



YEARS OF INNOVATION

Interim Financial Report as of September 30, 2018

Board of Directors Meeting, November 5, 2018



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Prima Industrie SpA
Management and Control

CHAPTER 1. PRIMA INDUSTRIE SPA MANAGEMENT AND CONTROL

Board of Directors

EXECUTIVE CHAIRMAN	Gianfranco Carbonato
MANAGING DIRECTORS	Ezio G. Basso Domenico Peiretti
INDEPENDENT DIRECTORS	Donatella Busso Paolo Cantarella Carla Patrizia Ferrari Paola Gatto Mario Mauri Marina Meliga
OTHER DIRECTORS	Rafic Y. Mansour Michael R. Mansour

Internal Control Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paolo Cantarella Carla Patrizia Ferrari

Remuneration Committee

CHAIRMAN	Mario Mauri
MEMBERS	Paola Gatto Rafic Y. Mansour

Operations with Related parties Committee

CHAIRMAN	Donatella Busso
MEMBERS	Paola Gatto Marina Meliga

Strategic Committee

CHAIRMAN	Gianfranco Carbonato
MEMBERS	Ezio G. Basso Domenico Peiretti Paolo Cantarella Mario Mauri Michael R. Mansour Marina Meliga

Board of Statutory Auditors

CHAIRMAN	Franco Nada
REGULAR AUDITORS	Maura Campra Roberto Petignani
ALTERNATE AUDITORS	Roberto Coda Gaetana Laselva

Audit Company

PricewaterhouseCoopers S.p.A.

Expiry of Mandates and Appointments

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

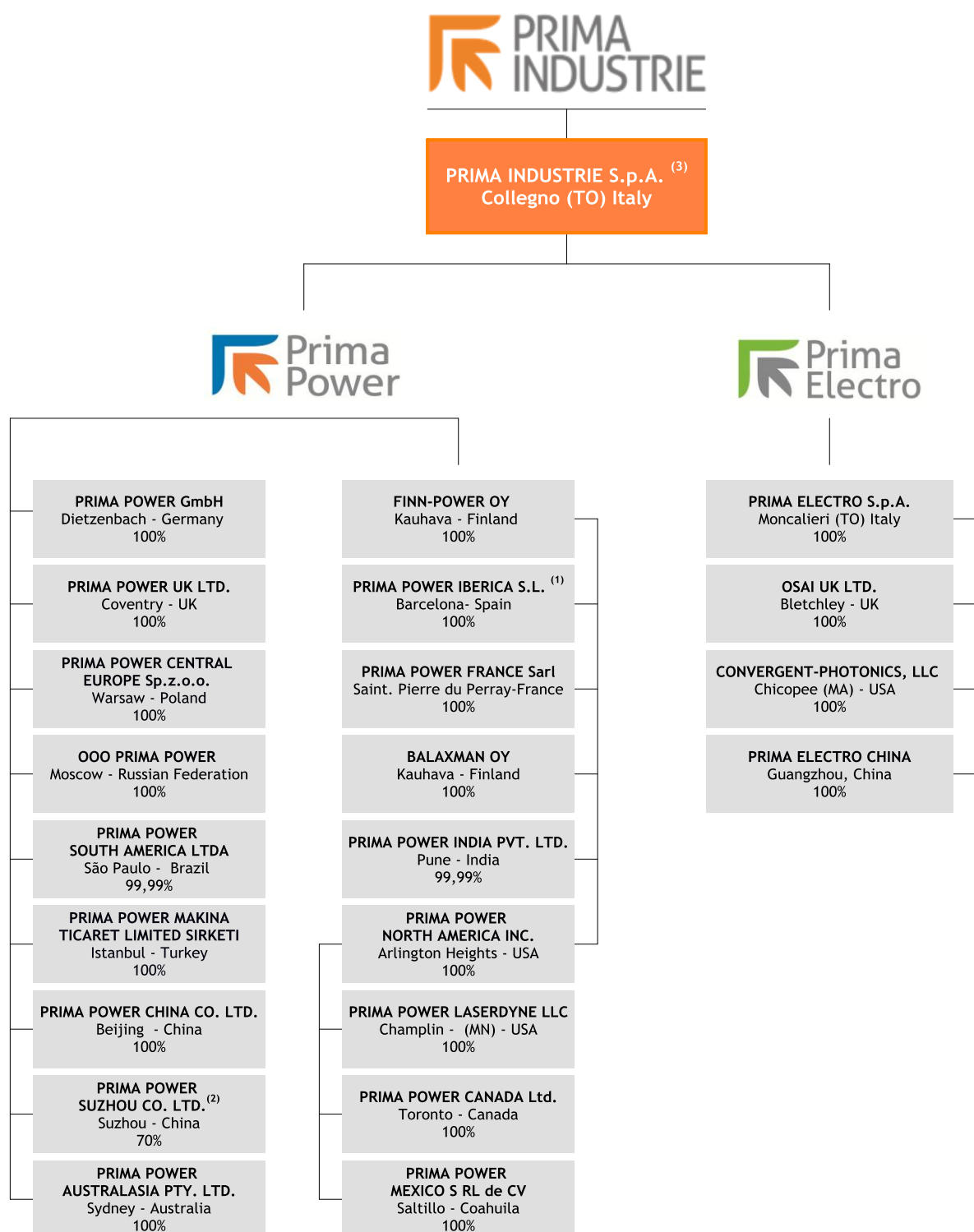
The Board of Statutory Auditors shall remain in office until the approval of 2018 Financial Statements.

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

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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, 2018.

- 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.

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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 is present on the market over 40 years and boasts 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. Since 2011, 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), 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.

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

This Company draft of Interim Financial Statements has been approved by the Board of Directors on November 5, 2018.

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Introduction

CHAPTER 4. INTRODUCTION

The Interim Management Report at September 30, 2018 of the PRIMA INDUSTRIE Group was prepared in accordance with the provisions of article 154-ter, paragraph 5 of Consolidated Law on Finance and subsequent amendments, as well as the issuer's Regulation issued by CONSOB; it has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the *International Accounting Standards Board* ("IASB") recognized by the European Union and by Italian legislation and regulations.

These financial statements were approved by the Board of Directors on November 5, 2018 and were published in accordance with the provisions of article 2.2.3 of Borsa Italiana SpA Regulations applicable to issuers listed in the STAR segment.

Quarterly data were not audited by the independent auditors.

It should be noted that, to improve disclosure of its financial results, the Group has presented the income statement according to functional area, rather than by expenditure type.

The Group presents the income statement according to functional area otherwise referred to as "Cost of Sales"; this 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. It includes all costs for materials, processing and overheads directly attributable to production.

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Group Interim Management Report

CHAPTER 5. GROUP INTERIM MANAGEMENT REPORT

GROUP RESULTS SUMMARY

Key performance indicator ("KPI")

Values in euro thousand	September 30, 2018	September 30, 2017	Variations	%
ORDER INTAKE	339,489	350,977	(11,488)	-3.3%
BACKLOG	188,041	188,130	(89)	0.0%
REVENUES	318,304	300,306	17,998	6.0%
EBITDA	29,341	29,652	(311)	-1.0%
EBITDA %	9.2%	9.9%	-0.7%	-
EBIT	17,332	17,032	300	1.8%
EBIT %	5.4%	5.7%	-0.3%	-
NET RESULT	14,422	12,131	2,291	18.9%
FCF	(27,754)	(11,760)	(15,994)	-136.0%
NFP	(94,797)	(103,122)	8,325	8.1%
HEADCOUNT	1,846	1,743	103	5.9%

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

Values in euro thousand	September 30, 2018	September 30, 2017	Variations	%
REVENUES AT COSTANT EXCHANGE RATES	327,894	300,306	27,588	9.2%
EBITDA Adj	31,274	30,196	1,078	3.6%
EBITDA Adj %	9.8%	10.1%	-0.3%	-
EBIT Adj	19,574	17,599	1,975	11.2%
EBIT Adj %	6.1%	5.9%	0.2%	-

(% calculated over the revenues)

For the definition of the indices, please refer to Annex 2 "NON-GAAP performance indicators".

SIGNIFICANT EVENTS OF THE PERIOD

MERGER OF FINN-POWER ITALIA Srl INTO PRIMA INDUSTRIE SpA

With notary's deed of January 25, 2018, with legal effect from February 1, 2018, FINN-POWER ITALIA Srl was merged into PRIMA INDUSTRIE SpA (100% shareholding), with accounting and tax effect backdated to January 1, 2018. 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. The merger will also be the opportunity for an overall corporate re-organisation, aimed at improving integration of Italian sales and after-sales, and the running of the two Italian production plants, not to mention lowering costs.

As a simplified merger in accordance Article 2505 of the Italian Civil Code, with PRIMA INDUSTRIE SpA controlling 100% of FINN-POWER ITALIA Srl, it was 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.

SALE OF PARTICIPATION IN ELECTRO POWER SYSTEMS SA

On January 24, 2018 PRIMA ELECTRO SpA has been signed an agreement with a company belonging to the ENGIE Group (one of the largest global utilities based in Paris) for the sale of the entire stake held

in ELECTRO POWER SYSTEMS SA ("EPS"), a company operating in the *energy storage* systems listed at the Euronext stock market in Paris.

The agreement was also signed with the other main shareholders of EPS and with the management of the company for the acquisition of the majority stake of EPS. The transaction took place on the basis of an evaluation of Euro 9.5 per share and was followed by the filing of a mandatory Public Purchase Offer at the same price.

The completion and settlement of the transaction has been took place during the first quarter of 2018, generating a capital gain of about Euro 7.2 million for PRIMA INDUSTRIE Group.

ISSUE OF A BOND LOAN

On February 9, 2018 the Board of Directors of PRIMA INDUSTRIE S.p.A. resolved to issue a 7-year non-convertible, fixed rate, bond loan for a total of Euro 25 million. The bond is to be placed with approved Italian and/or foreign investors residing in the European Economic Area, with the exception of those in the USA. Even after issue, the bond may only be circulated among these approved investors. The bonds have a minimum denomination of 100,000 Euro and pay a fixed annual coupon of 3.5%. The bond issue, which will be governed by English law, will expire in February 2025. PRIMA INDUSTRIE S.p.A. does not intend to request that the bond be traded in a trading establishment.

REFINANCING OF MEDIUM/LONG-TERM DEBT

During the first quarter of 2018, PRIMA INDUSTRIE SpA completed the refinancing of the main medium/long-term debt operations, by taking out - in addition to the new bond - new five-year loans (mean rate 1.70%) with BNL, MPS, BPM, UNICREDIT and INTESA for a total of Euro 90 million, with separate amortisation plans, the last instalment of which will be due on March 31, 2023 (hereinafter referred as "2018 Loans").

Furthermore, during the first quarter of 2018, the main financing transactions signed in 2015, the *Club Deal* signed in Italy with Unicredit, Intesa and BNL, were fully repaid on March 14, 2018 and the bond was fully repaid on March 28, 2018. The so-called *Finnish Loan* signed in Finland with Nordea & Danske had already been repaid at the end of 2017.

Thanks to these transactions, the Group has obtained an average extension of more than three years on its medium/long-term loans, at a weighted average annual interest rate of approximately 2.10%, that is, 1.60% lower than the previous rate of approximately 3.70%.

PURCHASE OF TREASURY STOCK

On April 20, 2018 the Shareholders' Meeting authorized the purchase, in one or more times, for a period of eighteen months, of ordinary shares of PRIMA INDUSTRIE SpA for a maximum number of shares equal to 300,000, or for a maximum purchase value equal to Euro 12 million, authorizing the disposal of treasury shares, in one or more times, without time limits, in the manner deemed most appropriate in the interest of the Company and in compliance with applicable law.

The scope of the authorization includes the possibility to assign the shares to service the stock incentive plans in favor of directors, employees and collaborators of the company or group companies, or the use for free assignments to the shareholders, or to service extraordinary transactions or as an instrument to support market liquidity. Purchases will be made on regulated stock markets according to the operating procedures established in the regulations for the organization and management of the same markets according to the operating procedures established in the regulation of Borsa Italiana SpA, in compliance with art. 144 bis, paragraph 1, lett. b) of the Consob Regulation no. 11971/99 and subsequent amendments.

2018 - 2020 SHARE INCENTIVE PLAN

On April 20, 2018, the Shareholders' Meeting approved the Management Incentive Plan, previously approved by the Board of Directors on March 16, 2018, based on the free assignment, subject to the achievement of predefined company targets, of financial instruments pursuant to art. 114 bis of T.U.F; the Plan represents an incentive, loyalty and *retention* tool for managers who contribute most to the development of the Company and the Group.

ASSIGNMENT OF A POWER OF ATTORNEY TO THE BOARD OF DIRECTORS TO CARRY OUT A CAPITAL INCREASE WITHIN THE LIMITS OF 10% OF THE SHARE CAPITAL

On April 20, 2018, the extraordinary Shareholders' Assembly assigned all relevant powers to the Board of Directors, for a period of five years from the date of the resolution, the right pursuant to Article 2443 of the Italian Civil Code, with any inherent power, to increase the paid share capital, in one or more times, separately and also in multiple tranches, through the issuance of ordinary shares with the exclusion of option rights within the limits of 10% of the share capital existing at the time the proxy is exercised, pursuant to art. 2441, paragraph 4, second sentence of the Italian Civil Code, thus modifying Article 5 of the Company By-Laws.

ASSIGNMENT OF A POWER OF ATTORNEY TO THE BOARD OF DIRECTORS TO PROCEED WITH A SHARE CAPITAL FREE INCREASE FOR THE 2018-2020 SHARE BASED INCENTIVE PLAN

On April 20, 2018 the extraordinary Shareholders' Meeting assigned rights to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for the five-year period from the date of the present resolution, the right to increase the share capital free of charge even in several tranches, to service the implementation of the "2018-2020 Share based Incentive Plan", for a maximum amount of Euro 337,500 (to be fully attributed to capital) corresponding to maximum 135,000 ordinary shares, with the same characteristics as those outstanding, regular entitlement, by assigning the corresponding maximum amount of profits and/or reserves of profits resulting from the last financial statements approved pursuant to Article 2349 of the Italian Civil Code, under the terms and conditions and according to the procedures set out in the "2018-2020 Share Based Incentive Plan", thereby modifying Article 5 of the Company By-laws. The maximum dilutive effect on shareholders deriving from the capital increase to service the Plan, in the case of all the shares being assigned, is equal to 1.29%.

ACQUISITION OF 19% STAKE IN THE COMPANY CANGZHOU LEAD LASER

Prima Industrie SpA through its subsidiary Prima Power Suzhou Co. Ltd, of which it holds 70%, has signed on June 15, 2018 an agreement, subject to conditions that occurred in early July, for the acquisition of a 19% stake in the Chinese company Cangzhou Lead Laser Technology Co. Ltd. ("Lead Laser"); the total counter value is approximately 50 million Renminbi.

The agreement provides the non-binding option for the Group to acquire, by 2020, an additional 41% of Laser Lead capital at predefined conditions.

The transaction is aimed at increasing the Group's market share in the Chinese market of 2D laser machines, the largest in the world in terms of size and growth rate.

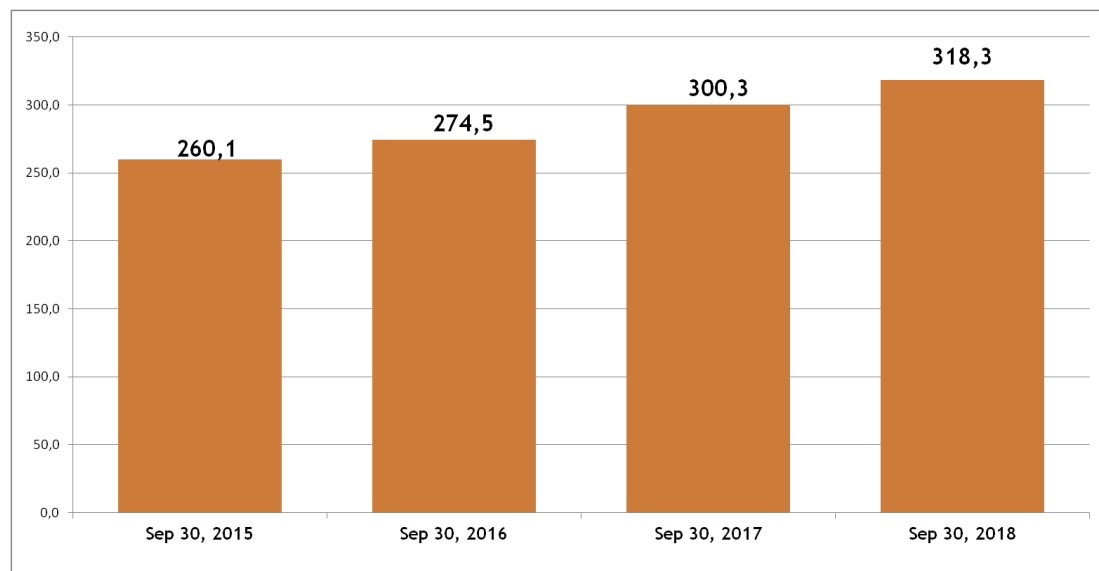
The *closing* of the transaction, with payment and transfer of shares, has been completed on July 17, 2018.

ECONOMIC PERFORMANCE

The Group turnover at September 30, 2018 is equal to Euro 318,304 thousand, up from September 30, 2017 by 6.0 %. At constant exchange rates, the increase in turnover would have been by around 9.2%

Growth in turnover is a steady trend over time and in the last three years revenue growth at September 30 shows an annual increase (CAGR) of 7.0% (as can be seen from the chart below).

Values in Euro million



The Group's profitability was influenced in the first nine months 2018 by a product mix with machines destined to the *sheet metal fabrication* sector prevailing over machines for the *automotive* industry. In addition, the performance was affected by some non-recurring costs, which penalized EBITDA for a total of Euro 1,933 thousand, and mainly refer to professional consultancies for extraordinary events, to the relocation of Finnish's plant and to the restructuring of the German company.

The consolidated net result instead benefited from non-recurring profits (equal to Euro 7,179 thousand) related to the sale of the equity investment held by PRIMA ELECTRO SpA in the company ELECTRO POWER SYSTEMS SA (EPS), which more than offset the financial costs (about Euro 1,885 thousand) of a non-recurring nature related to the refinancing of the *Bond* and the medium-term bank debt.

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

Values in euro thousand

September 30, 2018	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	294,561	68,853	23.4%	26,796	9.1%	17,233	5.9%	7,547
PRIMA ELECTRO	42,853	9,516	22.2%	3,138	7.3%	692	1.6%	7,306
ELIMINATIONS	(19,110)	(563)	-2.9%	(593)	-3.1%	(593)	-3.1%	(431)
GROUP	318,304	77,806	24.4%	29,341	9.2%	17,332	5.4%	14,422

(% calculated over the revenues)

Values in euro thousand

September 30, 2017	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	282,507	67,979	24.1%	28,499	10.1%	18,367	6.5%	11,417
PRIMA ELECTRO	36,442	7,107	19.5%	1,506	4.1%	(993)	-2.7%	939
ELIMINATIONS	(18,643)	(376)	-2.0%	(353)	-1.9%	(342)	-1.8%	(225)
GROUP	300,306	74,710	24.9%	29,652	9.9%	17,032	5.7%	12,131

(% calculated over the revenues)

Values in euro thousand

Variations	Revenues	Gross Margin	Gross Margin %	EBITDA	EBITDA %	EBIT	EBIT %	NET RESULT
PRIMA POWER	12,054	874	7.3%	(1,703)	-14.1%	(1,134)	-9.4%	(3,870)
PRIMA ELECTRO	6,411	2,409	37.6%	1,632	25.5%	1,685	26.3%	6,367
ELIMINATIONS	(467)	(187)	-40.0%	(240)	-51.4%	(251)	-53.7%	(206)
GROUP	17,998	3,096	17.2%	(311)	-1.7%	300	1.7%	2,291

(% calculated over the revenues)

PRIMA ELECTRO Division shows a marked improvement in revenues (17.6%) and profitability (EBITDA from 4.1% to 7.3% of revenues) while, as mentioned above, the results of PRIMA POWER Division are affected by non-recurring costs.

Following is the consolidated revenues geographical break down at September 30, 2018 compared with the same period of the previous year:

Revenues	September 30, 2018		September 30, 2017	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
EMEA	195,804	61.5	158,198	52.7
AMERICAS	77,115	24.2	87,737	29.2
APAC	45,385	14.3	54,371	18.1
TOTAL	318,304	100.0	300,306	100.0

The above table shows that Group revenues at September 30, 2018 compared to the same period of the previous year had an important growth in EMEA area (+23.8%); on the other hand, there was a downturn both in AMERICAS (-12.1%) and in APAC (-16.5%).

The Group generated consolidated revenues in the EMEA area for Euro 195,804 thousand; in particular, the Group achieved good results in Italy (18.6% of consolidated revenues), in Northern Europe (8.1% of consolidated revenues), in Russia and in Eastern Europe (7.8% of consolidated revenues), in Spain (5.1% of consolidated revenues) and in Germany (4.4% of consolidated revenues).

The share of revenues generated by AMERICAS decreased compared to 2017, from Euro 87,737 thousand to Euro 77,115 thousand (-12.1%). The decrease is exclusively attributable to the automotive sector, while the sheet metal fabrication has continued to grow. It should be noted that at constant exchange rates, turnover in the AMERICAS area would have been only 5.3% lower than last year.

As for the APAC countries, revenues decreased compared to 2017, passing from Euro 54,371 thousand to Euro 45,385 thousand (-16.5%); this decrease mainly refers to a temporary decline in China, whose revenues went from Euro 42,141 thousand to Euro 28,291 thousand.

The decline in China mainly derives from a slowdown in the acquisition of orders that occurred in the first part of the year, as well as a shift to following quarters of an important order in the *automotive* sector.

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

Revenues	September 30, 2018		September 30, 2017	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	294,561	92.5	282,507	94.1
PRIMA ELECTRO	42,853	13.5	36,442	12.1
Inter-sector revenues	(19,110)	(6.0)	(18,643)	(6.2)
TOTAL	318,304	100.0	300,306	100.0

As can be seen from the above table, total revenue growth was seen from both the PRIMA POWER division (Euro 12,054 thousand) and the PRIMA ELECTRO division (Euro 6,411 thousand).

The **cost of goods sold** at September 30, 2018 stood at Euro 240,498 thousand up Euro 14,902 thousand from September 30, 2017 (Euro 225,596 thousand).

Group **Gross Margin** at September 30, 2018 is equal to Euro 77,806 thousand, an increase of Euro 3,096 thousand compared to Euro 74,710 thousand in the same period of 2017; the margin accounted for 24.4% of sales and was down slightly from September 30, 2017 (24.9%).

Group **EBITDA** at September 30, 2018 is equal to Euro 29,341 thousand (9.2% of revenues).

It is necessary to point out that EBITDA has been negatively influenced by non-recurring costs equal to Euro 1,933 thousand (at September 30, 2017 they were Euro 544 thousand); therefore, **adjusted EBITDA** is equal to Euro 31,274 thousand (equal to 9.8% of revenues). In particular, in the third quarter of the year **adjusted EBITDA** amounted to Euro 11,307 thousand (equal to about 11.1% of the quarter's turnover).

The Group's **EBIT** at September 30, 2018 is equal to Euro 17,332 thousand (5.4% of revenues) and is up Euro 300 thousand compared to September 30, 2017 (Euro 17,032 thousand, equal to 5.7% of revenues). This result was affected by the amortization of intangible assets for Euro 8.402 thousand, of tangible fixed assets for Euro 3,298 thousand and impairment of Euro 309 thousand. With regard to the amortization of intangible assets, these mainly refer to amortization of development costs (Euro 6,392 thousand) and amortization relating to the trademark registered as part of the business combination of the FINN-POWER Group, amounting to Euro 1,367 thousand.

EBIT at September 30, 2018 is influenced by non-recurring costs related to the *impairment* of a building; as a consequence, **adjusted EBIT** amounted to Euro 19,574 thousand (6.1% of revenues), up by 11.2% compared to September 30, 2017 (equal to Euro 17,599 thousand). In particular, in the third quarter the **adjusted EBIT** amounted to Euro 7,153 thousand (equal to 7.0% on the quarterly turnover).

The **EBT** of the Group at September 30, 2018 is positive for Euro 16,594 thousand and is up by Euro 2,408 thousand compared to September 30, 2017. The EBT of the Group includes net expenses from financial management (including profits and losses on exchange rates) for Euro 7,917 thousand (at September 30, 2017 they were equal to Euro 4,787 thousand).

Financial expenses also include Euro 1,885 thousand of costs due to the advanced closing of *Bond* and *Club Deal* loan for the debt refinancing, with the aim of extending the maturities by approximately 3 years and reducing the interest rate by around 2%.

Financial results (€/000)	September 30, 2018	September 30, 2017
<i>Bond</i> expenses	(1,092)	(1,808)
<i>Advance Bond expenses</i>	(1,515)	-
<i>Club-Deal</i> loan expenses	(94)	(789)
<i>Advance Club-Deal</i> loan expenses	(370)	-
2018 Loans expenses	(919)	-
<i>Finnish Loan</i> loan expenses	-	(440)
Derivate expenses (CRS)	(818)	2,462
Derivates expenses (IRS)	(266)	(59)
Devaluation of financial receivables	(118)	-
Other financial expenses	(1,575)	(1,668)
Net financial expenses	(6,767)	(2,302)
Net exchange differences	(1,150)	(2,485)
TOTAL	(7,917)	(4,787)

The result of other equity investments is positive for Euro 7,179 thousand and refers to the capital gain coming from the full sale of the investment in EPS SA (already classified as "Non-current assets held for sale"). For more information about this operation, see the section "Significant events of the period."

The **NET RESULT** of the Group at September 30, 2018 is positive for Euro 14,422 thousand (at September 30, 2017 it was Euro 12.131 thousand); the portion of Net Result pertaining to the Parent Company amounted to Euro 14,652 thousand.

FINANCIAL PERFORMANCE

Below is the *Cash Flow* of the PRIMA INDUSTRIE Group at September 30, 2018, compared with the corresponding period of the previous year.

Values in euro thousand	September 30, 2018	September 30, 2017	Variations
Net Indebtness Opening	(69,632)	(84,215)	14,583
Cash from operating activities before TWC	11,374	17,794	(6,420)
Change in Trade Working Capital	(22,732)	(20,159)	(2,573)
Cash from operating activities	(11,358)	(2,365)	(8,993)
Investments in development costs	(4,724)	(5,276)	552
Investments in Lead Laser	(6,131)	-	(6,131)
Other investments	(5,541)	(4,119)	(1,422)
Cash from investment activities	(16,396)	(9,395)	(7,001)
FREE CASH FLOW (FCF)	(27,754)	(11,760)	(15,994)
Dividends	(4,193)	(3,145)	(1,048)
Net financial result of investments	7,179	1,941	5,238
Other changes	(41)	-	(41)
Cash from financing activities	2,945	(1,204)	4,149
Net exchange differences	(356)	(5,943)	5,587
CASH FLOW - TOTAL	(25,165)	(18,907)	(6,258)
Net Indebtness Closing	(94,797)	(103,122)	8,325

At September 30, 2018, the Group's net debt is equal to Euro 94,797 thousand, compared with Euro 103,122 thousand at September 30, 2017 and Euro 69,632 thousand at December 31, 2017. The increase in indebtedness reflects the increase in working capital, due to higher volumes expected in the last quarter of the year, investment in Lead Laser and the distribution of dividends.

Following is a detail of the Group's net debt:

Values expressed in Euro thousand	September 30, 2018	December 31, 2017	September 30, 2017
NON CURRENT FINANCIAL ASSETS	(3,495)	-	-
CASH & CASH EQUIVALENTS	(59,668)	(70,521)	(43,320)
CURRENT FINANCIAL ASSETS	(165)	(849)	(1,168)
CURRENT FINANCIAL LIABILITIES	38,980	42,525	45,957
NON CURRENT FINANCIAL LIABILITIES	119,145	98,477	101,653
NET INDEBTNESS	94,797	69,632	103,122

BUSINESS PERFORMANCE

During the third quarter of 2018 the order acquisition (including *after-sale service*) amounted to Euro 339.5 million, compared Euro 351.0 million at September 30, 2017. The acquisition of orders of the PRIMA POWER sector amounted to Euro 315.9 million, while the PRIMA ELECTRO ones, considering the ones from customers outside the Group, amounted to Euro 23.6 million.

The consolidated order backlog (not inclusive of the *after-sale service*) at September 30, 2018 amounts to Euro 188.0 million (in line with Euro 188.1 million at September 30, 2017). The portfolio includes Euro 180.3 million relating to the PRIMA POWER sector and Euro 7.7 million relating to the PRIMA ELECTRO sector.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The Group for the full year expects to confirm growth, with profitability at least in line with the previous financial year and a stable order book compared to the closing of 2017. The financial situation, thanks also to the recent refinancing of medium-long term debt, remains solid and is expected to improve net debt by the end of the year compared to the current one. The slowdown of some markets and the context of general uncertainty at the moment do not affect the profitability targets for 2019, based on growth drivers that remain still valid and on the cost containment actions undertaken.

EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENT

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

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**Consolidated Financial Statements
Prima Industrie Group
as of September 30, 2018**

CHAPTER 6. PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Values in thousand euro</i>	September 30, 2018	December 31, 2017
Property, plant and equipment	36,124	35,628
Intangible assets	147,134	149,603
Other investments	6,486	355
Non current financial assets	3,495	10
Deferred tax assets	12,727	11,340
NON CURRENT ASSETS	205,966	196,936
Inventories	147,708	113,035
Trade receivables	96,829	113,649
Other receivables	11,131	8,019
Current tax receivables	9,200	9,380
Derivatives	41	58
Financial assets	124	791
Cash and cash equivalents	59,668	70,521
CURRENT ASSETS	324,701	315,453
Assets held for sale	1,606	1,111
TOTAL ASSETS	532,273	513,500
Capital stock	26,208	26,208
Legal reserve	4,992	4,653
Other reserves	71,314	69,311
Currency translation reserve	2,442	1,360
Retained earnings	39,322	27,620
Net result	14,652	18,515
Stockholders' equity of the Group	158,930	147,668
Minority interest	1,034	1,286
STOCKHOLDERS' EQUITY	159,964	148,954
Interest-bearing loans and borrowings	118,665	98,396
Employee benefit liabilities	7,586	7,694
Deferred tax liabilities	5,759	5,997
Provisions	172	172
Derivatives	481	80
NON CURRENT LIABILITIES	132,663	112,339
Trade payables	101,399	110,465
Advance payments	47,807	43,620
Other payables	22,760	24,951
Interest-bearing loans and borrowings	38,671	42,525
Current tax payables	6,461	6,072
Provisions	22,239	24,574
Derivatives	309	-
CURRENT LIABILITIES	239,646	252,207
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	532,273	513,500

CONSOLIDATED INCOME STATEMENT

<i>Values in euro thousand</i>	September 30, 2018	September 30, 2017 (*)
Net revenues	318,304	300,306
Cost of goods sold	(240,498)	(225,596)
GROSS MARGIN	77,806	74,710
Research and Development costs	(18,479)	(16,636)
Sales and marketing expenses	(21,767)	(20,582)
General and administrative expenses	(20,228)	(20,460)
OPERATING PROFIT (EBIT)	17,332	17,032
Financial income	4,411	2,674
Financial expenses	(11,178)	(4,976)
Net exchange differences	(1,150)	(2,485)
Net result of other investments (**)	7,179	1,941
RESULT BEFORE TAXES (EBT)	16,594	14,186
Taxes	(2,172)	(2,055)
NET RESULT	14,422	12,131
- Attributable to Group shareholders	14,652	12,061
- Attributable to minority shareholders	(230)	70
RESULT PER SHARE - BASIC (in euro)	1.40	1.15
RESULT PER SHARE - DILUTED (in euro)	1.40	1.15

(*) For a better comprehension, the 2017 figures have been re-exposed

(**) It must be outlined that this figure includes a financial gain deriving from EPS SA sale of share. In the Balance Sheet the EPS SA investment was classified in the Assets held for sale.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	September 30, 2018	September 30, 2017
NET RESULT (A)	14,422	12,131
Gains/ (Losses) on actuarial defined benefit plans	-	-
Tax effect	-	-
Total other comprehensive gains/(losses) not to be classified in the Income Statement, net of tax effects (B)	-	-
Gains / (Losses) on cash flow hedges	(319)	39
Tax effect	81	(9)
Gains/ (Losses) on exchange differences on translating foreign operations	1,060	(5,097)
Total other comprehensive gains/(losses) to be classified in the Income Statement, net of tax effects (C)	822	(5,067)
TOTAL COMPREHENSIVE INCOME (A) + (B) + (C)	15,244	7,064
- Attributable to Group shareholders	15,496	7,079
- Attributable to minority shareholders	(252)	(15)

CONSOLIDATED STATEMENT OF CHANGES ON SHAREHOLDERS' EQUITY

from January 1, 2017 to September 30, 2017

Values in euro thousand	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	57,507	4,565	(1,286)	(63)	14,581	6,849	19,277	10,102	137,740	1,212	138,952
Dividends paid	-	-	-	-	-	(3,145)	-	-	-	(3,145)	-	(3,145)
Allocation of prior year net result	-	-	88	-	-	1,670	-	8,344	(10,102)	-	-	-
Result of comprehensive Income	-	-	-	-	30	-	(5,012)	-	12,061	7,079	(15)	7,064
Balance as at 30/09/2017	26,208	57,507	4,653	(1,286)	(33)	13,106	1,837	27,621	12,061	141,674	1,197	142,871

from January 1, 2018 to September 30, 2018

Values in euro thousand	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 31/12/2017	26,208	57,507	4,653	(1,286)	(58)	13,149	1,360	27,620	18,515	147,668	1,286	148,954
Impact of IFRS15 adoption	-	-	-	-	-	-	-	(41)	-	(41)	-	(41)
Balance as at 01/01/2018	26,208	57,507	4,653	(1,286)	(58)	13,149	1,360	27,579	18,515	147,627	1,286	148,913
Dividends paid	-	-	-	-	-	(4,193)	-	-	-	(4,193)	-	(4,193)
Allocation of prior year net result	-	-	339	-	-	6,433	-	11,743	(18,515)	-	-	-
Result of comprehensive Income	-	-	-	-	(238)	-	1,082	-	14,652	15,496	(252)	15,244
Balance as at 30/09/2018	26,208	57,507	4,992	(1,286)	(296)	15,389	2,442	39,322	14,652	158,930	1,034	159,964

CONSOLIDATED CASH FLOW STATEMENT

Values in Euro thousand	September 30, 2018	September 30, 2017 (*)
Net result	14,422	12,131
Adjustments (sub-total)	(26,704)	(17,010)
Depreciation, impairment & write-off	12,009	12,620
Gain from sales of shares in other investments (**)	(7,179)	(1,941)
Net change in deferred tax assets and liabilities	(1,625)	(2,711)
Change in employee benefits	(108)	(109)
Change in inventories	(34,673)	(30,028)
Change in trade receivables	16,820	(10,298)
Change in trade payables and advances	(4,879)	20,167
Net change in other receivables/payables and other assets/liabilities	(7,069)	(4,710)
Cash Flows from (used in) operating activities	(12,282)	(4,879)
Cash flow from investments		
Acquisition of tangible fixed assets (***)	(4,932)	(3,650)
Acquisition of intangible fixed assets	(923)	(425)
Capitalization of development costs	(4,724)	(5,276)
Net disposal of fixed assets	62	69
Investment in Lead Laser	(6,131)	-
Capital increase/decrease in Other investments (****)	7,906	1,962
Cash Flows from (used in) investing activities	(8,742)	(7,320)
Cash flow from financing activities		
Change in other financial assets/liabilities and other minor items	(2,330)	(1,400)
Increases in loans and borrowings (including bank overdrafts)	108,316	14,100
Repayment of loans and borrowings (including bank overdrafts)	(91,147)	(12,463)
Repayments in financial lease liabilities	(1,265)	(330)
Dividends paid	(4,193)	(3,145)
Other variations	(41)	-
Cash Flows from (used in) financing activities	9,340	(3,238)
Cash Flows from (used in) change of minority shareholders	-	-
Foreign exchange translation differences	831	(3,923)
Net change in cash and equivalents	(10,853)	(19,360)
Cash and equivalents beginning of period	70,521	62,680
Cash and equivalents end of period	59,668	43,320

Additional Information to the Consolidated Statement of Cash-Flow	Sep 30, 2018	Sep 30, 2017 (*)
Values in euro thousand		
Taxes paid	1,984	3,997
Interests paid	4,617	3,804

(*) For a better comprehension, the 2017 figures have been re-exposed.

(**) The gain is relevant to EPS SA sale for share, this investment was classified in the Assets held for Sale.

(***) Not included financial lease.

(****) Included investments classified in the Assets held for sale.

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**Explanatory Notes to
Consolidated Financial Statements
as of September 30, 2018**

CHAPTER 7. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2018

ACCOUNTING TABLES FORM AND CONTENT

The abbreviated consolidated balance sheet of PRIMA INDUSTRIE Group on September 30, 2018 has been drawn up on the assumption of the company continuing trading and in accordance with the International *Financial Reporting Standards* issued by the International Accounting Standards Board and recognised by the European Union (defined as "IFRS"), as well as the legislative and regulatory directions in force in Italy (with particular reference to Leg. Decree 58/1998 and subsequent amendments, as well as the issuer's Regulation issued by CONSOB). "IFRS" is also meant as the International *Accounting Standard* (IAS) still in force, as well as all the interpretive documents issued by the International *Financial Reporting Interpretations Committee* ("IFRIC") previously called the *Standing Interpretations Committee* ("SIC").

The abbreviated consolidated balance on September 30, 2018 of PRIMA INDUSTRIE Group is presented in Euro which is also the currency of the economies in which the Group mainly operates.

The foreign subsidiaries are included in the abbreviated consolidated balance sheet on September 30, 2018 according to the principles described in the "Accounting Principles" Note of the consolidated balance on December 31, 2017, to which attention is drawn.

For purposes of comparison, the balance sheet data on December 31, 2017 have been presented as well as the data of the profit and loss account and the financial statement relating to September 30, 2017 with the movements of net assets of the first nine months of 2017 as well, as required by IAS 1.

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

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

DRAFTING PRINCIPLES AND CRITERIA

ACCOUNTING CRITERIA AND PRINCIPLES OF CONSOLIDATION

The accounting criteria and principles of consolidation adopted for setting out the abbreviated consolidated balance sheet at September 30, 2018 are compatible with those used for the consolidated annual balance sheet at December 31, 2017, to which reference is made subject to the new standards/interpretations adopted by the Group starting from January 1, 2018, as well as the adjustments required by the nature of the interim findings.

ADOPTION OF IFRS9 E IFRS15

IFRS 9 Financial Instruments

The new "IFRS 9 - Financial Instruments" accounting standard came into force on January 1, 2018, replacing "IAS 39 - Financial Instruments: Recognition and Measurement" and makes important changes to the previous guide on the classification and measurement of financial assets, introducing an "*expected credit loss*" model for the impairment of financial assets.

Specifically, IFRS 9 introduces the following:

a) Classification and measurement

IFRS 9 classifies financial assets into three main categories: 1) amortized cost (AC), 2) *Fair Value Through Other Comprehensive Income* (FVTOCI), 3) *Fair Value Through Profit or Loss* (FVTPL). Classification within the three categories is based on *business model* (i.e. “*hold to collect*” / “*hold to collect and sell*”) and the characteristics of the cash flows (i.e. “*principal* / *principal + interest*”).

The Group identified no significant impacts at September 30, 2018 resulting from application of the classification and measurement requirements of IFRS 9.

b) Impairment

The new requirements for *impairment* set out in IFRS 9 are based on an *Expected Credit Loss* (“ECL”) model and replace the loss model of IAS 39. The expected loss model applies to debt instruments (such as bank deposits, loans, debt securities and trade receivables) recognised at AC or FVTOCI, plus lease receivables, contract assets and financial guarantee contracts not valued at FVTPL.

For contract assets relating to IFRS 15 and trade receivables, the Group applies a simplified model for recognizing expected losses over the life of the asset, since these items have no significant financing component.

c) *Hedge accounting*

The new rules introduced by IFRS 9 for the recognition of hedging assets have introduced no significant elements but have provided for a greater link between the substance of risk management operations and their recognition. The new model makes application of *Hedge Accounting* simpler, allowing entities to apply hedging operations on a larger scale.

The Group has established that all existing hedging relationships that are currently designated as effective hedges should continue to qualify for hedge accounting in accordance with IFRS 9.

Since IFRS 9 does not change the general principle whereby an entity recognizes effective hedging relationships, application of the requirements of IFRS 9 for the definition of hedges has not had a significant impact on the Group's financial statements.

IFRS 15 - Revenue from Contracts with Customers

The new IFRS 15 - “Revenue from contracts with customers” and the related “Clarifications to IFRS 15 Revenues from contracts with customers” (hereafter “IFRS 15”) replace the previous IAS 18 “Revenue”, IAS 11 “Construction Contracts” and various interpretations concerning revenue.

The new accounting standard provides for recognition of revenues based on the following five steps:

- identification of the contract with the customer;
- identification of *performance obligations*, i.e. contractual commitments to supply goods and/or services to the customer;
- determination of transaction price;
- allocation of the transaction price to the *performance obligation*, based on the *stand-alone* sale price of each good or service; and
- recognition of revenue with the *performance obligation* is satisfied.

Application of the new standard to the sale of goods (laser systems, sheet metal processing and components machines) had no impact.

These revenues were therefore recognized under the definitions set out according to the new “*at point in time*” principle of IFRS 15. As a result of the adoption of IFRS 15, the Group identified a *performance*

obligation in the warranty extension period on machinery compared to normal conditions, to be accounted for separately.

On the basis of the analyses carried out by the Group on other types of revenue (provision of services, dividends), application of the standard had no impact on shareholders' equity at December 31, 2017 and September 30, 2018.

As provided for in IFRS 15, the Group has elected to recognise the effect of retrospective restatement of the values in the shareholders' equity at January 1, 2018, having regard to the cases existing on that date, without restating previous years presented for comparison.

Following is a summary of how adoption of the new standards affected opening balances at January 1, 2018; there is no effect on the net financial position:

	Reported	Impact	Restated
<i>Values in € thousand</i>	Jan 1, 2018	IFRS 15	Jan 1, 2018
Non current assets	196,936	16	196,952
Current assets	315,453	-	315,453
Assets held for sale	1,111	-	1,111
Total Assets	513,500	16	513,516
Net Equity	148,954	(41)	148,913
Non current liabilities	112,339	-	112,339
Current liabilities	252,207	57	252,264
Total Liabilities	513,500	16	513,516

ON-GOING CONCERN

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

USE OF ACCOUNTING ESTIMATES

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

EXPLANATORY NOTES

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

SECTOR REPORT

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

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

- laser machines to cut, weld and punch metallic components, three-dimensional (3D) and 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 tables show the financial information directly attributable to the two divisions.

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
<i>Values in euro thousand</i>	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Net revenues	294,561	282,507	42,853	36,442	(19,110)	(18,643)	318,304	300,306
Cost of goods sold	(225,708)	(214,528)	(33,337)	(29,335)	18,547	18,267	(240,498)	(225,596)
GROSS MARGIN	68,853	67,979	9,516	7,107	(563)	(376)	77,806	74,710
Research and Development costs	(14,115)	(12,939)	(4,364)	(3,697)	-	-	(18,479)	(16,636)
Sales and marketing expenses	(20,010)	(18,590)	(1,757)	(1,994)	-	2	(21,767)	(20,582)
General and administrative expenses	(17,495)	(18,083)	(2,703)	(2,409)	(30)	32	(20,228)	(20,460)
OPERATING PROFIT (EBIT)	17,233	18,367	692	(993)	(593)	(342)	17,332	17,032
Net financial expenses	(6,387)	(1,979)	(379)	(323)	(1)	-	(6,767)	(2,302)
Net exchange differences	(1,204)	(2,388)	54	(97)	-	-	(1,150)	(2,485)
Net result of other investments	-	-	7,179	1,941	-	-	7,179	1,941
RESULT BEFORE TAXES (EBT)	9,642	14,000	7,546	528	(594)	(342)	16,594	14,186
Taxes	(2,095)	(2,583)	(240)	411	163	117	(2,172)	(2,055)
NET RESULT	7,547	11,417	7,306	939	(431)	(225)	14,422	12,131
- Attributable to Group shareholders	7,777	11,347	7,306	939	(431)	(225)	14,652	12,061
- Attributable to minority shareholders	(230)	70	-	-	-	-	(230)	70

	Prima Power		Prima Electro		Elimination		Prima Industrie Group	
Values in euro thousand	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017
Property, plant and equipment	25,860	26,995	10,264	8,632	-	1	36,124	35,628
Intangible assets	129,150	132,525	20,994	20,073	(3,010)	(2,995)	147,134	149,603
Other investments	17,412	11,281	19	19	(10,945)	(10,945)	6,486	355
Non current financial assets	2,281	-	1,214	10	-	-	3,495	10
Deferred tax assets	8,852	8,053	3,331	2,921	544	366	12,727	11,340
NON CURRENT ASSETS	183,555	178,854	35,822	31,655	(13,411)	(13,573)	205,966	196,936
Inventories	126,106	95,716	23,564	18,687	(1,962)	(1,368)	147,708	113,035
Trade receivables	91,509	106,973	13,593	15,598	(8,273)	(8,922)	96,829	113,649
Other receivables	9,254	6,599	1,872	1,416	5	4	11,131	8,019
Current tax receivables	7,204	7,606	2,407	2,186	(411)	(412)	9,200	9,380
Derivatives	41	58	-	-	-	-	41	58
Financial assets	3,613	1,602	-	-	(3,489)	(811)	124	791
Cash and cash equivalents	56,801	68,052	2,868	2,469	(1)	-	59,668	70,521
CURRENT ASSETS	294,528	286,606	44,304	40,356	(14,131)	(11,509)	324,701	315,453
Assets held for sale	1,606	384	-	727	-	-	1,606	1,111
TOTAL ASSETS	479,689	465,844	80,126	72,738	(27,542)	(25,082)	532,273	513,500
STOCKHOLDERS' EQUITY	135,792	132,101	39,492	31,688	(15,320)	(14,835)	159,964	148,954
Interest-bearing loans and borrowings	112,825	90,720	9,329	7,676	(3,489)	-	118,665	98,396
Employee benefit liabilities	5,123	5,117	2,464	2,576	(1)	1	7,586	7,694
Deferred tax liabilities	3,958	4,311	1,911	1,793	(110)	(107)	5,759	5,997
Provisions	172	172	-	-	-	-	172	172
Derivatives	481	80	-	-	-	-	481	80
NON CURRENT LIABILITIES	122,559	100,400	13,704	12,045	(3,600)	(106)	132,663	112,339
Trade payables	94,415	105,954	15,247	13,356	(8,263)	(8,845)	101,399	110,465
Advance payments	47,193	43,167	302	453	312	-	47,807	43,620
Other payables	20,061	21,928	2,696	3,039	3	(16)	22,760	24,951
Interest-bearing loans and borrowings	31,491	32,506	7,180	10,879	-	(860)	38,671	42,525
Current tax payables	6,183	6,011	697	481	(419)	(420)	6,461	6,072
Provisions	21,686	23,777	808	797	(255)	-	22,239	24,574
Derivatives	309	-	-	-	-	-	309	-
CURRENT LIABILITIES	221,338	233,343	26,930	29,005	(8,622)	(10,141)	239,646	252,207
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	479,689	465,844	80,126	72,738	(27,542)	(25,082)	532,273	513,500

CONSOLIDATED FINANCIAL POSITION

The property, plant and equipment on September 30, 2018 are equal to Euro 36,124 thousand in increase of Euro 496 thousand compared with December 31, 2017.

The intangible assets on September 30, 2018 are equal to Euro 147,134 thousand and decreased by Euro 2,469 thousand compared with December 31, 2017.

The most significant item is represented by Goodwill, which on September 30, 2018 amounts to Euro 103,003 thousand.

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

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

CASH GENERATING UNIT	BOOK VALUE GOODWILL September 30, 2018	BOOK VALUE GOODWILL December 31, 2017
PRIMA POWER	97,690	97,633
PRIMA ELECTRO - BU Electronics	4,316	4,316
PRIMA ELECTRO - BU Laser	997	962
TOTAL	103,003	102,911

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, 2017 the Group carried out the *impairment test* on the value of the main elements of goodwill (PRIMA POWER, PRIMA ELECTRO - Business Unit ELECTRONICS e PRIMA ELECTRO - Business Unit LASER), for which attention is drawn to the Consolidated Financial Statements at December 31, 2017. Regarding the above mentioned goodwill, as no indicators of loss in value have appeared compared with the financial statements closed on December 31, 2017, it was not considered necessary to update the related *impairment tests*.

The Other investments are equal to Euro 6,486 thousand and are increased compared to the previous year by Euro 6,131 thousand due to the acquisition of a stake in the Chinese company Lead Laser (for further details on the operation refer to paragraph - “ Significant events of the period” of the Group Interim Management Report).

The Deferred Tax Assets amounts to Euro 12,727 thousand, showing an increase compared with the preceding financial year of Euro 1,387 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, 2018 and December 31, 2017.

INVENTORIES	September 30, 2018	December 31, 2017
Raw materials	52,134	38,434
Semi-finished goods	32,013	24,223
Finished goods	71,454	58,043
(Inventory provisions)	(7,893)	(7,665)
TOTAL	147,708	113,035

The net value of inventories on September 30, 2018 shows an increase equal to Euro 34,673 thousand compared with December 31, 2017. This increase is due to support the production volumes forecast for the end of the year.

Net trade receivables at September 30, 2018 amounted to Euro 96,829 thousand a decrease of Euro 16,820 thousand compared to December 31, 2017.

Other receivables on September 30, 2018 are equal to Euro 11,131 thousand and increased by Euro 3,112 thousand compared with December 31, 2017.

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

The current tax receivables amounts to Euro 9,200 thousand and decreased by Euro 180 thousand compared to December 31, 2017. Tax assets mainly include VAT receivables for Euro 6,764 thousand (Euro 5,762 thousand on December 31, 2017), income tax receivables for Euro 1,266 thousand (Euro 1,497 thousand on December 31, 2017), 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, other receivables for tax assets for Euro 94 thousand (Euro 1,062 thousand on December 31, 2017) and by withholding taxes for Euro 28 thousand (Euro 11 thousand on December 31, 2017).

On September 30, 2018 the net financial position of the Group was negative for an amount of Euro 98,292 thousand increasing of Euro 28,660 thousand compared to December 31, 2017 (negative for Euro 69,632 thousand). For a better understanding of the variation in the net financial position achieved during the first nine months of 2018, refer to the consolidated cash flow statement of the period.

Shown below the information required by the CONSOB communication No. DEM/6064293 of July 28, 2006:

Values expressed in Euro thousand

	NET INDEBTNESS	September 30, 2018	December 31, 2017	Variations
A	CASH	59,668	70,521	(10,853)
B	OTHER CASH AND CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	CASH ON HAND (A+B+C)	59,668	70,521	(10,853)
E	CURRENT FINANCIAL RECEIVABLES	165	849	(684)
F	CURRENT BANK DEBTS	2,196	6,192	(3,996)
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	33,283	31,295	1,988
H	BOND ISSUED	478	867	(389)
I	OTHER CURRENT FINANCIAL DEBTS	3,023	4,171	(1,148)
J	CURRENT FINANCIAL INDEBTEDNESS (F+G+H+I)	38,980	42,525	(3,545)
K	NET CURRENT FINANCIAL INDEBTEDNESS (J-D-E)	(20,853)	(28,845)	7,992
L	NON-CURRENT BANK DEBTS	78,530	47,355	31,175
M	BOND ISSUED	24,789	39,733	(14,944)
N	OTHER NON-CURRENT FINANCIAL DEBTS	15,826	11,389	4,437
O	NON-CURRENT FINANCIAL INDEBTEDNESS (L+M+N)	119,145	98,477	20,668
P	NET FINANCIAL INDEBTEDNESS (K+O)	98,292	69,632	28,660

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

	Sep 30, 2018	Dec 31, 2017
Net financial indebtedness com. CONSOB n. DEM/6064293	98,292	69,632
Term deposit Smilla	3,486	-
Loan Caretek	10	-
Net Financial Indebtedness	94,797	69,632

As required by the amendment to IAS 7, the following table shows the changes in liabilities arising from loan activities, whether arising from changes in cash flows or changes not in cash.

Values in Euro thousand	December 31, 2017	Variations from cash flow	Variations not in cash			September 30, 2018
			Issues	Exchange rate	Fair value	
Financial debts	90,743	32,502	-	6	-	123,251
Bond issued	40,600	(15,333)	-	-	-	25,267
Leasing	9,578	(1,265)	475	29	-	8,817
Derivatives	80	-	-	-	710	790
TOTAL	141,001	15,904	475	35	710	158,125

At September 30, 2018, the value of non-current assets held for sale is Euro 1,606 thousand and increased by Euro 495 thousand from the previous financial year as a result of:

- sale of 10.1% shareholding in EPS (held by PRIMA ELECTRO SpA at December 31, 2017) for Euro 727 thousand;
- reclassification of Euro 1,531 thousand for a property in the province of Brescia (at December 31, 2017 it was disclosed under Land and buildings); during 2018, the value of the building was reduced by Euro 309 thousand to bring it to its *fair value*.

This item includes Euro 384 thousand for a number of properties under construction owned by the parent company PRIMA INDUSTRIE SpA in Mantua, Italy. All assets classified in this category are available for immediate sale, an event that is very likely since the Management has engaged in a divestment programme.

Net Equity of Prima Industrie Group is increased by Euro 11,010 thousand compared to the previous financial year.

For more details, see the table of changes in net equity.

The item Employees Benefits Liabilities on September 30, 2018 is equal to Euro 7,586 thousand and is decreased compared to December 31, 2017 of Euro 108 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*.

Deferred tax liabilities amounts to Euro 5,759 thousand, showing a decrease of Euro 238 thousand compared with December 31, 2017.

The provisions for liabilities and charges are equal to Euro 22,411 thousand and decreased by Euro 2,335 thousand compared with December 31, 2017; Non-current provisions refer exclusively to the agent client indemnity provision and amounts comprehensively to Euro 172 thousand.

Current provisions mainly relate to product warranties 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. 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 value of trade payables decreased compared to December 31, 2017 by Euro 9,066 thousand. Advance payments heading increased compared to December 31, 2017 and is equal to Euro 47,807 thousand.

Other payables decreased to December 31, 2017 by Euro 2,191 thousand and includes social security and welfare payables, payables due to employees, accruals and deferrals and other minor payables.

Current tax payables on September 30, 2018 amounts to Euro 6,461 thousand which is an increase of Euro 389 thousand compared with December 31, 2017.

CONSOLIDATED INCOME STATEMENT

As already mentioned previously, the Group presents the income statement by “functional area”. In accordance with paragraph 104 of “IAS 1 - Presentation of Financial Statements”, personnel costs amount to Euro 81,896 thousand (Euro 80,311 thousand at September 30, 2017). At September 30, 2018, amortization/depreciation and impairment were Euro 12,009 thousand (at September 30, 2017 these were Euro 12,620 thousand). It should be noted that the amortization of intangible assets was Euro 8,402 thousand (of which Euro 6,392 thousand was for development costs and Euro 1,367 thousand for trademarks).

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

The financial income and expenses of the first nine months of 2018 shows a negative result of Euro 7,917 thousand.

FINANCIAL MANAGEMENT	September 30, 2018	September 30, 2017
Financial income	4,411	2,674
Financial expenses	(11,178)	(4,976)
Net financial expenses	(6,767)	(2,302)
Net exchange of transactions in foreign currency	(1,150)	(2,485)
Total Financial Management	(7,917)	(4,787)

Financial expenses at September 30, 2018 include non-recurring expenses due to the full early repayment of Euro 1,515 thousand and Euro 370 thousand on the Bond and the Club Deal loan respectively.

The net result of other investments were positive for Euro 7,179 thousand and relate to capital gains on the sale of shares in EPS SA, held by Prima Electro SpA. For more information on this transaction, see the section “Significant events” in the Group Interim Management Report.

Taxes for the first nine months of 2018 showed a net negative balance of Euro 2,172 thousand. The balance of current and deferred taxes is negative by Euro 1,561 thousand, IRAP is equal to Euro 552 thousand and other taxes, including those relating to prior years, are negative for Euro 59 thousand.

The earnings per share on September 30, 2018, positive by 1.40 Euro (positive by 1.15 Euro on September 30, 2017) is calculated by dividing the profits attributable to the shareholders of the parent company by the average number of ordinary shares in circulation during the financial year which are 10,483,274. The diluted earnings per share is equal to the basic earning because at September 30, 2018 no dilutive operations occurred.

SIGNIFICANT NOT RECURRING ITEMS

The table below summarises non-recurring items that have had a positive impact on the Income Statement at September 30, 2018 for a total of Euro 2,934 thousand.

Significant non-recurrent events and transactions (Values expressed in Euro thousand)	Gross Margin	Sales and marketing expenses	General and administrative expenses	Financial income and expenses	Net result of investments	Total as at Sep 30, 2018	Total as at Sep 30, 2017	Variation 2018 verso 2017
M&A/ Actions of reorganization/Restructuring	(318)	(152)	(242)	-	-	(712)	(238)	(474)
Legal/fiscal disputes and penalties from customers	(14)	(131)	(1,076)	-	-	(1,221)	(643)	(578)
Other minor events	-	-	-	-	-	-	337	(337)
EBITDA	(332)	(283)	(1,318)	-	-	(1,933)	(544)	(1,389)
<i>Impairment of tangible fixed assets</i>	-	-	(309)	-	-	(309)	(23)	(286)
EBIT	(332)	(283)	(1,627)	-	-	(2,242)	(567)	(1,675)
Advance Bond and Club Deal loan expenses	-	-	-	(1,885)	-	(1,885)	-	(1,885)
Devaluation of financial receivable	-	-	-	(118)	-	(118)	-	(118)
Gain from sales of shares in EPS SA	-	-	-	-	7,179	7,179	1,941	5,238
EBT	(332)	(283)	(1,627)	(2,003)	7,179	2,934	1,374	1,560

Annexes

ANNEXES

ANNEX 1 - CONSOLIDATION AREA

PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
FINN POWER OY	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 30.000.000	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/Primer de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	Ul. Holenderska 6 - 05 - 152 Czosnów Warsaw, POLAND	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	100%	Line-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 960.015	100%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SİRKETİ	Soğanlık Yeni Mah. Balıkesir Cad. Uprise Elite Teras Evler B2 A Dupleks Gül Blok Daire:4 Kartal - İstanbul, TURKEY	TRY 1.470.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER INDIA PVT. LTD.	Plot No A-54/55, H Block, MIDC, Pimpri, Pune - 411018, Maharashtra, INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 - Freguesia do Ó - 02968-00, Sao Paulo BRAZIL	R\$ 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”.

Adjusted EBITDA, EBIT and EBT (hereinafter “*Adj*”) correspond to the same alternative performance indicators net of non-recurring items.

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

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

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

Net financial debt includes cash and cash equivalents, financial receivables (current and non-current), net of financial payables (current and non-current) and the fair value of derivatives. Reconciliation with the net financial position required by CONSOB Communication no. DEM/6064293 of 28 July 2006 is provided in the Notes to the Interim Management Report.

Revenues at constant exchange rates are stated by applying the average exchange rates of the previous year to the revenues of the current year in the local currency.

ANNEX 3 - CURRENCY EXCHANGE RATE

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

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Dec 31, 2017
US DOLLAR	1.1949	1.1132	1.1576	1.1993
CHINESE RENMINBI	7.7792	7.5721	7.9662	7.8044
RUSSIAN RUBLE	73.4244	64.9077	76.1422	69.3920
TURKISH LIRA	5.5043	4.0012	6.9650	4.5464
POLISH ZLOTY	4.2478	4.2648	4.2774	4.1770
POUND STERLING	0.8839	0.8725	0.8873	0.8872
BRAZILIAN REAL	4.2957	3.5312	4.6535	3.9729
INDIAN RUPEE	80.2234	72.5875	83.9160	76.6055
AUSTRALIAN DOLLAR	1.5767	1.4530	1.6048	1.5346
CANADIAN DOLLAR	1.5379	1.4538	1.5064	1.5039
MEXICAN PESO	22.7447	20.9970	21.7800	23.6612

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2018

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

The manager responsible for preparing the company accounting documents of the PRIMA INDUSTRIE Group, Davide Danieli, declares, in accordance with the provisions of the second paragraph of Art. 154 bis, Part IV, Title III, Chapter II, Section V bis of Legislative Decree of February 24, 1998, No. 58, that the accounting information contained in this Interim Financial Report at September 30, 2018 corresponds to the document results, books and accounting records.