# It's in our nature to evolve

Interim Financial Report September 30, 2020



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### Index

CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL	6
CHAPTER 2. PRIMA INDUSTRIE GROUP STRUCTURE	8
CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE	
CHAPTER 4. INTRODUCTION	_ 13
GROUP RESULTS SUMMARY	
SIGNIFICANT EVENTS OF THE PERIOD	
ECONOMIC PERFORMANCE	17
FINANCIAL PERFORMENCE	20
BUSINESS PERFORMANCE	
FORESEEABLE DEVELOPMENTS IN MANAGEMENT	21
EVENTS OCCURRING AFTER I SUCCESSIVI ALLA CHIUSURA DEL TRIMESTRE	21
ATYPICAL AND UNUSUAL TRANSACTIONS	21
MANAGEMENT AND COORDINATION ACTIVITIES	21
OPT-OUT REGIME	21
CHAPTER 6.CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF SEPTEMBER 30, 2020	_ 23
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	23
CONSOLIDATED INCOME STATEMENT	24
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	25
CONSOLIDATED STATEMENT OF CHANGES ON SHAREHOLDER'S EQUITY	26
CONSOLIDATED CASH FLOW STATEMENT	27
CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020	_ 29
ACCOUNTING TABLES FORM AND CONTENT	29
DRAFTING PRINCIPLES AND CRITERIA	29
EXPLANATORY NOTES	31
ANNEXES	_ 40
ANNEX 1 - CONSOLIDATION AREA	40
ANNEX 2 - "NON-GAAP" PERFORMANCE INDICATORS	41
ANNEX 3 - CURRENCY EXCHANGE RATE	42
ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020	43

## CHAPTER 1 Prima Industrie SpA Management and Control

### CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL

**Board of Directors** 

EXECUTIVE CHAIRMAN Gianfranco Carbonato(\*)

DEPUTY CHAIRMAN Domenico Peiretti(\*)

MANAGING DIRECTOR Ezio Giovanni Basso

INDEPENDENT DIRECTORS Donatella Busso

Francesca de Fraja Frangipane

Paola Gatto

Carlalberto Guglielminotti

Giuliana Mattiazzo

OTHER DIRECTORS Lisa Tan

Mario Mauri

Michael R. Mansour

Internal Control and Operation with Related Parties Committees

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

**Statutory Auditors Committee** 

CHAIRMAN Franco Nada

AUDITORS Maura Campra

Roberto Petrignani

DEPUTY AUDITORS Roberto Coda

Gaetana Laselva

**Audit Company** 

PricewaterhouseCoopers S.p.A.

Expiry of Mandates and Appointments

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

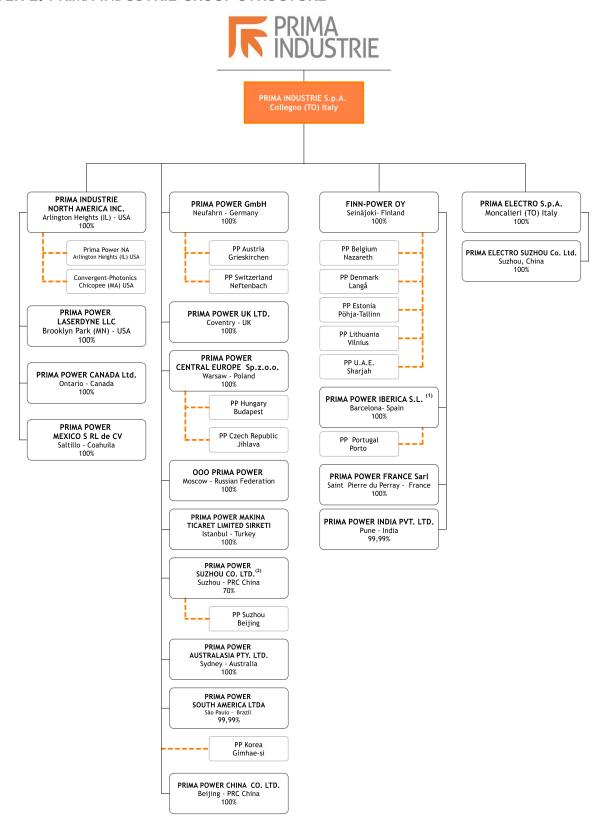
The Statutory Auditors Committee shall remain in office until the approval of 2021 Financial Statements.

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

<sup>(\*)</sup> The Executive Chairman and the Executive Deputy Chairman were also assigned the position of Chief Executive Officer.

### 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 September 30, 2020. Group *Branch offices*/business units are identified with dashed lines.

<sup>&</sup>lt;sup>1)</sup> FINN-POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).

<sup>(2)</sup> 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 (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.

This Interim Financial Report has been approved by the Board of Directors on November 6, 2020.

### CHAPTER 4 Introduction

### **CHAPTER 4. INTRODUCTION**

This Interim Financial Report at September 30, 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") recognized by the European Union and by Italian legislation and regulations.

These financial statements were approved by the Board of Directors on November 6, 2020 and were published in accordance with the provisions of article 2.2.3 of Borsa Italiana SpA Regulations applicable to issuers listed in the STAR segment.

Quarterly data were not audited by the independent auditors.

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 Interim Management Report

### CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT

### **GROUP RESULTS SUMMARY**

Values in Euro thousand	September 30, 2020	September 30, 2019	Variations	%
ORDER INTAKE	220,379	299,917	(79,538)	-26.5%
BACKLOG	127,771	153,350	(25,579)	-16.7%
REVENUES	233,452	306,951	(73,499)	-23.9%
EBITDA	14,896	28,450	(13,554)	-47.6%
EBITDA %	6.4%	9.3%	-2.9%	-
EBIT	(1,525)	10,736	(12,261)	-114.2%
EBIT %	-0.7%	3.5%	-4.2%	-
NET RESULT	(4,385)	4,021	(8,406)	-209.1%
FCF	(13,984)	(37,320)	23,336	62.5%
NET FINANCIAL DEBT	(123,630)	(141,726)	18,096	12.8%
HEADCOUNT	1,761	1,838	(77)	-4.2%

<sup>(%</sup> calculated over the revenues, headcount expressed in units)

Values in Euro thousand	September 30, 2020	September 30, 2019	Variations	%
REVENUES AT COSTANT EXCHANGE RATES	235,519	306,951	(71,432)	-23.3%
EBITDA Adj	18,127	30,090	(11,963)	-39.8%
EBITDA Adj %	7.8%	9.8%	-2.0%	-
EBIT Adj	1,706	13,525	(11,819)	-87.4%
EBIT Adj %	0.7%	4.4%	-3.7%	-

<sup>(%</sup> 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 OF THE PERIOD

### COVID-19 PANDEMIC

The nine-month trend continues to be significantly affected by the Covid-19 pandemic, which hit the investment goods sector, characterized by a high cyclical nature and which had already entered a slowdown phase since the end of 2018.

The resilience shown by the Group in such a critical context derives from its geographical diversification (not only turnover achieved in different areas of the world but also a direct presence in the areas, partially allowing to overcome the obstacles connected with the restrictions on mobility), from the differentiation of its reference markets and the capacity of keeping up the turnover from after-sales assistance activities.

Despite the considerable reduction in turnover (-23.9%), the Group implemented a series of important cost reduction actions, through which the gross operating profit (EBITDA) was in any case at 6.4% of turnover (7.8% if considering the adjusted EBITDA including non-recurring items).

The evolution of the scenario keeps uncertain, mainly due to the spread and effects of the second wave of the pandemic which could slow down the expected recovery in the last part of the year; instead, as regards the medium-term prospects, influential external sources are foreseeing a decisive recovery of the sector during 2021, in particular as from the second half of the year.

### APPOINTMENT OF NEW BOARD OF DIRECTORS

On May 12, 2020, the Shareholders' Meeting of Prima Industrie SpA appointed the new Board of Directors, which will remain in office until approval of the financial statements of 2022. The board is made up of the following 11 directors:

- Gianfranco Carbonato (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 Deputy Chairman) and Lisa Marie Tan taken from the list submitted by World Leader Limited and dPcube S.r.l.

Information about the newly elected directors and their curriculum vitae can be found on the corporate 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 have declared they possess the independence requisites referred to in article 148, paragraph 3 of the Consolidated Finance Law (applicable in accordance with article 147-ter, paragraph 4 of the Consolidated Finance Law) and the Code of Conduct endorsed by Borsa Italiana SpA. The independence requirements and the requirements of propriety were immediately ascertained 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 reversed the resolution of the shareholders' meeting of April 16, 2019 regarding the purchase over an eighteen-month period of a maximum of 300,000 Prima Industrie SpA. treasury shares.

### RESOLUTION AUTHORISING THE DISPOSAL OF TREASURY SHARES

On May 12, 2020, PRIMA INDUSTRIE SpA resolved to authorise the disposal of treasury shares already held in portfolio, in accordance with Article 2357-ter of the Italian Civil Code. The request to authorise the disposal of treasury shares is based on the possibility of providing the Board of Directors with the ability to dispose of purchased shares, in accordance with the law, that is, to pay for any share incentives approved for directors, employees and collaborators of the company or the group's companies, to pay for any free allocations of shares, including as dividends in kind, to pay for any extraordinary operations, that is, in support of market liquidity.

### FINANCIAL LOAN BY "CASSA DEPOSITI E PRESTITI"

In September 2020, Cassa Depositi e Prestiti (hereinafter CDP) issued to PRIMA INDUSTRIE SpA a Euro 12.5 million financial loan with the aim of supporting the Group investment plan for next three years within research and innovation area. In particular, the financial resources will allow to support the Group innovative projects aimed to new developments of machines and laser sources, of machines operating within the *sheet metal fabrication* and the *Additive Manufacturing* sectors, and will be used for the digitalization of products and processes as well, according to *Industry 4.0* criteria. This investment plan, supported by CDP, highlights the strong technological and innovative core of the Group with the aim of continuing to strengthen its leadership and competitiveness both at domestic and international level.

### **ECONOMIC PERFORMANCE**

The Group turnover as of September 30, 2020 is at Euro 233,452 thousand, decreasing by 23.9% compared to September 30, 2019.

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

Values in Euro thousand

September 30, 2020	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	217,886	44,182	20.3%	14,898	6.8%	2,381	1.1%	266
PRIMA ELECTRO	30,535	2,808	9.2%	156	0.5%	(3,747)	-12.3%	(2,436)
ELIMINATIONS	(14,969)	(104)	-0.7%	(158)	-1.1%	(159)	-1.1%	(2,215)
GROUP	233,452	46,886	20.1%	14,896	6.4%	(1,525)	-0.7%	(4,385)

<sup>(%</sup> calculated over the revenues)

### Values in Euro thousand

September 30, 2019	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	284,674	64,165	22.5%	24,323	8.5%	11,649	4.1%	5,216
PRIMA ELECTRO	38,803	8,416	21.7%	3,614	9.3%	(4,232)	-10.9%	(4,272)
ELIMINATIONS	(16,526)	199	1.2%	513	3.1%	3,319	20.1%	3,077
GROUP	306,951	72,780	23.7%	28,450	9.3%	10,736	3.5%	4,021

<sup>(%</sup> calculated over the revenues)

### Values in Euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	(66,788)	(19,983)	-29.9%	(9,425)	-14.1%	(9,268)	-13.9%	(4,950)
PRIMA ELECTRO	(8,268)	(5,608)	-67.8%	(3,458)	-41.8%	485	5.9%	1,836
ELIMINATIONS	1,557	(303)	19.5%	(671)	43.1%	(3,478)	223.4%	(5,292)
GROUP	(73,499)	(25,894)	-35.2%	(13,554)	-18.4%	(12,261)	-16.7%	(8,406)

<sup>(%</sup> calculated over the revenues)

The consolidated revenues split on a geographical basis as at September 30, 2020 are shown below, compared with the corresponding period of previous year:

Revenues	September 30, 2020		September 30, 2	
	Euro thousand	%	Euro thousand	%
EMEA	135,095	57.9	188,183	61.3
AMERICAS	70,445	30.2	76,873	25.0
APAC	27,912	11.9	41,895	13.7
TOTAL	233,452	100.0	306,951	100.0

The above table shows that the Group turnover as at September 30, 2020 (compared with the corresponding period of previous year) has suffered a significant decrease in the EMEA (-28.2%) and in APAC (-33.4%) areas but more contained in the AMERICAS (-8.4%).

The Group generated consolidated revenues in the EMEA area for Euro 135,095 thousand; main destination countries were Italy (14.5% of consolidated revenues), Northern European countries (9.0% of

consolidated revenues), Russia and Eastern Europe (8.8% of consolidated revenues) and Germany, Austria and Switzerland (6.9% of consolidated revenues).

The share of revenues realized in the AMERICAS decreased by 8.4% compared to the same period of 2019, from Euro 76,873 thousand to Euro 70,445 thousand, despite the decline in the automotive sector and the strong uncertainty related to the performance of electoral results.

As for the APAC countries, revenues decreased, compared to the same period in 2019, from Euro 41,895 thousand to Euro 27,912 thousand (-33.4%). The decrease is mainly due to revenues in China, decreasing from Euro 33,199 thousand euro (at September 30, 2019) to Euro 14,926 thousand (at September 30, 2020).

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

Revenues	September 30, 2020		September	30, 2019
	Euro thousand	%	Euro thousand	%
PRIMA POWER	217,886	93.3	284,674	92.7
PRIMA ELECTRO	30,535	13.1	38,803	12.6
Inter-sector revenues	(14,969)	(6,4)	(16,526)	(5.3)
TOTAL	233,452	100.0	306,951	100.0

As can be seen from the above table, the overall revenues decrease is attributable both to the PRIMA POWER division for Euro 66,788 thousand and to the PRIMA ELECTRO division for Euro 8,268 thousand.

The **cost of goods sold** at September 30, 2020 is equal to Euro 186,566 thousand down Euro 47,605 thousand from September 30, 2019 (Euro 234,171 thousand).

Group **Gross Margin** at September 30, 2020 is equal to Euro 46,886 thousand, a decrease of Euro 25,894 thousand compared to Euro 72,780 thousand in the same period of 2019. The margin accounted for 20.1% of sales and is down from September 30, 2019 (23.7%).

The Group **EBITDA** as at September 30, 2020 is Euro 14,896 thousand, equal to 6.4% of revenues against Euro 28,450 thousand, equal to 9.3% of revenues as of September 30, 2019.

EBITDA was negatively affected by non-recurring costs for Euro 3,231 thousand (at September 30, 2019 amounting to Euro 1,640 thousand); therefore the *adjusted*<sup>(\*)</sup> EBITDA is equal to Euro 18,127 thousand (7.8% of revenues). In particular, in the third quarter of the year, the *adjusted*<sup>(\*)</sup> EBITDA was at Euro 5,933 thousand (equal to approximately 7.8% of the quarter turnover).

The Group **EBIT** at September 30, 2020 is negative for Euro 1,525 thousand, equal to -0.7% of revenues against Euro 10,736 thousand, equal to 3.5% of revenues in the corresponding period of the previous year.

This result is affected by:

- the significant investments by the Laser *business unit* of PRIMA ELECTRO division, not yet balanced by adequate volumes;
- the intangible assets amortizations for Euro 7,991 thousand (relevant to development costs for Euro 5,925 thousand and the trademark registered as part of the business combination of the FINN-POWER Group for Euro 1,408 thousand);
- the fixed assets depreciations for Euro 8,430 thousand.

EBIT at September 30, 2020 is penalized by non-recurring costs and consequently the *adjusted*<sup>(\*)</sup> EBIT is positive for 1,706 thousand euro (0.7% of revenues). In particular, in the third quarter, the *adjusted*<sup>(\*)</sup> EBIT was equal to 488 thousand euro (equal to 0.6% of the quarter turnover).

The Group **EBT** as of September 30, 2020 is negative for Euro 5,487 thousand against the positive Euro 6,039 thousand of September 30, 2019.

The Group EBT discounts net charges deriving from financial management (including profits and losses on exchange rates) for Euro 3,877 thousand (as of September 30, 2019 they were equal to Euro 4,655 thousand).

Financial results (€/000)	September 30, 2020	September 30, 2019
Bond expenses	(688)	(685)
Loans 2018 expenses	(973)	(1,081)
Derivatives expenses (CRS)	321	(432)
Derivatives expenses (IRS)	(243)	(284)
Lease expenses	(985)	(927)
Write-down of financial receivables	-	(118)
Other financial expenses	(656)	(1,079)
Net financial expenses	(3,224)	(4,606)
Net exchange differences	(653)	(49)
TOTAL	(3,877)	(4,655)

Net result of investments accounted for using the equity method presented a loss of Euro 90 thousand and refers to the related 3D NT.

Net result of other investments is positive by 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 investment held by PRIMA ELECTRO SpA.

The Group **NET RESULT** as of September 30, 2020 is negative for Euro 4,385 thousand against the positive Euro 4,021 thousand as of September 30, 2019; the Net Result relevant to the Parent Company was negative for Euro 3,886 thousand.

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

### FINANCIAL PERFORMENCE

Below is the *Cash Flow* of the PRIMA INDUSTRIE Group at September 30, 2020, compared with the corresponding period of the previous year.

Values in Euro thousand	September 30, 2020	September 30, 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	11,234	18,057	(6,823)
Change in Trade Working Capital	(12,421)	(44,334)	31,913
Cash from operating activities	(1,187)	(26,277)	25,090
Investments in development costs	(4,614)	(4,477)	(137)
Other investments	(8,183)	(6,566)	(1,617)
Cash from investment activities	(12,797)	(11,043)	(1,754)
FREE CASH FLOW (FCF)	(13,984)	(37,320)	23,336
Dividends	-	(4,569)	4,569
Net financial result of investments	5	(23)	28
Net result of investments accounted for using the equity method	(90)	(19)	(71)
Cash from financing activities	(85)	(4,611)	4,526
Net exchange differences	(2,218)	1,910	(4,128)
CASH FLOW - TOTAL	(16,287)	(40,021)	23,734
Net Financial Indebtedness Closing	(123,630)	(141,726)	18,096

As of September 30, 2020 the Group **Net Financial Debt(\*)** is equal to Euro 123,630 thousand, improving compared to Euro 141,726 thousand at September 30, 2019 and stable compared to Euro 123,246 thousand at June 30, 2020.

The Group net financial debt is detailed here below:

Values expressed in Euro thousand	September 30, 2020	December 31, 2019	September 30, 2019
NON CURRENT FINANCIAL ASSETS	(4,233)	(4,243)	(4,243)
CASH & CASH EQUIVALENTS	(47,246)	(55,136)	(28,279)
CURRENT FINANCIAL ASSETS	(181)	(532)	(766)
CURRENT FINANCIAL LIABILITIES	46,584	43,326	47,080
NON CURRENT FINANCIAL LIABILITIES	90,382	85,056	94,280
NET FINANCIAL DEBT (before leasing)	85,306	68,471	108,072
LEASING LIABILITIES	38,324	38,872	33,654
NET FINANCIAL DEBT	123,630	107,343	141,726

In addition to the cash amounting to approximately Euro 47 million euro, the Group has also available, as of September 30, 2020, not employed credit lines for over Euro 60 million.

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

### **BUSINESS PERFORMANCE**

During the first nine months of 2020, the Group **order acquisition** (including the *after-sale service*) amounted to Euro 220.4 million, down 26.5% compared to Euro 299.9 million at September 30, 2019; in particular, the acquisition in the third quarter, equal to Euro 81.3 million, is 20.4% higher than in the second quarter and represents the best quarter of the year.

The acquisition of orders of the PRIMA POWER sector amounted to Euro 201.6 million, while the PRIMA ELECTRO ones, considering the ones from customers outside the Group, amounted to Euro 18.8 million. The consolidated **backlog** (not including the after-sale service) as of September 30, 2020 amounts to Euro 127.7 million, decreasing respect to the Euro 153.4 million at September 30, 2019 but showing a slight increase compared to Euro 126.0 million at June 30, 2020. The portfolio includes Euro 119.4 million relating to the PRIMA POWER sector and Euro 8.3 million relating to the PRIMA ELECTRO sector.

### FORESEEABLE DEVELOPMENTS IN MANAGEMENT

It appears now clear that the performance of 2020 financial year as a whole will be fully tied up to the effects of Covid-19 pandemic; nevertheless the Group, although operating in a sector significantly affected by the crisis, managed to contain the reduction in profitability, thanks to important cost reduction actions, implemented without penalizing the main investments in innovation, digitalization and sustainability.

Although it is foreseeable that the second wave of the pandemic in progress could generate a further slowdown in the recovery expected for the sector, the Group confirms its expectations which foresee for the last part of the year a recovery in turnover and profitability and a significant improvement starting from next year.

### EVENTS OCCURRING AFTER I SUCCESSIVI ALLA CHIUSURA DEL TRIMESTRE

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

### ATYPICAL AND UNUSUAL TRANSACTIONS

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

### MANAGEMENT AND COORDINATION ACTIVITIES

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

### **OPT-OUT REGIME**

The Board of Directors of PRIMA INDUSTRIE SpA has resolved on November 12, 2012, in accordance with Consob Resolution no. 18079 of January 20, 2012, to subscribe to the opt-out regimen referred to in articles 70, paragraph 8 and 71, paragraph 1-bis of the Regulation, therefore choosing to avail itself of the right to waiver the obligation of publishing documents describing its mergers, demergers, share capital increases by contributions in kind, purchases and transfers.

CHAPTER 6
Prima Industrie Group
Consolidated
Financial Statements
September 30, 2020

**Accounting Tables** 

### CHAPTER 6.CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF SEPTEMBER 30, 2020

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Values in thousand euro	September 30, 2020	December 31, 2019
Property, plant and equipment	68.103	69,180
Intangible assets	132,938	134,705
Investments accounted for using the equity method	304	394
Other investments	6,265	6,458
Non current financial assets	4,233	4,243
Deferred tax assets	15,997	14,671
NON CURRENT ASSETS	227,840	229,651
Inventories	135,357	127,818
Trade receivables	70,884	85,406
Other receivables	8,809	9,298
Current tax receivables	5,037	8,057
Derivatives	115	-
Financial assets	66	532
Cash and cash equivalents	47,246	55,136
CURRENT ASSETS	267,514	286,247
Assets held for sale	4,152	4,229
TOTAL ASSETS	499,506	520,127
Capital stock	26,208	26,208
Legal reserve	5,213	5,213
Other reserves	70,815	68,557
Currency translation reserve	1,174	4,003
Retained earnings	65,836	58,954
Net result	(3,886)	9,046
Stockholders' equity of the Group	165,360	171,981
Minority interest	2,581	3,132
STOCKHOLDERS' EQUITY	167,941	175,113
Interest-bearing loans and borrowings	122,900	117,740
Employee benefit liabilities	7,099	7,017
Deferred tax liabilities	5,411	5,366
Provisions	222	222
Derivatives	512	600
NON CURRENT LIABILITIES	136,144	130,945
Trade payables	61,237	81,290
Advance payments	35,364	34,715
Other payables	20,902	22,061
Interest-bearing loans and borrowings	51,878	48,914
Current tax payables	5,225	6,445
Provisions	20,815	20,644
CURRENT LIABILITIES	195,421	214,069
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	499,506	520,127

### CONSOLIDATED INCOME STATEMENT

Values in euro thousand	September 30, 2020	September 30, 2019
Net revenues	233,452	306,951
Cost of goods sold	(186,566)	(234,171)
GROSS MARGIN	46,886	72,780
Research and Development costs	(14,946)	(19,704)
Sales and marketing expenses	(15,866)	(22,422)
General and administrative expenses	(17,599)	(19,918)
OPERATING PROFIT (EBIT)	(1,525)	10,736
Financial income	2,424	2,131
Financial expenses	(5,648)	(6,737)
Net exchange differences	(653)	(49)
Net result of investments accounted for using the equity method	(90)	(19)
Net result of other investments	5	(23)
RESULT BEFORE TAXES (EBT)	(5,487)	6,039
Taxes	1,102	(2,018)
NET RESULT	(4,385)	4,021
- Attributable to Group shareholders	(3,886)	4,113
- Attributable to minority shareholders	(499)	(92)
RESULT PER SHARE - BASIC (in euro)	(0.37)	0.40
RESULT PER SHARE - DILUTED (in euro)	(0.37)	0.39

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in euro thousand	September 30, 2020	September 30, 2019
NET RESULT (A)	(4,385)	4,021
Gains/ (Losses) on actuarial defined benefit plans	-	-
Tax effect	-	-
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)	-	-
Gains /(Losses) on cash flow hedges	123	(247)
Tax effect	(29)	59
Gains/(Losses) on exchange differences on translating foreign operations	(2,881)	2,858
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)	(2,787)	2,670
TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)	(7,172)	6,691
- Attributable to Group shareholders	(6,621)	6,741
- Attributable to minority shareholders	(551)	(50)

### CONSOLIDATED STATEMENT OF CHANGES ON SHAREHOLDER'S EQUITY

from January 1, 2019 to September 30, 2019

Values in euro thousand	Capital stock	Additional paid- in capital	Treasury stock	Legal reserve	Capital increase - expenses	Stock grant reserve	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at Jan 01, 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	-	-	-	-	-	-	(188)	-	2,816	-	4,113	6,741	(50)	6,691
Balance as at Sep 30, 2019	26,208	57,507	(1,966)	5,213	(1,286)	13	(653)	14,985	5,522	58,954	4,113	168,610	3,284	171,894

from January 1, 2020 to September 30, 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 Jan 01, 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	-	6,882	(9,046)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	94	-	(2,829)	-	(3,886)	(6,621)	(551)	(7,172)
Balance as at Sep 30, 2020	26,208	57,507	(1,966)	5,213	(1,286)	13	(345)	16,892	1,174	65,836	(3,886)	165,360	2,581	167,941

### CONSOLIDATED CASH FLOW STATEMENT

Values in Euro thousand	September 30, 2020	September 30, 2019
Net result	(4,385)	4,021
Adjustments (sub-total)	2,314	(30,198)
Depreciation, impairment & write-off	16,421	17,714
Gain on disposal of shares in other investments	(54)	-
Net change in deferred tax assets and liabilities	(1,281)	(1,774)
Change in employee benefits	82	1
Change in inventories	(7,539)	(17,279)
Change in trade receivables	14,522	17,559
Change in trade payables and advances	(19,404)	(44,614)
Net change in other receivables/payables and other assets/liabilities	(433)	(1,805)
Cash Flows from (used in) operating activities	(2,071)	(26,177)
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(3,564)	(5,391)
Acquisition of intangible fixed assets	(188)	(637)
Capitalization of development costs	(4,614)	(4,477)
Net disposal of fixed assets (**)	424	1,151
Change in investments accounted for using the equity method	-	(138)
Net result of investments accounted for using the equity method	90	19
Write-off/Write-up Other Investments	49	23
Change in Other investments	79	(5)
Cash Flows from (used in) investing activities	(7,724)	(9,455)
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	367	235
Increases in loans and borrowings (including bank overdrafts)	41,586	23,610
Repayment of loans and borrowings (including bank overdrafts)	(32,839)	(24,690)
Repayments in financial lease liabilities	(4,901)	(3,786)
Dividends paid	-	(4,569)
Cash Flows from (used in) financing activities	4,213	(9,200)
Cash Flows from (used in) change of minority shareholders	-	
Foreign exchange translation differences	(2,308)	2,033
Net change in cash and equivalents	(7,890)	(42,799)
Cash and equivalents beginning of period	55,136	71,078
Cash and equivalents end of period	47,246	28,279

Additional Information to the Consolidated Statement of Cash-Flow	Sep 30, 2020	Sep 30, 2019
Values in euro thousand		
Taxes paid	477	3,966
Interests paid	1,922	2,282

<sup>(\*)</sup> Not included leases and included assets held for sale.

<sup>(\*\*)</sup> Included assets held for sale.

# Explanatory Notes to Consolidated Financial Statements September 30, 2020

### CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

### ACCOUNTING TABLES FORM AND CONTENT

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

The abbreviated consolidated balance sheet has been laid out in abbreviated form, in conformity with IAS 34 "Interim balances", and does not include therefore all the information required in the annual balance sheet and must be read together with the annual balance sheet prepared for the closed financial year at December 31, 2019, to which attention is drawn for greater detail.

The abbreviated consolidated balance of PRIMA INDUSTRIE Group is presented in Euro which is also the currency of the economies in which the Group mainly operates.

The foreign subsidiaries are included in the abbreviated consolidated balance sheet on September 30, 2020 according to the principles described in the "Accounting Principles" Note of the consolidated balance on December 31, 2019, to which attention is drawn.

For purposes of comparison, the balance sheet data on December 31, 2019 have been presented as well as the data of the profit and loss account and the financial statement relating to September 30, 2019 with the movements of net assets of the first nine months of 2019 as well, as required by IAS 1.

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

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

### DRAFTING PRINCIPLES AND CRITERIA

### ACCOUNTING CRITERIA AND PRINCIPLES OF CONSOLIDATION

The accounting criteria and principles of consolidation adopted for setting out the abbreviated consolidated balance sheet at September 30, 2020 are compatible with those used for the consolidated annual balance sheet at December 31, 2019, to which reference is made subject to the new standards/interpretations adopted by the Group starting from January 1, 2020, as well as the adjustments required by the nature of the interim findings.

### **ON-GOING CONCERN**

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

Despite the expected fall in revenues for 2020, there are no doubts about the Group's status as a going concern, following the following assessments:

- good order book consistency;
- reasonable certainty of meeting obligations over the coming 12 months, including compliance with financial covenants;
- availability of sufficient lines of credit for operational cash requirements.

### **USE OF ACCOUNTING ESTIMATES**

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

This Interim Financial Report was authorized for publication by the Board of Directors on November 6, 2020.

### **EXPLANATORY NOTES**

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

### **SECTOR REPORT**

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

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

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

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

The 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.

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	Elimir	nation	Prima Indu	strie Group
Values in euro thousand	Sep 30, 2020	Sep 30, 2019						
Net revenues	217,886	284,674	30,535	38,803	(14,969)	(16,526)	233,452	306,951
Cost of goods sold	(173,704)	(220,509)	(27,727)	(30,387)	14,865	16,725	(186,566)	(234,171)
GROSS MARGIN	44,182	64,165	2,808	8,416	(104)	199	46,886	72,780
Research and Development costs	(11,277)	(15,941)	(3,669)	(4,050)	-	287	(14,946)	(19,704)
Sales and marketing expenses	(14,874)	(20,617)	(995)	(1,805)	3	-	(15,866)	(22,422)
General and administrative expenses	(15,650)	(15,958)	(1,891)	(6,793)	(58)	2,833	(17,599)	(19,918)
OPERATING PROFIT (EBIT)	2,381	11,649	(3,747)	(4,232)	(159)	3,319	(1,525)	10,736
Net financial expenses	(3,156)	(3,996)	(68)	(610)	-	-	(3,224)	(4,606)
Net exchange differences	(606)	(69)	(47)	20	-	-	(653)	(49)
Net result of investments accounted for using the equity method	(90)	(19)	-	-	-	-	(90)	(19)
Net result of other investments	2,154	-	(49)	(23)	(2,100)	-	5	(23)
RESULT BEFORE TAXES (EBT)	683	7,565	(3,911)	(4,845)	(2,259)	3,319	(5,487)	6,039
Taxes	(417)	(2,349)	1,475	573	44	(242)	1,102	(2,018)
NET RESULT	266	5,216	(2,436)	(4,272)	(2,215)	3,077	(4,385)	4,021
- Attributable to Group shareholders	765	5,308	(2,436)	(4,272)	(2,215)	3,077	(3,886)	4,113
- Attributable to minority shareholders	(499)	(92)	-	-	-	-	(499)	(92)

	Prima	Power	Prima	Electro	Elimir	nation	Prima Indu	strie Group
Values in euro thousand	Sep 30, 2020	Dec 31, 2019						
Property, plant and equipment	55,413	55,275	12,690	13,905	-	-	68,103	69,180
Intangible assets	116,959	121,443	16,191	13,474	(212)	(212)	132,938	134,705
Investments accounted for using the equity method	304	394	-	-	-	-	304	394
Other investments	17,210	17,353	-	49	(10,945)	(10,944)	6,265	6,458
Non current financial assets	2,728	2,728	1,505	1,515	-	-	4,233	4,243
Deferred tax assets	11,536	9,957	4,116	4,413	345	301	15,997	14,671
NON CURRENT ASSETS	204,150	207,150	32,402	33,356	(8,712)	(10,855)	227,840	229,651
Inventories	111,316	103,473	25,256	25,404	(1,215)	(1,059)	135,357	127,818
Trade receivables	66,493	80,310	8,972	14,991	(4,581)	(9,895)	70,884	85,406
Other receivables	7,223	7,497	1,583	1,797	3	4	8,809	9,298
Current tax receivables	2,928	7,253	2,284	1,217	(175)	(413)	5,037	8,057
Derivatives	115	-	-	-	-	-	115	-
Financial assets	8,411	9,066	46	-	(8,391)	(8,534)	66	532
Cash and cash equivalents	46,181	52,611	1,065	2,525	-	-	47,246	55,136
CURRENT ASSETS	242,667	260,210	39,206	45,934	(14,359)	(19,897)	267,514	286,247
Assets held for sale	152	229	4,000	4,000	-	-	4,152	4,229
TOTAL ASSETS	446,969	467,589	75,608	83,290	(23,071)	(30,752)	499,506	520,127
STOCKHOLDERS' EQUITY	146,798	148,902	33,226	38,180	(12,083)	(11,969)	167,941	175,113
Interest-bearing loans and borrowings	112,562	107,958	16,584	18,239	(6,246)	(8,457)	122,900	117,740
Employee benefit liabilities	5,450	5,333	1,648	1,685	1	(1)	7,099	7,017
Deferred tax liabilities	4,050	3,541	1,361	1,825	-	-	5,411	5,366
Provisions	222	222	-	-	-	-	222	222
Derivatives	512	600	-	-	-	-	512	600
NON CURRENT LIABILITIES	122,796	117,654	19,593	21,749	(6,245)	(8,458)	136,144	130,945
Trade payables	53,828	79,995	11,980	11,224	(4,571)	(9,929)	61,237	81,290
Advance payments	34,876	34,232	176	171	312	312	35,364	34,715
Other payables	16,704	19,232	4,198	2,829	-	-	20,902	22,061
Interest-bearing loans and borrowings	46,664	41,080	5,260	7,867	(46)	(33)	51,878	48,914
Current tax payables	5,284	6,550	124	315	(183)	(420)	5,225	6,445
Provisions	20,019	19,944	1,051	955	(255)	(255)	20,815	20,644
CURRENT LIABILITIES	177,375	201,033	22,789	23,361	(4,743)	(10,325)	195,421	214,069
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	446,969	467,589	75,608	83,290	(23,071)	(30,752)	499,506	520,127

### CONSOLIDATED FINANCIAL POSITION

The <u>property</u>, <u>plant and equipment</u> on September 30, 2020 are equal to Euro 68,103 thousand decreased by Euro 1,077 thousand compared with December 31, 2019.

The <u>intangible assets</u> on September 30, 2020 are equal to Euro 132,938 thousand and decreased by Euro 1,767 thousand compared with December 31, 2019.

The most significant item is represented by Goodwill, which on September 30, 2020 amounts to Euro 97,826 thousand.

Goodwill accounted for refers to the larger value paid with respect to the fair value of the net assets acquired, at the acquisition date.

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

CASH GENERATING UNIT	BOOK VALUE GOODWILL September 30, 2020	BOOK VALUE GOODWILL December 31, 2019
PRIMA POWER	97,673	97,741
PRIMA ELECTRO - BU Electronics	153	153
TOTAL	97,826	97,894

As an intangible asset with an indefinite useful life, goodwill is not subject to amortization and undergoes impairment testing at least once annually. This is carried out as it relates to the consolidated financial statements to December 31, 2019 and led to a recoverable value of the cash-generating units (CGUs) PRIMA POWER and PRIMA ELECTRO-BU LASER that was greater than their book value. This condition, together with the results of the sensitivity analyses carried out, did not lead to any devaluation of the book value of assets, including goodwill.

Furthermore, since in case specific events or circumstances (*trigger events*) should occur, leading to assume the possibility that the goodwill has suffered a reduction in value, the *impairment test* is carried out also for interim financial reports, the Management of the Parent Company, when editing the condensed interim consolidated financial report as of June 30, 2020, carried out an updating on the recoverability assessment of the value of the assets allocated to both the cash-generating units. The analysis, carried out in continuity with the method used for 2019 annual consolidated financial report, did not lead to write-downs of the assets allocated to the cash-generating units, including goodwill.

The value of the <u>investments accounting for using the equity method</u> refers to the shareholding in 3DNT held by PRIMA INDUSTRIE SpA (19.9%) and amounts to Euro 304 thousand. The negative change of Euro 90 thousand compared to the previous year refers to the share of the result for the period.

The value of Other Investments at September 30, 2020 is Euro 6,265 thousand and which is down from December 31, 2019. The decrease of Euro 193 thousand relates to negative exchange rate differences for the stake in Lead Laser (held by Prima Power Suzhou) for Euro 119 thousand, the write-down on the stake in Caretek (investment equal to 19.3% held by PRIMA ELECTRO SpA) for Euro 49 thousand and the sale of the stake in Härmämedi for Euro 25 thousand.

<u>Deferred tax assets</u> were Euro 15,997 thousand, increasing from the previous financial year of Euro 1,326 thousand. Deferred taxes are recorded in the financial statements only if the conditions for their recovery exist. The assessment of the recoverability of deferred tax assets takes account of expected profitability in future years. Deferred taxes on tax losses carried forward were entered recognised in relation to the likelihood of future taxable income against which they can be recovered. Considering the above, there were no elements that might change the previous assessments on the recoverability of deferred taxes.

The net value of <u>inventories</u> on September 30, 2020 shows an increase equal to Euro 7,539 thousand compared with December 31, 2019.

The following table shows the composition of inventories at September 30, 2020 and December 31, 2019.

INVENTORIES	September 30, 2020	December 31, 2019
Raw materials	45,046	42,603
Semi-finished goods	22,657	24,260
Finished goods	78,214	70,787
(Inventory provisions)	(10,560)	(9,832)
TOTAL	135,357	127,818

<u>Net trade receivables</u> at September 30, 2020 amounted to Euro 70,884 thousand, decreased of Euro 14,522 thousand compared to December 31, 2019.

Other receivables on September 30, 2020 are equal to Euro 8,809 thousand and decreased by Euro 489 thousand compared with December 31, 2019.

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

The <u>Current tax receivables</u> amounts to Euro 5,037 thousand and decreased by Euro 3,020 thousand compared to December 31, 2019. Tax assets mainly include income tax receivables for Euro 2,600 thousand (Euro 2,168 thousand on December 31, 2019), VAT receivables for Euro 2,151 thousand (Euro 2,663 thousand on December 31, 2019), R&D tax credit for Euro 71 thousand (Euro 2,151 thousand at December 31, 2019), from receivables by withholdings taxes for Euro 126 thousand (Euro 46 thousand at December 31, 2019) and other receivables for minor tax assets for Euro 89 thousand (Euro 59 thousand euros at December 31, 2019). It should be noted that a tax receivable, amounting to Euro 970 thousand following the submission of claims for IRES reimbursement which arose in February 2013, has been collected by PRIMA INDUSTRIE SpA on July 1, 2020.

On September 30, 2020 the net financial position(\*) of the Group was negative for Euro 127,863 thousand increasing of Euro 16,277 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 first nine months of 2020, 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 September 30, 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	September 30, 2020	December 31, 2019	Variations
Α	CASH	47,246	55,136	(7,890)
В	OTHER CASH AND CASH EQUIVALENTS	-	-	-
С	SECURITIES HELD FOR TRADING	-	-	-
D	CASH ON HAND (A+B+C)	47,246	55,136	(7,890)
Е	CURRENT FINANCIAL RECEIVABLES	181	532	(351)
F	CURRENT BANK DEBTS	2,165	4,141	(1,976)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	40,937	35,250	5,687
Н	BOND ISSUED	472	691	(219)
	OTHER CURRENT FINANCIAL DEBTS	8,304	8,832	(528)
J	CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)	51,878	48,914	2,964
K	NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)	4,451	(6,754)	11,205
L	NON-CURRENT BANK DEBTS	46,469	53,059	(6,590)
М	BOND ISSUED	24,839	24,806	33
N	OTHER NON-CURRENT FINANCIAL DEBTS	52,104	40,475	11,629
0	NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)	123,412	118,340	5,072
Р	NET FINANCIAL POSITION (K+O)	127,863	111,586	16,277

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

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

	September 30, 2020	December 31, 2019
Net financial position com. CONSOB n. DEM/6064293	127,863	111,586
Term deposit Smilla	(4,233)	(4,233)
Loan Caretek	-	(10)
Net financial indebtedness	123,630	107,343

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.

		Variations from cash	V			
Values in Euro thousand	Dec 31, 2019	flow	Issues	Exchange rate effect	Fair value	Sep 30, 2020
Financial debts	102,286	8,933	-	(76)	-	111,143
Bond issued	25,497	(186)	-	-	-	25,311
Leasing	38,871	(4,901)	5,024	(670)	-	38,324
Derivatives	600	-	-	-	(88)	512
TOTAL	167,254	3,846	5,024	(746)	(88)	175,290

At September 30, 2020, the value of <u>non-current assets held for sale</u> amounts to Euro 4,152 thousand and refers to an investment for Euro 4,000 thousand in OSAIcnc held by PRIMA ELECTRO SpA and some properties under construction, owned by the parent company PRIMA INDUSTRIE SpA in Mantua, Italy. The change of Euro 77 thousand compared with the previous year is due to the sale of one of the properties.

<u>Net Equity</u> decreased by Euro 7,172 thousand compared to the previous year. For more details, see the table of changes in net equity.

The item <u>employee benefit liabilities</u> on September 30, 2020 is equal to Euro 7,099 thousand and is increased compared to December 31, 2019 of Euro 82 thousand, this item includes:

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

The <u>Deferred Tax Liabilities</u> are equal to Euro 5,411 thousand, increasing compared with December 31, 2019 of Euro 45 thousand.

The <u>provisions for liabilities and charges</u> are equal to Euro 21,037 thousand and increased by Euro 171 thousand compared with December 31, 2019; non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 222 thousand.

Current provisions mainly relate to product warranties (equal to Euro 12,333 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 7,817 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 665 thousand refer to legal, fiscal procedures and other disputes; these provisions represent the best estimate by management of the liabilities which must be accounted for with regard to legal, fiscal proceedings occasioned during normal operational activity with regard to dealers, clients, suppliers or public authorities.

The value of <u>trade payables</u> decreased compared to December 31, 2019 by Euro 20,053 thousand.

The <u>advance payments</u> increased compared to December 31, 2019 and it is equal to Euro 35,364 thousand.

Other payables decreased to December 31, 2019 by Euro 1,159 thousand and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

<u>Current tax payables</u> on September 30, 2020 amounts to Euro 5,225 thousand which is a decrease of Euro 1,220 thousand compared with December 31, 2019.

### CONSOLIDATED INCOME STATEMENT

As already mentioned previously, the Group presents the income statement by "functional area". In accordance with paragraph 104 of "IAS 1 - Presentation of Financial Statements", personnel costs amount to Euro 69,858 thousand (Euro 83,925 thousand at September 30, 2019). At September 30,

2020, <u>amortization/depreciation</u> and <u>impairment</u> were Euro 16,421 thousand (at September 30, 2019 these were Euro 17,714 thousand.

<u>Revenues from sales and services</u> have already been dealt with in chapter 5 of this document: "Group Interim Management Report" in the paragraph entitled "Economic performance".

The <u>financial income and expenses</u> of the first nine months of 2020 shows a negative result of Euro 3,877 thousand.

FINANCIAL RESULTS	September 30, 2020	September 30, 2019
Financial income	2,424	2,131
Financial expenses	(5,648)	(6,737)
Net financial expenses	(3,224)	(4,606)
Net exchange differences	(653)	(49)
Total Financial Results	(3,877)	(4,655)

The <u>net result of investments accounted for using the equity method</u> presented a loss of Euro 90 thousand and refers to the related 3D NT.

The <u>net result of other investments</u> is positive by Euro 5 thousand and relate to:

- the capital gains on the full sale for Euro 54 thousand of the investment in Härmämedi OY held by FINN-POWER OY;
- the write-down of Euro 49 thousand of shares in Caretek Srl held by PRIMA ELECTRO SpA.

<u>Taxes</u> for the first nine months of 2020 showed a positive net balance of Euro 1,102 thousand mainly due to the balance of current and deferred taxes.

The <u>result per share</u> on September 30, 2020, negative by Euro 0.37 (positive by Euro 0.40 on September 30, 2019) is calculated by dividing the profits attributable to the shareholders of the parent company by the average number of ordinary shares in circulation during the financial year equal to 10,467,500. Diluted result per share at September 30, 2020 were negative for Euro 0.37 (positive for Euro 0.39 at September 30, 2019), calculated by dividing the result attributable to the shareholders of the Parent Company by the weighted average number of shares in circulation, adjusted to take account of the effects of all potential ordinary shares with a diluting effect. Shares linked to the stock grant plan were considered to have a potential diluting effect.

### SIGNIFICANT NOT RECURRING ITEMS

The table below summarises non-recurring items carried out by the Group during the first nine months of 2020 which had a negative impact on the Income Statement for a total of Euro 3,226 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 Sep 30, 2020	Total as at Sep 30, 2019	Variation between 2020 and 2019
COVID-19	(364)	(9)	(33)	(116)	-	(522)	-	(522)
Reorganization/Restructuring	(109)	(23)	(94)	(458)	-	(684)	(871)	187
Disputes tax/legal and customer penalties	(1,193)	-	(29)	(803)	-	(2,025)	(769)	(1,256)
Impairment of intangible fixed assets	-	-	-	-	-	-	(135)	135
Impairment of Goodwill	-	-	-	-	-	-	(1,014)	1,014
EBIT	(1,666)	(32)	(156)	(1,377)	-	(3,231)	(2,789)	(442)
Financial receivables devaluation	-	-	-	-	-	-	(118)	118
Write-down Caretek investment	-	-	-	-	(49)	(49)	(23)	(26)
Härmämedi OY gain	-	-	-	-	54	54	-	54
EBT	(1,666)	(32)	(156)	(1,377)	5	(3,226)	(2,930)	(296)

### SUBSEQUENT EVENTS

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

Signature of the authorized governing body



### **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 POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method	
PRIMA POWER CANADA Ltd.	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
CONVERGENT - PHOTONICS	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	€ 300.000	100%	Line-by-line method

### ANNEX 2 - "NON-GAAP" PERFORMANCE INDICATORS

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

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

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

**EBIT**: Operating Profit.

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

<u>Adjusted EBITDA</u>, <u>EBIT and EBT</u> (hereinafter "Adj") correspond to the same alternative performance indicators net of non-recurring items.

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

<u>FCF (Free Cash Flow)</u>: 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.

<u>Net financial indebtedness</u> 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 Interim Financial Report.

<u>Revenues at constant exchange rates</u> 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	September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019
US DOLLAR	1.1241	1.1237	1.1708	1.1234
CHINESE RENMINBI	7.8614	7.7119	7.9720	7.8205
RUSSIAN RUBLE	79.8960	73.0958	91.7763	69.9563
TURKISH LIRA	7.5911	6.3380	9.0990	6.6843
POLISH ZLOTY	4.4226	4.3012	4.5462	4.2568
POUND STERLING	0.8845	0.8830	0.9124	0.8508
BRAZILIAN REAL	5.7072	4.3646	6.6308	4.5157
INDIAN RUPEE	83.4336	78.8439	86.2990	80.1870
AUSTRALIAN DOLLAR	1.6633	1.6074	1.6438	1.5995
CANADIAN DOLLAR	1.5212	1.4938	1.5676	1.4598
MEXICAN PESO	24.5148	21.6350	26.1848	21.2202

### ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2020

Declaration pursuant to article 154-bis, paragraph 2 of Part IV, Title III, Chapter II, Section V bis of Legislative Decree of February 24, 1998, no. 58: Consolidated Law on Financial Intermediation, pursuant to Articles 8 and 21 of the Law of February 6, 1996, No. 52.

The manager responsible for preparing the company accounting documents of the PRIMA INDUSTRIE Group, Davide Danieli, declares, in accordance with the provisions of the second paragraph of Art. 154 bis, Part IV, Title III, Chapter II, Section V bis of Legislative Decree of February 24, 1998, No. 58, that the accounting information contained in this Interim Financial Report at September 30, 2020 corresponds to the document results, books and accounting records.