

INNOVATION
IS LOOKING
BEYOND

2018
SUSTAINABILITY REPORT

An aerial photograph of a lush green forest with a winding river. The trees are dense and vibrant green, and the river is a dark, winding path through the center of the forest. The word "BEYOND" is written in large, white, 3D-style letters across the middle of the image.

BEYOND

An aerial photograph showing a river winding through a dense forest of green trees. The water is a deep blue-green color, and the surrounding forest is a vibrant green. The trees are densely packed, and the river flows through the center of the frame.

"RELIABLE
FOR YOU."

2018 SUSTAINABILITY REPORT

(Non-financial consolidated statement prepared in accordance with Legislative Decree 254/2016)

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Letter from top management

“The growth achieved was made possible through responsible management of the company, aimed at increasing our ability to generate value with a sustainable outlook.”

Dear Stakeholders,

With the 2018 Sustainability Report, Prima Industrie is presenting its second balance sheet dedicated to describing how the Group does business not only from a productive standpoint, but also in an economic, social and environmental scope, to reinforce dialogue with its partners and increase involvement.

Once again this year, the report was drafted in conformity with the most recent, accredited international standards for accounting sustainability (GRI Standards), and reviewed by the Pricewaterhouse Coopers S.p.A legal auditing firm.

The 2018 report presents the results of strategies and projects implemented at an international level on several sustainability fronts, and the obtainment of preset targets in the previous edition.

Prima Industrie wishes to emphasize that the growth achieved was made possible through responsible management of the company, aimed at increasing our ability to generate value with a sustainable outlook (financially, socially and environmentally). In order to achieve this, we have paid due attention to the expectations of all stakeholders who, whether directly or indirectly, attribute value to and are affected by the decisions and activities of Prima Industrie.

With the Sustainability Report, the company also intends to communicate its responsible path, consisting of behaviors, practices, values and sustainable products, to recount and measure the internal and external impact of business on the primary stakeholders and the local area of reference.

Starting from the needs of the customers, but also the expectations of all other stakeholders, Prima Industrie has responded to the challenge of guaranteeing the

rights that are required in modern society: saving energy, curbing pollution, safeguarding the health and safety of workers, reducing waste, ensuring closer collaboration between humans and machines, social responsibility towards the community.

In all this, it is always people who make a difference. Their understanding of sustainability and its importance to their respective activities and areas of responsibility is the cornerstone of our progress.

We are convinced that sustainability is increasingly important for the success of our business. It contributes to our growth, improves our cost efficiency and reduces risks. At the same time, only through sustainable business practices can we maintain the foundations for a sustainable society and a solid economy.

This report is the fruit of teamwork by people who share the utmost enthusiasm and professionalism, who accounted all of the activities of Prima Industrie according to a quantitative and qualitative profile, relative to environmental and social themes, attentive to personnel and respect for human rights and the fight against corruption.

The perimeter of reference for the Sustainability Report includes, in addition to the Prima Industrie Parent Company, the most important subsidiary companies, demonstrating that the themes involving sustainability are a common heritage within the group and that the entire productive and commercial process is founded on these concepts, involving all of the players around the world.

We therefore thank all our employees, partners, customers, shareholders and stakeholders for contributing to a successful year and for accompanying us on our journey of sustainability to ensure a better world for present and future generations.

The Chairman of the Board of Directors

1. Methodological note

“For Prima Industrie, the Sustainability Report also represents a vehicle to ensure maximum transparency for its stakeholders and for reporting on its initiatives and performance regarding environmental and social sustainability.”



1.1 REPORTING GOALS

With this second edition of the Sustainability Report the Prima Industrie Group (hereinafter, for the sake of brevity, referred to as “the Group” or “Prima Industrie”) is responding to the requirements of Legislative Decree 254/16, issued to implement “Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial information and diversity information by certain large undertakings and groups” (hereinafter, for the sake of brevity, also “the Decree”), presenting the “Consolidated non-financial statement” in the form of a “separate report”, as set forth in art. 5 Publishing of the declaration and publishing standards for the Decree.

In accordance with the Decree (Art. 3 and 4), the Group, in the scope of the applicability of the Decree, must draft

a non-financial document that, “*in a measure necessary to ensure comprehension of company’s activities, its progress, results and impact produced by the same, covers themes pertinent to the environmental, social issues, personnel, respect for human rights and the fight against corruption, direct and indirect, relevant in light of the specific activities and characteristics of the company*”.

The Sustainability Report (henceforth, for the sake of brevity, “Report” or “document”), in addition to acting as a tool for satisfying the requirements of said Decree, also represents a vehicle to ensure maximum transparency for its stakeholders and for reporting on its initiatives and performance regarding environmental and social sustainability.

1.2 REPORTING STANDARDS

Legislative Decree 254/2016 requires reporting on the topics mentioned in the preceding paragraph "in accordance with the methods and principles provided under the Reporting Standard used as reference or under the independent reporting method used for preparing the disclosure".

With regard to this aspect, Prima Industrie has decided to use the GRI Standards issued by the "Global Reporting Initiative" as the technical and methodological reference for reporting the information required by the Decree and contained in this document. Specifically, the Group has not chosen to prepare the document according one of the two options (*Core* or *Comprehensive*) set out in the GRI guidelines; instead, we used a selected set of GRI Standards to report the specific information required by the Decree, in compliance with section 3 of GRI 101 Standard: Foundation (Making claims related to the use of the GRI Standards).

References to the selected GRI Standards are reported within the document in correspondence to the data they refer to for relative calculations, as well as in the summary table of indicators reported at the end of this Report.

Relative to some topics (e.g. customer satisfaction), Prima Industrie, not having a specific indicator within the GRI Standards, decided to account its own performance indicators using specific non-GRI indicators, which are also included in the table at the end of the document.

1.3 REPORTING PERIMETER AND PERIOD

The non-financial data and information contained in this document concern the following companies in the Prima Industrie Group:

- **Prima Industrie SpA**
- **Finn-Power OY**
- **Prima Electro SpA**
- **Prima Power GmbH**

- **Prima Power Iberica SL**
- **Prima Power Laserdyne Llc**
- **Prima Power North America Inc**
- **Prima Power Suzhou Co. Ltd.**

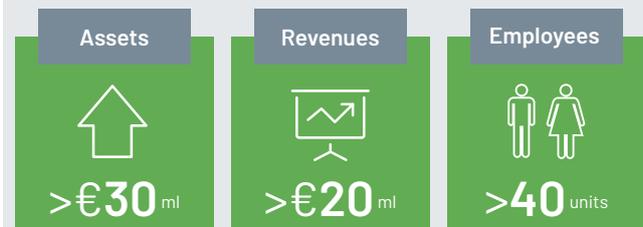
For further information about the composition of the Group, refer to Chapter 2 in the point dedicated to Group Companies.

In respect to the last fiscal year, the Chinese company Prima Power Suzhou Co. Ltd. has been included. It should also be noted that on 25/01/2018, with legal validity dated 02/01/2018, the company Finn-Power Italia Srl was merged and incorporated into Prima Industrie SpA (100% shareholder); the accounting and fiscal effects are back-dated to 01/01/2018.

Therefore, Finn Power Italia Srl, indicated as an autonomous legal entity in the 2017 period of reference, was included in the data for Prima Industrie SpA for 2018.

Despite the increased number of companies included in the consolidated financial perimeter, for the purpose of accounting non-financial type information the Group decided to restrict analysis to a limited perimeter of companies, without any prejudice against the completeness of the information with reference to the minimum elements required by Legislative Decree 254/2016.

When defining the reporting perimeter, Prima Industrie considered the following three parameters (unchanged in respect to the previous fiscal year):



including within the perimeter the Group companies which at 31/12/2017 met at least two of the three set parameters.

With reference to the 2016-2018 accounting period (data on 31/12/2018, on 31/12/2017 and on 31/12/2016 for the Prima Industrie group), the percentages of



coverage reached through the selection of the previously mentioned companies are the following:

% on aggregated datum	2018	2017	2016
Assets	92%	90%	89%
Revenues	88%	85%	84%
No. of Employees	87%	80%	82%

Relative to the consolidated companies, Prima Industrie reserves the right to integrate the perimeter taken into consideration for the future to guarantee better conformity with the requirements set forth in the Decree.

As required by Legislative Decree 254/16, in order to ensure comparison of the information to the information from the previous fiscal years, and also to respect the principle of comparability as required by GRI Standards, the quantitative data reported in this document refer to the fiscal years 2016, 2017 and 2018. Relative to the data for the newly included Prima Power Suzhou, the

data are exhibited only for 2018; and in the case of reclassifications made in 2018 to better exhibit this information, the data exhibited refer only to 2018.

Any exceptions to the above-identified criteria are reported in the single sections of the Report.

This Sustainability Report has been audited by PricewaterhouseCoopers SpA. The results of the inspections performed on the prepared non-financial declaration and conformity of the information provided in respect to the requirements set forth in Legislative Decree 254/2016 and respect for the principles, methodologies and practices set forth in section 3 of Art. 3 of the Decree are presented in the report drafted by the auditing firm, reported at the conclusion of this document.

For more information on the issues dealt with in this document, please contact the Prima Industrie Group at: ir@primaindustrie.com.

1.4 SUSTAINABILITY REPORT DRAFTING PROCESS

The Prima Industrie Group has defined a specific, shared and organized procedure for collecting and processing data, managed internally by a Work Group coordinated by corporate departments (Finance, Legal and Internal Audit), which exchanges information with the managers of the single operating areas of the two divisions (Prima Power and Prima Electro) on the single topics being monitored. The responsibility for the project is assigned to the Director of the Group supported by the coordination of activities by the previously mentioned corporate departments.

The Work Group carries out its activities and shares their initial organization with the external Audit Firm, then provides support over the course of data collection and processing with all the peripheral structures (Group companies included in the consolidated data area for the purpose of this Sustainability Report).

The purpose of the activities carried out by the central

corporate departments is to render (in the presence of legal entities with headquarters in different countries and on different continents) the collection and exhibition of data as homogeneous as possible, overcoming the intrinsic differences originating from diverse local laws (e.g. the various classifications of employees), as well as diverse local methods for interpreting the classification parameters used on the data.

The Work Group is therefore responsible for:

- constantly communicating with the external auditing firm to share the framework of the data collection structures, as well as identifying the type of necessary documentation to support the data, which will then be objectively verified and controlled by the auditing firm;
- supplying the managers of the various operating areas of the companies that fall within the perimeter of reference for the project with adequate constant training to support their activities and render the collection and exhibition of data homogeneous;
- managing the non-financial data collection process through the competent corporate departments for



matters involving all of the Group companies that fall within the perimeter of reference, defining and monitoring the collection times, aligned with the deadlines dictated in the comprehensive financial reporting process;

- centrally grouping the transmitted data from the single companies, eliminating any non-homogeneous elements, to present the data in the document clearly and immediately to the stakeholders of reference;
 - stimulating, with reference to the sensitive topics identified by the Parent Company Board of Directors, all possible improvements of a procedural and/or organizational nature to increase the quality of the level of attention in all the corporate components for the same topics.
- The reporting process is articulated into the following temporal stages:
- identification of the perimeter in question for accounting purposes, based on the parameters considered appropriate for a correct and representational overview of the Group;
 - preparation and updating of the materiality analysis;
 - definition of non-financial indicators to be accounted;
 - preparation of the timeline for the activities;
 - sharing of the identified perimeter, identified topics, relative indicators and accounting process timetables for non-financial information with Top Management;
 - sharing the forms used for collecting data and information with the auditing firm;
 - identification of personnel to be involved;
 - training for the personnel on regulatory aspects and guidelines for data collection;
 - division of the topics to be developed relative to the qualitative aspects;
 - preparation of a document draft, periodically updated, to be submitted for validation by corporate Top Management;
 - assurance from the auditing firm;
 - presentation of the report to the Board of Directors and shareholders, and its publication.



1.5 STAKEHOLDER ENGAGEMENT

When deciding on the structure and content of this document, Prima Industrie took not only the requirements of the Decree into account, but also its own business activities, the interests of its stakeholders and their expectations.

The Group considers the involvement of its stakeholders to be an important aspect in the management of social, environmental and economic themes.

To define the most important issues to be included and developed in this Report, Prima Industrie:

- identified its stakeholders;
- analyzed the sustainability context and its reference sector by benchmarking its main competitors and analyzing the issues though to apply its core business;
- assessed the expectations and issues of greatest interest to its stakeholders and conducted a materiality analysis of the sustainability issues that are most significant for the Group, through internal stakeholder engagement, which included the transversal involvement of all departments in the parent company in a dedicated working group. Each Management Head was asked to attribute priorities to the topics set forth in Art. 3 of the Decree and for the topics considered relevant for the core business of the Group and its stakeholders, assessing the importance of the topics from the point of view of Prima Industrie and that of the stakeholders of reference.

Stakeholders were identified as those subjects (individuals, groups, organizations) with financial links to the company or with various interests in it or those significantly affected by it.

This document provides the above stakeholders of Prima Industrie with an overall picture of the Group's performance in terms of sustainability.

Providing useful information regarding the sustainability of its business, the Prima Industrie Group offers stakeholders the opportunity to increase and improve their ability to make choices and assessments, also with regard to ethical and social matters.

The Group's focus on sustainability issues is mainly reflected in its customers, who are in direct contact with final consumers, building a good reputation for those who have invested in a responsible company. In addition to these, there are a number of subjects who can influence or are influenced by the activities of the Prima Industrie Group in terms of products, policies and processes. This broader picture includes public institutions, business associations, trade unions, schools and universities, local authorities, etc.

The Group has worked consistently over time to develop an information and communication system used to interact and dialogue with all of its local, national and international interlocutors.

PRIMA INDUSTRIE STAKEHOLDERS

INTERNAL STAKEHOLDERS	MARKET	CONTEXT AND COMMUNITY	INSTITUTIONS AND ASSOCIATIONS
Shareholders	Customers	States	Industry associations
Bondholders	Suppliers	Local communities and authorities	Legislators
Employees and collaborators	Financial community	Schools and universities	Monitoring bodies and authorities
Labor Unions	Analysts	Media	Banks and lending institutions

1.6 MATERIALITY ANALYSIS

The result of the materiality analysis conducted by Prima Industrie is summarized in the following materiality Matrix.



BUSINESS AND GOVERNANCE TOPICS

- 1 Return on capital
- 2 Information-Media
- 3 Subcontractors and suppliers management
- 4 Risk Management
- 5 Innovation
- 6 Economic and financial growth
- 7 Quality
- 8 Anti-Corruption
- 9 Regulatory compliance
- 10 Ethics and integrity
- 11 Transparency
- 12 Image and reputation
- 13 Customer satisfaction
- 14 Process digitization
- 15 Product traceability



SOCIAL TOPICS

- 16 Health & Safety (internal and external)
- 17 Human resources management and social issues
- 18 Equal opportunities and non-discrimination
- 19 Human rights



ENVIRONMENTAL TOPICS

- 20 Emissions management
- 21 Energy resource management
- 22 Waste management
- 23 Water resource management

The graph summarizes the result of the materiality analysis conducted by Prima Industrie, in order to identify the most important sustainability issues for sustainability reporting purposes, those aspects that have a significant impact on the financial social and environmental performance of the company and which could substantially affect the assessments and decisions of stakeholders are considered important or material.

Therefore, the materiality analysis takes into consideration not only the point of view of the organization, but also that of the stakeholders.

These issues are placed in the upper right section of the materiality matrix and are disclosed in this document. Although "Water resource management" is provided for in Legislative Decree 254/2016, it is not included in

this section because it is not considered material for the Group, given the atypical nature of its business.

Indeed, the Group's production cycle for finished products does not include processes that are typical of heavy industry. There are no large fixed installations, such as assembly lines. The main production phases include the assembly of semi-finished products and the commissioning of machines. For these reasons, water is not used for production and technology. The only water consumed is for sanitary use and therefore volumes are negligible. In respect to the materiality matrix reported in the previous edition of the document, the customer satisfaction item was the most relevant, representing an irreplaceable element for the success of the Group. Starting in 2018, the Group has constantly monitored customer feedback.



2. The Prima Industrie Group

“A leading Group in the development, production and sale of laser systems for industrial applications and machines for sheet metal processing, as well as industrial electronics and laser technologies.”



2.1 ABOUT US

Introduction

Prima Industrie SpA is an Italian company limited by shares with registered office at 32 Via Antonelli, Collegno (Turin).

Founded in 1977, Prima Industrie SpA heads a leading Group in the sector of the development, production and sale of laser systems for industrial applications and machines for sheet metal processing, as well as industrial electronics and laser technologies. With 40 years of experience, the Group has over 13,000 machines installed in more than 80 countries and is one of the world's leading manufacturers in its reference markets.

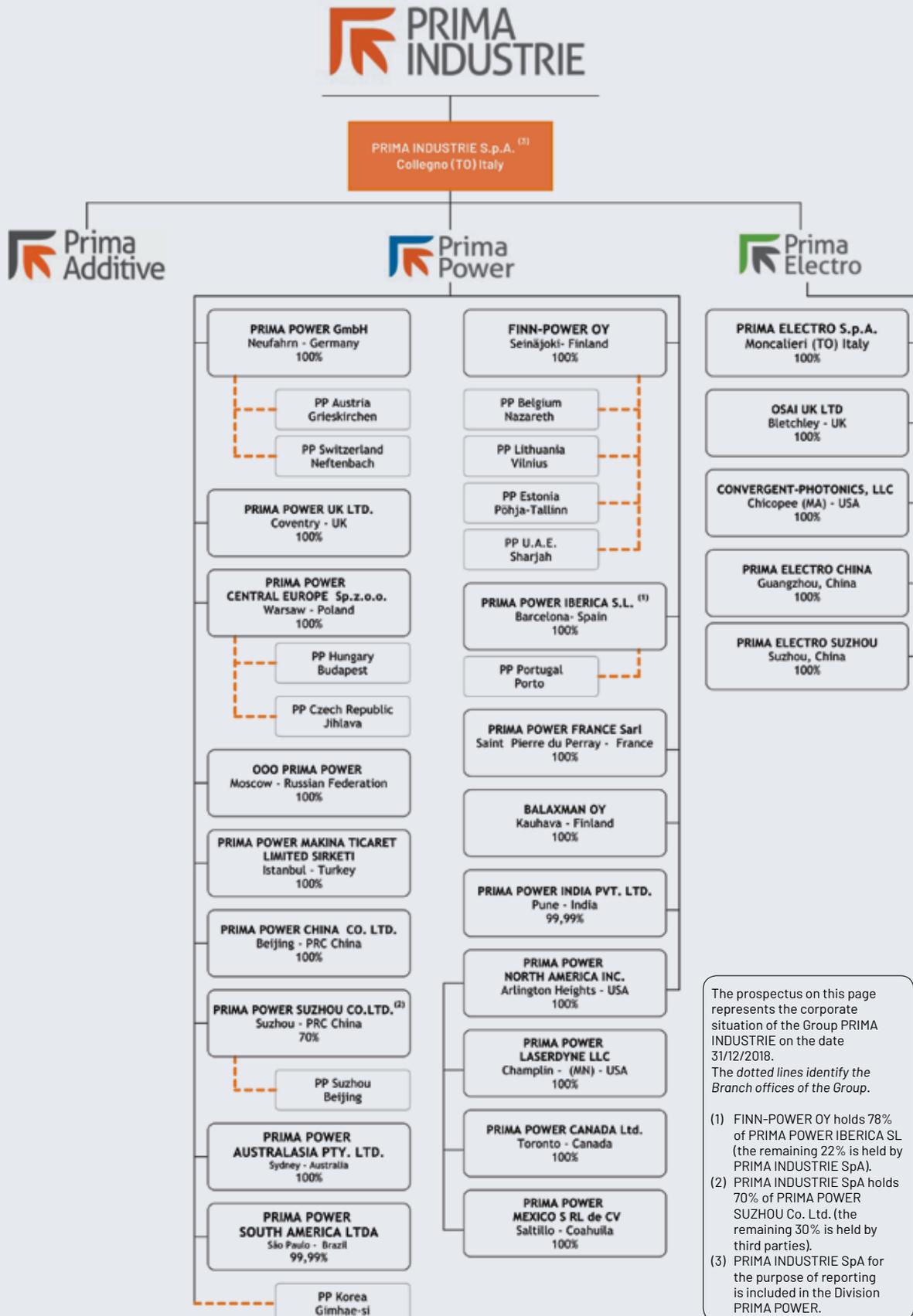
The Group has approximately 1,800 employees and production plants in Italy (PRIMA INDUSTRIE SpA,

PRIMA ELECTRO SpA, Finland (FINN-POWER OY), USA (CONVERGENT PHOTONICS Lic, PRIMA POWER LASERDYNE Lic) and China (Prima Power Suzhou Co. Ltd).

The Group also boasts a considerable direct sales and after-sales presence in BRIC and NAFTA countries, the European Union and other emerging markets in Asia.

The Prima Industrie Group is structured into two divisions: Laser Machines and machines for sheet metal processing (Prima Power) and Industrial Electronics and laser technologies (Prima Electro), to which a third division was recently added, dedicated to the design, production and sale of turn-key solutions for Additive Manufacturing technologies (Prima Additive).

Companies belonging to the Group



The prospectus on this page represents the corporate situation of the Group PRIMA INDUSTRIE on the date 31/12/2018. The dotted lines identify the Branch offices of the Group.

(1) FINN-POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).

(2) PRIMA INDUSTRIE SpA holds 70% of PRIMA POWER SUZHOU Co. Ltd. (the remaining 30% is held by third parties).

(3) PRIMA INDUSTRIE SpA for the purpose of reporting is included in the Division PRIMA POWER.

The Group companies included in the perimeter of this document are highlighted in section “1.3 Perimeter and accounting period”.

2.2 THE GROUP'S BUSINESS

Main activities

The Group's activities are organized into three divisions, described below.

The **Prima Power Division** includes laser machines and sheet metal processing.

It designs, manufactures and sells:

Laser Machines. The Group designs, manufactures and sells laser machines for cutting and welding sheet metal in production or prototyping processes. The laser machines produced may be 2D or 3D laser machines, depending on whether the laser beam is applied to flat or curved sheet metal.

2D Laser machines are primarily destined for cutting and welding applications for the production of sheet metal components for applications in diverse sectors,

including electrical and hydraulic machinery, agricultural machinery and industrial vehicles, and other machinery. These machines typically operate on 3 axes and are used for sheet metal processing, specifically for cutting and welding forms on a flat surface, providing high precision, flexibility and speed.

The 3DLaser Machines developed and manufactured by the Group are primarily used for the production of 3D components, or for processing modeled and shaped materials with applications commonly used in the automotive, aerospace and energy sectors. More complex than 2D laser machines, these work on 5 axes. However, whereas sheet metal is processed flat in 2D laser machines, in 3D Laser Machines sheet metal parts are bent and molded.

Machines for sheet metal processing. This category includes the design, production and marketing of machines (complementary to laser cutting) for sheet metal processing using mechanical tools. The Group offers a wide range of machines for cutting and bending flat sheets, such as:



- Punching machines
- Integrated punching and shearing systems
- Integrated punching and laser cutting systems
- Paneling systems
- Bending machines
- Bending presses
- Automation systems

Sheet metal processing machines are mainly used in the following industries: telecommunications, HVAC (heating, ventilating, air-conditioning), electrical equipment, lighting systems, agricultural machinery, household appliances, metal furniture and others.

The **Prima Electro Division** includes industrial electronics and laser sources as well as the design and development of power and control electronics, with the related software. Furthermore, the Group designs and manufactures internally numerical controls, which are then integrated into the laser machines it produces.

The division operates in the **electronics sector** with the Prima Electro and Osai brands (Osai SpA acquired in 2007).

It also includes **laser sources**, which are one of the laser machine components with the greatest technological content and the added value. The Group designs and manufactures laser sources internally, which are later integrated into the laser machines it produces.

The Group believes that having this technology is a critical factor for success in a competitive market. In addition to the production and manufacture of CO₂ laser sources, the Group, on trend with the most recent market developments, has started manufacturing laser sources with fiber technology, making it the only manufacturer of laser machines to also have its own laser source with fiber technology.

In the laser sources sector, the division operates under the Convergent and Convergent Photonics brands (Convergent was the name of the laser source specialist company acquired by the Group in 2000).

It should be noted that over the course of the third quarter of 2018, the Group presented the new division **Prima Additive**, dedicated to turn-key solutions in the Additive Manufacturing sector, both for Metal Powder Bed technologies, as well as Direct Deposition technologies and relative applications and support. Prima Additive then became the third division of the Group, alongside Prima Power and Prima Electro. The new division is distinguished by the work of young professionals, highly specialized and qualified managers, and engineers. The economic and financial data of Prima Additive are for the moment negligible, and for the purpose of this sector information section, they do not meet the quantitative threshold set forth by IFRS 8, and therefore this information is aggregated with the information for the Prima Power division for 2018.



Production platform

The Group's production platform consists of 8 production plants working in specialist areas of business or technology. Of these plants, 4 are in Italy, 1 in Finland, 2 in the United States and 1 in China.



Collegno, Turin - Italy

2D laser machines and 3D laser machines (except for Prima Power Laserdyne Laserdyne models) Additive Manufacturing Technology.



Moncalieri, Turin - Italy

Development and production of electronic boards.



Barone, Turin - Italy

Product Assembly OSAI



Cologna Veneta, Verona - Italy

Paneling machines and pressing-bending machines



Champlin, MN - USA

3D laser machines for aerospace and energy applications.



Chicopee, MA - USA

Convergent Laser Sources.



Seinäjoki - Finland

Machines for sheet metal processing: Punching systems, integrated punching and shearing systems integrated punching and laser cutting systems.



Suzhou - China

Prima Power Division: 2D Laser Machines and Punching Machines
Prima Electro Division: Industrial Electronics

Production is organized according to a lean production model, with only the key phases of production conducted internally, and outsourcing of most of the subsequent assembly of low-added value components, which are purchased externally.

At the end of the assembly phase, all machines manufactured by the Group undergo systematic quality controls. These mainly take place through testing and certify the successful conclusion of the production process and authorization for delivery to the customer. Metrological testing is carried out to verify compliance with accuracy parameters, along with functional tests to verify compliance with standards in terms of performance.

Research and Development

The Group is particularly involved in research and development at various production sites. Dedicated teams study new products and provide support for each product line. Research and development are mainly carried out within the Group. This is particularly important because, on one hand, it enables us to stay constantly at the forefront in a sector where technological progress is a critical factor for success. On the other hand, it ensures faster development of products that can meet the multiple needs of our customers.

The Group's products feature advanced technological complexity and require multidisciplinary knowledge (instrumental mechanics, signal and power electronics, sensors, optics, information technology). The availability of these skills within the Group ensures a high level of innovation and, consequently, a strong competitive edge, which allows us to respond to the specific needs of customers.

The Group is also leading the industrial revolution as supplier of solutions for 4.0 sheet metal working and smart manufacturing. Thanks to our innovative technologies and know-how, Prima Industrie can help customers benefit from the important competitive opportunities of the new digital age.

Sales network

The Group sells products in approximately 80 countries worldwide, mainly through its internal network of agents and/or distributors in some specific countries. Depending on the product family, the Group's customers are both end customers and industrial subcontractors.

In the countries where it has a direct presence, the Group provides after-sales service to customers for installed products. After-sales mainly cover the following:



- sale of components and spare parts;
- repair of machines on customer premises;
- repair of industrial electronics products at the Group's facilities;
- preventive maintenance contracts;
- extraordinary maintenance and retrofitting.

Owing to the increasing number of machines that are installed and are active, service generates recurring revenues. This activity enables the Group to reduce its exposure to the cyclical nature of its markets. Service is organized so that it optimizes the availability of spare parts and quickly meets demand. Fast service is particularly important for minimizing machine downtime and hence periods of non-productivity for customers. The Group's global service network is made up of specialized companies, each responsible for a specific area with a team of service professionals.

Staff are regularly trained to keep up with developing technology. Our Technology and Training Centers in Finland, Italy, US and China are used for customer training when supplying large systems.

Our head office in Collegno (Turin) and our offices in Kauhava (Finland) and Cologna Veneta (Verona) are the Group's main know-how and service centers. Their tasks include providing support to the various service centers in different countries, developing and giving advice on the entire range of services offered.

In countries where the distributors are organized to provide after-sales service, the Group supplies the distributor with spare parts and assistance in special cases.

Key factors for success

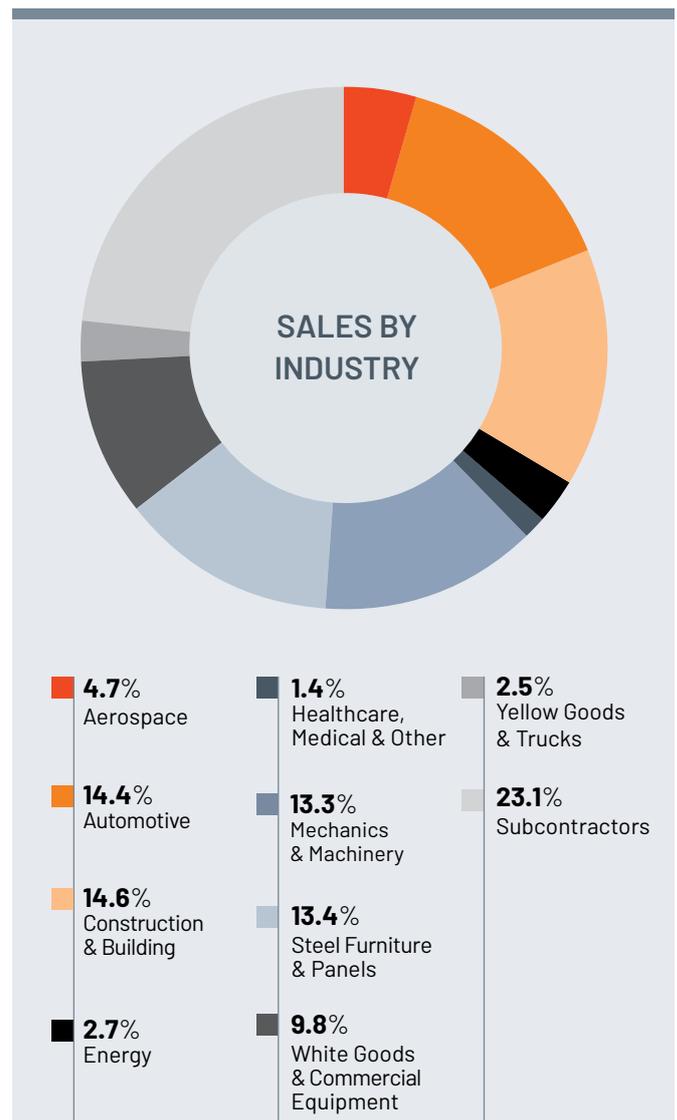
Particularly in the machine area, the Group believes the key factors for success can be summarized as follows:

- wide range of products and services;
- development and internal production of components with high technological content and added value;

- focus on research and development and capacity for innovation;
- application development;
- global sales network;
- customer support through after-sales service;
- brand recognition;
- diversification of markets of reference geographical areas.

Markets served

The breakdown of the markets for the Group's products in 2018 is as follows.



Economic and financial performance

The table below presents an overview of the financial performance of Prima Industrie.

For more details, see the Group's Annual Financial Statements.

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31/12/2018	31/12/2017	CHANGES	CHANGES %
ORDERS	471,245	480,640	(9,395)	-2.0%
ORDER BOOK	169,367	169,865	(498)	-0.3%
REVENUES	466,932	449,503	17,429	3.9%
EBITDA	45,059	43,178	1,881	4.4%
EBITDA %	9.7%	9.6%	0.1%	-
EBIT	28,041	26,296	1,745	6.6%
EBIT %	6.0%	5.9%	0.1%	-
NET RESULT	24,058	18,668	5,390	28.9%
FCF	(8,802)	21,878	(30,680)	-140.2%
NFP	(74,639)	(69,632)	(5,007)	-7.2%
WORKFORCE	1,871	1,781	90	5.1%

(Percentages are always considered in relation to revenues)

(Workforce expressed as number of employees)

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31/12/2018	31/12/2017	CHANGES	CHANGES %
REVENUES AT CONSTANT EXCHANGES	476,553	449,503	27,050	6.0%
EBITDA Adj	47,904	45,063	2,841	6.3%
EBITDA Adj %	10.3%	10.0%	0.3%	-
EBIT Adj	32,212	28,205	4,007	14.2%
EBIT Adj %	6.9%	6.3%	0.6%	-

(Percentages are always considered in relation to revenues)

2.3 GOVERNANCE AND REGULATORY COMPLIANCE SYSTEM

The objective of the governance system is to direct the process for creating value within the company to meet the expectations of the diverse stakeholders, referring to the actions of governance, as well as to direction and control.

The corporate governance system adopted by Prima Industrie plays a central role in clear and responsible conduct of the Company's operations, contributing significantly to creation of sustainable value for the medium to long term. Prima Industrie adopts a traditional administration and control system to ensure constant communication between management and shareholders.

It complies with the principles set out in the Borsa Italiana Code of Conduct to which Prima Industrie adheres.

All Group companies have a governance system that is appropriate for their size and complies with local laws.

Prima Industrie provides details of its governance system in its Annual Report on Corporate Governance and Ownership Structure, prepared in accordance with article 123-bis of Legislative Decree no. 58/1998 (Consolidated Finance Act), to which the reader is referred for information not expressly reported in this chapter.

Ownership structure and legal form

Prima Industrie is a company limited by shares and has been listed since 1999 on the MTA market (STAR segment) of Borsa Italiana SpA. The fully paid share capital at 31/12/2018 is € 26,208,185.

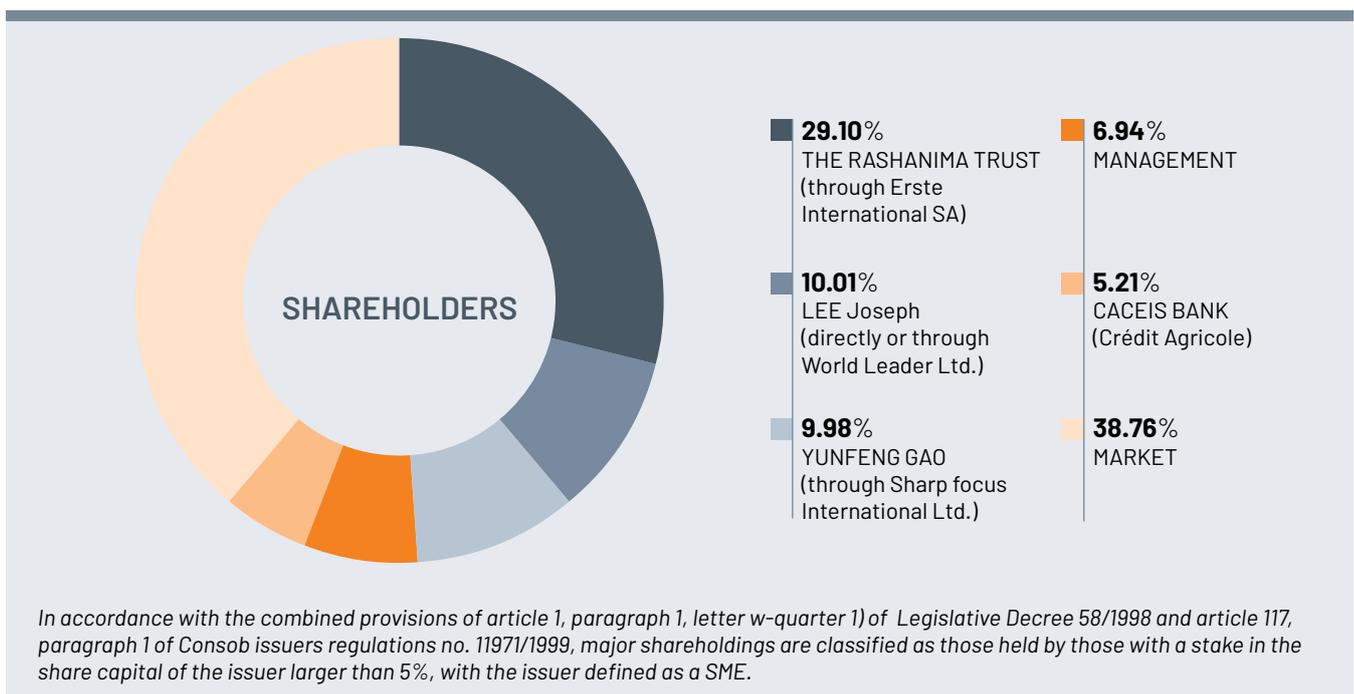
According to the Shareholders’ Register after payment of the last dividend and the communications received by the Company or the supervisory authority, the most recent ownership structure, with major shareholdings, is as follows:

Governance structure

The Corporate Governance structure adopted by Prima Industrie SpA follows the recommendations and rules contained in the code of conduct for listed companies. The aim is to ensure better transparency and efficiency in corporate governance to safeguard shareholders, investors and all other stakeholders. Prima Industrie SpA adopts the traditional system of administration and control, according to which, its main bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders’ Meeting.

An independent firm of auditors carries out the official audit of Prima Industrie Group.

Prima Industrie has adopted an internal control and risk management system aimed at ensuring a healthy, proper management of the business consistently with the set objectives of sustainable development, through a suitable process of identification, measurement, management and monitoring of the main risks. This control process also includes the risk management system associated with financial reporting.



The system was designed and rolled out, taking account of the important corporate governance changes introduced in Italy in recent years, including:

- Legislative Decree 231/2001 on “Regulations governing the administrative liability of legal persons of companies and associations, including those without legal personality”;
- Law 262/2005 (“Savings Law”);
- the Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana SpA.

The Board of Directors of Prima Industrie SpA

On 11 April 2017, the Shareholders’ Meeting of Prima Industrie SpA appointed the board of directors, which will remain in office until approval of the financial statements to 31 December 2019. The number of members of the board was set as 11.

The provisions on gender quotas were applied for the renewal of the board of directors.

The member of the current board of directors are:

- Gianfranco Carbonato - *Chairman*
- Ezio Basso - *CEO*
- Domenico Peiretti - *CEO*
- Donatella Busso - *Independent Director*
- Paolo Cantarella - *Independent Director*
- Carla Ferrari - *Independent Director*
- Paola Gatto - *Independent Director*

- Michael Mansour - *Director*
- Rafic Mansour - *Director*
- Mario Mauri - *Independent Director*
- Marina Meliga - *Independent Director*

Board of Statutory Auditors of Prima Industrie SpA

Appointed by the Shareholders’ Meeting of Prima Industrie SpA on 21 April 2016, the board of statutory auditors remains in office until approval of the financial statements to 31 December 2018.

The provisions on gender quotas were applied for the renewal of the board of statutory auditors in 2016.

The members of the current board of statutory auditors are as follows:

Statutory auditors

- Franco Nada, *Chairman*
- Maura Campra
- Roberto Petrignani

Deputy auditors

- Roberto Coda
- Gaetana Laselva

A breakdown by gender and age group of the administrative and control figures of Prima Industrie S.p.A is presented as follows:

PRIMA INDUSTRIE

Grouping by gender and age group Governance Bodies 2017 (Board of Directors and Board of Auditors)					
Men			Women		
<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)
-	1	8	-	1	4
-	7%	57%	-	7%	29%

Grouping by gender and age group Governance Bodies 2018 (Board of Directors and Board of Auditors)					
Men			Women		
<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)
-	1	8	-	1	4
-	7%	57%	-	7%	29%

Disclosure 405-1 of GRI Standard 405: Diversity and Equal Opportunities 2016

The Committees

The following are members of the Remuneration Committee:

- Mario Mauri (Chairman), *Independent Director*
- Rafic Mansour, *Non-Executive Director*
- Paola Gatto, *Independent Director*

The following are members of the Control and Risk Committee:

- Donatella Busso (Chairwoman), *Independent Director*
- Paolo Cantarella, *Independent Director*
- Carla Ferrari, *Independent Director*

The following are members of the Committee for operations with related parties:

- Donatella Busso (Chairwoman), *Independent Director*
- Marina Meliga, *Independent Director*
- Paola Gatto, *Independent Director*

The company has also set up a Strategy Committee from among its members made up as follows:

- Gianfranco Carbonato
- Ezio Giovanni Basso
- Domenico Peiretti
- Paolo Cantarella
- Mario Mauri
- Michael Mansour
- Marina Meliga

PricewaterhouseCoopers SpA is the appointed independent auditor.

Other bodies/functions

Head of Internal Auditing

- Claudia Verro

Manager responsible for preparing the company's accounting documents

- Davide Danieli

The members of the supervisory board are:

- Roberto Petrignani (Chairman) – *Statutory auditor*
- Franco Nada – *Statutory auditor*
- Claudia Verro – *Group Internal Auditing*

The supervisory board, vested with autonomous intervention and control powers, is responsible for supervising operations and compliance with the company's organizational, management and control model as set out in Legislative Decree Legislative Decree 231/2001, as well as overseeing its update¹.

In order to adopt the highest standards of conduct, which effectively satisfy the complexities of the Group and reflect its core values, Prima Industrie has adopted and constantly maintains an updated Group Code of Ethics, which constitutes a fundamental element of the system of governance and internal control. All administrators, managers, employees, collaborators and partners of Prima Industrie, who directly or indirectly, temporarily or permanently, are involved in relationships with the Group, must respect this Code. Adherence to the Code is fundamentally important for the operations, reliability and reputation of Prima Industrie.

The Code of Ethics also provides a specific reserved channel for preventing and reporting conducts that may be in conflict with the Code.

Detailed information that is relevant to shareholders, investors, analysts and the press, particularly company and financial information can be found in the "Investor Relations" section of the website. The company structure includes an Investor Relations Manager, responsible for managing relations with the national and international financial community and all shareholders.

¹ Accompanied with a Model pursuant to ex Legislative Decree no. 231/2001 and a Monitoring Body, the Italian companies of the Group (Prima Industrie SpA, Prima A Electro SpA.).

Governance structure of the companies included in the perimeter

The companies included in the perimeter for this Report have a governance structure that can support their specific size and complexities, as well as being compliant with the local legislation in the country where the legal entity is headquartered.

According to their considerable size, the companies within the perimeter in Italy beyond the parent company, namely Prima Electro SpA and, until 31 December 2017, Finn-Power Italia Srl, have a Board of Directors and a Board of Statutory Auditors.

The subdivision according to gender and age groups of the administrative and control bodies of Prima Electro S.p.A. is presented as follows:

PRIMA ELECTRO

Grouping by gender and age group Governance Bodies 2017 (Board of Directors and Board of Auditors)					
Men			Women		
<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)
-	3	5	-	-	-
-	38%	62%	-	-	-

Grouping by gender and age group Governance Bodies 2018 (Board of Directors and Board of Auditors)					
Men			Women		
<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)
-	3	5	-	-	-
-	38%	62%	-	-	-

Disclosure 405-1 del GRI Standard 405: Diversity and Equal Opportunities 2016

Prima Power North America Inc. (USA) and Finn- Power Oy (Finland), both significant in terms of the complexity of their business and their size, have a board of directors, but not a board of statutory auditors, which is not required by local legislation. Owing to the special nature of its activities, compared to the rest of the Group, Prima Power Laserdyne Llc, United States, is managed by a sole director.

The governance of Prima Power Suzhou Co. Ltd. (held 70% by Prima Industrie S.p.A.) has a Board of Directors, but in accordance with local regulations, nomination of a Board of Auditors is not required.

Smaller companies in Germany and Spain also have a Sole Director.

2.4 ETHICAL VALUES AND PRINCIPLES OF PRIMA INDUSTRIE GROUP

Prima Industrie is an international industrial Group that has grown significantly in recent years, taking on an important role as a global player. This growth has resulted in a more complex operational context, due to the number of geographical markets where the Group is active, as well as in terms of regulatory compliance, requiring the adoption of more detailed standards of conduct that can effectively satisfy new, continuously evolving regulations. To better face these challenges, in 2018 the Group Code of Ethics was updated to reflect this complexity, and at the same time give more prominence to the core values of the Group.

The main objective of the new Code of Ethics is the promotion of sustainable growth in respect of current standards, encouraging comprehension and respect of diversity and developing a culture of integrity. Respect of the Code of Ethics by administrators, managers, employees and all collaborators of the Group, in Italy and abroad, is mandatory. A culture of respect and integrity, as reflected in the Code of Ethics, is equally important.

These are essential elements for the reputation of the Group, and therefore also for its continued growth.

The way in which Prima Industrie operates can be summarized into four principle values, which also represent the reasons why over the course of 40 years thousands of customers in more than 80 countries have placed their trust in the Group.

Technology and Innovation

For Prima Industrie, advanced technology is a fascinating tool for serving customers. The Group is committed to the continuous innovation so it can improve its solutions.



Passion and Commitment

Prima Industrie puts maximum effort and passion into its work, because only through commitment and enthusiasm the best results can be achieved.



Dialogue and Solutions

The best solutions are found by listening and analyzing the needs of each customer. The most efficient, reliable and beneficial solutions stem from a real and constant partnership with the customer.



Social and environmental responsibility

The Prima Industrie Group believes in lasting, responsible, fair and transparent relationships with its employees, customers, partners, shareholders and the community. As part of this commitment, it provides solutions that combine productivity and sustainability for production.



The Group's Code of Ethics contains the ethical principles and behavioral standards to be adopted with all internal and external stakeholders who have a relationship with Prima Industrie.

- Ethical principles
- Legality, loyalty, honesty and propriety
- Transparency, reliability and completeness of information
- Confidentiality of information
- Respect for the individual
- Impartiality and equal opportunities
- Fair competition
- Safety, environmental protection and sustainable development

The new Code of Ethics also focuses particular attention on rules of conduct to respect regulations governing exports and anti-corruption / anti-bribery laws.

The rules of conduct set out in the Group's Code of Ethics concern the following categories of stakeholder:

- Human Resources
- Shareholders, market and communication bodies
- Customers
- Suppliers
- Public Administration and other third parties

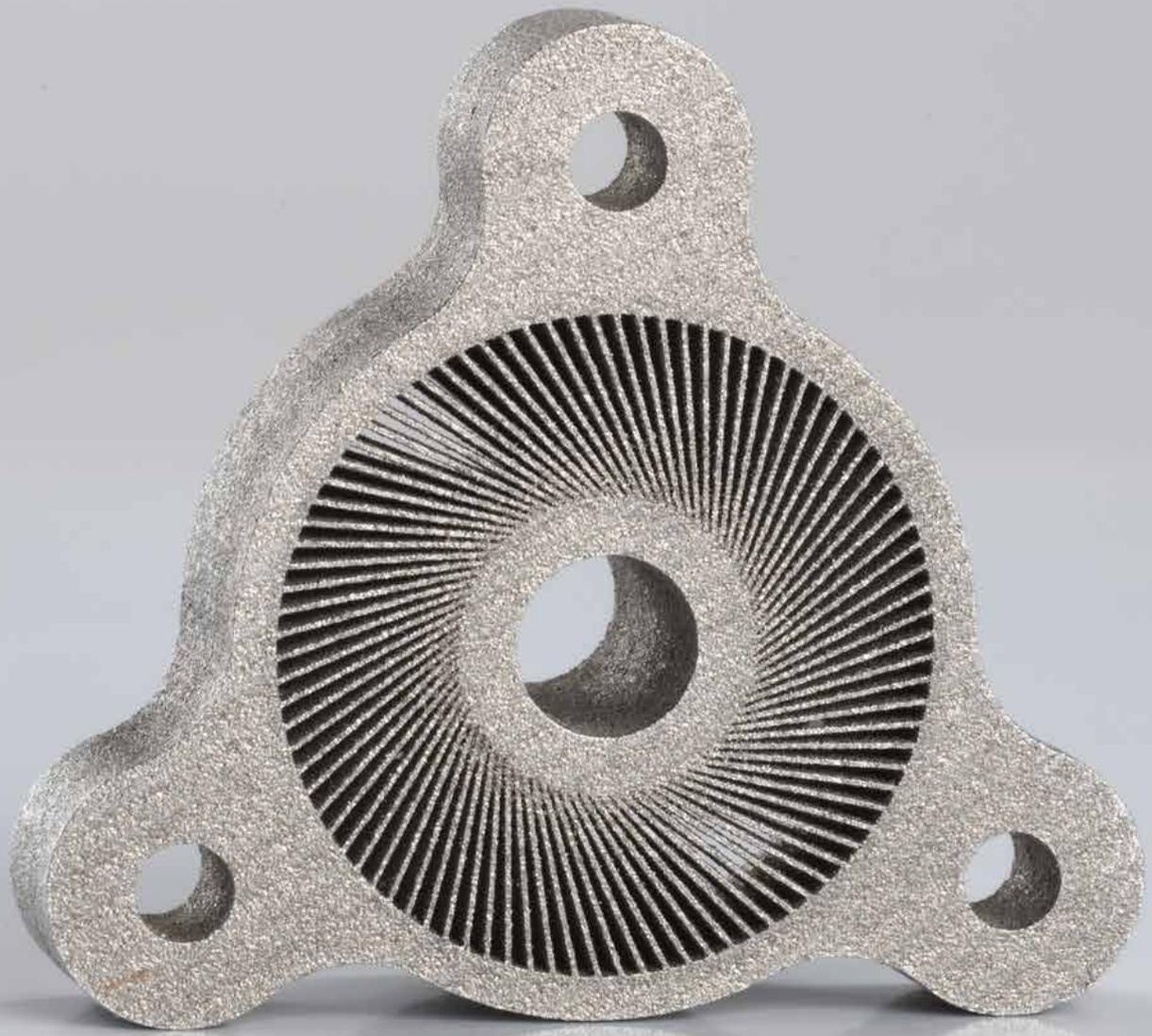
With reference to human rights, the Group places respect for human rights at the center of its corporate strategy: this theme is one of the cornerstones of the Group's values, in the way it operates and does business, and in its relationships with employees, suppliers and other subjects outside of the company. The Group companies implement regulations governing human rights, relative to non-discrimination, child labor and prevention of forced labor.

In North America, most of the supply chain in the United States and Canada is located in these two countries, which are characterized by strict legislation in terms of the environment, safety and human rights. The same generally applies to companies operating in Europe, where suppliers, in addition to complying with EU regulations, also receive regular inspection visits. All of the Group companies recognize the right of all their employees to join labor unions and apply collective labor contracts, as well as to implement non-discrimination systems.

As proof of its commitment to respecting human rights, over the course of 2018 the Prima Industrie Group implemented a specific internal policy at a Group level, which over 2019 will also be shared with the primary stakeholders of reference.

This policy, in addition to citing the international references and standards on which Prima Industrie based its approach to managing these issues, also defines and explains a series of principles that all the Group companies must apply in the areas of non-discrimination, freedom of association, prevention of forced labor, proper working conditions, etc. The policy also defines the tools used by the Group to identify, manage, prevent and mitigate the risks of violating human rights, in reference to employees as well as when managing the supply chain.

With reference to the supply chain, Prima Industrie, in addition to performing periodical inspection visits at its suppliers to control diverse aspects of working conditions, is planning to insert criteria relative to respect for human rights into its supplier selection process in 2019.



3. Risk management model

“The main objective is to reinforce the understanding and awareness of the risks that the company is exposed to, and the relationship between objectives and potential risks if these objectives are not reached.”



In 2014, the Prima Industrie Group adopted an Enterprise Risk Management (ERM) model to ensure greater transparency and information on business risks. This decision was also made in response to regulatory measures requiring companies to adopt suitable corporate governance models.

The ERM project was launched at Prima Industrie SPA with the main aim of reinforcing an understanding and awareness of the risks to which the company is exposed and the relationship between objectives (strategic and operational) and the potential risks of failure to achieve them. The ERM Project was later extended to the subsidiaries: Finn-Power Italia Srl (in 2018, the risk assessment for the Product Unit Bending of Cologne Veneta fell under the company Prima Industrie S.p.A.) and Finn-Power OY, as well as the entire Prima Electro Division.

The approach adopted is based on regular assessment of risks, with subsequent follow-up of the main risks

and regular monitoring of the actions identified and/or implemented to reduce them.

The risk analysis is conducted across the different functions, involving the individual department or function heads. The results of ERM activities are then presented and discussed in meetings of the boards of directors (in addition to control and risk committees) of the relevant companies and the parent company. They are also taken into consideration when the integrated internal audit plan is undergoing definition.

The ERM process for identifying and assessing risk involves the following activities:

- identification of the main risks to which the company is exposed;
- definition of metrics for the qualitative/ quantitative assessment of risks: impact, probability for each risk;
- identification of the risk owners and assessment applying the metrics defined in the model;

- definition, with the process owners, of actions (organizational and/or process) to mitigate the most critical risks and relative due dates;
- definition of methods, processes and formats for reporting relative to risk management.

The results of these activities are:

- Goal Model (strategic, operational, financial and compliance objectives).
- Risk catalogue (identification of the company's strategic and operational risks, for each business process and overall).
- Risk assessment results & statistics (risk matrices with positioning of each risk according to impact and probability). The impact and probability matrix adopted by the Group is divided into three areas of significance (high, medium and low) representing the severity of each risk.
- Action plans for the top risks identified (with deadlines and personal responsible).
- ERM Book.

The risks identified are assessed according to probability and impact parameters (relating to quality and quantity):

- probability: classification scale of 5 clusters (from rare to almost certain). Probability is assessed mainly according to the subjective opinion of the owner(s) of each individual risk, on the basis of the situation in question (based on historical data, if available) or future forecasts.
- impact: classification scale of 5 clusters (from insignificant to extreme). The assessment of impact considers quantitative factors (financial reporting,

budget/forecast values, market shares) and qualitative factors (business plan objectives, image, reputation and customer satisfaction, compliance with local legislation), that ensure an overall perspective of the risk.

Therefore, in the method developed by the Prima Industrie Group, each risk owner assesses the impact and probability of risks, considering each risk in terms of:

- gross risk (assessment of the risk that does not take account of the existence and effectiveness of all treatment actions in place);
- residual risk (assessment of the risk that takes account of actions and measures offsetting the risk that the company has already put into operation);
- target risk (for residual risks with high impact and probability – top risks – the risk assessment is requested after the corrective actions identified by the function managers have been implemented).

The ERM risk management model that is implemented by Prima Industrie takes account of the risks of various business, financial and compliance activities. Therefore, the following issues are also taken into consideration: the health and safety of workers, the environment (energy resources and emissions), human resources and welfare management, and corruption.

The following table reports the potential risks related to the topics covered in Legislative Decree 254/16 that are normally taken into consideration and evaluated in the risk assessment phase with the company's corporate department heads.

Legislative Decree 254/16 topics	Title	Risk (description)
Social aspects	Social-political changes ("country risk")	Blocks in production / nationalization deriving from unstable local governments
Social aspects	Social-political changes ("country risk")	Protectionist policies of some governments in countries where the Company exports (e.g. importation tariffs), which may reduce the capacity to penetrate the market
Social aspects	Quality of products / services	Increase in warranty costs due to products defects
Social aspects	External communications	Incomplete or delayed communications with shareholders, with subsequent impacts to reputation and compliance.
Social aspects	Customer satisfaction	Lost sales or sales with very low margins, following inefficiencies in the comprehensive sales process ("offer-to-cash", including "project management")
Social aspects	Customer satisfaction	Risk of losing customers and not reaching Group sales objectives due to insufficient attention to customer satisfaction and inability to rapidly and effectively resolve quality issues in the sold product
Personnel management / social aspects	Technological innovation for productive systems and processes	Obsolete systems and/or insufficiently advanced productive processes that result in higher costs / productive inefficiency
Personnel management / social aspects// Customer relations	Legal disputes	Damage to reputation and additional costs derived from legal actions
Management of personnel	Productive capacity	Excessive productive capacity with subsequent reduced absorption of fixed costs
Management of personnel	Labor union relations	Conflicts with labor unions (workers' representatives) and strikes that cause production stoppage and subsequent negative economic impacts (sanctions for delays, non-transferable fixed costs, etc.)
Management of personnel	Labor market dynamics: accessibility and availability of qualified personnel	Adequately qualified resources not easily / rapidly available on the market, with subsequent negative impacts on the business
Management of personnel	Maintenance and development of "key" figures and their skills	Loss of human resources with critical skills for continuity of processes and/or reaching set strategic objectives
Management of personnel	Internal communications	Untimely / ineffective internal communications that can negatively impact corporate decision-making and business processes, also resulting in additional costs
Management of personnel	Management of personnel with regard to health and safety in the workplace	Inadequate working conditions in terms of health and safety of workers with subsequent risk of injuries and occupational illnesses
Management of personnel	Definition of the organizational model, assigning responsibilities, system for delegation and representatives	Failure or delay in reaching objectives / implementation of strategies due to inadequate organizational model
Management of personnel	IT systems supporting corporate processes	Inefficiencies in corporate processes caused by lacking / inadequate application/computer systems support
Corruption	Group policy and procedures & ethical principles	Fraudulent conduct by employees or external parties, with subsequent financial losses and/or damage to the company reputation.
Corruption	Reputational and Compliance: management of agency contracts	Relationships with sales agents not adequately formalized and/or acknowledgement of commissions without proper requirements
Corruption	Protection of data	Potential theft or loss of sensitive data on Research and Development
Human Rights	Human Rights	Suppliers not in compliance with the company's Code of Ethics
Environment	Changes to regulations / laws governing safety and technology	Possible changes at local / European / international level relative to technical standards and/or safety standards for products and/or systems, with subsequent additional costs for implementation
Environment	Natural events	Damages to facilities / warehouses caused by natural events (e.g. floods, earthquakes, etc.), with subsequent costs and loss of potential sales

4. Environment

“For the Prima Industrie Group, respecting and safeguarding the environment are the cornerstones of its commercial, industrial and social initiatives.”



Environmental Sustainability

Considering the production model adopted by the Prima Industrie Group, no significant environmental impacts have emerged, since most production activities are outsourced (for products researched and developed internally), with most assembly carried out internally.

The risk associated with the environmental impact of the Group's activities and its machines is minimal, since the main work performed is assembly and commissioning, which do not involve the heavy use of water resources or lead to large emissions into the atmosphere. In spite of this, respect for and safeguard of the environment are fundamental values the Prima Industrie Group, as well as central to its commercial, industrial and social initiatives, including the adoption of sustainable and responsible behaviors.

The Group provides the organizational, instrumental and financial resources needed to pursue its objectives for continuous improvement in relation to the environment.

In order to manage potential risks that are not currently present in the various companies of the Prima Industrie Group, constant analysis of standards and regulations is a priority, along with assessing conformity of procedures and documentation pertinent to environmental practices.

For this reason, the Group has adopted tools like newsletters from category associations and organizations that have been active in the sector for many years, as well as collaborations with external consulting companies, both legal and technical. The assessment of accounted environmental data from 2018 demonstrates an increase in consumption linked to the insertion of Prima Power Suzhou into the accounting perimeter. This company was not present in the report from the previous year.

Even though there was an increase in energy consumption, there was also a progressive increase in the production and use of renewable energy sources,

an area where the Prima Industrie Group is making multiple investments, among which the construction of the new production facility for Finn Power OY.

The two most important companies in each division (Prima Industrie SpA for Prima Power and Prima Electro SpA for the Prima Electro Division) have installed an environment and safety management system to ensure that all existing and future group companies address environmental issues as an important aspect of their business, with priority focus on current environmental legislation.

The entire company structure is involved in this organization with the aim of achieving the assigned environmental objectives. The main objectives are:

- managing production in such a way as to minimize the impact on the environment;
- preventing, reducing or eliminating environmental pollution, where possible;
- pursuing the continuous improvement of environmental performance.

Sustainable production

The Prima Industrie Group has always focused on environmental issues during the research and development of its products. This concept is the basis for the Group's decision to combine productivity and environmental sustainability in the "Green means" concept.

The companies in the Prima Power Division, particularly Prima Industrie SpA, have focused on the transition from CO₂ to laser fiber machines.

This change in technology has enabled us to reach various goals related to environmental sustainability:

- waste reduction and elimination of the use of gas: lower CO₂ production;
- greater production efficiency and lower Cooling capacity/lower heat production: lower CO₂ production.





Paneling, bending and punching machines have been upgraded from hydraulic technology to a servo-electric technology.

- lower energy consumption: lower CO₂ production;
- elimination of hydraulic oils: no hazardous waste produced;
- lower production of heat and noise during operation: improved work conditions for the operator and lower impact on the environment.

Energy management

One of the aspects that are fundamental for reducing consumption is energy consumption management. Group companies have monitored energy consumption through internal form-filling assessments and reports. Audits and evaluations are also carried out with the assistance of external consultants and companies aimed to track the different aspects that cause the impacts

that Group locations can have on the environment (emissions, electricity/water consumption, waste production, soil/subsoil pollution).

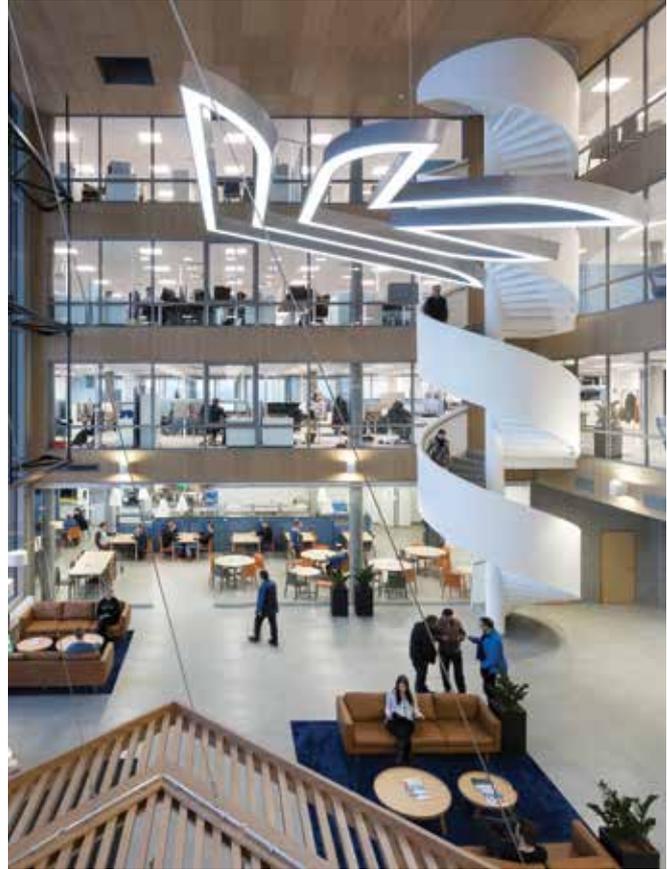
The methods adopted for reducing consumption are many and range from building awareness in personnel so they can behave responsibly in terms of energy savings, like turning off the PC and electronic equipment at the end of the work day, to investing in control systems that allow managing systems through programmed turning on/off, reducing waste, especially on non-business days and in the evening/at night.

The Prima Industrie Group has taken the energy efficiency route at its sites. It has invested in several Italian and foreign sites in the installation of new lighting fixtures with low energy consumption devices and in adopting renewable sources – e.g. photovoltaic, geothermal, biomass – for heating and energy production.

This project focuses on an eco-sustainable approach and began with the construction of the new Headquarters & Technology Center in 2016. The headquarters of the Prima Industrie Group is a building covering approximately 5,000 square meters. About half of these premises house the corporate offices of Prima Industrie and the Prima Power divisions, while the remaining 2,500 m² are home to the demo room and customer hospitality. It is made from “green” materials and is energy self-sufficient. The building is equipped with the latest technologies for energy saving, including thermal insulation and energy production, thanks to photovoltaic panels, solar panels and a geothermal system. Lighting is managed by a home automation system to reduce waste. This type of construction reduces CO₂ emissions and lowers energy consumption.

The new Finnish production facility in Seinäjoki was built based on this model. This is a Class A building and has high energy efficiency.

In fact, it was designed with the most innovative “green” technologies, and is equipped with solar power panels and the lighting system uses LED technology low



consumption fixtures. The outdoor parking area also has recharging towers for electric vehicles.

The Group looks to the future with an eye on what should be left for future generations, with an all-round commitment to reducing energy needs and CO₂ emissions, by increasing efficiency and the use of renewables.

The philosophy of environmental respect and the pursuit of sustainability are characteristics that guide the investments to improve the state of the art of facilities around the world.

The assessment of accounted environmental data from 2018 demonstrates an increase in consumption linked to the insertion of Prima Power Suzhou into the accounting perimeter. This company was not present in the report from the previous year.

This increase is also due to an increase in electrical power consumption and heating in one of the Prima Electro sites after increased production volumes and introduction of new production machinery.

Despite the increase in consumption, the data reported in the following table demonstrate a progressive increase in the use of renewable energy sources for managing corporate business.

	2018	2017	2016
ENERGY CONSUMPTION	[GJ]	[GJ]	[GJ]
Electricity TOT	36,210	33,712	29,449
<i>Renewable sources</i>	9,274	9,137	7,405
<i>Non-renewable sources</i>	26,936	24,575	22,044
Heating TOT	44,569	36,699	25,369
<i>Renewable sources</i>	10,619	10,372	8,651
<i>Non-renewable sources</i>	33,950	26,327	16,718
Company vehicle fuels	52,193	23,431	20,214
<i>Renewable sources</i>	-	-	-
<i>Non-renewable sources</i>	52,193	23,431	20,214

Disclosure 302-1 del GRI Standard 302: Energy 2016



Emissions management

The environmental impact of the various production units of Prima Industrie Group is low since activities are mainly related to assembly. Thus, emissions from the Group's production sites cause low levels of atmospheric pollution, in accordance with existing regulations and authorizations.

The Group also considers CO₂ emissions from company cars. The aim is to choose latest generation cars with a low impact for the environment. The Group also tries to raise awareness among personnel regarding the proper use of transport, with corporate policy guidelines and by promoting carpooling in some locations. As already stated in the previous section, the Group always aims to use more green technologies and to replace vehicles that use diesel and gas fuels with electric vehicles.

The new facility in Finland has two recharging towers for these types of vehicles, and the Collegno Headquarters are planning to install towers.

The increase in emissions is mainly due to the insertion of Prima Power Suzhou Co. Ltd. into the perimeter for 2018, which was not included the previous year.

305-1: Direct Energy (scope 1) GHG emissions

	2018	2017	2016
All GHGs (tons CO ₂ e)	703	491	510

305-2: Indirect Energy (scope 2) GHG emissions

	2018	2017	2016
All GHGs (tons CO ₂ e)	3,196	3,062	2,682



5. Products

“The Quality Management System is, based on the requirements of the UNI EN ISO 9001: 2015 standard. It integrates “Risk- Based Thinking” principles with the activities and methods of Enterprise Risk Management.”



5.1 QUALITY AND INNOVATION

Quality

The Quality System

Prima Industrie has a Quality Management System (QMS) that has been certified since 1997 in accordance with the requirements of the ISO 9001 standard currently in the 2015 edition (UNI EN ISO 9001:2015).

The Prima Industrie Quality Management System is a set of factors implemented to manage quality within the company.

- Organizational structure;
- Responsibilities;
- Procedures;
- Processes;
- Resources.

The aims of the quality management system are:

- ensuring and improving the capacity to regularly provide products and services that meet customer and applicable mandatory requirements;
- facilitating opportunities to increase customer satisfaction;
- addressing the risks and opportunities associated with the context in which Prima Industrie operates and with the Group's objectives.

The Prima Industrie Quality Management System is, without exceptions, based on the requirements of the UNI EN ISO 9001:2015 standard. It integrates "Risk- Based Thinking" principles with the activities and methods of Enterprise Risk Management (ERM) in order to plan and implement actions to deal with risks and opportunities.

Production and support processes have been defined within the QMS in order to standardize control methods and tools.

Quality policy and procedures

Prima Industrie has defined, implemented and maintains a quality policy that is appropriate to the purposes and the context in which it operates. The quality policy is communicated to all company departments and units, in order to:

- establish a framework for setting quality objectives;
- make all efforts to reach applicable requirements;
- make a commitment the continuous improvement of the quality management system.

Product quality

The products of the Prima Power Division (laser machines and sheet metal working machines) are manufactured, tested and checked against reference documents (Machine Quality Book) containing the sequence of standardized assembly, wiring, commissioning and testing operations.

The Machine Quality Book contains the relevant operational documents for the building of products, such as:

- Operating instructions
- Mechanical diagrams
- Electrical diagrams
- Control modules

The machine quality book is standardized for all products in the division (laser, bending and punching).

At the end of the process, each product undergoes "outgoing certification", which checks the completeness and conformity of all the phases in the machine quality book.

During new product development, the Product Manager (PM) defines the procedure to be followed according to the guidelines set out on the "Project Phases Management" form, containing the input data and output documents (e.g. the inputs for the next phase) for each phase. Transition to the next phase is subject to a special check and approval by the departments (phase gate) where the risk analysis is also carried out. All products are EC marked and undergo applicable product certifications.

Main objectives for product/process quality

The main instrument for monitoring the quality of products is the Field Intervention Rate (FIR), which measures the average number of customer service interventions during the warranty period.



This produces a periodic analysis with details and trends of the quality of products and their individual components.

These analyses enable us to define corrective and preventive/improvement actions on internal and external (with the involvement of suppliers) products and processes. Processes are monitored by means of a system of indicators (KPI), by measuring each process for effectiveness and efficiency and in order to define improvement plans.

Specific projects and initiatives planned and/or implemented in 2018 with reference to product/process quality

■ Product Quality:

“Quarta3” is the ERP management software that allows standardization and automation of product/process quality management and automatic identification of product and process performance indicators (KPI). The implementation process for the “Supplier Sections” on Quarta3 was initiated and

completed in 2018, for remote management in real time of the checklists for assembling and testing micro-components directly at the supplier, to ensure that these micro-components are constructed according to Prima Power standards and that component tracking can be inserted directly into the company SW in the electronic Machine Quality Book for each product. Quarta3 is currently implemented in all Product Units of the Prima Power Division.

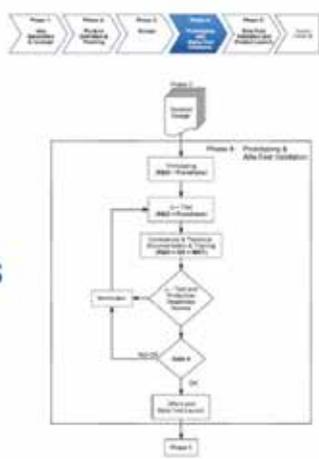
■ Quality Process:

A reorganization and updating of Quality Management Procedures was initiated in 2018, with two main objectives:

1. Standardization of Prima Power Processes at Divisional level and subsequent KPI
2. Definition of “Phase and Gate” flows for improvement of process controls (see following image for an example).



Process Flows



New Common Rules



■ *"Customer Satisfaction":*

An investigative campaign on Customer Satisfaction was initiated in May/June 2018 in the Prima Power division through telephone interviews to assess Customer Satisfaction in three areas:

- Sales & Installation
- Product
- After Sales

The customers were divided into three groups based on the delivery date of the product, to better assess the questions in the three interview groups.

275 customers were contacted, and approximately 180 interviews were completed.

The countries involved in this first survey were Italy, France, Spain and Germany

The survey results generated a dedicated analysis and specific actions were adopted to continuously improve our products and services based on the information received.

Members of Prima Power Top Management also visited some customers who participated in the survey to

demonstrate even more attention to the customer and their satisfaction.

A second survey will be carried out in February/March 2019 to expand the perimeter of nations involved.

5.2 PRODUCT SAFETY

Product safety

Health and safety have always been fundamental values for Prima Industrie, which is why the Group provides the organizational, instrumental and financial resources needed to pursue its objectives for the continuous improvement of safety.

The Prima Industrie way

Prima Industrie products are made in accordance with the Machinery Directive (2006/42/EC) and other directives and standards specific to the type of product made.

Planning and Development (P&D) involves a "risk analysis" based on the product specifications.



This document is the basis for the design of technical solutions to the mechanical, electrical, SW, PLC aspects of product safety.

When products are changed or updated, so too are the risk analysis and the above technical solutions.

During the design and development phase, all the technical documents are grouped together in the technical file, which is added to as the product is developed and contains all safety-related documents on completion of P&D.

At the end of P&D and when technical file is complete, the product can be placed on the market, according to the rules for CE marking.

This is an ongoing process aimed at keeping to the timeline for the risk analysis and systematic collection of technical drawings.

This is to ensure that the technical file is put together in step with development, prototyping and the final

decision on the product, including the decision regarding the user manual.

Based on the information collected, no incidents took place in 2018 related to product non-conformities and causing harm to the health and safety of the operators (Disclosure 416-2 of the GRI Standards 416:Customer Health & Safety 2016).

5.3 INNOVATION

The first driver of innovation for Prima Industrie is customer satisfaction. The fundamental rule for all Group Research and Development activities is to put people first before ideas, considering innovation not an end, but the means.

This need-first method, founded on the needs of people who use products and services, is based on constant dialogue with customers to understand their needs, analyze them and transform them into innovative ideas that contribute to long term competitiveness.



This method is accompanied by constant technological research to innovate products. The drive towards innovation in this case is inside of the company, founded on the new ideas of researchers and designers who have a focus on the needs that customers have yet to express. Improving productive processes has spurred a movement towards the new technologies that Prima Industrie makes available to them.

Improvement of Prima Industrie products translates into a continuous commitment, which never ceases with the launch of a new product. In addition to developing performance, the Group works to improve all aspects of the life cycle of the product, from installation to maintenance to assistance, to ensure that the customer can always get the most profit from their investment. The main objectives of innovation and development of our solutions are:

- To guarantee competitiveness for the customer, improving productivity, flexibility and efficiency. Prima Industrie offers a wide range of machines for processing sheet metal and automation systems, which can be combined to offer the most suitable

solution for the needs of every customer. This is the first step to ensure customer satisfaction: offering *their* most productive solution.

- To ensure maximum product safety. The health and protection of those who use Prima Industrie machines in any circumstances and in any part of the world are non-negotiable requirements for the development of every product, taking precedence over the cost reduction logic. Knowing how to innovate means combining technological progress with people's well-being.
- Increasing energy efficiency in products. Energy cost is a crucial factor in customer decisions, especially in areas where the cost of energy is high, and Prima Industrie is constantly innovating its products to minimize consumption. The brand *Energy in Efficient Use*[®] identifies all the Group products, which thanks to the use of servo-electrical or fiber laser source technologies to guarantee reduced energy costs.
- Contributing to limiting the impacts of industry on the planet. Prima Industrie is aware of the importance of pursuing sustainable development,



based on the responsible use of resources and reduction of environment pollution.

Green Means is the core philosophy at the base of the development of Group products, according to which our solutions are designed and developed to allow sustainable production, thanks to reduced consumption, waste, polluting materials, maintenance, noise and required space in the workshop.

Research and development activities undertaken by the Group over the course of 2018 totaled 23,843 thousand Euros (of which 16,542 thousand Euros in the Prima Power Division and 7,301 thousand Euros in the Prima Electro Division), equal to approximately 5.1% of consolidated revenues.

The capitalized share was 6,348 thousand Euros (of which 3,317 thousand Euros in the Prima Power Division and 3,031 thousand Euros in the Prima Electro Division). The levels of sustained costs for research and development activities for new products demonstrates the Group's constant commitment to investing in the

future and in continuing improvement, through the presence of products that are on the cutting edge of technology and highly competitive on international markets.

To reach its objectives, Prima Industrie considers its investments in innovation on components with high added value to be a strategic move; laser sources, a fundamental element for performance, quality and precision in processes; the laser head, the technological heart of the machine, optimizing processes for all applications; the software, controlling machine dynamics and ensuring efficient data-driven management of production; automation, managing material flows and simultaneously ensuring productivity and flexibility. To ensure maximum customer satisfaction, Prima Industrie maintains key skillsets within the Group and offers customers the advantages of being a one-stop-supplier: complete control over the technology and different parts that make up the system, a single point of reference for maintenance and assistance, total responsibility for the success of the productive solution.



Product development and innovation projects are scheduled on the five-year product plan, updated on a rolling basis every year.

For each single project, a rigorous analysis on return on investment is applied before it is inserted into the plan (business case). This careful assessment is also repeated before the project is initiated to perfect the plan based on market demands.

Technological innovation trends in the manufacturing sector

The main technological innovation trends in the manufacturing sector involve the following aspects:

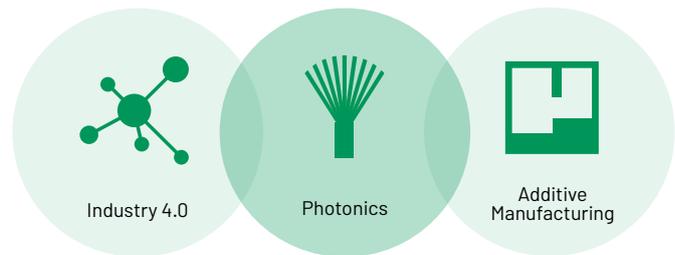
- Digital transformation – Industry 4.0: more efficient and intelligent machines. Complex systems that work with high flexibility and guarantee facility of use and “close to zero defect” manufacturing. With regard to this, the use of the Cloud, artificial intelligence and cyber physical systems in the manufacturing sector are becoming more common.
- Circular economy: circular economy is a technological trend where the manufacturing sector includes all technological integrations designed for recycling, energy savings, prolonging the life cycle of the product, and above all the functioning of the same components to improve performance in use.
- New business models for the manufacturing sector. With the advent of digital transformation and industrial technologies 4.0, business models in the manufacturing sector are destined for drastic change to have costs that are more flexible and optimize the use of resources according to market demand.

The main strategic KET (Key Enabling Technologies) for reaching these transformation objectives are eight: advanced manufacturing systems, microelectronics, Nano electronics, nanotechnologies, photonics, information and communication technologies, advanced materials, biotechnologies.

In this sense, strategic investments in Prima Industrie Group technologies are aimed at three main innovation programs:

- Industry 4.0 digital transformation

- Photonics, Microelectronics
- Additive Manufacturing, Advanced Manufacturing Systems



Fiber lasers and diode manufacturing

In the first ten years of the 2000s, a new laser technology took hold, which in the next decade grew progressively until it dominated the high-power laser sector where Prima Industrie operates.

This technology is diode-pumped fiber lasers, a type of laser which has been used up to now exclusively in the low power telecommunications sector, but which based on the intuition of a Russian scientists was reinvented at a power level a million times higher, becoming the main laser used for cutting, welding and Additive Manufacturing processes on metallic materials.

Since 2005, the Prima Industrie Group has understood the potential of this approach, which provides more electrical efficiency in respect to previously used CO₂ gas lasers, and began to develop its own research program to dominate this technology, simultaneously starting to use laser sources from a market leader third party supplier.

After a few years of development, due to the complexity of this technology and the lack on the market of specific components, in 2015 the Group released a proprietary product onto the market: the group company dedicated to laser sources, Convergent Photonics, began internal commercialization of the proprietary fibers lasers it developed.

At the same time at the end of 2014, a research program for the development of the principle (from a technological standpoint as well as associated costs) fiber laser components was initiated: pumping diodes.

In January 2015, a research group dedicated to these components was formed. The group came from Avago (now Broadcom) has vast experience in designing and producing diodes for telecommunications, and developed a pumping diode that has been used as of this year to fit Convergent Photonics laser models.

In addition to the aforesaid improved electrical efficiency, 5 times better in respect to CO₂ laser sources, the primary reason for adopting fiber laser technology, thanks to its improved sustainability and lower environmental impact, this new technology has other important features that combine well with the Prima Industrie "Green Means" and "Human-centered" approach:

- Elimination of high voltage use (pumping is not electric, but optic) with subsequent reduction in associated hazards for assembly technicians, maintenance personnel and users.
- Less maintenance and subsequent reduced environmental impact, because the lasers are not fitted with mechanical components that wear out quickly like the high-speed rotary turbines used for gas lasers.

- Elimination of exhaust gases, especially CO₂ and He, the first with direct environmental impact, and the second with scarce availability and complex, costly, dangerous, energy consuming extraction methods.

Additive Manufacturing

Additive technologies may have differences, but the common principle is that of constructing a three-dimensional, layer-by-layer component.

Additive manufacturing is a technology that contrasts full-component processing, like milling, casting, or other methods. The explorative stage of this technology began in the late 1990s and early 2000s. For a long time this technology was used only in research or prototyping sectors, until 2009-2010, when the aerospace sector decided to use it for producing components.

In the metals sector, additive technologies are mainly two types:

- PBF powder bed fusion technology. Powder bed fusion technologies are approximately 95% laser-based and 5% electron beam. For these technologies, several layers of powder are laid (powder bed) and the laser or electron beam is



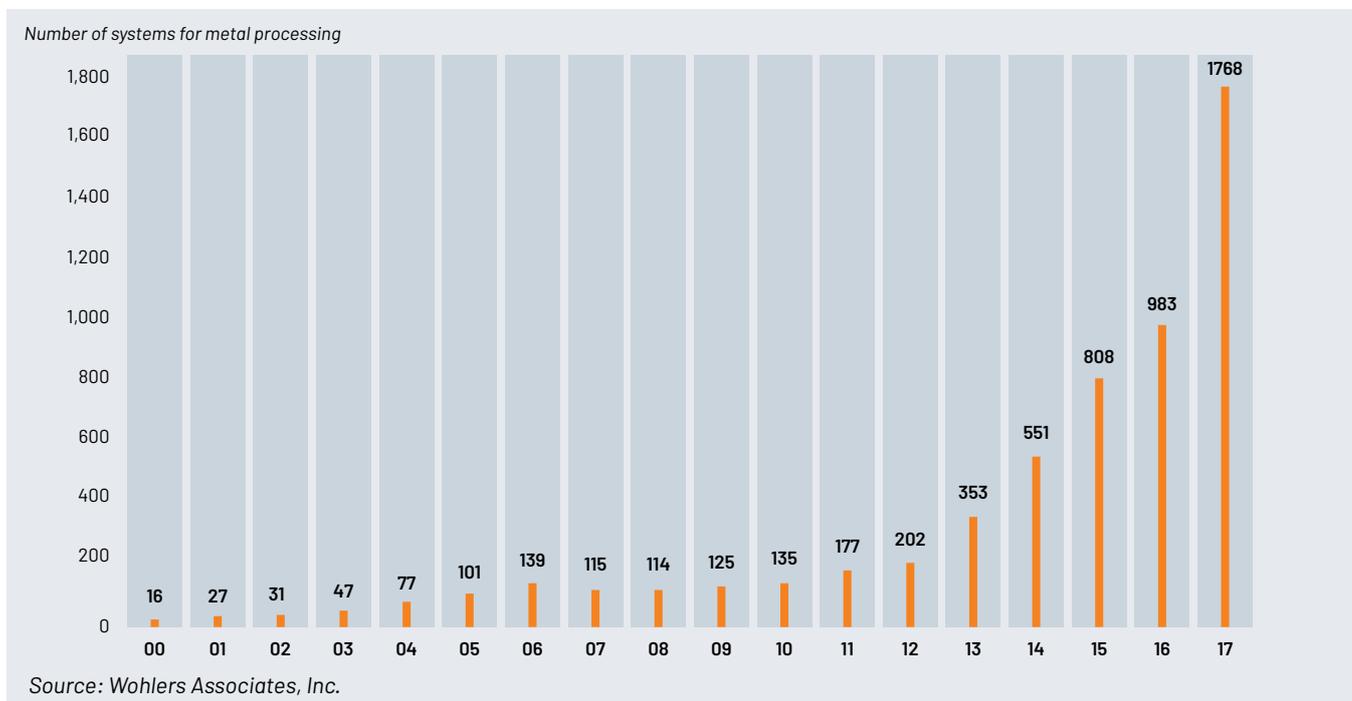
The new CS450 fiber laser developed for Additive Manufacturing applications

directed through a laser scanner head to meld the metallic material layer by layer to create a three-dimensional component. At the end of the process, the component is immersed in the powder and then removed by aspirating the excess powder. This technology can produce very complex components and construction parts from a geometric standpoint, and the components are almost always finished with a good superficial quality. Nevertheless, it is not a technology easily scalable in dimensions, and it is not very productive. The latest trends in this technology to increase productivity involve increasing the number of lasers per machine, to implement parallel processes for each single layer. The sectors where this technology is most often used are aerospace, oil & gas, research and development for visual prototyping and logistics for

the production of spare parts with high added value.

- DED direct energy deposition technologies. Direct energy deposition technology is based on the use of nozzles that spray the powder where necessary and the laser beam melts the material as it is applied. This technology is very productive, but can almost never produce finished components, due to the reduced superficial quality. It is a technology that is often used for repairing metallic components with high added value, and for adding custom features to existing components/objects. The sectors where this technology is most frequently used are aerospace, tooling and oil & gas.

The market for these technologies over the last several years has undergone growth, as demonstrated in the following graph extracted from the Wohlers Report in 2018:



Nonetheless, additive manufacturing is not yet a mature technology in terms of productive capacity, scalability in large dimensions and process reliability. For these reasons, the innovation trends in this technology are aimed at increasing productivity, increasing work volumes of additive machines and rendering the process more stable using high-speed monitoring processes and artificial intelligence.

In 2018 Prima Industrie inaugurated the third additive manufacturing business division, Prima Additive. This division projects, constructs and resells laser machine solutions for additive technologies and supports the customer from an applicative standpoint while learning and exploring these laser technologies for metallic parts.

The added value of Prima Additive surely lies in its industrial experience in the world of laser machines of the Prima Industrie Group, in the use of internal components (mainly laser source and numerical control), as well as in applicative support for the customer. Prima Additive is one of the very few players in the world that can offer both solutions, PBF (powder bed fusion laser technology) and DED (direct energy deposition) technologies.

The commercial and product strategy of the Prima Additive division is based on two strategic partnerships with investments in research and development.

At present, the powder bed technologies offered by Prima Additive and designed and produced by Shining 3D. This company has a decade of experience in the additive manufacturing field and is the main Chinese player in this sector. The strategic partnership aims to create a co-branded entry-level product ready for distribution in Europe, with possible synergies on components with high added value for the laser machine. Installation, training, technical assistance and applicative support in Europe are provided by Prima Additive.

With regard to direct deposition, this additive technology is developed starting with the platform of three-dimensional cutting machines designed and produced by Prima Power. For this technology, the available solution is made possible through strategic collaborations with the main players in this sector with regard to the powder application nozzles, powder feeders and CAD/CAM.

The two strategic investments in research and development in the powder bed products and direct deposition sectors were carried out through two important actions:

- Participation in the innovative 3D New Technologies startup with regard to powder bed technologies
- Development of ultra-fast direct deposition by the Prima Additive R&D group.

These strategic investments aim to produce more productive machines from a performance standpoint, ease of scalability in dimensions and process stability.

The following figure illustrates the strategy and positioning of Prima Additive products on a precision and productivity graph (in terms of superficial quality).



6. The supply chain

“Prima Industrie commits to require that its suppliers and external collaborators respect principles of conduct that reflect its own.”



6.1 INTRODUCTION

Relations with suppliers, as with all those with whom the company has dealings, are based on the criteria of fairness, collaboration, loyalty and mutual respect.

Relations with suppliers are based on the desire for the best competitive advantage, equal opportunities for all those involved, loyalty and impartiality.

Suppliers are selected and purchase conditions are determined on the basis of an objective assessment of quality, price and the ability to supply and guarantee goods and services at the required standard.

As part of its selection process, which is conducted in a clear and non-discriminatory manner, Prima Industrie only uses criteria related to the objective competitiveness of the services and products offered, their quality and a guarantee of safety. Thus, the following requirements are fundamental for the company:

- professionalism and experience of the counter party documented;

- availability of means, including financial means, organized facilities, design capabilities and resources, know-how, etc.;
- existence of quality, safety and environmental systems.

Prima Industrie asks its suppliers and external collaborators to adhere to its own principles of conduct and considers compliance a fundamental condition for establishing or continuing business relations.

All suppliers, business partners or external collaborators must be informed of the company's Code of Ethics and related commitments. In contract, procurement and general supply relationships for goods and services, the company's employees and collaborators are required:

- to adopt, when selecting suppliers, the evaluation criteria set out in existing procedures and apply them objectively and transparently;
- not to deny anyone with the right requisites the chance to compete for contracts, but rather to adopt objective and documentable criteria when selecting candidates;

- to ensure sufficient competition within each tender process, consistent with the object and nature of the contract;
- observe contractually agreed conditions;
- inform suppliers of the behavioral principles set out in the Code of Ethics. Agreements and relations with suppliers must always be handled extremely clearly and transparently.

To provide the utmost transparency and efficiency during the purchasing process, Prima Industrie ensures:

- proper traceability of choices made;
- conservation of information, as well as official tender and contractual documents for period according to current regulations.

The Supply Chain of the Prima Industrie Group reflects the organizational set-up. It is based on limited integration of the companies which, as a result of a series of acquisitions, fall within the Group's current reporting perimeter and retain a high degree of operational independence.

After the acquisition of Finn Power Oy in 2008, the Group's structure was organized into three independent divisions:

- Prima Power for the management of machine products for transformation industries.
- Prima Electro for the management of products with high electronic content for the OEM market.
- Prima Additive for the management of machine products for Additive Manufacturing.

Both divisions are made up of several companies, although the level of integration is specific to the operating model of each. Therefore, it makes sense to look at the Supply Chain of each division, rather than the Group as a whole.

Even after the Group-wide internal auditing unit was established, at Group level there is ongoing harmonization of procedures in the two divisions. This is in order to build a shared operating model that can exploit the synergistic opportunities of a shared supply chain.

Over the course of the last quarter of 2018, the Prima Power division made some organizational changes. Specifically, several divisional bodies were created, including the Operations department and the Purchasing & Logistics department.

The objective of these departments is to direct and coordinate the actions of the single production units



to reach corporate targets. Furthermore, process analysis will be performed with the object to unify the management methods of the local departments.

6.2 TYPES OF COMPANIES IN THE GROUP

There are two types of company within the perimeter of the Group under examination. These can be classified as:

- Industrial: Prima Industrie SpA, Finn-Power Oy, Finn-Power Italia srl, Prima Power Laserdyne LLC and Prima Electro SpA, which have autonomous control of their own “customer order fulfilment” and “new product development” processes.
- Commercial: Prima Power North America LLC, Prima Power GmbH and Prima Power Iberica SA, where the supply chain is integrated with those of the industrial companies that supply them. These companies have autonomous control of the procurement of services and capital goods that are essential to operations.

The companies classified in this way operate according to their own supply chain models, which fulfill the operating demands of the division they belong to and their approved suppliers.

In turn, these can be classified as:

- suppliers of goods and services for industrial processes;
- suppliers of goods and services for product development;
- suppliers of goods and services for operations.

6.3 ORGANIZATIONAL MODEL OF THE DIVISIONS

The Prima Power division has an organizational matrix made up of different types of activities:

- Commercial, sales and after-sale activities organized to ensure a market presence, according to geographical area, through purely commercial companies (branches) placed under the responsibility of a Division Sales Department.

- Industrial, distributed across 5 companies in which the machines and systems for sheet metal processing are developed and built, using specific technologies such as: lasers, punching, bending, etc. Owing to their particular industrial characteristics, these companies have retained full control over their products, in terms of marketing and development, as well as production. They share a single organizational model with all other companies in the division.

The Prima Electro division is organized into two business units, according to product type:

- Laser
- Electronics

These are responsible for developing, producing and selling their product lines through two companies: Prima Electro SpA and Convergent Photonics LLC, each with several plants dedicated to the various product lines and coordinated centrally by Prima Electro SpA.

The recently founded Prima Additive division relies on the support of the Prima Power organizational framework.

6.4 SUPPLIERS MANAGEMENT SYSTEM

Through their central Quality Assurance body, Prima Power and Prima Electro have defined processes and procedures model (with a plan to extend it to all the companies within their control) as part of a program aimed to ISO 9001 certification.

This model involves, with specific aspects for each company, procedures for:

- selecting and approving suppliers, through an analysis of parameters to measure their competence and quality, the reliability of the company and compliance with fundamental ethical principles;
- vendor rating assessment, to measure performance in terms of quality, price and delivery;
- self-control methods for suppliers of custom components and verification of their ability to maintain standards.

The purpose of these procedures is to define the operating procedures, roles and responsibilities of the stakeholders involved in the procurement processes for non-capitalizable goods. They are also intended to set up control activities for the companies with regard to:

- protection of savings and regulation of financial markets in accordance with Law 262/2005;
- quality system requirements;
- provisions of the Organization, Management and Control Model adopted by Prima Industrie SpA, in accordance with article 6 of Legislative Decree 231/2001;
- requirements of the internal control system monitored by the Internal Audit unit;
- other applicable standards and regulations for the process in question.

In the Prima Power context, in 2018 the Supplier Portal went live, providing more efficient exchange of information, data, and documents with suppliers. In the initial phase, the portal will allow managing the approval process flow for purchase orders and sending these orders to suppliers. In 2019, it will also be possible to manage invoices, the approval process for purchase requests, delivery schedules and vendor ratings. In October 2018, the first Suppliers Day was organized by the Prima Power division, with the participation of the most important suppliers of various productive departments. During the event, participants shared information and expectations for the Prima Industrie markets.

Based on the information collected by the Customer Satisfaction unit, the objectives for the Supply Chain were also presented. These objectives were defined to satisfy market demands, and were divided into 4 groups:

- Reliability
- Responsiveness
- Agility
- Cost Effectiveness

6.5 GUIDELINES FOR THE PROCUREMENT OF THE GOODS AND SERVICES NEEDED TO OPERATE THE COMPANIES

The Group uses what are known as “non-production” suppliers, which provide Group companies on an independent basis with goods and services that are fundamental to their operations.

These supplies include energy, logistics services, transport, travel, car rental, customs operations, consulting, cleaning, canteens, rent, maintenance, etc. and are purchased from suppliers that are local to the individual company, which selects and manages them independently, on a value for money basis.

Objectives at a divisional level aimed at reducing costs will also be defined for these types of goods and services.

In Group companies defined previously as being predominantly “commercial”, procurement is restricted to this type of supplier. Therefore, they are less affected by the policies that regulate the supply chain process as described above.

6.6 CHARACTERISTICS OF OPERATIONAL SUPPLY CHAIN SPECIFIC TO EACH DIVISION

No significant changes were made to the Group’s Supply Chain system during the reporting period.

Procurement management procedures reference the Group’s Code of Ethics, applicable to all Group companies.

The Code of Ethics is sent to suppliers, once they have been approved, along with a request to sign and return. During inspections of suppliers’ premises, both divisions also check that there are no problems related to the work environment.

From an operating standpoint, the common objective of the various productive units is to share the portfolio of suppliers in order to cohesively manage supplies and have a single vendor rating system. Another goal is to have global suppliers capable of supporting all facilities. In order to render operating procedures more efficient, in 2019 process analysis and projects aimed at unifying methodologies are planned.

6.7 ADDITIONAL INFORMATION ABOUT MANAGEMENT METHODS

Both divisions conduct regular inspections of suppliers' premises to check processes, working conditions, environmental impact and the tools used.

During inspections of suppliers' premises, both divisions also check that there are no problems related to the work environment.

In 2018, specific supply chain projects or initiatives were launched in the Prima Power Division, in addition to "continuous improvement", aimed at:

- reducing the cost of materials on an annual basis;
- improving quality indicators;
- improving logistics with regard to deliveries and inventory management.

The Prima Industrie Code of Ethics contains specific rules of conduct to be adopted in relations with suppliers.

Selection of suppliers

Relations with suppliers are based on the desire for the best competitive advantage, equal opportunities for all those involved, loyalty and impartiality. Suppliers are selected and purchase conditions are determined on the basis of an objective assessment of quality, price and the ability to supply and guarantee goods and services at the required standard.



As part of its selection process, which is conducted in a clear and non-discriminatory manner, Prima Industrie only uses criteria related to the objective competitiveness of the services and products offered, their quality and a guarantee of safety.

Thus, the following requirements are fundamental for the company:

- professionalism and experience of the counter party;
- documented availability of means, including financial means, organized facilities, design capabilities and resources, know-how, etc.;
- existence of quality, safety and environmental systems.

In 2019 additional criteria will be inserted for supplier selection, including criteria relative to Human Rights.

Contractual relations

Prima Industrie asks its suppliers and external collaborators to adhere to its own principles of conduct and considers compliance a fundamental condition for establishing or continuing business relations. All suppliers, business partners or external collaborators must be informed of the company's Code of Ethics and related commitments.

In contract, procurement and general supply relationships for goods and services, the company's employees and collaborators are required:

- to adopt, when selecting suppliers, the valuation criteria set out in existing procedures and apply them objectively and transparently;
- not to deny anyone with the right requisites the chance to compete for contracts, but rather to adopt objective and documentable criteria when selecting candidates;
- to ensure sufficient competition within each tender process, consistent with the object and nature of the contract;
- observe contractually agreed conditions;
- inform suppliers of the behavioral principles set out in the Code of Ethics.

Agreements and relations with suppliers must always be handled with total transparency.

The Group applies objective criteria for selecting and evaluating its suppliers, and specific control and monitoring procedures are implemented by the corporate functions involved in the purchasing process and by the control structures that are in place within the Group (e.g. Internal Auditing).



Prima
Additive

Prima
Additive

Prima
Additive

7. HR and social management

“People are at the center of the organization and are therefore key to human resource management processes.”



7.1 HUMAN RESOURCES IN PRIMA INDUSTRIE GROUP

Despite never needing to formalize a specific policy on human resource issues, Prima Industrie has always considered its people as the Group's most important strategic asset. The Group supplies not only high-tech products, but also solutions designed to meet the needs of customers and with the ability to resolve complex problems.

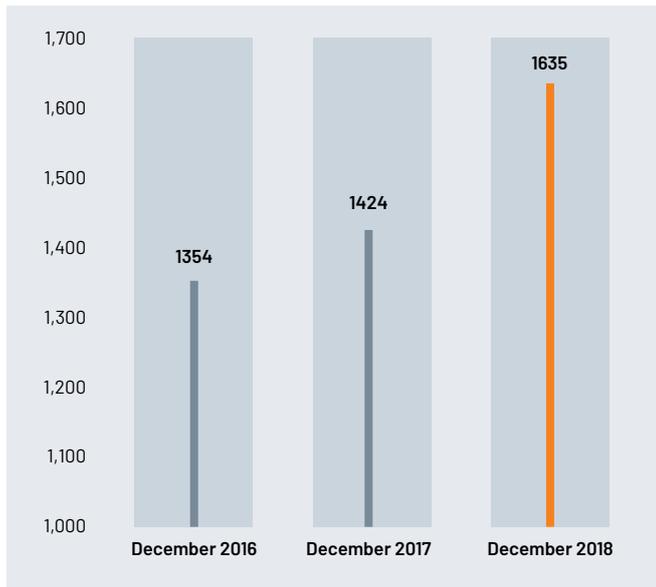
All business processes involve low levels of repetition, from the formulation of offers to sales, from design and production to after-sales service. The proper functioning of processes is ensured by a major investment in IT systems.

However, this can only be achieved by people working in a team.

Knowledge, competencies and professional and human skills are the main assets in which the Group wants to invest for success. Thus, proper human resource management is focused on:

- protection of Human Rights;
- investments in professional growth;
- protection of the work environment, health and safety;
- organization with a high degree of involvement;
- reward system based on the identifying and evaluating the skills people have acquired and their merit;
- appreciation of diversity and different abilities.

Number of Prima Industrie Group employees in the perimeter:



People are at the center of the organization and are therefore key to human resource management processes:

- selection;
- mainly permanent contracts and apprenticeships to ensure proper training;
- links with universities and higher technical institutes, including international ones;
- training/information for new employees to help them settle in.



Disclosure 102-8 del GRI Standard 102: General Disclosures 2016

Total number of employees by employment contract and gender

	Women			Men			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Permanent employment contract	226	196	189	1,358	1,178	1,143	1,584	1,374	1,332
Fixed-term contract	13	7	7	38	43	15	51	50	22
Total	239	203	196	1,396	1,221	1,158	1,635	1,424	1,354

96.8% of personnel are hired on permanent contracts, in line with the Group's long-term strategy. The breakdown of seniority is as follows: 17% of employees are aged under

30, 58% are aged between 30 and 50 and 25% are over 50. Hires last year resulted in a lower median age of employees in respect to 2017 and 2016.

Disclosure 405-1 del GRI Standard 405: Diversity and Equal Opportunities 2016

	2018						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.2%	3.1%	3.4%	0.0%	1.8%	1.6%	3.4%
Middle Manager	1.0%	6.4%	7.4%	0.2%	4.7%	2.5%	7.4%
White Collars	11.8%	35.7%	47.6%	6.8%	28.4%	12.3%	47.6%
Blue Collars	1.6%	40.1%	41.7%	9.8%	23.5%	8.4%	41.7%
Total	14.6%	85.4%	100.0%	16.8%	58.3%	24.9%	100.0%

	2017						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.3%	3.7%	3.9%	0.0%	2.2%	1.8%	3.9%
Middle Manager	0.7%	8.8%	9.6%	0.0%	6.1%	3.4%	9.6%
White Collars	11.8%	33.1%	44.9%	5.4%	27.4%	12.1%	44.9%
Blue Collars	1.5%	40.1%	41.6%	8.0%	23.9%	9.7%	41.6%
Total	14.3%	85.7%	100.0%	13.4%	59.6%	27.0%	100.0%

	2016						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.1%	3.6%	3.8%	0.0%	2.0%	1.8%	3.8%
Middle Manager	1.0%	8.7%	9.7%	0.0%	6.1%	3.6%	9.7%
White Collars	11.8%	36.6%	48.4%	3.8%	31.6%	12.9%	48.4%
Blue Collars	1.5%	36.6%	38.1%	8.2%	21.6%	8.3%	38.1%
Total	14.5%	85.5%	100.0%	12.0%	61.4%	26.6%	100.0%

In 2018, 41 fixed-term contracts were upgraded to permanent contracts (18 in 2016 and 22 in 2017). All this involves a process of gradual integration and continuous training for new recruits.

Part-time contracts were requested by 1.8% of workers (1.7% in 2017), mainly women, who accounted for 76.7% of all requests (98.6% in 2017). The following is information on the companies included in the reporting perimeter.

Disclosure 102-8 del GRI Standard 102: General Disclosures 2016

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full time	216	1,390	1,606	181	1,219	1,400	176	1,157	1,333
Part time	23	7	30	22	2	24	20	1	21
Total	239	1,397	1,636	203	1,221	1,424	196	1,158	1,354

Prima Industrie prefers permanent contracts or professional apprenticeships for new recruits. This means that the level of education of new recruits is made up of almost 70% graduates and around 30% of people with a technical school diploma. This constant hiring of recent graduates and schooled subjects makes it easier to rotate resources around various positions, which ensures the development and maintenance of their skills.

Turnover (the number of workers leaving since the start of the period multiplied by 100) was 8.7% in 2018, 6.7% in 2017 and 5.9% in 2016.

The balance of employee turnover was positive: in 2018, 212 employees were hired and 132 left; also in 2017 balance of employee turnover was positive: 179 employees were hired and 78 left. (in 2016 they were 86 and 78 respectively). This increase in turnover is mainly due to two factors: the labor market in North America is always very active, and the transfer of our German commercial headquarters from Frankfurt to Munich, which increases the total number of employees leaving the company. To counter the growth in turnover, we are investing more in training, variable remuneration and personnel policies with a better focus on work-life balance.

Disclosure 401-1 del GRI Standard 401: Employment 2016

	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Hired	39	173	212	24	155	179	12	74	86
Terminated	24	108	132	12	75	87	14	64	78

	2018				2017				2016			
	<30 Years	30-50 Years	>50 Years	Total	<30 Years	30-50 Years	>50 Years	Total	<30 Years	30-50 Years	>50 Years	Total
Hired	87	108	17	212	82	80	17	179	30	42	14	86
Terminated	27	73	32	132	12	46	29	87	11	46	21	78

	2018		2017		2016	
	Women	Men	Women	Men	Women	Men
Turnover	11%	8.4%	6.1%	6.5%	6.1%	6.4%

	2018			2017			2016		
	<30 Years	30-50 Years	>50 Years	<30 Years	30-50 Years	>50 Years	<30 Years	30-50 Years	>50 Years
Turnover	12.44%	8.07%	8.29%	7.00%	6.00%	8.00%	8.00%	6.00%	6.00%

With agreements with high schools, universities in Italy and also with some of the main Finnish universities, traineeships and work placements were offered to 58 young people in 2018, 56 in 2017, compared to 44 in 2016.

Survey on the corporate climate

A survey on the corporate climate was carried out in June/July 2018 for the employees of the Prima Power division at a global level. This was the first survey at a global level carried out unequivocally. Over recent years, these surveys were carried out locally, and were slightly different from one another. The survey was participated in by 60% of employees. It was organized with the support of a sector-consulting firm, in electronic, anonymous form. The general level of satisfaction was 88% against a benchmark for companies that use the same measuring system, with an average of 82%. On the final analysis, the highest possible score was used as an internal reference (8/9/10). Considering only those votes that expressed satisfaction, we obtained a percentage of positive answers of 54% of our employees in comparison to 45% of the benchmark. The corporate areas that had the most positive results were General & Administration, Marketing and Purchasing, while the areas that demonstrated more areas for improvement were: Production and Quality.

The survey then analyzed several other areas, as follows:

- Sense of belonging
- Position objectives
- Position evaluation
- Objectives of the organization
- Human Resources Management
- Management of supervisor
- Respect for employees
- Work relationship

With regard to the previously mentioned areas, which in turn also posed specific questions to better analyze the different topics, the most positive comments were related to a sense of belonging with the Group and respect for employees.

For the areas for improvement, where employee satisfaction could be increased, we must consider better communications about job position objectives, in addition to possibly improving/expanding compensation policies, especially in the variable sense.

Over the course of 2018, we communicated the obtained results of the survey to the corporate population, and began organizing specific focus groups, with the voluntary participation of employees, to design actions for improvement to be planned for 2019.

The company plans to carry out a survey on corporate climate every 2-3 years to check the efficacy of the implemented actions and pursue continuous improvement of employee satisfaction.

Contracts

The distribution of the workforce reflects the business model of the Prima Industrie Group. It employs key and highly skilled figures, while outsourcing activities supporting the business process, such as personnel administration. The highest concentration of employees is found at the 5th, 6th and 7th level of Italian private metalworking contracts, owing to very high standards of specialization within the Group.

Talks between the company and workers' representatives takes place in general meetings providing information about the Group's performance and/ or any specific issues, and also thanks to continuous exchanges on such topics as:

- evaluation of issues related to worker health and safety;

- training schedules based on identification of educational gaps based on skill assessments;
- training proposals by the RSU; enhancement of additional skills.

Dialogue with workers' representatives has led the company to join local social projects for people in need and to create employment opportunities. Evidence of the Group's focus on people can be found in low turnover and absenteeism, with constant proof in physiological values that are lower than the national average in several countries.

The above projects enable the Group to work closely with the local community to introduce workers from protected categories, integrating them wherever possible according to their individual abilities. Below are the figures for 2018:

Disclosure 405-1 del GRI Standard 405: Diversity and Equal Opportunities 2016

Number of employees belonging to minority/vulnerable groups			
	2018	2017	2016
Manager	-	-	-
Middle Manager	-	-	-
White Collars	16	15	13
Blue Collars	17	16	16
Total	33	31	29

7.2 TRAINING AND DEVELOPMENT

Thanks to their experience in the sector and their in-depth knowledge of the Group's activities, certain figures within Prima Industrie have made a decisive contribution to the Group's success. The Group's future results partly depend on the skills and involvement of key figures.

For this reason, one of the risks that Prima Industrie must manage and offset is the loss of the professionalism and skills of its key employees and, as a result, know-how specific to the business. In order to attract and retain qualified key personnel, it is therefore of fundamental importance for the Group to invest in the training and development of its human resources.

Prima Industrie has always invested in training (for example in pre-recruitment training and orientation courses for school-leavers with technical diplomas) in order to encourage their integration. The same is done for recent graduates, through ongoing relationships with polytechnics and universities. These include Master's programs dedicated to the Group's business, which allow young people to enter the world of work with important skills in technical and management areas.

For some years now, the Group has introduced a performance management system that is becoming more and more important in personnel management,

especially for defining individual and Group training courses.

In 2016, 14% of the company's workforce was managed by the performance management process, including all members of staff within the perimeter of this report. In 2017, the percentage rose to 33% and to 29% in 2018. The objective of the ongoing year (2019) is to extend the same process to the entire corporate population, to guarantee uniform judgments and more specific common values. In favor of this initiative, a process was just initiated to insert objectives based on 2019 performance management, including 100% of the employee population.

Disclosure 404-3 del GRI Standard 404: Training and Education 2016

PERFORMANCE MANAGEMENT	2018			2017			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Manager	1	26	27	2	19	21	2	24	26
Middle Manager/ Professional	7	43	50	6	51	57	13	39	52
White Collars	65	231	296	71	151	222	22	51	73
Blue Collars	13	81	94	2	169	171	3	35	38
Total	86	381	467	81	390	471	40	149	189

Disclosure 404-1 del GRI Standard 404: Training and Education 2016

AVERAGE HOURS OF TRAINING BY GENDER AND EMPLOYEE CATEGORY	2018		2017		2016	
	Women	Men	Women	Men	Women	Men
Manager	2.9	2.6	10.0	12.90	-	4.20
Middle Manager/Professional	1.7	2.5	0.3	4.40	21.40	7.10
White Collars	3.3	6.9	7.4	8.20	4.60	8.10
Blue Collars	7.1	6.5	5.4	14.40	5.50	15.20

Training and education activities totaled 9,530 hours in 2018 compared to 8,355 in 2017 and 13,749 hours in 2016. The main topics of study were management development, workplace safety, foreign languages, products and specialist training.

7.3 WELFARE

The first measure taken to reconcile private and work life is working part-time, which is why company agreements in the various countries waive contracts. Over the last three years, the company has accepted all requests for part-time contracts.

With regard to medical assistance and appointments, Group employees are entitled to:

- days of paid leave for assistance in the event of serious illness of a family member;
- insurance policy applicable outside work, paid in full by the company;
- 2.5 hours of paid leave for a specialist medical examinations and 2 hours for compulsory monthly therapy.

Moreover, in accordance with Italian law, all Group employees in Italy can take leave depending on their needs. All workers who have taken advantage of this opportunity have returned to work and are currently in the workforce.

7.4 THE IMPORTANCE OF GENDER EQUALITY

In relation to the provisions of the Code of Ethics, Prima Industrie guarantees equal opportunities as a primary factor of the Group's success, for fair treatment of each individual worker and to safeguard their psychophysical integrity. Discriminatory behavior based on political opinions and trade union affiliations, religion, race, nationality, age, gender, sexual orientation, health status or other private characteristics of the person is not allowed.

Even though the Group operates in a productive and industrial context, the distribution of personnel based on gender has continued over time to demonstrate a higher presence of women, especially in the staff and commercial administrative areas. In 2018, the percentage of women is 14.8%.

The provisions of national collective agreements and legislation on remuneration are applied in the countries in which the company operates.

Below is the ratio of pay between women and men according to professional category. The percentage represents the pay of female staff compared to that of men.

Disclosure 405-2 del GRI Standard 404: Diversity and Equal Opportunities 2016

	2018	2017	2016
	% Ratio	% Ratio	% Ratio
Manager	63%	62%	67%
Middle Manager/Professional	79%	96%	91%
White Collars	82%	94%	80%
Blue Collars	71%	83%	81%

Prima Industrie recruits people from protected categories as required by legislation. For this purpose, the company has signed specific agreements with the competent bodies.

7.5 LABOR UNION RELATIONS AND SOCIAL DIALOGUE

Prima Industrie employees have contractual conditions that are often better than the average conditions applied in the same sector, above and beyond as well as better economic conditions than the national collective labor agreement (CCNL) for the mechanical engineering and plant installation industry.

Some of the contractual and/or legal conditions have been improved, such as:

- health and accident insurance, even outside work;
- leave;
- advance payment of staff-leaving indemnities (TFR);
- part-time contracts;
- annual productivity bonuses;
- compensation for travel, particularly for installers;
- flexible start time;
- works canteen;
- paid and unpaid (e.g. for medical appointments and assisting a family member during serious illness).

Human resources management is integrated throughout Group companies. However some companies offer different contractual and financial terms to their employees, based on agreements with trade unions with different historical relationships with the company. The Group is working on this topic to increase integration among the various countries.

Trade union relations are conducted through continuous dialogue between the parties. Conflict is moderate and primarily relates to national disputes.

Interaction comparison between the company and the unions takes place at various levels and on various issues, including:

- issues related to worker health and safety training;
- plans to fill in gaps resulting from skills assessments;
- training proposals from HR;
- company performance and future national and non-national industrial plans.



Evidence of the Group's focus on people can be found in low turnover and absenteeism. Furthermore, Prima Industrie contributes to the development of local human capital in the areas where it operates, thanks to strong collaborations with local authorities, the local Industrial Union and increasingly important collaborations with schools and universities.

Despite the low number of disputes, the supervisory board is informed on a quarterly basis of any disputes, which are usually resolved by agreement between the parties or settlement reports with trade unions.

Commitment and investment in the community

The Group pays dues every year to be a member of representational associations or sector associations.

Prima Industrie invests in local sports clubs, e.g. football, ice hockey, etc., and some further afield.

Culture, education and training

Prima Industrie cultivates and maintains close links with academic institutions, including universities and high schools.

This gives us continuous access to resources and up- to-the-minute expertise and allows us to establish collaborative relationships, with potentially positive repercussions on our products.

For reasons of proximity, the closest collaborations are with the Polytechnic University of Turin, the Polytechnic University of Milan and the Technical High Schools of the City of Turin.

Outside of Italy, the Group has partnerships with Seinäjoki University of Applied Sciences and with the University of Vaasa (Finland), Sheffield University (UK – Symbionica project), Mondragon University (Spain – Mashers project), University of Patras (Greece – Borealis and Mashers projects) and with the Fraunhofer Institute (Germany – Borealis project), to name just a few of our main collaborations.

This is reflected in a several initiatives and activities that we will list briefly:

- Participation in second level Masters' programs promoted by the Polytechnic and sponsored by Regione Piemonte.



In particular, two Master’s programs are currently in progress (Industrial Automation and Additive Manufacturing), which have allowed us to hire young graduates from technical fields on high-level apprenticeships.

- Participation in research projects.
- Work placements for students preparing their degree dissertation on innovative topics.
- Welcoming groups of students on educational visits, including presentation of our technological solutions and – with the help of Human Resources– career or training orientation information.
- Participation of our managers and Technicians in technology-themed lectures/presentation directly at the universities concerned.

The Company has several relationships with high schools, each year (12 initiatives in 2018 compared to 10 in 2017) giving various students the opportunity of spending a few weeks at the company in order to gain direct knowledge of what goes on inside it.

The initiatives are part of the “Alternanza Scuola Lavoro” school work placement scheme introduced with the recent school reform (“Buona Scuola” – Law 107/2015).

These activities have a dual purpose:

- to raise early awareness about the Group’s technologies and introduce students to them, in order to identify potential new resources for future employment at the end of their school careers;
- guiding students towards a responsible choice of university course, making them aware of future employment possibilities for those who decide to continue their higher education.

Scholarships are awarded to the children of employees who have obtained the following qualifications and grades:

Professional school-leaving diploma	(75/100)
Full school-leaving diploma	(75/100)
Bachelor’s degree	(99/110)
Master’s degree	(99/100)



Relations with institutions

Prima Industrie is a member of several national and international associations and/or institutions contributing to the spread of the innovation and technology of the "Industry 4.0" culture and of sustainability.

Here are some of the main associations/institutions of the Group is a member:

- Unione Industriale, Turin
- Confindustria, Verona
- Confindustria, Canavese
- Amma, Turin
- Federmeccanica
- EFFRA - European Factories of the Future Research Association
- CECIMO - European Association of the Machine Tool Industries
- UCIMU - Italian Union of Machine Tool Manufacturers
- SIRI - Italian Robotics and Automation Association

Relations with institutions and public administrations are based on the principles of honesty, propriety, transparency and full compliance with laws and

regulations, respect for the public nature of their function, as set out in the Group Code of Ethics and regulated by the Organization, Management and Control Model in accordance with Legislative Decree 231/2001.

In particular, Chairman Gianfranco Carbonato has personally committed himself to the leadership of AMMA, Unione Industriale, Turin and Confindustria Piemonte, of which he has previously been chairman, Federmeccanica, of which he has been deputy chairman and Confindustria, of which he has been Director.

Other Group managers are also active members of trade associations: Domenico Appendino is a director of UCIMU and chairman of SIRI, while Juha Mäkitalo is a director of CECIMO and Maurizio Gattiglio has been chairman of EFFRA.

In 2018, the company was one of the founding members of the Social Promotion Association "Donna Professione STEM". This association has the purpose of:

- promoting and advancing industrial trends;
- promoting participation of women in STEM studies (Science, Technology, Engineering and Mathematics);



- promoting the development of STEM professions in industry;
- promoting inclusive, participatory policies as tools for increasing the industrial competitiveness of the company and the country.

Participation in the Association involves not only being a founding member, as some of our employees also play active roles on this ONLUS (non-profit organization).

7.6 WORKER HEALTH AND SAFETY

The Group has a keen eye on workplace health and safety matters. This awareness is demonstrated in a company policy that states that the entire company structure - the employer, the employer's representatives, the head of the prevention and protection service (RSPP), safety managers, the supervisors, all the workers, whether employees or contract workers - according to their own responsibilities and skills, to reach assigned safety objectives.

In order for these objectives to be met, the parent companies of the two divisions - Prima Industrie SpA

for the machinery division and Prima Electro SpA for the electronic and laser division - have installed an environment and safety management system to ensure that all existing and future group companies address health and safety issues as an important aspect of their business, with priority focus on current workplace health and safety legislation.

Training and the involvement of personnel are the cornerstone of the health and safety management system, with a view to creating a truly safe "culture". For this purpose, the Prevention and Protection Service Unit, in collaboration with the HR department, plans to organize training schedules that range from topics involving behavioral approaches to safety (BBS method), to aspects involving working activities (reduction of waste and increase in recycling). These training events will be transversal and will involve all corporate figures, from employees to directors.

Information and awareness of risks is instilled in all workers, through safety communication projects, brochures and meetings on specific issues. All levels of the company are given safety training.



Training is carried out and updated with specific reference to the job position and with special attention to training new hires, so they can immediately have complete awareness about Health and Safety issues.

The participation of workers is high and constant and is guaranteed by the workers' safety representatives (RLS), who are tasked with reporting information and requests from the employees.

Continuous exchange of information, through specific meetings organized with the Prevention and Protection Service Manager, are opportunities to share ideas and projects designed to improve working conditions for employees from a health and safety standpoint.

Employee involvement and training, along with investments in machinery, equipment and plants have ensured a low frequency of accidents, low severity and involving few workers.

Disclosure 403-2 del GRI Standard 403: Occupational Health & Safety 2016

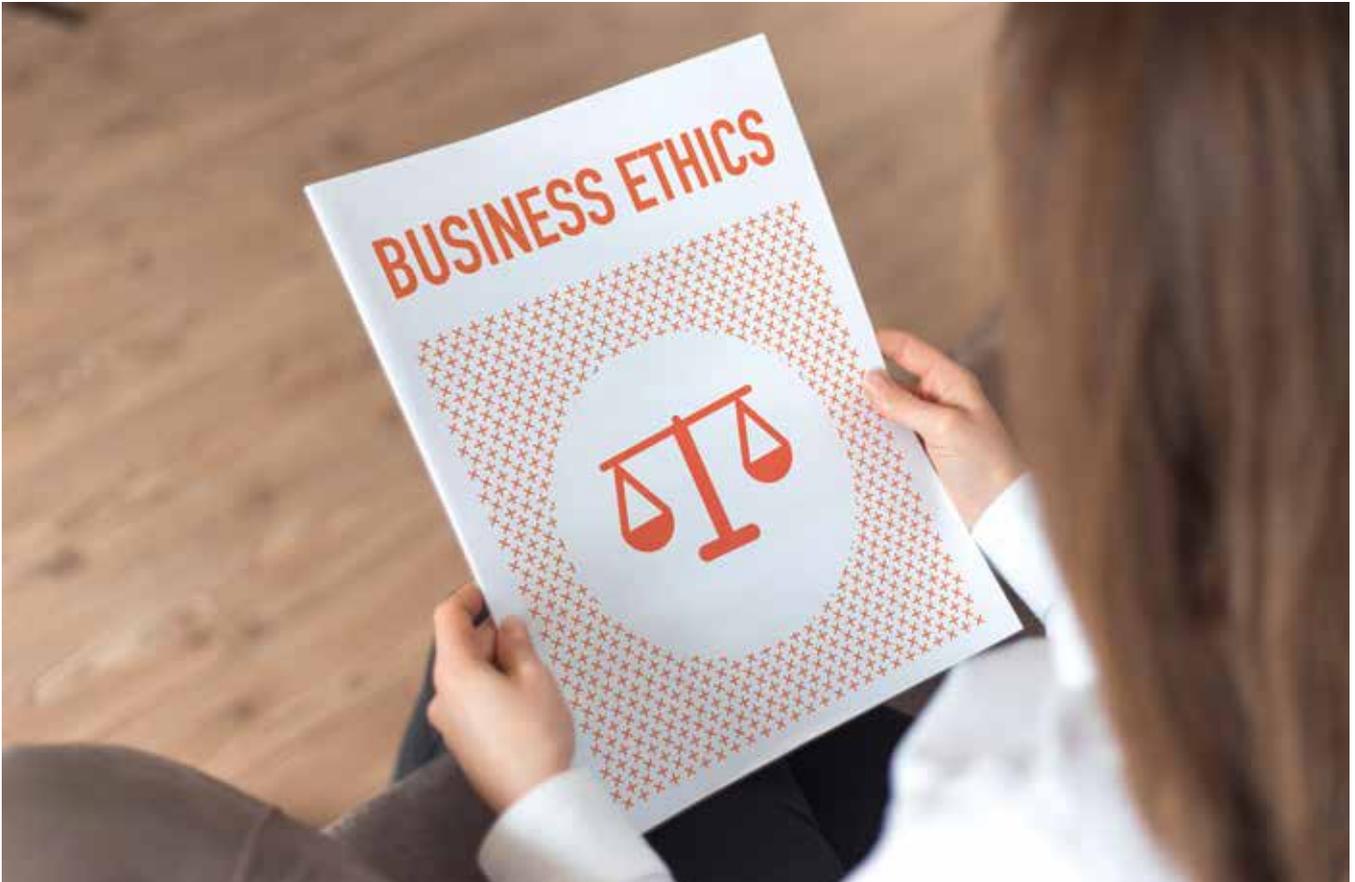
	2018	2017	2016	2018	2017	2016
	Women	Women	Women	Men	Men	Men
Injury rate index	5.4	3.3	5.6	17.3	13.4	27.0
Serious injury index	-	-	0.1	0.4	0.3	0.6
Occupational illness incidence index	-	-	-	-	-	0.5
Absentee rate	30.5	26.4	21.5	28.0	20.9	30.1

No categories of workers are particularly exposed to specific risk of occupational diseases, on the basis of gender, age or ethnicity. Nevertheless, Prima Industrie Group ensures the constant involvement of a doctor to assess and reduce to zero all potential risks to workers' health.



8. Anti-corruption

“The awareness that conduct guided by the principles of legality, loyalty, honesty, propriety and transparency is an important driver for economic and social development.”



The Prima Industrie Group conducts its business in line with the highest professional and ethical standards and operates internationally in accordance with all applicable laws and regulations.

In Italy, corruption issues are addressed within the framework of Legislative Decree 231/01. Outside of Italy, they are dealt with by specific local regulations, such as the Foreign Corrupt Practices Act in the United States, where the Group has 3 companies.

The Group's guiding principles in its business activities are set out in the Code of Ethics. All activities are carried out in accordance with the law, within a framework of fair competition with honesty, integrity, propriety and good faith, and according to the interests of customers, employees, shareholders, trade and financial partners and the communities in which the Group operates.

All those who work for the Group, without distinction or exception, are committed to observing and enforcing observance of these principles within the scope of their functions and responsibilities.

The Code of Ethics is intended for the directors, employees and collaborators of the Group, as well as anyone who, directly or indirectly, permanently or temporarily, enters into relations with the company in which they pursue the same objectives.

The Code of Ethics is a set of ethical principles and rules of conduct that the Group recognizes, shares and promotes, in the awareness that conduct guided by the principles of legality, loyalty, honesty, propriety and transparency is an important driver for economic and social development. The Code is one of the pillars of the Group's governance system, which regulates

decision-making processes and the way the Group and its employees operate in the interests of stakeholders.

The main anti-corruption tools adopted by the Group are:

- communication of the new Group Code of Ethics to all employees and acceptance of its contents / rules²;
- creation of a dedicated e-mail address for reporting to the supervisory board any violations of the general principles of the Code of Ethics and of the 231 Model of Prima Industrie SpA and of the Model of Prima Electro SpA;
- creation of a Compliance Helpline (email address and Italian and American telephone number) to incentivize and track requests for explanations and possible reports of improper behaviors (or presumed as such) by employees and corporate management;
- definition in the Code of Ethics of the rules of conduct to adhere to when providing and receiving gifts, gratuities and benefits to and from business partners and public officials;
- inclusion in the Code of Ethics of two sections dedicated respectively to Respect of Standards Governing Exports and Respect for Anti-Corruption and Anti-Bribery Standards;
- the issue in 2018 at the Italian Group companies of specific training sessions for all employees relative

to the main contents of Legislative Decree 231, Models 231 and the Code of Ethics, as an integral part of the same.

Specifically, the following activities have been carried out in recent years:

- update of Models 231/01 of Prima Electro S.p.A. and Prima Industrie S.p.A.;
- training/information provided to members of the Board of Directors and Board of Auditors regarding the updated contents of Model 231 (both Prima Industrie S.p.A. and Prima Electro S.p.A.);
- training on Legislative Decree 231/01 for all employees; the training material was defined by the Internal Audit department along with Human Resources, and with the support of an independent company that specializes in this area. The above training was delivered in specific training sessions (24) for personnel grouped according to departments/functions, with a test questionnaire provided at the end of the course.

For the reporting period of this document, the table below (Disclosure 205-2 of GRI Standard 205: Anti-corruption 2016) presents information about the training sessions provided in accordance with Legislative Decree 231/01 at Prima Industrie SpA, and Prima Electro SpA.

Company	Period of distribution	No. of Employees	No. Participants
Prima Industrie SpA - HQTC, Collegno and Pianezza - Cologna Veneta	2 nd semester 2018	434 250	326 209
Prima Electro SpA	2 nd semester 2018	227	213

² Available in Italian and English, the Code of Ethics can be consulted and downloaded from the Group's internet and intranet sites, is available on notice boards with direct access for employees and can be requested from the personnel office, the legal department or internal auditing.

With regard to those who have not participated in classroom training sessions, the Human Resources department sent training materials and required completion of a questionnaire to validate learning.

With reference to subsidiary companies, all personnel as of July 2018 received the communication sent by Executive President G. Carbonato regarding the new Group Code of Ethics and undersigned the Code for acceptance. It will also be communicated to all new hires (and external collaborators) by the Human Resources department, to be read, approved and signed.

As planned in 2017, over the course of the Internal Audit the correct distribution / communication of the Code of Ethics and the program "anti-corruption and export controls" was also validated.

In particular, the main actions taken are reported as follows:

- revision of the Group's Code of Ethics, with reference to the issues set out in Decree 254/2016;
- update of Models 231 of Italian companies, with an analysis of the new predicate offences recently introduced by Legislation;
- boosting and verifying knowledge within foreign branches of the subject of this Chapter, with training sessions and specific internal auditing;
- launch in 2018 of initiatives to define a specific Group anti-corruption model (Anti-Corruption Compliance Program), taking account of the regulations applicable in the countries where Prima Industrie operates, with particular reference to the American regulations, proceeding by drafting manuals relative to controls on exports and anti-corruption. The principles and regulations contained therein were shared and communicated to the employees of Prima Power Laserdyne LLC through specific training sessions (two training sessions provided in February 2018, 2 hours each, participated in by 52 and 62 employees of the company). The training materials were made available to all employees;
- nomination of a Group Compliance Officer, creation of a dedicated email address for clarifications and/or reports correlated to compliance (compliancehelpline@primaindustrie.com) and activation of two dedicated telephone lines;
- nomination of the Trade Compliance Officer in Prima Power Laserdyne LLC, who reports to the Company President and the Group Compliance Office;
- identification and nomination of the Trade Compliance Specialist in Prima Electro S.p.A, currently reporting to the Company Logistics Manager.

SUSTAINABILITY REPORT 2018

Consolidated non-financial statement of Prima Industrie Group in accordance with Legislative Decree no. 254/2016

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GRI STANDARDS	DISCLOSURE	CHAP	PAGE	NOTES	REPORTING PERIMETER
GRI 302: ENERGY	302-1: Energy consumption within the organization	4.Environment	43	<ul style="list-style-type: none"> - Regarding the reported data, the conversion factors referred to in the Environmental Indicator Protocols published on the Global Reporting Initiative - The main types of fuel used are natural gas for heating and diesel and petrol for company cars. For some of the companies, other fossil fuels are used for heating (combustible oil, LPG) and biomass fuel. - For the subdivision of electrical and renewable source energy consumption, any autonomously produced electrical power was taken into account, in addition to the composition of the energy mix used for the production of power sold by suppliers (where explicitly indicated on the bill). 	Total data on energy consumption includes all the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").
GRI 305: EMISSIONS	305-1: Direct (Scope 1) GHG emissions	4.Environment	44	<ul style="list-style-type: none"> - The values reported in Scope 1 concern direct emissions from combustion for the generation of thermal energy for heating or production processes. Regarding the reported data, the conversion factors referred to in the Standard GHG Protocol available at the following link: http://www.ghgprotocol.org/calculation-tools. 	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").
	305-2: Energy indirect (Scope 2) GHG emissions	4.Environment	44	<ul style="list-style-type: none"> - Values reported in Scope 2 concern emissions from purchased or acquired electricity and, for buildings rented by the companies within the reporting perimeter, thermal energy. Regarding the reported data, the conversion factors referred to in the Standard GHG Protocol available at the following link: https://ghgprotocol.org/sites/default/files/Purchased_Electricity_Tool_Version-4_8_0.xlsx. 	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").

GRI STANDARDS	DISCLOSURE	CHAP	PAGE	NOTES	REPORTING PERIMETER
GRI 102: GENERAL DISCLOSURES	102-8: Information on employees and other workers	7. HR and social management	68, 70	The reported amounts refer to personnel employed at 31 December of the relevant year.	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").
GRI 401: EMPLOYMENT	401-1: New employee hires and employee turnover	7. HR and social management	70	The turnover rate was determined by relating the number of workers leaving since the start of the period multiplied by 100.	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	7. HR and social management	80	<ul style="list-style-type: none"> - Accidents considered in the calculation of the indicator include all accidents at work involving days lost, excluding accidents en route. - Rates of accidents/days lost were calculated by relating the number of accidents/days lost to the total hours worked and applying a multiplier of 1,000,000 in the first case and of 1,000 in the second case. - The rate of absenteeism was calculated by relating the number of days of absence not due to holidays, leave, maternity, etc. to the total number of working days planned (theoretical hours according to attendance recording system, where available, or estimated where not available) and applying a multiplier of 1,000. - Accidents are recorded and analyzed autonomously by each company, in order to monitor trends and evaluate any preventive and corrective actions that should be taken to bring the total number of accidents to zero. 	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").

Continued

SUSTAINABILITY REPORT 2018**Consolidated non-financial statement of Prima Industrie Group
in accordance with Legislative Decree no. 254/2016****Table of indicators**

GRI STANDARDS	DISCLOSURE	CHAP	PAGE	NOTES	REPORTING PERIMETER
GRI 404: TRAINING AND EDUCATION	404-1: Average hours of training per year per employee	7. HR and social management	73	Calculation of the average hours of training is based on the ratio between the hours of training provided and the employees on 31/12 of the year of reference.	The indicator is accounted on the following companies: - Prima Industrie S.p.A - Prima Electro S.p.A - Prima Power Iberica SL - Prima Power North America Inc - Prima Power Laserdyne LLC - Finn Power OY - Prima Power Suzhou Co. Ltd
	404-3: Percentage of employees receiving regular performance and career development reviews	7. HR and social management	73	The accounted data are obtained through the corporate portal, which records all assessments assigned to personnel involved in the performance management program, monitored centrally, with the exception of Prima Electro, which manages its own job assessment system.	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES	405-1: Diversity of governance bodies and employees	2. The Prima Industrie Group	28, 30	-	Subdivision by age group and gender of the Governance Body was accounted only with reference to the Parent Company Prima Industrie and the company Prima Electro.
		7. HR and social management	69, 72		The data relating to employees from protected categories are only shown for: - Prima Industrie S.p.A. - Prima Electro S.p.A.

GRI STANDARDS	DISCLOSURE	CAP.	PAG.	NOTE	PERIMETRO DI RENDICONTAZIONE
GRI 205: ANTI-CORRUPTION	205-2: Communication and training about anti-corruption policies and procedures	8. Anti-Corruption	84	<p>- Compared to the "Reporting Requirements" of Disclosure GRI, the data reported only relates to the hours of training provided in accordance with Legislative Decree 231/01 to employees of the Italian companies and anti-corruption training provided to the employees of the company Prima Power Laserdyne LLC.</p> <p>- With reference to communications activities, the new Group Code of Ethics was transmitted and under-signed for acceptance by all active personnel in July 2018.</p>	The indicator is only shown for: -Prima Industrie SpA -Prima Electro SpA -Prima Power Laserdyne LLC
GRI 416: CUSTOMER HEALTH & SAFETY	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	5. Products	51	-	All the companies included in the reporting perimeter (see Chapter 1 "Methodological Note").
Other indicators non GRI					
Customer Satisfaction Surveys		5. Products			All the companies included in the reporting perimeter
Investments in research and Development		5. Products			All the companies of the Group

10. Independent auditor's report on the consolidated non-financial statement





PRIMA INDUSTRIE SPA

**INDEPENDENT AUDITOR'S REPORT ON THE
CONSOLIDATED NON-FINANCIAL STATEMENT
PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF
LEGISLATIVE DECREE N. 254/2016 AND ARTICLE 5 OF
CONSOB REGULATION N. 20267 ADOPTED BY
RESOLUTION OF 18 JANUARY 2018**

YEAR ENDED 31 DECEMBER 2018



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree N. 254/2016 and article 5 of CONSOB Regulation N. 20267 adopted by Resolution of 18 January 2018

To the Board of Directors of
Prima Industrie SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of Prima Industrie SpA and its subsidiaries (the "Prima Industrie Group" or the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 1 March 2019 (the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 (the "GRI Standards"), as laid down in paragraph "Methodological note" of the NFS, identified by them as the reporting standards.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the personnel and top management of Prima Industrie SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at the holding company level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Prima Industrie SpA, Prima Power Laserdyne Llc, Prima Power North America Inc. and Prima Power Iberica SL, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Prima Industrie Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to selected GRI Standards, as laid down in paragraph “Methodological note” of the NFS.

Torino, 22 March 2019

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

Paolo Bersani
(Authorized signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2018 translation.

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