



**PRIMA  
INDUSTRIE**

**Interim Financial Report**  
as of September 30<sup>th</sup>, 2017  
*Board of Directors, November 3<sup>rd</sup>, 2017*

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# CHAPTER 1

## Prima Industrie SpA Management and control



## CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL

<b>Board of Directors</b>		
Executive Chairman		Gianfranco Carbonato
Managing Directors		Ezio G. Basso <sup>(1)</sup> Domenico Peiretti <sup>(2)</sup>
Independent Directors		Donatella Busso Paolo Cantarella Carla Patrizia Ferrari Paola Gatto Mario Mauri Marina Meliga
Other Directors		Rafic Y. Mansour Michael R. Mansour
<b>Internal Control Committee</b>		
Chairman		Donatella Busso
Members		Paolo Cantarella Carla Patrizia Ferrari
<b>Remuneration Committee</b>		
Chairman		Mario Mauri
Members		Paola Gatto Rafic Y. Mansour
<b>Operations with Related parties Committee</b>		
Chairman		Donatella Busso
Members		Paola Gatto Marina Meliga
<b>Board of Statutory Auditors</b>		
Chairman		Franco Nada
Regular Auditors		Maura Campra Roberto Petrignani
Alternate Auditors		Roberto Coda Gaetana Laselva
<b>Audit Company</b>		
		PricewaterhouseCoopers S.p.A.

**Expiry of Mandates and Appointments**

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

The Board of Statutory Auditors shall remain in office until the approval of 2018 Financial Statements.

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

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

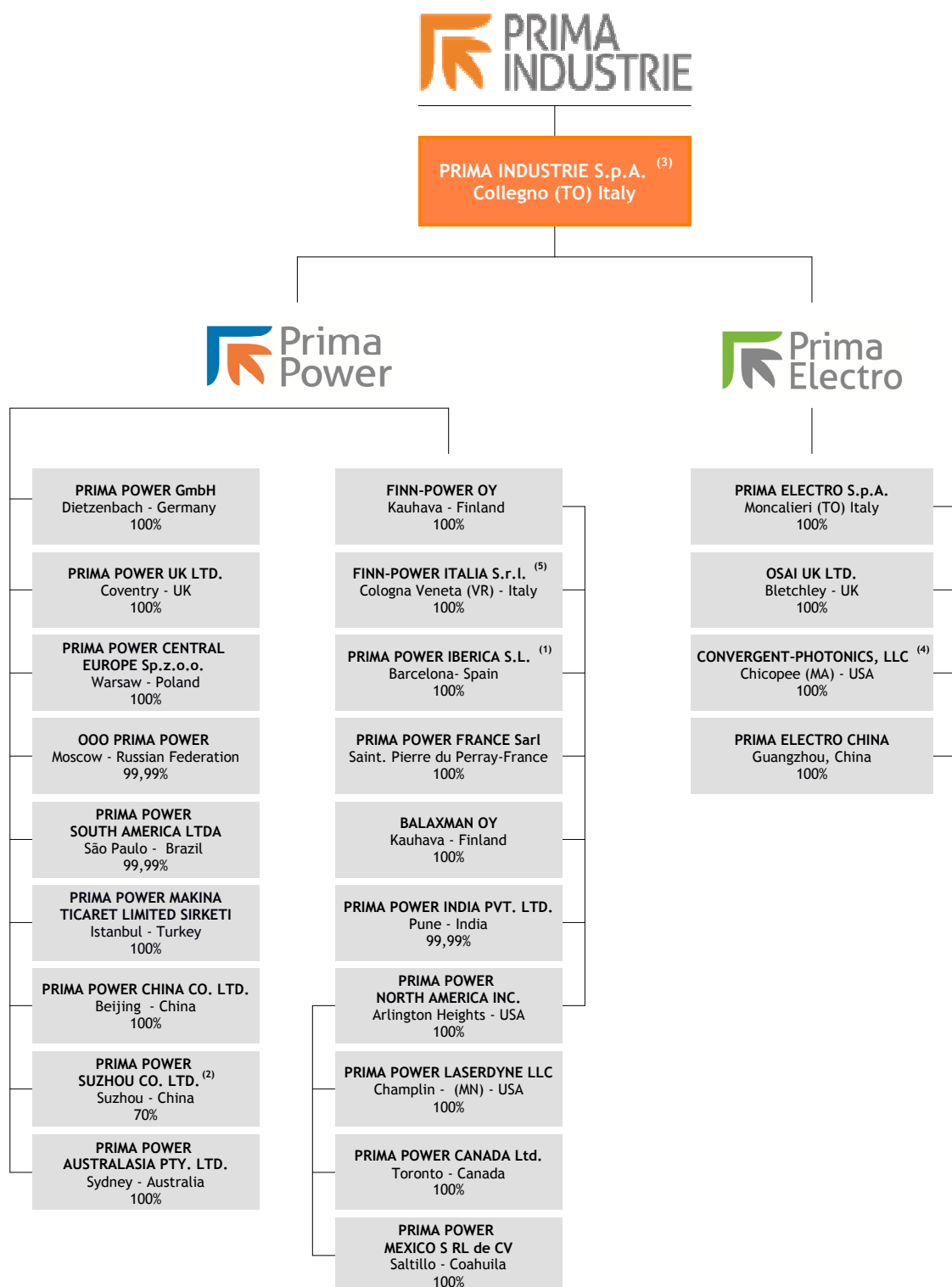
<sup>(2)</sup> Domenico Peiretti is also the Managing Director and General Manager of PRIMA ELECTRO SpA

## CHAPTER 2

### Prima Industrie Group Structure



## CHAPTER 2. PRIMA INDUSTRIE GROUP STRUCTURE



The statement on this page represents the corporate situation of PRIMA INDUSTRIE Group on September 30<sup>th</sup>, 2017.

- (1) FINN-POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).
- (2) PRIMA INDUSTRIE SpA holds 70% of PRIMA POWER SUZHOU Co. Ltd. (the remaining 30% is held by third parties).
- (3) PRIMA INDUSTRIE SpA is included in PRIMA POWER Division for Reporting purposes.
- (4) During the third quarter of 2017, Prima Electro North America Llc changed its trading name to Convergent-Photonics Llc.
- (5) On October 11<sup>th</sup>, 2017, Prima Industrie SpA bought the entire share capital of Finn-Power Italia Srl form Finn-Power OY. The transaction has no impact on the consolidation area or on the Sector Report.

## CHAPTER 3

### Prima Industrie Group Profile



### CHAPTER 3. PRIMA INDUSTRIE GROUP PROFILE

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

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

The PRIMA INDUSTRIE Group boasts 40 years of experience and has over 13,000 machines installed in more than 70 Countries. Owing also to the acquisition of the FINN-POWER Group in February 2008, it has stably ranked among world leaders in the sector of sheet metal processing applications. In recent years, the Group has reorganized its structure, branching its *business* in the following two divisions:

- PRIMA POWER for laser machines and sheet metal processing;
- PRIMA ELECTRO for industrial electronics and laser technologies.

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

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

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

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

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

This Company draft of Financial Statement has been approved by the Board of Directors on November 3<sup>rd</sup>, 2017.



## CHAPTER 4

### Introduction



## CHAPTER 4. INTRODUCTION

The Interim Management Report at September 30<sup>th</sup>, 2017 of the PRIMA INDUSTRIE Group was prepared in accordance with the provisions of article 154-ter, paragraph 5 of Consolidated Finance Law and subsequent amendments, as well as the issuer's Regulation issued by CONSOB .

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

Quarterly data were not audited by the independent auditors.

It should be noted that, to improve disclosure of its financial results, the Group has decided, beginning financial year 2017, to present the income statement according to functional area otherwise referred to as "Cost of Sales", rather than by expenditure type, as done until the Consolidated Financial statements for the year 2016 (approved by the Shareholders' Meeting on April 11<sup>th</sup>, 2017). Therefore, the financial data presented in this Interim Report are presented according to functional area and, to facilitate comparison of the data from the current year with those of the corresponding period of the previous financial year have been reclassified in the same manner.

The cost presentation is based on cost destination and is considered more representative than expenditure type. The form chosen conforms to internal *reporting* and business management procedures and is in line with international practice within the sector in which the Group operates.

"Cost of sales" includes costs relating to the functional areas that participated directly or indirectly to the generation of revenues with the sale of goods and services. Therefore this item includes the production or purchase cost of products and goods sold. It also includes all costs for materials, processing and overheads directly attributable to production. Furthermore, it contains write-downs on inventories, provisions to cover warranty costs on sold goods, transport and insurance costs incurred for deliveries to customers and sales commissions to agents or third-party distributors.

## CHAPTER 5

### Group Interim Management Report



## CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT

### GROUP RESULTS SUMMARY

Values in euro thousand	September 30, 2017	September 30, 2016	Variations	%
ORDER INTAKE	350,977	305,751	45,226	14.8%
BACKLOG	188,130	144,707	43,423	30,0%
REVENUES	300,306	274,536	25,770	9.4%
EBITDA	29,652	24,022	5,630	23.4%
EBITDA %	9.9%	8.8%	1.1%	-
EBIT	17,032	12,316	4,716	38.3%
EBIT %	5.7%	4.5%	1.2%	-
NET RESULT	12,131	5,625	6,506	115.7%
FCF	(11,760)	(16,528)	4,768	28.8%
NFP	(103,122)	(122,252)	19,130	15.6%
HEADCOUNT	1,743	1,651	92	5.6%

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

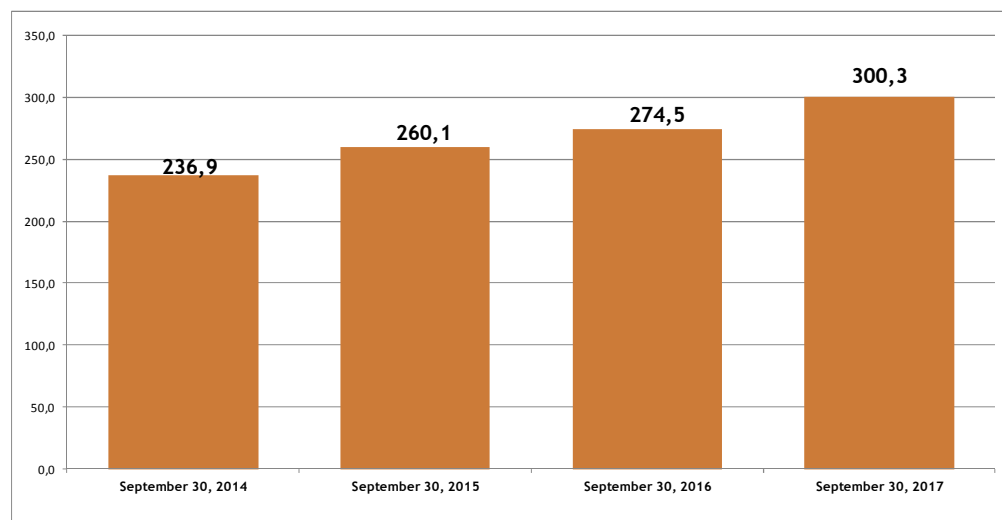
For the indices definition, see Annex 2 “Non - GAAP performance indicators”.

### ECONOMIC PERFORMANCE

The Group ended the third quarter of 2017 reaching consolidated revenues of Euro 300,306 thousand, increasing about 9.4% against the same period of the previous year.

Growth in turnover has now been steady over time and, as we can see in the chart below, over the last 3 years, the CAGR of Q3 revenues has been 8.2%.

Value in Euro million



This positive trend is, in addition to the good performance of the reference markets, the result of the significant investments made by the Group over the last few years in research and development (renewal of the product range and development of the fiber laser sources) and for commercial strengthening.

Below are the main economic indicators of the Group broken down by Division, compared with the same period of the previous year:

Values in euro thousand

September 30, 2017	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	282,507	69,300	24.5%	28,499	10.1%	18,367	6.5%	11,417
PRIMA ELECTRO	36,442	7,696	21.1%	1,506	4.1%	(993)	-2.7%	939
ELIMINATIONS	(18,643)	(376)	2.0%	(353)	1.9%	(342)	1.8%	(225)
<b>GROUP</b>	<b>300,306</b>	<b>76,620</b>	<b>25.5%</b>	<b>29,652</b>	<b>9.9%</b>	<b>17,032</b>	<b>5.7%</b>	<b>12,131</b>

(% calculated over the revenues)

Values in euro thousand

September 30, 2016	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	256,235	60,106	23.5%	23,136	9.0%	14,235	5.6%	7,240
PRIMA ELECTRO	30,384	7,705	25.4%	969	3.2%	(1,847)	-6.1%	(1,193)
ELIMINATIONS	(12,083)	(219)	1.8%	(83)	0.7%	(72)	0.6%	(422)
<b>GROUP</b>	<b>274,536</b>	<b>67,592</b>	<b>24.6%</b>	<b>24,022</b>	<b>8.8%</b>	<b>12,316</b>	<b>4.5%</b>	<b>5,625</b>

(% calculated over the revenues)

Values in euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	26,272	9,194	35.0%	5,363	20.4%	4,132	15.7%	4,177
PRIMA ELECTRO	6,058	(9)	-0.1%	537	8.9%	854	14.1%	2,132
ELIMINATIONS	(6,560)	(157)	2.4%	(270)	4.1%	(270)	4.1%	197
<b>GROUP</b>	<b>25,770</b>	<b>9,028</b>	<b>35.0%</b>	<b>5,630</b>	<b>21.8%</b>	<b>4,716</b>	<b>18.3%</b>	<b>6,506</b>

(% calculated over the revenues)

Following is the consolidated revenues geographical breakdown at September 30<sup>th</sup>, 2017 compared with same period of the previous year:

Revenues	September 30, 2017		September 30, 2016	
	Euro thousand	%	Euro thousand	%
EMEA	158,198	52.7	155,740	56.7
AMERICAS	87,737	29.2	67,781	24.7
APAC	54,371	18.1	51,015	18.6
<b>TOTAL</b>	<b>300,306</b>	<b>100.0</b>	<b>274,536</b>	<b>100.0</b>

The above table shows that Group turnover at September 30<sup>th</sup>, 2017 (compared with the same period of the previous year) had risen in all areas, with an increase of Euro 19,956 thousand in the AMERICAS, Euro 3,356 thousand in APAC and Euro 2,458 thousand in EMEA.

It should be noted that the Group generated consolidated revenues in the EMEA area for Euro 158,198 thousand (+1.6%); in particular, the Group achieved good results in Italy (15.5% of consolidated revenues), in Russia and Eastern Europe (7.8% of consolidated revenues), in the countries of Northern Europe (7.1% of consolidated revenues), in Spain (5.5% of consolidated revenues) and in Germany (5.1% of consolidated revenues).

The portion generated by AMERICAS rose significantly compared to 2016, growing from Euro 67,781 thousand to Euro 87,737 thousand (+29.4%); this growth is related to revenues generated in USA, in Mexico and Canada, which rose from a total of Euro 66,820 thousand to a total of Euro 84,705 thousand.

Also with regard to the APAC countries, the revenues also increased compared to 2016, growing from Euro 51,015 thousand to Euro 54,371 thousand (+6.6%); this growth mainly refers to China whose turnover grew from Euro 38,044 thousand to Euro 42,141 thousand (+10.8%; equal to 14.0% of consolidated revenues).

Shown below it is a subdivision of the revenues by sector of the gross inter-sector transactions:

Revenues	September 30, 2017		September 30, 2016	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	282,507	94.1	256,235	93.3
PRIMA ELECTRO	36,442	12.1	30,384	11.1
Inter-sector revenues	(18,643)	(6.2)	(12,083)	(4.4)
<b>TOTAL</b>	<b>300,306</b>	<b>100.0</b>	<b>274,536</b>	<b>100.0</b>

As can be seen from the above table, total revenue growth was seen from both the PRIMA POWER division (Euro 26,272 thousand) and the PRIMA ELECTRO division (Euro 6,058 thousand). For the PRIMA ELECTRO division growth was due to internal supplies of fibre lasers.

Group gross margin at September 30<sup>th</sup>, 2017 remained stable at around 25%.

The Group's **EBITDA** at September 30<sup>th</sup>, 2017 amounted to Euro 29,652 thousand (9.9% of revenues), an increase of Euro 5,630 thousand compared to the same period of the previous year (it was Euro 24,022 thousand, equal to 8.8% of revenues).

The Group's **EBIT** at September 30<sup>th</sup>, 2017 is equal to Euro 17,032 thousand (5.7% of revenues), an increase of Euro 4,716 thousand compared to September 30<sup>th</sup>, 2016 (it was Euro 12,316 thousand, equal to 4.5% of revenues). This result is affected by depreciation of intangible assets for Euro 9,336 thousand and of tangible assets for Euro 3,261 thousand. With regard to the amortization of intangible assets, the main relates to amortization of development costs (Euro 6,351 thousand) and to the amortization related to assets with a defined useful life recognized in the FINN-POWER Group business (brand and customer relations - "*customer list*") which are equal to Euro 2,385 thousand.

Consolidated **EBT** at September 30<sup>th</sup>, 2017 is positive for Euro 14,186 thousand and significantly increased compared to September 30<sup>th</sup>, 2016, when EBT was positive for Euro 7,223 thousand. Consolidated EBT reflects net financial charges (including profits and losses on exchange rates) for Euro 4,787 thousand (at September 30<sup>th</sup>, 2016 they were equal to Euro 5,425 thousand) and includes capital gains of Euro 1,941 thousand from the sale of shares in EPS SA.

Financial results (€/000)	September 30, 2017	September 30, 2016
Bond expenses	(1,808)	(1,811)
Club-Deal loan expenses	(789)	(997)
Finnish Loan loan expenses	(440)	(491)
Derivate expenses (CRS)	2,462	465
Derivates expenses (IRS)	(59)	-
Other financial expenses	(1,668)	(1,898)
<b>Net financial expenses</b>	<b>(2,302)</b>	<b>(4,732)</b>
Net exchange differences	(2,485)	(693)
<b>TOTAL</b>	<b>(4,787)</b>	<b>(5,425)</b>

The Group **NET RESULT** at September 30<sup>th</sup>, 2017 is positive for Euro 12,131 thousand (it was positive for Euro 5,625 thousand at September 30<sup>th</sup>, 2016); the Net Result attributable to the Parent Company is equal to Euro 12,061 thousand.

## FINANCIAL PERFORMANCE

Values in euro thousand	September 30, 2017	September 30, 2016	Variations
Net Indebtness Opening	(84,215)	(101,747)	17,532
EBITDA	29,652	24,022	5,630
Taxes	(11,071)	(3,141)	(7,930)
Net financial expenses	(2,302)	(4,732)	2,430
Provisions and Retirement Benefit Oblig.	1,968	1,860	108
Change in Equity reserves	30	-	30
Other changes	(483)	(112)	(371)
<b>Cash from operating activities before TWC</b>	<b>17,794</b>	<b>17,897</b>	<b>(103)</b>
Change in Trade Working Capital	(20,159)	(17,077)	(3,082)
<b>Cash from operating activities</b>	<b>(2,365)</b>	<b>820</b>	<b>(3,185)</b>
Investments in development costs	(5,276)	(7,665)	2,389
Other investments	(4,119)	(9,683)	5,564
<b>Cash from investment activities</b>	<b>(9,395)</b>	<b>(17,348)</b>	<b>7,953</b>
<b>FREE CASH FLOW (FCF)</b>	<b>(11,760)</b>	<b>(16,528)</b>	<b>4,768</b>
Dividends	(3,145)	(2,621)	(524)
Net financial result of investments	1,941	332	1,609
<b>Cash from financing activities</b>	<b>(1,204)</b>	<b>(2,289)</b>	<b>1,085</b>
Net exchange differences	(5,943)	(1,688)	(4,255)
<b>CASH FLOW - TOTAL</b>	<b>(18,907)</b>	<b>(20,505)</b>	<b>1,598</b>
<b>Net Indebtness Closing</b>	<b>(103,122)</b>	<b>(122,252)</b>	<b>19,130</b>

At September 30<sup>th</sup>, 2017 the Group's net financial position showed net indebtedness of Euro 103,122 thousand, compared to Euro 122,252 thousand at September 30<sup>th</sup>, 2016 and to Euro 84,215 thousand at

December 31<sup>st</sup>, 2016. The increase in indebtedness reflects the higher volumes expected in the last quarter of the year. Details of the net financial position are shown below.

Values expressed in Euro thousand	September 30, 2017	December 31, 2016	September 30, 2016
CASH & CASH EQUIVALENTS	(43,320)	(62,680)	(28,332)
CURRENT FINANCIAL RECEIVABLES	(1,168)	(792)	(847)
CURRENT FINANCIAL LIABILITIES	45,957	35,790	33,951
NON CURRENT FINANCIAL LIABILITIES	101,653	111,897	117,480
<b>NET FINANCIAL POSITION</b>	<b>103,122</b>	<b>84,215</b>	<b>122,252</b>

## BUSINESS PERFORMANCE

During the nine first months of 2017 the order acquisition of the Group (including *after-sale service*) amounted to Euro 351.0 million, an increase of 14.8% against Euro 305.8 million at September 30<sup>th</sup>, 2016. Order acquisition of PRIMA POWER segment was equal to Euro 330.7 million, order acquisition relating to PRIMA ELECTRO segment, from customers outside the Group only, was equal to Euro 20.3 million.

Consolidated order backlog (not including after-sale service) at September 30<sup>th</sup>, 2017 amounts to Euro 188.1 million (against Euro 144.7 million at September 30<sup>th</sup>, 2016). The backlog includes Euro 179.8 million relating to PRIMA POWER segment and Euro 8.3 million relating to PRIMA ELECTRO segment.

## FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The first nine months of the year saw sustained growth, thanks to a favourable market situation and the first returns on the strong investments made. Based on the current order portfolio and the overall economic situation, the Group expects results in 2017 to be in line with the medium to long-term objectives set out in the *Business Plan 2017-2019*.

## EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENT

### SALE OF FINN-POWER ITALIA TO PRIMA INDUSTRIE SPA BY FINN-POWER OY

On October 11<sup>th</sup>, 2017, Prima Industrie SpA acquired the entire share capital of Finn-Power Italia Srl from Finn-Power OY.

The transaction is related to and functional to the process organisational integration undertaken by the Prima Industrie Group and will conclude with the merger of Finn-Power Italia Srl with Prima Industrie SpA, which will take place in the simplified form in accordance with Article 2505 of the Italian Civil Code.

The organisational and financial reasons for this merger can be found in the optimisation of the structure of the Prima Industrie Group, which will involve shortening the chain of monitoring of investments and streamlining cash, administration and organisation and also centralising decision-making on strategic investments to the parent company Prima Industrie SpA. The merger will also be the opportunity for an overall corporate re-organisation, aimed at improving integration of Italian sales and sales, and the running of the two Italian production plants, not to mention lowering costs.

The simplified procedure is available to the Group since, at the date of the resolution to approve the merger, Prima Industrie will hold 100% of the share capital of Finn-Power Italia Srl. As a simplified merger, in accordance Article 2505 of the Italian Civil Code, it will be submitted to the decision of the Board of Directors of Prima Industrie SpA, in observance of the provisions of Article 22 of the company's articles of association.



No other significant events have taken place since the closing of the financial statements up to the date of these interim statements.

**CHAPTER 6**

Consolidated Financial Statements of **Prima Industrie Group**  
**September 30<sup>th</sup>, 2017**



## CHAPTER 6. PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30<sup>TH</sup>, 2017

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Values in Euro	September 30, 2017	December 31, 2016
Property, plant and equipment	34,994,884	35,281,369
Intangible assets	151,091,012	155,713,399
Investments accounted for using the equity method	-	1,009,341
Other investments	359,551	139,051
Non current financial assets	9,578	9,578
Deferred tax assets	12,511,408	11,555,324
<b>NON CURRENT ASSETS</b>	<b>198,966,433</b>	<b>203,708,062</b>
Inventories	128,588,820	98,561,165
Trade receivables	98,674,948	88,376,748
Other receivables	8,401,335	6,425,617
Current tax receivables	7,262,408	5,053,888
Derivatives	376,843	-
Financial assets	791,509	791,509
Cash and cash equivalents	43,319,846	62,679,901
<b>CURRENT ASSETS</b>	<b>287,415,708</b>	<b>261,888,828</b>
Assets held for sale	1,152,107	318,812
<b>TOTAL ASSETS</b>	<b>487,534,247</b>	<b>465,915,702</b>
Capital stock	26,208,185	26,208,185
Legal reserve	4,652,958	4,565,082
Other reserves	69,292,933	70,738,752
Currency translation reserve	1,837,052	6,848,598
Retained earnings	27,621,702	19,276,926
Net result	12,060,789	10,102,304
<b>Stockholders' equity of the Group</b>	<b>141,673,619</b>	<b>137,739,847</b>
<b>Minority interest</b>	<b>1,197,109</b>	<b>1,212,065</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>142,870,728</b>	<b>138,951,912</b>
Interest-bearing loans and borrowings	101,588,205	111,675,762
Employee benefit liabilities	7,991,437	8,100,353
Deferred tax liabilities	6,585,291	8,340,653
Provisions	160,545	162,684
Derivatives	64,371	220,866
<b>NON CURRENT LIABILITIES</b>	<b>116,389,849</b>	<b>128,500,318</b>
Trade payables	88,842,443	88,448,383
Advance payments	45,802,306	26,029,170
Other payables	23,568,980	22,076,067
Interest-bearing loans and borrowings	45,957,521	34,894,444
Current tax payables	3,599,329	7,695,264
Provisions	20,503,092	18,424,370
Derivatives	-	895,774
<b>CURRENT LIABILITIES</b>	<b>228,273,670</b>	<b>198,463,472</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>487,534,247</b>	<b>465,915,702</b>

## CONSOLIDATED INCOME STATEMENT

Values in Euro	September 30, 2017	September 30, 2016
Net revenues	300,305,631	274,536,038
Cost of goods sold	(223,685,525)	(206,943,702)
<b>GROSS MARGIN</b>	<b>76,620,105</b>	<b>67,592,336</b>
Research and Development costs	(9,631,959)	(8,133,463)
Sales and marketing expenses	(20,373,590)	(19,239,112)
General and administrative expenses	(16,962,212)	(16,198,245)
<b>OPERATING GROSS MARGIN (EBITDA)</b>	<b>29,652,345</b>	<b>24,021,516</b>
Impairment - Write-off	(23,299)	(127,409)
Depreciation	(12,597,081)	(11,578,280)
<b>OPERATING PROFIT (EBIT)</b>	<b>17,031,966</b>	<b>12,315,827</b>
Financial income	2,674,159	650,989
Financial expenses	(4,976,185)	(5,382,625)
Net exchange differences	(2,484,646)	(693,602)
Net result of investments accounted for using the equity method	-	332,287
Net result of other investments	1,940,698	-
<b>RESULT BEFORE TAXES (EBT)</b>	<b>14,185,991</b>	<b>7,222,876</b>
Taxes	(2,055,365)	(1,598,279)
<b>NET RESULT</b>	<b>12,130,626</b>	<b>5,624,597</b>
- <i>Attributable to Group shareholders</i>	12,060,789	5,584,130
- <i>Attributable to minority shareholders</i>	69,838	40,467
<b>RESULT PER SHARE - BASIC (in euro)</b>	<b>1.15</b>	<b>0.53</b>
<b>RESULT PER SHARE - DILUTED (in euro)</b>	<b>1.15</b>	<b>0.53</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	September 30, 2017	September 30, 2016
<b>NET RESULT (A)</b>	<b>12,130,626</b>	<b>5,624,597</b>
Gains/ (Losses) on actuarial defined benefit plans	-	-
Tax effect	-	-
<b>Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)</b>	<b>-</b>	<b>-</b>
Gains / (Losses) on cash flow hedges	38,829	-
Tax effect	(9,319)	-
Gains/ (Losses) on exchange differences on translating foreign operations	(5,096,340)	(1,551,989)
<b>Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)</b>	<b>(5,066,830)</b>	<b>(1,551,989)</b>
<b>TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)</b>	<b>7,063,796</b>	<b>4,072,608</b>
- <i>Attributable to Group shareholders</i>	<i>7,078,753</i>	<i>4,094,640</i>
- <i>Attributable to minority shareholders</i>	<i>(14,956)</i>	<i>(22,032)</i>

## CONSOLIDATED STATEMENT OF CHANGES ON SHAREHOLDERS' EQUITY

from the 1<sup>st</sup> of January 2016 to the 30th of September 2016

VALUES IN EURO	Capital stock	Additional paid-in capital	Legal reserve	Capital increase expenses	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at 01/01/2016	26,208,185	57,506,537	4,494,745	(1,286,154)	-	16,023,311	5,965,409	14,786,376	6,016,715	129,715,124	1,196,407	130,911,531
Dividends paid	-	-	-	-	-	(2,620,818)	-	-	-	(2,620,818)	-	(2,620,818)
Allocation of prior year net result	-	-	70,337	-	-	1,336,397	-	4,609,981	(6,016,715)	-	-	-
Result of comprehensive Income	-	-	-	-	-	-	(1,489,490)	-	5,584,130	4,094,640	(22,032)	4,072,608
Balance as at 30/09/2016	26,208,185	57,506,537	4,565,082	(1,286,154)	-	14,738,890	4,475,919	19,396,357	5,584,130	131,188,946	1,174,375	132,363,321

from the 1<sup>st</sup> of January 2017 to the 30th of September 2017

VALUES IN EURO	Capital stock	Additional paid-in capital	Legal reserve	Capital increase expenses	Change in the FV of hedging derivatives	Other reserves	Currency translation reserve	Retained earnings	Net result	Stockholders' equity of the Group	Minority interest	STOCKHOLDERS' EQUITY
Balance as at 01/01/2017	26,208,185	57,506,537	4,565,082	(1,286,154)	(62,841)	14,581,210	6,848,598	19,276,926	10,102,304	137,739,847	1,212,065	138,951,912
Dividends paid	-	-	-	-	-	(3,144,981)	-	-	-	(3,144,981)	-	(3,144,981)
Allocation of prior year net result	-	-	87,876	-	-	1,669,652	-	8,344,776	(10,102,304)	-	-	-
Result of comprehensive Income	-	-	-	-	29,510	-	(5,011,546)	-	12,060,789	7,078,753	(14,956)	7,063,797
Balance as at 30/09/2017	26,208,185	57,506,537	4,652,958	(1,286,154)	(33,331)	13,105,881	1,837,052	27,621,702	12,060,789	141,673,619	1,197,109	142,870,728

## CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	September 30, 2017	September 30, 2016 (**)
Net result	12,130,626	5,624,597
<b>Adjustments (sub-total)</b>	<b>(17,010,016)</b>	<b>(5,166,079)</b>
Depreciation, impairment & write-off	12,620,380	11,705,689
Gain from sales of shares in other investments	(1,940,698)	-
Net change in deferred tax assets and liabilities	(2,711,446)	(2,235,230)
Change in employee benefits	(108,916)	(235,292)
Change in inventories	(30,027,655)	(14,259,310)
Change in trade receivables	(10,298,200)	(4,157,159)
Change in trade payables and advances	20,167,196	1,339,003
Net change in other receivables/payables and other assets/liabilities	(4,710,677)	2,676,220
<b>Cash Flows from (used in) operating activities (A)</b>	<b>(4,879,389)</b>	<b>458,518</b>
<b>Cash flow from investments</b>		
Acquisition of tangible fixed assets (*)	(3,650,420)	(2,292,842)
Acquisition of intangible fixed assets	(424,621)	(469,373)
Capitalization of development costs	(5,276,013)	(7,664,664)
Net disposal of fixed assets	69,187	171,602
Capital increase/decrease in Other investments (*)	1,961,780	-
Capital increase/decrease investments accounted for using the equity method	-	60,126
<b>Cash Flows from (used in) investing activities (B)</b>	<b>(7,320,088)</b>	<b>(10,195,151)</b>
<b>Cash flow from financing activities</b>		
Change in other financial assets/liabilities and other minor items	(225,685)	347,491
Increases in loans and borrowings (including bank overdrafts)	14,099,590	10,526,285
Repayment of loans and borrowings (including bank overdrafts)	(12,463,068)	(9,824,693)
Repayments in financial lease liabilities	(330,095)	(173,406)
Dividends paid	(3,144,981)	(2,620,818)
Change in currency translation reserve	(5,011,546)	(1,489,490)
Other variations	-	-
<b>Cash Flows from (used in) financing activities (C)</b>	<b>(7,075,785)</b>	<b>(3,234,631)</b>
<b>Cash Flows from (used in) change of minority shareholders (D)</b>	<b>(84,794)</b>	<b>(62,499)</b>
<b>Net change in cash and equivalents (E=A+B+C+D)</b>	<b>(19,360,055)</b>	<b>(13,033,763)</b>
<b>Cash and equivalents beginning of period (F)</b>	<b>62,679,901</b>	<b>41,365,408</b>
<b>Cash and equivalents end of period (G=E+F)</b>	<b>43,319,846</b>	<b>28,331,645</b>
<b>Additional Information to the Consolidated Statement of Cash-Flow</b>	<b>September 30, 2017</b>	<b>September 30, 2016 (**)</b>
<i>Values in Euro</i>		
Taxes	(2,055,365)	(1,598,279)
Financial incomes	2,674,159	650,989
Financial expenses	(4,976,185)	(5,382,625)

(\*) not included the acquisition of real estate assets by means of a financial lease and included assets held for sale

(\*\*) for a better comprehension, the 2016 figures have been re-exposed

## CHAPTER 7

### Explanatory Notes **to Consolidated Financial Statements** **September 30<sup>th</sup>, 2017**





## CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30<sup>TH</sup>, 2017

### ACCOUNTING TABLES FORM AND CONTENT

The Interim Management Report of the Prima Industrie Group at September 30<sup>th</sup>, 2017 was prepared on the basis that it is an ongoing concern and in accordance with the International Financial Reporting Standards (IFRS) and with applicable Italian statutory regulations.

The report includes the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Changes in Shareholders' Equity and the Explanatory Notes.

From the financial year 2017, the company presents the income statement according to functional areas, otherwise referred to as "at cost of the sale". This cost analysis is based on cost destination and is considered more representative than expenditure type. The form chosen conforms to internal reporting and business management procedures and is in line with international practice within the sector in which the Group operates. Following this change, which qualifies as a "change in accounting policies" as per *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*, the comparative figures for the previous quarters have been properly reclassified.

"Cost of sales" includes costs relating to the functional areas that participated directly or indirectly in the generation of revenues with the sale of goods or services. Therefore this item includes the production or purchase cost of products and goods sold. It also includes all costs for materials, processing and overheads directly attributable to production. Furthermore, it contains write-downs on inventories, provisions to cover warranty costs on sold goods, transport and insurance costs incurred for deliveries to customers and sales commissions to agents or third-party distributors.

### DRAFTING PRINCIPLES AND CRITERIA

#### ACCOUNTING CRITERIA AND PRINCIPLES OF CONSOLIDATION

The accounting criteria and principles of consolidation adopted for setting out the abbreviated consolidated balance sheet at September 30<sup>th</sup>, 2017 are compatible with those used for the consolidated annual balance sheet at December 31st, 2016, to which reference is made subject to the new standards/interpretations adopted by the Group starting from January 1st, 2017, as well as the adjustments required by the nature of the interim findings.

#### ON-GOING CONCERN

The condensed consolidated balance sheet at September 30<sup>th</sup>, 2017 has been set out on the assumption of the company continuing trading in that it is reasonably expected that PRIMA INDUSTRIE will continue with its operational activities in the foreseeable future.

#### USE OF ACCOUNTING ESTIMATES

The drawing up of an interim balance sheet requires the carrying out of estimates and assumptions which have effect on the values of revenues, costs, assets and liabilities of the balance sheet and on the information report relating to the potential assets and liabilities on the date of the interim balance sheet. If in the future, such estimates and assumptions which are based on the best evaluation by management, should differ through effective circumstances, they will be modified in an appropriate manner in the period in which the circumstance themselves vary. In particular, with regard to the condensed consolidated balance sheet of September 30<sup>th</sup>, 2017, the taxes on income for the period of the individual consolidated companies are determined on the basis of the best estimate possible in

relation to the available information, and on a reasonable forecast of the progress of the financial year up to the end of the tax period.

## EXPLANATORY NOTES

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

### SECTOR REPORT

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

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

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

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

The following sector report is subject to different disclosure rules than those used in the Consolidated Financial Statements of the PRIMA INDUSTRIE Group at September 30<sup>th</sup>, 2016 and December 31<sup>st</sup>, 2016. The following tables show the financial information directly attributable to the two divisions.

Values in euro thousand	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
Net revenues	282,507	256,235	36,442	30,384	(18,643)	(12,083)	300,306	274,536
Cost of goods sold	(213,207)	(196,129)	(28,746)	(22,679)	18,267	11,864	(223,686)	(206,944)
<b>GROSS MARGIN</b>	<b>69,300</b>	<b>60,106</b>	<b>7,696</b>	<b>7,705</b>	<b>(376)</b>	<b>(219)</b>	<b>76,620</b>	<b>67,592</b>
Research and Development costs	(7,653)	(6,469)	(1,979)	(1,666)	-	2	(9,632)	(8,133)
Sales and marketing expenses	(18,400)	(17,101)	(1,975)	(2,324)	1	186	(20,374)	(19,239)
General and administrative expenses	(14,748)	(13,400)	(2,236)	(2,746)	22	(52)	(16,962)	(16,198)
<b>OPERATING GROSS MARGIN (EBITDA)</b>	<b>28,499</b>	<b>23,136</b>	<b>1,506</b>	<b>969</b>	<b>(353)</b>	<b>(83)</b>	<b>29,652</b>	<b>24,022</b>
Depreciation and Impairment - Write-off	(10,132)	(8,901)	(2,499)	(2,816)	11	11	(12,620)	(11,706)
<b>OPERATING PROFIT (EBIT)</b>	<b>18,367</b>	<b>14,235</b>	<b>(993)</b>	<b>(1,847)</b>	<b>(342)</b>	<b>(72)</b>	<b>17,032</b>	<b>12,316</b>
Net financial expenses	(1,979)	(4,355)	(323)	(376)	-	-	(2,302)	(4,731)
Net exchange differences	(2,388)	(640)	(97)	(54)	-	-	(2,485)	(694)
Dividends	-	360	-	-	-	(360)	-	-
Net result of investments accounted for using the equity method	-	-	-	332	-	-	-	332
Net result of other investments	-	-	1,941	-	-	-	1,941	-
<b>RESULT BEFORE TAXES (EBT)</b>	<b>14,000</b>	<b>9,600</b>	<b>528</b>	<b>(1,945)</b>	<b>(342)</b>	<b>(432)</b>	<b>14,186</b>	<b>7,223</b>
Taxes	(2,583)	(2,360)	411	752	117	10	(2,055)	(1,598)
<b>NET RESULT</b>	<b>11,417</b>	<b>7,240</b>	<b>939</b>	<b>(1,193)</b>	<b>(225)</b>	<b>(422)</b>	<b>12,131</b>	<b>5,625</b>
- Attributable to Group shareholders	11,347	7,200	939	(1,193)	(225)	(422)	12,061	5,585
- Attributable to minority shareholders	70	40					70	40

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
<i>Values in euro thousand</i>	Sep 30, 2017	Dec 31, 2016	Sep 30, 2017	Dec 31, 2016	Sep 30, 2017	Dec 31, 2016	Sep 30, 2017	Dec 31, 2016
Property, plant and equipment	26,511	27,055	8,484	8,226	-	-	34,995	35,281
Intangible assets	134,054	139,048	20,042	19,730	(3,005)	(3,065)	151,091	155,713
Investments accounted for using the equity method	-	-	-	1,009	-	-	-	1,009
Other investments	11,281	11,061	23	23	(10,944)	(10,945)	360	139
Non current financial assets	-	1,300	9	10	-	(1,300)	9	10
Deferred tax assets	7,935	7,304	4,046	3,826	530	425	12,511	11,555
<b>NON CURRENT ASSETS</b>	<b>179,781</b>	<b>185,768</b>	<b>32,604</b>	<b>32,824</b>	<b>(13,419)</b>	<b>(14,885)</b>	<b>198,966</b>	<b>203,707</b>
Inventories	109,371	81,488	20,810	18,346	(1,592)	(1,273)	128,589	98,561
Trade receivables	92,893	82,400	13,786	13,115	(8,004)	(7,139)	98,675	88,376
Other receivables	7,157	5,487	1,242	936	2	3	8,401	6,426
Current tax receivables	6,226	4,464	1,436	1,035	(400)	(445)	7,262	5,054
Derivatives	377	-	-	-	-	-	377	-
Financial assets	1,602	810	-	-	(810)	(18)	792	792
Cash and cash equivalents	40,662	56,874	2,658	5,806	-	-	43,320	62,680
<b>CURRENT ASSETS</b>	<b>258,288</b>	<b>231,523</b>	<b>39,932</b>	<b>39,238</b>	<b>(10,804)</b>	<b>(8,872)</b>	<b>287,416</b>	<b>261,889</b>
Assets held for sale	384	319	768	-	-	-	1,152	319
<b>TOTAL ASSETS</b>	<b>438,453</b>	<b>417,610</b>	<b>73,304</b>	<b>72,062</b>	<b>(24,223)</b>	<b>(23,757)</b>	<b>487,534</b>	<b>465,915</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>125,719</b>	<b>120,615</b>	<b>32,010</b>	<b>33,014</b>	<b>(14,858)</b>	<b>(14,677)</b>	<b>142,871</b>	<b>138,952</b>
Interest-bearing loans and borrowings	92,574	102,537	9,014	9,139	-	-	101,588	111,676
Employee benefit liabilities	5,456	5,388	2,535	2,712	1	-	7,992	8,100
Deferred tax liabilities	4,270	5,793	2,468	2,729	(153)	(181)	6,585	8,341
Provisions	161	163	-	-	-	-	161	163
Derivatives	64	221	-	-	-	-	64	221
<b>NON CURRENT LIABILITIES</b>	<b>102,525</b>	<b>114,102</b>	<b>14,017</b>	<b>14,580</b>	<b>(152)</b>	<b>(181)</b>	<b>116,390</b>	<b>128,501</b>
Trade payables	84,904	86,460	11,933	9,116	(7,995)	(7,128)	88,842	88,448
Advance payments	44,982	24,908	820	1,121	-	-	45,802	26,029
Other payables	20,508	19,231	3,060	2,845	1	-	23,569	22,076
Interest-bearing loans and borrowings	36,520	26,209	10,248	10,004	(810)	(1,319)	45,958	34,894
Current tax payables	3,563	7,582	444	565	(408)	(452)	3,599	7,695
Provisions	19,732	17,607	772	817	(1)	-	20,503	18,424
Derivatives	-	896	-	-	-	-	-	896
<b>CURRENT LIABILITIES</b>	<b>210,209</b>	<b>182,893</b>	<b>27,277</b>	<b>24,468</b>	<b>(9,213)</b>	<b>(8,899)</b>	<b>228,273</b>	<b>198,462</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>438,453</b>	<b>417,610</b>	<b>73,304</b>	<b>72,062</b>	<b>(24,223)</b>	<b>(23,757)</b>	<b>487,534</b>	<b>465,915</b>

## CONSOLIDATED FINANCIAL POSITION

The property, plant and equipment on September 30<sup>th</sup>, 2017 are equal to Euro 34,995 thousand in decrease of Euro 286 thousand compared with December 31<sup>st</sup>, 2016.

The intangible assets on September 30<sup>th</sup>, 2017 are equal to Euro 151,091 thousand and decreased by Euro 4,622 thousand compared with December 31<sup>st</sup>, 2016. The most significant item is represented by Goodwill, which on September 30<sup>th</sup>, 2017 amounts to Euro 102,952 thousand. Goodwill accounted for refers to the larger value paid with respect to the fair value of the net assets acquired.

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

CASH GENERATING UNIT	BOOK VALUE GOODWILL September 30, 2017	BOOK VALUE GOODWILL December 31, 2016
PRIMA POWER	97,658	97,851
OSAI (Service)	4,125	4,125
CONVERGENT - PHOTONICS	978	1,095
MLTA	154	154
OSAI UK	37	37
<b>TOTAL</b>	<b>102,952</b>	<b>103,262</b>

Goodwill (being an asset with an undefined life) is not subject to depreciation and is subject to verification at least annually of the reduction of value (*impairment test*). On December 31<sup>st</sup>, 2016 the Group carried out the *impairment test* on the value of the main elements of goodwill (PRIMA POWER, OSAI-Service and CONVERGENT-PHOTONICS), for which attention is drawn to the Consolidated Financial Statements at December 31<sup>st</sup>, 2016. Regarding the above mentioned goodwill, as no indicators of loss in value have appeared compared with the financial statements closed on December 31<sup>st</sup>, 2016, it was not considered necessary to update the related *impairment tests*.

The deferred tax assets amounts to Euro 12,511 thousand, showing an increase compared with the preceding financial year of Euro 956 thousand. The accounting statement of prepaid taxes has been carried out, only where suppositions of recoverability exist. The valuation on the recoverability of anticipated taxes takes into account the expected profits in future financial years. The anticipated taxes calculated on the losses carried forward have been recognized in the measure at which it is probable that a future taxable income against which they might be recovered. In light of the above no elements have been identified which could modify the valuations made with regard to the recoverability of deferred tax assets.

The following table shows the composition of inventories at September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016.

INVENTORIES	September 30, 2017	December 31, 2016
Raw materials	38,448,812	34,127,407
Semi-finished goods	29,087,939	19,731,012
Finished goods	68,452,687	52,953,832
(Inventory provisions)	(7,400,618)	(8,251,086)
<b>TOTAL</b>	<b>128,588,820</b>	<b>98,561,165</b>

The net value of inventories on September 30<sup>th</sup>, 2017 shows an increase equal to Euro 30,028 thousand compared with December 31<sup>st</sup>, 2016. This increase is due to support the production volumes foreseen for the end of the year.

Trade receivables at September 30<sup>th</sup>, 2017 amounted to Euro 98,675 thousand an increase of Euro 10,298 thousand compared to December 31<sup>st</sup>, 2016.

Other receivables on September 30<sup>th</sup>, 2017 are equal to Euro 8,401 thousand and increased by Euro 1,976 thousand compared with December 31<sup>st</sup>, 2016. These receivables mainly refer to advance payments to suppliers, contributions to be received for R&D projects, accrued income and prepaid expenses and advances to employees.

The current tax receivables amount to Euro 7,262 thousand and are increased of Euro 2,209 thousand compared with December 31<sup>st</sup>, 2016. Tax assets mainly include VAT receivables for Euro 5,713 thousand (Euro 1,661 thousand on December 31<sup>st</sup>, 2016), a tax receivable amounting to Euro 1,048 thousand following the submission of claims for IRES reimbursement (IRAP deductions for IRES purposes for the years 2007-2011) which arose in February 2013, direct tax advances for Euro 448 thousand (Euro 2,260 thousand on December 31<sup>st</sup>, 2016), other receivables for minor tax assets for Euro 45 thousand (Euro 75 thousand on December 31<sup>st</sup>, 2016) and withholding taxes for Euro 8 thousand (Euro 10 thousand on December 31<sup>st</sup>, 2016).

On September 30<sup>th</sup>, 2017 the net financial position of the Group was negative for an amount of Euro 103,122 thousand increasing of Euro 18,907 thousand compared to December 31<sup>st</sup>, 2016 (negative for Euro 84,215 thousand). For a better understanding of the variation in the net financial position achieved during the first nine months of 2017, refer to the consolidated cash flow statement of the period.

As required by the Consob communication No. DEM/6064293 of July 28<sup>th</sup>, 2006, the net financial debt at September 30<sup>th</sup>, 2017 and December 31<sup>st</sup>, 2016 is shown in the following table, determined with the indicated criteria in the CESR (Committee of European Securities Regulators) Recommendations of February 10<sup>th</sup>, 2005 "Recommendations for the uniform activation of the European Commission Regulation on Information Sheets" and quoted by Consob itself.

*Values expressed in Euro thousand*

	NET FINANCIAL POSITION	September 30, 2017	December 31, 2016	VARIATIONS
A	CASH	43,320	62,680	(19,360)
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	CASH ON HAND (A+B+C)	43,320	62,680	(19,360)
E	CURRENT FINANCIAL RECEIVABLES	1,168	792	376
F	CURRENT BANK DEBTS	6,333	5,454	879
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	37,006	24,993	12,013
H	BOND ISSUED	281	871	(590)
I	OTHER CURRENT FINANCIAL DEBTS	2,337	4,472	(2,135)
J	CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)	45,957	35,790	10,167
K	NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)	1,469	(27,682)	29,151
L	NON-CURRENT BANK DEBTS	50,083	59,195	(9,112)
M	BOND ISSUED	39,708	39,660	48
N	OTHER NON-CURRENT FINANCIAL DEBTS	11,862	13,042	(1,180)
O	NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)	101,653	111,897	(10,244)
P	NET FINANCIAL POSITION (K+O)	103,122	84,215	18,907

The payables due to banks and the financing of the PRIMA INDUSTRIE Group on September 30<sup>th</sup>, 2017 (not including the derivatives *fair value*) are equal to Euro 147,545 thousand and during the third quarter of 2017, they changed as shown in the following table.

BANK PAYABLES AND LOANS	<i>Euro thousand</i>
Bank Payables and loans - current portion (December 31, 2016)	34,894
Bank Payables and loans - non-current portion (December 31, 2016)	111,676
<b>TOTAL BANK PAYABLES AND LOANS AS OF DECEMBER 31, 2016</b>	<b>146,570</b>
Stipulation of loans and borrowings (including bank overdrafts)	14,099
Repayment of loans and borrowings (including bank overdrafts)	(12,463)
Stipulation/ (repayments) of financial leasing	(196)
Exchange rate effect	(465)
<b>TOTAL BANK PAYABLES AND LOANS AS OF SEPTEMBER 30, 2017</b>	<b>147,545</b>
of which:	
Bank Payables and loans - current portion (September 30, 2017)	45,957
Bank Payables and loans - non-current portion (September 30, 2017)	101,588
<b>TOTAL BANK PAYABLES AND LOANS AS OF SEPTEMBER 30, 2017</b>	<b>147,545</b>

At September 30<sup>th</sup>, 2017, the value of assets held for sale is Euro 1,152 thousand. The increase is solely due to the reclassification of the shareholding in EPS SA (whose book value is Euro 768 thousand and accounts for 11.42% of all shares) from the equity method to this asset category. The remaining Euro 384 thousand refers to some properties under construction held by the Company FINN-POWER ITALIA Srl located in Mantua, Italy. All assets classified in this category are available for immediate sale, which is very likely to take place since the Management has engaged in a divestment programme.

The net equity of the PRIMA INDUSTRIE group has increased compared to the end of last financial year of Euro 3,919 thousand. For more detail on the subject, see the movement of net assets statement.

The item employee benefit liabilities on September 30<sup>th</sup>, 2017 is equal to Euro 7,991 thousand and is decreased compared to December 31<sup>st</sup>, 2016 of Euro 109 thousand, this item includes:

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

The deferred tax liabilities amounts to Euro 6,585 thousand, showing a decrease of Euro 1,755 thousand compared with December 31<sup>st</sup>, 2016.

The provisions are equal to Euro 20,664 thousand and increased by Euro 2,077 thousand compared with December 31<sup>st</sup>, 2016.

Non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 161 thousand.

Current provisions mainly relate to product warranties (equal to Euro 11,139 thousand) and to the best estimate of costs still to be incurred for the completion of certain activities ancillary to the sale of machinery already sold (equal to Euro 8,628 thousand). The warranty provision relates to the provisions for technical interventions on the Group's products and is considered appropriate in comparison to the warranty costs which have to be provided for.

The other provisions amounting to Euro 736 thousand refer to legal, fiscal procedures and other disputes; these provisions represent the best estimate by management of the liabilities which must be accounted for with regard to legal, fiscal proceedings occasioned during normal operational activity with regard to dealers, clients, suppliers or public authorities.

The value of trade payables increased compared to December 31st, 2016 by Euro 394 thousand. The heading advance payments increased compared to December 31st, 2016; it has to be noted that the heading contains both the advance payments on orders relating to machines which have not yet been delivered, as well as those generated by the application of the IAS 18 accounting principle relating to machines already delivered, but not yet accepted by the end client and therefore not recognized as revenue.

The heading other payables is increased by Euro 1.493 thousand compared to December 31<sup>st</sup>, 2016 and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

Current tax payables on September 30<sup>th</sup>, 2017 amounts to Euro 3,599 thousand which results in a reduction of Euro 4,096 thousand compared with December 31st, 2016.

#### CONSOLIDATED INCOME STATEMENT

The revenues from sales and services have been commented on Chapter 5 of this document "Group Interim Management Report" in the paragraph "Economic performance".

Depreciation at September 30<sup>th</sup>, 2017 amounts to Euro 12,597 thousand (of which Euro 9,336 thousand are related to intangible assets).

It has to be highlighted that amortization costs relating to the trademark and "customers list" amount to a comprehensive Euro 2,385 thousand, while those relating to development costs amount to Euro 6,351 thousand.

The financial management of the first nine months of 2017 shows a negative result of Euro 4,787 thousand.

FINANCIAL MANAGEMENT	September 30, 2017	September 30, 2016
Financial income	2,674,159	650,989
Financial expenses	(4,976,184)	(5,382,625)
<b>Net financial expenses</b>	<b>(2,302,025)</b>	<b>(4,731,636)</b>
Net exchange of transactions in foreign currency	(2,484,646)	(693,602)
<b>Total Financial Management</b>	<b>(4,786,671)</b>	<b>(5,425,238)</b>

It should be noticed that the financial costs at September 30<sup>th</sup>, 2017 include financial expenses for Euro 1,808 thousand relevant to the issue of the *Bond*, Euro 789 thousand relevant to the new *Club Deal* loan and Euro 440 thousand relevant to the *Finnish Loan*.

The net result of other investments is positive for Euro 1,941 thousand and refers to the capital gain generated by the sale of part of EPS SA shares.

Taxes in the first nine months of 2017 result in a negative net balance of Euro 2,055 thousand. The balance of current and deferred taxes is negative by Euro 1,718 thousand, IRAP is equal to Euro 407 thousand and other taxes, including those relating to prior years, are positive by Euro 70 thousand.

The result per share on September 30<sup>th</sup>, 2017, positive for Euro 1.15 (positive for Euro 0.53 on September 30<sup>th</sup>, 2016) is calculated by dividing the profits attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares in circulation during the period which is 10,483,274. The diluted earnings per share is equal to the earning per share because at September 30<sup>th</sup>, 2017 there are no dilutive operations.



# ANNEXES



## ANNEXES

## ANNEX 1 - CONSOLIDATION AREA

PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
FINN POWER OY	Metallitie 4, FI - 62200 Kauhava, FINLAND	€ 30.000.000	100%	Line-by-line method
FINN-POWER Italia S.r.l.	Viale Artigianato 9, 37044, Cologna Veneta (VR), ITALY	€ 1.500.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER SUZHOU Co. LTD.	Xinrui Road 459, Wujiang Ec. & Tech. Develop. Zone, Suzhou City Jiangsu Prov. CHINA	USD 8.000.000	70%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	390 Bay Street Suite 2800 Toronto, Ontario M5H 2Y2 CANADA	CAD 200	100%	Line-by-line method
PRIMA POWER MEXICO S DE RL DE CV	Campo Real, 121 FRACC. Valle Real, Saltillo, Coahuila C.P. 25198 MEXICO	USD 250	100%	Line-by-line method
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER IBERICA S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	Ul. Holenderska 6 - 05 - 152 Czosnów Warsaw, POLAND	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	99,99%	Line-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 160.005	100%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B2 A Dupleks Gül Blok Daire:4 Kartal - Istanbul, TURKEY	TRY 1.470.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER INDIA PVT. LTD.	Plot No A-54/55, H Block, MIDC, Pimpri, Pune - 411018, Maharashtra, INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 - Freguesia do Ó - 02968-00, Sao Paulo BRASIL	R\$ 4.471.965	99,99%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Room 2006, Unit C, Tower 1, Wangjing SOHO, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
PRIMA POWER AUSTRALASIA Pty. LTD.	Suite 2, First Floor, 100 Queen street, PO Box 878, Campbelltown, NSW, 2560 AUSTRALIA	A\$ 1	100%	Line-by-line method
BALAXMAN OY	Metallitie 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method

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

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

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

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

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

EBIT: Operating Profit.

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

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

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

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

**ANNEX 3 - CURRENCY EXCHANGE RATES**

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

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	September 30, 2017	September 30, 2016	September 30, 2017	December 31, 2016
US DOLLAR	1.1132	1.1158	1.1806	1.0541
CHINESE RENMINBI	7.5721	7.3432	7.8534	7.3202
RUSSIAN RUBLE	64.9077	76.3055	68.2519	64.3000
TURKISH LIRA	4.0012	3.2756	4.2013	3.7072
POLISH ZLOTY	4.2648	4.3588	4.3042	4.4103
POUND STERLING	0.8725	0.8022	0.8818	0.8562
BRAZILIAN REAL	3.5312	3.9642	3.7635	3.4305
INDIAN RUPEE	72.5875	74.8991	77.0690	71.5935
AUSTRALIAN DOLLAR	1.4530	1.5053	1.5075	1.4596
CANADIAN DOLLAR	1.4538	1.4754	1.4687	1.4188
MEXICAN PESO	20.9970	20.4136	21.4614	21.7719

**ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30<sup>TH</sup>, 2017**

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

The manager responsible for preparing the company accounting documents of the PRIMA INDUSTRIE Group, Davide Danieli, declares, in accordance with the provisions of the second paragraph of Art. 154 bis, Part IV, Title III, Chapter II, Section V bis of Legislative Decree of February 24<sup>th</sup>, 1998, No. 58, that the accounting information contained in this Interim Financial Report at September 30<sup>th</sup>, 2017 corresponds to the document results, books and accounting records.