury shares and the effect of actuarial profits/losses net of taxes on severance indemnities for employees. In addition, the amounts relative to differences in accounting methods on the date of IAS/IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

PROFIT FOR THE YEAR

This item includes the profit for the year, totalling Euro 7,201 thousand (Euro 9,046 thousand as at December 31, 2019) attributable to the majority shareholders of the parent company.

MINORITY SHAREHOLDERS EQUITY

This item is positive for Euro 2,844 thousand (on December 31, 2019 it was Euro 3,132 thousand) and decreased by Euro 288 thousand compared to the previous financial year. Changes in net equity attributable to minority shareholders relate to the result for the period and the currency translation reserve.

COMPREHENSIVE INCOME

The overall result for the period is negative for Euro 12,636 thousand and includes:

- Loss for the period of Euro 7,414 thousand;
- Currency translation reserve: negative for Euro 5,206 thousand (of which Euro 5,228 thousand refer to the majority shareholders and Euro 75 thousand to minority shareholders);
- Reserve for *fair value* adjustment of derivatives: positive for Euro 134 thousand (net of a tax effect of - Euro 43 thousand);
- Effect of actuarial profit/losses on employee severance indemnities according to the application of revised IAS 19: negative for Euro 75 thousand (net of a tax effect of +Euro 24 thousand).

CONNECTION BETWEEN RESULT AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND THE SAME VALUES FOR THE GROUP

Pursuant to the CONSOB Communication of July 28 2006, the following table illustrates the connection between the result for 2020 and the Group's shareholders' equity at December 31, 2020 with the same values of the parent company PRIMA INDUSTRIE SpA.

Reconciliation between Net Result and Shareholders' equity of the parent company and related Group values	Shareholders' Equity as at Dec 31, 2020	Net result as at Dec 31, 2020	Shareholders' Equity as at Dec 31, 2019	Net result as at Dec 31, 2019
PRIMA INDUSTRIE S.p.A. Separate Financial Statements	**98,558**	**2,340**	**96,149**	**(2,164)**
Accounting for shareholders' equity and income from subsidiaries	234,793	1,639	249,937	14,987
Accounting Goodwill including share allocated on Trade Mark and Customer List	12,207	(1,878)	14,049	(1,394)
Elimination of values of consolidated shareholdings in PRIMA INDUSTRIE S.p.A. Financial Statements	(184,082)	-	(184,311)	-
Elimination of infragroup income included in stock and fixed assets	(9,076)	(883)	(8,834)	1,610
Elimination of depreciation/revaluation of consolidated shareholdings	8,544	1,836	7,127	8,110
Elimination of dividends paid between subsidiaries	-	(11,126)	-	(12,222)
Net result of investments accounted for using the equity method	(24)	-	(24)	(24)
Tax effect on consolidation adjustments	1,328	695	803	(48)
Other consolidate entries	216	(37)	217	(37)
PRIMA INDUSTRIE Group Financial Statements	**162,464**	**(7,414)**	**175,113**	**8,818**

14. Employee benefits

The item Employees benefits liabilities is equal to Euro 7,104 thousand at December 31, 2020, an increase compared with December 31, 2019 of Euro 87 thousand; this item includes:

- the Severance Indemnity (TFR) recognised by Italian companies for employees;
- a loyalty premium recognised by the parent company and by PRIMA ELECTRO SpA for their own employees;
- a pension fund recognised by PRIMA POWER GmbH and by PRIMA POWER France Sarl to their employees;
- a liability for employee benefits in recorded by Prima Industrie SpA for its branch office in South Korea.

The table below compares the items in question.

EMPLOYEE BENEFITS	December 31, 2020	December 31, 2019
Severance indemnity fund	4,283	4,282
Fidelity premium and other pension funds	2,821	2,735
TOTAL	**7,104**	**7,017**

The table below shows a Severance Indemnity change.

SEVERANCE INDEMNITY FUND	2020	2019
Opening balance	**4,282**	**5,115**
Severance indemnity paid out during the period	(153)	(285)
Actuarial gains/losses	128	154
Financial expenses	26	60
Other variations	-	(762)
Closing balance	**4,283**	**4,282**

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

Actuarial hypotheses	December 31, 2020	December 31, 2019
Annual discount rate	-0.02% - 0.34%	0.37% - 0.77%
Annual inflation rate	1.00%	1.00%
Annual Severance fund increase rate	2.25% - 2.5%	2.25% - 2.5%

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

- probability of death as defined by the Italian State Treasury RG48;
- the probability of disability, divided by gender, adopted in the INPS model for all the projections to 2010;
- retirement age, the first retirement requisite of Compulsory General Insurance;

- probability of leaving for causes other than death, with different frequency depending on the company;
- for the probability of advances an annual rate of 3.0% was supposed.

Furthermore, a sensitivity analysis was carried out for severance indemnities alone, which showed an insignificant impact with a change in the following variables:
- Discount rate +0.50%/-0.50%
- Inflation rate +0.25%/-0.25%
- Turnover rate +2.00%/-2.00%.

15. Deferred tax liabilities

The Deferred Tax Liabilities are equal to Euro 4,759 thousand, a decrease of Euro 607 thousand compared with December 31, 2019.

DEFERRED TAX LIABILITIES	December 31, 2020	December 31, 2019
Opening balance	**5,366**	**5,333**
Increase	1,777	958
Decrease	(2,108)	(983)
Differences on exchange rates	(276)	58
Closing balance	**4,759**	**5,366**

The composition of the deferred tax liabilities on December 31, 2020 and on December 31, 2019 is shown below.

DEFERRED TAX LIABILITIES	December 31, 2020	December 31, 2019
Non-current tangible/intangible assets/Leases	3,643	5,077
Trade receivables/payables and other entries	1,116	289
TOTAL	**4,759**	**5,366**

It should be noted that the deferred tax liabilities on the trademark deriving from the company merger of the FINN-POWER Group amount to Euro 1,096 thousand.

Deferred tax liabilities were not recorded on undistributed profit reserves of subsidiaries.

16. Provisions for liabilities and charges

The provisions for liabilities and charges are equal to Euro 19,749 thousand and decreased by Euro 1,117 thousand compared with December 31, 2019; Non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 238 thousand.

A summary of the short-term portion is presented below.

CURRENT PROVISIONS	Warranty provisions and Completion project	Others provisions	TOTAL
Value as at December 31, 2018	**21,945**	**861**	**22,806**
Allocations	14,558	260	14,818
Utilizations in the period	(16,628)	(529)	(17,157)
Exchange rate differences	181	(4)	177
Value as at December 31, 2019	**20,056**	**588**	**20,644**
Allocations	20,134	178	20,312
Utilizations in the period	(20,549)	(205)	(20,754)
Exchange rate differences	(657)	(34)	(691)
Value as at December 31, 2020	**18,984**	**527**	**19,511**

Current provisions mainly relate to product warranties (equal to Euro 12,205 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 6,779 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 527 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 and financial authorities.

17. Trade payables, Advance Payments and other payables

The value of payables decreased by Euro 11,900 thousand compared to December 31, 2019.
The advance payments heading decreased compared to December 31, 2019 and is equal to Euro 40,019 thousand; it has to be noted that this item contains both the advance payments on orders relating to machines which have not yet been delivered, as well as those generated by the application of the IFRS 15 accounting principle relating to machines already delivered, but not yet accepted by the end client and therefore not recognised as revenue.
Other payables decreased compared to December 31, 2019 by Euro 2,817 thousand and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

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

TRADE, ADVANCES AND OTHER PAYABLES	December 31, 2020	December 31, 2019
Trade payables	69,390	81,290
Advances	40,019	34,715
Other payables	19,244	22,061
TOTAL	**128,653**	**138,066**

18. Current taxes payables

Tax payables for current taxes as at December 31, 2020 amounted to Euro 5,704 thousand, a decrease of Euro 741 thousand compared with December 31, 2019.

The breakdown of tax liabilities is shown below.

CURRENT TAX PAYABLES	December 31, 2020	December 31, 2019
Payables for VAT	2,695	3,153
Payables for income taxes	1,723	1,818
Payables for withholding tax	1,183	1,401
Other minor payables	103	73
TOTAL	**5,704**	**6,445**

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”, it is noted that personnel costs for 2020 amount to Euro 96,498 thousand, a reduction compared to the previous year of Euro 15,786 thousand (Euro 112,284 thousand as at December 31, 2019). The decrease is due both to the reduction in the number of employees and to the use of social safety nets made available by the countries in which the Group operates; Specifically, the savings due to the use of the redundancy fund for Italian companies amounted to Euro 3,995 thousand.
Amortisation and *impairment* at December 31, 2020 came to Euro 32,442 thousand (at December 31, 2019 they came to Euro 24,041 thousand). This item includes an impairment of Euro 10,486 thousand on some development costs of the PRIMA ELECTRO - LASER BU Division (for further information see Note 2 - Intangible fixed assets of the Explanatory Notes).

19. Revenues from sales and services

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

20. Cost of goods sold

“Cost of goods sold" 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 goods sold at December 31, 2020 stood at Euro 264,274 thousand, down Euro 65,487 thousand from December 31, 2019; the main components include materials (Euro 143,974 thousand), processing and outsourcing (Euro 14,812 thousand).

21. Research and development costs

This item includes non-capitalisable research and development costs, Tech Centre costs and the associated overheads and is disclosed net of grants (both national and European) entered on an accrual basis. Net research and development costs at December 31, 2020 were Euro 28,728 thousand and increased by Euro 3,725 thousand compared to the previous year; the impact of public grants accounted for Euro 3,285 thousand. This item includes an impairment of Euro 10,486 thousand on the development costs of the PRIMA ELECTRO Division.

22. Sales and marketing expenses

This item includes, for allocation, business structure costs such as personnel, trade fairs and events, the demo centre, promotional and advertising activities and related overheads.
Sales and marketing expenses in 2020 amounted to Euro 22,911 thousand against to Euro 31,255 thousand of 2019.

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 22,308 thousand in 2020, down from December 31, 2019 (Euro 27,172 thousand). This item also includes public grants of Euro 1,511 thousand paid to certain Group companies to deal with the COVID-19 emergency.

24. Financial Income and expenses

The financial income and expenses of the year 2020 shows a negative result of Euro 5,307 thousand.

FINANCIAL RESULTS	December 31, 2020	December 31, 2019
Financial income	4,601	2,241
Financial expenses	(8,723)	(8,349)
Net financial expenses	**(4,122)**	**(6,108)**
Net exchange differences	(1,185)	(408)
Total Financial Results	**(5,307)**	**(6,516)**

Financial income at December 31, 2020 includes earnings of Euro 4,276 thousand from the management of foreign exchange derivatives and financial expenses includes expenses for the management of derivatives for Euro 3,842 thousand.
Financial expenses include Euro 917 thousand related to Bond and Euro 1,282 thousand related to the loans issued on 2018.

It should also be noted that net interest of Euro 2,919 thousand was paid in 2020.

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

The net result from shareholdings valued using the equity method presented is unchanged from the previous year and refers to the share of the result for the period of the associate 3D NT.

26. Net result of other investments

The net result of other investments is positive at Euro 5 thousand and refers to:

- the gain deriving from the full sale of the investment in Härmämedi OY held by FINN-POWER OY for Euro 54 thousand;
- the write-down of the investment in Caretek Srl held by PRIMA ELECTRO SpA for Euro 49 thousand.

27. Current and deferred taxes

Income tax for 2020 showed a net positive balance of Euro 3,146 thousand mainly related to the balance of current and deferred taxation.

TAXES	2020	2019
Current income taxes *(including tax consolidation for Italian Companies)*	(884)	(3,874)
IRAP (Regional Trade tax)	-	(56)
Deferred tax	4,061	2,605
Taxes relating to previous year	(23)	(299)
Other taxes	(8)	(14)
TOTAL	**3,146**	**(1,638)**

It should also be noted that current taxes (including IRAP) amounting to Euro 849 thousand were paid in 2020.

The reconciliation of the tax expenses recorded in the consolidated financial statements and the theoretical tax expenses, based on the theoretical tax rates in force in the countries where Group companies operate, is as follows:

Current income taxes	2020	2019
Current tax on theoretical income (excluding regional trade tax IRAP)	(92)	(3,722)
Permanent changes	(953)	4,115
Temporary changes	(1,251)	(1,648)
Utilization/Surplus losses	1,872	(2,643)
Other differences	(460)	24
CURRENT INCOME TAXES	**(884)**	**(3,874)**

28. Result per Share

The calculation of the basic earnings per share at December 31, 2020, negative by Euro 0.69 (positive by Euro 0.86 at December 31, 2019) is calculated by dividing the profits attributable to the shareholders of the parent company by the average number of ordinary shares in circulation.

RESULT PER SHARE - BASIC	Dec 31, 2020	Dec 31, 2019
Net Result attributable to Group shareholders (Euro/000)	(7,201)	9,046
Weighted average number of ordinary shares	10,383,274	10,467,500
Result per share (Euro)	-0.69	0.86

Diluted earnings per share is equal to basic earnings per share as there are no dilutive transactions outstanding at December 31, 2020.

REPORT ON THE TRANSPARENCY OF PUBLIC PROVISIONS

In accordance with Article 1, paragraphs 125-129 of Italian Law no. 124/2017 as amended by Decree Law no. 113/2018 on "Security" and Decree Law no. 135/2018 on "Simplification", we disclose the information regarding subsidies, contributions, paid assignments and any kind of economic advantages granted to the Italian companies of the PRIMA INDUSTRIE Group in the 2020 financial year by public authorities and a number of similar bodies with which they have economic relations.

The entities identified as sources of the funds that are the subject of the disclosure are:

- The public administrations and the entities referred to in Article 2-bis of Legislative Decree no. 33 of March 14, 2013;
- Companies controlled, in law or in fact, directly or indirectly, by public administrations, including companies with shares listed on regulated markets and their subsidiaries;
- Publicly owned companies, including those issuing shares listed on regulated markets and their subsidiaries.

Values expressed in Euro thousand

Beneficiary	Supplying authority	Description	Amount received
Prima Industrie SpA	Ministry of Economic Development	Tax credit for R&D	1,337
Prima Industrie SpA	European Union	R&D subsidy	962
Prima Industrie SpA	Piedmont Region	R&D subsidy	40
Prima Industrie SpA	Ministry of Economic Development	Tax credit for Sanitization	9
Prima Electro SpA	Ministry of Economic Development	Tax credit for R&D	806
Prima Electro SpA	European Union	R&D subsidy	1,100
Prima Electro SpA	Piedmont Region	R&D subsidy	9
Total			**4,263**

In addition, during 2020 PRIMA INDUSTRIE SpA collected a loan granted by the Cassa Depositi e Prestiti for Euro 12,500 thousand.

The information regarding subsidies, contributions, paid assignments and any kind of economic advantages granted to the Italian companies of the PRIMA INDUSTRIE Group in the 2020 financial year is shown below.

Values expressed in Euro thousand

Beneficiary	Supplying authority	Description	Amount due
Prima Industrie SpA	Ministry of Economic Development	Tax credit for R&D	430
Prima Industrie SpA	European Union	R&D subsidy	1,537
Prima Industrie SpA	Piedmont Region	R&D subsidy	272
Prima Industrie SpA	Ministry of Economic Development	R&D subsidy	17
Prima Industrie SpA	Ministry of Economic Development	Tax credit for Sanitization	28
Prima Electro SpA	Ministry of Economic Development	Tax credit for R&D	243
Prima Electro SpA	European Union	R&D subsidy	192
Prima Electro SpA	Piedmont Region	R&D subsidy	85
Prima Electro SpA	Ministry of Economic Development	Tax credit for Sanitization	9
Prima Electro SpA	Ministry of Economic Development	Tax credit for Capital goods	33
Total			**2,846**

GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The situation of the guarantees granted and commitments made by the Group at December 31, 2020 is shown below.

Values expressed in Euro thousand	December 31, 2020	December 31, 2019
Guarantees granted	23,982	35,147
Commitments to leasing companies	1,928	1,566
TOTAL	**25,910**	**36,713**

At December 31, 2020 the guarantees granted by PRIMA INDUSTRIE Group amounted to Euro 23,982 thousand and refer to guarantees to trade counterparties and sureties to credit institutions.
"Commitments to leasing companies" refer to repurchase agreements for sales made through financial intermediaries
The PRIMA INDUSTRIE Group, in addition to probable liabilities for which provisions have been allocated in the related risks provisions, does not have potential liabilities, as described in IAS 37, to be indicated.

INFORMATION ON RELATED PARTIES

Below is information on related parties with regard to administrative, control boards and strategic management of the companies Leeport, 3D-NT, RODSTEIN and ENGIE EPS.
The LEEPORT Group sells industrial machinery worldwide and is considered a related party as *chairman* and CEO Lee Joseph acquired more than 10% of shares in PRIMA INDUSTRIE SpA.

The companies 3D-NT, RODSTEIN and ENGIE EPS are considered related parties since several people with managerial or partner roles in PRIMA INDUSTRIE SpA are involved in the said companies.
The company 3D-NT is a start-up in the field of *additive manufacturing*, specifically in metal powder bed technology; PRIMA INDUSTRIE SpA holds a stake of 19.9%.
The company RODSTEIN is a Finnish company that develops and manufactures machine tools.
The company ENGIE EPS is a technological and industrial player of the ENGIE group that operates in the energy sector with particular attention to renewable energy sources and electric mobility. Listed on the Euronext regulated market in Paris. Its registered office is in Paris with its research, development and production in Italy.

OPERATIONS WITH RELATED PARTIES	Administrative, control boards and strategic management	LEEPORT	3D-NT	RODSTEIN	ENGIE EPS	TOTAL
RECEIVABLES AS AT Jan 01, 2020	-	1,993	106	-	-	2,099
RECEIVABLES AS AT Dec 31, 2020	**-**	**2,103**	**17**	**-**	**9**	**2,129**
PAYABLES AS AT Jan 01, 2020	519	94	-	-	-	613
PAYABLES AS AT Dec 31, 2020	**486**	**89**	**648**	**-**	**1,177**	**2,400**
REVENUES Jan 01, 2020 - Dec 31, 2020	**-**	**4,110**	**57**	**-**	**7**	**4,174**
COSTS Jan 01, 2020 - Dec 31, 2020	**1,342**	**55**	**1,107**	**43**	**965**	**3,512**
VARIATIONS IN RECEIVABLES						
Jan 01, 2020 - Dec 31, 2020	-	110	(89)	-	9	30
VARIATIONS IN PAYABLES						
Jan 01, 2020 - Dec 31, 2020	(33)	(5)	648	-	1,177	1,787

MANAGEMENT OF FINANCIAL RISKS

The Group's financial instruments, aimed at financing the operational activity, include bank loans, the financial leasing contracts and factoring, cash and short-term bank deposits. There are then other financial instruments, such as commercial payables and receivables, deriving from the operational activity.

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

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

The Group has adopted specific policies with the aim of correctly managing the risks mentioned, in order to safeguard its own activity and capacity to create value for shareholders and for all the Stakeholders.

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

Interest rate risk

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

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

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

- Interest rate $\longrightarrow$ Management/*Hedging*

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

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

Exchange rate risk

The debit position towards the banking system and the capital market, as well as towards other creditors, can be expressed in one's own account currency (Euro), or in other currencies on account. In this case, the financial burden of the debit in currency is subject to the interest rate risks, not of the European market, but of the market of the chosen currency.
The attitude and strategy to follow concerning risk factors are determined by the plurality of elements which concerned both the characteristics of the reference market and their impact on the company balance sheet results. Indeed, four possible strategic and distinctive areas for the operational management of individual risk factors can be identified:

- *“Avoid”* strategy (Avoidance)

- Acceptance
- Management/*Hedging*
- "*Market Intelligence*" (Speculation)

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

- Exchange rate ⟶ Management/*Hedging*

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

In relation to the commercial transactions, on the other hand, at Group level there exists a certain exposure to exchange rate risk, because the fluctuations of purchase in U.S. dollars of the parent company PRIMA INDUSTRIE SpA, of FINN-POWER OY and of PRIMA ELECTRO SpA are not sufficient to balance the fluctuations of sales carried out in U.S. dollars and because the Group also works with other currencies different from the Euro.

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

The Group carries out monitoring to reduce such exchange risks even using covering instruments.

With regard to account currencies different from the U.S. dollar and Chinese Renminbi not hedged by ad hoc derivatives, the risk management strategy is one of acceptance, both because they normally deal with sums of modest value and because of the difficulty of finding suitable covering instruments.

Credit risk

The Group only deals with known and trustworthy clients; furthermore, the amount of credit is monitored during the financial year so that the sum exposed to losses is not significant.

It should be noted that there are no significant concentrations of credit risk within the Group. Financial assets are shown in the balance sheet net of the write-downs calculated on the basis of risk of non-fulfilment by the counter party, determined in consideration of the information available on the solvency of the client and eventually considering historical data.
In compliance with CONSOB Communication DEM/RM 11070007 of August 5, 2011, we inform you that the PRIMA INDUSTRIE Group Holds no bonds issued by central and local governments nor by government bodies, and has granted no loans to these institutions.

Liquidity risk

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

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

Therefore, the group has arranged to address the requirements emerging from financial payable due dates and from the investments, through the fluctuations caused by operational management, available liquidity, use of credit lines, the renewing of bank loans and eventual recourse to other forms of provision of a non-ordinary nature.

SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

The table below summarises Group non-recurring items that have had a negative impact on the Income Statement in 2020 for a total of Euro 11,734 thousand.

Significant non-recurring events and transactions (values expressed in Euro thousand)	Gross Margin	Research and Development costs	Sales and marketing expenses	General and administrative expenses	Net result of investments	Total as at Dec 31, 2020	Total as at Dec 31, 2019	Variation between 2020 and 2019
COVID-19	(550)	(19)	(33)	(349)	-	(951)	-	(951)
COVID-19 - Government subsidy	-	-	-	1,511	-	1,511	-	1,511
Reorganization/Restructuring	(547)	(313)	(375)	(460)	-	(1,695)	(1,452)	(243)
Disputes tax/legal and customer penalties	(1,072)	-	-	(1,019)	-	(2,091)	(1,130)	(961)
Impairment PRIMA ELECTRO - BU LASER (net effect)	-	(8,513)	-	-	-	(8,513)	-	(8,513)
Impairment of intangible fixed assets	-	-	-	-	-	-	(623)	623
Impairment of Goodwill	-	-	-	-	-	-	(1,014)	1,014
EBIT	**(2,169)**	**(8,845)**	**(408)**	**(317)**	**-**	**(11,739)**	**(4,219)**	**(7,520)**
Financial receivables devaluation	-	-	-	-	-	-	(118)	118
Write-down Caretek investment	-	-	-	-	(49)	(49)	(24)	(25)
Gain on business OSAI sale	-	-	-	-	-	-	2,629	(2,629)
Härmämedi OY gain	-	-	-	-	54	54	-	54
EBT	**(2,169)**	**(8,845)**	**(408)**	**(317)**	**5**	**(11,734)**	**(1,732)**	**(10,002)**

The item COVID-19 concerns expenses incurred by the Group mainly for the purchase of safety equipment, sanitation of environments and costs incurred for the cancellation of both trips (both international and domestic) of its employees and commercial events.
Government incentives amounting to Euro 1,511 thousand refer to government subsidies that some Group companies received to cope with the COVID-19 emergency; the main ones were granted to the company PRIMA POWER LASERDYNE for Euro 1,009 thousand and to PRIMA POWER CENTRAL EUROPE for Euro 309 thousand.
Non-recurring costs include reorganisation and restructuring costs of certain Group companies, including PRIMA INDUSTRIE SpA, FINN-POWER OY, PRIMA ELECTRO SpA and PRIMA POWER GmbH; These costs also include the costs of relocating the PRIMA POWER LASERDYNE plant.
Legal disputes include legal advice relating to the PRIMA POWER LASERDYNE Subpoena. To this end, it should be noted that, during the 2017 financial year, the US company PRIMA POWER LASERDYNE received a subpoena from the Federal Grand Jury, requesting information regarding certain exports and related activities from 2011 onwards. With the support of the law firms charged with assisting the company on this issue, PRIMA POWER LASERDYNE promptly responded to the requests set out in the subpoena and was immediate in its response to cooperate actively with the government authorities. The company was informed by its legal team that the investigation (subpoena) was closed with no charges, fines or penalties brought against the company.

For more information on the *Impairment* PRIMA ELECTRO - LASER BU, see Note 2 - Intangible Assets.

TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to CONSOB Bulletin of July 28, 2006, we wish to specify that in 2020, the Group conducted no atypical and/or unusual business, as per its definition in the Bulletin itself, which states that atypical and/or unusual business are those transactions which, given their importance/relevance, nature of the counterparties, transaction scope, method in determining the price of transfer and time frame (close to closing date), could lead to doubts on: the accuracy/completeness of the information in the financial statements, conflicts of interest, protection of company wealth and protection of minority shareholders.

Signature of the Managing Director

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020 DECLARATION

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

1. The undersigned, Gianfranco Carbonato (Executive Chairman) and Davide Danieli (Manager responsible for drafting company accounting documents), of Prima Industrie SpA, certify that, having taken account of the provisions of article 154-bis, paragraphs 3 and 4, of Legislative no. 58 of February 24, 1998:
   - the company's business is compliant with the given requirements and
   - the administrative and accounting procedures have been effectively applied in drafting the consolidated financial statements over the course of 2020.
2. That no significant facts have emerged regarding thereto
3. We also certify that:

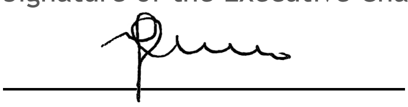
   3.1 the consolidated financial statements:

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

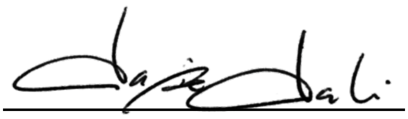
   3.2 the Report of the Board of Directors includes a reliable analysis of company business trends and results, as well as of the position of the Corporation and of the group of companies included in the consolidation, along with the description of the chief risks and uncertainties to which they are exposed.

Date: March 9, 2021

Signature of the Executive Chairman



Signature of the Manager responsible for drafting the Company accounting documents



CHAPTER 9.

Prima Industrie SpA Financial Statements as at December 31,2020

CHAPTER 9. PRIMA INDUSTRIE S.P.A. FINANCIAL STATEMENTS AT DECEMBER 31, 2020

STATEMENT OF FINANCIAL POSITION

Values in thousand euro	*Notes*	December 31, 2020	December 31, 2019
Property, plant and equipment	*1*	27,078	30,341
Intangible assets	*2*	7,574	9,557
Investment in subsidiaries	*3*	179,421	179,841
Investments in associates	*4*	418	418
Other investments	*5*	60	60
Financial assets non current	*6*	2,728	2,728
Deferred tax assets	*7*	7,285	5,274
NON CURRENT ASSETS		**224,564**	**228,219**
Inventories	*8*	34,665	37,870
Trade receivables	*9*	61,993	70,378
Other receivables	*10*	3,238	4,599
Current tax receivables	*11*	1,411	5,066
Derivatives	*12*	365	-
Financial assets current	*6*	2,765	3,790
Cash and cash equivalents	*13*	11,196	10,180
CURRENT ASSETS		**115,633**	**131,883**
Assets held for sale	*14*	1,255	229
TOTAL ASSETS		**341,452**	**360,331**
Capital stock	*15*	26,208	26,208
Legal reserve	*15*	5,213	5,213
Other reserves	*15*	66,495	68,590
Retained earnings	*15*	(1,698)	(1,698)
Net result	*15*	2,340	(2,164)
STOCKHOLDERS' EQUITY		**98,558**	**96,149**
Interest-bearing loans and borrowings	*16*	91,435	108,979
Employee benefit liabilities	*17*	4,668	4,553
Deferred tax liabilities	*18*	1,266	1,270
Provisions	*19*	8,782	7,350
Derivatives	*12*	419	600
NON CURRENT LIABILITIES		**106,570**	**122,752**
Trade payables	*20*	58,351	69,863
Advance payments	*20*	6,071	6,462
Other payables	*20*	6,922	8,883
Interest-bearing loans and borrowings	*16*	57,207	46,732
Current tax payables	*21*	1,915	2,162
Provisions	*19*	5,858	7,328
CURRENT LIABILITIES		**136,324**	**141,430**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**341,452**	**360,331**

INCOME STATEMENT

Values in thousand euro	Notes	December 31, 2020	December 31, 2019
Net revenues	22	134,836	186,978
Cost of goods sold	23	(119,802)	(163,544)
GROSS MARGIN		**15,034**	**23,434**
Research and Development costs	24	(6,439)	(8,702)
Sales and marketing expenses	25	(6,030)	(7,793)
General and administrative expenses	26	(7,690)	(8,190)
OPERATING PROFIT (EBIT)		**(5,125)**	**(1,251)**
Financial income	27	4,636	2,483
Financial expenses	27	(7,412)	(6,756)
Dividends and adjustments on investments value	27	8,748	1,952
Net exchange differences	27	311	(19)
RESULT BEFORE TAXES (EBT)		**1,158**	**(3,591)**
Taxes	28	1,182	1,427
NET RESULT		**2,340**	**(2,164)**

COMPREHENSIVE INCOME STATEMENT

Values in thousand euro	Notes	December 31, 2020	December 31, 2019
NET RESULT (A)		2,340	(2,164)
Gains/ (Losses) on actuarial defined benefit plans	*15*	(98)	(89)
Tax effect	*15*	24	21
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)		**(74)**	**(68)**
Gains /(Losses) on cash flow hedges	*15*	177	34
Tax effect	*15*	(43)	(8)
Gains/(Losses) on exchange differences on translating foreign operations for Branch Office Korea	*15*	22	5
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)		**156**	**31**
TOTAL COMPREHENSIVE INCOME (A) + (B) +(C)		2,422	(2,201)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Values in thousand euro	Capital stock	Additional paid-in capital	Treasury stock	Legal reserve	Capital increase - expenses	Stock option reserve	FV derivates adjustment reserve	Other reserves	Retained ernings	Net result	EQUITY
Balance as at Dec 31, 2018	**26,208**	**57,507**	**(1,966)**	**4,992**	**(1,286)**	**13**	**(465)**	**15,190**	**(1,698)**	**4,424**	**102,919**
Allocation of prior year net result	-	-	-	221	-	-	-	4,203	-	(4,424)	-
Dividends paid	-	-	-	-	-	-	-	(4,569)	-	-	(4,569)
Result of comprehensive Income	-	-	-	-	-	-	26	(63)	-	(2,164)	(2,201)
Balance as at Dec 31, 2019	**26,208**	**57,507**	**(1,966)**	**5,213**	**(1,286)**	**13**	**(439)**	**14,761**	**(1,698)**	**(2,164)**	**96,149**
Allocation of prior year net result	-	-	-	-	-	-	-	(2,164)	-	2,164	-
Stock grant plan	-	-	-	-	-	(13)	-	-	-	-	(13)
Result of comprehensive Income	-	-	-	-	-	-	134	(52)	-	2,340	2,422
Balance as at Dec 31, 2020	**26,208**	**57,507**	**(1,966)**	**5,213**	**(1,286)**	**-**	**(305)**	**12,545**	**(1,698)**	**2,340**	**98,558**

CASH FLOW STATEMENT

Values in thousand euro	December 31, 2020	December 31, 2019 (*)
Net result	**2,340**	**(2,164)**
Adjustments (sub-total)	***7,436***	***5,626***
Depreciation, impairment and adjustments on investments value	8,563	13,125
Net change in deferred tax assets and liabilities	(2,015)	(1,461)
Change in employee benefits liabilities	41	(37)
Change in inventories	3,205	7,043
Change in trade receivables	8,385	5,326
Change in trade payables and advances	(11,903)	(16,363)
Net change in other receivables/payables and other assets/liabilities	1,160	(1,764)
Variations in investments in associates	-	(238)
Variations in Other investments	-	(5)
Cash Flows from (used in) operating activities (A)	**9,776**	**3,462**
Cash flow from investments		
Increase of tangible fixed assets (**)	(1,809)	(2,570)
Increase of intangible fixed assets	(218)	(500)
Capitalization of development costs	(1,335)	(1,362)
Net disposal of fixed assets (***)	155	1,038
Cash Flows from (used in) investing activities (B)	**(3,207)**	**(3,394)**
Cash flow from financing activities		
Change in financial receivables and other financial assets	1,022	1,051
Change in other non current financial liabilities and other minor items	(795)	(100)
Increases in loans and borrowings (Including Credit lines)	22,026	18,314
Repayment of loans and borrowings (Including Credit lines)	(25,849)	(30,714)
Repayments in financial lease liabilities	(1,967)	(1,801)
Dividends paid	-	(4,569)
Other net equity variations	10	5
Cash Flows from (used in) financing activities (C)	**(5,553)**	**(17,814)**
Net change in cash and equivalents (D=A+B+C)	**1,016**	**(17,746)**
Cash and equivalents beginning of period (E)	**10,180**	**27,926**
Cash and equivalents end of period (G=D+E+F)	**11,196**	**10,180**

Additional Information to the Statement of Cash-Flow	Dec 31, 2020	Dec 31, 2019 (*)
Values in Euro thousand		
Taxes paid	-	167
Interests paid	2,201	2,753

(*) For a better comprehension, the 2019 figures have been re-exposed
(**) Not included leases and included assets held for sale.
(***) Included assets held for sale.

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

Values in thousand euro	*Notes*	December 31, 2020	*of which related parties*	December 31, 2019	*of which related parties*
Property, plant and equipment	*1*	27,078	-	30,341	-
Intangible assets	*2*	7,574	-	9,557	-
Investment in subsidiaries	*3*	179,421	*179,421*	179,841	*179,841*
Investments in associates	*4*	418	*418*	418	*418*
Other investments	*5*	60	-	60	-
Financial assets non current	*6*	2,728	-	2,728	-
Deferred tax assets	*7*	7,285	-	5,274	-
NON CURRENT ASSETS		**224,564**		**228,219**	
Inventories	*8*	34,665	-	37,870	-
Trade receivables	*9*	61,993	*37,249*	70,378	*45,357*
Other receivables	*10*	3,238	-	4,599	*59*
Current tax receivables	*11*	1,411	-	5,066	-
Derivatives	*12*	365	-	-	-
Financial assets current	*6*	2,765	*2,759*	3,790	*3,784*
Cash and cash equivalents	*13*	11,196	-	10,180	-
CURRENT ASSETS		**115,633**		**131,883**	
Assets held for sale	*14*	1,255	-	229	-
TOTAL ASSETS		**341,452**		**360,331**	
Capital stock	*15*	26,208	-	26,208	-
Legal reserve	*15*	5,213	-	5,213	-
Other reserves	*15*	66,495	-	68,590	-
Retained earnings	*15*	(1,698)	-	(1,698)	-
Net result	*15*	2,340	-	(2,164)	-
STOCKHOLDERS' EQUITY		**98,558**		**96,149**	
Interest-bearing loans and borrowings	*16*	91,435	*9,185*	108,979	*16,613*
Employee benefit liabilities	*17*	4,668	-	4,553	-
Deferred tax liabilities	*18*	1,266	-	1,270	-
Provisions	*19*	8,782	-	7,350	-
Derivatives	*12*	419	-	600	-
NON CURRENT LIABILITIES		**106,570**		**122,752**	
Trade payables	*20*	58,351	*25,123*	69,863	*28,580*
Advance payments	*20*	6,071	-	6,462	-
Other payables	*20*	6,922	*490*	8,883	*536*
Interest-bearing loans and borrowings	*16*	57,207	*8,574*	46,732	*8,886*
Current tax payables	*21*	1,915	-	2,162	-
Provisions	*19*	5,858	-	7,328	-
CURRENT LIABILITIES		**136,324**		**141,430**	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**341,452**		**360,331**	

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

Values in thousand euro	*Notes*	December 31, 2020	*of which related parties*	December 31, 2019	*of which related parties*
Net revenues	*22*	134,836	*65,101*	186,978	*94,952*
Cost of goods sold	*23*	(119,802)	*(31,347)*	(163,544)	*(39,413)*
GROSS MARGIN		**15,034**	-	**23,434**	-
Research and Development costs	*24*	(6,439)	*(238)*	(8,702)	*(374)*
Sales and marketing expenses	*25*	(6,030)	*682*	(7,793)	*1,133*
General and administrative expenses	*26*	(7,690)	*692*	(8,190)	*384*
OPERATING PROFIT (EBIT)		**(5,125)**		**(1,251)**	
of which: non recurring items		***(1,395)***		***(949)***	
Financial income	*27*	4,636	*245*	2,483	*458*
Financial expenses	*27*	(7,412)	*(368)*	(6,756)	*(148)*
Dividends and adjustments on investments value	*27*	8,748	*8,748*	1,952	*1,952*
Net exchange differences	*27*	311	-	(19)	-
RESULT BEFORE TAXES (EBT)		**1,158**		**(3,591)**	-
of which: non recurring items		***(3,425)***		***(7,298)***	
Taxes	*28*	1,182	-	1,427	-
NET RESULT		**2,340**		**(2,164)**	

CASH FLOW STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

Values in thousand euro	December 31, 2020	*of which related parties*	December 31, 2019 (*)	*of which related parties*
Net result	**2,340**	**-**	**(2,164)**	**-**
Adjustments (sub-total)	***7,436***	-	***5,626***	-
Depreciation, impairment and adjustments on investments value	8,563	*2,030*	13,125	*6,231*
Net change in deferred tax assets and liabilities	(2,015)	-	(1,461)	-
Change in employee benefits liabilities	41	-	(37)	-
Change in inventories	3,205	-	7,043	-
Change in trade receivables	8,385	*8,108*	5,326	*(10,683)*
Change in trade payables and advances	(11,903)	*(3,457)*	(16,363)	*2,671*
Net change in other receivables/payables and other assets/liabilities	1,160	*(105)*	(1,764)	*(251)*
Variations in investments in associates	-	-	(238)	*(238)*
Variations in Other investments	-	-	(5)	-
Cash Flows from (used in) operating activities (A)	**9,776**		**3,462**	
Cash flow from investments				
Increase of tangible fixed assets (**)	(1,809)	-	(2,570)	-
Increase of intangible fixed assets	(218)	-	(500)	-
Capitalization of development costs	(1,335)	-	(1,362)	-
Net disposal of fixed assets (***)	155	-	1,038	-
Cash Flows from (used in) investing activities (B)	**(3,207)**		**(3,394)**	
Cash flow from financing activities				
Change in financial receivables and other financial assets	1,022	*1,025*	1,051	*931*
Change in other non current financial liabilities and other minor items	(795)	-	(100)	-
Increases in loans and borrowings (Including Credit lines)	22,026	*368*	18,314	*4,613*
Repayment of loans and borrowings (Including Credit lines)	(25,849)	*(7,725)*	(30,714)	*(2,196)*
Repayments in financial lease liabilities	(1,967)	-	(1,801)	-
Dividends paid	-	-	(4,569)	-
Other net equity variations	10	-	5	-
Cash Flows from (used in) financing activities (C)	**(5,553)**		**(17,814)**	
Net change in cash and equivalents (D=A+B+C)	**1,016**		**(17,746)**	
Cash and equivalents beginning of period (E)	**10,180**		**27,926**	
Cash and equivalents end of period (G=D+E+F)	**11,196**		**10,180**	

Additional Information to the Statement of Cash-Flow	Dec 31, 2020		Dec 31, 2019 (*)	
Values in Euro thousand				
Taxes paid	-	-	167	-
Interests paid	2,201	-	2,753	-

(*) For a better comprehension, the 2019 figures have been re-exposed
(**) Not included leases and included assets held for sale.
(***) Included assets held for sale.

CHAPTER 10.

Description of Accounting Principles

CHAPTER 10. DESCRIPTION OF ACCOUNTING PRINCIPLES

COMPANY INFORMATION

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

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

The company can also provide industrial services of a technical, managerial and organisational nature in the production of capital goods and industrial automation.
Its main activity is focused in the field of laser cutting and welding machines for two-dimensional (2D) and three-dimensional applications (3D), panel and bending machines. Since 2018 financial year, the company has developed, produced and sold additive manufacturing solutions with Powder Bed Fusion and Laser Metal Deposition technologies.

PRIMA INDUSTRIE SpA, as the parent company, has also prepared the consolidated financial statements of the PRIMA INDUSTRIE Group as at December 31, 2020.

As set out in the articles of association, the term of PRIMA INDUSTRIE SpA is December 31, 2050.

VALUATION CRITERIA

The 2020 financial statements represent the separate financial statements of the parent company Prima Industrie SpA and have been prepared in accordance with International *Financial Reporting Standards* ("IFRS") issued by the International *Accounting Standards Board* ("IASB") and endorsed by the European Union. The IFRS also includes all valid *International Accounting Standards* ("IAS") and all interpretations of the *International Financing Reporting Interpretations Committee* ("IFRIC"), previously known as the *Standing Interpretations Committee* ("SIC").

In compliance with European Regulation no. 1606 of July 19, 2002, starting from 2005, the PRIMA INDUSTRIE Group has adopted the *International Financial Reporting Standards* ("IFRS") issued by the *International Accounting Standards Board* ("IASB") in the preparation of the consolidated financial statements. Depending on the national legislation implementing that Regulation, the financial statements of the parent company Prima Industrie SpA have been prepared in accordance with these standards since 2006.

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

The financial statements are prepared in accordance to the historical cost principle, except for financial assets measured at fair value, as well as on a going concern basis. The Company has determined that there are no significant uncertainties (as defined by par. 25 of IAS 1) on business continuity.

On this issue, it is also appropriate to refer to the specific comment included in the consolidated financial statements in Chapter 7 "DESCRIPTION OF ACCOUNTING PRINCIPLES" in the section "Accounting principles applied".

The preparation of the financial statements in accordance with IFRS inevitably requires the use of accounting estimates and opinions expressed by the Directors of the company. Aspects of the financial statements that require the application of more complex estimates and greater recourse to the judgements of the Directors is provided below.
This Financial Statements are audited by *PricewaterhouseCoopers* S.p.A.

FINANCIAL STATEMENTS
The Company presents the income statement according to functional area otherwise referred to as "Cost of goods sold", rather than by expenditure type, since the form chosen conforms to internal reporting and business management procedures and is in line with international practice within the sector in which the Company operates.

"Cost of goods sold" includes costs relating to the functional areas that participated directly or indirectly to the generation of revenues with the sale of goods and services. Therefore this item includes the production or purchase cost of products and goods sold. 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.

With reference to the assets and liabilities of the balance sheet a form of presentation that distinguishes between current and non-current, as allowed by IAS 1, has been adopted. Moreover, information on the timing of liabilities is provided in the notes.

The Company has opted to use the formats described hereinafter in drafting its Financial Statements:

a) for the Balance Sheet, the format used distinguishes the assets and liabilities between "current" (i.e. receivable or payable in 12 months) and "non-current" (i.e. receivable or payable over 12 months);
b) for the Income Statement, the format used distributes costs according to their kind; the Comprehensive Income Statement includes, besides the Profit in the year as listed in the Income Statement, the other variations to the Net Equity that do not refer to transactions with Shareholders;
c) for the Variations to the Net Equity, the format used reconciles the opening and closing of every entry in both the current year and the previous one;
d) for the Cash-flow statement, the so-called "indirect" method was chosen, whereby the net cash flows of company business is determined by adjusting the profit and loss, because of the effects of:
    - non-monetary elements such as amortisation, depreciation and write-downs;
    - variations of inventory, receivables and payables generated by company business;
    - other elements whose financial flows are generated by investments and financings.

Please note, furthermore, that with reference to CONSOB Resolution no. 15519 of July 27, 2006 concerning the format of financial statements, specific supplementary schemes have been added for the Income Statement and for statement of Financial position, which particularly stress those relations with associates and non-recurrent transactions that are most significant, in order to make the financial statements more readily comprehensible.

CONVERSION OF FOREIGN CURRENCY

The financial statements have been prepared in Euro, the functional and presentation currency. Transactions in foreign currency are initially recorded at the exchange rate at the transaction date. The assets and liabilities in currencies other than the Euro are converted into Euro using the exchange rates applicable at the reporting date. All exchange differences are recognised in the Income Statement, provided that the accounting standards allow the revaluation in equity.

PROPERTY, PLANT AND EQUIPMENT

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

Costs incurred after the acquisition of the asset are accounted for as an increase of their historical value or booked separately only if it is probable that they will generate future economic benefits and the costs can be measured reliably.

Depreciation of property, plant and equipment is calculated using the straight-line method, in order to distribute the residual book value of its estimated economic life as follows:

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

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

The residual value and the useful life of property, plant and equipment are reviewed and adjusted, if appropriate, at the reporting date.

The book value of property, plant and equipment is written down to its recoverable value immediately, whenever the former exceeds the latter.

Gains and losses on disposal of property, plant and equipment are recognised in the Income Statement and are determined by comparing the carrying amount with the sale price.

Leases that bestow exclusive use of an identified or identifiable asset, providing the substantive right to all the financial benefits deriving from its use for a defined period of time in exchange for a fee, in accordance with IFRS 16.

These leases are recognised in the balance sheet as “right-of-use” assets and as a liability measured at the present value of the lease payments. The “right of use” is depreciated on a straight-line basis over the term of the lease, or the relevant financial-technical useful life, if shorter.

At the commencement date of the lease, defined as the date on which the lessor makes the underlying asset available to the lessee, the cost value of the “right-of-use” asset comprises:

- the amount of the initial valuation of the lease liability;
- any lease payments made at or before the commencement date;

- any initial direct costs incurred by the lessee;
- any costs, estimated and discounted, to be incurred at the time of vacating facilities, offset against a specific provision in the liabilities where there are obligations to dismantle, remove assets and restore sites.

The amount of the initial valuation of the lease liability referred to in a) above includes the following:
- fixed payments;
- variable payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The following lease asset categories qualify for this method of recognition:
- buildings;
- vehicles;
- office equipment.

The company avails itself of the option provided for in IFRS 16 – Leases to recognise as a cost, on an accrual basis, leases that are i) short term (i.e. less than 12 months), ii) for low-value underlying assets (i.e. less than Euro 5,000 when new).

The lease liability is recognised at the commencement date of the lease and is equal to the present value of the lease payments.

The present value of the lease payments is measured using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee 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.

After the commencement date, the lease liability is measured using the amortised cost method; subsequently, the liability may be restated (i.e. the lease cash flows are revised as a result of the original contractual terms) or revised (i.e. changes to the subject matter or consideration not provided for in the original contractual terms) with adjustments to the "right of use".

<u>INTANGIBLE ASSETS</u>
<u>*Finite useful life*</u>
(a) Software
Software licences are capitalised at the cost incurred to obtain and implement them and amortised over the estimated useful life (3 to 5 years).
Costs associated with the development and maintenance of software are treated as period costs and charged to the Income Statement on an accruals basis.

(b) Research and development costs
Research costs are recognised in the Income Statement in the period in which they are incurred.
Development costs incurred in relation to a specific project are capitalised if the following conditions are met:
- the costs can be measured reliably;

- the technical feasibility of the projects, the forecasted volumes and prices indicate that the costs sustained as part of R&D activities will generate economic benefits in the future.
- there is a reference market for the product generated by the development activity.

Development costs recorded in Income Statements in previous years cannot be capitalised retrospectively even if the requirements are met in the following years.
Development costs with a finite useful life are amortised starting from the date the product is commercialised, based on the period in which they are expected to produce economic benefits, in any case not more than 5 years. Development costs that do not meet these characteristics are charged to the Income Statement in the year in which they are incurred.

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

Intangible assets generated internally are not capitalised but are recognised in the Income Statement in the year in which they were incurred.
Intangible assets with a finite useful life are verified annually for "*impairment*" whenever there are any reasons to justify it; such analysis can be conducted for each individual intangible asset or cash generating unit. The useful lives of other intangible assets are reviewed annually: possible changes are applied prospectively, where possible.

SHAREHOLDINGS IN SUBSIDIARIES, ASSOCIATES COMPANIES AND JOINT VENTURE
In the financial statements of PRIMA INDUSTRIE SpA, shareholdings in subsidiaries, associates and joint ventures are recorded at cost, including directly attributable incidental expenses, adjusted for impairment losses.
The positive difference, emerging from the purchase agreement, between the cost of acquisition and the current value of shareholders' equity in the subsidiary is hence included in the carrying amount value of the shareholding. Where there is objective evidence of impairment, the carrying amount of the investment must be compared with its recoverable value, defined as the higher of fair value less costs to sell and value in use, defined as the present value of the future cash flows at the weighted average cost of capital, net of financial debt.
If there is evidence that these shareholdings have undergone a loss in value, this fact is posted as a write-down in the income statement. When the reasons for the write-downs are no longer in place, the value of the investment is reinstated within the limits of the original cost, with the effect entered in the income statement.

If share of losses in the parent exceeds the book value of the investee, the value of the stake is cleared; any further losses are entered under liability provisions, only if the parent company has undertaken to meet the legal, contractual or implicit obligations towards the investee company, or in all events to cover its losses.

INVESTMENTS IN OTHER COMPANIES
Investments in which the Company does not exercise control, significant influence or joint control are initially recorded at fair value.
In accordance with IFRS 9, these investments are subsequently valued at *fair value* with effects on the income statement. This is unless they are irrevocably selected as equity investments valued at *fair*

value with effects recorded in the statement of comprehensive income, in accordance with the option provided for in the same standard.
The choice of valuation method for these investments is made selectively for each investment.

LOSS OF ASSET VALUE ("*IMPAIRMENT*")
Assets with indefinite useful lives not subject to amortisation are tested for their recoverable value (*impairment*) annually and whenever there is an indication that the carrying amount may not be recoverable. Assets subject to amortisation are tested for *impairment* only if there is an indication that their carrying value may not be recoverable.
The amount of the *impairment* loss is determined as the difference between the asset's book value and its recoverable amount, determined as the higher amount between the sale price net of transaction costs and its use value, that is the current value of estimated cash flows, before tax, applying a discount rate that reflects current market assessments of the time value of money and the specific risk connected to the asset. An impairment loss is recognised if the recoverable amount is less than the book value. When a loss on an asset other than goodwill is reversed or reduced, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount and cannot exceed the carrying amount that would have been determined if there had been no loss in value. The reversal of an impairment loss is recognised immediately in the Income Statement.

FINANCIAL INSTRUMENTS
Presentation
The financial instruments held by the Company are included in the items described below. Investments and other non-current financial assets include investments in subsidiaries and other companies as well as investments in joint ventures and other non-current assets. Current financial assets include trade receivables and cash and cash equivalents. In particular, the item Cash and cash equivalents include bank deposits. The financial liabilities refer to financial payables, including payables for advances on orders, transfer of receivables, and other financial liabilities (which include the negative fair value of derivative financial instruments), trade payables and other payables.

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

IFRS 9 identifies the following categories of financial assets, classified according to the following aspects: a) the business model adopted to manage the financial assets, and b) the characteristics of the contractual cash flows generated by them:

- Financial assets measured at amortised cost (AC): these assets are part of a hold-to-collect *business model* and generate contractual cash flows in the form of principal and interest.
- Financial assets measured at fair value with changes in fair value recorded in the statement of comprehensive income (FVOCI): these assets are part of a hold-to-collect-and-sell *business model* and generate contractual cash flows in the form of principal and interest.
- Financial assets measured at *fair value* with changes in *fair value* through profit or loss (FVPL): this category has a residual nature and includes all financial assets other than those measured at amortised cost and at fair value with changes in fair value entered in the profit and loss account, including minority interests, as well as financial assets that do not pass the SPPI test, including non-hedging derivatives and investments other than those measured using the equity method.

- Any minority shareholdings, irrevocably selected as FVOCI financial instruments without "recycling" at the time of initial recognition. In the context of this option, contrary to what generally occurs in the FVOCI category: 1) gains and losses recognised as OCI are not subsequently transferred to the income statement, although the cumulative gain or loss may be transferred to shareholders' equity; 2) equity instruments categorised as FVOCI according to this option are not subject to impairment accounting; 3) dividends are still recognised in the income statement, unless they clearly represent a recovery of part of the investment cost.

Derivative financial instruments

Coherently with the contents of IFRS 9, hedging instruments can be entered according to *hedge accounting* methods only when:

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

All derivative financial instruments are measured at fair value in accordance with IFRS 9.

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

- *Cash-flow hedge*. If a derivative financial instrument is designated as a hedge for the exposure to variability in future cash flows of an asset or liability recognised in the balance sheet or for a highly probable expected transaction and could affect the Income Statement, the effective portion of the gain or loss on the financial instrument is recognised in other comprehensive income/(loss). The derivative gain or loss is removed from other comprehensive income / (loss) and recognised in the Income Statement of the period in which the relative economic effect of the hedged transaction is noted. The gain or loss associated with a hedge (or part of the hedge) that has become ineffective is recognised in the Income Statement immediately. If a hedging instrument or hedge relations is completed but the hedged transaction has not yet been realised, the gains and losses accrued up to the time recorded in other comprehensive income / (loss) are recognised in the Income Statement interrelated with the detection of the economic effects of the hedged transaction. If the hedged transaction is no longer probable, the cumulative gains or losses not yet realised in other comprehensive income / (loss) are recognised immediately in the Income Statement.
- *Fair value hedge*. If a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of an asset or liability that is attributable to a particular risk and could affect the Income Statement, the gain or loss from reviewing the fair value of the hedging instrument are recognised in the Income Statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the item and are recognised in the Income Statement.
- *Hedge of a net Investment*. If a derivative financial instrument is designated as a hedge of a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognised in other comprehensive income / (loss). The gain or loss is removed from equity and recognised in the Income Statement at the date of disposal of the foreign asset.

Derivative financial instruments that do not meet the requirements for hedge accounting are accounted for at fair value with changes in fair value recognised in the income statement.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including payables for advances on orders, transfer of receivables, and other financial liabilities, including derivative financial instruments and liabilities in respect of assets acquired under finance leases.
Financial liabilities are classified under the following two categories in accordance with IFRS 9: 1) financial liabilities measured at amortised cost using the effective interest rate ("AC") method; 2) financial liabilities measured at fair value with changes in fair value through profit or loss ("FVPL"), which in turn are classified under the two subcategories Held for Trading and FVPL at inception. Most of the Group's financial liabilities are in the first category.

FINANCING

Loans are recognised on the basis of the amounts collected, net of the accessory charges to the transaction. After initial recognition, loans are recorded on the basis of amortised cost, calculated by applying the effective interest rate method.
Loans are initially recognised at *fair value*, net of any incidental charges. Any difference between the proceeds net of any transaction costs and the redemption value is recognised in the Income Statement on an accrual basis at the effective interest rate method.

INVENTORIES

Inventories are stated at the lower amount between cost and net realisable value, the latter is represented by the normal sales value during ordinary activities, less the variable costs of sale.
The cost is determined using the weighted average cost method. The cost of finished goods and semi-finished goods includes the cost of design, raw materials, direct labour, other direct costs and other indirect costs allocated to production activities based on normal production capacity and on the progress. This costing does not include interest expense.
Provision is made for materials, finished goods, spare parts and other supplies considered obsolete or slow moving, taking into account their expected future use and realisable value. The realisable value is the estimated sale price during normal operations, net of all estimated costs for the completion of the asset and sale and distribution costs.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, net of the allowance to take account of their uncollectible accounts.
The receivables are written down according expected losses model provided for in IFRS 9. Specifically, trade receivables are written down using a simplified approach, which estimates the expected loss over their entire life. The estimate is chiefly made by determining the average expected non-collectability, based on historical experience, external indicators and forecasts. Specific measurements are made on individual receivables in certain categories of loans subject to particular elements of risk.

Transfer of receivables

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

CASH AND CASH EQUIVALENTS

This item includes cash, bank accounts, sight or demand depots and other short-term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

ASSETS HELD FOR SALE

Non-current assets (or groups of assets) are classified as held for sale only when the sale is highly probable and the asset is available for immediate sale in its present condition. Assets held for sale include non-current assets (or disposal groups) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets held for sale are valued at the lesser of the net carrying amount and the fair value les costs to sell.

SHARE CAPITAL

Ordinary shares are classified in the Net Equity. Accessory charges directly linked to issued shares or to options are entered in the Net Equity, subtracted from cash payments.

When the Group purchases parent shares (treasury shares), the price paid net of all directly attributed accessory charges is subtracted from the Group's Net Equity, until the treasury shares are either cancelled or sold.

EMPLOYEE BENEFITS

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

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

(a) Pension plans

Until December 31, 2006, Severance Pay (TFR) of Italian companies was considered a defined-benefit plan. The legislation applying to the liability was modified by Law of December 27, 2006, no. 296 ("Financial Law 2007") and the subsequent Decrees and Regulations issued in the first months of 2007. In light of those amendments, and with reference in particular to companies with at least 50 employees, Severance Pay is now considered a plan exclusively for the amounts accrued before January 1, 2007 (and not adjusted in the financial statements), whereas for the amounts accrued after that date it is similar to a defined contribution plan.

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

(b) Benefits paid to employees who attain a certain seniority status
The Company pays its employees benefits after a set number of years in service (seniority status). The benefits described here were recorded in accordance with the provisions of IAS 19.

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

PROVISIONS FOR RISKS AND CHARGES
Provisions for risks and charges are recognised when:
- a legal or implicit obligation arises for the Company as a result of past events;
- an outflow of resources to settle the obligation and the amount thereof is probable;
- its amount of the obligation is reliably determinable.

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

REVENUE RECOGNITION
Revenues are recorded net of VAT, returns, discounts and transactions between Group companies.

The Group recognises revenues according to IFRS 15 – Revenues from Contracts with Customers, which introduced a reference framework for the recognition and measurement of revenues for the faithful representation of the process of transferring goods and services to customers for an amount that reflects the amount expected in exchange for them. This standard is applied using a model made up of the five following stages:
- Identification of the contract with the customer: the parties approve the contract, which has commercial substance, and identify their respective rights and obligations. The contract must be legally binding, must identify the right to receive goods and/or services, the consideration and the payment terms;
- Identification of the performance obligations of the contract, i.e. promises to transfer separate goods and services.
- Determination of the transaction price: this is the total consideration contracted with the counterparty over the duration of the contract.

- Allocation of the price to the various performance obligations: in proportion to the respective stand-alone selling prices determined from the list prices.
- Recognition of revenue subject to fulfilment of *performance obligations*.

(a) Sale of goods
With regard to the sale of laser systems, sheet metal working machines and components, the Group recognises revenue when it transfers control of the goods to its customers. This generally coincides with the time when the Group obtains the right to receive payment and with the transfer of the material possession of the goods, which includes the transfer of the significant risks and benefits of ownership. The Company considers a warranty extension beyond normal market conditions as a *performance obligation* that should be recorded separately.

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

(c) Royalties
Revenues from royalties are recognised on an accrual basis under the agreed conditions in the underlying contracts.

(d) Dividends
Dividends received by investee companies are recognised in the income statement in the year in which the right to receive payment occurs.

<u>TAXES</u>
a) Current: the burden on income taxes for the year is determined in accordance with current legislation. Income taxes are recognised in the Income Statement. Concerning in particular PRIMA INDUSTRIE SpA and its subsidiaries PRIMA ELECTRO SpA, it should be noted that it is in force the tax bracket of its national consolidated business pursuant to article 117/129 of the Consolidation Act on tax on income (TUIR).

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

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

DISTRIBUTION OF DIVIDENDS

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

GOVERNMENT GRANTS

Government grants are recognised at their fair value only if there is reasonable certainty that the Company has accomplished all the requirements set by the terms of the grants. Revenues from government grants are recognised in the Income Statement based on the costs for which they were granted.

ESTIMATE OF THE *FAIR VALUE*

The *fair value* of financial instruments traded in an active market is determined based on market prices at the reporting date. The market price of reference for financial assets held by the Company is the current selling price (purchase price for financial liabilities).

The *fair value* of financial instruments that are not traded in an active market is determined using various valuation techniques and assumptions based on market conditions existing at the reporting date. For medium and long-term liabilities comparing prices of similar listed financial instruments, for the other categories of financial instruments cash flows are discounted.

The *fair value* of IRS is determined by discounting the estimated deriving cash flows at the reporting date. For receivables it is assumed that the nominal value net of any adjustments made to take account of their payable approximates their fair value. The *fair value* of financial liabilities for disclosure purposes is determined by discounting contractual cash flows at an interest rate that approximates the market rate at which the Company borrows.

FINANCIAL RISK FACTORS

Concerning the management of financial risks, please refer to paragraph – Management of Financial Risks – Chapter 8 "Explanatory notes to the Consolidated Financial Statements at December 31, 2020".

DISCRETIONARY EVALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements requires Management to make a number of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions affects the amounts of assets and liabilities recognised in the balance sheet, as well as expenses and income recognised in the Income Statement. Actual results may differ significantly from the estimates made, in view of the natural uncertainty surrounding the assumptions and conditions on which the estimates are based.

In this context it should be noted that the situation caused by the financial and economic crisis has led to the need to make assumptions about future trends characterised by significant uncertainty, so it cannot be ruled out that there will be different results next year compared to as estimated, and which therefore might require even significant adjustments that cannot be foreseen or estimated currently, to the carrying amount of the related items. The main items affected by these situations of uncertainty are provisions for doubtful accounts receivable and inventory, non-current assets (tangible and intangible assets), pension liabilities and other post-employment benefits, deferred tax assets.

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

Recoverable amount of goodwill included in the FINN-POWER OY investment
The recoverable amount of goodwill included in the FINN-POWER OY investment has been evaluated in the context of the *impairment* test prepared for the CGU PRIMA POWER. The key assumptions used to define the recoverable amount of the CGU, including a sensitivity analysis, are detailed in Note 2 – Intangible Assets – Chapter 8 "Explanatory notes to the Consolidated Financial Statements at December 31, 2020". Similarly, extracting the overall flows of only FINN-POWER OY from those of the CGU, net of its debt, and comparing it with the book value of the shareholding, produced the same positive results.

Research and development costs
Research and development costs that meet the requirements for capitalisation are recorded under Intangible Fixed Assets. The average life of research and development projects is estimated at a maximum of 5 years, which is the average period in which the products are estimated to generate cash flows for the Company.

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

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

VARIATIONS TO ACCOUNTING PRINCIPLES

Accounting principles and interpretations transposed by the European Union and applicable from January 1, 2020

In accordance with the requirements of IAS 8 (Accounting principles, changes in accounting estimates and errors), the IFRS in force at January 1, 2020 are indicated and briefly illustrated below.

- On November 29, 2019 the European Commission issued Regulation No. 2019/2104 harmonising the document "Amendments to IAS 1 and IAS 8: definition of material". The definition of material was integrated with the concept of "obscure" information, that is, information that is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The amended IAS 1 states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". This amendment led to the transposition of the new definition of material in IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, IAS 10 – Events After the Reporting Period, IAS 34 – Interim Financial Reporting, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

- On November 29, 2019 the European Commission issued Regulation No 2019/2075 harmonising the document “Amendments to the Conceptual Framework in IFRS”. The changes made with the intention of ensuring that international accounting standards are conceptually consistent and that similar transactions are treated in the same way, amend international standards and interpretations thereof, as well as existing references to the previous “systematic framework" replacing them with references to the revised "Conceptual Framework".
- On January 15, 2020 the European Commission issued Regulation No. 2020/34 which made changes to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: recognition and measurement, to IFRS 7 - Financial Instruments: supplementary information, as a result of the *Interest Rate Benchmark Reform*. The aim of these amendments is to avoids entities having to discontinue hedges as a result of uncertainties resulting from the IBOR reform introduced by the *European Financial Benchmark Regulation*. In particular it addresses concerns regarding an inability to meet the specific accounting requirements for hedging transactions in the periods before the transition. The amendments also require companies to provide additional disclosures in the financial statements regarding hedging relationships directly affected by the uncertainties generated by the IBOR reform.
- On April 21, 2020 the European Commission issued Regulation No. 2020/551 "Amendments to IFRS 3 - Business Combinations" which provides some clarification on the definition of business. In particular, the amendment clarifies, on the one hand, that the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets, and, on the other hand, that an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that contribute to the creation of an output. The amendment also introduced an optional test ("*concentration test*"), which makes it possible to exclude the presence of a business if the price paid is substantially referable to a single activity or group of activities.
- On May 28, 2020, the IASB published an amendment entitled "COVID-19 *Related Rent Concessions (Amendment to IFRS 16*)" which provides lessees with the option of accounting for COVID-19 related rent reductions without having to assess, through contract analysis, whether the definition of lease modification under IFRS 16 is met. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment, applicable to financial statements starting on 01/06/2020, without prejudice to the possibility of early application to financial statements starting on January 1, 2020, was implemented by the European Union on October 9, 2020 with Regulation no. 2020/1434.

The adoption of these amendments and interpretations did not affect the consolidated financial statements at December 31, 2020.

Accounting standards endorsed by the European Union but not yet mandatorily applicable

At the date of this Annual Report, the following standards had been endorsed by the European Union but were not yet mandatory.

On January 13, 2021, the European Commission issued Regulation 2021/25 approving the document *"Interest rate Benchmark Reform - Phase 2"*, applicable as of January 1, 2021, containing amendments to, inter alia, the following *standards*: "*IFRS 9 - Financial Instruments*", *"IFRS 7 - Financial Instruments: Disclosures", "IFRS 16 - Leases*". The amendments introduced provide for a specific accounting treatment that spreads over time the changes in value of financial instruments or leasing contracts due to the replacement of the benchmark index used to determine interest rates, thus avoiding immediate repercussions on the result for the year and interruptions to hedging relationships following the replacement of the benchmark index used to determine interest rates.

The Company will adopt these new principles, amendments and interpretations from their date of application.

The possible impacts on the financial statements resulting from the new standards/interpretations are still being assessed.

Accounting principles and interpretations issued by IASB and not yet transposed by the European Union

At the date of this Annual Report, the following principles have been issued by the IASB and not yet transposed by the European Union:

On January 23, 2020 the IASB issued the document *"Amendments to IAS 1 Presentation of Financial Statements*: *classification of liabilities as current or non-current*" to clarify the requirements for classifying liabilities as "current" or "non-current". More specifically, the amendments specify that i) the conditions existing at the end of the reporting period are those that should be used to determine whether the right to defer settlement of a liability exists; ii) management's expectations about events after the reporting date are not material; iii) clarify the situations that are considered to be the settlement of a liability. The amendments shall enter into force on January 1, 2023.

On May 14, 2020 the IASB published the following amendments, which are applicable to reporting periods beginning on or after January 1, 2022.

- Amendments to IAS 37 *"Onerous Contracts - Cost of Fulfilling a Contract"*, aimed at providing clarifications on how to determine the onerousness of a contract. The amendment clarifies that in estimating whether a contract is onerous, it is necessary to consider all costs directly attributable to the contract, including incremental costs and all other costs that the enterprise cannot avoid as a result of entering into the contract.

- Amendments to IAS 16 *"Property, Plant and Equipment: Proceeds before Intended Use"*, aimed at defining that the revenues deriving from the sale of goods produced by an asset, before it is ready for its intended use, are entered in the income statement together with the relative production costs.

- Amendments to IFRS 3 *"Reference to the Conceptual Framework"*. The purpose of the amendments is to update the reference in IFRS 3 to the *Conceptual Framework* in the revised version, without making any changes to the provisions of the standard.

- Issuance of the document "*Annual Improvements to IFRS Standards 2018- 2020 Cycle*", containing amendments, essentially of a technical and editorial nature, to the following international accounting standards: *"IFRS 1 - First-time Adoption of International Financial Reporting Standards"*, *"IFRS 9 - Financial Instruments*, *"IAS 41 - Agriculture"*, illustrative examples of *"IFRS 16 - Leases"*.

On May 18, 2017, the IASB issued the standard "*IFRS 17 – Insurance Contracts*", to replace the current "*IFRS 4 – Insurance Contracts*". The new standard, applicable to annual reporting periods beginning on or after January 1, 2023, regulates the accounting treatment of insurance contracts issued and reinsurance contracts held.

The Company will adopt these new principles, amendments and interpretations from their date of application.

The possible impacts on the financial statements resulting from the new standards/interpretations are still being assessed.

CHAPTER 11

Explanatory Notes to Financial Statements at December 31,2020

CHAPTER 11. EXPLANATORY NOTES TO FINANCIAL STATEMENTS AT DECEMBER 31, 2020

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

STATEMENT OF FINANCIAL POSITION

1. Property, plant and equipment

The property, plant and equipment as at December 31, 2020 are equal to Euro 27,078 thousand in decrease of Euro 3,263 thousand compared with December 31, 2019.

For more details, refer to the table below.

Property, plant and equipment	Land and Building	Plants and Machinery	Industrial and Commercial	Other tangible fixed assets	Fixed assets under construction	TOTAL
Net value as at December 31, 2018	**16,268**	**318**	**1,065**	**520**	**718**	**18,889**
Movements 2019						
Rights of use derived from the first application of IFRS16	2,554	-	224	1,915	-	4,693
Increases	6,320	1,754	197	930	319	9,520
Disinvestments	-	-	(1)	(45)	-	(46)
Utilization of accumulated depreciation	-	-	1	26	-	27
Depreciation	(958)	(136)	(599)	(1,049)	-	(2,742)
Reclassifications with tangible fixed assets	320	-	224	-	(544)	-
Net value as at December 31, 2019	**24,504**	**1,936**	**1,111**	**2,297**	**493**	**30,341**
Movements 2020						
Increases	593	122	51	1,173	942	2,881
Disinvestments	-	(15)	-	(19)	-	(34)
Utilization of accumulated depreciation	-	15	-	19	-	34
Leasing contracts Advance Closing	(2,106)	-	-	-	-	(2,106)
Depreciation	(992)	(231)	(579)	(1,195)	-	(2,997)
Reclassifications with Assets held for sale	(1,041)	-	-	-	-	(1,041)
Reclassifications with tangible fixed assets	4	-	147	-	(151)	-
Net value as at December 31, 2020	**20,962**	**1,827**	**730**	**2,275**	**1,284**	**27,078**
Of which Rights of use derived from the first application of IFRS16						
Net value as at December 31, 2019	8,361	-	142	1,773	-	10,276
Increases	270	-	-	1,007	-	1,277
Leasing contracts Advance Closing	(2,106)	-	-	-	-	(2,106)
Depreciation	(468)	-	(80)	(1,019)	-	(1,567)
Total Rights of use as at December 31, 2020	**6,057**	**-**	**62**	**1,761**	**-**	**7,880**

Land and buildings amounting to Euro 20,962 thousand includes:

- Land for a total value of Euro 5,224 thousand;
- Buildings with a total value of Euro 15,475 thousand. This item includes the new HQTC in Collegno, home to a large *Technology Centre* and the Group's head offices (Euro 6,749 thousand), the ALC research and innovation laboratory for advanced laser systems (Euro 6,142 thousand) and the production plant near Verona (Euro 2,112 thousand). Also included are the building rented to PRIMA POWER UK Ltd (Euro 108 thousand) and rental buildings for Euro 357 thousand.
- Light constructions for Euro 263 thousand.

The item Plant and Machinery stands at Euro 1,827 thousand and increased during the year by Euro 122 thousand due to acquisitions in the period and decreased by Euro 231 thousand due to amortisation of the period.

The item Industrial and commercial equipment stands at Euro 730 thousand and increased during the year by Euro 198 thousand (of which Euro 51 thousand from acquisitions in the period and Euro 147 thousand from the effect of reclassifications to other items) and decreased by Euro 579 thousand due to the amortisation for the period.

The Other Assets item amounts to Euro 2,275 thousand and is represented mainly by:
- Vehicles and other transport Euro 1,745 thousand;
- Electronic office equipment with a value of Euro 334 thousand;
- Furniture and fixtures amounting to Euro 194 thousand;
- Other assets for Euro 2 thousand.

Assets under construction relate to expenses incurred in connection with the construction of the new production facility and certain internally made equipment and installations.

All above mentioned values at December 31, 2020 are net of accumulated depreciation except for land and fixed assets in progress which are not depreciated.

2. Intangible assets

The following table illustrates the composition of intangible fixed assets at December 31, 2020 and at December 31, 2019, and the changes during the year.

Intangible assets	Software	Development costs	Other intaglible assets	TOTAL
Net value as at December 31, 2018	**1,055**	**10,423**	**22**	**11,500**
Movements 2019				
Increases/(decreases)	480	1,362	20	1,862
Depreciation	(517)	(3,601)	(23)	(4,141)
Impairment	-	(11)	-	(11)
Reclassifications with others items	-	347	-	347
Net value as at December 31, 2019	**1,018**	**8,520**	**19**	**9,557**
Movements 2020				
Increases/(decreases)	164	1,335	54	1,553
Depreciation	(534)	(2,978)	(24)	(3,536)
Net value as at December 31, 2020	**648**	**6,877**	**49**	**7,574**

The main item in intangible assets are the development costs (net value at December 31, 2020 of Euro 6,877 thousand); during 2020 this item increased by Euro 1,335 thousand due to the capitalisation of projects, and decreased by Euro 2,978 thousand due to depreciation in the period.

3. <u>Investments in subsidiaries</u>

The value of equity investments in subsidiaries at December 31, 2020 amounted to Euro 179,421 thousand and decreased compared to the previous financial year by Euro 420 thousand.

INVESTMENT IN SUBSIDIARIES	Investment value	Increases	Net value at Dec 31, 2019	Write-down	Net value at Dec 31, 2020
FINN POWER OY	140,177	-	140,177	-	140,177
PRIMA INDUSTRIE NORTH AMERICA Inc.	-	16,614	16,614	-	16,614
PRIMA ELECTRO SpA	10,945	-	10,945	-	10,945
PRIMA POWER IBERICA SL	1,441	-	1,441	-	1,441
PRIMA POWER CHINA Company Ltd	767	-	767	(420)	347
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	540	-	540	-	540
OOO PRIMA POWER	123	-	123	-	123
PRIMA POWER CENTRAL EUROPE Spzoo	93	-	93	-	93
PRIMA POWER UK LTD	-	-	-	-	-
PRIMA POWER GmbH	-	-	-	-	-
PRIMA POWER SOUTH AMERICA Ltda	-	-	-	-	-
PRIMA POWER AUSTRALASIA Pty Ltd	-	-	-	-	-
PRIMA POWER SUZHOU CO LTD	9,141	-	9,141	-	9,141
TOTAL	**163,227**	**16,614**	**179,841**	**(420)**	**179,421**

The decrease of Euro 420 thousand relates to the write-down of the equity investment in PRIMA POWER CHINA.

The details of the cost of investments compared with the net equity pro-rata resulting from the economic-financial situation of the companies involved, in compliance with IAS/IFRS principles, is as follows:

INVESTMENT IN SUBSIDIARIES	Net value at Dec 31, 2020	Equity as at Dec 31, 2020	Stake	Equity pro-quota	Difference
FINN POWER OY	140,177	139,603	100%	139,603	(574)
PRIMA INDUSTRIE NORTH AMERICA Inc.	16,614	37,906	100%	37,906	21,292
PRIMA ELECTRO SpA	10,945	30,936	100%	30,936	19,991
PRIMA POWER IBERICA SL	1,441	6,673	22%	1,468	27
PRIMA POWER CHINA Company Ltd	347	347	100%	347	-
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	540	474	100%	474	(66)
OOO PRIMA POWER	123	2,380	100%	2,380	2,257
PRIMA POWER CENTRAL EUROPE Spzoo	93	456	100%	456	363
PRIMA POWER UK LTD	-	1,168	100%	1,168	1,168
PRIMA POWER GmbH	-	(7,967)	100%	(7,967)	(7,967)
PRIMA POWER SOUTH AMERICA Ltda	-	(750)	100%	(750)	(750)
PRIMA POWER AUSTRALASIA Pty Ltd	-	(227)	100%	(227)	(227)
PRIMA POWER SUZHOU CO LTD	9,141	9,479	70%	6,635	(2,506)

The difference between the cost and the shareholders' equity of FINN-POWER OY, due to the results of previous years as well as 2020, was significantly lower than originally recorded at the time of the acquisition of the company. Given the positive future results expected, no impairment indicators emerged for the value of the equity investment.

FINN-POWER OY in 2020 achieved an EBITDA of Euro 12,638 thousand (equal to 11.1% of revenues). Moreover, the PRIMA INDUSTRIE Group carried out the impairment test on CGU PRIMA POWER (in which the sub-group FINN-POWER is included) in the consolidated financial statements (see Note 2 - Intangible assets) from which are no indications of value impairment index emerge. Similarly, extracting the overall flows of only FINN-POWER OY from those of the CGU, net of its debt, and comparing it with the book value of the shareholding, produced the same positive results.

The difference between the cost and the net equity of PRIMA POWER SUZHOU was not considered a loss in the value of the shareholding, but is attributable to the fact that the company is undergoing a change in *business strategy*. The company was set up to serve the mass Chinese market with products with a medium-low performance and price profile. However, during 2019 the management began a phase of technological change that led the Chinese company to sell high-tech machines both locally produced and imported from other Group companies. For this reason, also considering the recoverable value of the investment determined by the present value of cash flows net of debt, the management of PRIMA INDUSTRIE SpA deems that the said difference will be covered in future years by the future profits of the Chinese company. PRIMA POWER SUZHOU achieved an EBITDA of Euro 21 thousand in 2020. Moreover, the PRIMA INDUSTRIE Group carried out the impairment test on CGU PRIMA POWER (in which the sub-group FINN-POWER is included) in the consolidated financial statements (see Note 2 - Intangible assets) from which are no indications of value impairment index emerge. Similarly, extracting the overall flows of only PRIMAPOWER SUZHOU from those of the CGU, net of its debt, and comparing it with the book value of the shareholding, produced the same positive results.

The difference between the cost and the net equity of PRIMA POWER SUZHOU was not considered a loss in the value of the shareholding. The company achieved an EBITDA of Euro 302 thousand in 2020.

The remaining differences in the investments PRIMA POWER GmbH, PRIMA POWER SOUTH AMERICA Ltda and PRIMA POWER AUSTRALASIA Pty Ltd were offset by a provision for risks of Euro 8,544 thousand (see Note 19).

4. Investments accounted for using the equity method

The item Investments accounted for using the equity method refers to the shareholding in 3D NT of 19.9% by PRIMA INDUSTRIE SpA and is equal to Euro 418 thousand and remained unchanged from the previous year.

5. Other investments

The following table illustrates the composition of other investments that at December 31, 2020 was equal to Euro 60 thousand and remained unchanged from the previous year.

OTHER INVESTMENTS	Lamiera Servizi	Prima Power Sheet Metal Solution	Other	TOTAL
December 31, 2019	**11**	**40**	**9**	**60**
Increases	-	-	-	-
December 31, 2020	**11**	**40**	**9**	**60**

6. Financial assets

The value of Financial Assets is Euro 5,493 thousand and had increased by Euro 1,025 thousand from the previous years.

The following table illustrates the changes in Financial assets.

FINANCIAL ASSETS	Loan to Prima Power Laserdyne LLC	Loan to Prima Power Suzhou Co.Ltd	Loan to Prima Power South America LTDA	Term deposit Smilla	Loan to subsidiaries	TOTAL
December 31, 2019	**1,074**	**2,201**	**509**	**2,728**	**6**	**6,518**
Reimbursements	(1,097)	-	-	-	-	(1,097)
Interests	5	39	10	-	-	54
Differences on exchange rates	18	-	-	-	-	18
December 31, 2020	**-**	**2,240**	**519**	**2,728**	**6**	**5,493**
of which :						
Financial assets non current	-	-	-	2,728	-	2,728
Financial assets current	-	2,240	519	-	6	2,765

7. Deferred tax assets

The following table shows the movement of deferred tax assets during the 2020 financial year.

DEFERRED TAX ASSETS	December 31, 2020	December 31, 2019
Opening balance	**5,274**	**3,860**
Increase	2,448	1,818
Decrease	(437)	(404)
Closing balance	**7,285**	**5,274**

The composition of deferred tax assets is shown below.

DEFERRED TAX ASSETS	December 31, 2020	December 31, 2019
Provisions for risks and other liabilities	1,559	1,901
Inventories	926	755
Tax losses carried forward	4,083	1,942
Employee benefits	469	454
Other	248	222
TOTAL	**7,285**	**5,274**

The assessment of the recoverability of prepaid tax assets takes account of expected profitability in future years.

8. Inventories

The inventories on December 31, 2020 amount to Euro 34,665 thousand, net of the obsolescence provision decreasing by Euro 3,205 compared to the previous year.

INVENTORIES	December 31, 2020	December 31, 2019
Raw materials	10,642	10,286
(Provision fro Raw materials)	(697)	(690)
Semi-finished goods	5,088	8,632
Finished goods	22,793	22,096
(Provision for Finished goods)	(3,161)	(2,454)
Total	**34,665**	**37,870**

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

INVENTORIES PROVISIONS	Raw materials	Finished goods
Value as at December 31, 2019	**(690)**	**(2,454)**
Utilizations	-	25
Provisions	(7)	(732)
Value as at December 31, 2020	**(697)**	**(3,161)**

9. Trade receivables

Trade receivables at December 31, 2020 amounted to Euro 61,993 thousand and compared to the previous financial year decrease of Euro 8,385 thousand was experienced.

TRADE RECEIVABLES	December 31, 2020	December 31, 2019
Receivables from customers	26,300	25,845
Bad Debt Reserve	(1,556)	(824)
Receivables from customers (net)	**24,744**	**25,021**
Receivables from Related Parties	37,249	45,357
Receivables from customers (net)	**61,993**	**70,378**

Trade receivables include receivables in foreign currency which relate to items denominated in US dollars, Chinese renminbi and British pounds and relate mostly to invoices issued to subsidiaries.

Given the open positions at December 31, 2020, adjustments to the exchange rate were entered correctly. Receivables in currencies other than the reference currency are converted into Euro at the effective exchange rate on the date of the financial statements closing. All exchange differences are reflected in the Income Statement.

Movements in the bad debt reserve during the considered period are as follows:

BAD DEBT RESERVE	Amount
Value as at December 31, 2019	**(824)**
Utilizations	10
Provisions	(742)
Value as at December 31, 2020	**(1,556)**

The provision reflects the management's more accurate estimate of expected losses by Prima Industrie SpA on its receivables.

Below is a breakdown of trade receivables (including those of subsidiaries and associates and net of the allowance for doubtful accounts) divided according to expiry.

RECEIVABLES BY MATURITY	December 31, 2020
Due to expire	32,647
Expired 0 - 180 days	12,410
Expired 180 - 365 days	4,558
Expired over 1 year	13,934
TOTAL	**63,549**

In application of the IFRS 9 standard, the Company measures trade receivables according to expected credit loss. The Company 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 Company referred to historical experience, external indicators and forecasts.

Specific measurements were made on individual credit positions in certain categories of loans subject to particular elements of risk.

10. <u>Other receivables</u>

Other Receivables came to Euro 3,238 thousand, a decrease of Euro 1,361 thousand compared to the previous financial year.

The following table shows the composition of the item Other receivables.

OTHER RECEIVABLES	December 31, 2020	December 31, 2019
Advances payments to suppliers	1,140	3,176
Prepayments and accrued income	864	467
Contribution to be received for R&D projects	838	591
Security deposits	241	249
Other receivables	149	115
Advances to employees	6	1
Total	**3,238**	**4,599**

11. Other tax assets

Current tax assets totalled Euro 1,411 thousand at December 31, 2020, compared to Euro 5,066 thousand at December 31, 2019.

Below is a summary table showing the comparison between December 31, 2020 and December 31, 2019.

CURRENT TAX RECEIVABLES	December 31, 2020	December 31, 2019
VAT Receivables - Italy	499	1,556
Tax Receivables - R&D	440	1,347
Tax Receivables - Direct taxes (IRES and IRAP)	257	991
Tax Receivables with subsidiaries	98	89
Tax Receivables - Witholding taxes	51	46
VAT Receivables - Foreign countries	35	46
Other tax receivables	31	21
Tax Receivables - IRES reimbursment IRAP deduction	-	970
Total	**1,411**	**5,066**

It should be noted that, on July 1, 2020, the Company collected the receivable from the tax authorities, the balance of which at December 31, 2019 came to Euro 970 thousand, following the submission of claims for IRES reimbursement which arose in February 2013.

12. Derivative financial instruments

As at December 31, 2020, PRIMA INDUSTRIE SpA has current derivative financial instruments in place for an amount of Euro 365 thousand and non-current derivative financial instruments in place for an amount of Euro 419 thousand.

Derivatives current assets

Type	Counterparty	Expiry date	Reference notional	MTM Dec 31, 2020
CRS - Non hedge accounting	MPS	March 19, 2021	$3.000	€ 122
CRS - Non hedge accounting	MPS	June 21, 2021	$3.000	€ 121
CRS - Non hedge accounting	MPS	September 20, 2021	$3.000	€ 122
			TOTAL	€ 365

Derivatives non current liabilities

Type	Counterparty	Expiry date	Reference notional	MTM Dec 31, 2020
IRS - Hedge accounting	BNL	December 19, 2022	€ 17.000	€ 72
IRS - Hedge accounting	BPM	December 31, 2022	€ 20.000	€ 143
IRS - Hedge accounting	Unicredit	December 31, 2022	€ 22.222	€ 105
IRS - Hedge accounting	Intesa Sanpaolo	March 31, 2023	€ 15.000	€ 99
			TOTAL	€ 419

For the purposes of the financial statements at December 31, 2020, a valuation of outstanding derivative instruments was carried out. For more information on the derivative financial instruments of Prima Industrie SpA and on their disclosure method, see “Note 11 - Net Financial Position of the consolidated financial statements”.

13. Cash and cash equivalents

Cash and cash equivalents at December 31, 2020 totalled Euro 11,196 thousand, against Euro 10,180 thousand at December 31, 2019 and consists of cash (including foreign currency), cheques and letters of credit. For more details on Cash and cash equivalents, see the Financial Report (for the Financial Report, see Chapter 9 – PRIMA INDUSTRIE SpA - Financial Statements at December 31, 2020).

CASH AND CASH EQUIVALENTS	December 31, 2020	December 31, 2019
Cash and checks	10	11
Bank accounts	11,186	10,169
Total	**11,196**	**10,180**

14. Non-current assets held for sale

As at December 31, 2020, the value of non-current assets held for sale is Euro 1,255 thousand and increased by Euro 1,026 thousand from the previous financial year. This item includes a portion of the industrial building located in Collegno in the province of Turin (at December 31, 2019 it was classified in the item Land and Buildings) and some real estate units under construction located in the Mantua area. 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.

15. Net Equity

SHARE CAPITAL

The Share Capital amounts to Euro 26,208 thousand and has remained unchanged compared with December 31, 2019.

LEGAL RESERVE

The item amounted to Euro 5,213 thousand and remained unchanged compared with December 31, 2019.

OTHER RESERVES

The item "Other Reserves" has a value of Euro 66,495 thousand and is composed of:

- Share premium reserve: amounting to Euro 57,507 thousand.
- Reserve for the purchase of treasury stock: negative for Euro 1,966 thousand.
- Reserve for non-amortised development costs: Euro 6,877 thousand.
- Extraordinary reserve: Euro 6,675 thousand.
- Costs for share capital increase: negative for Euro 1,286 thousand and represents costs incurred for share capital increases (such as bank fees, legal and administrative consultant fees, etc.).
- Actuarial defined benefit plans reserve: negative for Euro 548 thousand and, in accordance with the revised IAS 19, refers to the effect of actuarial gains/losses on employee severance indemnities net of tax.
- *Fair value* adjustment reserve: negative for Euro 305 thousand and consists of the portion directly entered directly as net assets, net of taxes, of the market value of derivative contracts hedging exchange rate fluctuation.

- Merger surplus reserve of the former FINN-POWER ITALIA srl: negative Euro 459 thousand

EARNINGS (LOSSES) CARRIED FORWARD

This item was negative for Euro 1,698 thousand. This item includes the differences in accounting methods on the date of transition to IFRS and refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

COMPREHENSIVE INCOME

Net income for the period is negatively affected by the actuarial profit/losses on employee severance indemnities according to the application of the revised IAS 19, which were Euro 74 thousand (net of a tax effect of +Euro 24 thousand). It was positively affected by the allocation to the *fair value* adjustment reserve of Euro 134 thousand (net of -Euro 43 thousand taxes) and the conversion into euros of the branch office in South Korea for Euro 22 thousand.

PROFIT (LOSS) FOR THE YEAR

The result for the year was a positive Euro 2,340 thousand.

For more details on this subject, see the table of changes in equity (for changes in equity, see Chapter 9 – Prima Industrie SpA - Financial Statements at December 31, 2020).

16. Loans

The following table is a breakdown of PRIMA INDUSTRIE SpA's loan status on December 31, 2020 (in comparison with December 31, 2019).

BANK BORROWINGS AND OTHER FINANCING	December 31, 2020	December 31, 2019
Current		
Short-term payable for leasing	1,602	1,742
Short-term payable for bank loans	43,948	32,977
Short-term payable for Bond	690	691
Short-term payable for other financing	2,393	2,436
Short-term payable for other financing from subsidiaries	8,574	8,886
Total Current	**57,207**	**46,732**
Non-current		
Long-term payable for leasing	11,988	14,708
Long-term payable for bank loans	30,908	48,452
Long-term payable for Bond	24,850	24,806
Long-term payable for other financing	14,504	4,400
Long-term payable for loan from subsidiaries	9,185	16,613
Total Non-current	**91,435**	**108,979**
TOTAL	**148,642**	**155,711**

Bonds issued

Debt to bondholders amount comprehensively to Euro 25,734 thousand, inclusive of accrued and unpaid interest amounting to Euro 734 thousand. The net debt accounted for in the financial statements amounts to Euro 25,540 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 24,850 thousand beyond 12 months.

Indebtedness with banks

Below are the main loans included in the bank debt granted to PRIMA INDUSTRIE SpA.

At December 31, 2020, the BNL loan amounted to a total of Euro 12,505 thousand inclusive of accrued and unpaid interest amounting to Euro 5 thousand. The net debt in the financial statements total Euro 12,473 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.
The BNL loan is for Euro 4,491 thousand expiring beyond 12 months.

At December 31, 2020, the MPS loan amounted to a total of Euro 6,500 thousand, the net debt in the financial statements totals Euro 6,488 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.
The MPS loan is for Euro 5,094 thousand expiring beyond 12 months.

At December 31, 2020, the BPM loan amounted to a total of Euro 13,500 thousand, the net debt in the financial statements totals Euro 13,459 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.
The BPM loan is for Euro 9,145 thousand expiring beyond 12 months.

At December 31, 2020, the UNICREDIT loan amounted to a total of Euro 11,110 thousand, the net debt in the financial statements totals Euro 11,084 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.
The UNICREDIT loan is for Euro 5,547 thousand expiring beyond 12 months.

At December 31, 2020, the INTESA loan amounted to a total of Euro 10,024 thousand, inclusive of accrued and unpaid interest amounting to Euro 24 thousand. The net debt in the financial statements total Euro 10,005 thousand and includes matured interest and accessory charges incurred at the time the loan was issued.
The INTESA loan is for Euro 6,658 thousand expiring beyond 12 months.

On the Intesa, Unicredit, BPM, MPS and BNL loans and on the bond there are *covenants* with measurements on annual and half-yearly basis; the covenants measured on the consolidated financial statements at December 31, 2020 have been met.

Credit lines totalled Euro 21,000 thousand.

Other loans to subsidiaries accounted for Euro 17,759 thousand and were made up as follows:

- Euro 9,228 thousand to PRIMA ELECTRO;
- Euro 4,137 thousand to PRIMA INDUSTRIE NORTH AMERICA–PRIMA POWER NA;
- Euro 2,045 thousand to PRIMA POWER CENTRAL EUROPE;
- Euro 2,000 thousand to PRIMA POWER IBERICA;
- Euro 344 thousand to PRIMA POWER SUZHOU.
- Euro 5 thousand to FINN-POWER OY;

Other loans also include the loan with Cassa Depositi e Prestiti for Euro 12,500 thousand.

For more details about the Financing of PRIMA INDUSTRIE SpA, see the Report on Operations and the consolidated financial statements at Note 11 - Net Financial Position.

The movements in the financial payables of Prima Industrie SpA during 2020 are illustrated below.

BANK BORROWINGS AND OTHER FINANCING - Movements	
Bank borrowings and Other financing current as at Dec 31, 2019	46,732
Bank borrowings and Other financing non current as at Dec 31, 2019	108,979
Bank borrowings and Other financing as at Dec 31, 2019	**155,711**
Increases in loans and borrowings	22,026
Repayment of loans and borrowings	(25,849)
Increase/(Repayments) in lease liabilities	(2,860)
Differences on exchange rates	(386)
Bank borrowings and Other financing as at Dec 31, 2020	**148,642**
of which:	
Bank borrowings and Other financing current as at Dec 31, 2020	57,207
Bank borrowings and Other financing non current as at Dec 31, 2020	91,435
Bank borrowings and Other financing as at Dec 31, 2020	**148,642**

Trade payables decreased overall by Euro 7,069 thousand and in 2020.

17. Employee benefits

The following table shows the composition of liabilities for employee benefits at December 31, 2020 and at the closing of the previous year.

EMPLOYEE BENEFITS	December 31, 2020	December 31, 2019
Severance indemnity fund	2,880	2,858
Fidelity premium	1,668	1,605
Employee benefits - branch office South Korea	120	90
TOTAL	**4,668**	**4,553**

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

Below the changes of the Employees' Severance Indemnity liability and of the Fidelity Premium are shown during the year 2020 and 2019.

SEVERANCE INDEMNITY FUND	December 31, 2020	December 31, 2019
Opening balance	**2,858**	**2,930**
Severance indemnity paid out during the period	(97)	(206)
Actuarial gains/losses	98	89
Financial expenses	21	45
Closing balance	**2,880**	**2,858**

FIDELITY PREMIUM	December 31, 2020	December 31, 2019
Opening balance	**1,605**	**1,524**
Fidelity Premium paid out during the period	(223)	(147)
Provisions/Actuarial Adjustment	171	171
Financial expenses	115	57
Closing balance	**1,668**	**1,605**

The Fidelity Premium refers to the seniority premium for employees of the Company paid at the end of 20, 30 and 35 years of service, corresponding to two gross monthly salaries.

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

Actuarial hypotheses	December 31, 2020	December 31, 2019
Annual discount rate	0.34%	0.77%
Annual inflation rate	1.00%	1.00%
Annual Severance fund increase rate	2.25%	2.25%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury called RG48;
- the probability of disability, divided by gender, adopted in the INPS model for projections to 2010;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with annual frequency of 0.5%;
- probability of advances with an annual rate of 3%.

Furthermore, a sensitivity analysis was carried out for severance indemnities alone, which showed an insignificant impact with a change in the following variables:

- Discount rate +0.50%/-0.50%
- Inflation rate +0.25%/-0.25%
- Turnover rate +2.00%/-2.00%.

18. Deferred tax liabilities

The following table shows the movements of deferred tax liabilities during the years 2020 and 2019.

DEFERRED TAX LIABILITIES	December 31, 2020	December 31, 2019
Opening balance	**1,270**	**1,317**
Increase	351	399
Decrease	(355)	(446)
Closing balance	**1,266**	**1,270**

The composition of the Deferred tax liabilities is shown below.

DEFERRED TAX LIABILITIES	December 31, 2020	December 31, 2019
Non-current tangible/intangible assets/Leases	627	612
Trade receivables/payables and other entries	639	658
Total	**1,266**	**1,270**

19. Provisions for risks and charges

The provisions for risks and charges at December 31, 2020 amounted to Euro 14,640 thousand (of which non-current Euro 8,782 thousand).

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

NON CURRENT PROVISIONS	Cust. Agent. Ind. provision	Investment losses provision	TOTAL
Value as at December 31, 2018	**197**	**1,630**	**1,827**
Allocations	25	6,248	6,273
Utilizations in the period	-	(750)	(750)
Value as at December 31, 2019	**222**	**7,128**	**7,350**
Allocations	22	1,416	1,438
Utilizations in the period	(6)	-	(6)
Value as at December 31, 2020	**238**	**8,544**	**8,782**

CURRENT PROVISIONS	Taxes provision	Provision on legal claims	Warranty provisions and project's completion	TOTAL
Value as at December 31, 2018	-	-	**8,034**	**8,034**
Allocations	115	15	4,338	4,468
Utilizations in the period	-	-	(5,174)	(5,174)
Value as at December 31, 2019	**115**	**15**	**7,198**	**7,328**
Allocations	-	-	3,222	3,222
Utilizations in the period	(84)	-	(4,608)	(4,692)
Value as at December 31, 2020	**31**	**15**	**5,812**	**5,858**

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

Investment losses provision
This provision relates to the company PRIMA POWER GmbH for Euro 7,566 thousand, the subsidiary PRIMA POWER SOUTH AMERICA Ltda for Euro 751 thousand, to and to the company PRIMA POWER AUSTRALASIA Pty Ltd for Euro 227 thousand. For further details on this subject see Note 3 - Investments in subsidiaries.

Income tax reserve
The Company in 2019 set aside a provision for tax risks of Euro 115 thousand; during 2020, the Company closed the litigation and began paying the higher tax.

Legal disputes provision
This provision relates to provisions for legal disputes arising during the 2019 financial year.

Project guarantee and completion provision
This refers to provisions for the completion of ongoing projects and technical warranty on products of the Company and is proportionate to the costs that must be held. Compared to 2019 they decreased for a total of Euro 1,386 thousand.

20. Trade payables, Advance Payments and other payables

The breakdown of trade payables, advances and other payables at December 31, 2020 and at the end of the previous year is shown in the table below.

TRADE, ADVANCES AND OTHER PAYABLES	December 31, 2020	December 31, 2019
Trade payables	33,228	41,283
Trade payable owed to related parties	25,123	28,580
Trade payables	**58,351**	**69,863**
Advances from customers	6,071	6,462
Advances from customers	**6,071**	**6,462**
Social security payables	1,329	2,093
Payables with employees	2,162	2,898
Accrued expenses and deferred income	2,699	3,156
Other payables	242	200
Other payable owed to related parties	490	536
Other payables	**6,922**	**8,883**

Trade accounts payable at December 31, 2020 amount to Euro 58,351 thousand of which Euro 33,228 thousand for third-party suppliers and Euro 25,123 thousand for related parties.
Trade payables decreased by Euro 11,512 thousand in 2020.

Advances from customers are equal to Euro 6,071 thousand. This item mainly consists of advances received from customers on orders for machines not yet delivered

Social security payables are payables to social security and welfare (especially INPS and other forms of assistance).

Payables to employees refers to salaries not yet paid and compensation matured but not yet paid for leave not taken, for production bonus and incentives matured by managers and sales personnel and for advance payment of travel expenses in account of the company for employees out for work.

The item Accrued expenses and Deferred Income decreased from the previous year by Euro 457 thousand: this item is mainly composed of deferred income related to some facilitations on an unsecured basis for research and development and revenues from maintenance contracts relating to future years.

21. Current taxes payables

This item amounts Euro 1,915 thousand (Euro 2,162 thousand at December 31, 2019) and includes:

CURRENT TAX PAYABLES	December 31, 2020	December 31, 2019
Payables for withholding income taxes	899	1,013
Tax payables to subsidiaries	1,016	412
Payables for IRES and IRAP	-	737
TOTAL	**1,915**	**2,162**

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 31,555 thousand, down Euro 6,709 thousand from the previous year (Euro 38,264 thousand at December 31, 2019). The decrease is due both to the reduction in the number of employees and to the use of social safety nets made available by the Italian government; Specifically, the *savings* due to the use of the redundancy fund for Italian companies amounted to Euro 3,439 thousand. Amortisation and impairment at December 31, 2020 came to Euro 6,533 thousand (at December 31, 2019 they came to Euro 6,894 thousand). It should be noted that amortisation of development costs was Euro 2,978 thousand.

22. Net Revenues from sales and services

Net Revenues from sales and services are set out below divided by product/activity and by geographic area.

NET REVENUES	Italy	%	Europe	%	North America	%	Rest of the world	%	Total
Machines	27,381	26.45%	38,140	36.84%	13,950	13.48%	24,046	23.23%	103,517
Spare parts	7,850	34.61%	7,988	35.22%	3,921	17.29%	2,920	12.88%	22,679
Services	7,150	82.75%	733	8.48%	188	2.18%	569	6.59%	8,640
Total	**42,381**		**46,861**		**18,059**		**27,535**		**134,836**

23. 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 goods sold at December 31, 2020 stood at Euro 119,802 thousand, the main components include materials (Euro 76,372 thousand), processing and outsourcing (Euro 11,897 thousand).

24. Research and development costs

This item includes non-capitalisable research and development costs, *Tech Centre* costs and the associated overheads and is disclosed net of grants (both national and European) entered on an accrual basis. Net research and development costs at December 31, 2020 amounted to Euro 6,439 thousand and were down Euro 2,263 thousand compared to the previous year; the impact of public grants accounted for Euro 1,827 thousand.

25. 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 expenses in 2020 amounted to Euro 6,030 thousand against to Euro 7,793 thousand of 2019.

26. General and administrative expenses

This item includes all costs related to Group or Divisional management structures, Finance costs, HR, IT and overheads. Overheads and administration costs were Euro 7,690 thousand in 2020 and decreased compared to December 31, 2019 (equal to Euro 8,190 thousand).

27. Financial Income and expenses

The financial income and expenses of 2020 financial year shows a positive result of Euro 6,283 thousand.

FINANCIAL MANAGEMENT	December 31, 2020	December 31, 2019
Interests on Bond	(917)	(918)
Loans 2018	(1,282)	(1,460)
Interests on payable for bank loans (current/non current)	(145)	(170)
Interests on loans from subsidiaries	(368)	(148)
Derivatives expenses (CRS)	(3,523)	(2,255)
Derivatives expenses (IRS)	(319)	(383)
Interests on leasing	(270)	(307)
Interests paid on employee tax benefits	(136)	(101)
Devaluation of financial receivable	-	(118)
Bank charges	(410)	(600)
Other financial expenses	(42)	(296)
Financial expenses	**(7,412)**	**(6,756)**
Interests income on loans to subsidiaries	245	458
Derivatives income (CRS)	4,273	1,823
Derivatives income (IRS)	4	1
Bank interest income	2	3
Other financial income	112	198
Financial income	**4,636**	**2,483**
Dividends and adjustments on investments value	**8,748**	**1,952**
Net exchange differences	**311**	**(19)**
FINANCIAL INCOME AND EXPENSES (NET)	**6,283**	**(2,340)**

Financial charges include interest of Euro 917 thousand related to the Bond and Euro 1,282 thousand related to the loans taken out in 2018.

The item Dividends and value adjustments for investments of Euro 8,748 thousand refer to write-downs for the subsidiaries PRIMA POWER GmbH for Euro 1,235 thousand, PRIMA POWER CHINA for Euro 420 thousand, PRIMA POWER SOUTH AMERICA Ltda for Euro 372 thousand and PRIMA POWER AUSTRALASIA Pty Ltd for Euro 3 thousand and dividends from subsidiaries for Euro 10,778 thousand (FINN-POWER OY for Euro 7,300 thousand, PRIMA ELECTRO SpA for Euro 2,100 thousand, PRIMA POWER China for Euro 686 thousand; PRIMA POWER CENTRAL EUROPE Sp.z.o.o. for Euro 616 thousand and PRIMA POWER IBERICA for Euro 76 thousand).

28. Current and deferred taxes

The tax burden of PRIMA INDUSTRIE SpA at December 31, 2020 compared to the data of the previous year is summarised below.

TAXES	December 31, 2020	December 31, 2019
IRES (*included the effect derived from consolidated taxation*)	(832)	91
Deferred tax assets	2,030	1,401
Deferred tax liabilities	4	47
Taxes relating to previous year	(15)	(107)
Other taxes	(5)	(5)
TOTAL	**1,182**	**1,427**

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

Reconciliation between ordinary and theorical tax rates	2020	2019
RESULT BEFORE TAXES	**1,158**	**(3,578)**
IRES rate	24.00%	24.00%
THEORICAL IRES ON INCOME	**278**	**(859)**
PERMANENT INCREASE/DECREASE	(10,382)	(8,518)
TEMPORARY INCREASE/DECREASE	4,404	5,577
FISCAL LOSS FROM ITALIAN FISCAL CONSOLIDATED	4,820	6,519
OTHER DIFFERENCES	(3,467)	379
INCREASE/DECREASE	**(4,625)**	**3,957**
EFFECTIVE FISCAL RESULT	**(3,467)**	**379**
IRES rate	24.00%	24.00%
EFFECTIVE IRES ON INCOME	**(832)**	**91**

INFORMATION ON THE TRANSPARENCY OF PUBLIC FUNDS

In accordance with Article 1, paragraphs 125-129 of Italian Law no. 124/2017 as amended by Decree-Law no. 113/2018 on "Security" and Decree-Law no. 135/2018 on "Simplification", we disclose the information regarding subsidies, contributions, paid assignments and any kind of economic advantages granted to the Italian Company in the 2020 financial year by public authorities and a number of similar bodies with which they have economic relations.

The entities identified as sources of the funds that are the subject of the disclosure are:

- The public administrations and the entities referred to in Article 2-bis of Legislative Decree no. 33 of March 14, 2013;
- Companies controlled, in law or in fact, directly or indirectly, by public administrations, including companies with shares listed on regulated markets and their subsidiaries;
- Publicly owned companies, including those issuing shares listed on regulated markets and their subsidiaries.

Values expressed in Euro thousand

Beneficiary	Supplying authority	Description	Amount received
Prima Industrie SpA	Ministry of Economic Development	Tax credit for R&D	1,337
Prima Industrie SpA	European Union	R&D subsidy	962
Prima Industrie SpA	Piedmont Region	R&D subsidy	40
Prima Industrie SpA	Ministry of Economic Development	Tax credit for Sanitization	9
Total			**2,348**

In addition, PRIMA INDUSTRIE SpA in the 2020 financial year collected a loan granted by the Cassa Depositi e Prestiti for Euro 12,500 thousand.

Below is the information regarding subsidies, contributions, paid assignments and any kind of economic advantages granted in the 2020 financial year.

Values expressed in Euro thousand

Beneficiary	Supplying authority	Description	Amount due
Prima Industrie SpA	Ministry of Economic Development	Tax credit for R&D	430
Prima Industrie SpA	European Union	R&D subsidy	1,537
Prima Industrie SpA	Piedmont Region	R&D subsidy	272
Prima Industrie SpA	Ministry of Economic Development	R&D subsidy	17
Prima Industrie SpA	Ministry of Economic Development	Tax credit for Sanitization	28
Total			**2,285**

GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

The guarantees granted and commitments undertaken by the Company at December 31, 2020 are shown below.

Guarantees, commitments and other potential liabilities	December 31, 2020	December 31, 2019
Guarantees granted	21,781	34,188
Commitments to leasing companies	1,928	1,566
TOTAL	**23,709**	**35,754**

At December 31, 2020 the guarantees granted by PRIMA INDUSTRIE SpA amounted to Euro 21,781 thousand and relate to guarantees to trade counterparties and sureties to credit institutions on behalf of Group companies.

“Commitments to leasing companies" refer to repurchase agreements for sales made through financial intermediaries

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

RELATED-PARTY TRANSACTIONS

Relations with related parties are generally represented by transactions with companies controlled directly or indirectly by the company regulated at market conditions considered normal in the reference market, in view of the characteristics of the assets and the services rendered.

The impact of these transactions on individual items in the 2020 Financial Statements, already highlighted in the supplementary tables of the Financial Statements and Income Statement, drawn up in accordance with CONSOB Resolution no. 15519 of July 27, 2006, is summarised in the following table:

Related parties - financial items

Counterparty	Financial receivables	Trade receivables	Financial payables	Trade payables and advances	Other payables
PRIMA POWER GmbH	-	6,031	-	240	-
PRIMA POWER UK LTD	-	569	-	67	4
PRIMA POWER CENTRAL EUROPE Spzoo	-	2,313	2,045	60	-
OOO PRIMA POWER	-	199	-	9	-
PRIMA ELECTRO SpA	-	213	9,228	3,757	-
PRIMA INDUSTRIE NORTH AMERICA - CONVERGENT-PHOTONICS	-	28	-	542	-
FINN-POWER OY	-	3,961	5	9,681	-
PRIMA POWER IBERICA	-	1,191	2,000	14	-
PRIMA POWER FRANCE Sarl	-	661	-	97	-
PRIMA INDUSTRIE NORTH AMERICA - PRIMA POWER NA	-	2,104	4,137	14	-
PRIMA POWER LASERDYNE LLC	-	377	-	849	-
PRIMA POWER SOUTH AMERICA LTDA	519	229	-	31	-
PRIMA POWER INDIA PVT. LTD	-	993	-	225	-
PRIMA POWER MAKINA TICARET LTD	-	298	-	-	-
PRIMA POWER SUZHOU CO. LTD	2,240	17,332	344	8,889	-
PRIMA POWER CANADA Ltd	-	21	-	-	-
LEEPORT	-	712	-	-	-
3D - NT	-	17	-	648	-
ADMINISTRATIVE, CONTROL BOARDS AND STRATEGIC MANAGEMENT	-	-	-	-	486
TOTAL	**2,759**	**37,249**	**17,759**	**25,123**	**490**

Related parties - economic items

Counterparty	Revenues	COGS	R&D	S&M	G&A	Financial income	Financial expenses	Dividends and adjustments on investments value
PRIMA POWER GmbH	7,644	(227)	(93)	126	132	34	-	(1,235)
PRIMA POWER UK LTD	1,355	(27)	(105)	136	63	-	-	-
PRIMA POWER CENTRAL EUROPE Spzoo	4,988	(112)	-	132	93	1	(36)	616
OOO PRIMA POWER	3,868	(44)	-	56	79	-	-	-
PRIMA ELECTRO SpA	2	(11,127)	(74)	-	148	90	(193)	2,100
PRIMA INDUSTRIE NORTH AMERICA - CONVERGENT-PHOTONICS	-	(1,625)	-	-	-	28	-	-
FINN-POWER OY	10,695	(12,522)	(25)	107	503	-	(24)	7,300
PRIMA POWER IBERICA	4,331	(227)	-	3	96	7	(36)	76
PRIMA POWER FRANCE Sarl	2,192	10	-	122	74	-	-	-
PRIMA INDUSTRIE NORTH AMERICA - PRIMA POWER NA	16,346	(38)	-	3	203	6	(79)	-
PRIMA POWER CANADA Ltd	1,493	-	-	-	-	-	-	-
PRIMA POWER LASERDYNE LLC	221	(2,380)	-	79	163	27	-	-
PRIMA POWER SOUTH AMERICA LTDA	48	(101)	-	-	18	9	-	(372)
PRIMA POWER INDIA PVT. LTD	169	(64)	-	(82)	24	-	-	-
PRIMA POWER MAKINA TICARET LTD	1,997	(40)	-	-	68	1	-	-
PRIMA POWER SUZHOU CO LTD	8,115	(1,638)	18	-	161	42	-	-
PRIMA POWER AUSTRALASIA PTY LTD	-	-	-	-	-	-	-	(3)
LEEPORT	1,641	(39)	-	-	-	-	-	266
3D - NT	(4)	(1,107)	41	-	6	-	-	-
ADMINISTRATIVE, CONTROL BOARDS AND STRATEGIC MANAGEMENT	-	(39)	-	-	(1,139)	-	-	-
TOTAL	65,101	(31,347)	(238)	682	692	245	(368)	8,748

The above table does not contain items deriving from national consolidated taxation, since they do not represent actual exchanges, but rather only those originating from the financial procedures provided for in national taxation legislation (receivable to PRIMA ELECTRO SpA for Euro 98 thousand and payable to PRIMA ELECTRO SpA of Euro 1,016 thousand).
In addition to the above, there are also guarantees provided by the parent company to some of its subsidiaries.
Please see the Remuneration Report for matters relating reference to the remuneration of directors and statutory auditors in accordance with Article 2427, paragraph 1(16) of the Italian Civil Code.

SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

The table below summarises non-recurring transactions that have had a negative impact on the Income Statement for a total of Euro 3,425 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 Dec 31, 2020	Total as at Dec 31, 2019	Variation between 2020 and 2019
COVID-19	(343)	(18)	(2)	(45)	-	(408)	-	(408)
Actions of reorganization/Restructuring	-	-	(230)	(170)	-	(400)	(743)	343
Legal/fiscal disputes and penalties from customers	(178)	-	-	(409)	-	(587)	(195)	(392)
Impairment	-	-	-	-	-	-	(11)	11
EBIT	**(521)**	**(18)**	**(232)**	**(624)**	**-**	**(1,395)**	**(949)**	**(446)**
Impairment of investments	-	-	-	-	(2,030)	(2,030)	(6,231)	4,201
Devaluation of financial receivable	-	-	-	-	-	-	(118)	118
EBT	**(521)**	**(18)**	**(232)**	**(624)**	**(2,030)**	**(3,425)**	**(7,298)**	**3,873**

TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with CONSOB Communication of July 28, 2006, during 2020 the Company performed no atypical and/or unusual transactions, as defined by the Communication, which states that atypical and/or unusual transactions are those operations whose size/importance, nature of the counterparties, object, price transfer determination method and timing (proximity to close of the financial year) can give rise to doubts regarding: the correctness/completeness of the information in the financial statements, conflicts of interest, safeguarding of Company assets, protection of minority shareholders.

NET FINANCIAL POSITION

In accordance with CONSOB Communication no. DEM/6064293 of July 28, 2006, the table of the Net Financial Position shown above does not indicate non-current financial receivables (at December 31, 2020 they totalled Euro 2,728 thousand).

For more details on net financial position, see the following notes:

- 6 - Financial assets
- 13 - Cash and cash equivalents
- 16 – Loans

	NET FINANCIAL POSITION	December 31, 2020	December 31, 2019	Variations
A	CASH	11,196	10,180	1,016
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH ON HAND (A+B+C)**	**11,196**	**10,180**	**1,016**
E	**CURRENT FINANCIAL RECEIVABLES**	**3,130**	**3,790**	**(660)**
F	CURRENT BANK DEBTS	21,066	96	20,970
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	31,456	41,766	(10,310)
H	BOND ISSUED	690	691	(1)
I	OTHER CURRENT FINANCIAL DEBTS	3,995	4,179	(184)
J	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)**	**57,207**	**46,732**	**10,475**
K	**NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)**	**42,881**	**32,762**	**10,119**
L	NON-CURRENT BANK DEBTS	40,512	65,666	(25,154)
M	BOND ISSUED	24,850	24,806	44
N	OTHER NON-CURRENT FINANCIAL DEBTS	26,492	19,107	7,385
O	**NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)**	**91,854**	**109,579**	**(17,725)**
P	**NET FINANCIAL POSITION (K+O)**	**134,735**	**142,341**	**(7,606)**

SUMMARY OF KEY FIGURES OF THE LAST FINANCIAL STATEMENTS OF SUBSIDIARIES

The tables below provide a summary of the key figures of the Financial Statements of subsidiaries by segment at December 31, 2020.

PRIMA POWER

Values expressed in Euro thousand

	FINN-POWER OY	PRIMA POWER LASERDYNE LLC	PRIMA POWER SUZHOU CO.LTD.	PRIMA INDUSTRIE NORTH AMERICA - PRIMA POWER NA	PRIMA POWER CANADA Ltd.	PRIMA POWER MEXICO SRL de CV	PRIMA POWER GMBH	PRIMA POWER IBERICA S.L.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER FRANCE Sarl	PRIMA POWER MAKINA TICARET LTD SIRTEKI	PRIMA POWER UK LTD.	PRIMA POWER INDIA PVT.LTD.	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	PRIMA POWER AUSTRALASIA PTY. LTD.
NON CURRENT ASSETS	105,690	8,888	9,357	3,715	-	4	3,278	935	544	1,209	587	115	141	67	20	-	-
CURRENT ASSETS	82,018	17,394	31,093	51,111	4,783	549	9,874	11,026	14,917	4,738	5,340	3,113	3,007	1,541	260	347	45
ASSETS HELD FOR SALE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**187,708**	**26,282**	**40,450**	**54,826**	**4,783**	**553**	**13,152**	**11,961**	**15,461**	**5,947**	**5,927**	**3,228**	**3,148**	**1,608**	**280**	**347**	**45**
STOCKHOLDERS' EQUITY	139,603	14,130	9,479	30,776	1,558	(53)	(7,967)	6,673	456	2,380	(1,099)	474	1,168	(408)	(750)	347	(227)
NON CURRENT LIABILITIES	7,109	4,774	34	2,636	-	-	2,140	625	298	788	406	-	84	52	-	-	-
CURRENT LIABILITIES	40,996	7,378	30,937	21,414	3,225	606	18,979	4,663	14,707	2,779	6,620	2,754	1,896	1,964	1,030	-	272
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**187,708**	**26,282**	**40,450**	**54,826**	**4,783**	**553**	**13,152**	**11,961**	**15,461**	**5,947**	**5,927**	**3,228**	**3,148**	**1,608**	**280**	**347**	**45**

	FINN-POWER OY	PRIMA POWER LASERDYNE LLC	PRIMA POWER SUZHOU CO.LTD.	PRIMA INDUSTRIE NORTH AMERICA - PRIMA POWER NA	PRIMA POWER CANADA Ltd.	PRIMA POWER MEXICO SRL de CV	PRIMA POWER GMBH	PRIMA POWER IBERICA S.L.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER FRANCE Sarl	PRIMA POWER MAKINA TICARET LTD SIRTEKI	PRIMA POWER UK LTD.	PRIMA POWER INDIA PVT.LTD.	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	PRIMA POWER AUSTRALASIA PTY. LTD.
NET REVENUES	113,524	22,979	18,964	74,133	3,063	-	22,207	11,988	11,523	12,057	7,206	6,327	5,126	1,104	572	-	-
OPERATING PROFIT (EBIT)	7,904	3,456	(416)	8,586	(653)	(319)	(1,916)	(59)	663	226	(1,031)	263	27	147	(129)	(74)	(3)
RESULT BEFORE TAXES (EBT)	7,110	3,209	(580)	8,620	(829)	(319)	(2,085)	(58)	586	531	(1,056)	9	44	(25)	(372)	(49)	(3)
NET RESULT	**6,768**	**2,824**	**(711)**	**6,571**	**(829)**	**(319)**	**(2,080)**	**(85)**	**392**	**400**	**(1,053)**	**(1)**	**37**	**(26)**	**(372)**	**(51)**	**(3)**

PRIMA ELECTRO

Values expressed in Euro thousand

	PRIMA ELECTRO S.p.A.	PRIMA INDUSTRIE NORTH AMERICA - CONVERGENT-PHOTONICS	PRIMA ELECTRO SUZHOU Co. LTD.
NON CURRENT ASSETS	28,272	6,612	25
CURRENT ASSETS	28,094	14,296	1,794
ASSETS HELD FOR SALE	4,000	-	-
TOTAL ASSETS	**60,366**	**20,908**	**1,819**
STOCKHOLDERS' EQUITY	30,936	7,131	187
NON CURRENT LIABILITIES	7,654	10,378	-
CURRENT LIABILITIES	21,776	3,399	1,632
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**60,366**	**20,908**	**1,819**

	PRIMA ELECTRO S.p.A.	PRIMA INDUSTRIE NORTH AMERICA - CONVERGENT-PHOTONICS	PRIMA ELECTRO SUZHOU Co. LTD.
NET REVENUES	37,434	12,899	2,099
OPERATING PROFIT (EBIT)	(8,987)	(5,022)	(35)
RESULT BEFORE TAXES (EBT)	(9,251)	(5,099)	(50)
NET RESULT	**(6,201)**	**(3,608)**	**(50)**

INFORMATION PURSUANT TO ART. 149-DUODECIES OF CONSOB REGULATION - PRIMA INDUSTRIE GROUP

The following table, drawn up in accordance with article 149-duodecies of the Consob Issuers' Regulation, presents the costs for the year 2020 included in the consolidated income statement for auditing services and for non-auditing services provided by PricewaterhouseCoopers SpA (hereinafter referred to as "PwC") and by entities belonging to his network.

Values expressed in Euro thousand

AUDIT COSTS	2020
Parent company audit	97
Subsidiaries audit	208
Other services	49
TOTAL	**354**

The following table shows the total fees owed to PwC and entities belonging to its network for the audit of the 2020 financial statements, as well as fees for 2020 for other auditing and non-auditing services provided to Group companies by PwC and the entities belonging to its network. The expenses incurred in 2020 for these services are not included.

Values expressed in Euro thousand

AUDIT COSTS	2020
Parent company audit	83
Subsidiaries audit	177
Other services	47
TOTAL	**307**

STATEMENT EX ART. 2427, N. 7-BIS

Statement of Net Equity items broken down according to the origin, possibility of use, distribution, availability and successful use in the three previous years.

Description	Amount	Availability	Amount available	Summary of utilizations made in the three-year period 2018-2020	
				Loss coverage	Other reasons [b]
Capital stock	**26,208**	B	-	-	-
Capital stock Reserves					
Additional paid-in capital [a]	57,507	A, B, C	57,478	-	-
Capital increase - expenses	(1,286)	-	-	-	-
Treasury stock	(1,966)	-	-	-	-
Retained ernings					
Legal reserve	5,213	B	-	-	-
Extraordinary reserve	6,675	A, B, C	6,675	2,164	366
IAS FTA reserve	(1,698)	-	-	-	-
IAS reserve (stock grant, TFR, derivatives	(853)	-	-	-	-
Merger surplus reserve	(459)	-	-	-	-
Capitalized development costs reserve	6,877	B	-	-	-

Legend
A: to increase the Capital stock
B: to cover losses
C: to distribute to shareholders

(a) Unavailable portion, amounting to 29 thousand euro, refers to residual amount to be allocated to the Legal reserve up to 20% of Capital stock

(b) It refers to the distribution of dividends

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020 DECLARATION

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

1. The undersigned, Gianfranco Carbonato (Executive Chairman) and Davide Danieli (Manager responsible for drafting company accounting documents), of Prima Industrie SpA, certify that, having taken account of the provisions of article 154-bis, paragraphs 3 and 4, of Legislative no. 58 of February 24, 1998:
   - the company's business is compliant with the given requirements and
   - the administrative and accounting procedures have been effectively applied in drafting the financial statements over the course of 2020.
2. No significant facts have emerged in this regard.
3. We also certify that:

   3.1 the financial statements:

   a) are drafted in conformity with the applicable international accounting standards commonly used in the European Community, pursuant to (CE) Regulation no. 1606/2002 of the European Parliament and Council of July 19, 2002;

   b) truthfully represent the figures in the accounting books and ledgers;

   c) is suitable to provide a truthful and faithful representation of the capital, economic and financial position of the company.

   3.2 the Report of the Board of Directors includes a reliable analysis of company business trends and results, as well as of the position of the company, along with the description of the chief risks and uncertainties to which they are exposed.

Date: March 9, 2021

Signature of the Executive Chairman

Signature of the Manager responsible for drafting the Company accounting documents

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	7105, Northland Terrace North, Brooklyn Park, MN 55428, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD.	459 Xingrui Road, Wujiang Ec. & Tech. Develp. Zone, Suzhou City Jiangsu Prov. CHINA	USD 15.850.000	70%	Line-by-line method
PRIMA INDUSTRIE NORTH AMERICA Inc. - PRIMA POWER NA	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	1500 Upper Middle Rd W Suite 313, Oakville Ontario , L6M 0C2, 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 Czosnów Warsaw, POLAND	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	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 Dubleks 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$ 7.698.699	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

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
PRIMA INDUSTRIE NORTH AMERICA Inc. - CONVERGENT PHOTON	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24.119.985	100%	Line-by-line method
PRIMA ELECTRO SUZHOU Co.Ltd.	459 Xingrui Road, Wujiang Ec. & Tech. Develp. Zone, Suzhou City Jiangsu Prov. CHINA	€ 400.000	100%	Line-by-line method

ANNEX 2 –"NON-GAAP" PERFORMANCE INDICATORS

The Management of PRIMA INDUSTRIE SpA 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 "Amortisation", "Write-downs and Impairment". This index is also referred to as "Gross Operating Margin".

Adjusted EBITDA, EBIT and EBT (hereinafter "*Adj*" for short) 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 July 28, 2006 is provided in the Notes to the Consolidated financial Statements.

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:

	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
CURRENCY	2020	2019	December 31, 2020	December 31, 2019
US DOLLAR	1.1413	1.1196	1.2271	1.1234
CHINESE RENMINBI	7.8708	7.7339	8.0225	7.8205
RUSSIAN RUBLE	82.6454	72.4593	91.4671	69.9563
TURKISH LIRA	8.0436	6.3574	9.1131	6.6843
POLISH ZLOTY	4.4432	4.2975	4.5597	4.2568
POUND STERLING	0.8892	0.8773	0.8990	0.8508
BRAZILIAN REAL	5.8900	4.4135	6.3735	4.5157
INDIAN RUPEE	84.5795	78.8502	89.6605	80.1870
AUSTRALIAN DOLLAR	1.6554	1.6106	1.5896	1.5995
CANADIAN DOLLAR	1.5294	1.4857	1.5633	1.4598
MEXICAN PESO	24.5118	21.5573	24.4160	21.2202

Independent Auditors
&
Board of Statutory Auditors Reports

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

PRIMA INDUSTRIE SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Prima Industrie SpA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Prima Industrie SpA (the "Company"), which comprise the statement of financial position as of 31 December 2020, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the cash flow statement for the year then ended, and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report. We are independent of Prima Industrie SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Analysis of impairment indicators over investments in subsidiaries	
Note 3 to the financial statements "Investments in subsidiaries"	
The value of the "Investments in subsidiaries" as of 31 December 2020 amounted to Euro 179.4 million (representing approximately 53% of total assets), of which Euro 140.2 million related to the subsidiary Finn-Power OY, which is the most significant investment.	Our audit procedures concerned the examination and discussion with management of the financial performance of the subsidiaries, as well as the evaluation of the existence of any impairment indicators, as requested by IAS 36.
The management of the Company, at least annually, performs an analysis on each subsidiary, focusing on those for which the book value is higher than the corresponding amount of the shareholders' equity. If, further to such analysis, any indicator emerges that could lead to presume that an impairment loss on investments in subsidiaries exists, management performs an impairment test on them.	In the presence of indicators that could lead to the presumption of a loss in the value of the investments, we discussed with management the conclusions reached by the same following the *impairment test*, checking the reasonableness in the circumstances. We also verified the adequacy of the value adjustments relating to investments in subsidiaries.
Considering the relevance of the investments in subsidiaries and the inherent estimate elements influencing the management evaluations, we considered the analysis of the impairment indicators as a key audit matter.	Finally, we verified the completeness and the accuracy of the information provided in the explanatory notes.

Assessment of development costs recoverability

Note 2 to the financial statements "Intangible assets"

Intangible assets as of 31 December 2020 include "Development costs" amounting to Euro 6.9 million and representing approximately 2% of total assets.

The management of the Company periodically monitors the development projects and the related costs, verifying their technical feasibility and the generation of probable future economic benefits expected.

Development costs are deemed as a key audit matter considering both their amount and the inherent estimate elements influencing the evaluations performed by management in relation to their recoverability.

Our audit procedures concerned the understanding of the internal control system over the capitalization process of development costs, the main development projects through meetings with technical personnel in charge of them, as well as the critical analysis of the assumptions underlying the investment recovery plans prepared by management.

Furthermore, we verified the inherence and accuracy of the capitalized development costs, their compliance with the IAS 38 requirements, as well as the completeness and accuracy of the disclosure provided in the explanatory notes.

Responsibilities of the directors and the board of statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) No. 537/2014

On 11 April 2017, the Shareholders of Prima Industrie SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Prima Industrie SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Prima Industrie SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Prima Industrie SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Prima Industrie SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Turin, 26 March 2021

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

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Prima Industrie SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Prima Industrie SpA and its subsidiaries (the "Prima Industrie Group" or the "Group"), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year then ended, and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Prima Industrie Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of Prima Industrie SpA (the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Assessment of the goodwill recoverability *Note 2 to the consolidated financial statements "Intangible assets"*	
Intangible assets as of 31 December 2020 include "Goodwill", amounting to a total of Euro 97.8 million, representing approximately 20% of total assets, and almost wholly allocated to the Cash Generating Units ("CGU") Prima Power. The management of the Company assesses, at least annually, the goodwill recoverability, based on the higher value between the fair value and the value in use of each CGU to which the goodwill amounts are allocated (impairment test). The value in use is determined by discounting the future cash flows expected in the plan as approved by management, as well as the related terminal value. Goodwill is deemed as a key audit matter considering both its amount and the inherent estimate elements influencing the evaluations performed by management in relation to its recoverability. The main estimate elements are linked to the correct definition and identification of the CGU, of future cash flows for each CGU and their discounting rates.	We analyzed the reasonableness of the considerations made by management regarding the CGU identified and on the allocation of goodwill thereto, verifying their consistency with the Group structure and with the operating segments in which it operates. Our audit procedures also concerned the analysis of the main assumptions included in the plans of each CGU, verifying their reasonableness in consideration of the results achieved in 2020, of the order backlog as well as of the expected market development. We analyzed the methodology and the evaluation model used by management to prepare the impairment test, including the reasonableness of the discounting rates and of the related sensitivity analyses, also involving the experts belonging to the PwC network. Furthermore, we verified the correct allocation of the book values of assets and liabilities attributable to the individual CGUs, including the allocated goodwill, used for comparisons with the value in use. Finally, we verified the completeness and the accuracy of the information provided in the explanatory notes.

Assessment of development costs recoverability

Note 2 to the consolidated financial statements "Intangible assets"

Intangible assets as of 31 December 2020 include "Development costs" amounting to Euro 17.3 million and representing approximately 4% of total assets. During the year, the directors made write-downs of development costs for Euro 10.5 million, previously capitalized on the Prima Electro CGU, as a result of the evolution of the technological environment and the competitive dynamics in place.

The management of the Company periodically monitors the development projects and the related costs, verifying their technical feasibility and the generation of probable future economic benefits expected.

Development costs are deemed as a key audit matter considering both their amount and the inherent estimate elements influencing the evaluations performed by management in relation to their recoverability.

Our audit procedures concerned the understanding of the internal control system over the capitalization process of development costs, the main development projects through meetings with technical personnel in charge of them, as well as the critical analysis of the assumptions underlying the investment recovery plans prepared by management.

Furthermore, we verified the inherence and accuracy of the capitalized development costs, their compliance with the IAS 38 requirements, the assumptions for the write-downs booked during the year, as well as the completeness and accuracy of the disclosure provided in the explanatory notes.

Responsibilities of the directors and the board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Prima Industrie SpA or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) No. 537/2014

On 11 April 2017, the Shareholders of Prima Industrie SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Prima Industrie SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Prima Industrie Group as of 31 December

2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Prima Industrie Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Prima Industrie Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Prima Industrie SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Turin, 26 March 2021

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

PRIMA INDUSTRIE S.p.A.

Registered office: Via Torino-Pianezza 36, 10093 Collegno (TO)
Share Capital Euro 26,208,185.00 (fully paid)
Companies Register of Turin No. 03736080015
www.primaindustrie.com

***

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONVENED TO APPROVE THE FINANCIAL STATEMENTS AS AT December 31, 2020

(in accordance with Article 153 of Legislative Decree no. 58 of February 24, 1998 and Article 2429 of the Italian Civil Code)

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

1. Introduction

The Board of Statutory Auditors, whose members are Franco Nada, Chairman, and statutory auditors Maura Campra and Roberto Petrignani, was appointed by the Shareholders' Meeting of Prima Industrie SpA on April 16, 2019 and will remain in office until approval of the financial statements as at December 31, 2021.

This report reports on the supervisory and other activities carried out by the Board of Statutory Auditors during the financial year ended December 31, 2020 in accordance with the provisions of the law, taking into account the Principles set out in the "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" issued by the Italian Board of Professional Accountants and Auditors updated in April 2018 (hereinafter the "Rules of Conduct"), the Consob provisions on corporate controls and the indications contained in the Corporate Governance Code. In this report, also in compliance with the indications provided by Consob Communication DEM/1025564, of April 6, 2001, as subsequently amended and supplemented, and taking into account Consob warning no. 1/2021, of February

16, 2021, the Board of Statutory Auditors gives an account of the activities carried out, separately for each supervisory object provided for by the regulations that govern the activity of the Board of Statutory Auditors itself.

Prima Industrie having adopted the traditional governance model, and premised on the fact that the statutory audit of the accounts has been entrusted to PricewaterhouseCoopers S.p.A. (hereinafter the "Auditing Company" or "PwC"), appointed by the Ordinary Shareholders' Meeting of Prima Industrie S.p.A. on April 11, 2017, on the recommendation of the Board of Statutory Auditors, for the 2017-2025 financial years, the Board of Statutory Auditors is also identified with the "Internal Control and Audit Committee" which is responsible for further specific control and monitoring functions on financial reporting and statutory audit provided for by Article 19 of Legislative Decree no. 39, of January 27, 2010, as amended by Legislative Decree no. 135, of July 17, 2016, which are also acknowledged in this Report.

The Board of Statutory Auditors also reports on the supervisory activity carried out with reference to the obligations relating to the Non-Financial Statement pursuant to Legislative Decree no. 254/2016.

In fulfilling these obligations, the Board of Statutory Auditors, as the top-level body of the overall system of corporate controls, provides an integrated picture of the results of these controls.

In accordance with the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A., the Board of Directors, appointed by the Shareholders' Meeting of May 12, 2020, consists of 11 members, three of whom are managing directors. The Chairman holds executive powers of proxy. Of the 11 directors, 5 are independent. The Control and Risk Committee is composed of three independent directors, the Related Parties Committee is composed of three independent directors, the Remuneration Committee is composed of three directors, two of whom are independent, and the Lead Independent Director is also an independent director.

The Supervisory Board, appointed on the proposal of the Chairman and Director in charge of internal control and risk management at the Board of Directors' meeting of May 18, 2020, is made up of the same members who make up the body in the subsidiary Prima Electro, which is for reasons of operational, economic synergies and unity of direction.

2. Supervisory activities

During the financial year ended December 31, 2020, the Board of Statutory Auditors monitored compliance with the law and the Articles of Association in force, as well as respect for the principles of correct administration, and met 5 times and another 7 times jointly with the Control and Risk Committee, always with the participation of all members. Following the pandemic emergency, meetings were held remotely through the use of computer platforms.

The Board of Statutory Auditors attended 11 meetings held by the Board of Directors during the year and participated in the Annual General Meeting held on May 12, 2020 (remote meetings).
The Board of Statutory Auditors did not attend the meetings of the internal committees (Compensation, Related Parties and Strategies), the outcomes of which are in any case reported to the Board of Directors, and noted that these committees met twice during the year.

The Board of Statutory Auditors also met periodically with the independent auditors PwC, the Supervisory Board and interfaced with the Head of the Group Internal Audit Department and the Manager responsible for drafting the company accounting documents and CFO and held meetings with the heads of certain key corporate functions (Legal, Investor Relator, IT).
During the year ended December 31, 2020, the Board of Statutory Auditors participated in 2 Induction sessions arranged by the Company for aligning the skills of newly appointed directors.

In its activities, the Board of Statutory Auditors constantly acquired documentation and information useful for planning its activities, which concerned in particular:

a) supervision of:
   (i) the compliance of the resolutions adopted by the corporate bodies with the law and the regulatory provisions, as well as the Articles of Association;
   (ii) pursuant to Article 149, paragraph 1, letter c-bis of Legislative Decree no. 58/1998 (or Consolidated Finance Act, hereinafter "TUF"), the procedures for the implementation of the Corporate Governance Code of listed companies to which Prima Industrie has adhered;
   (iii) compliance with the obligations on insider information and internal dealing, noting that the Company has adopted the specific procedures both on insider dealing", updated by board resolution on November 8, 2019, and the Manual on Market Abuse and Insider Information, updated by the Board resolution of April 19, 2019, for the "management and processing of relevant and insider information";
   (iv) the compliance of the internal procedure concerning related party transactions with the principles indicated in the Regulation approved by Consob with Resolution no. 17221, of March 12, 2010 and subsequent amendments (hereinafter "RPT Regulation") updated by board resolution of July 31, 2019, as well as its concrete application;
   (v) the functioning of the corporate information process, verifying compliance with the laws and regulations concerning the preparation and layout of the separate and consolidated financial statements, as well as the related accompanying documents, to this end also reviewing the Annual Report of the Manager responsible for drafting the company accounting documents;
   (vi) the actions put in place with reference to the provisions on privacy, in particular the EU Regulation no. 2016/679 (known as the GDPR), in compliance with which it is recalled that the company has appointed the Data Protection Officer in the person of Mr Luca Savoia, partner of the company Mazars Italia S.p.A., whose annual report on the activities carried out has been examined by the Board of Statutory Auditors;
   (vii) compliance of the Consolidated Non-Financial Statement (hereinafter

also referred to as “NFS”) with the provisions of Legislative Decree No. 254/96, including the amendments made by Article 1, paragraph 1073, of Law No. 145/2018;

b) a finding of the following:
   (i) Compliance with the rules governing the conduct of meetings of the company boards and fulfilment of the obligation to provide periodic information by the delegated bodies on the exercise of the delegated powers;
   (ii) that none of the Statutory Auditors has had any interest, on their own behalf or on behalf of third parties, in a specific operation during the past financial year and that they still meet the independence conditions provided by the law, also through an internal self-assessment process about the recurrence and the permanence of the members’ eligibility requirements and the effectiveness of their functioning (in compliance with what provided for by Rule Q.1.1. of the Rules of Conduct), whose positive results have been transmitted to the Board of Directors of Prima Industrie S.p.A.;

c) monitoring of the concrete implementation methods of the corporate governance rules provided for by the Corporate Governance Code, to this end also examining the annual report on corporate governance and ownership structure pursuant to Article 123-bis of the Consolidated Finance Act (TUF);

d) the acknowledgement of the preparation of the Remuneration Report pursuant to Article 123-ter of the TUF and Article 84-quater of Consob regulation no. 11971/1999 (hereinafter “Issuers’ Regulation”).

The Board of Statutory Auditors, with regard to the above, reports:

- that it has taken note of the amendment of Articles 16-28 and 34 of the Articles of Association, consequent to the provisions introduced by Article 1, paragraphs 302, 303 and 304, of Law no. 160, of December 27, 2019, on gender balance in the composition of the administration and control bodies;
- that it has reviewed the results of the Board Self Assessment on the 2020

financial year, collected through a 55-question questionnaire, which showed the adequacy of the Board composition, the competence of the directors and their contribution, the functioning of the Board committees, the frequency of the meetings and the timeliness of the issues discussed. The Board of Directors also verified that the directors Busso, De Fraja, Gatto, Guglielminotti and Mattiazzo continued to meet the independence requirements;

- with regard to the functioning of the Board of Directors and of the Board Committees, the Board of Statutory Auditors believes that the information flows, both to the Board of Statutory Auditors and to these bodies and committees, as well as their activation and operational functionality are on the whole in line with the provisions of the corporate governance rules;
- that, to date, there have been no reports to Consob pursuant to Article 149, paragraph 3, of the TUF;
- that it has verified the proper application of the assessment criteria and procedures adopted by the Board of Directors to ascertain the independence of its members, having nothing to report in this respect;
- that it has taken note of the 2020 Remuneration Policy, as illustrated in the Remuneration Report to which reference should be made, which did not provide for an MBO plan as a result of the pandemic event and its effects on the budget, nor for the assignment of shares provided for in the 2018-2020 Long Term Incentive (LTI) plan for failure to achieve the objectives provided for therein.

  The Board of Statutory Auditors expressed a favourable opinion pursuant to Article 2389, paragraph 3, of the Italian Civil Code on the emoluments resolved for the executive directors at the Board meeting of June 23, 2020 on the proposal of the Remuneration Committee and notes that the executive directors and managers of the company (excluded from the Cassa Integrazione), as a gesture of solidarity, voluntarily reduced their emoluments/remuneration during the year;
- that it has taken note of the new remuneration policy for the three-year period 2021-2023, which will be submitted to the binding approval of the

Shareholders' Meeting called for 20 April 2021 pursuant to Article 123-ter, paragraph 3-ter, of the TUF, as illustrated in the Remuneration Report to which reference should be made, which takes into account the "2020 Committee recommendations", by integrating the sustainability of the company's business into the definition of the strategies and the remuneration policy as part of the short-term and long-term incentive system (MBO and LTI) in order to consolidate and retain the Top Management, also with reference to the pursuit of non-financial, strategic and sustainability objectives. Consistent with the recommendations of the Corporate Governance Code for Listed Companies, the terms of the Plan were established on the recommendation of the Remuneration Committee, which is composed of non-executive Directors, the majority of whom are independent, with the Chairman chosen from among the independent Directors. The Committee was advised by AlixPartners.

The proposal to submit the Plan to the Shareholders' Meeting, pursuant to Article 114-bis of the TUF, was approved by the Board of Directors on 9 March 2021, with the abstention of the directors concerned and the favourable opinion of the Board of Statutory Auditors pursuant to Article 2389, paragraph 3, of the Italian Civil Code.

- During the Shareholders' Meeting of May 12, 2020, the shareholder Marco Bava wished to avail himself of the option pursuant to Article 2408 of the Italian Civil Code by submitting questions in writing, and the Board of Statutory Auditors, specifically to questions nos. 52, 81 and 85, notes that the shareholder received an exhaustive response in writing from the Company and that no additional costs were incurred by the Designated Representative with respect to the fixed fee indicated in the Company's response.

3. Transactions and events with a material impact on the Company's income statement and balance sheet

The pandemic resulted in the closure of production facilities in Italy, China and partially in the Americas for a few months and the limitation in the movement of personnel with a consequent slowdown in machine installations and after-sales maintenance, and this has penalised revenues which are around 22% lower than in 2019.

The Group, which promptly put in place all the necessary protocols and measures to protect the health and safety of its employees, benefited in some countries from the suspension of tax and social security payments, and also received government grants in the USA and Poland, and adopted a series of measures aimed at preserving liquidity, the ability to meet maturing financial obligations and mitigating the impact of the crisis on the consolidated net financial position. The Board of Statutory Auditors recalls the programme to reduce operating costs in all divisions, the voluntary reduction of executive directors' emoluments and management remuneration, the strengthening of net working capital management procedures, the postponement of investments considered less strategic, the request to the banking system for additional credit lines (approximately Euro 27 million) compared to those existing at the beginning of 2020. In addition to cash of approximately Euro 63 million, the Group had unused available credit lines of over Euro 50 million as at December 31, 2020.

With regard to the economic and financial effects, the Board of Statutory Auditors notes the expenses incurred by the Group for the purchase of safety equipment and the sanitisation of environments, the costs for the cancellation of transfers and commercial events for a total amount of Euro 951 thousand; government incentives granted to certain Group companies to cope with the COVID-19 emergency in the amount of Euro 1,511 thousand; use of the COVID-19 integration fund for the Italian companies amounting to Euro 3,995 thousand; the suspension of the repayment of instalments (principal only) of certain loans granted to Italian companies for a total amount of Euro 5,984 thousand.

In September 2020, the Cassa Depositi e Prestiti granted Prima Industrie S.p.A. a medium-long term loan (5 years) of Euro 12.5 million to support the Group’s research and innovation investment plan for the next three years. The loan is subject to compliance with covenants starting in 2021 and throughout the term of the contract.

The Board of Auditors has verified that the covenants on bank loans and the Bond have been respected.

The Board of Auditors acknowledges that, before approval of the draft financial statements, the Directors approved the impairment test procedure and the findings. The test resulted, in part due to the technological evolution of the sector and competitive pressures on prices, in the recognition of an impairment loss by the Prima Electro - Laser BU of capitalised development costs of Euro 10,486 thousand, with a net effect on the financial statements of Euro 8,513 thousand.

As far as subsequent events are concerned, the Board of Directors, in its meeting of March 2, 2021, approved the Group's Industrial Plan for the three-year period 2021-2023, which assumes a significant recovery of the reference markets starting from mid-2021 and the beginning of a new multi-year positive cycle in the following years.

A new organisational model will also be adopted, involving both centralised functions and four Business Units with strong technological and regional connotations, in order to better focus activities on the respective business areas.

In view of the substantial order book, management's ability to react to the new and unpredictable scenario, the fundamentals of the business, available cash and credit lines, as well as the approved three-year plan, the company's ability to continue as a going concern does not appear to be compromised.

Finally, the Board of Statutory Auditors acknowledged the closure of the dispute, without charges, concerning the exports to China carried out by Prima Power Laserdyne from 2011 onwards.

4. Supervision of related-party transactions

The Board of Statutory Auditors, with regard to transactions with related parties, notes that the only transaction carried out during the 2020 financial year was previously examined and approved by the Related Party Transactions Committee in accordance with the provisions of the RPT Procedure as updated and approved by the Board of Directors at its meeting on July 31, 2019.

The Related Party Transactions Committee met twice during the year.

The Board of Statutory Auditors reminds that related parties of Prima Industrie S.p.A. are Leeport, 3D-NT, Rodstein and Engie EpS.

Leeport is a group that sells industrial machinery worldwide and is considered a related party as its chairman and CEO Joseph Lee, who controls it, acquired more than 10% of shares in Prima Industrie S.p.A..

The companies 3D-NT, Rodstein and ENGIE EPS are considered related parties since several people with managerial or partner roles in Prima Industrie S.p.A. are involved in the said companies.

The company 3D-NT is a start-up in the field of additive manufacturing in which Prima Industrie S.p.A. holds a 19.9% stake.

The company Rodstein is based in Finland and develops and manufactures machine tools.

Engie EpS is a technological and industrial player from the ENGIE group that operates in the energy sector of renewable energy sources and electric mobility. It is listed on the Euronext regulated market in Paris, has its registered office in Paris and has its research, development and production operations in Italy.

The Board of Statutory Auditors has constantly monitored the compliance with the RPT Procedure and from the analysis of the documentation obtained there are no elements such as to suggest that Prima Industrie S.p.A. related party transactions indicated in the Annual Financial Report as at December 31, 2020 have not been implemented and managed in the interests of the Company and that an adequate explanation has been provided explaining their financial and equity effects.

Given the size and structure of the Group, the Board of Statutory Auditors, together with the Control and Risk Committee and the Supervisory Board, recommends that attention be drawn to situations of potential conflict of interest by strengthening procedures through the introduction of appropriate controls, also in light of changes in organisation, business and information systems.

5. Supervision of compliance with the principles of sound administration

In order to monitor compliance with the principles of sound administration, in addition to having attended, as described above, all the meetings of the Board of Directors and the Control and Risk Committee, the Board of Statutory Auditors acknowledges:

- to have obtained during the financial year ended December 31, 2020 from the Directors, in compliance with the envisaged periodicity, the due information on the activity carried out and on the most significant financial and equity transactions resolved and carried out during the aforesaid financial year by Prima Industrie S.p.A. and its subsidiaries; these activities are described in detail in the Report on Operations and in the Explanatory Notes. On the basis of the information available to the Board of Statutory Auditors, it reasonably believes that the transactions carried out during the year complied with the law and the Articles of Association and were not manifestly imprudent, risky or in conflict with the decisions of the Shareholders' Meeting or are such as to compromise the integrity of corporate assets.

- that it has not identified the existence of atypical or unusual transactions with Group companies or third parties. Information about the risks and impact of executed transactions is provided in the Report on Operations and in the risk analysis provided in the Notes to the Separate Financial Statements and the Consolidated Financial Statements. On the basis of the information acquired during the above-mentioned supervisory activity, the Board of Statutory Auditors can affirm that the management decisions made by the Directors were inspired by the principles of sound information and reasonableness, as they were aware of the risks and effects of the transactions carried out.

- **6. Supervision of the adequacy of the organisational structure**

The Board of Statutory Auditors has monitored aspects of the organisational structure of the Company within its remit and deems them overall to be appropriate.
As part of its supervisory activities, the Board of Statutory Auditors, together with the Control and Risk Committee, met with the Supervisory Board and agrees with the latter's recommendation to adapt the Organisation, Management and Control Model and to strengthen some corporate procedures and protocols, in particular public financing and conflicts of interest, and to continue training activities, supplementing them with some specific sessions for management, dedicated to

some sensitive aspects envisaged by the Ethical Code and the MOG, also in view of future organisational changes.

- **7. Supervision of the risk management and internal audit system, and the administrative and accounting system**

The Board of Statutory Auditors monitored the adequacy of the internal control and risk management system and of the administrative and accounting system, as well as the latter's suitability to represent operating events, by means of:

i) the review of the positive evaluation expressed by the Board of Directors on the adequacy and effective functioning of the Internal Control and Risk Management System;

ii) the review and comments of the Chief Financial Officer/Manager responsible for drafting the company accounting documents on the Administrative and Accounting Structure;

iii) the review and comments by the Chief Financial Officer/Manager responsible for drafting the company accounting documents on the system of internal controls over financial reporting, from which no significant deficiencies emerged;

iv) the review of the Annual Report on the Risk management and Internal audit system;

v) examination of the Internal Audit reports and its periodic report on the progress of the 2020 Audit Plan, which during the year was revised, among other things, to take account of the events linked to the pandemic, while retaining in the scope the Group companies previously selected;

vi) obtaining information from the heads of specific company departments concerned;

vii) information relations with the administrative bodies (apart from the Board of Statutory Auditors) of foreign subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of the TUF;

viii) participation in the work of the Control and Risk Committee.

The Board of Statutory Auditors, together with the Control and Risk Committee, acknowledged and positively assessed the 2021 Audit Plan, which was approved by the Board of Directors on March 9, 2021.
Considering the above, the Board of Statutory Auditors believes that overall the Prima Industrie S.p.A. internal control system is adequate.

- **8. Supervision of the statutory audit process and the independence of the audit firm**

Today, the independent auditors PwC issued the reports pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537/2014, respectively for the separate and consolidated financial statements at December 31, 2020, prepared in accordance with IFRS as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005, as described in the Notes to the Financial Statements. These reports show that the separate and consolidated financial statements of Prima Industrie S.p.A. give a true and fair view of the financial and equity position of Prima Industrie S.p.A. and the Prima Industrie Group as at December 31, 2020, of the results of operations and of cash flows for the year then ended.
With reference to the separate and consolidated financial statements, the independent auditors declared that the Report on Operations and the Report on Corporate Governance and Ownership Structure, limited to the information indicated in Article 123-bis, paragraph 4, of the TUF, are consistent with the financial statements and have been prepared in accordance with the law.
In addition, the independent auditors, with reference to the statement required by Article 14, Section 2, Letter e), of Legislative Decree No. 39, of January 27, 2010, concerning the identification of material misstatements in the Report on Operations, based on their knowledge and understanding of the Company and its context, obtained in the course of their audit, stated that they had nothing to report.
Lastly, the independent auditors PwC issued the Additional Report for the Internal Control and Audit Committee pursuant to Article 11 of Regulation (EU) No. 537/2014, the contents of which, with regard to the financial statements to

which this report refers, are consistent with those of the aforementioned independent auditors.
The Board of Statutory Auditors acknowledged the contents of the Supplementary Report issued by the Independent Auditors without any remarks or requests for information. This report will be forwarded to the Board of Directors, together with any observations made by the Board of Statutory Auditors.
The Board of Statutory Auditors monitored compliance with the provisions set forth in Legislative Decree no. 254, of December 30, 2016, regarding non-financial and diversity disclosures. In this regard, having verified that the Board of Directors approved the Non-Financial Statement, the independent auditors PwC issued, as specified in the aforementioned audit report, a special report pursuant to Article 3, paragraph 10, of Legislative Decree no. 254, of December 30, 2016, and Article 5 of Consob Implementing Regulation No. 20267, of January 18, 2018.

As already mentioned, the Board of Statutory Auditors held periodic meetings with the Independent Auditors, also pursuant to Article 150, paragraph 3, of the TUF and Article 19, paragraph 1, of Legislative Decree no. 39/2010, during which no facts or situations emerged that need to be highlighted in this Report.

The Board of Statutory Auditors, in light also of the in-depth studies carried out and the discussions held with the independent auditor, believes that the process of preparing the financial statements was on the whole correct and that the accounting principles were applied correctly.
The Notes to the Company's separate financial statements include a schedule of costs and fees for the year recognised to the independent auditors PwC and entities belonging to its network, pursuant to Article 149 of the Issuers' Regulation, including "other services" provided to Prima Industrie S.p.A., consisting in the year ended December 31, 2020 of “audit-related services”:

- control over the content of the Non-Financial Statement and
- auditing of the statement of costs on research and development activities of Prima Industrie S.p.A. for the financial year ended December 31, 2020, for the purposes provided for by Article 1, paragraph 200 of Law no. 160, of December 27, 2019, and the Decree of May 26, 2020 issued by the Ministry of

Economic Development.

As reflected in this schedule, no other non-audit services were provided by PwC or entities within its network during the year ended.

Taking into account the declarations of independence issued by PwC, more precisely the "Annual confirmation of independence pursuant to Article 6, paragraph 2), letter a) of European Regulation no. 537/2014 and pursuant to paragraph 17 of International Auditing Standard (ISA Italia) 260", and the transparency report published by the same pursuant to Article 13 of European Regulation no. 537/2014, as well as the assignments conferred to the same by Prima Industrie S.p.A. and the Prima Industrie Group companies, the Board of Statutory Auditors does not believe that there are any critical aspects regarding the auditor's independence.

- **9. Audit of the Annual Financial Statements**

The Board of Statutory Auditors has audited compliance with the rules governing the preparation of Prima Industrie S.p.A.'s separate financial statements and the Group's consolidated financial statements as at December 31, 2020, and has acknowledged the statement by the relevant bodies that the separate and consolidated financial statements have been prepared in accordance with IAS/IFRS international accounting standards and the related interpretative standards and that the Company has applied the requirements established by Consob with regard to financial statement formats and corporate disclosures.

The Board of Statutory Auditors notes that the consolidated and separate financial statements were prepared on a going concern basis, since the Directors concluded that any problems concerning the Group's ability to meet its obligations in the foreseeable future and, more specifically, over the next 12 months, represent remote risks and, consequently, have been assessed as not material.

With regard to the timing for the preparation of the documents that make up the financial statements, the Board of Statutory Auditors notes that they were approved during the Board of Directors' meeting of March 9, 2021 and transmitted at the same time.

Moreover, before the date of approval of the financial statement documentation by the Board of Directors, the Board of Statutory Auditors acquired information on the impairment test process, also through a joint meeting with the Control and Risk Committee in which the Manager responsible for drafting the company accounting documents of Prima Industrie S.p.A. and the auditing company took part, as well as on the issues highlighted.

In light of the in-depth analyses carried out and the discussions with the auditor, the Board of Statutory Auditors believes that the procedure for preparing the financial statements and presenting them to the Shareholders' Meeting was correct overall. The Board of Statutory Auditors also notes that no exceptions to the accounting principles adopted have been declared.

The Board also acknowledges that it has verified the compliance of the Consolidated Non-Financial Statement with the legal provisions of Legislative Decree no. 254/2016 including the amendments made by Article 1, paragraph 1073, of Law no. 145/2018. In this regard, having verified the approval by the Board of Directors of the Non-Financial Statement, the auditing firm PwC issued today a specific report pursuant to Article 3, paragraph 10, of Legislative Decree No. 254, of December 30, 2016, and Article 5 of Consob Implementing Regulation No. 20267, of January 18, 2018.

- **10. Procedures for the concrete implementation of corporate governance rules**

On the basis of the information acquired, the Board of Statutory Auditors reports on the adjustment of the Company's corporate governance structure to implement the codes of conduct with which the Company has declared to comply.

In particular, it should be noted that, in line with the provisions of the Corporate Governance Code, during the 2020 financial year the Company implemented, as previously specified, specific training measures for the members of the Board of Directors and the Board of Statutory Auditors (Induction Programme) and carried out the self-assessment of the Board and its Committees (Board Evaluation).

The Board of Statutory Auditors has verified that the Annual Report on Corporate Governance has been prepared in accordance with the provisions of Article 123-bis of the TUF, and in particular that the obligation to inform the market of its degree of adherence to the Corporate Governance Code pursuant to Article 89-bis of the Issuers' Regulations has been fulfilled.

- **11. Opinions of the Board of Statutory Auditors**

The Board of Statutory Auditors, during the year ended December 31, 2020 and subsequently at December 31, 2020 and to date, has issued its favourable opinion pursuant to Article 2389, paragraph 3, of the Italian Civil Code in relation to the remuneration of directors vested with special offices and its opinion on the new remuneration policy for the three-year period 2021-2023 which will be submitted to the Shareholders' Meeting for binding approval.

As a result of the supervisory activity performed during the year and described above, from which no omissions or reprehensible facts emerged, the Board of Statutory Auditors has no observations to report to the Shareholders' Meeting pursuant to Article 153 of the TUF.

- **12. Conclusions**

In view of the above, in consideration of the statutory audit performed by independent auditors PricewaterhouseCoopers SpA, the Board of Statutory Auditors believes that the financial statements of Prima Industrie SpA for the financial year as well as the proposal of the Board of Directors to cover the loss for the year ended December 31, 2020 can be approved.

Turin, March 26, 2021

The Board of Statutory Auditors

Franco Nada

Chairman

PRIMA INDUSTRIE GROUP

***

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

The Board of Directors of your company has prepared and approved the consolidated financial statements as at December 31, 2020, in accordance with Italian Legislative Decree no. 127, of April 9, 1991, and with the provisions of Article 9 of Italian Legislative Decree no. 38, of February 28, 2005, which were presented to the Board meeting held on March 9, 2021.

The Group Consolidated Financial Statements include the statement by the Chairman and the Manager responsible for drafting the accounting documents pursuant to Article 154-bis of Italian Legislative Decree no. 58, of February 24, 1998.

The Consolidated Financial Statements of the Prima Industrie Group, which are available for your examination, present a loss of Euro 7,414,000, of which Euro 7,201,000 are attributable to the shareholders of the parent company and Euro 213,000 to the minority shareholders and are drafted according to International Accounting Standards (IAS/IFRS).

In the course of the year, we have carried out the supervisory activities required by the law, and were regularly informed by the parent company's Board of Directors of major economic, financial and equity transactions, including extraordinary operations, performed as part of Group relations.

We ascertained that the transactions that were resolved and put into effect conformed to legislative requirements and to the Articles of Association, that they did not diverge from the resolutions of the Shareholders' Meetings, that they showed no potential conflict of interest and were based on principles of sound administration.

We paid attention to intragroup operations carried out during the year and ascertained that these were conducted legitimately.

Audits by the independent auditors, PricewaterhouseCoopers SpA reveal that the values expressed in the consolidated statements correspond to the results of the parent company, to the financial statements of the subsidiaries and to all relevant information formally passed on by them.
The Board of Auditors, therefore, did not check these financial statements, in accordance with the provisions of Article 41, paragraph 3 of Italian Legislative Decree no. 127 of April 9, 1991.

Furthermore, we obtained from the independent auditors a copy of the report on the consolidated financial statements, which it issued on March 26, 2021 in accordance with Articles 14 and 16 of Italian Legislative Decree no. 39, of January 27, 2010, with nothing of any particular significance being raised. In its own report, the independent auditors confirmed the accuracy of the Report on Operations in relation to the Consolidated Financial Statements of Prima Industrie SpA and the information disclosed in accordance with article 123-bis of Italian Legislative Decree no. 58 of February 24, 1998 in the report on Corporate Governance and Ownership Structure.

The area of consolidation, the principles for equity consolidation and relevant procedures were all determined in accordance with IFRS rules. The structure of the consolidated financial statements can therefore be considered technically correct and fully conformant to specific regulations.

The consolidated financial statements were prepared on the basis of the going concern principle, as it is reasonable to expect that the Prima Industrie Group will continue its business in the foreseeable future.

Despite the decline in revenue in 2020 related to the pandemic, it is considered that there is no doubt about the going concern outlook for the Group, following the following assessments: substantial order book, reasonable certainty of meeting expected obligations in the next 12 months, availability of cash and credit lines sufficient for operating cash requirements.

As in previous years, its Board of Directors has prepared a single Report on Operations in which all the required information has been jointly provided with regard to both the parent company and the individual subsidiaries.

The report illustrates the economic, equity and financial position of all consolidated companies, their operating performance during 2020, the main risks to which the business is exposed and expected developments for 2021.

Having examined this report, we confirm that it corresponds to the Group's consolidated financial statements.

The Explanatory Notes to the consolidated financial statements contain the general drafting criteria for the Financial Statements, as well as the criteria used for assessing individual items.

For comparative purposes, the Consolidated Financial Statements also present the data corresponding to the previous year.

Based on our investigations, the Board of Statutory Auditors agrees with the content and form of the Group Consolidated Financial Statements as at December 31 , 2020.

Turin, March 26, 2021

The Board of Statutory Auditors

Franco Nada

Chairman