



## **INTERIM FINANCIAL REPORT AS OF MARCH 31<sup>st</sup>, 2014**

**Board of Directors on May 12<sup>th</sup>, 2014**

## PRIMA INDUSTRIE SpA

Company capital € 26,208,185 (fully paid up)

Turin Companies' Register No. 03736080015 R.E.A. (Financial and Administrative Index) No. 582421

Registered office in Collegno (Turin) - Via Antonelli, 32

Website: [www.primaindustrie.com](http://www.primaindustrie.com) e-mail: [ir@primaindustrie.com](mailto:ir@primaindustrie.com)

## MANAGEMENT AND CONTROL

### Board of Directors

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Chairman and C.E.O.	Gianfranco Carbonato
Managing Directors	Ezio G. Basso <sup>(1)</sup> Domenico Peiretti
Independent Directors	Sandro D'Isidoro Enrico Marchetti Mario Mauri
Other Directors	Rafic Y. Mansour Michael R. Mansour Yunfeng Gao

### Internal Control Committee

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Chairman	Enrico Marchetti
Members	Sandro D'Isidoro Mario Mauri

### Remuneration Committee

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Chairman	Mario Mauri
Members	Sandro D'Isidoro Rafic Y. Mansour

### Board of Statutory Auditors

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Chairman	Franco Nada
Regular Auditors	Paola Borracchini Roberto Petrignani
Alternate Auditors	Roberto Coda Gaetana Laselva

Audit Company	Reconta Ernst & Young SpA
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### Expiry of Mandates and Appointments

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The Board of Directors shall remain in office until the approval of 2013 Financial Statements.

The Board of Statutory Auditors shall remain in office until the approval of 2015 Financial Statements.

The Audit company was appointed by the Sotckholders's Meeting held on April 29th, 2008 for the period 2008 -2016.

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

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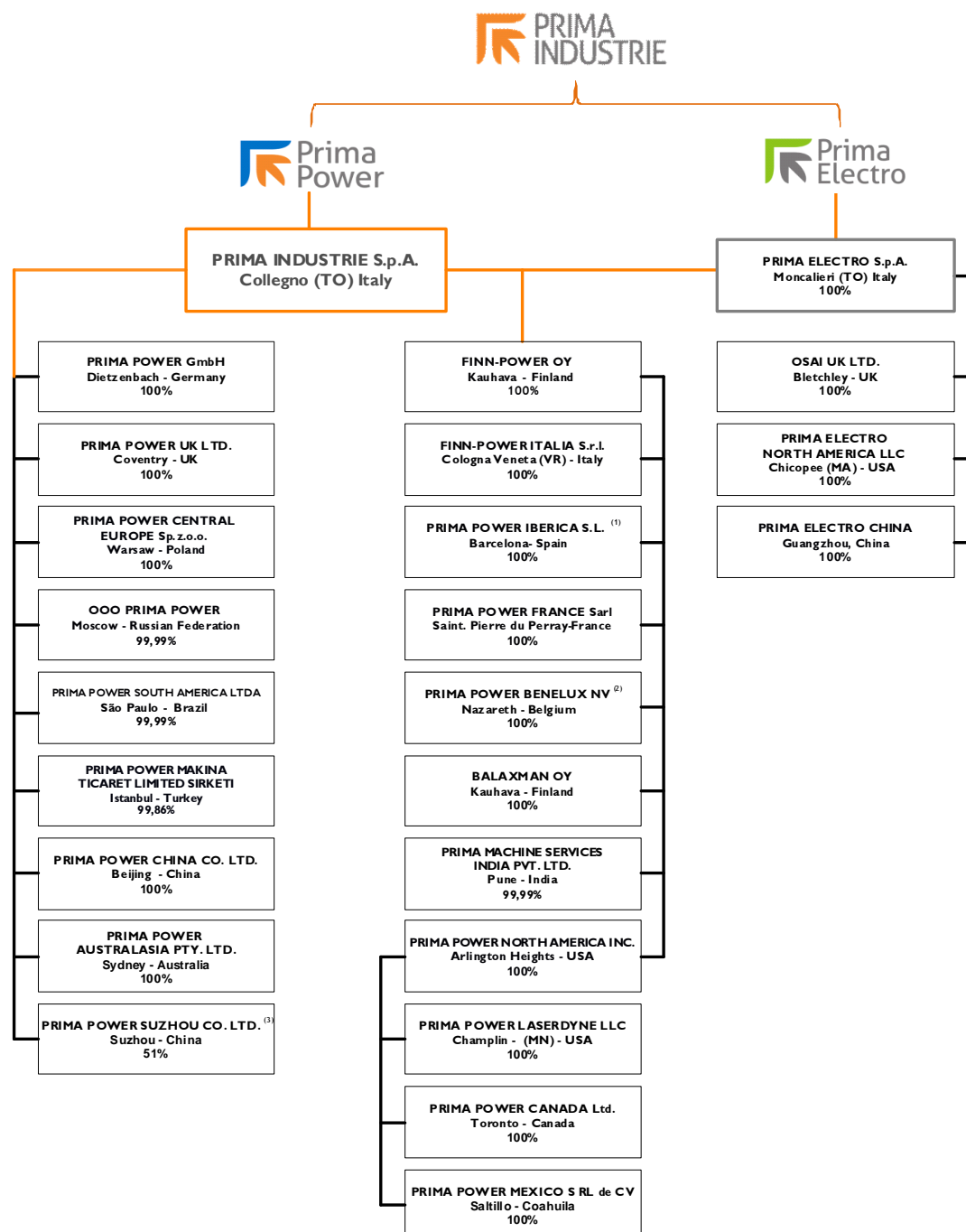
## CHAPTER 1.

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STRUCTURE AND PROFILE OF THE PRIMA INDUSTRIE GROUP ON  
31/03/2014

## CHAPTER 1. STRUCTURE AND PROFILE OF THE PRIMA INDUSTRIE GROUP ON 31/03/2014

### STRUCTURE OF THE PRIMA INDUSTRIE GROUP



The table on this page represents the corporate situation of PRIMA INDUSTRIE Group on 31/03/2014.

- 1) FINN-POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).
- 2) FINN-POWER OY holds 94% of PRIMA POWER BENELUX NV (the remaining 6% is held by BALAXMAN OY).
- 3) PRIMA INDUSTRIE SpA holds 51% of PRIMA POWER SUZHOU Co. Ltd. (the remaining 49% is held by third parties).

## PROFILE OF THE PRIMA INDUSTRIE GROUP

The PRIMA INDUSTRIE Group is leader in the development, production and marketing of laser systems for industrial applications and machines for processing plate, as well as in the industrial electronic and laser source sectors.

The group leader PRIMA INDUSTRIE SpA, founded in 1977 and quoted on the Italian Stock Market since October 1999 (currently MTA - STAR segment), designs, manufactures and markets high power laser systems for cutting, welding and the surface treatment of three dimensional (3D) and flat (2D) components.

The PRIMA INDUSTRIE Group has more than 37 years of experience and has installed over 10,000 machines in more than 70 countries. Also following the purchase of the FINN-POWER Group in February 2008, it has established itself amongst the leaders world-wide in the sector for processing plate. In more recent years, the Group has reorganized itself by subdividing the *business* into the two following divisions:

- PRIMA POWER for the laser machines and for processing plate;
- PRIMA ELECTRO for industrial electronics and laser technology.

The **PRIMA POWER** division includes designing, manufacturing and marketing of:

- cutting, welding and drilling machines for three dimensional (3D) and two dimensional (2D) metal components;
- machines for processing plate through the use of mechanical tools (punching machines, integrated systems for punching and shearing, integrated systems for punching and laser cutting, panelling machines, bending machines and automation systems).

This division owns production establishments in Italy (PRIMA INDUSTRIE SpA and FINN-POWER ITALIA Srl), in Finland (FINN-POWER OY), in the United States of America (PRIMA POWER LASERDYNE Llc) and a direct commercial and technical support presence in France, Switzerland, Spain, Germany, United Kingdom, Belgium, Poland, Czech Republic, Lithuania, Hungary, Russia, Turkey, United States, Canada, Mexico, Brazil, China, India, South Korea, Australia and the Arab Emirates.

The **PRIMA ELECTRO** division includes the development, manufacturing and marketing of electronic power and control components as well as high power laser sources for industrial applications, destined for the Group's machines and third party clients. The division has productive establishments in Italy (PRIMA ELECTRO SpA) and in the United States of America (PRIMA ELECTRO NORTH AMERICA Llc) as well as commercial establishments in the United Kingdom and China.

For 37 years since its founding, the PRIMA INDUSTRIE Group mission continues to be that of systematically expanding the range of its products and services and to continue to grow as world-wide supplier of laser systems and systems for processing plate for industrial applications, as well as industrial electronics, markets characterized by high technology and in which good rates of growth are encountered even in a cyclical context.

## **AREA OF CONSOLIDATION**

The only change that occurred during the first three months of 2014 was the entrance of the newly-established company PRIMA POWER MEXICO (100% owned by PRIMA POWER NORTH AMERICA).

On 31/03/2014 the subsidiaries listed in the tables below have been fully consolidated.

SUBSIDIARIES				
PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	ul. Fabryczna 24 - 05 - 092 Lomianki Warsaw, POLSKA	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 - Freguesia do Ó - 02968-00, Sao Paulo BRASIL	R\$ 2.134.764	99,97%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI <sup>(1)</sup>	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B1 B Dupleks Gül Blok Daire:3 Kartal - İSTANBUL	TRY 1.470.000	99,86%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Rm.1 M, no. 1 Zuo Jia Zhuang. Guomen Building, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
PRIMA POWER AUSTRALASIA Pty. LTD.	Minter Ellison, LEVEL 3, 25 National circuit, Forrest, ACT, 2603 AUSTRALIA	A\$ 1	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD. <sup>(1)</sup>	Cross of Xingrui and Guangming Road, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	USD 8.000.000	51%	Line-by-line method
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 49.417.108	100%	Line-by-line method
FINN-POWER Italia S.r.l.	Viale Artigianato 9, 37044, Bologna Veneta (VR), ITALY	€ 1.500.000	100%	Line-by-line method
PRIMA POWER IBERICA S.L.	C/Primer de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepêcle, 91280 St. Pierre du Perray, FRANCE	€ 120.000	100%	Line-by-line method
PRIMA POWER BENELUX NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 400.000	100%	Line-by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method
PRIMA MACHINE SERVICES INDIA PVT. LTD.	Mezzanine Floor, Poonam Plaza 694/2B Market Yard Road, Pune INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	390 Bay Street Suite 2800 Toronto, Ontario M5H 2Y2 CANADA	CAD 200	100%	Line-by-line method
PRIMA POWER MEXICO S DE RL DE CV	Campo Real, 121 FRACC. Valle Real, Saltillo, Coahuila C.P. 25198 Mexico	USD 250	100%	Line-by-line method

(1) It should be noted that at the date of these financial statements, the company capital of the PRIMA POWER MAKINA TICARET LIMITED SIRTEKI and PRIMA POWER SUZHOU Co. Ltd companies have not yet been fully paid up.



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



## CHAPTER 2.

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### INTRODUCTION

## CHAPTER 2. INTRODUCTION

### FOREWORD

The Interim Management Report at September 31 March 2014 of the PRIMA INDUSTRIE Group was prepared pursuant to article 154-ter of Leg. Decree 58/1998 and subsequent amendments, as well as the issuer's Regulation issued by CONSOB .

This Interim Management Report has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and recognized by the European Union and has been compiled in accordance with the IAS 34 - Interim Balance Sheets.

This Interim Financial Report has been approved by the Board of Directors on May 12<sup>th</sup>, 2014, and has not been subject to an audit.

### ALTERNATIVE PERFORMANCE INDICATORS

In this report, added to the conventional financial indicators required by the IFRS, some alternative performance indicators are present in order to permit a better evaluation of the progress of the economic-financial management.

Such indicators, which are also presented in the Interim report on management, on the occasion of the other periodic statements, must not on the other hand be considered as a substitute to the conventional ones required by the IFRS.

The Group uses these alternative performance indicators:

- the EBIT (which corresponds to the "Operational earnings"),
- the EBITDA ("Profits before interest, taxes and amortisation"), which is determined by adding to the "Operational Earnings" resulting from the balance sheet either under the item "Amortisation", or the item "*Impairment and Devaluation*".

Also mentioned furthermore:

- The "Value of Production" representing the algebraic sum of the items "Net income from sales and services", "Other operational income", "Variations of the remains of unfinished stock, finished products" and "Increment for internal work";
- the "Operational Working Capital" represents the algebraic sum of the "Stock in hand", "Trade Receivables", "Trade Debtors" and "Accounts".

## EXCHANGE RATES

The exchange rates applied in the conversion of the balances in currencies different from the Euro with the aim of consolidation are the following.

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	31-mar-14	31-mar-13	31-mar-14	31-dic-13
US DOLLAR	1,3697	1,3204	1,3788	1,3791
POUND STERLING	0,8279	0,8517	0,8282	0,8337
CHINESE RENMINBI	8,3587	8,2193	8,5754	8,3491
POLISH ZLOTY	4,1842	4,1563	4,1719	4,1543
CANADIAN DOLLAR	1,5110	1,3317	1,5225	1,4671
RUSSIAN RUBLE	48,0778	40,1507	48,7800	45,3246
BRAZILIAN REAL	3,2402	2,6347	3,1276	3,2576
INDIAN RUPEE	84,5864	71,5212	82,5784	85,3660
TURKISH LIRA	3,0370	2,3578	2,9693	2,9605
AUSTRALIAN DOLLAR	1,5272	1,2716	1,4941	1,5423
MEXICAN PESO	18,1324	16,6985	18,0147	18,0731



## CHAPTER 3.

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### GROUP INTERIM MANAGEMENT REPORT

## CHAPTER 3. GROUP INTERIM MANAGEMENT REPORT

### MACRO ECONOMIC CONTEXT

The expectations for 2014 are a period of moderate growth in the global economy. The improvement in the Eurozone (out of the recession) and of the USA offsets the weaker performance of some emerging countries such as Brazil and India.

In more mature economies (USA and Europe), the inflation risk is limited by the persistence of an excess production capacity and a still weak labour market. The dynamics of prices will remain modest almost everywhere. Central banks should keep, also in 2014, accommodative liquidity conditions and interest rates near to zero.

In particular, despite the increased uncertainty at the macroeconomic level (signs of slowing growth in China, continuous pressure on emerging market currencies and growing concerns about the geopolitical crisis in Ukraine), the global liquidity conditions still support the positive growth outlook for the second quarter. The global economy is restarting, supported by developed markets. In addition, the stock market rally of recent months is consistent with the search for yield in a context of excess liquidity and expectations of further expansionary monetary policies by central banks.

The Italian economy, after losing 11% of GDP in the two recessions experienced during the course of this crisis, according to the Prometeia association it seems that it started a path of slow growth that for 2014 will be 0.7%, and can oscillate between 1 and 1.5% in the two following years, reaching the 2007 GDP level only in 2021.

After the sharp decline suffered during the recession, investments have started to show tentative signs of recovery in 2013. They included the demand for capital goods of the companies and in particular the component consisting of the means of transport. In the fourth quarter it reported another sharp increase that has contributed to the recovery of the economy (0.2%). The expenditure for machinery and equipment continued to decline but at a slower pace.

The dynamics of investment reflected the improvement in the climate of companies confidence and demand outlook. The plants utilization rate went to a level not far from those prevailing in the period prior to the start of the recession, even if lower than the long-term average.

The production in the capital goods sector has presented a fluctuating trend but the average for the January-February period stood at levels 1.9% higher than those in the fourth quarter, suggesting the possibility of an acceleration compared to the fourth (0.4 %). According to the companies' expectations the recovery in production should also continue in the next period.

According to Oxford Economics, the machine tool industry after the painful contraction in 2013 (-9.3%), should see a period of recovery from 2014 (+3.7%) and in the following years (2015 to 2017 growth expectation rate greater than 8%), driven by the U.S. market first and then from Asian markets. Lower growth rates are expected in the European area.

UCIMU (the Italian association that brings together machine tool manufacturers) notes that the orders received in the first quarter of the year increased (15.2%), determined both by the positive feedback collected from builders across the border and by the Italian market awakening. In particular the re-start of the Italian market should be noted, with an increase in orders of 79.3% compared to the first quarter of 2013. The turnaround in domestic demand should also find benefit in implementing the new Sabatini Law, operational from March 31, in

the first step it collected 2010 applications for financing, for a total value of investment in capital goods amounting to 655 million Euro.

## REVENUES AND PROFITABILITY

In order to better represent the Group's operating activities, it was decided starting from 2014 to report the turnover data for the following geographical areas:

- EMEA (Europe, Russia, Middle East and Africa)
- AMERICAS (North, South and Central America)
- APAC (Asia and Pacific)

The **consolidated revenues** at 31/03/2014 amount to 64,467 thousand euro, a reduction of 11.5% (amounting to 8,414 thousand Euro) compared to the corresponding period of 2013.

The consolidated turnover is shown below on a geographic basis at 31/03/2014 compared with the corresponding period for the previous financial year.

Revenues	31/03/2014		31/03/2013	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
EMEA	36.695	56,9	44.385	60,9
AMERICAS	15.597	24,2	13.359	18,3
APAC	12.175	18,9	15.137	20,8
<b>TOTAL</b>	<b>64.467</b>	<b>100,0</b>	<b>72.881</b>	<b>100,0</b>

Sales on a geographical basis show turnover growing in the countries of the AMERICAS (+ 2,238 thousand Euro), where the largest share was made in the USA (14.3% of total consolidated turnover and 59.1% of the turnover of the AMERICAS area alone). As for the APAC countries, significant sales to China amounted to 10,219 thousand Euro (15.9% of consolidated turnover). In the EMEA region strong sales are recorded in Russia (6.6% of consolidated turnover) and in the Eastern Europe countries (6.4% of consolidated turnover). Sales in Italy represent 13.5% of the consolidated turnover.

The trend also continues, already registered in the last years, with sales made outside Europe (52.8%) exceeding those made in Europe, including Italy (47.2%), confirming the movement of the global economy's centre of gravity.

Below, a subdivision of the proceeds by sector of the gross inter-sector transactions is shown (for more detailed indications on the matter of operational segments of the Group, see the note 6.28 - Sector Information).

Revenues	31/03/2014		31/03/2013	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	55.114	85,5	60.833	83,5
PRIMA ELECTRO	12.625	19,6	15.888	21,8
Inter-sector revenues	(3.272)	(5,1)	(3.840)	(5,3)
<b>TOTAL</b>	<b>64.467</b>	<b>100,0</b>	<b>72.881</b>	<b>100,0</b>

The revenues of PRIMA POWER division are in reduction of 9.4% compared to the same period of the previous financial year due to the low portfolio at the beginning of the year (due to an acceleration of sales in the last quarter of 2013) and a shift in the machines delivery process due to contingent reasons, including delays in obtaining financing by customers; while revenues of PRIMA ELECTRO division were in reduction of 20.5% compared to the same period

of the previous year, mainly due to some DOTS products for which there is an ongoing *phase-out/phase-in* started in the year 2013, currently being completed.

To complete the information on the proceeds, the sub-division of the same is shown below (net of the inter-sector transactions) per sector and per geographical area, both for the first quarter of 2014 and for the first quarter of 2013.

Revenues segment/area - 31/03/2014	EMEA	AMERICAS	APAC	TOTAL
€/000				
PRIMA POWER	29.794	15.117	10.201	55.112
PRIMA ELECTRO	6.901	480	1.974	9.355
<b>TOTAL</b>	<b>36.695</b>	<b>15.597</b>	<b>12.175</b>	<b>64.467</b>

Revenues segment/area - 31/03/2013	EMEA	AMERICAS	APAC	TOTAL
€/000				
PRIMA POWER	34.131	12.778	13.910	60.819
PRIMA ELECTRO	10.254	581	1.227	12.062
<b>TOTAL</b>	<b>44.385</b>	<b>13.359</b>	<b>15.137</b>	<b>72.881</b>

The PRIMA POWER division achieved 54.1% of sales in the EMEA region, 27.4% in the AMERICAS Countries and 18.5% in the APAC region.

The PRIMA ELECTRO division achieved 73.8% of sales in the EMEA region, 5.1% in the AMERICAS Countries and 21.1% in the APAC region.

The **Value of production** at 31/03/2014 is equal to 82,728 thousand Euro, an increase of 2.4% with respect to the corresponding period of the financial year 2013 (increase of 1,961 thousand Euro).

The value of production in the period also includes increases for internal work equal to 2,971 thousand Euro (1,925 thousand Euro at 31/03/2013); these costs principally refer to investments in development activities.

Performance indicators	31/03/14		31/03/13	
	Euro thousand	% on sales	Euro thousand	% on sales
EBITDA	4.800	7,4	4.642	6,4
EBIT	2.047	3,2	1.682	2,3
EBT	346	0,5	(692)	(0,9)
NET RESULT	(684)	(1,1)	(803)	(1,1)
NET RESULT ATTRIBUTABLE TO GROUP SHAREHOLDERS	(632)	(1,0)	(803)	(1,1)

The EBITDA of the Group amounted to 4,800 thousand Euro (7.4% of turnover); compared to the first quarter of 2013 there was an improvement both in terms of percentage (1% increase), and in absolute terms (+158 thousand Euro).



The EBITDA of the Group is shown below at 31/03/2014 and at 31/03/2013 subdivided by sector (gross of the inter-sector transactions).

EBITDA	31/03/14		31/03/13	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	3.709	77,3	2.270	48,9
PRIMA ELECTRO	1.059	22,1	2.643	56,9
Inter sector items and eliminations	32	0,6	(271)	(5,8)
<b>TOTAL</b>	<b>4.800</b>	<b>100,0</b>	<b>4.642</b>	<b>100,0</b>

The consolidated EBIT at 31/03/2014 amounted to 2,047 thousand Euro and is in increase of 365 thousand Euro compared to the first three months of 2013 (amounting to 1,682 thousand Euro). The amortization of the tangible fixed assets influence this result to the amount of 2,085 thousand Euro and intangible fixed assets to the amount of 667 thousand Euro. With regard to the amortization of intangible fixed assets, the main items relate to the amortization of development costs (1,199 thousand Euro) and the amortization related to assets with a defined useful life recognized in the business merger of the FINN-POWER Group (brand and relations with customers - "customer list") which amounted to 763 thousand Euro.

The EBIT of the group is shown below at 31/03/2014 and 31/03/2013, subdivided by sector gross of the inter-sector transactions .

EBIT	31/03/14		31/03/13	
	<i>€/000</i>	<i>%</i>	<i>€/000</i>	<i>%</i>
PRIMA POWER	1.529	74,7	(191)	(11,3)
PRIMA ELECTRO	484	23,6	2.145	127,5
Inter sector items and eliminations	34	1,7	(272)	(16,2)
<b>TOTAL</b>	<b>2.047</b>	<b>100,0</b>	<b>1.682</b>	<b>100,0</b>

The consolidated EBT at 31/03/2014 amounted to 346 thousand Euro in increase of 1.038 thousand Euro compared to the same period of the previous financial year (-692 thousand Euro); it should be noted that this value discounts net burdens arising from financial management (including gains and losses on exchange rates) of 1,701 thousand Euro (at 31/03/2013 equal to 2,373 thousand Euro).

Financial results (€/000)	March 31st, 2014	March 31st, 2013
FINPOLAR loan expenses	(780)	(897)
Derivatives expenses (IRS)	(462)	(631)
Derivatives expenses (CRS)	(36)	(148)
Other financial income/expenses	(549)	(634)
<b>Net exchanges differences</b>	<b>(1.827)</b>	<b>(2.310)</b>
Net results foreign currency	126	(63)
<b>TOTAL</b>	<b>(1.701)</b>	<b>(2.373)</b>

Burdens are shown for the financing stipulated in 2008 for the acquisition of the FINN- POWER Group (hereafter for brevity "FINPOLAR financing") equal to 780 thousand Euro and net financial burdens for IRS derivative instruments (primarily connected to FINPOLAR financing) for 462 thousand Euro. The decline of the charges relating to the FINPOLAR Financing is due to the decrease of residual capital as a result of the refunds made. It should be noted that the average EURIBOR for the first quarter of 2014 is slightly higher than that recorded in the same period of 2013.

The exchange management results in the first quarter of 2014 were positive for 126 thousand Euro (negative for 63 thousand Euro on 31/03/2013).

The **NET PROFIT** at 31/03/2014 is negative and equal to 684 thousand euro (-803 thousand euro at 31/03/2013). The taxes on income for the first three months of 2014 show a net negative balance of 1,030 thousand Euro, of which IRAP (Regional income tax) equal to 330 thousand Euro. It should be noted that the tax burden of 2013 included a positive effect due to a tax credit amounting to 1,048 thousand Euro following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011).

## NET FINANCIAL POSITION

On 31/03/2014, the net financial position of the Group was negative for an amount of 107,232 thousand Euro, in increase of 23,806 thousand Euro compared to the previous financial year (negative for 131,038 thousand euro on 31/03/2013).

The decrease of 7,271 thousand euro compared to 31/12/2013 is due to the absorption of financial resources necessary for the management of operations and the need of working capital required to cope with the increase in production volumes in subsequent quarters.

The net financial position is shown as follows.

Value expressed in Euro thousand	31/03/14	31/12/13	31/03/13
CASH & CASH EQUIVALENTS	(18.396)	(29.194)	(18.515)
CURRENT FINANCIAL RECEIVABLES	(3)	(47)	(450)
CURRENT FINANCIAL LIABILITIES	53.522	51.830	57.052
NON CURRENT FINANCIAL LIABILITIES	72.109	77.372	92.951
<b>NET FINANCIAL LIABILITIES</b>	<b>107.232</b>	<b>99.961</b>	<b>131.038</b>

With the aim of supplying better information relating to the net consolidated financial position on 31/03/2014, the following should be remembered:

- the FINPOLAR financing amounts to 99,544 thousand Euro and is subject to compliance with regards to certain covenants measured on an annual and six month basis (for further details, please refer to the indications in the balance sheet at 31/12/2013);
- the payables due to leasing companies (almost exclusively of a property nature) amount to 2,883 thousand Euro;
- bank debits include the negative *fair value* of some derivative instruments for 4,056 thousand Euro; the main IRS have been contracted by the Parent Company in partial cover of the risk of interest rates on FINPOLAR Financing (the underwriting of these derivatives was foreseen by the financing contract below).

It should be noted that 19,946 thousand Euro classified in short-term liabilities relate to the quota D of the FINPOLAR financing which is a *revolving* credit line that will be available until 31/01/2016.

Please note that on 04/02/2014 the company has correctly paid the expiring instalment relating to the FINPOLAR Financing to the Finance bank pool.

## **TRADE ASSETS AND ORDER PORTFOLIO**

During the first quarter of 2014 the **acquisition of orders** of the Group (including after-sale service) amounted to 96.7 million Euro (+6.7% related to 90.6 million Euro at 31/03/2013). The acquisition of orders of the PRIMA POWER segment amounted to 84.1 million Euro, while that of the PRIMA ELECTRO, only from customers outside the Group, amounted to 12.6 million euro.

The consolidated **order portfolio** (not including after-sale service) at 31/03/2014 increased to 105,8 (compared to 104,6 million Euro at 31/03/2013 and to 75,2 million Euro at 31/12/2013).

The portfolio includes 93.5 million Euro relating to the PRIMA POWER sector and 12.3 million Euro relating to the PRIMA ELECTRO sector.

At 30/04/2014, the order portfolio increased to 111.1 million Euro.

## **RESEARCH AND DEVELOPMENT**

The research and development activity carried out by the Group during the first quarter of 2014 has been comprehensively equal to 5,069 thousand Euro (of which 3,706 thousand Euro in the PRIMA POWER sector and 1,363 thousand Euro in the PRIMA ELECTRO sector) equal to 7.9% of turnover.

The capitalized share was equal to 2,872 thousand Euro (of which 2,245 thousand Euro in the PRIMA POWER sector and 627 thousand Euro in the PRIMA ELECTRO sector).

The costs levels sustained in research and development activities for new products is testimony to the Group's continued commitment to investing for the future and improving, through the presence of products always in the technological forefront, its competitiveness on the international markets. For all the capitalized development activities, the technical feasibility has been verified as well as the generation of probable future economic benefits.

## **OPERATIONS WITH RELATED PARTIES**

During the reporting period no significant operations with related party were concluded in accordance with Article 5, paragraph 8 of the Regulations containing provisions on related parties No. 17221, issued by Consob on 12/03/2010.

For further details of the subject and of other operations carried out by the Group with related parties, refer to Note 6.27 -Information on related parties.

## **STOCK TREND AND TREASURY STOCK**

During the first quarter of 2014, the PRIMA INDUSTRIE stock has passed from a unit value of 9.355 Euro on 02/01/2014 to a value of 14.05 Euro each share on 31/03/2014, therefore a 50% appreciation.

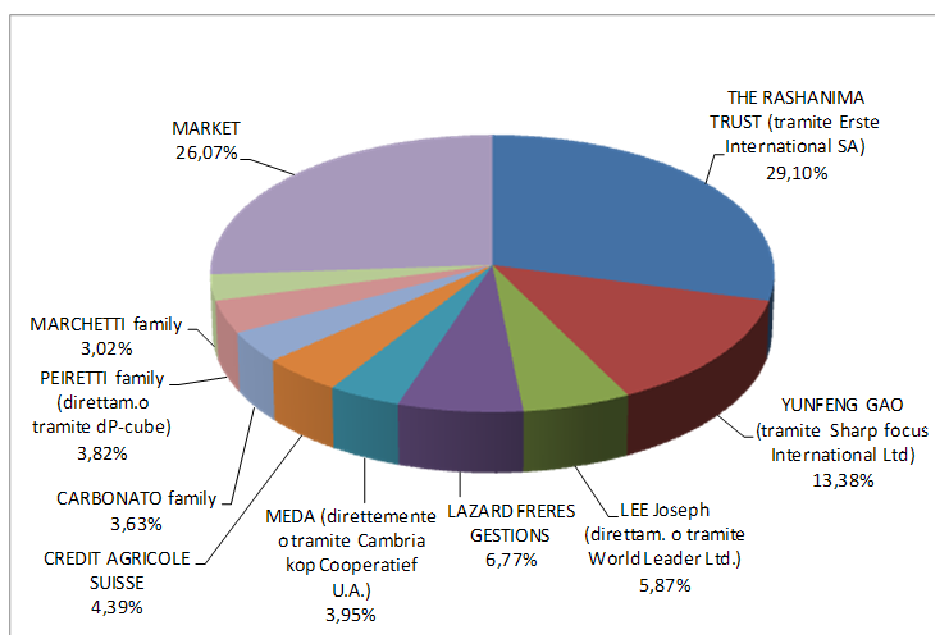
After 31/03/2014, the stock has remained at values ranging between 13.50 Euro and 14 Euro per share.

On 31/03/2014, also being the date of approval of this Financial Report PRIMA INDUSTRIE SpA did not hold nor holds any of its own shares, as there is no current resolution authorising the purchase of its own shares.

## **SHAREHOLDING STRUCTURE**

On 31/03/2014, the share capital of PRIMA INDUSTRIE SpA amounts to Euro 26,208,185 divided into 10,483,274 ordinary shares at the nominal value of 2.50 Euro each. No classes of shares or bonds have been issued other than ordinary shares.

In the light of the results of the shareholders diary and from subsequent communications carried out between the company or the overseeing authority, the most up-to-date share structure is as follows:



## STOCK OPTION PLANS

In the month of May 2011, the period of maturing (vesting period) of the stock option plan, approved by the PRIMA INDUSTRIE SpA Shareholders' Meeting on 29/04/2008 ended, originally destined for the Executive Directors of the Parent Company, of PRIMA ELECTRO SpA and of FINN-POWER OY, as well as the Chief Executive of the PRIMA INDUSTRIE SpA and the Group Financial Director.

The beneficiaries have, furthermore, the facility to exercise the assigned options today established at 28.68 Euro per share, from June 1, 2011, and within and not beyond June 30, 2014 (date of expiry of the plan), in the following two periods of each year until the expiry of the plan:

- June 1 - June 30
- October 1 - October 30

The beneficiaries of the plan at the date of reference of this interim Management Report are the following.

LAST NAME AND FIRST NAME	POSITION
CARBONATO Gianfranco	PRIMA INDUSTRIE SpA Executive Chairman
BASSO Ezio	PRIMA INDUSTRIE SpA General Manager and Managing Director
PEIRETTI Domenico	PRIMA ELECTRO SpA Managing Director and PRIMA INDUSTRIE SpA Managing Director

For further information on the subject of the stock option plan attention is drawn to the publication on the company web-site: [www.primaindustrie.com](http://www.primaindustrie.com).

As is evident from the current prices of PRIMA INDUSTRIE shares (see paragraph "STOCK TREND AND TREASURY STOCK"), the options are largely out of the money.

### **FORESEEABLE DEVELOPMENTS OF MANAGEMENT**

The turnover contingent delay, which is already largely recovered in April, is not a source of concern for the PRIMA INDUSTRIE Group also in consideration of the positive trend in the orders. The Group during the first three months of the year, recorded an increase in gross operating profitability and is expected that this increase will also characterize the remainder of the year.

### **EVENTS WHICH TOOK PLACE AFTER THE END OF THE QUARTER**

Under IAS 10, there are no significant events which took place after the closing of the financial statements to be reported in this Interim Management Report.

### **ATYPICAL AND UNUSUAL TRANSACTIONS**

Within the meaning of the Consob Communication of 28/07/2006 No. DEM/6064296, it is specified that, in the reference period, the Group has not undertaken atypical and unusual transactions, as defined in the Communication itself.



## CHAPTER 4.

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### ECONOMIC PERFORMANCE BY SEGMENT

## CHAPTER 4. ECONOMIC PERFORMANCE BY SEGMENT

The Group operates with an organizational structure based on the concentration of its activities into two divisions: the PRIMA POWER division and the PRIMA ELECTRO division.

The PRIMA POWER division includes designing, manufacturing and marketing of:

- cutting, welding and drilling machines for three dimensional (3D) and two dimensional (2D) metal components and
- machines for processing plate through the use of mechanical tools (punching machines, integrated systems for punching and shearing, integrated systems for punching and laser cutting, panelling machines, bending machines and automation systems).

The PRIMA ELECTRO division includes the development, manufacturing and marketing of electronic power and control components as well as high power laser sources for industrial applications, destined for the Group's machines and third party clients.

Shown here below, is a summary table of the economic progress for the two sectors in which the Group currently operates.

	31/03/2014				
<i>Values in Euro thousand</i>	Revenues	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	55.114	3.709	6,7%	1.529	2,8%
PRIMA ELECTRO	12.625	1.059	8,4%	484	3,8%
CONSOLIDATION	(3.272)	32	-1,0%	34	-1,0%
GROUP	64.467	4.800	7,4%	2.047	3,2%

	31/03/2013				
<i>Values in Euro thousand</i>	Revenues	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	60.833	2.270	3,7%	(191)	-0,3%
PRIMA ELECTRO	15.888	2.643	16,6%	2.145	13,5%
CONSOLIDATION	(3.840)	(271)	7,1%	(272)	7,1%
GROUP	72.881	4.642	6,4%	1.682	2,3%

### PRIMA POWER

The revenues of PRIMA POWER division are in reduction of 9.4% compared to the same period of the previous financial year due to the low portfolio at the beginning of the year (due to an acceleration of sales in the last quarter of 2013) and a shift in the machines delivery process due to contingent reasons, including delays in obtaining financing from customers. This decrease is the result of a decrease in EMEA (with the exception of Eastern Europe and Russia, where growth results have been achieved) in APAC (with the exception of China and South Korea) and an increase in the AMERICAS (with particular improvement in the NAFTA area).

The EBITDA for the sector amounted to 3,709 thousand Euro, an increase both in absolute value (+1,439 thousand Euro), and in percentage terms (from 3.7% to 6.7%), confirming a greater level of efficiency achieved by the division.

## **PRIMA ELECTRO**

The revenues of PRIMA ELECTRO division were in reduction of 20.5% compared to the same period of the previous year, mainly due to some DOTS products for which there is an ongoing phase-out/phase-in started in the year 2013, currently being completed.

The EBITDA of the division amounts to 1,059 thousand Euro in decrease compared to the same period of the previous year of 1,584 thousand Euro, this decrease can be attributed to the decrease in production volumes.





## CHAPTER 5.

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF PRIMA INDUSTRIE  
GROUP AS OF 31/03/2014

ACCOUNTING TABLES

## CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF 31/03/2014

### CONSOLIDATED BALANCE SHEET

Values in Euro	Notes	31/03/2014	31/12/2013
Property, plant and equipment	6.1	24.676.558	24.200.931
Intangible assets	6.2	152.421.741	151.571.901
Other investments	6.3	288.735	288.735
Non current financial assets	6.4	555.300	113.000
Deferred tax assets	6.5	8.012.757	7.647.333
Other non current assets	6.8	20.624	20.624
<b>NON CURRENT ASSETS</b>		<b>185.975.715</b>	<b>183.842.524</b>
Inventories	6.6	84.433.048	66.214.465
Trade receivables	6.7	73.508.571	78.833.076
Other receivables	6.8	7.767.320	5.909.406
Current tax receivables	6.9	7.033.669	4.305.160
Derivatives	6.10	3.198	46.969
Cash and cash equivalents	6.10	18.396.213	29.194.149
<b>CURRENT ASSETS</b>		<b>191.142.019</b>	<b>184.503.225</b>
<b>ASSETS HELD FOR SALE</b>	6.11	<b>1.453.482</b>	<b>1.483.839</b>
<b>TOTAL ASSETS</b>		<b>378.571.216</b>	<b>369.829.588</b>
Capital stock	6.12	26.208.185	26.208.185
Legal reserve	6.12	4.321.310	4.321.310
Other capital reserves	6.12	68.322.797	68.144.867
Currency translation reserve	6.12	(2.281.249)	(2.138.106)
Retained earnings	6.12	8.431.703	3.010.955
Net result	6.12	(632.137)	5.428.982
<b>Stockholders' equity of the Group</b>		<b>104.370.609</b>	<b>104.976.193</b>
<i>Minority interest</i>		1.397.038	1.084.685
<b>STOCKHOLDERS' EQUITY</b>		<b>105.767.647</b>	<b>106.060.878</b>
Interest-bearing loans and borrowings	6.10	68.053.456	72.442.235
Employee benefit liabilities	6.13	7.800.522	7.731.540
Deferred tax liabilities	6.14	11.198.389	10.350.390
Provisions	6.15	135.858	137.137
Derivatives	6.10	4.056.231	4.929.519
<b>NON CURRENT LIABILITIES</b>		<b>91.244.456</b>	<b>95.590.821</b>
Trade payables	6.16	70.453.819	68.117.926
Advance payments	6.16	21.204.732	13.580.141
Other payables	6.16	21.140.111	17.513.397
Interest-bearing loans and borrowings	6.10	53.521.279	51.830.029
Current tax payables	6.17	4.068.987	4.707.193
Provisions	6.15	11.170.185	12.429.203
<b>CURRENT LIABILITIES</b>		<b>181.559.113</b>	<b>168.177.889</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>		<b>378.571.216</b>	<b>369.829.588</b>

## CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/03/2014	31/03/2013
Net revenues	6.18	64.466.561	72.880.537
Other income	6.19	1.982.385	803.127
Change in inventories of finished goods and WIP	-	13.308.183	5.159.273
Increases in fixed assets for internal work	6.20	2.971.312	1.925.001
Use of raw materials, consumables, supplies and goods	-	(37.283.726)	(35.830.104)
Personnel cost	6.21	(23.319.062)	(22.919.350)
Depreciation	6.22	(2.752.553)	(2.960.003)
Impairment	6.22	-	-
Other operating expenses	6.23	(17.325.962)	(17.376.845)
<b>OPERATING PROFIT</b>		<b>2.047.138</b>	<b>1.681.636</b>
Financial income	6.24	27.532	155.100
Financial expenses	6.24	(1.855.009)	(2.465.416)
Net exchange differences	6.24	126.302	(62.892)
Net result of investments not fully consolidated	-	-	(666)
<b>RESULT BEFORE TAXES</b>		<b>345.963</b>	<b>(692.238)</b>
Taxes	6.25	(1.029.950)	(110.519)
<b>NET RESULT</b>		<b>(683.987)</b>	<b>(802.757)</b>
- Attributable to Group shareholders		(632.137)	(802.757)
- Attributable to minority shareholders		(51.850)	-
<b>RESULT PER SHARE - BASIC (in euro)</b>	<b>6.26</b>	<b>(0,06)</b>	<b>(0,09)</b>
<b>RESULT PER SHARE - DILUTED (in euro)</b>	<b>6.26</b>	<b>(0,06)</b>	<b>(0,09)</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	31/03/2014	31/03/2013
<b>NET RESULT (A)</b>		<b>(683.987)</b>	<b>(802.757)</b>
Gains / (Losses) on cash flow hedges	6.12	364.102	584.784
Gains / (Losses) on exchange differences on translating foreign operations	6.12	(170.459)	812.796
IAS 19R actuarial Gains / (Losses)	6.12	(8.234)	
<b>TOTAL OTHER GAINS/(LOSSES) (B)</b>		<b>185.409</b>	<b>1.397.580</b>
<b>TOTAL COMPREHENSIVE INCOME (A) + (B)</b>		<b>(498.578)</b>	<b>594.823</b>
- <i>Attributable to Group shareholders</i>		<i>(419.412)</i>	<i>594.823</i>
- <i>Attributable to minority shareholders</i>		<i>(79.166)</i>	

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

from January 1<sup>st</sup>, 2013 to March 31<sup>st</sup>, 2013

VALUES IN EURO	Capital stock	Subscribed Capital unpaid	Additional paid-in capital	Legal reserve	Capital increase - expenses	Stock option reserve	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at 01/01/2013	21.606.553	(1.785)	46.462.619	4.320.069	(1.286.154)	1.295.506	(5.187.680)	11.933.427	(524.506)	(370.776)	5.306.613	83.553.886	-	83.553.886
Capital increase	2.642	1.785	6.342	-	-	-	-	-	-	-	-	10.769	-	10.769
Change of consolidation area	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of prior year net result	-	-	-	-	-	-	-	-	-	5.306.613	(5.306.613)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	584.784	-	812.796	-	(802.757)	594.823	-	594.823
Balance as at 31/03/2013	21.609.195	-	46.468.961	4.320.069	(1.286.154)	1.295.506	(4.602.896)	11.933.427	288.290	4.935.837	(802.757)	84.159.478	-	84.159.478

from January 1<sup>st</sup>, 2014 to March 31<sup>st</sup>, 2014

VALUES IN EURO	Capital stock	Subscribed Capital unpaid	Additional paid-in capital	Legal reserve	Capital increase - expenses	Stock option reserve	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at 01/01/2014	26.208.185	-	57.506.537	4.321.310	(1.286.154)	1.295.506	(3.195.626)	13.824.604	(2.138.106)	3.010.955	5.428.982	104.976.193	1.084.685	106.060.878
Capital increase Prima Power Suzhou	-	-	-	-	-	-	-	(186.172)	-	-	-	(186.172)	391.519	205.347
Change of consolidation area	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of prior year net result	-	-	-	-	-	-	-	-	-	5.428.982	(5.428.982)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	364.102	-	(143.143)	(8.234)	(632.137)	(419.412)	(79.166)	(498.578)
Balance as at 31/03/2014	26.208.185	-	57.506.537	4.321.310	(1.286.154)	1.295.506	(2.831.524)	13.638.432	(2.281.249)	8.431.703	(632.137)	104.370.609	1.397.038	105.767.647

## CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/03/2014	31/03/2013
<b>Net result</b>	<b>(683.987)</b>	<b>(802.757)</b>
<b>Adjustments (sub-total)</b>	<b>(2.487.696)</b>	<b>(2.588.460)</b>
Depreciation and impairment	2.752.553	2.960.003
Net change in deferred tax assets and liabilities	482.575	239.564
Change in employee benefits	68.982	(30.505)
Change in inventories	(18.218.583)	(8.101.294)
Change in trade receivables	5.324.505	4.501.574
Change in trade payables and advances	9.960.484	478.117
Net change in other receivables/payables and other assets/liabilities	(2.858.212)	(2.635.919)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)</b>	<b>(3.171.683)</b>	<b>(3.391.217)</b>
<b>Cash flow from investments</b>		
Acquisition of tangible fixed assets (*)	(1.220.743)	(577.988)
Acquisition of intangible fixed assets	(67.593)	(66.201)
Capitalization of development costs	(2.871.621)	(1.824.205)
Net disposal of fixed assets (*)	45.674	95.314
Net result SNK investments	-	666
Purchase/capital increase of other investments	-	(10.925)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(4.114.283)</b>	<b>(2.383.339)</b>
<b>Cash flow from financing activities</b>		
Change in other financial assets/liabilities and other minor items	(844.238)	3.931.231
Increases in loans and borrowings (including bank overdrafts)	1.516.467	227.620
Repayment of loans and borrowings (including bank overdrafts)	(4.323.890)	(5.148.827)
Increases/(repayments) in financial lease liabilities	113.037	(3.161)
Capital increase	-	10.769
Other variations	(151.377)	812.796
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)</b>	<b>(3.690.001)</b>	<b>(169.572)</b>
<b>CASH FLOWS FROM (USED IN) CHANGE OF MINORITY SHAREHOLDERS (D)</b>	<b>364.203</b>	<b>-</b>
<b>Net change in cash and equivalents (E=A+B+C+D)</b>	<b>(10.611.764)</b>	<b>(5.944.128)</b>
<b>Cash and equivalents beginning of period (F)</b>	<b>29.194.149</b>	<b>24.458.666</b>
<b>Cash and equivalents end of period (G=E+F)</b>	<b>18.396.213</b>	<b>18.514.538</b>

Additional Information to the Consolidated Statement of Cash-Flow	31/03/2014	31/12/2012
<i>Values in Euro</i>		
Taxes	(1.029.950)	(110.519)
Financial incomes	27.532	155.100
Financial expenses	(1.855.009)	(2.465.416)

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



## CHAPTER 6.

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### EXPLANATORY NOTES

## CHAPTER 6. ACCOUNTING PRINCIPLES DESCRIPTION

### FORM AND CONTENT

The abbreviated consolidated balance sheet of the PRIMA INDUSTRIE Group on 31/03/2014 has been drawn up on the assumption of the company continuing trading (for greater detail see the note "accounting principles") and in regard to 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 on 31/03/2014 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 31/12/2013, to which attention is drawn for greater detail.

The abbreviated consolidated balance on 31/03/2014 of the PRIMA INDUSTRIE Group is presented in a Euro which is also the currency of the economies in which the Group mainly operates.

The foreign subsidiaries are included in the abbreviated consolidated balance sheet on 31/03/2014 according to the principles described in the "accounting principle" Note of the consolidated balance on 31/12/2013, to which attention is drawn.

For purposes of comparison, the balance sheet data on 31/12/2013 have been presented as well as the data of the profit and loss account and the financial statement relating to 31/03/2013 with the movements of net assets of the first three months of 2013 as well, as required by IAS 1.

### ACCOUNTING PRINCIPLES

#### On-going concern

The abbreviated consolidated balance sheet at 31/03/2014 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.

#### Accounting criteria and principles of consolidation

The accounting criteria and principles of consolidation adopted for setting out the abbreviated consolidated balance sheet at 31/03/2014 are compatible with those used for the consolidated annual balance sheet at 31/12/2013, to which reference is made subject to the new standards/interpretations adopted by the Group starting from January 1, 2014, as well as the adjustments required by the nature of the interim findings.

#### 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 abbreviated consolidated balance sheet of 31/03/2014, 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.

## FINANCIAL STATEMENTS

With regard to the financial statements, the group has adopted the choice of using the statements described below:

- with regard to the Consolidated assets - financial situation, the scheme which presents the assets and liabilities distinguishing them between "current" (or in other words able to be liquidated/payable within 12 months) and "non-current" (or in other words able to be liquidated/payable beyond 12 months) was adopted;
- with regard to the consolidated profit and loss account, the scheme adopted foresees the distribution of costs in kind; the comprehensive consolidated profit and loss account includes, in addition to the profit for the period, as a consolidated profit and loss account, the other variations of the movement of net assets different from those with the shareholders;
- with regards to the statement of the variation of net assets, the scheme adopted to reconcile the opening and closure of each assets item whether for the current period or for the preceding one;
- with regard to the Financial Report the so-called "indirect" method has been chosen, which determines the net financial flow from operating activities by adjusting the profit and loss for the effects;
  - non-monetary elements such as amortizing, devaluations, unrealized profits and losses on associate companies;
  - of the variation of the stock in hand, the receivables and payables generated by the operational activity;
  - of the other elements whose financial fluctuations are generated by the activities of investment and financing.

This Interim Management Report was authorized for publication by the Board of Directors on 12 May 2014.

## EXPLANATORY NOTES

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

### NOTE 6.1 - TANGIBLE FIXED ASSETS

The tangible fixed assets on 31/03/2014 are equal to 24,677 thousand Euro, an increase of 476 thousand Euro compared with 31/12/2013.

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

Tangible fixed assets	Land, Buildings and Constructions	Plants and Machinery	Industrial and commercial Equipments	Other assets	Fixed assets under construction	TOTAL
<b>Net value as of December 31st, 2012</b>	<b>17.263.455</b>	<b>2.123.655</b>	<b>1.856.009</b>	<b>2.454.004</b>	<b>646.811</b>	<b>24.343.934</b>
<b>Year 2013</b>						
Consolidation area variation	-	-	-	-	514.402	514.402
Increases	128.411	364.233	616.451	958.208	256.833	2.324.136
Disinvestments	-	(3.546.381)	(37.737)	(2.754.209)	-	(6.338.327)
Use of depreciation fund	-	3.451.837	31.097	2.750.115	-	6.233.049
Depreciation	(553.903)	(489.710)	(753.135)	(909.965)	-	(2.706.713)
Differences on exchange rates	(60.493)	(3.587)	(41.296)	(50.607)	(13.568)	(169.551)
<b>Net Value as of December 31st, 2013</b>	<b>16.777.470</b>	<b>1.900.047</b>	<b>1.671.389</b>	<b>2.447.546</b>	<b>1.404.478</b>	<b>24.200.931</b>
<b>2014 1st quarter's movements</b>						
Increases	-	207.173	272.963	293.258	447.349	1.220.743
Disinvestments	-	-	(104.679)	(290.566)	-	(395.245)
Use of depreciation fund	-	-	101.910	247.661	-	349.571
Depreciation	(131.711)	(111.108)	(192.509)	(232.130)	-	(667.458)
Tangible fixed assets reclassifications	-	16.791	210.640	55.350	(282.781)	-
Differences on exchange rates	686	(29)	973	(10.344)	(23.270)	(31.984)
<b>Net Value as of March 31st, 2014</b>	<b>16.646.445</b>	<b>2.012.874</b>	<b>1.960.687</b>	<b>2.510.775</b>	<b>1.545.776</b>	<b>24.676.558</b>

### NOTE 6.2 - INTANGIBLE FIXED ASSETS

The intangible fixed assets on 31/03/2014 are equal to 152,422 thousand Euro, an increase of 850 thousand Euro compared with 31/12/2013.

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

Intangible Assets	Goodwill	Development costs	Other intangible assets	TOTAL
<b>Net Value as of December 31st, 2012</b>	<b>102.679.896</b>	<b>22.049.397</b>	<b>26.665.990</b>	<b>151.395.283</b>
Consolidation area variation	-	-	152.835	152.835
Increases/(decreases)	-	8.907.570	381.190	9.288.760
Depreciation	-	(5.138.201)	(3.800.101)	(8.938.302)
Impairment	-	(32.336)	-	(32.336)
Differences on exchanges rate	(100.090)	(173.692)	(20.557)	(294.339)
<b>Net Value as of December 31st, 2013</b>	<b>102.579.806</b>	<b>25.612.738</b>	<b>23.379.357</b>	<b>151.571.901</b>
<b>2014 1st quarter's movements</b>				
Increases/(decreases)	-	2.871.621	67.593	2.939.214
Depreciation	-	(1.199.350)	(885.745)	(2.085.095)
Differences on exchanges rate	481	(532)	(4.228)	(4.279)
<b>Net Value as of March 31st, 2014</b>	<b>102.580.287</b>	<b>27.284.477</b>	<b>22.556.977</b>	<b>152.421.741</b>

The most significant item is represented by Goodwill, which on 31/03/2014 is equal to 102,580 thousand Euro. All goodwill written into the balance sheet refers to the larger value paid with respect to the fair value of the assets acquired.

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

CASH FLOW UNIT GENERATOR	BOOK VALUE GOODWILL	BOOK VALUE GOODWILL
	March 31, 2014	December 31st, 2013
PRIMA POWER	97.427	97.427
OSAI (Service)	4.125	4.125
PRIMA ELECTRO NORTH AMERICA	837	837
MLTA	154	154
OSAI UK	37	37
<b>TOTAL</b>	<b>102.580</b>	<b>102.580</b>

Goodwill (being an asset with an undefined life) is not subject to amortization and is subject to verification at least annually of the reduction of value (*impairment test*). At 31/12/2013 the Group carried out the impairment test on the value the main elements of goodwill (PRIMA POWER, OSAI-Service and PRIMA ELECTRO NORTH AMERICA), for which attention is drawn to the Consolidated Financial Statements at 31/12/2013. Regarding the above mentioned goodwill, as no indicators of loss in value have appeared compared with the balance sheet closed on 31/12/2013, it was not considered necessary to update the related *impairment tests*.

#### NOTE 6.3 - OTHER INVESTMENTS

The value of Other Investments at 31/03/2014 amounts to 289 thousand Euro and is unchanged from 31/12/2013.

This heading on 31/03/2014 is composed of:

- EPS: 97 thousand Euro (shareholding equal to 2.36%);
- Caretek Srl: 76 thousand Euro (shareholding equal to 21.57%);
- Fimecc OY: 50 thousand Euro (shareholding equal to 2,4%);
- Härmämedi OY: 25 thousand Euro (shareholding equal to 8.33%);
- Lamiera Servizi Srl: 11 thousand Euro (shareholding equal to 19%);
- other minor shareholdings: 30 thousand Euro.

The shareholding in Fimecc OY and Härmämedi OY are held by FINN-POWER OY.

#### NOTE 6.4 - NON CURRENT FINANCIAL ACTIVITIES

This heading at 31/03/2014 is equal to 555 thousand Euro and consists of two financing arrangements issued by PRIMA ELECTRO SpA to the company EPS for 520 thousand Euro and to the company Caretek Srl for 35 thousand Euro.

#### NOTE 6.5 - DEFERRED TAX ASSETS

The Deferred Tax Assets are equal to 8,013 thousand Euro, an increase compared with the preceding financial year of 366 thousand Euro.

This asset has mainly been generated by the temporary difference in the stock in hand and in the provisions for liabilities and charges. The accounting statement of the anticipated taxes has been carried out, only where suppositions of recoverability exist.

With regard to the recoverability of these taxes it should be noted that the Parent Company and PRIMA ELECTRO SpA have historically realized positive taxable incomes, both for IRES and IRAP purposes and expect to earn positive taxable incomes in the following financial years also. The valuation on the recoverability of anticipated taxes take into account the expected profits in

future financial years and furthermore, is supported by the fact that the anticipated taxes mainly refer to adjusted asset funds and to provisions for risks and charges, for which there is no expiry. The anticipated taxes on the accumulated claimable losses have been recognised in the measure at which it is probable that a future taxable income against which they might be recovered. In the light of what has been illustrated, elements such as to modify the preceding valuations regarding the recoverability of the anticipated taxes have not been experienced.

#### NOTE 6.6 - INVENTORIES

The following table shows the composition of the stock in hand at 31/03/2014 and at 31/12/2013.

Inventories	March 31st, 2014	December 31st, 2013
Raw Materials	24.825.185	20.110.202
Semifinished goods	18.677.106	9.104.962
Finished goods	47.092.503	43.066.884
(Inventories provisions)	(6.161.747)	(6.067.584)
<b>TOTAL</b>	<b>84.433.048</b>	<b>66.214.465</b>

The warehouse stock in hand at 31/03/2014 amounts to 84,433 thousand Euro, net of the warehouse devaluation fund for a total of 6,162 thousand Euro. The net value of the warehouse stock in hand on 31/03/2014 shows an increase equal to 18,219 thousand Euro compared with 31/12/2013. This increase is related to the need to support the production volumes in subsequent quarters.

#### NOTE 6.7 - TRADE RECEIVABLES

The trade receivables on 31/03/2014 amounted to 73,509 thousand Euro and compared to the previous financial year a decrease of 5,325 thousand Euro was experienced.

Trade Receivables	March 31st, 2014	December 31st, 2013
Receivables from customers	76.712.959	82.124.226
Provisions for bad debts	(3.204.388)	(3.291.150)
<b>TOTAL</b>	<b>73.508.571</b>	<b>78.833.076</b>

The decrease in trade receivables between 31/03/2014 and 31/12/2013 reflects the seasonality of sales. With reference to the provision for bad debts there were no significant changes, as it was considered that the credit risk is adequately covered by the provision allocated.

#### NOTE 6.8 - OTHER RECEIVABLES

The other current receivables on 31/03/2014 are equal to 7,767 thousand Euro and are increased in comparison with 31/12/2013 by 1,858 thousand Euro and are subdivided as shown in the following table.

Other Receivables	March 31st, 2014	December 31st, 2013
Accruals and deferred charges	2.994.036	1.440.089
Contribution to be received for R&D projects	2.629.508	2.417.144
Advanced payments to suppliers	1.765.414	1.378.502
Advanced payments to employees	200.665	279.726
Other receivables	177.697	393.945
<b>TOTAL</b>	<b>7.767.320</b>	<b>5.909.406</b>

The other non-current receivables are equal to 21 thousand Euro.

#### NOTE 6.9 - CURRENT TAX RECEIVABLES

The heading amounts to 7,034 thousand Euro in increase of 2,729 thousand Euro compared to 31/12/2013. Tax assets are represented by VAT credits for 4,947 Thousand Euro, a tax credit amounting to 1,048 thousand Euro following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011), which arose in February 2013, by receivables for withholding tax of 542 thousand Euro, by advances from direct taxes of 429 thousand Euro from other receivables for minor tax assets (68 thousand Euro).

#### NOTE 6.10 - NET FINANCIAL POSITION

On 31/03/2014, the net financial position of the Group was negative for an amount of 107,232 thousand Euro, in increase of 7,271 thousand Euro compared to the previous financial year (99,961 thousand euro). For a better understanding of the variation in the net financial position achieved during the first three months of 2014, refer to the consolidated financial report for the period.

As required by the Consob communication No. DEM/6064293 of 28/07/2006, the net financial debt at 31/03/2014 and 31/12/2013 is shown in the following table, determined with the indicated criteria in the CESR (Committee of European Securities Regulators) Recommendations of 10/02/2005 "Recommendations for the uniform activation of the European Commission Regulation on Information Sheets" and quoted by Consob itself.

	March 31st, 2014	December 31st, 2013	Variations
A CASH	18.396	29.194	(10.798)
B OTHER CASH ON HAND	-	-	-
C SECURITIES HELD FOR NEGOTIATION	-	-	-
<b>D CASH ON HAND (A+B+C)</b>	<b>18.396</b>	<b>29.194</b>	<b>(10.798)</b>
<b>E CURRENT FINANCIAL RECEIVABLES</b>	<b>3</b>	<b>47</b>	<b>(44)</b>
F CURRENT BANK PAYABLES	16.413	14.647	1.766
G CURRENT PART OF NON-CURRENT INDEBTEDNESS	36.039	36.113	(74)
H OTHER CURRENT FINANCIAL PAYABLES	1.070	1.070	-
<b>I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)</b>	<b>53.522</b>	<b>51.830</b>	<b>1.692</b>
<b>J NET CURRENT FINANCIAL INDEBTEDNESS</b>	<b>35.123</b>	<b>22.589</b>	<b>12.534</b>
K NON-CURRENT BANK PAYABLES	68.416	73.648	(5.232)
L BOND ISSUED	-	-	-
M OTHER NON-CURRENT FINANCIAL PAYABLES	3.693	3.724	(31)
<b>N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)</b>	<b>72.109</b>	<b>77.372</b>	<b>(5.263)</b>
<b>O NET FINANCIAL INDEBTEDNESS (J+N)</b>	<b>107.232</b>	<b>99.961</b>	<b>7.271</b>

#### LIQUIDITY

For more detail on the related liquid availability, see the Consolidated Financial Report.

#### CURRENT FINANCIAL RECEIVABLES

The Current Financial Receivables amount to 3 thousand Euro and relate to the fair value of some derivative financial instruments to hedge the exchange rate risk (Currency Rate Swap - CRS).

### INDEBTEDNESS WITH BANKS

The main debt included in the bank debt is the FINPOLAR Financing. This financing, which at 31/03/2014 amounts comprehensively to 99,544 thousand Euro, is subdivided as follows: :

- Quota A: medium/long term financing of 6,904 thousand Euro (amortized expiring in February 2015 with a six monthly payment);
- Quota B: medium/long term financing of 63,542 thousand Euro (expiring in February 2016 with a bullet repayment on expiry);
- Quota C2: credit line for anticipated invoices (revolving) used on 31/03/2014 for 8,862 thousand Euro (the credit line is usable for a maximum comprehensive sum of 12,200 thousand Euro for the Group working capital requirements);
- Quota D: credit line for cash of 19,900 thousand Euro (of a maximum capital sum of 20 million Euro);
- on 31/03/2014 matured interest was recorded and not yet liquidated on all the quotas of the FINPOLAR financing for a comprehensive sum on 336 thousand Euro.

The FINPOLAR financing is for 63,769 thousand Euro expiring beyond 12 months.

Please note that on 04/02/2014 the company has correctly paid the expiring instalment relating to the FINPOLAR Financing.

Included in the non-current bank debits are also other bank financing for 591 thousand Euro and the negative fair value of some derivative financial instruments (IRS - Interest Rate Swap) which amount comprehensively to 4,056 thousand Euro. The main contracts are those stipulated by PRIMA INDUSTRIE SpA, in partial cover for the risk of interest rates on the above mentioned FINPOLAR Financing. The effectiveness test carried out on the covering derivative contracts highlighted, on 31/03/2014, a report of substantial effectiveness and therefore, as even the other requirements required by IAS 39 were complied with, they are accounted for using the hedge accounting criterion. The financial instruments, for which the effectiveness test was not carried out, considering their characteristics, were accounted for through the allocation of the related fair value variations allocation in the profit and loss account.

Encompassed into the current bank debt (also considering the current part of the non-current debt) are the FINPOLAR Financing for 35,775 thousand Euro, bank overdrafts for 15,260 thousand Euro and other bank financing for 1,417 thousand Euro.

### OTHER FINANCIAL PAYABLES

The Other financial payables amount comprehensively to 4,763 thousand Euro (of which 1,070 thousand are current).

The other financial payables encompass:

- payables for financial leasing for a sum equal to 2,882 thousand Euro (of which 655 thousand Euro are current);
- other financial payables for 1.881 thousand Euro (of which 415 thousand Euro are current); these payables refer principally to subsidized ministerial loans.

#### MOVEMENT OF PAYABLES DUE TO BANKS AND FINANCING

The payables due to banks and the financing of the PRIMA INDUSTRIE Group on 31/03/2014 (not including the derivatives fair value of derivatives) are equal to 121,574 thousand Euro and during the first quarter of 2014, they have changed as shown in the following table.

<b>PAYABLES TO BANKS AND BORROWINGS</b>	<b>Euro thousand</b>
Payables to banks and borrowings - current portion (December 31st, 2013)	51.830
Payables to banks and borrowings - non current portion (December 31st, 2013)	72.442
<b>TOTAL TO BANKS AND BORROWINGS AT December 31st, 2013</b>	<b>124.272</b>
Variation in consolidation area	
Stipulation of loans and borrowings (including banks overdrafts)	1.516
Repayment of loans and borrowings (including bank overdrafts)	(4.324)
Issuance/ (repayment) of financial leases	113
Exchange rate effect	(3)
<b>TOTAL DEBTS Vs. BANKS AND BORROWINGS at March 31st, 2014</b>	<b>121.574</b>
of which	
Payables to banks and borrowings- current portion (March 31st, 2014)	53.521
Payables to banks and borrowings - non-current portion (March 31st, 2014)	68.053
<b>TOTAL PAYABLES TO BANKS AND BORROWINGS at March 31st, 2014</b>	<b>121.574</b>

#### NOTA 6.11 - NON CURRENT ASSETS DESTINED FOR WIND-UP

On 31/03/2014, the value of the non-current assets destined for wind-up is equal to 1,453 thousand Euro

<b>Non-current assets intended for disinvestment</b>	<b>SUP Investments (*)</b>	<b>Real Property Rivalta sul Mincio</b>	<b>TOTAL</b>
<b>Value at December 31st, 2013</b>	<b>1.149.839</b>	<b>334.000</b>	<b>1.483.839</b>
Currency adjustment	(30.357)	-	(30.357)
<b>Value at March 31st, 2014</b>	<b>1.119.482</b>	<b>334.000</b>	<b>1.453.482</b>

\* Shanghai Unity Prima (SUP)

#### NOTE 6.12 - EQUITY

The net assets of the PRIMA INDUSTRIE group has decreased compared to the end of last financial year of 293 thousand euro. For more detail on the subject, see the movement of net assets statement.

#### NOTE 6.13 - EMPLOYEES BENEFIT LIABILITIES

The heading Benefits to employees includes:

- the Severance Indemnity (TFR) recognized by Italian companies for employees;
- a loyalty premium recognized by the Parent Company and by PRIMA ELECTRO for their own employees;
- a pension fund recognized by PRIMA POWER GmbH and by PRIMA POWER France Sarl to their employees.

The table below compares the items in question.

<b>Employees Benefits</b>	<b>March 31st, 2014</b>	<b>December 31st, 2013</b>
TFR	6.026.693	6.016.463
Fidelity premium and other funds	1.773.829	1.715.077
<b>TOTAL</b>	<b>7.800.522</b>	<b>7.731.540</b>



#### NOTE 6.14 - DEFERRED TAX LIABILITIES

The deferred tax liabilities are equal to 11,198 thousand Euro, an increase compared with the preceding financial year of 848 thousand Euro. It should be noted that this heading includes also fiscal liabilities for deferred taxes on the trademark, on the relation with clients and the Cologna Veneta real estate deriving from the company merger of the FINN-POWER Group amounting to 6,683 thousand Euro.

#### NOTE 6.15 - PROVISIONS

The provisions for liabilities and charges are equal to 11,306 thousand Euro and are decreased compared with 31/12/2013 by 1,260 thousand Euro.

The non-current risks funds refer exclusively to the agent client indemnity fund and amount comprehensively to 136 thousand Euro.

The current risks funds mainly relate to product warranties (equal to 7,279 thousand Euro) and completion of ongoing projects (equal to 3,427 thousand Euro). The Guarantee Fund relates to the provisions for technical guarantee interventions on the group's products and is considered appropriate in comparison to the guarantee costs which have to be provided for.

The other funds amounting to 464 thousand euro refer to legal procedures and other disputes; these funds represent the best estimate by management of the liabilities which must be accounted for with reference to legal proceedings occasioned during normal operational activity with regard to resellers, clients, suppliers or public authorities and also legal proceedings relating to disputes with former employees.

#### NOTE 6.16 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

The value of these payables has increased compared to 31/12/2013 by 13,587 thousand euro. It is recalled that the client accounts heading contains both the accounts on orders relating to machines which have not yet been delivered, as well as those generated by the application of the IAS 18 accounting principle relating to machines already delivered, but not yet accepted by the end client and therefore not written into revenue. The Other payables heading encompasses social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

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

Trade payables, advances and other payables	March 31st, 2014	December 31st, 2013
Trade payables	70.453.819	68.117.926
Advances	21.204.732	13.580.141
Other payables	21.140.111	17.513.397
<b>TOTAL</b>	<b>112.798.662</b>	<b>99.211.464</b>

#### NOTE 6.17 - FISCAL LIABILITIES FOR CURRENT TAXES

The fiscal liabilities for current taxes on 31/03/2014 are equal to 4,069 thousand Euro, a reduction of 638 thousand Euro compared with the previous fiscal year (4,707 thousand euro on 31/12/2013).

#### NOTE 6.18 - NET REVENUES

The income from the sales and services have been increased and commented on chapter 3 of this document "Interim Report on Management" in the paragraph "Income and Profitability".



#### NOTE 6.19 - OTHER INCOME

The other operational income amounts to 1,982 thousand Euro and refers principally to contributions for research and development activity received by public bodies or following cooperation with other industrial companies.

#### NOTE 6.20 - INCREASES IN FIXED ASSETS FOR INTERNAL WORK

The increase is due to internal work on 31/03/2014 amount to 2,971 thousand Euro and refer mainly to the capitalisation of new project development activity (2,872 thousand Euro), of which the technical feasibility has been verified and the generation of probable future economic benefits. The capitalised development activity has been carried out by the Parent Company, by FINN-POWER OY, by FINN-POWER ITALIA Srl, by PRIMA POWER LASERDYNE Llc, by PRIMA ELECTRO SpA, and by PRIMA ELECTRO NORTH AMERICA Llc.

#### NOTA 6.21 - PERSONNEL COSTS

The personnel costs at 31/03/2014 is equal to 23,319 thousand Euro and shows an increase compared with the corresponding period of the previous financial year of 400 thousand Euro.

#### NOTA 6.22 - DEPRECIATION -IMPAIRMENT

The depreciation at 31/03/2014 are equal to 2,753 thousand Euro (of which 2,085 thousand Euro are related to intangible fixed assets). No impairment was made in the first quarter of 2014.

It is opportune to highlight that the amortisation relating to the trademark and relationships with clients ("customers list") amount to a comprehensive 763 thousand Euro, while those relating to development costs are equal to 1,199 thousand Euro.

#### NOTE 6.23 - OTHER OPERATING EXPENSES

The Other operating costs for the first three months of 2014 amounted to 17,326 thousand Euro and remained unchanged compared with the same period of the previous year where they amounted to 17,376 thousand Euro at 31/12/2013.

#### NOTE 6.24 - FINANCIAL INCOME AND CHARGES

The financial management of the first three months of 2014 shows a negative result of 1,701 thousand Euro.

<b>Financial Management</b>	<b>March 31st, 2014</b>	<b>December 31st, 2013</b>
Financial income	27.532	155.100
Financial costs	(1.855.009)	(2.465.416)
<b>Net Financial costs</b>	<b>(1.827.477)</b>	<b>(2.310.316)</b>
Net result deriving from transactions in foreign currency	126.302	(62.892)
<b>Total Financial Management</b>	<b>(1.701.175)</b>	<b>(2.373.208)</b>

The financial burdens relating to the FINPOLAR Financing sustained by PRIMA INDUSTRIE are equal to 780 thousand Euro, while the financial burdens on the derivatives stipulated by the group are equal to 498 thousand Euro.

#### NOTE 6.25- CURRENT AND DEFERRED TAXES

The taxes on income for the first three months of 2014 show a net negative balance of 1,030 thousand Euro, of which IRAP (Regional income tax) equal to 330 thousand Euro. It should be noted that the tax burden of 2013 included a positive effect due to a tax credit amounting to

1,048 thousand Euro following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011).

#### NOTE 6.26 - EARNINGS PER SHARE

##### (a) Earnings per share

The earnings per share is determined by dividing the profits attributable to the shareholders from the Parent Company by the average number of shares in circulation during the period, excluding ordinary shares bought by the Parent Company, held as own shares in portfolio.

During the first three months of 2014, the average shares in circulation is equal to 10,483,274; therefore the earnings per share in the first three months of 2014 amounted to a loss of 0.06 per share (against a loss of 0.09 Euro per share at 31/03/2014).

BASIC PROFIT PER SHARE	March 31st, 2014	March 31st, 2013
Profit due to shareholders (Euro/000)	(632)	(803)
Weighted average number of ordinary shares	10.483.274	8.643.190
Basic profit per share	(0,06)	(0,09)

##### (b) Diluted profits per share

The diluted profits per share is calculated by dividing the profits attributable to the shareholders of the Parent Company by the considered average of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect.

DILUTED RESULT PER SHARE	March 31st, 2014	March 31st, 2013
Profit due to shareholders(Euro/000)	(632)	(803)
Weighted average number of ordinary shares	10.483.274	8.643.190
Corrected average number of ordinary shares	10.585.274	10.981.512
Diluted result per share (Euro)	(0,06)	(0,07)

These shares attached to stock option were considered as potential ordinary shares with dilutive effect.

In relation to the stock option plan, see the paragraph in this document specifically dedicated to this topic.

The diluted earnings per share reported in the financial statements is the same as the base, as required by IAS/IFRS accounting principles in the event that an anti-dilution situation occurs (i.e. the loss arising from the dilutive calculation is less than the base loss).

#### NOTE 6.27 - TRANSACTIONS WITH RELATED PARTIES

Transactions with co-related parties concern the relationships with strategic management and the Board of Auditors.

OPERATIONS WITH RELATED PARTIES	Strategic Management	Board of Statutory auditors	TOTAL
PAYABLES AS OF 01/01/2014	476.539	95.000	571.539
PAYABLES AS OF 31/03/2014	242.985	121.250	364.235
COST 01/01/2014 - 31/03/2014	290.165	26.250	316.415
VARIATIONS IN PAYABLES			
01/01/2014 - 31/03/2014	(233.554)	26.250	(207.304)

## NOTE 6.28 - SECTOR INFORMATION SHEET

Attention is drawn to the fact that not all the data shown below are directly comparable with those presented in chapters "3 - Interim Report on the Management of the Group" and "4 - Economical Progress by Sector", given that the latter are expressed as gross of the inter-sector parties.

### Information sheet by sector of activity

The inter-sector returns have been determined on the basis of market prices.

The operational sectors of the group are the following two:

- PRIMA POWER
- PRIMA ELECTRO

The principal sector details are supplied below.

Sector profit as of March 31st, 2014	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total sector revenues	55.114	12.625	-	67.739
(Inter-sector revenues)	(2)	(3.270)	-	(3.272)
<b>Revenues</b>	<b>55.112</b>	<b>9.355</b>	-	<b>64.467</b>
<b>EBITDA</b>	<b>3.964</b>	<b>836</b>	-	<b>4.800</b>
<b>EBIT</b>	<b>1.786</b>	<b>261</b>	-	<b>2.047</b>
Net financial expenses /income	(1.525)	(176)	-	(1.701)
<b>Profit before taxes</b>	<b>261</b>	<b>85</b>	-	<b>346</b>
Taxes	-	-	(1.030)	(1.030)
<b>Net result</b>	-	-	-	<b>(684)</b>

*EBIT and EBITDA values here presented are not reconcilable with the data presented in Chapter 4 - ECONOMIC PERFORMANCE BY SEGMENT since they are not presented at net of inter-sector items.*

Sector assets and liabilities as of March 31st, 2014	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	289.285	53.933	34.001	377.219
Related Parties, J/V and other equity investments (*)	1.179	173	-	1.352
<b>Total assets</b>	<b>290.464</b>	<b>54.106</b>	<b>34.001</b>	<b>378.571</b>
<b>Liabilities</b>	<b>116.376</b>	<b>15.529</b>	<b>140.898</b>	<b>272.803</b>

*(\*) including the investments classified in the Assets held for sale*

Sector profit as of March 31st, 2013	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total sector revenues	60.833	15.888	-	76.721
(Inter-sector revenues)	(14)	(3.826)	-	(3.840)
<b>Revenues</b>	<b>60.819</b>	<b>12.062</b>	-	<b>72.881</b>
<b>EBITDA</b>	<b>2.223</b>	<b>2.419</b>	-	<b>4.642</b>
<b>EBIT</b>	<b>(239)</b>	<b>1.921</b>	-	<b>1.682</b>
Net Financial cost/income	(2.179)	(194)	-	(2.373)
Income/expenses from affiliates and Joint Ventures	(1)	-	-	(1)
<b>Profit before tax</b>	-	-	-	<b>(692)</b>
Taxes	-	-	(111)	(111)
<b>Net result</b>	-	-	-	<b>(803)</b>

*EBIT and EBITDA values here presented are not reconcilable with the data presented in Chapter 4 - ECONOMIC PERFORMANCE BY SEGMENT since they are not presented at net of inter-sector items.*

Sector assets and liabilities as of March 31st, 2013	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	277.800	62.188	31.868	371.856
Related Parties, J/V and other equity investments (*)	3.812	462	-	4.274
<b>Total assets</b>	<b>281.612</b>	<b>62.650</b>	<b>31.868</b>	<b>376.130</b>
<b>Liabilities</b>	<b>109.935</b>	<b>17.111</b>	<b>164.925</b>	<b>291.971</b>

*(\*) including the investments classified in the Assets held for sale*

#### Information sheet by geographic area

For details regarding the information on returns subdivided by geographical area, see the information shown in Chapter 3 "Interim Report on Management of the Group", in the paragraph "Income and Profitability".

#### NOTE 6.29 - MANAGEMENT OF FINANCIAL RISKS

The financial instruments of the Group, aimed at financing the operational activity, include the bank financing, the financial leasing contracts and factoring, the cash and short term bank deposits. There are then other financial instruments, such as commercial payables and receivables, deriving from the operational activity. The group has also carried out operations in derivatives, primarily "Interest Rate Swap - IRS" contracts. The aim of these instruments is to manage the interest rate risks generated by the Group operations and from their sources of financing.

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

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

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

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


#### **Interest rate risk**

The debit position towards the credit system and capital markets can be negotiated at a fixed or variable rate.

Variations of interest rate in the market generate the following categories of risk:

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

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

- Interest rate            Management/Hedging

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

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


### **Exchange rate risk**

The debit position towards the banking system and the capital market, as well as towards other creditors, can be expressed in one's own account currency (Euro), or in other currencies on account. In this case, the financial burden of the debit in currency is subject to the interest rate risks, not of the European market, but of the market of the chosen currency.

The attitude and strategy to follow with regards to risk factors are determined by the plurality of elements which concerned both the characteristics of the reference market and their impact on the company balance sheet results. Indeed, four possible strategic and distinctive areas for the operational management of individual risk factors can be identified:

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

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

- Exchange rate                                            Management/Hedging

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

In relation to the commercial transactions, on the other hand, at Group level there exists a certain exposure to exchange rate risk, because the fluctuations of purchase in U.S. dollars (substantially the only relevant accounting currency different from the Euro) of the Parent Company PRIMA INDUSTRIE SpA, of FINN-POWER OY and of PRIMA ELECTRO SpA are not sufficient to balance the fluctuations of sales carried out in U.S. dollars and because the Group also works with other currencies for which hedging transactions are not available (or appropriate).

Nevertheless, the Group carries out monitoring to reduce such exchange risks even through the use of covering instruments.

With regard to account currencies different from the U.S. dollar, which concern almost exclusively some of the subsidiary companies which carry out sales and after sales service activities, the risk management strategy is rather one of acceptance, both because they normally deal with sums of modest value, and because of the difficulty of finding suitable covering instruments.

### **Credit risk**

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

For this purpose, with regards to PRIMA INDUSTRIE, a function of Group of credit management to PRIMA INDUSTRIE, a function of Group of credit management has been put in place.

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

In compliance with the CONSOB DEM/RM 11070007 communication of 05/08/2011, we inform that the PRIMA INDUSTRIE Group Holds no bonds issued by central and local governments nor by government bodies, and has certainly not granted loans to these institutions.

### **Liquidity risk**

The liquidity risk represents the risk that the financial resources are not sufficient to fund the financial and commercial obligations within the pre-established periods and due dates.

The risk of liquidity to which the group is subject may emerge from late payments on its sales and more generally from the difficulty of obtaining financing to support operational activities in the time necessary. The cash flows, the financing needs and the liquidity of the group companies are monitored or managed centrally under the control of the Group Treasury, with the aims of guaranteeing effective and efficient management of financial resources.

The Group operates with the aims of carrying out collection operations on the various financial markets with varied techniques, with the aims of guaranteeing a correct level of liquidity whether current or prospective. The strategic aim is to ensure that at any moment of the group has sufficient credit lines to service financial due dates over the following twelve months.

The current difficult market environment whether operational or financial requires particular attention to the management of liquidity risks and, in this sense, particular attention is given to those actions aimed at generating financial resources through operational management and the maintenance of an adequate level of available liquidity.

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

### **NOTE 6.30 - SUBSEQUENT EVENTS**

No events have took place after the reference date of the Interim Management Report that, if known, would have resulted in a correction of the values.

Signature of the authorized governing body



## **CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31/03/2014**

**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 corresponds to the document results, books and accounting records.