PRIMA INDUSTRIE

2012 ANNUAL FINANCIAL REPORT

CALL OF SHAREHOLDERS' MEETINGS

All subjects having right to vote are called to attend the Shareholders' Ordinary Assembly at the Congress Room of Blu Hotel, Via Torino no. 154/156, Collegno (TO) on April 23, 2013 at 9:30 a.m. in its first, and possibly its second call on April 24, 2013 at 11 a.m. in the same location, to resolve on the following items of the

AGENDA

1. Financial statement 2012 and its reports: ensuing resolutions. Review of consolidated financial statement 2012;
2. Report on Remuneration of Board members, pursuant to art. 123-ter of T.U.F. (Consolidated Act);
3. Election of Board of Auditors and its Chairman; establishment of their fee for the entire term of office, business years 2013-2014-2015;

In view of the Company's line-up of shareholders, we henceforth declare the Assembly as validly constituted and with power to pass resolutions on April 24, 2013.

Entitlement to attend

The subjects entitled to speak at the Assembly are those who have right to vote as of the book date of April 12, 2013 and for whom the Company has received the required notice from the licensed intermediary, in accordance with the information gathered from its accounting books.

Those subjects who have become shareholders after April 12, 2014 will not be entitled to take part and vote in the Assembly.

It is the legal right of all qualified subjects to delegate a third party to represent them in the Assembly, for which purpose the shareholder can use the proxy form downloadable from our website (www.primaindustrie.com, investors area, information for shareholders).

The terms and conditions that apply to delegated representative powers are posted on the Company's website: www.primaindustrie.com.

As required by art. 12 of the Articles of Association, no representatives are designated for this Assembly, as per art. 135-undecies of Leg. Decree no. 58/1998.

Election of Board of Auditors

Please be informed that the list of candidates to the Board of Auditors can be deposited at the Company's Headquarters (by fax to no. +39 011 4117334 or by e-mail to primaindustrie@pecsoci.ui.torino.it) at least 25 days before the first called Assembly, hence by March 29, 2013, by those Shareholders who can provide evidence – by presenting the notices issued by the depository intermediaries by March 29, 2013, which must be forwarded to the Company by April 2, 2013 at the e-mail address: primaindustrie@pecserviziotitoli.it – that they are holders, of their own or jointly with others, of at least 4.5% of the share capital and have right to vote. If on March 29, 2013 only one list will have been deposited, or only lists by shareholders who are connected are submitted, the Company will provide due notice thereof, pursuant to the current Code of Internal Conduct. In such case, lists can be presented until April 2, 2013 and the aforesaid quorum share required for eligibility to submit candidate lists is reduced by half.

For the lists to be validly submitted, they must include the information and documents referred to in art. 144 - sexies, paragraph 4 of Consob regulation no. 11971/1999 and its subsequent amendments, and the Shareholders must comply with the provisions set out in art. 28 of the Articles of Association. All deposited lists will be publically disclosed at Corporate Headquarters and on the Company's website (www.primaindustrie.com) 21 days ahead of the Assembly.

Other Shareholders' rights

Pursuant to art. 127-ter of Leg. Decree no. 58/1998, Shareholders are entitled to submit inquiries on the items on agenda, even before the date of the Assembly, according to the procedure described on the Company's website: www.primaindustrie.com.

Inquiries received by April 20, 2013 will be answered during the Assembly at the latest, once their pertinence and the legitimacy of the inquirer have been verified.

The Shareholders who represent at least 1/40 of the share capital (even jointly), can request that items be added to the agenda or propose variations to the items already listed, within 10 days from the date this notice is published, i.e. by March 24, 2013. Shareholders can exercise this right in accordance with the rules posted on the website: www.primaindustrie.com.

Documentation

The documentation concerning the items on agenda and afferent proposals and the annual report on Corporate Governance will be kept on file at Headquarters and be available for viewing on the Company's website (www.primaindustrie.com) according to the current terms of law (shareholders so entitled may request copy thereof).

PRIMA INDUSTRIE S.p.A.

Share capital € 21,609,125.00 (fully paid-up)

Listed in the Company Register of Turin under no. 03736080015 R.E.A. of Turin no. 582421

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

Website: www.primaindustrie.com e-mail: ir@primaindustrie.com

MANAGEMENT AND CONTROL

Board of Directors

Chairman and C.E.O.	Gianfranco Carbonato
Managing Directors	Ezio G. Basso [(1)] Domenico Peiretti
Independent Directors	Sandro D'Isidoro Enrico Marchetti Mario Mauri
Other Directors	Rafic Y. Mansour Michael R. Mansour Yunfeng Gao
Secretary of the Board of Directors	Massimo Ratti

Internal Control Committee

Chairman	Enrico Marchetti
Members	Sandro D'Isidoro Mario Mauri

Remuneration Committee

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

Board of Auditors

Chairman	Franco Nada
Regular Auditors	Andrea Mosca Roberto Petrignani
Alternate Auditors	Roberto Coda Alessandro Sabolo

Auditing Company	Reconta Ernst & Young SpA

Expiry of Mandates and Appointments

The Board of Directors was appointed by Stockholders' Meeting held on April 29th,2011 and shall remain in office until the approval of 2013 Financial Statements.

The Board of Statutory Auditors shall remain in office until the approval of 2012 Financial Statements.

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

[(1)] *Ezio G.Basso is also the General Manager of PRIMA INDUSTRIE SpA*

Message to the shareholders and other stakeholders

Dear Sirs/Madams,

though caught in the midst of the unrelenting uncertainties of the global economy, our Group has closed business year 2012 with a profit and has significantly improved in all its performance indicators.

Growth of the world economy has slowed down from +3.8% in 2011 to +3.0% in the past year, due to a weakened GDP in most emerging Countries and a stagnant situation in Europe, where the Union's GDP on a whole was down by -0.4%.
The picture in European markets continues to be unstable in early 2013, with Germany increasing its production, largely thanks to its exports, but with Countries of the South still seeking the best route to regain an acceptable level of development, following measures taken by national Governments to reduce the deficit, as required by the European Fiscal Act. At the beginning of the new year, France too, the second economy of the EU, shows signs of weakness and the results of recent political elections in Italy make the overall European scenario even more uncertain.
As a consequence of the above, the spread between German Bunds and Italian BTP has again soared beyond the 300-point threshold, a value that is simply unsustainable in the medium term. While it is true that measures ratified by the European Central Bank have thus far salvaged the Euro, the European Union as yet has not launched shared policies to promote growth, linking a reduction of the deficit to industrial plans for the future that can instill newfound trust and engender opportunities for new generations.

In this grander overview, we are delighted to confirm the following results for 2012:

- Turnover: € 349.3 million (+13%)
- EBITDA: € 29.0 million (+29%)
- EBIT: € 17.6 million (+41%)
- EBT: € 9.0 million (+99%)
- Net Profit: € 5.3 million (+274%)

The increase in turnover is owed to the PRIMA POWER Division (+16%), while PRIMA ELECTRO reports a slight contraction.
PRIMA POWER has made most of its sizable investments in recent years to organize sales and customer service, with new branches and offshore offices in Russia, India, Brazil, UAE, Turkey and Korea.
In China, too, our presence was strengthened by inaugurating two new TTC (Technology and Training Centers) in the business district of Wai Gao Qiao of Shanghai, one in joint-venture with our distributor Leeport for the sheet metal machines and one c/o PRIMA POWER China for the 3D laser machines that serve the automobile and aviation markets.
For the first time ever, total sales outside Europe (including after-sales services) were higher than 50% (50.8%), of which 22.8% in North America and 28% in Asia and the rest of the world.
As previously stated, PRIMA ELECTRO sales have instead dropped by 4%, because of the combination of two factors: i) shift from CO_2 to Fiber laser (purchased from third suppliers)

and ii) downsizing of the product range reserved to DOTS customers that has not been balanced by the introduction of new products.

PRIMA ELECTRO nonetheless confirmed the good EBITDA margin reported in the previous year (12.6%), while PRIMA POWER is stable at 7.1%, though up by 1.5% compared to 2011.

Orders in 2012 amount to € 333.2 million, slightly less (down 2.5%) compared to the previous year. The only interim period that to some degree has shown critical performance (probably due to a natural stall in the U.S. and China in wait for their governments to take office) was the third quarter. As such, the orders portfolio dropped from 106 million Euro in 2011 to Euro 88 million at the end of 2012. Order acquisition in the first months of 2013 is substantially good and the portfolio rose again to 107 million Euro at the end of February 2013.

Research & Development (5.1% of turnover) was intense during the business year. Major projects included:

- development of laser machines equipped with fiber laser;
- combo laser machines - next-gen punchers;
- bending machines equipped with new CNC OPEN;
- new laser, CO_2 (CV class) and *solid state*;
- new CNC OPEN platform provided by PRIMA ELECTRO.

From a financial point of view, the Group's Net Operating Profit at the end of 2012 rose to -126.3 million Euro, 10.1 million less than the previous year. *Covenants* agreed for the financing stipulated to buy-out FINN-POWER were reached and the debt cut down as budgeted, in spite of an increase in revenues, owing also to the measures taken to streamline the working capital, still in progress in 2013.

Group employees at year end were 1,521, 79 heads more than the previous year. The newly engaged workforce are mostly young technicians, our personal contribution to the rampant problem of young-adult unemployment, which is the biggest social dilemma of our time in all developed economies.

That said, the chief result achieved in 2012 was structural in nature: after *rebranding* in 2011, our *machinery* Division in PRIMA POWER was restructured into a new global Corporate organization through which it conducts business as a single "virtual" company, albeit through a network of branches and offshore offices in over 20 Countries.
PRIMA POWER is structured in 4 *product units*, each of which has its own independent R&D, logistics and production:

- Collegno (Turin) for 2D and 3D laser technology;
- Kauhava (Finland) for punching technology, machines and combo systems;
- Cologna V.ta (Verona) for bending technology (panel bending and press brakes);

- Champlin (MN), USA, for Laserdyne and other laser technologies.

The products manufactured by the above-listed *product units* are distributed, installed and serviced by 4 region units:

- Europe and South America;
- North America;
- Asia and Rest of the World;
- China.

The *product* and *region units* are coordinated and supported on a division-level by a centralized organization with toned-down administration and finance, IT, HR, marketing after-sales coordination, R&D, quality.

Looking at prospects in 2013, though amidst the uncertain economic trends described above, we expect to consolidate the business year with a moderate increase in turnover, a further improvement of margins and a considerable contraction of our debt, also propitiated by the conversion of *warrants* due to expire at year end.
Since reducing outstanding debts remains our main objective, we propose that the Net Profit in 2012 be used to that end and that it therefore not be distributed.

Our Group is today a globally integrated company and this is the fruit of years of hard work in a troublesome economic context. We wish to sincerely thank our employees and managers, customers and partners, and all shareholders and friends around the world for their profuse efforts.

Best regards

The Chairman

Gianfranco Carbonato

2012 ANNUAL FINANCIAL REPORT

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CHAPTER 1.

STRUCTURE AND PROFILE OF PRIMA INDUSTRIE GROUP
AS OF DECEMBER 31, 2012

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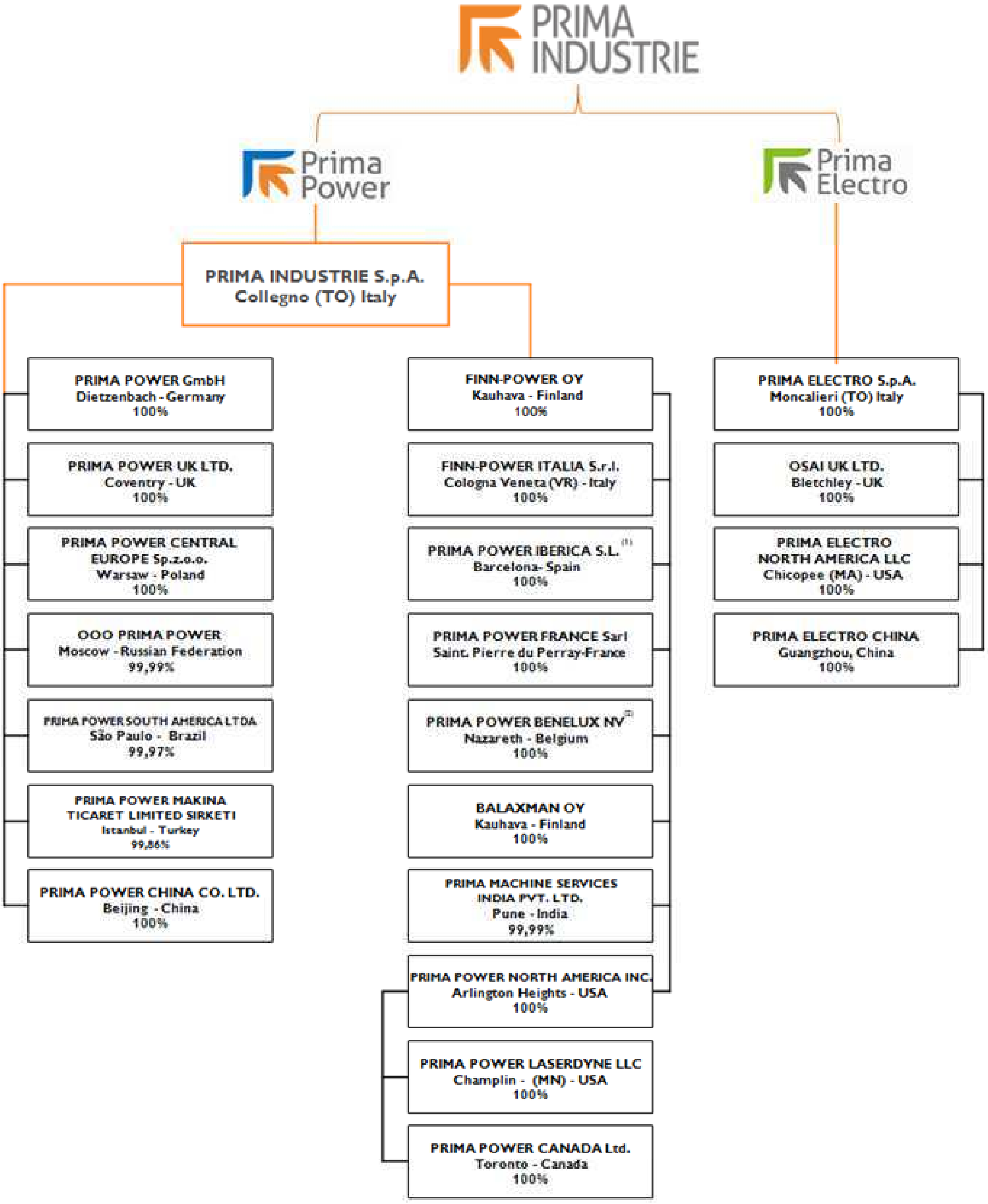
PRIMA INDUSTRIE GROUP STRUCTURE



The statement on this page represents the organizational situation of The PRIMA INDUSTRIE Group on 31.12.2012. The companies that are members of the PRIMA INDUSTRIE Group are all essentially wholly owned.

1) *FINN POWER OY holds 78% of PRIMA POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).*
2) *FINN POWER OY holds 94% of PRIMA POWER BENELUX NV (the remaining 6% is held by BALAXMAN OY).*

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.
Its Parent, PRIMA INDUSTRIE SpA, established in 1977 and listed in the Italian Stock Exchange since 1999 (currently MTA - STAR segment), designs and manufactures hi-power laser systems for cutting, welding and surface treatment of three-dimensional (3D) and flat (2D) components.
The PRIMA INDUSTRIE Group boasts over 35 years of experience and has over 10,000 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) and has direct sales & marketing and customer service facilities in France, Switzerland, Spain, Germany, the United Kingdom, Belgium, Poland, Czech Republic, Lithuania, Hungary, Russian, Turkey, United States, Canada, Brazil, China, India, Korea and the United Arab Emirates.

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 Division has manufacturing plants in Italy (PRIMA ELECTRO SpA) and in the United States (PRIMA ELECTRO NORTH AMERICA Llc.), as well as sales & marketing facilities in the United Kingdom and China.

Some 30 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 Financial Statement was approved by the Board of Directors on March 13, 2013.

CHAPTER 2.

INTRODUCTION

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LEGISLATIVE FRAMEWORK

In application of European Regulation no. 1606 of July 19, 2002, The PRIMA INDUSTRIE Group has drafted the consolidated financial statement as of 31.12.2012 along the guidelines of the International Accounting Standards approved by the European Commission (hereinafter individually also referred to as IAS/IFRS and globally as IFRS).

The consolidated financial statement includes the Report of the Board of Directors drafted by its members.

Pursuant to Leg. Decree 38/2005, as of January 1, 2006, also the financial statement of Parent PRIMA INDUSTRIE SpA is prepared in accordance with the International Accounting Standards. Reference will be made to those standards throughout this report when listing figures related to the Parent.

ALTERNATIVE PERFORMANCE INDICATORS

Besides the conventional financial indicators required by the IFRS, the Report of the Board of Directors, the consolidated financial statement of The PRIMA INDUSTRIE Group and the separate financial statement of Parent PRIMA INDUSTRIE SpA for the business years closed on December 31, 2012 and 2011 all include a series of alternative performance indicators, in order to allow for an easier evaluation of the financial-economic trend of Corporate business.
These indicators, which are also presented in the Report of the Board of Directors when other interim reports are due, must not, however, be seen as replacing the conventional ones required by the IFRS.

The Group uses the following as alternative performance indicators:

- EBIT (aka the "Operating Profit"),
- EBITDA ("Earnings before interest, taxes depreciation and amortization"), which is given by adding the "Amortization" and "*Impairment* and Depreciation" entries to the "Operating Profit" .

The following entries are also mentioned:

- the "Production Value", given by the algebraic sum of the entries "Net Income from sales and services", "Other operating income", "Variation in inventories of semi-finished and finished products" and "Increase for internal production";
- the "Working Capital", given by the algebraic sum of "Inventory", "Receivables", "Payables" and "Deposits".

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:

	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
CURRENCY	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec 31, 2011
US DOLLAR	1,2856	1,3917	1,3194	1,2939
POUND STERLING	0,8111	0,8678	0,8161	0,8353
CHINESE RENMINBI	8,1094	8,9961	8,2207	8,1588
JAPANESE YEN	102,6212	111,0508	113,6100	100,2000
POLISH ZLOTY	4,1843	4,1187	4,0740	4,4580
CANADIAN DOLLAR	1,2848	1,3756	1,3137	1,3215
RUSSIAN RUBLE	39,9238	40,8797	40,3295	41,7650
BRAZILIAN REAL	2,5100	2,3259	2,7036	2,4159
INDIAN RUPEE	68,6295	64,8669	72,5600	68,7130
TURKISH LIRA	2,3145	2,3351	2,3551	2,4432

CONSOLIDATION AREA

The only variation that has occurred in 2012 in the consolidated area of business is the entry of the Turkish newco PRIMA POWER MAKINA TICARET LIMITED SIRTEKI (99.86% owned by PRIMA INDUSTRIE SpA).

On 31.12.2012 the subsidiaries listed in the statements below have been fully consolidated. It should be noted that joint-venture Shanghai Unity PRIMA Laser Machinery Co. Ltd (hereinafter simply "SUP") and SNK-PRIMA Co. Ltd (hereinafter simply "SNK") have been entered with the net equity method, respectively by 30.06.2012 and 30.09.2012. On 31.12.2012, both stakes were classified among non-current Assets reserved for dismissal.

SUBSIDIARIES				
PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	ul. Fabryczna 24 - 05 - 092 Łomianki Warsaw, POLSKA	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 – Freguesia do O - 02968-00, Sao Paulo BRASIL	R$ 350.000	99,97%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI (1)	Camlik Mahallesi Ikbal Caddesi Dinc Sokak No:31 Niyazibey Plaza,Instanbul - TURKEY	TRY 1.470.000	99,86%	Line-by-line method
PRIMA POWER CHINA Company Ltd.	Rm.1 M, no. 1 Zuo Jiazhuang. Guomen Building, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 49.417.108	100%	Line-by-line method
FINN-POWER Italia S.r.l.	Viale Artigianato 9, 37044, Cologna Veneta (VR), ITALY	€ 1.500.000	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 FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 120.000	100%	Line-by-line method
PRIMA POWER BENELUX NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 400.000	100%	Line-by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2.523	100%	Line-by-line method
PRIMA MACHINE SERVICES INDIA PVT. LTD.	Mezzanine Floor, Poonam Plaza G94/2B Market Yard Road, Pune INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	390 Bay Street Suite 28000 Toronto, Ontario M5H 2Y2 Canada	CAD 200	100%	Line-by-line method

(1) Please note also that on the closing date of this financial statement, the share capital of PRIMA POWER MAKINA TICARET LIMITED SIRTEKI has not yet been fully paid up.

SUBSIDIARIES				
PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA ELECTRO S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6.000.000	100%	Line-by-line method
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line-by-line method
PRIMA ELECTRO NORTH AMERICA LLC.	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24.119.985	100%	Line-by-line method
PRIMA ELECTRO (CHINA) Co.Ltd.	23G East Tower, Fuxing Shangmao n.163, Huangpu Avenue Tianhe District 510620 Guangzhou P.R. CHINA	RMB 852.817	100%	Line-by-line method

CHAPTER 3.

REPORT ON GROUP OPERATIONS

CAPITOLO 3. REPORT ON GROUP OPERATIONS

MACRO-ECONOMIC CONTEXT

The most negative forecasts, which predicted default in 2012 or exit of one or more member States from the Eurozone, or even supposed a "conflagration" of the EC, have been dismissed. The endeavor of the ECB to pass an "emergency plan" and at least provide a temporary or partial solution to the Greek puzzle (which it succeeded in doing with the Euro-group agreement of end November), seem to have drastically lowered the risks of an "uncontrollable" evolution of the financial crisis.

After these political steps, severe fiscal measures to stem the crisis have continued and rather intensified in all Countries involved, so that the likelihood today of a default or exit from the Euro by any one of the 17 member States, including Greece, appears much less probable compared to a year ago, though the recent result of Italian elections represents an added factor of instability.

At any rate, it is premature to speak of a recovery: on one hand, the dampened financial turmoil has not translated into heightened trust from families and companies, while on the other, the choking effects of the fiscal consolidation maneuvers are still felt (and will continue to weigh down over all of 2013).

According to the Research Center of Banca IMI, the picture in 2013 will continue to be quite similar to 2012: moderate growth rates, restrictive orientation of fiscal policies and strong expansion of monetary policies, generally neglectable pressure of inflation. In the Eurozone, it will take some time for progress in the debt crisis management to translate into economic recovery. The chief novelties could come from the Far East, where a change of government in Japan will lead to the implementation of more aggressive economic policies.

The global GDP is expected to remain pretty much the same as in 2012, at 3.2% instead of 3.0%.

More specifically, the U.S. economy is gradually recovering: the structural bridles on private demand generated by the crisis and recession are disappearing and the cycle is once more approaching a near "normal" situation. The risks for 2013 are tied to economic policy. Fiscal policy must come to a new, controversial agreement on raising the bar of the public debt. Monetary policy must bring to a gradual stabilization of the liquid incentive in the second half of 2013. The scenario therefore prefigures a growth around 2% in 2013-14 (1.7% in 2013, 2.2% in 2014).

2013 will be another difficult year for the Eurozone, in spite of an upturn in the strategy to manage the crisis, with the announcement of the BCE/ESM (European Stabilization Mechanism) joint action plan, the introduction of consistent rules for the consolidation of public finances and the identification of an agenda to create a common mechanism to monitor credit institutes. The fiscal consolidation process is peripherally destined to continue, with the halt caused to the cycle by fiscal policy expected to significantly relent only in 2014.

It is therefore unlikely that the economy of the Eurozone will display a growing trend already in 2013. Estimates point to a contraction in the zone of -0.3%, hence barely better than the -0.4% in 2012. In 2013, net exports will remain the only growth factor, while domestic demand will continue to drop, though at a slower pace (-0.8%) than in 2012 (-1.4%).

For the Italian economy, 2013 seems set to be another troubled year, for as much as contraction may prove less pronounced than in 2012.
With regard to the other economies, investments in China will only moderately recover in 2013, supported also by a limited loosening of the monetary policy, whose effects will be more evident in 2014; in light of the above, the GDP is forecasted to grown in 2013 by 7.9%.
In India, figures point to a slower economic framework and to a depression in company trust, cautioning analysts to predict a growth of 5.3% in 2012 and 5.7% in 2013.
With reference to Japan, which is currently facing a recession, analysts expect a recovery in 2013, with an annual variation of 0.9%. The forecasted recovery should be driven by exports and by a modest improvement of private domestic demand.

Production of instrumental assets in 2012 will substantially remain stable (down by 0.2% compared to 2011); in a year that has seen Italian industrial production concede 6.7% (back to the levels of 1990), the result achieved by Italian instrumental mechanics is to be considered a success. However, 2013 seems likely to prove rather complex for Italian manufacturers, especially in light of decreasing exports, till now the main motor that has supported the industry. Figures in 2012 of Federmacchine (a federation that groups Italian instrumental product manufacturers) show a production of roughly 28 billion Euro, for the most part sold on foreign markets. Production stability in 2012 is the fruit of a diverging trend between exports and the domestic market, with sales abroad up by 2.4% and national sales down by about 7%.

According to UCIMU (an Italian association that groups machine tool manufacturers), 2012 has closed with a positive result. The industry has continued to show the positive trend witnessed in 2010, though the signs of recovery following the crisis in 2009 seem to have lost their initial momentum.
As can be inferred by the pre-budget figures computed by the Business Culture & Studies Center of UCIMU, in 2012 Italian production in the industry has grown by 3.5% compared to the previous year, with a result determined by the outstanding performance of exports (+12%), to Countries such as (in particular): China, the United States, Germany, Russia, France, Brazil, Turkey, India, Poland and Mexico. The domestic market, instead, shows a markedly different trend, with consumptions down by 13%.
Forecasts for 2013, instead, point to an overall contraction of the Italian manufacturing industry of machine tools and automated systems, with growth in production expected to be 1.2%.

REVENUES AND PROFITABILITY

Consolidated revenues as of 31.12.2012 amount to 349,308 thousand Euro, up by 13% (39,609 thousand Euro) compared to business year 2011 (309,699 thousand Euro).

The consolidated turnover by geographical region on 31.12.2012 is shown below in comparison with year 2011.

Revenues	Dec.31, 2012		Dec. 31, 2011	
	Euro thousand	*%*	*Euro thousand*	*%*
Italy	45.228	13,0	48.222	15,6
Europe	126.598	36,2	118.394	38,2
North America	79.701	22,8	63.059	20,4
Asia and rest of the world	97.781	28,0	80.024	25,8
TOTAL	**349.308**	**100,0**	**309.699**	**100,0**

The sales by geographical region show an increase in Asia and the Rest of the World (+17,757 thousand Euro), whose turnover reaches 28% of total sales and in the North American market, which displays an increase of 16,642 thousand Euro, from 20.4% to 22.8% of the consolidated turnover. In Italy, turnover is down compared to the previous year by 2,944 thousand Euro, a downward trend most felt in the last quarter of 2012.

Please note that, for the first time ever in the history of the Group, sales outside of Europe (51%) are more than sales within the EU (49%), confirming the shift in the global economy's center of interest.

Hereinafter is a breakdown of income by division, gross of industrial cross-overs (for more information concerning the Group's areas of business, see Chapter 7 – SEGMENT REPORT).

Revenues	Dec.31, 2012		Dec. 31, 2011	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	311.619	89,2	267.570	86,4
PRIMA ELECTRO	55.046	15,8	57.365	18,5
Inter-sector revenues	(17.357)	(5,0)	(15.236)	(4,9)
TOTAL	**349.308**	**100,0**	**309.699**	**100,0**

In support of the information provided on income, below is the breakdown (net of industrial cross-overs) for each division by region, in 2012 and 2011.

Revenues segment/area - December 31 2012	Italy	Europe	North America	Asia and rest of the world	TOTAL
€/000					
PRIMA POWER	33.484	109.046	77.191	91.853	311.574
PRIMA ELECTRO	11.744	17.552	2.510	5.928	37.734
TOTAL	**45.228**	**126.598**	**79.701**	**97.781**	**349.308**

Revenues segment/area - December 31 2011	Italy	Europe	North America	Asia and rest of the world	TOTAL
€/000					
PRIMA POWER	35.158	99.489	60.734	72.090	267.471
PRIMA ELECTRO	13.064	18.905	2.325	7.934	42.228
TOTAL	**48.222**	**118.394**	**63.059**	**80.024**	**309.699**

The PRIMA POWER Division shows an increase in sales in 2012 (+16.5% compared to 2011) in all regions, except Italy. The Division reports sales in Europe (35%), in North America (24.8%), in Asia and the Rest of the World (29.5% - particularly in Russia, China, Korea, Brazil and Turkey) and in Italy (10.7%).
PRIMA ELECTRO Division shows a decrease in sales compared to year 2011 (-4,494 thousand Euro) in all regions (except North America). This drop is essentially due to a reduction in the sales of CO_2 laser sources and of DOTS products, not compensated by an increase in the sale of OSAI products. Regarding thereto, a *phase-out* of certain product lines is under way in the division, as yet not compensated by a *phase-in* of new products, even much more advanced ones, whose manufacture has not been completed as things stand.

Division sales in Europe amount to 46.5% (prevalently in Spain and Benelux), 31.1% in Italy, 15.7% in Asian Countries and the Rest of the World (primarily China) and 6.7% in North America. Said values do not take account of sales by PRIMA ELECTRO to the PRIMA POWER Division.

The **Production value** on 31.12.2012 amounts to 362,963 thousand Euro, up by 11% compared to business year 2011 (35,429 thousand Euro).

The production value in the period includes an increase for internal production of 6,575 thousand Euro (5,727 thousand on 31.12.2011), the latter costs largely referring to investments in R&D.

Performance indicators	Dec.31, 2012		Dec. 31, 2011	
	Euro thousand	*% on sales*	*Euro thousand*	*% on sales*
EBITDA	29.007	8,3	22.440	7,2
EBIT	17.622	5,0	12.496	4,0
EBT	9.046	2,6	4.543	1,5
NET RESULT	5.307	1,5	1.933	0,6

The Group's **EBITDA** amounts to 29,007 thousand Euro (8.3% of turnover); compared to 2011, earnings are up both in absolute terms (a growth of 6,567 thousand Euro) and in percentage terms (from 7.2% to 8.3% of turnover).

The table below shows the Group's EBITDA on 31.12.2012 and 31.12.2011 by division (gross of cross-over entries).

EBITDA	Dec.31, 2012		Dec. 31, 2011	
	Euro thousand	*%*	*Euro thousand*	*%*
PRIMA POWER	22.147	76,4	15.121	67,4
PRIMA ELECTRO	6.945	23,9	7.234	32,2
Inter sector items and eliminations	(85)	(0,3)	85	0,4
TOTAL	**29.007**	**100,0**	**22.440**	**100,0**

The EBITDA of PRIMA POWER has increased both in absolute (+7,026 thousand Euro) and percentage value (with an impact on turnover up from 5.7% to 7.1%). Said improvement is owed both to an increase in sales volumes and a better management of costs. The PRIMA ELECTRO Division, conversely, has registered a slight drop in absolute terms (289 thousand

Euro), due to the above-mentioned drop in sales, but has kept its margins stable in percentage terms (equal to 12.6% of turnover).

The consolidated **EBIT** on 31.12.2012 amounts to 17,622 thousand Euro and is up by 5,126 thousand compared to 2011 (12,496 thousand Euro). Depreciation of tangible assets (2,744 thousand Euro), of intangible assets (8,347 thousand Euro) and the *impairment* of certain non-current assets reserved for dismissal (294 thousand Euro) have affected this result. With regard to the depreciation of intangible assets, 2,807 thousand Euro refer to depreciated disposable assets, entered as part of the acquisition of Group FINN POWER (trademark and customer relations - "*customer list*") and 4,413 thousand Euro refer to depreciated R&D costs.

Hereinafter is a breakdown of the EBIT by Division as of 31.12.2012 and 31.12.2011, gross of cross-over entries.

EBIT	Dec.31, 2012		Dec. 31, 2011	
	€/000	*%*	*€/000*	*%*
PRIMA POWER	12.638	71,7	6.579	52,6
PRIMA ELECTRO	5.059	28,7	5.824	46,6
Inter sector items and eliminations	(75)	(0,4)	93	0,8
TOTAL	**17.622**	**100,0**	**12.496**	**100,0**

The consolidated **EBT** on 31.12.2012 amounts to 9,046 thousand Euro, up by 4,503 thousand compared to 2011 (4,543 thousand Euro); please note that this value is weighed down by net expenses deriving from financial management (including capital gains and losses on currency exchange) for 8,934 thousand Euro (9,170 thousand Euro on 31.12.2011).

Financial results (€/000)	Dec.31, 2012	Dec. 31, 2011
Finpolar loan expenses	(4.366)	(5.265)
Derivate expenses (IRS)	(2.074)	(2.157)
Derivate expenses (CRS)	(163)	(54)
Other financial expenses	(1.801)	(1.923)
Net exchange differences	(530)	229
TOTAL	**(8.934)**	**(9.170)**

Other expenses include the financing agreement stipulated in 2008 to buy-out FINN-POWER (hereinafter simply "FINPOLAR Financing"), which amount to 4,366 thousand Euro) and net financial expenses for hedging instruments (chiefly tied to the FINPOLAR Financing) for 2,237 thousand Euro.

The balance for currency exchange in year 2012 shows a capital loss of 530 thousand Euro (as opposed to the capital gain of 229 thousand Euro on 31.12.2011), owing also to the effect of the converted entries relating to the SUP stake.

Net profit from partly consolidated stake-holdings amounts to 359 thousand Euro, with 803 thousand Euro referring to the net profit of joint-ventures and -444 thousand Euro to the depreciation of other Group stakes, nearly all of which in the last quarter. The positive result of joint-ventures is substantially due to the effect of the transfer of 20% of the stake held in the Chinese JV SUP which, as of 30.06.2012, is classified among non-current assets destined to dismissal. Group depreciation amounts to 444 thousand Euro, of which 363 thousand refer to the stake in Electro Power Systems (EPS), 29 thousand Euro to the stake in Caretek (both

held by PRIMA ELECTRO SpA) and, lastly, 52 thousand Euro in Sintesi (held by PRIMA INDUSTRIE SpA).
Please note that on 31.12.2011, the above-mentioned result was positive (1,217 thousand Euro) and only included the profits of the Group's joint-ventures.

The **NET PROFIT** on 31.12.2012 amounts to 5,307 thousand Euro, a sizable increase compared to 2011, when it amounted to 1,933 thousand Euro. Taxes on income in 2012 show a negative net balance of 3,740 thousand Euro (of which IRAP amounts to 1,493 thousand Euro). The Group's higher fiscal load is largely attributable to the higher taxable income of some of its Companies.

ASSETS AND LIABILITIES STATEMENT

Below is the reclassified Assets & Liabilities Statement of The PRIMA INDUSTRIE Group.

Values in Euro Thousand	*December 31st, 2012*	*December 31st, 2011*
Tangible and intagible fixed assets	73.059	74.352
Goodwill	102.680	102.751
Equity investments and non-current assets	676	10.064
Deferred tax assets	6.449	6.570
NON-CURRENT ASSETS	***182.864***	***193.737***
Inventories	81.084	84.250
Trade receivables	70.702	88.283
Trade payables	(72.404)	(79.797)
Advances	(16.992)	(32.355)
OPERATING WORKING CAPITAL	***62.390***	***60.381***
Other current assets and liabilities	(10.149)	(11.134)
Current tax assets and liabilities	(1.070)	(812)
Provisions for risks and employees benefits liabilities	(18.640)	(16.940)
Deferred tax liabilities	(9.297)	(9.738)
Non-current assets held for sales	4.130	1.012
NET INVESTED CAPITAL	***210.228***	***216.506***
NET INDEBTEDNESS	***126.279***	***136.385***
SHAREHOLDER'S EQUITY	***83.949***	***80.121***
LOAN SOURCES	***210.228***	***216.506***

Tangible and intangible assets (other than Goodwill) of The PRIMA INDUSTRIE Group have diminished compared to the previous business year by 1,293 thousand Euro. Transactions in the year are related to the Group's normal realm of business (net increases for 9,894 thousand Euro, of which 6,167 thousand for R&D Costs, amortization for 11,091 thousand Euro and capital loss on currency exchange for 96 thousand Euro).
An especially significant entry of non-current assets is Goodwill; as described in the Explanatory Notes that follow, the Directors have found said *assets* to have suffered no loss in value. Goodwill variation in the business year is exclusively attributable to currency conversions.

During the first semester of 2012, PRIMA INDUSTRIE SpA signed a preliminary agreement with WUHAN HUAGONG UNITY, majority shareholder of the Chinese JV, SUP. Based on the agreement, PRIMA INDUSTRIE SpA (which held 35% of the JV) agreed to transfer to the above-mentioned majority shareholder a large share of its stake at a pre-established price, configuring the no longer joint control of the Company; the stake was consequently reclassified among "Non-current assets reserved for dismissal" and its value has been adjusted to the *fair value* resulting from said agreement. Over the course of third quarter 2012, the agreement was concluded and PRIMA INDUSTRIE SpA has transferred to the majority shareholder of the JV 20% of its stake. As of 31.12.2012, PRIMA INDUSTRIE SpA holds a share of 15% (for further details, please see Note 8.3).
Furthermore, during the last quarter of 2012, PRIMA INDUSTRIE SpA has announced it does not intend to renew the joint-venture agreement with Japanese SNK, of which it owns 50%; the resulting termination of business has led to the classification of this entry among "Non-current assets reserved for dismissal" at a book value of 84 thousand Euro. Besides the above-mentioned stakes, certain real estate assets owned by FINN-POWER Italia Srl are classified as Assets for dismissal, at a value of 543 thousand Euro.

Working Capital has increased compared to the previous year (up by 2,009 thousand Euro), though its percentage value is less when compared to the growth in sales. An entry in the Working Capital that has particularly impacted this trend are customer deposits, significantly less than the in the previous year, their reduction being due to the current crisis that is sweeping financial markets, which caused a strong contraction of the expendable liquidity.

On 31.12.2012, the Group's Net Debt amounts to 126,279 thousand Euro; performance is overall better than in the previous year, with an increase of 10,106 thousand Euro (for further comments on the Net Debt, please refer to the next paragraph "Net financial debt").

Net Equity is up by 3,828 thousand Euro compared to the previous year. The increase can be attributed to the consolidated profit (5,307 thousand Euro), the positive variation deriving from the adjustment to *fair value* of hedge contracts (363 thousand Euro) and the increase in share capital given by converted *warrants* (14 thousand Euro). These positive effects were countered by the negative effect deriving from the adjustment of the currency exchange reserve (1,856 thousand Euro).

IMPAIRMENT TEST AND GOODWILL

In the current economic trend, auditing loss in the value of assets proves especially important. An indispensable process in drafting the Financial statement of The PRIMA INDUSTRIE Group is the *impairment test* on goodwill listed in the balance sheet and, more particularly, the goodwill of PRIMA POWER Division.
In order to allow beneficiaries of the financial statement to appropriately grasp the entire asset evaluation process (the basic assumptions, estimating method, parameters used, etc.), the Explanatory notes to the consolidated financial statement that follow (see Note 8.2 – Intangible assets) will provide a comprehensive explanation of the assessments and

assumptions made by the Directors on the topic. The methodological approach and assumptions underlying the *impairment test* on goodwill by the Directors of PRIMA INDUSTRIE

has been approved independently and in advance to the date the financial statement was approved.

No criticalities have emerged from the *impairment tested* assets.

NET FINANCIAL DEBT

On 31.12.2012, the Group's net financial debt shows a negative balance (126,279 thousand Euro), 10,106 thousand Euro less than in the previous business year (-136,385 thousand Euro on 31.12.2011).

Below is a detailed breakdown of the Company's net financial debt.

Value expressed in Euro thousand	31/12/2012	31/12/2011
CASH & CASH EQUIVALENTS	(24.459)	(25.179)
CURRENT FINANCIAL RECEIVABLES	(4.740)	(529)
CURRENT FINANCIAL LIABILITIES	56.513	52.131
NON CURRENT FINANCIAL LIABILITIES	98.965	109.962
NET FINANCIAL LIABILITIES	**126.279**	**136.385**

So as to provide clearer information on the consolidated net financial debt as of 31.12.2012, it should be noted that:

- The FINPOLAR Financing globally amounts to 127,597 thousand Euro and is subjected to certain *covenants* measured on an annual and six-monthly basis, which on 31.12.2012 appear in order;
- debts to leasing companies (almost exclusively relating to real estate) amount to 2,745 thousand Euro;
- bank debts include the negative *fair value* of certain IRS for 7,262 thousand Euro; the main IRS have been contracted by the Parent to partly cover interest rate risks on the FINPOLAR Financing (stipulation of these hedge contracts was a condition of the underlying financing agreement).

With regards again to the FINPOLAR Financing, the Company has regularly paid all installments due over the course of 2012. Please be reminded that on 21.06.2012, an obligatory advance reimbursement (*excess cash*) of 166 thousand Euro was paid. On the date this financial statement is drafted, the installment due on 04.02.2013 and amounting to 7,468 thousand Euro (broken down as described below) has been regularly reimbursed:

- Capital share installments A and C1 for 5,123 thousand Euro;
- Interest installments A, B and D for 1,306 thousand Euro;
- Differential on hedge contract for 1,039 thousand Euro.

For more information on the net financial debt, please see Explanatory Note 8.11.

FINANCIAL RISK MANAGEMENT

As required by IFRS 7, hereinafter we described the objectives and policies of PRIMA INDUSTRIE SpA and of the other Group Companies, as pertains to risk management.

The Group's financial instruments meant to finance its business include bank financing, financial lease agreements and factoring and bank deposits (demand and short-term). There are also other financial instruments, such as receivables and payables generated by Corporate business. The Group has also carried out hedging transactions, such as "Interest Rate Swap – IRS" and "Currency Rate Swap – CRS" contracts. The purpose of these instruments is to manage interest rate and exchange rate risks generated by the Group's transactions and its financing sources.

The chief risks associated with these financial instruments of the Group are interest rate, exchange rate, credit and cash risks.

The Group has adopted a specific policy in order to efficiently manage financial risks, the aim being to protect its business and its ability to create value for the Shareholders and all Stakeholders.

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

- Interest rate risk
- Exchange rate risk
- Credit risk
- Cash risk

Group policies to manage the above-listed risks and related objectives are described in detail in "Note 8.31 – Financial risk management".

TRADE ASSETS AND ORDER PORTFOLIO

In 2012, **order acquisitions** by the Group (including *after-sale services*) amounted to 333.2 million Euro, slightly less than the 341.7 million Euro on 31.12.2011. Orders acquired by the PRIMA POWER Division amounted to 293.6 million Euro, while those of the PRIMA ELECTRO Division came exclusively from external customers (39.6 million Euro). The geographic distribution of orders collected in 2012 confirms the positive trend of the North American, Asian and Eastern European markets.

It should be noted that orders collected by the Group have on average been more than in the previous year during all quarters, with the sole exception of the third, which reported a temporary drop in acquisitions, essentially due to the uncertain international political and economic scenario. This stall was experienced by all industry operators, as confirmed by UCIMU, which reported a global drop in the quarter of 16.8%. The Group continued thereafter to pick up positive cues from the market, as confirmed by order acquisitions in the last quarter of the year, which were up by approximately 1.5%, as opposed to the already considerable portfolio in the 4th quarter of 2011.
Orders collected in February 2013, moreover, confirmed the positive trend, with a total value of 28.7 million Euro, up by 12.5% when compared the same period in 2012.

The consolidated **orders portfolio** (excluding *after-sale services*) on 31.12.2012 amounts to 88 million Euro compared to the 105.9 million on 31.12.2011. This drop is due both to a rather dull portfolio in the third quarter and to the Group's ability to cut down on lead-time between the customer's order and the actual income from sale.
This value includes 75 million Euro of orders collected by the PRIMA POWER Division and 13 million by PRIMA ELECTRO.
As of 28.02.2013, the orders portfolio amounts to 106.7 million Euro (of which 98.8 million collected by the PRIMA POWER Division and 7.9 million by PRIMA ELECTRO).

RESEARCH & DEVELOPMENT

The Groups' Research & Development in 2012 totaled 17,814 thousand Euro (of which 12,872 thousand invested in the PRIMA POWER Division and 4,942 thousand in PRIMA ELECTRO), 5.1% of its turnover (along the same lines of the previous year).

The capitalized share amounted to 6,167 thousand Euro (of which 4,146 thousand for PRIMA POWER and 2,021 thousand Euro for the PRIMA ELECTRO Division).
The level of costs sustained for R&D of new products is a witness to the Group's relentless commitment to invest in the future and in boosting its competitive edge on international markets by selling technologically advanced and top-range products.

All capitalized R&D activities are guaranteed to be technically feasible and likely to generate economic benefits in the near future.

The main activities that over the course of the year have concerned the PRIMA POWER Division are:

- deliveries to customers of the first PLATINO FIBER machines in *single lens* version;
- manufacture and delivery to customers of a *beta tested*, new generation PLATINO 2040 CO_2 ;
- introduction in production of the new-generation PLATINO 1530 CO_2;
- manufacture of a PLATINO 1530 machine with CO_2 laser, equipped with an automatic *sorting* system, similar to the one available on punching and combo machines; the first prototype will be delivered in the second quarter of 2013;
- development and introduction of a new *entry-level* combo machine (puncher and laser) on the market, fully electrical LPe6x, which uses the most advanced control technology and is equipped with a CX2500/3000 laser source (outstanding too is the price-performance ratio);

- the issuing of new upgrades to the Tulus software which prints out production and performance reports, includes communication via internet and cell-phone and a new Power Processing module for the simplified management of production orders;

- introduction of a new 2.5 series of servo-electric panel bending machines (FBe/EBe/Bce) with upgraded hardware and software, new CNC and new motors and power drives;
- introduction of the 3.0 series of servo-electric panel bending machines (FBe/EBe/Bce), featuring new mechanics and streamlined hardware and software components;
- introduction of the new *release* Master Bendcam (CAD/CAM 3D) for the line of servo-electric panel bending machines now available for the FBe model;
- integration of a hi-power laser in CW fiber (15 kW peak power) on the Laserdyne machines, later tested on aviation punching applications;
- introduction of the new Service product "The Operator", capable of offering new options such as remote diagnostics and real-time on-site adjustments.

The Research & Development activities that over the course of 2012 have concerned the PRIMA ELECTRO Division are:

- the execution of the test phase and production launch of the first CV4000 laser installed on a PRIMA POWER machine. the CV4000 is a version of the 4 kW CO_2 laser that employs a magnetic turbine which practically gets rid of any need for maintenance (frequency of service task: every 80 thousand hours);
- development and testing (completed) of the basic version of OPEN30, already chosen by some of the OSAI brand customers;
- development of additional hi-tech functions for the OPEN CNC, such as the 6-axle TCP, counter rotation and Splines trajectories; these have been applied stably to the EBe5 automatic panel-bending machines and are soon to be installed on the FBe5 manual panel-bending machines and the PLATINO and RAPIDO laser machines;
- development of the Mechatronik III HMI for Yaskawa motors and drives on Open-XS (entry level of the OPEN CNC range) and of a series of I/O modules to interface sensors and actuators;
- development of the application of OPEN CNC on automatic panel-bending machines completed and start-up of project to introduce OPEN CNC on the PLATINO and RAPIDO laser machines;
- full validation of "ARC-D" inverters for motor control applications on motors with power of 100 to 150 Kva;
- launch of construction of new generation of HV power units for CO_2 laser;
- Continuation of research activities with contributions from the PPPLab (jointly run lab at the Institute of Polytechnic Studies of Turin) with regards to the development of a new generation, solid-state laser.

WORKFORCE

On 31.12.2012, the Group's employees were 1,521, 79 heads more than on 31.12.2011; the increased headcount is attributable both to increased production volume and to a higher need for labor due to the launch of new marketing campaigns and new product lines.

Below is a chart of the workforce broken down by category on 31.12.2012 and 31.12.2011

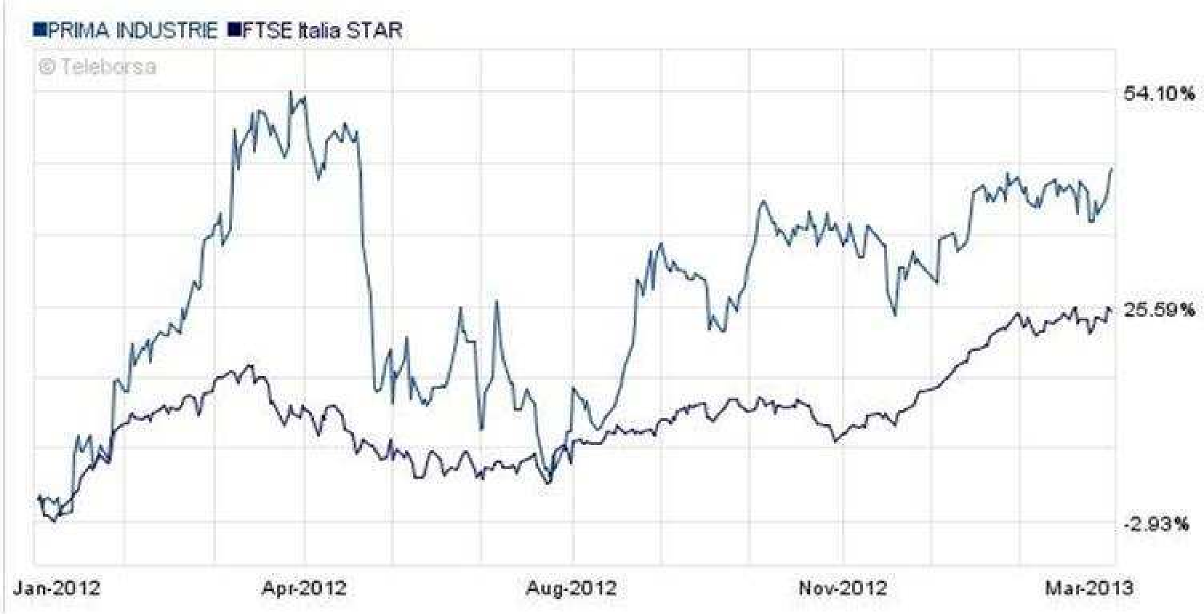
Values expressed in units	PRIMA POWER		PRIMA ELECTRO		PRIMA GROUP	
	2012	2011	2012	2011	2012	2011
Production & Installation	426	389	132	127	558	516
Sales & Marketing	134	134	32	27	166	161
Service & Spare Parts	429	401	28	29	457	430
R&D and Product Management	154	146	54	57	208	203
General & Administrative	110	105	22	27	132	132
Total	**1.253**	**1.175**	**268**	**267**	**1.521**	**1.442**

OPERATIONS WITH ASSOCIATES

Regarding the contents of article 5, paragraph 8 of the Regulation no. 17221 that establishes the rules applicable to ties with associates, Regulation issued by Consob on 12.03.2010, no relevant transactions were concluded in the reference period.
For more details on other transactions entertained by the Group with associates, please see "Note 8.30 - INFORMATION ON ASSOCIATES".

SHARE PERFORMANCE AND TREASURY SHARES

Over the course of 2012, PRIMA INDUSTRIE shares have gone from a unit value of 6.855 Euro on 02.01.2012 to a value of 9.25 Euro per share on 28.12.2012, up by 34%, an excellent performance that has brought Corporate shares to touch the peak value of 10.61 Euro per share. Basically, during the entire period, share value has performed better than its reference indicator (FTSE Italia STAR).
Corporate shares after 31.12.2012 continued on a rising trend, keeping pretty much stably at a value above 9.50 Euro per share.
The graph below shows the above-mentioned trends.

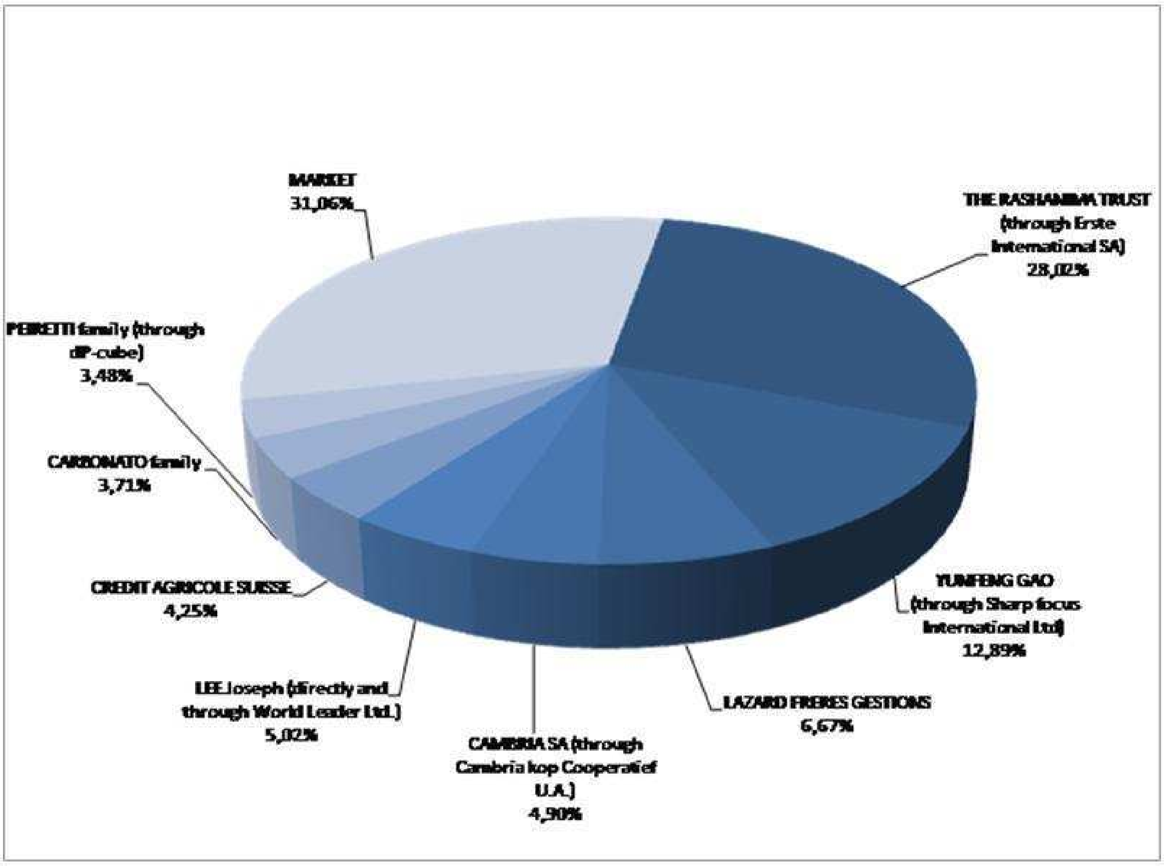


On 31.12.2012 and on the date this Annual Financial Report is approved, PRIMA INDUSTRIE SpA did not, nor does it now, hold any treasury shares, all the more in lack of a resolution currently authorizing the purchase of treasury shares.

SHAREHOLDERS & SHARE CAPITAL

On 31.12.2012, the share capital of PRIMA INDUSTRIE SpA amounts to Euro 21,606,552.50, distributed in 8,642,621 ordinary shares with a nominal value of 2.50 Euro each. No categories of shares other than ordinary shares have been issued, nor have bonds. Instead, as of 31.12.2012, 2,237,379 "Warrant PRIMA INDUSTRIE 2009-2013" are in circulation.

In light of the information gathered from the Shareholders' Register and the correspondence later received by the Company or Supervisory Board, the most recent Corporate share structure is as follows:



STOCK OPTION PLANS

The *vesting period* of *stock option* plans approved by the Assembly of PRIMA INDUSTRIE of 29.04.2008, at first intended for the Managing Directors of the Parent, of PRIMA ELECTRO SpA and of FINN POWER OY, as well as for the General Manager of PRIMA INDUSTRIE SpA and the CFO of the Group, ended in May 2012.
The beneficiaries have therefore the right to exercise the options assigned to the price established to date in Euro 28.68 per share, from June 1, 2011 by and no later than June 30, 2014 (date of expiry of the plan), in the following two terms of each year until the plan's expiry:

- June 1-30
- October 1-30

The beneficiaries of the plan on the closing date of this Annual Financial Report are the following:

LAST NAME AND FIRST NAME	POSITION
CARBONATO Gianfranco	PRIMA INDUSTRIE SpA President & CEO
BASSO Ezio	PRIMA INDUSTRIE SpA General Manager and Managing Director
PEIRETTI Domenico	PRIMA ELECTRO SpA Managing Director and PRIMA INDUSTRIE SpA Managing Director
RATTI Massimo	PRIMA INDUSTRIE Group CFO

For more information on the *stock option* plan, please visit the Company's website: *www.primaindustrie.com*.

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

CORPORATE GOVERNANCE

The overall framework of *corporate governance* of PRIMA INDUSTRIE, understood as the system of rules and procedures that Company Boards refer to in deciding their line of conduct and in attending to their several responsibilities toward their stakeholders, has been defined bearing in mind the applicable standards and guidelines of the Code of Internal Conduct promoted by Borsa Italiana SpA.
Pursuant to article 123-bis of Leg. Decree no. 58/1998 (the "TUF") and to articles 89-bis and 144-decies of Consob's Regulation, the Company annually drafts the "Report on Corporate Governance and Ownership Structure" (based on the comply or explain principle), with which it provides appropriate information on its Corporate Governance system. More specifically, the Report contains a general description of the system of Corporate Governance adopted by the Group and reports the information on the Company's structure and its adherence to the Code of Conduct, including the chief practices of governance applied and the characteristics of its Internal Audit and Risk Management, also in relation to the financial information process.
First of all, the Report supplies a whole set of information on the Company's Boards, their membership, term of office, business conduct, their powers and other information on elements that further distinguish the structure of Corporate Governance. It also contains several information, including the personal details of Company executives, along with their educational and professional profile.
The same Report, moreover, provides news on the system of Remuneration (fees) of Directors and Executives who have strategic responsibilities (also by recalling the Report on Remuneration to be published in accordance with art. 84-quater of the Consob Regulation), on the policy to apply when processing confidential information and when conducting major transactions (financial or capital) with associates, or that are atypical or unusual.
In particular, in observance of Leg. Decree no. 173/2008 which implements Directive 2006/46 as part of the legislation, the Report includes information on:

a) the practices of Corporate Governance actually applied by the Company, independently of the obligations imposed by legislation or regulations;
b) the main characteristics of the Risk management and Internal audit system, when touching on the financial information process (consolidated as well);
c) the mechanism by which Shareholders' Assemblies are held, the Assembly's principal powers, shareholders' rights and the terms for their exercise;

d) the line-up of members and business method of Company Boards and their committees.

The Report is a separate document from the Financial statement and can be viewed by Shareholders on the Company's website (www.primaindustrie.com) each year, along with the documentation submitted to the Assembly for the approval of the financial statement.

Prima Industrie S.p.A. wholly owns certain companies that have offices in non-EU Countries and are crucial to its business, pursuant to art. 36 of Consob Regulation no. 16191/2007, as per its amendments ratified with Consob resolution no. 18214/2012, concerning "Market regulation". With reference to the data available on Dec. 31, 2012, please note that procedures have been adopted to ensure that the aforesaid legislation is complied with and that none of the conditions stated in said art. 36 subsist.

INTERNAL AUDIT AND APPLICATION OF LEG. DECREE 231/2001

The Company has an Internal Audit System whose purpose is to monitor compliance with Corporate strategies and to stimulate pursuit of the following targets:

- efficiency and effectiveness of Corporate processes;
- quality and reliability of economic and financial information;
- compliance with laws and regulations, standards and Company procedures;
- protection of Corporate business value and against financial loss.

As of 2010, the Company has elected an *Internal Auditor* responsible for checking that the internal audit system is always appropriate to its business and fully operational.

The Issuing Party has adopted an Organization, management and control model, as required by Leg. Decree no. 231/2001.

The Organization, Management and Control Model responds to the following requirements:

- it describes the contents and aims of Decree no. 231/01;
- it lists and describes Presumed breaches, identifies the "Sensitive Areas" in which they may occur and arranges "Protocols" to regulate Corporate operational procedures and reconduct the risk of their perpetration below an acceptable threshold set by the Company (Sensitive Areas and Protocols doc.);
- it evaluates (in the Risk Assessment) the "Risk Score" for each Presumed Breach, which is the product of the probability of a Breach occurring in Sensitive Areas and the magnitude of its possible aftermath (defined by the administrative fines established by the Decree);
- it applies the Corporate Code of Ethics, sensitizing all recipients to its diligent compliance;
- it defines the criteria for appointing members to the Supervisory Board ("SB"), their tasks and responsibilities, and the method to use when reporting presumed breaches to the Model;
- it structures an integrated audit system meant to check that the Model is indeed applied and efficient (duty of the Supervisory Board);
- it stresses the need for training and briefing sessions to increase awareness of the Model and of its related documents in all of its recipients;

- it adopts a System of Administrative Fines for negligent conduct (Model breach).

The Model is annually reviewed to take account of the changing legislative framework, of changes to the Company's organizational structure and/or of any imperfections of the Model in its day-by-day application.
Review of the Model in year 2012 has had the purpose of:

- taking into consideration new crimes (environmental) introduced by the State in Leg. Decree 231/01, as of November 2011;
- integrating the model with a new document titled "Sensitive Areas and Protocols", whose purpose is to list and explain all crimes referred to in Leg. Decree no. 231, make it easier to identify the sensitive areas where they are most likely to be perpetrated and establishing the protocols or, in other words, the rules of conduct to adopt in order to prevent their perpetration.

The task of monitoring the correct application and observance of the Organization Model, including revising its contents, is entrusted to the Supervisory Board, which answers to the Board of Directors and Board of Auditors.

INVESTMENTS IN/EXPENSES RELATED TO SAFETY IN THE WORKPLACE

The total safety-related expenses incurred by PRIMA INDUSTRIE SpA in 2012 amount to 137 thousand Euro. The expense items (entries) concern: safety documentation, consulting and training, devices to protect eyesight from laser rays, personal protective equipment (PPE), signage, workplace safety and ergonomics.

FORECASTED BUSINESS TREND

In spite of lingering uncertainty in the macro-economic context, The PRIMA INDUSTRIE Group is confident its profits will continue on the rising trend during 2013, thanks especially to the intensive use of its geographically widespread organization and to the launch of new products. In terms of capital, attention will focus on further reducing the cumulated debt, which the Company intends to achieve not only through its management, but with the welcomed exercise of the *warrants* “PRIMA INDUSTRIE 2009-2013” due by the end of the year.

SIGNIFICANT FACTS AFTER CLOSING DATE OF FINANCIAL STATEMENT

Pursuant to IAS 10, no significant facts have occurred after the closing date of the financial statement that caution their mention in the Annual Financial Report.

ATYPICAL AND UNUSUAL TRANSACTIONS

Pursuant to Consob Bulletin of 28.07.2006 no. DEM/6064296, we wish to specify that in the examined period, the Group has not engaged in transactions defined as atypical or unusual in the Bulletin.

MANAGEMENT AND COORDINATION ACTIVITIES

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

OPT-OUT REGIME

The Board of Directors of Prima Industrie has resolved on 12.11.2012, in accordance with Consob Resolution no. 18079 of January 20, 2012, to subscribe to the *opt-out* regimen referred to in articles 70, paragraph 8 and 71, paragraph 1-bis of the Regulation, therefore choosing to avail itself of the right to waiver the obligation of publishing documents describing its mergers, demergers, share capital increases by contributions in kind, purchases and transfers.

CHAPTER 4.

ECONOMIC PERFORMANCE BY SEGMENT

CHAPTER 4. ECONOMIC PERFORMANCE BY SEGMENT

The Group conducts its business with an organizational structure that concentrates its activities in two divisions: PRIMA POWER and PRIMA ELECTRO.

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.

Below is table that recaps the economic trend of the two divisions of the Group.

	December 31st ,2012				
Values in Euro thousand	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	311.619	22.147	7,1%	12.638	4,1%
PRIMA ELECTRO	55.046	6.945	12,6%	5.059	9,2%
CONSOLIDATION	(17.357)	(85)	0,5%	(75)	0,4%
GROUP	**349.308**	**29.007**	**8,3%**	**17.622**	**5,0%**

	December 31st, 2011				
Values in Euro thousand	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues
PRIMA POWER	267.570	15.121	5,7%	6.579	2,5%
PRIMA ELECTRO	57.365	7.234	12,6%	5.824	10,2%
CONSOLIDATION	(15.236)	85	-0,6%	93	-0,6%
GROUP	**309.699**	**22.440**	**7,2%**	**12.496**	**4,0%**

PRIMA POWER

Income in 2012 of the PRIMA POWER Division is up by 16.5% compared to the previous year. In 2012, all the manufacturing plants of the division (PRIMA INDUSTRIE, FINN-POWER OY, FINN-POWER ITALIA and PRIMA POWER LASERDYNE) have performed better in terms of revenues than the previous year.

The high income results in an EBITDA of the Division of 22,147 thousand Euro. Most of the Companies of the division have budgeted higher profits than in 2011; this improvement was registered both in the manufacturing plants (Parent and Finnish and U.S. *product units*) and among the Sales & Marketing branches, where results in non-EU markets (North America, Russia, Turkey and India) were outstanding.

PRIMA ELECTRO

Income in 2012 of the PRIMA ELECTRO Division is 4% less than the previous year; this slight drop is owed to a diverging trend between infra-division sales and sales to third customers. Sales to the PRIMA POWER Division (also in light of the division's increased turnover) have gone up by more than 14%, while sales to third customers have dropped by about 10%, with the laser and DOTS product industries in particular contracting and not being compensated by the moderate growth of OSAI *business*. Profits of the PRIMA ELECTRO Division in 2012 confirm a good margin (thanks especially to budgeted results of PRIMA ELECTRO SpA). With an EBITDA of 6,945 thousand Euro, profitability in percentage of the PRIMA ELECTRO Division amounts to 12.6%, in line with 2011.

NET PROFIT ALLOCATION

Dear Shareholders,

in inviting you to approve the Financial statement of your Company as of December 31, 2012, we propose to allocate the Net Profit of 1,892,421 Euro as follows:

- 1,241.60 Euro to Legal Reserve (up to 20% of the share capital on the closing date of the Financial statement)
- 1,891,179.40 Euro to Extraordinary Reserve.

On behalf of the Board of Directors

The Chairman

Gianfranco Carbonato

CHAPTER 5.

CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31.12.2012

ACCOUNTING TABLES

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS OF PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2012

CONSOLIDATED FINANCIAL BALANCE SHEET

Values in Euro	Notes	December 31, 2012	December 31, 2011
Property, plant and equipment	8.1	24.343.935	24.472.946
Intangible assets	8.2	151.395.283	152.629.950
Investments accounted for using the equity method	8.3	-	8.961.044
Other investments	8.4	567.149	1.076.998
Non current financial assets	8.5	83.700	-
Deferred tax assets	8.6	6.448.619	6.570.203
Other non current assets	8.9	25.183	25.518
NON CURRENT ASSETS		**182.863.869**	**193.736.659**
Inventories	8.7	81.083.768	84.249.605
Trade receivables	8.8	70.702.422	88.282.812
Other receivables	8.9	7.516.732	6.406.214
Current tax receivables	8.10	3.839.898	5.592.470
Derivatives	8.11	69.655	-
Financial assets	8.11	4.671.135	528.637
Cash and cash equivalents	8.11	24.458.666	25.179.041
CURRENT ASSETS		**192.342.276**	**210.238.779**
ASSETS HELD FOR SALE	8.12	***4.129.852***	***1.012.201***
TOTAL ASSETS		**379.335.997**	**404.987.639**
Capital stock	8.13	21.606.553	21.601.740
Legal reserve	8.13	4.320.069	4.320.069
Other capital reserves	8.13	53.215.933	54.326.182
Currency translation reserve	8.13	(524.506)	1.331.310
Retained earnings	8.13	24.662	(3.390.665)
Net result	8.13	5.306.613	1.932.659
Stockholders' equity of the Group		**83.949.324**	**80.121.295**
Minority interest		-	-
STOCKHOLDERS' EQUITY		**83.949.324**	**80.121.295**
Interest-bearing loans and borrowings	8.11	91.702.909	102.350.641
Employee benefit liabilities	8.14	7.077.224	6.792.852
Deferred tax liabilities	8.15	9.296.512	9.737.709
Provisions	8.16	133.403	124.009
Derivatives	8.11	7.262.196	7.611.171
NON CURRENT LIABILITIES		**115.472.244**	**126.616.382**
Trade payables	8.17	72.403.779	79.797.117
Advance payments	8.17	16.991.891	32.355.143
Other payables	8.17	17.665.682	17.539.790
Interest-bearing loans and borrowings	8.11	56.513.455	52.031.067
Current tax payables	8.18	4.909.673	6.404.295
Provisions	8.16	11.429.949	10.022.786
Derivatives	8.11	-	99.764
CURRENT LIABILITIES		**179.914.429**	**198.249.962**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**379.335.997**	**404.987.639**

CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2012	31/12/2011
Net revenues	*8.19*	349.307.525	309.699.281
Other income	*8.20*	5.204.810	3.321.203
Change in inventories of finished goods and WIP		1.876.495	8.787.712
Increases in fixed assets for internal work	*8.21*	6.574.549	5.726.512
Use of raw materials, consumables, supplies and goods		(163.610.583)	(150.767.253)
Personnel cost	*8.22*	(89.387.113)	(81.620.205)
Depreciation	*8.23*	(11.091.143)	(9.863.050)
Impairment	*8.23*	(294.199)	(80.500)
Other operating expenses	*8.24*	(80.958.541)	(72.707.229)
OPERATING PROFIT		**17.621.800**	**12.496.471**
	8.25		
Financial income	*8.25*	225.395	146.761
Financial expenses	*8.25*	(8.629.941)	(9.546.302)
Net exchange differences	*8.26*	(529.606)	229.098
Net result of investments not fully consolidated		358.720	1.217.341
RESULT BEFORE TAXES		**9.046.368**	**4.543.369**
Taxes		(3.739.755)	(2.610.710)
NET RESULT		**5.306.613**	**1.932.659**
- Attributable to Group shareholders		*5.306.613*	*1.932.659*
- Attributable to minority shareholders		-	-
RESULT PER SHARE - BASIC (in euro)	***8.28***	**0,61**	**0,22**
RESULT PER SHARE - DILUTED (in euro)	***8.28***	**0,48**	**0,18**

TOTAL CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2012	31/12/2011
NET RESULT (A)		**5.306.613**	**1.932.659**
Profit/(Losses) on cash flow hedges	*8.13*	362.654	91.524
Profit /(Losses) deriving for foreign companies balance sheet	*8.13*	(1.855.816)	1.678.970
TOTAL OTHER PROFIT/(LOSSES) (B)		**(1.493.162)**	**1.770.494**
NET RESULT OF THE PERIOD (A) + (B)		**3.813.451**	**3.703.153**
-Attributable to Group shareholders		*3.813.451*	*3.703.153*
-Attributable to minority shareholders		-	-

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1st to December 31st, 2011

Values in Euro	01/01/2011	Change of consolidation area	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	31/12/2011
Capital stock	21.600.337	-	1.403	-	-	-	-	21.601.740
Additional paid-in capital	46.447.703	-	3.366	-	-	-	-	46.451.069
Legal reserve	2.733.635	-	-	1.586.434	-	-	-	4.320.069
Capital increase - expenses	(1.284.466)	-	(1.688)	-	-	-	-	(1.286.154)
Stock option reserve	1.138.624	-	-	-	-	-	156.882	1.295.506
Change in the FV of hedging derivatives	(5.641.858)	-	-	-	-	91.524	-	(5.550.334)
Other reserves	11.565.999	-	-	1.850.096	-	-	-	13.416.095
Currency translation reserve	(347.660)	-	-	-	-	1.678.970	-	1.331.310
Retained earnings	5.997.695	13.444	-	(9.401.802)	-	-	-	(3.390.665)
Net result	(5.965.272)	-	-	5.965.272	-	1.932.659	-	1.932.659
Stockholders' equity of the Group	**76.244.737**	**13.444**	**3.081**	**-**	**-**	**3.703.153**	**156.882**	**80.121.295**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**76.244.737**	**13.444**	**3.081**	**-**	**-**	**3.703.153**	**156.882**	**80.121.295**

from January 1st to December 31st, 2012

Values in Euro	01/01/2012	Change of consolidation area	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	31/12/2012
Capital stock	21.601.740	-	4.813	-	-	-	-	21.606.553
Subscrubed Capital Unpaid	-	-	(1.785)	-	-	-	-	(1.785)
Additional paid-in capital	46.451.069	-	11.550	-	-	-	-	46.462.619
Legal reserve	4.320.069	-	-	-	-	-	-	4.320.069
Capital increase - expenses	(1.286.154)	-	-	-	-	-	-	(1.286.154)
Stock option reserve	1.295.506	-	-	-	-	-	-	1.295.506
Change in the FV of hedging derivatives	(5.550.334)	-	-	-	-	362.654	-	(5.187.680)
Other reserves	13.416.095	-	-	(1.482.668)	-	-	-	11.933.427
Currency translation reserve	1.331.310	-	-	-	-	(1.855.816)	-	(524.506)
Retained earnings	(3.390.665)	-	-	3.415.327	-	-	-	24.662
Net result	1.932.659	-	-	(1.932.659)	-	5.306.613	-	5.306.613
Stockholders' equity of the Group	**80.121.295**	**-**	**14.578**	**-**	**-**	**3.813.451**	**-**	**83.949.324**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**80.121.295**	**-**	**14.578**	**-**	**-**	**3.813.451**	**-**	**83.949.324**

CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/12/2012	31/12/2011
Net result	**5.306.613**	**1.932.659**
Adjustments (sub-total)	***10.029.954***	***12.699.675***
Depreciation and impairment	11.385.342	9.943.550
Net change in deferred tax assets and liabilities	(319.613)	(2.593.063)
Change in employee benefits	284.372	(226.939)
Change in inventories	3.165.837	(13.702.131)
Change in trade receivables	17.580.390	(23.688.048)
Change in trade payables	(22.756.590)	33.989.737
Net change in other receivables/payables and other assets/liabilities	690.216	8.976.569
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**15.336.567**	**14.632.334**
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(2.828.522)	(3.934.126)
Acquisition of intangible fixed assets	(1.058.990)	(541.392)
Capitalization of development costs	(6.166.533)	(5.363.185)
Net disposal of fixed assets and investment properties (*)	335.175	397.040
Net result of investments accounted for using the equity method (**)	(803.006)	(1.217.341)
Sale price of 20% SUP JV investment	4.757.952	-
Disposal/(Purchase) of other investments	65.563	(138.328)
Devaluation of other investments	444.286	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(5.254.075)**	**(10.797.332)**
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	(4.653.950)	(1.571.169)
Increases in loans and borrowings (including bank overdrafts)	7.866.016	16.853.630
Repayment of loans and borrowings (including bank overdrafts)	(14.101.458)	(10.987.388)
Increases/(repayments) in financial lease liabilities	81.525	267.193
Capital increase	14.578	3.081
Other changes	(9.578)	1.940.820
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(10.802.867)**	**6.506.167**
Net change in cash and equivalents (D=A+B+C)	**(720.375)**	**10.341.169**
Cash and equivalents beginning of period (E)	**25.179.041**	**14.837.872**
Cash and equivalents end of period (F=D+E)	**24.458.666**	**25.179.041**

Additional information to the Consolidated cash-flow statement	31/12/2012	31/12/2011
Values in Euro		
Income taxes	(3.739.755)	(2.610.710)
Financial income	225.395	146.761
Financial costs	(8.629.941)	(9.546.302)

(*) included assets held for sale

(**) reclassification compared with 2011 year-end

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION 15519 OF JULY 27, 2006

Values in Euro	Notes	December 31, 2012	*of which related parties*	December 31, 2011	*of which related parties*
Property, plant and equipment	8.1	24.343.935	-	24.472.946	-
Intangible assets	8.2	151.395.283	-	152.629.950	-
Investments accounted for using the equity method	8.3	-	-	8.961.044	*8.961.044*
Other investments	8.4	567.149	-	1.076.998	*99.860*
Non current financial assets	8.5	83.700	-	-	-
Deferred tax assets	8.6	6.448.619	-	6.570.203	-
Other non current assets	8.9	25.183	-	25.518	-
NON CURRENT ASSETS		**182.863.869**	-	**193.736.659**	-
			-		-
Inventories	8.7	81.083.768	-	84.249.605	-
Trade receivables	8.8	70.702.422	-	88.282.812	*1.197.512*
Other receivables	8.9	7.516.732	-	6.406.214	-
Current tax receivables	8.10	3.839.898	-	5.592.470	-
Derivatives	8.11	69.655	-	-	-
Financial assets	8.11	4.671.135	-	528.637	-
Cash and cash equivalents	8.11	24.458.666	-	25.179.041	-
CURRENT ASSETS		**192.342.276**	-	**210.238.779**	-
ASSETS HELD FOR SALE	8.12	***4.129.852***	-	***1.012.201***	-
TOTAL ASSETS		**379.335.997**	-	**404.987.639**	-
			-		-
Capital stock	8.13	21.606.553	-	21.601.740	-
Legal reserve	8.13	4.320.069	-	4.320.069	-
Other capital reserves	8.13	53.215.933	-	54.326.182	-
Currency translation reserve	8.13	(524.506)	-	1.331.310	-
Retained earnings	8.13	24.662	-	(3.390.665)	-
Net result	8.13	5.306.613	-	1.932.659	-
Stockholders' equity of the Group		**83.949.324**	-	**80.121.295**	-
Minority interest		-	-	-	-
STOCKHOLDERS' EQUITY		**83.949.324**	-	**80.121.295**	-
			-		-
Interest-bearing loans and borrowings	8.11	91.702.909	-	102.350.641	-
Employee benefit liabilities	8.14	7.077.224	-	6.792.852	-
Deferred tax liabilities	8.15	9.296.512	-	9.737.709	-
Provisions	8.16	133.403	-	124.009	-
Derivatives	8.11	7.262.196	-	7.611.171	-
NON CURRENT LIABILITIES		**115.472.244**	-	**126.616.382**	-
			-		-
Trade payables	8.17	72.403.779	-	79.797.117	-
Advance payments	8.17	16.991.891	-	32.355.143	-
Other payables	8.17	17.665.682	*592.474*	17.539.790	*468.074*
Interest-bearing loans and borrowings	8.11	56.513.455	-	52.031.067	-
Current tax payables	8.18	4.909.673	-	6.404.295	-
Provisions	8.16	11.429.949	-	10.022.786	-
Derivatives	8.11	-	-	99.764	-
CURRENT LIABILITIES		**179.914.429**	-	**198.249.962**	-
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**379.335.997**	-	**404.987.639**	-

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION 15519 OF JULY 27, 2006

Values in Euro	Notes	31/12/2012	*of which related parties*	31/12/2011	*of which related parties*
Net revenues	*8.19*	349.307.525	*888.551*	309.699.281	*4.231.246*
Other income	*8.20*	5.204.810	-	3.321.203	-
Change in inventories of finished goods and WIP		1.876.495	-	8.787.712	-
Increases in fixed assets for internal work	*8.21*	6.574.549	-	5.726.512	-
Use of raw materials, consumables, supplies and goods		(163.610.583)	-	(150.767.253)	-
Personnel cost	*8.22*	(89.387.113)	*(550.223)*	(81.620.205)	*(659.408)*
Depreciation	*8.23*	(11.091.143)	-	(9.863.050)	-
Impairment	*8.23*	(294.199)	-	(80.500)	-
Other operating expenses	*8.24*	(80.958.541)	*(1.100.773)*	(72.707.229)	*(1.040.883)*
OPERATING PROFIT		**17.621.800**		**12.496.471**	
of which: non recurring items		***252.050***		***579.806***	
Financial income	*8.25*	225.395	-	146.761	-
Financial expenses	*8.25*	(8.629.941)	-	(9.546.302)	-
Net exchange differences	*8.25*	(529.606)	-	229.098	-
Net result of investments not fully consolidated	*8.26*	358.720	*844.395*	1.217.341	*1.217.341*
RESULT BEFORE TAXES		**9.046.368**		**4.543.369**	
of which: non recurring items		***374.227***		***579.806***	
Taxes	*8.27*	(3.739.755)		(2.610.710)	
NET RESULT		**5.306.613**		**1.932.659**	
- Attributable to Group shareholders		*5.306.613*		*1.932.659*	
- Attributable to minority shareholders		-		-	
RESULT PER SHARE - BASIC (in Euro)	***8.28***	**0,61**		**0,22**	
RESULT PER SHARE - DILUTED (in Euro)	***8.28***	**0,48**		**0,18**	

CONSOLIDATED CASH FLOW STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION AI SENSI DELLA DELIBERA CONSOB N.15519 DEL 27/07/2006

VALUES IN EURO	31/12/2012	*of which related parts*	31/12/2011	*of which related parts*
Net result	**5.306.613**	**-**	**1.932.659**	**-**
Adjustments (sub-total)	***10.029.954***	**-**	***12.699.675***	**-**
Depreciation and impairment	11.385.342	-	9.943.550	-
Net change in deferred tax assets and liabilities	(319.613)	-	(2.593.063)	-
Change in employee benefits	284.372	-	(226.939)	-
Change in inventories	3.165.837	-	(13.702.131)	-
Change in trade receivables	17.580.390	1.197.512	(23.688.048)	(373.650)
Change in trade payables	(22.756.590)	-	33.989.737	-
Net change in other receivables/payables and other assets/liabilities	690.216	124.400	8.976.569	178.431
Cash Flows from (used in) operating activities (A)	**15.336.567**		**14.632.334**	
Cash flow from investments				
Acquisition of tangible fixes assets (*)	(2.828.522)	-	(3.934.126)	-
Aquisition of intangible fixed assets	(1.058.990)	-	(541.392)	-
Capitalization of development costs	(6.166.533)	-	(5.363.185)	-
Net disposal of fixed assets and investment properties (*)	335.175	-	397.040	-
Net result f investments accounted for using the equity method (**)	(803.006)	(844.395)	(1.217.341)	(1.217.341)
Sale price of 20% SUP JV investment	4.757.952	-	-	-
Disposal/ (Purchase) of other investments	65.563	99.860	(138.328)	(99.860)
Devaluation of other investments	444.286	-	-	-
Cash Flows from (used in) investing activities (B)	**(5.254.075)**		**(10.797.332)**	
Cash Flow from financing activities				
Change in other non current financial liabilities and other minow items	(4.653.950)	-	(1.571.169)	-
Increases in loans and borrowings (including bank overdrafts)	7.866.016	-	16.853.630	-
Repayment of loans and borrowings (including bank overdrafts)	(14.101.458)	-	(10.987.388)	-
Increases/(repayments) in financial leaser liabilities	81.525	-	267.193	-
Capital increase	14.578	-	3.081	-
Other changes	(9.578)	-	1.940.820	156.882
Cash Flow from (used in) financing activities (C)	**(10.802.867)**		**6.506.167**	
Net change in cash and equivalents (D= A+B+C)	**(720.375)**		**10.341.169**	
Cash and equivalents begininning of period (E)	**25.179.041**		**14.837.872**	
Cash and equivalents end of period (F=D+E)	**24.458.666**		**25.179.041**	

(*) included assets held for sale
(**) reclassification compared with 2011 year-end

CHAPTER 6.

DESCRIPTION OF ACCOUNTING PRINCIPLES

CHAPTER 6. DESCRIPTION OF ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS APPLIED

STANDARDS TO APPLY WHEN DRAFTING THE CONSOLIDATED FINANCIAL STATEMENT

The consolidated Financial statement for 2012 has been drafted in accordance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the measures issued to implement Leg. Decree no. 38/2005.

IFRS refer to all the main International Accounting Standards ("IAS") reviewed and to all the interpretations given by the International Financial Reporting Interpretations Committee ("IFRIC"), formerly known as Standing Interpretations Committee ("SIC").

The financial statement is drafted based on the principle of historical cost, except for those financial assets available for sale, the financial assets owned for bargaining and the hedging instruments, which have been listed at their *fair value*. Please note, furthermore, that in 2012 the Group has applied accounting principles that are coherent with those applied in previous years.

BUSINESS CONTINUATION

The consolidated financial statement as of 31.12.2012 has been drafted on the assumption that the Company will continue its business, as is reasonable to presume that PRIMA INDUSTRIE will continue to do in the near future. More specifically, the higher profits in 2012 compared to the previous year, the increase in turnover, the good consistency of the orders portfolio and the availability of credit lines sufficient to satisfy the Company's need for liquidity, are the chief factors considered in assuming that, as things now stand, there are no plausible doubts as to the fact that the Group will continue its business.

FINANCIAL STATEMENTS - FORMATS

The Group has opted to use the formats described hereinafter in drafting its Financial statements:

a) for the Consolidated Assets & Liabilities Statement, the format used distinguishes the assets and liabilities in "current" (i.e. receivable or payable in 12 months) and "non-current" (i.e. receivable or payable after 12 months);
b) for the Consolidated Profit & Loss Account, the format used distributes costs according to their kind; the Global Consolidated Profit & Loss includes, besides the Profit in the year as listed in the Consolidated Profit & Loss, the other variations to the Net Equity that do not refer to transactions with Shareholders;
c) for the Variations to the Net Equity, the format used reconciles the opening and closing of every entry in both the current year and the previous one;
d) for the Financial Account, the so-called "indirect" method was chosen, whereby the net financial flow of Corporate business is determined by adjusting the profit and loss, because of the effects of:
    - non-monetary elements such as amortization and depreciation;
    - variations of inventory, receivables and payables generated by Corporate business;

- other elements whose financial flows are generated by investments and financings.

Please note, furthermore, that with reference to Consob Resolution no. 15519 of July 27, 2006 concerning the format of financial statements, specific supplementary versions have been added for the Profit and Loss Account and for the Assets and Liabilities Statement, which particularly stress those relations with associates and non-recurrent transactions that are most significant, in order to make the financial statements more readily comprehensible.

STAKE ACQUISITIONS AND GOODWILL

Stake acquisitions (from January 1, 2010)

Stake acquisitions are entered using the acquisition method. The amount paid for a purchased stake is calculated as the sum of the amount transferred at its *fair value* on the date of the acquisition with any minority stake already held in the purchased company. For all Stake acquisitions, the buyer must enter any minority stake in the purchased company at its *fair value*, or proportionately to the share of the minority stake under the identifiable net assets of the purchased company. Costs of acquisition are covered and classified as administrative expenses.

All potential purchase prices must be listed by the buyer at their *fair value* on the date of acquisition and classified in accordance with the guidelines of IAS 32 and IAS 39.

Goodwill is initially entered at the cost, i.e. the surplus between the amount paid summed to the amount of the minority stake, compared to the identifiable purchased net assets and the liabilities transferred to the Group. If the amount paid is less than the *fair value* of the net assets of the purchased subsidiary, the difference is entered in the Profit and Loss.

After its first entry, goodwill is not impaired and is decreased of any cumulated loss of value, determined according to the methods described hereinafter. Goodwill for stakes in associates and joint-ventures is included in the book value of those companies.

Goodwill recoverability is analyzed on a yearly basis or more frequently, if events or changes of circumstance lead to presumable loss of value. In order to audit the actual loss of value, goodwill acquired as part of a stake acquisition is allocated on the date of the acquisition to the single cash-flow generating units of the Group, or to the groups of cash-flow generating units that are expected to benefit of the purchase's synergies, independently of whether other assets or liabilities of the purchased company have been assigned to those units or unit groupings.

Every unit or unit group to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is not more than the divisions identifiable from the Group's industry-related information.

All loss of value is identified by comparing the book value of the cash-generating unit and its recoverable value, determined according to the methods described in paragraph "Loss of asset value". If the value recoverable by a cash-flow generating unit is less than the book value attributed to it, the relative loss of value is reported in the statement. This loss of value is not restored, even if the reasons that have generated it fall short.
If goodwill has been allocated to a cash-flow generating unit and the entity dismisses part of the assets of that unit, the goodwill associated to the dismissed asset must be included in the book value of the asset when determining the profit or loss deriving from the dismissal. Goodwill associated to the dismissed asset must be determined on the basis of the values afferent to the dismissed assets and to the part withheld by the cash-flow generating unit.

If the initial values of an acquired stake are incomplete on the closing date of the financial statement, the Group reports the temporary values of those incomplete elements in its consolidated financial statement. Said temporary values are adjusted in the period they are measured, to account for new information received on facts and circumstances on the date of the acquisition which, if known, would affect the value of the assets and liabilities recognized to that date.

Transactions by which the Parent purchases or transfers a minority stake that do not affect its control over the subsidiary are classified as transactions with shareholders and therefore, their effects must be entered in the Net Equity: there will be no adjustments to goodwill and profit/loss reported in the Profit & Loss account.

Company acquisitions (prior to January 1, 2010)
Company acquisitions before January 1, 2010 have been entered in accordance with the former version of IFRS 3.

LOSS OF ASSET VALUE ("IMPAIRMENT")
Permanent assets whose value does not depreciate are annually audited to establish their recovery (“*impairment*”) and whenever there is reason to believe their book value has suffered loss.
Assets that do depreciate are "*impairment*" tested only if there is reason to believe that their book value has decreased.
Value recoverability is calculated for goodwill purchased and allocated throughout the business year, at the end of the year the latter was purchased and allocated.
In order to verify its recoverability, goodwill is allocated on the date of its acquisition to the unit or group of cash-generating units that benefit of the acquisition.
The amount depreciated because of "*impairment*" is calculated as the difference between the asset's book value and its recoverable value, determined as the price of sale net of transaction costs and its expendable value, either of which is higher, or the current value, in other words, of the estimated financial flows gross of taxes, applying a discount rate that reflects current market cash value and risks that are specific to the asset. The loss because of a drop in value is at first attributed to the book value of the goodwill allocated to the unit (or unit group) and only later to the other unit assets, proportionately to their book value, up to the amount of the recoverable value of permanent assets. A loss of value is entered if the recoverable value is less than the book value. When a loss of asset value other than goodwill subsequently falls short or decreases, the book value of that asset or cash-flow generating unit is increased to the new

estimated recoverable value and cannot exceed the value that would have been determined if no loss due to the drop had been reported. The restored loss of value is entered immediately in the Profit & Loss. The expendable value of an asset is the current value of the expected cash-flows, calculated by applying an actualization rate that reflects current market cash value and the risks specific to the asset.

TANGIBLE ASSETS

All categories of tangible assets, including real estate investments, are listed in the financial statement at their historical cost, minus the amortization and "*impairment*", except for land, which is entered at its historical cost, minus any "*impairment*". The cost includes all expenses that are directly attributable to the purchase.

Costs incurred after the asset is purchased are accounted for as an increase of the historical value or listed separately, only if it is likely that it will generate future economic benefits and their cost is reliably quantifiable.

Amortization of tangible assets is calculated with the linear method, so as to distribute the residual book value over the asset's estimated economic-technical lifespan, as follows:

- Buildings and increase in production: 33 years
- Plants and machinery: 10 - 5 years
- Equipment: 4 - 5 years
- Furniture and office supplies: 9 - 5 years
- Electronic office machines: 5 years
- Cars and vehicles: 3 - 5 years

Special maintenance costs capitalized as increase of an already existent asset are depreciated based on the residual lifespan of that asset or, if less, in the interim period from the date of service to the next scheduled maintenance.

The residual value and lifespan of tangible assets are reviewed and modified if necessary, on the closing date of the financial statement.

Capital gains or losses from transfers of tangible assets are entered in the Profit & Loss and are determined by comparing their book value to the price of sale.

Assets held by virtue of financial lease agreements that basically transfer all risks and benefits tied with the asset to the Group, are entered as Group assets at their *fair value* or, if less, at the current value of the minimum lease fees due. The lease fee is divided into taxable amount and interest share, determined by applying a fixed interest rate to the residual debt.

The financial debt with leasing companies is entered among the short-term liabilities (current amount) and among the long-term liabilities (amount to be reimbursed after year end). Interest costs are attributed to the Profit & Loss for the entire contract term. The leased asset is entered among the tangible assets and is depreciated based on its estimated economic-technical lifespan.

Leased assets over which the lessor essentially preserves all risks and benefits tied thereto are classified as business leases. Costs of business leases are reported in the Profit & Loss over the term of the leasing agreement.

Real estate investments made in the prospect of collecting rental fees are entered at their book value, net of amortization and losses due to cumulated reduction in value.

INTANGIBLE ASSETS

Assets with indefinite useful life
(a) Goodwill
Goodwill deriving from stake acquisitions (as described previously) is initially entered at its book value on the date of the acquisition.
Goodwill generated by the acquisition of a stake in subsidiaries is included among intangible assets. Goodwill generated by the acquisition of a stake in associates and Joint-Ventures is included in the stake's value.
Goodwill is not depreciated, but audited to identify any loss of value, on a yearly basis or even more often, if specific events or changed circumstances give reason to believe that it may have lost value. After its first entry, goodwill is evaluated at the cost net of any cumulated loss of value. On the date control over a formerly purchased company is transferred, the capital gain or loss from the transfer takes account of the corresponding residual value of the previously entered goodwill.

Intangible assets with indefinite useful lives are not depreciated, but are annually or even more frequently (whenever there is reason to believe the asset has lost value, subjected to an *impairment test* to identify any reduction in value.

Assets with finite useful life
(b) Software
Software licenses are capitalized at their cost of purchase and the cost to put them in service, and are depreciated based on their estimated lifespan (3 to 5 years).
Costs associated to development and software program maintenance are considered operating costs and therefore attributed to the Profit & Loss account according to their category.

(c) Research & Development costs
R&D costs are entered in the Profit & Loss in the business year they are incurred.

R&D costs relating to specific projects are capitalized if the following conditions are met:

- the costs can be reliably determined;
- the technical feasibility of the projects, the forecasted volumes and prices indicate that the costs sustained as part of R&D activities will generate economic benefits in the future.

R&D costs attributed to Profit & Loss over the course of previous years are not post-capitalized, if at a later date the requirements are met.

Finite R&D costs are depreciated from the date the product is sold, based on the period in which they are estimated to generate economic benefits (max. 5 years). R&D costs that do not fit the above conditions are charged to Profit & Loss in the year they were incurred.

(d) Trademark

Trademarks are considered perishable assets. In accordance with IAS 38; these assets are depreciated using a method that estimates when the future economic benefits yielded by the asset are presumed to be consumed.

(e) Other intangible assets

Other intangible assets purchased separately are capitalized at their cost, while those purchased as part of a stake are capitalized at their *fair value* identified on the date of the acquisition.
After their first entry, intangible assets with finite useful life are entered at their cost, minus amortization and "*impairment";* intangible assets with indefinite useful life are instead entered at their cost, minus "*impairment*" only.

Intangible assets from internal production are not capitalized, but entered in the Profit & Loss for the year they were generated.

Intangible assets are annually subjected to an "*impairment test*", whenever there are reasons to caution its performance; this analysis can be conducted on the individual intangible asset or on a cash-flow generating unit of assets. The lifespan of other intangible assets is reviewed on an annual basis: any changes (where plausible) are reported in statements.

FINANCIAL INSTRUMENTS

Presentation

The financial instruments held by the Group are included in the financial statement entries described below.
The entry “Stakes and other non-current financial assets” includes stakes in other companies, stakes in joint-ventures and other non-current financial assets.
Current financial assets include receivables and cash and cash equivalents. More specifically, the entry “Cash and cash equivalents” includes bank deposits.

Financial liabilities refer to financial debts, include debts for advance payments on orders or on credit transfers, as well as other financial liabilities (which include the negative *fair value* of hedging instruments), payables and other debts.

Evaluation

Stakes in other companies and stakes in Joint-Ventures included among non-current financial assets are entered as described in the following paragraph "Consolidation principles".

Non-current financial assets other than stakes, such as financial liabilities, are entered, in accordance with what established by IAS 39 – Financial instruments: reporting and evaluation.

Assets held with the intent of keeping them in the portfolio until expiry are evaluated at the depreciated cost, using the effective interest method. When financial assets do not have a clear date of expiry, they are evaluated at their cost of purchase. Evaluations are meant to verify if there is objective evidence that a financial asset may suffer loss of value. If there is such evidence, the loss of value must be reported as cost in the Profit & Loss for the period. Except for hedging instruments, financial liabilities are listed as depreciated cost, using the method of effective interest.

Hedging instruments

Coherently with the contents of IAS 39, hedging instruments can be entered according to *hedge accounting* methods only when:

- the formal designation and the documentation of the hedge are available on the starting date of the hedge;
- it is presumed that the hedge is highly effective;
- its effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All hedging instruments are measured at their *fair value*, as established by IAS 39.

When hedging instruments qualify for *hedge accounting*, they are entered in statements as follows:

- *Cash flow hedge*. If a hedging instrument is chosen to cover the exposure to unstable future cash-flows of an asset or liability listed in the financial statement or of an expected and highly probable transaction that could affect the Profit & Loss, the effective share of the profit or loss for the hedging instrument is reported in Other total profits/(losses). The cumulated profit or loss are written off the Other total profits/(losses) and entered in the Profit & Loss in the same period in which the correlated economic effect of the hedged transaction is reported. The profit or loss associated to a hedge (or part of one) that has become obsolete are immediately entered in the Profit & Loss. if a hedging instrument or a hedge report are closed, but the hedged transaction has not yet been concluded, the cumulated profit and loss, hitherto entered in the Other total profits/(losses), are reported in the Profit & Loss with regards to the reported economic effects of the hedged transaction. If the hedged transaction is no longer presumed probable, the profits or losses as yet not accrued and suspended in the Other total profits/(losses) are immediately reported in the Profit & Loss.

- *Fair value hedge*. If a hedging instrument is designated to hedge the exposure to variations of the *fair value* of an asset or liability in the financial statement that are attributable to a particular risk which may affect the Profit & Loss, the profit or loss deriving from subsequent evaluations of the *fair value* of the hedging instrument are reported in the Profit & Loss. The profit or loss on the hedged item is attributable to the hedged risk, modifying the book value of that item, and is reported in the Profit & Loss.
- *Hedge of a net Investment*. If a hedging instrument is designated to hedge a net investment in an offshore company, the effective share of profit or loss on the hedging instrument is reported in Other total profits/(losses). The cumulated profit or loss are written off from the Net Equity and entered in the Profit & Loss on the date in which the offshore asset is dismissed.

FINANCIAL LIABILITIES

Financial liabilities encompass financial debts, which include debts for advance payments on orders or on transfers of credits, as well as other financial liabilities, including hedging instruments and liabilities against assets entered in the scope of financial leasing agreements. As required by IAS 39, they also include payables and miscellaneous debts.

Financial liabilities other than hedging instruments are initially entered at their *fair value*; they are subsequently evaluated at their depreciated cost, i.e. their starting value, net of already paid cash reimbursements, adjusted (increased or decreased) based on the amortization (using the effective interest method) of any differences between the starting and closing value.

FINANCING

Financings are initially entered in the financial statement at their *fair value*, net of any accessory charges. After their first entry, they are accounted for on the basis of the depreciated cost criteria. Any difference between the collected financing net of any accessory charges and the amount reimbursed is entered in the Profit & Loss according to its item category, based on the effective interest method. Financings are listed among short-term liabilities, unless the Group does not enjoy unconditional right to defer them to a more than 12 months after the closing date of the financial statement.

INVENTORY

Inventories are entered at their cost or net price of sale, either which is the least, with the latter consisting in the standard price applied to customers as part of the Company's business, net of variable sale expenses. The cost is determined using the weighted average cost method. The costs of finished and semi-finished products include design, commodities, cost of direct labor, other direct costs and other indirect costs which can be allocated to production based on a normal manufacturing capacity and to their stage in production. This cost configuration does not include financial charges.

Calculations include funds to cover depreciation of commodities, finished products, spare parts and other supplies considered obsolete or with a slow rotation, taking account of their expected future use and their price of sale.

RECEIVABLES AND OTHER CREDITS

Receivables are initially entered at their *fair value* and subsequently quantified at their depreciated cost by applying the effective interest method, net of impairment, to account for receivables that prove uncollectable. Credit impairment is reported if there is objective evidence that the Group will not be able to collect the full amount due by the deadlines agreed with the customer.

The impairment (amount) is determined as the difference between the book value of the credit and the current value of future receivables, updated with the effective interest rate method. Credit impairment is entered in the Profit & Loss.

Credit transfers

Transferred credits are canceled from the Company's assets following factoring transactions if and only if the risks and benefits that come with their ownership have all been transferred to the beneficiary; a financial liability of the same amount is entered in the consolidated financial statement as debts for advance payments on credit transfers. Profits and losses from the transferred assets are only reported when those assets have been canceled from the Group's Assets & Liabilities statement.

All credits transferred through factoring transactions that do not meet the requisites for their cancellation as established by IAS 39 remain listed in the Group's financial statement, even though they have legally been transferred.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits instantly available and overdraft allowances on bank accounts and other liquid investments collectable within three months. Bank overdrafts are entered in the financial statement among short-term financings.

ASSETS FOR SALE

The entry "Assets for sale" include non-current assets (or groups of dismissed assets) whose book value will be largely recovered through their sale (as opposed to their continued use). Assets for sale are entered at the least between the net book value and the *fair value* net of costs of sale.

SHARE CAPITAL

Ordinary shares are classified in the Net Equity.

Accessory charges directly linked to issued shares or to options are entered in the Net Equity, subtracted from cash payments. When the Group purchases Parent shares (treasury shares), the price paid net of all directly attributed accessory charges is subtracted from the Group's Net Equity, until the treasury shares are either cancelled or sold.

DEFERRED TAXES

Deferred taxes are calculated on all temporary differences between the fiscal value and book value of assets and liabilities listed in the financial statement.

Deferred taxes are not accounted for:

- on goodwill deriving from stake acquisitions;
- on the initially entered asset and liability deriving from a transaction other than a stake acquisition and that does not affect either the operating profit calculated in the financial statement or the taxable income.

Deferred taxes are calculated using tax rates and applying the laws issued or essentially issued on the closing date of the financial statement, and that are expected to be applied upon reversal of the temporary differences that have led to their entry in the first place.

Prepaid tax receivables are entered in the financial statement only if it is likely that when the temporary differences are reversed, a taxable income will be generated that is sufficient to compensate the credit. Prepaid tax receivables are reviewed at the end of every business year and are if need be reduced, to the extent that it is improbable that sufficient taxable income will be available in the future, so that part or all the credit can be used.

Deferred taxes are also calculated on temporary differences that originate on stakes in subsidiaries, associates and JV's, except when the reversal of those differences can be contained by the Group and it is likely that they will not occur in the near future. Deferred taxes on components reported directly in the Net Equity are likewise directly attributed to the Net Equity.

EMPLOYEE BENEFITS

Please note that the principle described hereunder is applicable by 31.12.2012; starting from 01.01.2013, the amended version of "IAS 19 - Employee benefits", which modifies the rules by which definite benefit plans and *terminations benefits* are paid to employees, will replace it. Variations largely concern the reporting in the Assets and Liabilities statement of the plan's deficit or surplus, introduction of the net financial charge and the classification of the net financial charges. For further details, please see paragraph "VARIATIONS TO ACCOUNTING STANDARDS".

(a) Pension plans

On 31.12.2006, Severance Pay (TFR) of Italian companies was considered a plan of fixed benefits. The legislation applying to the fund was modified by Law
of 27.12.2006, no. 296 ("Financial Law 2007") and the subsequent Decrees and Regulations issued in the first months of 2007. In light of those amendments, and with reference in particular to companies with at least 50 employees, Severance Pay is now considered a plan of fixed benefits only for shares accrued before January 1, 2007 (and resulting as unpaid in the financial

statement), while shares accrued at a later date can be assimilated to a fixed contributions plan.

The Cometa fund (supplementary fund devised by the CCNL) is dealt with as a plan of fixed contributions.

Plans of fixed benefits are pension funds that define the amount of the pension benefit owed to the worker on the date the employment relation is ended; this amount depends on several factors, such as age, years of service and wage.
Fixed contribution plans are pension plans for which the Group pays a fixed amount to a separate entity. The Group is in no way implicitly required by law to pay additional sums, should the activities in service of the plan prove insufficient to pay off benefits owed to employees for their current service and for services provided hitherto.

Liabilities entered in the financial statement against fixed benefit plans are the current value of the Company's obligation on the closing date of the statement, net of the *fair value* of the activities in service of the plan (where applicable), both adjusted by the amount of actuarial earnings and losses, and by the social insurance cost sustained in view of the employee's former service. The obligation is annually determined by an independent actuary according to the projected unit credit method.
The value of the Company's current obligation is determined by updating estimated future disbursements at the interest rate of its primary obligations issued in the same currency used to pay the benefits and due on a date that is approximate to the deadlines of the associated pension liabilities. The cumulated actuarial losses and earnings deriving from estimate variations that amount to more than 10% of the *fair value* of the activities in service of the plan (where applicable) or 10% of the obligation referring to the plan of fixed benefits (either which is higher), is attributed to the Profit & Loss by category, based on the average years in service expected of employees subscribing to the plans. The social insurance cost relating to former years of service is immediately entered in the Profit & Loss, unless changes to the pension plan are not conditioned by continuation in service by employees for a set period of time (period of accrual). If so, the social insurance cost relating to former service is linearly depreciated over the accrual period.

For fixed contribution plans, the Group pays contributions to public or private pension plans, on an obligatory, contractual or voluntary basis. No further obligations arise for the Group once it has paid off the contributions. Paid contributions are entered in Profit & Loss as labor costs (when due). Contributions paid in advance are entered as accrued income only if a reimbursement or diminishment of future payments is expected.

(b) Benefits paid to employees who attain seniority status
Certain companies of the Group pay their employees benefits after a set number of years in service (seniority status).
Liabilities entered in the financial statement against seniority benefits are the current value of the Company's obligation on the closing date of the statement, net of the *fair value* of the activities in service of the those benefits (where applicable), both adjusted by the amount of actuarial earnings and loses, and by the social insurance cost sustained in view of the accrued benefits. The obligation is annually determined by an independent actuary according to the

projected unit credit method. The current value of the obligation is determined by updating estimated future disbursements at the interest rate of primary obligations, issued in the same currency that will be used to pay off the benefits and due on a date approximate to the deadlines of the associated liabilities.
Cumulated actuarial losses and earnings, deriving from estimate variations that are more than 10% of the *fair value* of the activities in service of the plan (where applicable) or 10% of the existent obligation (either which is higher), are attributed to the Profit & Loss by category, based on the residual average years of service expected of employees enjoying the benefits, as opposed to the date they will attain to seniority status.

(c) Benefits paid to employees upon termination of employment relation
These benefits are owed to employees if their employment relation ends in advance on the date of retirement, or if the relation is terminated because of Corporate restructuring plans. The Group enters a liability in the financial statement for these benefits whenever:
- an official and detailed early retirement incentive plan exists, without the possibility of the employee waivering the plan;
- employees are encouraged to willfully resign. Amounts payable after 12 months from the closing date of the financial statement are updated.

(d) Incentives, bonuses and profit-sharing agreements
The Group enters a cost and a debt in view of liabilities that originate for bonuses, employee incentives and profit sharing agreements, which are calculated with a formula that accounts for profits attributable to shareholders (given their due adjustments). The Group enters a liability under a listed fund only if the event is likely to occur, if contractually due, or in view of a procedural custom that infers an implicit obligation.

(e) Benefits paid to employees in stocks
The Group pays additional benefits to certain executives and employees through *stock option* plans.
Based on what established by IFRS 2 – Stock options, said plans are an element of retributions paid to beneficiaries; as such, their cost is represented by the *fair value* of the *stock options* on the date they are assigned, and is reported in the Profit & Loss in constant shares over the period from their date of assignment to date of accrual, with their offset directly attributed to Net Equity. Variations in *fair value* ensuing after the date of assignment do not affect the amount first listed.

<u>PROVISION FOR RISKS AND CHARGES</u>
Provisions to funds to cover risks and charges are made when:
- the Group is faced with a legal or implicit obligation as result of previous events;
- a deployment of resources to cover the obligation and its amount is probable;
- its amount is reliably determinable.

Restructuring funds include both liabilities deriving from early retirement incentives and penalties tied to terminated leasing agreements. No provisions are made to funds for risks and charges in view of future operating losses.

Provisions entered in the financial statement are the best updated estimates made by Directors in identifying the costs (amount) the Group will be called to incur on the closing date to extinguish the obligation.

INCOME

Entered income includes the *fair value* deriving from the sale of assets and services, net of VAT, returned goods, discounts and infra-Group transactions. Income is entered in accordance with the following rules:

(a) Sale of assets

Income for sold assets/goods (laser systems, sheet metal processing machines and components) are reported when all of the following conditions are met:

- the Group has transferred all significant risks and benefits that come with ownership of the assets to the buyer;
- the Group ceases to physically control the sold goods;
- the income (value) is reliably determinable;
- it is likely that the economic benefits deriving from the transaction will be enjoyed by the Group;
- costs incurred or yet to incur for the transaction are reliably determinable.

(b) Service provision

Income for provided services are accounted for based on their progress in the business year they are rendered.

(c) Interest

Interest receivables are accounted for by category, based on the amortized cost method, applying the effective interest rate (rate that precisely updates cash flows expected in the future, based on the estimated life of the financial instrument).

(d) Royalties

Income deriving from *royalties* is accounted for by category, based on the conditions agreed in their underlying contracts.

(e) Dividends

Dividends are accounted for in the year the shareholders accrue right to receive their payment.

CURRENT TAXES

Charges for tax on income in the business year is determined based on the applicable legislation. Tax on income is reported in Profit & Loss. With regards more specifically to Italian Companies, on March 10, 2010, PRIMA INDUSTRIE SpA notified the Revenue Office of the renewed tax bracket of its national consolidated business for the three-year period 2010-2012, pursuant to art. 117/129 of the Consolidation Act on tax on income (T.U.I.R.), along with its subsidiaries PRIMA ELECTRO SpA and FINN POWER ITALIA Srl.

DISTRIBUTION OF DIVIDENDS

Dividends distributed among shareholders generate a debt on the date their distribution is approved by the Shareholders' Assembly.

PROFIT PER SHARE

Basic profit per share is calculated by dividing the Group's Net Profit by the weighted average value of shares in circulation during the business year. In order to calculate profit by single share, the average weighted value of circulating shares is modified on the assumption that all shares with a potentially diluting effect will be converted. The Group's Net Profit too, is adjusted to account for the effects (net of taxes) of the conversion of potentially diluting shares issued by subsidiaries.

PUBLIC CONTRIBUTIONS

Public contributions are entered in the financial statement at their *fair value* only if it is reasonably certain they will be paid and the Group has satisfied all the requirements established by the conditions to obtain them.

CURRENCY CONVERSIONS

(a) Functional currency and listing currency

Financial statements of subsidiaries, associates and joint-ventures are drafted applying their functional currency, i.e. the currency widely used in their chief area of business. The currency used by the PRIMA INDUSTRIE Group for financial statement entries is the Euro.

(b) Assets, liabilities and transactions in foreign currencies

Transactions in a foreign currency are initially reported at the exchange rate applicable on the date of the transaction.

Assets and liabilities in a foreign currency are converted to Euros using the exchange rate applicable on the closing date of the financial statement. All currency exchange differences are reported in Profit & Loss.

(c) Group Companies

On the closing date of the financial statement, the assets and liabilities of Group companies in a foreign currency are converted to Euros at the exchange rate applicable on said date. Their entry in the Profit & Loss account is converted applying the average exchange rate for the year. Currency exchange differences are directly reported in Net Equity and are listed separately in the "Currency conversion Reserve", until dismissal of the subsidiary.

FAIR VALUE

The *fair value* of financial instruments exchanged on an active market is determined on the basis of market prices on the closing date of the financial statement. The market price used as reference for financial assets held by the Group is the current price of sale (or price of purchase for financial liabilities).

The *fair value* of financial instruments exchanged on an active market is determined by a whole set of estimating techniques and assumptions, based on the market conditions existent on the closing date of the financial statement. For medium and long term liabilities, the prices of similar financial instruments exchanged are compared, while the financial flows are updated for other categories of financial instruments.

The *fair value* of IRS is determined by updating the estimated cash-flow deriving from the latter on the closing date. For credits, it is presumed that the nominal value net of any adjustments made to account for their collectability is close to the *fair value*. For the purpose of the required information provided in this report, the *fair value* of financial liabilities is determined by updating cash-flow generated by contracts at an interest rate approximating the market rate the Group applies to fund its business.

DISCRETIONAL ASSUMPTIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

Drafting the financial statement calls upon the management to make a series of subjective assumptions and estimates drawing from past experience.
Application of those estimates and assumptions affects the amount of assets and liabilities entered in the Assets & Liabilities, as well as the costs and income reported in the Profit & Loss. Actual results may differ (even substantially) from the estimated amounts, considering the natural uncertainty that surrounds the assumptions and underlying conditions.

More specifically, taking account of the uncertainty that persists in certain markets and the economic-financial context in which the Group operates, it cannot be excluded that in the next business year, results will be different from our estimates and that adjustments (even significant) to the book value of the given entries may therefore prove necessary, which cannot presently be either estimated or forecasted. The financial statement items concerned by this condition of uncertainty are credit impairment and warehouse depreciation, non-current assets (tangible and intangible assets), pension funds and other benefits accrued after the employment relation and deferred tax receivables.

What follows is a summary of the main evaluation process and key assumptions made as part of that process that may significantly affect the amounts reported in the consolidated financial statement or that involve a risk of ensuing adjustments to the book value of the assets and liabilities in the year following the one balanced in the financial statement.

Goodwill recovery

The book value of this asset was calculated by applying cash-flow estimates expected from its use and adequate discount rates to calculate its current value. As part of the process, and for the purpose of drafting the consolidated financial statement as of December 31, 2012 and, in particular, when performing *impairment tests*, the foreseeable trend in 2013 was considered.
Furthermore, for the following budgeted years, the respective original budgets were modified as necessary to cautiously account for the economic-financial context and market situation. Based on the budget figures thus modified, no need for *impairment* has emerged.
Recoverability considerably depends on the discount rate used as part of updated cash-flow models, including cash flow expected in the future and the rate of growth used for extrapolation. The key assumptions made in determining recovery for the several cash-flow

generating units (CGU), including a sensitivity analysis, are described in detail in "Note 8.2 – Intangible assets".

Prepaid and deferred taxes
Deferred tax receivables and payables entered in the financial statement are determined by applying the difference between the statutory value and the fiscally recognized value of the various assets and liabilities, the tax rates that are presumed to apply in the various Countries in the year the temporary differences are expected to fall short. Prepaid taxes relating to fiscal losses reportable in following years are entered in the financial statement only if and to the extent that the management expects the concerned Company to generate a fiscal profit in those years, such as to allow their absorption.
If arising circumstances after the estimates are made induce management to modify those evaluations, i.e. the rate used in calculating the deferred taxes has changed, the items entered in the financial statement are accordingly adjusted.

Warehouse depreciation fund
In determining warehouse depreciation, Group companies make a series of estimates on the future requirement for various types of products and materials stocked, based on their production plans and previous experience with customer demand. If those estimates prove inaccurate, the obsolescence reserves will be adjusted and will consequently affect the Profit & Loss.

Credit impairment
Provisions for credit impairment are determined based on an analysis of individual credit items and in light of past experience with credit collection and customer relations. If the economic and financial conditions of an important customer suddenly worsen, it may call for the need to adjust credit impairment, consequently having negative effects in terms of profit.

Employee Benefits
Several Group companies (particularly in Italy, Germany and France) have legally or contractually required plans for employee benefits that are paid after the employment relation ends. To calculate the amount entered in the financial statement, actuarial estimates are required that duly consider a series of assumptions on such parameters as annual inflation rates, increase in salaries, annual personnel turn-over rate and a set of other variables. A variation in these parameters calls for a readjustment of the actuarial estimates and, consequently, of the amounts reported in the financial statement.

VARIATIONS TO ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applied as of 01.01.2012

On 07.10.2010, IASB issued certain amendments to accounting standard "IFRS 7 – Financial instruments: Supplementary information", applicable as of 01.01.2012. The amendments were issued for a better comprehension of *de-recognition* transactions on financial assets, as well as to more accurately represent the possible effects deriving from any risk for which the Company that has transferred those assets continues to be liable. Moreover, the amendments demand that more information be provided if a disproportionate amount of those transactions becomes accountable toward the end of the audited period. Adoption of the above changes has not affected the evaluation of financial statement entries.

<u>Accounting standards, amendments and interpretations effective as of 01.01.2012 and with little relevance to Group business</u>

On 20.12.2012, IASB issued an amendment to "IAS 12 – Tax on income" that clarifies the guidelines for determining deferred taxes on real estate investments entered at their *fair value*. Said amendment introduces the assumption that deferred taxes on real estate investments entered at their *fair value* in accordance with IAS 40 must be determined based on the fact that the book value will be recovered from their sale. The amendment must also be applied to periods audited prior to 01.01.2012.

<u>Accounting standards, amendments and interpretations that are not presently applicable and not applied in advance by the Group</u>

- On 12.05.2011, IASB issued the standard "IFRS 10 - Consolidated Financial Statement", which is set to replace "SIC-12 Consolidation – Vehicle companies" and to partly replace "IAS 27 – Consolidated and separate financial statement", which will be referred to as the separate Financial statement and will establish the guidelines for stake accounting in the separate financial statement. The new standard introduces a new auditing model applicable to all entities, including vehicles. The standard must also be applied to periods audited prior to January 1, 2014.
- On 12.05.2011, IASB issued the standard "IFRS 11 – Partnership agreements", which will replace "IAS 31 – Stakes in Joint Ventures" and "SIC-13 – Jointly managed companies – Contributions in kind by joint management". The new standard provides the guidelines for identifying partnership agreements based on the rights and obligations arising from agreements, as opposed to their legal form, and establishes the Net Equity method as sole accounting method for validly listing stakes in jointly-managed companies in the consolidated financial statement. The standard must be applied to periods audited prior to 01.01.2014. After the standard was issued, "IAS 28 – Stakes in associates" was amended to also include in its scope of application stakes in jointly managed companies, from the date the standard formally becomes part of the accounting process.
- On 12.05.2011, IASB issued the standard "IFRS 12 – Additional information on stakes in other companies", which represents a new and comprehensive standard on the additional information Companies must provide on all types of stakes. The standard must also be applied to periods audited prior to 01.01.2014.
- On 12.05.2011, IASB issued the standard "IFRS 13 – Measuring *fair value*", which clarifies how *fair value* must be determined in the financial statement and which applies to all IFRS standards that call for or allow measuring *fair value* or listing accounting information based on that method. The standard must also be applied to periods audited following 01.01.2013.
- On 16.06.2011, IASB issued an amendment to "IAS 1 – Financial statement presentation" to call upon Companies to group all elements listed among Total other profits/(losses), depending on whether they can or cannot later be reclassified in the Profit & Loss. The amendment must be applied to business years starting on 01.07.2012 or thereafter.

- On 16.06.2011, IASB issued an amendment to "IAS 19 – Employee benefits", which modifies the rules for entering fixed benefit plans and *terminations benefits*. The main variations concern the reporting in the Assets and Liabilities statement of the deficit or surplus of the plan, the introduction of the net financial charge and the classification of the net financial charges. More specifically:
  - As pertains to the entry of budgeted deficit or surplus: the amendment eliminates the option of deferring actuarial profits and losses with the "corridor method" and demands their direct attribution to Total other Profits (losses) and that costs relating to past labor service be entered in Profit & Loss;
  - Net financial charges: the net financial charges comprise financial expenses calculated on the current value of the liabilities for plans of fixed benefits, financial income from budgeted activities in service of the plan and financial charges or income deriving from any limits to surplus entries. Net financial charges are determined by applying the actualization rate for all these elements used when calculating Corporate obligation for fixed benefit plans on the starting date of the audited period;
  - Classification of net financial charges: net financial charges must be entered as Financial Income (expenses) in the Profit & Loss account.

  This amendment will be applicable to periods audited after 01.01.2013, adjusting the starting values in the Assets & Liabilities Statement on 01.01.2012 and the economic figures for 2012.
- On 16.12.2011, IASB issued certain amendments to accounting standard "IAS 32 – Financial instruments: entry in financial statement", to clarify the application of certain criteria for the compensation of financial assets and liabilities discussed in IAS 32. The amendments must be applied to periods starting on or after 01.01.2014.
- On 16.12.2011, IASB issued certain amendments to accounting standard "IFRS 7 – Financial instruments: supplementary information". The amendment requires information on the actual or potential effects of agreements to compensate financial assets and liabilities in the Assets & Liabilities statement. The amendments must be applied to business years starting on or following 01.01.2013 and interim periods after that date. The information must be retrospectively listed in the statement.

CONSOLIDATION PRINCIPLES

The consolidated financial statement includes those of PRIMA INDUSTRIE SpA (Parent) and of its subsidiaries, drafted on December 31st of each year. The financial statements of subsidiaries are drafted in keeping with the Parent's accounting principles; any consolidated adjustments are made for the purpose of standardizing the entries that are affected by other applied accounting principles. All balances and infra-group transactions, including any unrealized profits deriving from relations entertained between Group companies, are fully canceled. Unrealized profits and losses with associates are canceled for the part pertaining to the Group. Unrealized losses are canceled, except if they are representative of losses of value.

Subsidiaries are fully consolidated starting from the date of acquisition or, in other words, from the date the Group acquires control over them, and cease to be consolidated, from the date in which their control is transferred outside the Group. Minority interests represent the part of profit or loss and of net assets not held by the Group and are listed in a separate item of the Profit & Loss and in the Assets & Liabilities among the elements of Net Equity, separately from the Group's Net Equity.

(a) Subsidiaries

Subsidiaries are all those companies, including vehicle companies, whose financial and operating decisions are managed by the Group. Generally speaking, a company is assumed to be managed by the Group if the latter holds more than half of its voting rights, including through extra-Corporate agreements or potential rights of vote. Subsidiaries are consolidated from the date in which the Group can exercise its management and are de-consolidated from the date the Group ceases to control their management.

The Group accounts for the acquisition of stakes in subsidiaries with the *acquisition method*.

The cost of acquisition is the paid price amount and any accessory charges.

Identifiable acquired assets and liabilities are initially entered in the financial statement at their *fair value*, as determined on the date of the acquisition.

The cost surplus/deficit compared to the stake of *fair value* of net acquired assets is capitalized as goodwill among intangible assets (if positive), and immediately in the Profit & Loss (if negative).

Costs, income, credits, debts and profit/loss generated by infra-group transactions are eliminated. When necessary, the accounting principles of subsidiaries are modified to align them with those applied by the Parent.

(b) Associates and joint-ventures

Associates are those companies significantly influenced by the Group but not wholly managed. A significant influence is presumed when the Group owns a percentage of voting rights between 20 to 50%. Associates are initially entered at their cost and then accounted for with the Net Equity method.

Joint ventures are jointly managed companies. They are accounted for in accordance with the contents of IAS 31, paragraph 38, which requires that the stake be entered using the Net Equity method.

The Group's stake in associates and joint-ventures includes goodwill calculated on the date of acquisition, net of any cumulated loss of value.

The Group's Profit & Loss reflects the pertinent share of Operating Profit of the associate or joint venture. If the associate or joint-venture makes an adjustment directly attributed to Net Equity, the Group assumes control over its pertinent share, listing it as a Net Equity transaction.

The share of an associate's or joint-venture's loss in the Group's accounts cannot exceed the value of the initial investment; any additional loss is entered among liabilities, only if the Group has obligations or has made payments on behalf of the associate or joint venture.

(c) Other companies

Stakes in other minor companies are entered at their cost, minus any depreciation for loss of value.

CHAPTER 7.

SEGMENT REPORT

CHAPTER 7. SEGMENT INFORMATION

Please note that not all information provided hereinafter is directly retraceable to the information provided in chapters "3 – Report of the Board of Directors" and "4 – Economic Trend by Division", as the latter are expressed gross of cross-over entries.

INFORMATION BY BUSINESS SEGMENT

Income from cross-overs are determined based on market prices.

The business segments or divisions of the Group are the following two:

- PRIMA POWER
- PRIMA ELECTRO

Below are the main figures for each division.

Profits for segment Dec. 31, 2012	PRIMA POWER	PRIMA ELECTRO	Not allocated items	TOTAL
Total revenues for segment	311.619	55.046	-	**366.665**
(Inter-sectorial revenues)	(45)	(17.312)	-	**(17.357)**
Revenues	**311.574**	**37.734**	**-**	**349.308**
EBITDA	**22.843**	**6.164**	**-**	**29.007**
EBIT	**13.324**	**4.298**	**-**	**17.622**
Net financial costs/income	(7.734)	(1.200)	-	(8.934)
Income/costs from affiliates and joint ventures	751	(393)	-	358
Profit before taxes				**9.046**
Taxes			(3.739)	(3.739)
Net Profit				**5.307**

EBIT and EBITDA here presented are not directly reconcilable to those presented in Chapter 4 - ECONOMIC TREND BY DIVISION, since they are listed net of industrial cross-overs.

Assets and liabilities for segment Dec. 31, 2012	PRIMA POWER	PRIMA ELECTRO	Not allocated items	TOTAL
Assets	277.990	57.620	39.572	**375.182**
Affiliates, J/V and other equity investments	3.692	462	-	**4.154**
Total Assets	**281.682**	**58.082**	**39.572**	**379.336**
Liabilities	**108.592**	**16.965**	**169.830**	**295.387**

(*) Including the equity investments classified in non- current assets held for sale

Profits for segment Dec. 31, 2011	PRIMA POWER	PRIMA ELECTRO	Not allocated items	TOTAL
Total revenues for segment	267.570	57.365	-	**324.935**
(Inter-sectorial revenues)	(99)	(15.137)	-	**(15.236)**
Revenues	**267.471**	**42.228**	**-**	**309.699**
EBITDA	**15.631**	**6.809**	**-**	**22.440**
EBIT	**7.097**	**5.399**	**-**	**12.496**
Net financial costs/income	(8.374)	(796)	-	(9.170)
Income/costs from affiliates and joint ventures	1.217	-	-	1.217
Profit before taxes	-	-	-	**4.543**
Taxes	-	-	(2.610)	(2.610)
Net Profit	**-**	**-**	**-**	**1.933**

Assets and liabilities for segment Dec. 31, 2011	PRIMA POWER	PRIMA ELECTRO	Not allocated items	TOTAL
Assets	298.120	58.959	37.871	**394.950**
Affiliates, J/V and other equity investments	9.192	846	-	**10.038**
Total Assets	**307.312**	**59.805**	**37.871**	**404.988**
Liabilities	**126.159**	**20.472**	**178.235**	**324.866**

INFORMATION BY REGION

For details concerning the information on income divided by region, please refer to the contents of Chapter 3 "Report of the Board of Directors" under paragraph "Income and profitability".

Non-current Assets (Euro thousand)	31/12/12	31/12/11
Italy	36.835	35.240
Europe	131.105	135.093
North America	8.053	7.592
Rest of the World	289	190
TOTAL	**176.282**	**178.115**

CHAPTER 8.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2012

CHAPTER 8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

The figures referred to in the Explanatory Notes are listed in Euros, unless otherwise specified.

NOTE 8.1 – TANGIBLE ASSETS

Tangible assets on 31.12.2012 amount to 24,344 thousand Euro, down by 129 thousand compared to 31.12.2011.

For further details, please see the table below

Tangible fixed assets	Land and building	Plants and machinery	Industrial Equipments and trade	Other goods	Fixed assets under construction	TOTAL
Net value as of December 31, 2011	**17.723.679**	**2.277.975**	**1.723.223**	**2.202.881**	**545.187**	**24.472.946**
Movements 2012						
Increases	115.955	465.700	865.093	1.235.856	145.918	2.828.522
Disinvestments	-	(150.106)	(46.743)	(563.546)		(760.395)
Use of depreciation fund		142.755	43.267	414.200	-	600.222
Depreciation	(556.695)	(603.835)	(720.786)	(862.392)	-	(2.743.708)
Tangible fixed assets reclassifications	9.400	(7.564)	5.518	36.873	(44.227)	-
Intagible assets reclassifications	-	-	-	(4.871)	-	(4.871)
Differences on exchange rates	(28.884)	(1.270)	(13.563)	(4.997)	(67)	(48.781)
Net value as of December 31, 2012	**17.263.455**	**2.123.655**	**1.856.009**	**2.454.004**	**646.811**	**24.343.935**

The net book value of tangible assets primarily reflects amortization in the period (2,744 thousand Euro) and investments (2,829 thousand Euro).

NOTE 8.2 – INTANGIBLE ASSETS

Intangible assets on 31.12.2012 amount to 151,395 thousand Euro, down by 1,235 thousand compared to 31.12.2011. For further details on transactions involving intangible assets, please refer to the table shown below.

Intagible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Net value as of December 31, 2011	**102.751.160**	**20.360.910**	**29.517.880**	**152.629.950**
Movements of 2012				
Increases/(decreases)	-	6.166.533	1.058.990	7.225.523
Tangible assets reclassification	-	-	4.871	4.871
Depreciation	-	(4.413.384)	(3.934.051)	(8.347.435)
Impairment	-	-	-	-
Differences on exchange rate	(71.264)	(64.662)	18.300	(117.626)
Net Value as of December 31, 2012	**102.679.896**	**22.049.397**	**26.665.990**	**151.395.283**

The most significant entry is Goodwill, which on 31.12.2012 amounts to 102,680 thousand Euro. All goodwill entered in the financial statement refers to the amount paid higher than the fair value of net purchased assets.

Below is a table that shows the book value of goodwill allocated to each cash generating unit.

UNIT GENERATOR OF CASH FLOW	BOOK VALUE GOODWILL December 31, 2012	BOOK VALUE GOODWILL December 31, 2011
PRIMA POWER	97.489	97.543
OSAI (Service)	4.125	4.125
PRIMA ELECTRO NORTH AMERICA	875	892
MLTA	154	154
OSAI UK	37	37
TOTAL	**102.680**	**102.751**

PRIMA POWER

Acquisition of the FINN POWER Group in 2008 determined a reporting of 96,078 thousand Euro as goodwill; the cash-flow generating unit to which the goodwill was originally allocated is represented by the FINN POWER Group, consisting of the manufacturing plants for sheet metal processing machines located in Finland and Italy, and European and U.S. distributors. The goodwill was allocated in compliance with the aggregate limit imposed of IFRS 8, which cannot exceed the operating segment.

Following the new organizational structure opted for in 2011, which led to the reorganization of Corporate business in the two divisions PRIMA POWER and PRIMA ELECTRO, managerial responsibilities were redistributed, certain legal entities were reorganized and the *reporting* instruments were revised. In line with the division's new organization, starting from 2011, goodwill has been calculated based on the new CGU, PRIMA POWER, which represents the lowest level at which goodwill is monitored as part of internal management audits. In consideration of the fact that an *impairment test* is run for the entire PRIMA POWER Division, goodwill deriving from the FINN-POWER Group also includes goodwill from PRIMA POWER LASERDYNE, amounting to 1,897 thousand U.S. Dollars (formerly referred to as PRIMA NORTH AMERICA along with goodwill from PRIMA ELECTRO NORTH AMERICA).

On 31.12.2012, recovery of cash-flow generating units was *impairment* tested, in order to audit the existence of any loss of value, by comparing the book value of the unit (including goodwill) and its value in use, i.e. the current value of cash-flows expected in the future in view of their continued use and final dismissal.

The value in use was determined by updating the cash-flows of the economic-financial budget of the PRIM POWER Division approved by the Board of Directors of PRIMA INDUSTRIE SpA, for the period 01/01/2013 – 31/12/2017. The assumptions made in forecasting the cash-flows for the projected five years are prudential and apply realistic and realizable profit margins for the future (based also on the forecasted economic trend of the *Machine Tool* industry issued by a top international consulting company). To determine the value in use of CGU's, the cash flows considered are updated to the projected 5 years and added to their final value, which was determined using the perpetual performance approach. The rate of actualization applied to projected cash-flows is 0.34% (*pre-tax*), calculated taking account of the Group's business segment, the Countries in which the Group expects to achieve its budgeted profits, the debt structure at peak performance and the current global situation. This result must be in line with the one used on the closing date of the previous year (on 31.12.2011, the *pre-tax* rate was 10.23%). For cash-flows in business years after the projected five years, the growth rate assumed was 0.5% (in line with the rate applied in previous years), coherently with recent market studies, to account for the current situation.

The value determined in accordance with the above-described process has a recovery greater than the book value of the CGU, therefore not cautioning any decrease of goodwill allocated to the PRIMA POWER Division.
Compared to the basic assumptions just described, a sensitivity analysis was also performed compared to WACC, the growth rate (g) and the forecasted results. More specifically, even with an increase of the cost of capital of 30 *basis points* and a perpetual growth rate (g) of zero, the values in use do not lead to *impairment*. Assuming a growth rate (g) equal to zero, the WACC (*pre-tax*) that would generate recovery of the CGU's book value would be 12.70%.
A sensitivity analysis was also carried out with lower results than what expected in the 2012-2016 budget plan; if income in 2013 were decreased by 5% (and therefore the EBITDA) and the percentage growth rates in following years were to remain unchanged, in this case too (with a WACC pre-tax of 10.34% and a growth rate of 0.5%), the values in use would not lead to *impairment*. Assuming a growth rate (g) of 0.5% and WACC 10.34%, a drop in future income of about 7.50% (keeping the percentage growth rates steady in following years) would make recovered CGU equal to its book value.

In reporting the figures of this last sensitivity analysis, please bear in mind that it is a theoretical practice not without limitations. In fact, in the analyzed *industry*, the higher the income contractions, the higher too are the growth rates during the cycle's positive phase. As such, a decrease in income of about 7.5% with unaltered growth rates in the following years (hence without a recovery of the percentage of income in the five-year period) would result either in a contraction of the machine tool market in the next cycle or in a loss of the PRIMA POWER's market share. Both of these events do not presently appear probable.

Upon conclusion of the test on 31.12.2012, the value in use of the PRIMA POWER CGU is roughly 45 million more than its book value (33 million Euro on 31.12.2011).

WACC	*10,34%*
Growth rate (g)	*0,50%*
Surplus of recoverable value of CGU over book value	*Euro 45 million*

OSAI (Service)
Acquisition of the OSAI Group in year 2007 reflects the strategy to penetrate and develop the service market in which the purchased Group has a consolidated presence. Goodwill resulting at the end of the process to allocate the paid price is therefore fully allocated to the service segment and is representative of the total value of capital invested therein.
The recoverable value of the cash-flow generating unit on 31.12.2012 was determined based on the value in use, in turn obtained by updating the cash-flows part of the economic-financial budget in the period 2013-2017 (budget approved by the management of PRIMA ELECTRO) and considering the current value of the Company's business at the end of the projected 5 years

(residual value determined by assuming the perpetual cash-flow will be the cash-flow of the last budgeted year).
The actualization rate applied to the budgeted cash-flows is 15.61% *pre-tax* (essentially in line with the one used for the *impairment test* on 31.12.2011), calculated taking into consideration the segment in which the OSAI Group conducts business and its debt structure. Determining the value in use with the above-described process has allowed the Board to avoid decreasing the goodwill allocated to the service segment of the OSAI Group. Sensitivity analyses carried out on WACC and growth rate, besides on offsets compared to forecasted income, do not at any rate show reductions of value.
Upon conclusion of the test on 31.12.2012, the value in use of the OSAI CGU is roughly 3 million more than its book value (3.7 million Euro on 31.12.2011).

WACC	*15,61%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*Euro 3 million*

PRIMA ELECTRO NORTH AMERICA
Goodwill in the financial statement refers to the U.S. subsidiary that is part of the PRIMA ELECTRO Division (previously referred to as PRIMA NORTH AMERICA along with goodwill of PRIMA POWER LASERDYINE).

The recoverable amount of the cash generating unit was determined on the basis of the value in use. The aforesaid amount was calculated using the projected cash-flows in the 2013-2016 budget (approved by the Board of Directors of PRIMA ELECTRO NORTH AMERICA), while the cash-flows after 2016 and with a limited prospect were extrapolated assuming an average cash flow in the projected four years, with a growth rate (g) of 0.5%.
The *pre-tax* rate of actualization is 13.28%, the *post-tax* rate applied to budgeted cash-flows 8.46% (compared to the WACC *post-tax* of 8.4% used for the *impairment test* on 31.12.2011), calculated based on the Countries where the Company conducts business and its debt structure.

An audit of possible loss of value of goodwill for this CGU does not caution the need for any reduction of value.

Finally, we should point out that besides having completed the above *impairment tests*, the Directors have also duly considered hints of any exogenous signs of value loss.
Sensitivity analyses carried out on WACC and growth rate, besides on offsets compared to forecasted income, do not at any rate show reductions of value.

WACC	*13,28%*
Growth rate (g)	*0,50%*
Surplus of recoverable value of CGU over book value	*US$ 5 million*

OTHER INTANGIBLE ASSETS

As inferred from transactions in the business year, increases in 2012 are largely owed to the capitalization of R&D costs.

In consideration of the *business* conducted by PRIMA INDUSTRIE SpA (and by all other Group companies) involving technology, it appears to be absolutely indispensable to continuously invest in Research and Development activities. In spite of the troubled economic framework, the Group has continued to invest considerable amounts in developing its products, so as to maintain a competitive edge and be ready to face its market's trend of recovery.

R&D costs were capitalized by the PRIMA INDUSTRIE Group whenever the conditions set by IAS 38 were applicable. The technical feasibility and likelihood of generating future economic benefits was verified for all R&D activities on capitalized new projects. The capitalized costs of R&D projects are individually monitored and are measured in terms of the economic benefits they are expected to generate once applied to production. Capitalized costs of projects whose technical feasibility is uncertain or no longer strategic are attributed to the Profit & Loss. The fee plan used in calculating hours of internal R&D reflects the hourly cost of labor for employed staff.

Please note that trademarks and customer relations (*customer list*) are classified in the category "Other assets" deriving from the Purchase Price Allocation of FINN POWER OY that took place in 2008. The net value of FINN POWER trademarks and *customer list* on 31.12.2012 are respectively 17,865 thousand and 7,000 thousand Euro.

The "FINN POWER" trademark is defined as an asset with finite life, since it is presumed that its use for commercial and productive purposes is limited to an estimated 15 years and therefore subject to depreciation.

Customer relations of the FINN POWER Group are defined as an asset with a finite life of 10 years and consequently subject to depreciation. Please note that both the FINN POWER trademark and customer relations of the FINN POWER Group fall under the "PRIMA POWER" CGU and as such, their recovery was considered in the context of the *impairment* test on goodwill.

NOTE 8.3 – STAKES MEASURED WITH THE NET EQUITY METHOD

The value of stakes measured with the net equity method on 31.12.2012 has canceled out compared to the previous year (formerly 8,961 thousand Euro).

Equity investments valued with PN method	SUP	SNK	TOTAL
Value on December 31, 2011	**8.864.572**	**96.472**	**8.961.044**
Portion of result	106.142	(560)	105.582
Currency adjustment	172.904	(12.412)	160.492
Non-current assets held for sale reclassification	(9.143.618)	(83.500)	(9.227.118)
Value on December 31, 2012	**-**	**-**	**-**

The transactions that have influenced this entry are the transfer of 20% of the stake held in the Chinese JV, SUP and the imminent transfer of Japanese JV SNK.

During the first semester of 2012, PRIMA INDUSTRIE SpA signed a preliminary agreement with WUHAN HUAGONG UNITY, majority shareholder of the Chinese JV, SUP. Based on this agreement, PRIMA INDUSTRIE SpA (holder of 35% of the JV) agreed to transfer to the majority stakeholder a substantial share of its stake at a fixed price, thereby conceding powers to jointly manage the Company.
The value of the stake was therefore initially adjusted to the Net Equity (to encompass the pertinent result) and later adjusted to the *fair value* resulting from the aforementioned agreement, less than the Net Equity. The ripple effects were the following:

- encompassing of share of profits on 30.06.2012 (106 thousand Euro);
- adjustment of the stake's value to its *fair value* (loss of 745 thousand Euro);
- reclassification in Profit & Loss of conversion reserve (gain of 1,484 thousand Euro).

Over the course of the last quarter 2012, the agreement was concluded and PRIMA INDUSTRIE SpA has transferred to the majority shareholder of the JV 20% of its stake (worth 4,758 thousand Euro). As of 31.12.2012, PRIMA INDUSTRIE SpA is holder of only a 15% share; please note that at the same time the transfer agreement was signed, another agreement was entered with WUHAN HUAGONG UNITY to sell another 10% by 30.06.2013; the stake was consequently classified among "Assets for dismissal" and adjusted to the exchange rate on the closing date.

Over the course of the last quarter 2012, PRIMA INDUSTRIE SpA, holder of 50% of SNK, reported the intention not to renew the JV agreement due to expire the upcoming May. Considering that the book value of the stake in SNK will not be recovered through its continued use, but by liquidation, the *asset* was reclassified among "Non-current assets reserved for dismissal". Following this decision, the Board opted to depreciate the stake to its presumable price of sale, amounting to 84 thousand Euro.

NOTE 8.4 – OTHER STAKES

Other stakes on 31.12.2012 are worth 567 thousand Euro.

When compared to 31.12.2011, variations concern:

- partial depreciation of the stake in EPS for 364 thousand Euro (held by PRIMA ELECTRO SpA); considering losses in the given year and previous ones, the stake was measured by accounting for action-plans to develop the Company's business, elements of discontinuity introduced in the business management and the characteristics of the product and markets in which the Company conducts its business. As result of the measured stake and considering forecasts of budget 2013, the Board decided to partly depreciate its value;
- decrease by 99 thousand Euro of the stake held by the Parent in PRIMA POWER MAKINA TICARET LIMITED SIRTEKI because, as the Turkish company commenced business in 2012, the investment was fully consolidated;
- total depreciation of the stake (10%) in Consorzio Sintesi worth 52 thousand Euro and held by PRIMA INDUSTRIE SpA; the aforesaid stake was fully depreciated, because petition was filed to be eligible for a composition with creditors;
- net decrease of the stake in Caretek worth 20 thousand Euro (held by PRIMA ELECTRO SpA), due to an increase in share capital of 9 thousand Euro and depreciation of 29 thousand Euro;
- increase of 25 thousand Euro for a new stake held by FINN-POWER OY in Härmämedi Oy, medical service provider to employees of the Finnish subsidiary.

This entry on 31.12.2012 is broken down as follows:

- EPS (420 thousand Euro);
- Caretek (42 thousand Euro);
- Fimecc OY (50 thousand Euro);
- Härmämedi OY (25 thousand Euro);
- other minor stakes (30 thousand Euro).

Stakes in EPS and Caretek are held by PRIMA ELECTRO SpA and are respectively worth 2.36% and 15.5%, while stakes in Fimecc OY and Härmämedi Oy are held by FINN POWER OY and respectively worth 2.4% and 8.33%.

NOTA 8.5 – NON-CURRENT FINANCIAL ASSETS

This entry on 31.12.2012 amounts to 84 thousand Euro and is broken down as follows:

- a financing issued by PRIMA ELECTRO SpA to Caretek for 47 thousand Euro;
- a convertible debenture loan entered bt PRIMA ELECTRO SpA and issued by subsidiary EPS for 37 thousand Euro; the loan is due to expire in 31.12.2016.

NOTE 8.6 – FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes are worth 6,449 thousand Euro, down by 122 thousand Euro compared to the previous year. These assets are largely generated by temporary differences on inventory, provisions to cover risks and charges and receivables.

TAX ASSETS FOR PREPAID TAXES	December 31, 2012	December 31, 2011
Inventories	2.260.025	2.955.174
Taxes reserves for risks and charges	1.872.973	2.028.781
Trade receivables	308.631	484.098
Tax losses carried forward	362.101	362.101
Non-current tangible/intangible assets/Financial leases	509.629	333.095
Employees benefits	339.161	278.073
Other	796.099	128.882
TOTAL	**6.448.619**	**6.570.203**

Prepaid taxes were accounted for in the financial statement only in those cases where it is plausible to expect their recovery. With reference to their recoverability, we wish to point out that the main companies that entered these items have a history of generating taxable income and expect to continue to do so in the years to come. The measured recovery of prepaid taxes takes account of forecasted profits in future years and is also supported by the fact that the prepaid taxes primarily refer to asset-adjusting funds and to provisions for risks and charges, which are indefinite. Prepaid taxes on fiscal losses carried forward are reported in the measure to which it is likely that a future taxable income will be available, in view of which they can be recovered.

In light of the above, there are no intervening elements such to modify the previous evaluations concerning prepaid tax recoverability.

NOTE 8.7 - INVENTORY

The table below shows the breakdown of inventory on 31.12.2012 and 31.12.2011.

Inventories	December 31, 2012	December 31, 2011
Raw materials	24.859.168	25.131.373
Unfinished goods	12.864.798	25.843.256
Finished products	49.128.450	39.474.988
(Inventories devaluation fund)	(5.768.648)	(6.200.012)
TOTAL	**81.083.768**	**84.249.605**

Inventory on 31.12.2012 is worth 81,084 thousand Euro, net of warehouse depreciation funds for 5,769 thousand Euro. The net value of inventory on 31.12.2012 is down by 3,166 thousand Euro compared to 31.12.2011. This decrease reflects the Group's improvements in managing working capital.

NOTE 8.8 – RECEIVABLES

Receivables on 31.12.2012 are worth 70,702 thousand Euro, down by 17,580 thousand compared to the previous year.

Trade Receivables	December 31, 2012	December 31, 2011
Receivables from clients	74.827.697	91.364.305
Receivables write-down fund	(4.125.275)	(4.279.005)
Net receivables from clients	***70.702.422***	***87.085.300***
Receivables form associates	-	***1.197.512***
TOTAL	**70.702.422**	**88.282.812**

The drop in receivables from 31.12.2011 to 31.12.2012 along with growing turnover points to the good result obtained by the Group in 2012 in managing its working capital.

The credit impairment fund over 2012 performed as shown below.

Values expressed in Euro thousand	December 31, 2011	Allocation	Utilization	Exchange result	December 31, 2012
Receivables write-down fund	(4.279)	(827)	987	(6)	(4.125)

The fund reflects the Group losses estimated by management. The fund is used to cover losses (certain) deriving from the opening of bankruptcy proceedings.

What follows is a breakdown of receivables (gross of the credit impairment fund) according to their due-date.

Receivables by due date	Amount in Thousand Euro
Due of Expiry	46.614
Expiry 0 - 60 days	15.763
Expiry 61 - 90 days	1.937
Expiry 91 - 120 days	1.002
Expiry over 120 days	9.512
TOTAL	**74.828**

It is presumed that the book value of receivables is close to its *fair value*.

NOTE 8.9 - OTHER CREDITS

Other current credits on 31.12.2012 are worth 7,517 thousand Euro and are up compared to 31.12.2011 by 1,111 thousand Euro, broken down as shown in the table below.

Other Receivables	December 31, 2012	December 31, 2011
Accruals and deferred charges	2.887.901	3.219.657
Ministry Contribution to be received for R&D projects	2.482.773	1.548.295
Advances payments to suppliers	1.386.119	732.579
Other receivables	467.719	729.936
Advances to employees	292.220	175.747
TOTAL	**7.516.732**	**6.406.214**

A contribution to Research & Development granted by the Ministry of Economic Development to conduct a technological modernization program for 1.1 million Euro is entered among Miscellaneous Credits.

The other non-current credits are worth 25 thousand Euro.

NOTE 8.10 - OTHER FISCAL ASSETS

Fiscal assets are worth 3,849 thousand Euro against the 5,592 thousand Euro in the previous year. Fiscal assets include VAT receivables (2,956 thousand Euro), direct tax deposits paid to the State Treasury (752 thousand Euro), the credit entered by the U.S. and German subsidiaries on losses accrued in the previous year (105 thousand Euro) and other minor tax-related credits (27 thousand Euro).

With reference to the credit on fiscal losses accrued in the United States and Germany, we care to point out that both U.S. and German fiscal law allow companies that generate a loss over in the given business year to file for a (total or partial) refund of taxes paid in previous years (five business years is the requirement for U.S. legislation). The tax refund application does not require companies to secure tax receivables in future years, but only that they submit a formal application form to Inland Revenue. The item was therefore included in "Other fiscal assets".

NOTE 8.11 – NET FINANCIAL POSITION

On 31.12.2012, the Group's net financial position shows a negative balance (126,279 thousand Euro), 10,106 thousand Euro less than on 31.12.2011 (-136,385 thousand Euro). For a better understanding of how the net financial position has changed over the course of 2012, please see the financial report for the period.

As required by Consob Bulletin no. DEM/6064293 of 28.07.2006, the table below shows the net financial debt on 31.12.2012 and 31.12.2011, determined based on the criteria indicated by CESR (Committee of European Securities Regulators) Recommendation of 10.02.2005 "Recommendations for the uniform implementation of the European Commission's Regulation on Financial Statements", among other things also recalled by Consob.

Values expressed in thousand Euro

		December 31, 2012	December 31, 2011	Variations
A	CASH	24.459	25.179	(720)
B	OTHER CASH ON HAND	-	-	-
C	SECURITIES HELD FOR NEGOTIATION	-	-	-
D	**CASH ON HAND (A+B+C)**	**24.459**	**25.179**	**(720)**
E	**CURRENT FINANCIAL RECEIVABLES**	**4.740**	**529**	4.211
F	CURRENT BANK PAYABLES	15.981	14.004	1.977
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	39.574	35.896	3.678
H	OTHER CURRENT FINANCIAL PAYABLES	958	2.231	(1.273)
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**56.513**	**52.131**	**4.382**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**27.314**	**26.423**	**891**
K	NON-CURRENT BANK PAYABLES	96.471	107.200	(10.729)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	2.494	2.762	(268)
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**98.965**	**109.962**	**(10.997)**
O	**NET FINANCIAL INDEBTEDNESS (J+N)**	**126.279**	**136.385**	**(10.106)**

CASH AND CASH EQUIVALENTS

For more detailed information on the cash and cash equivalents, please refer to the Consolidated Financial Report.

CURRENT FINANCIAL CREDITS

Other Financial Credits amount to 4,740 thousand Euro and are structured as follows:

- credit from majority stakeholder WUHAN HUAGONG UNITY of the Chinese JV, SUP for an amount of 4,670 thousand Euro, due to the transfer of 20% of the stake held in said JV by PRIMA INDUSTRIE SpA. The credit was partly collected in the first months of 2013, with its remainder guaranteed by an *escrow account*.
- hedge contracts to cover currency rate risks (Currency Rate Swap) for a positive value of 70 thousand Euro.

BANK DEBTS

The bank debt is largely owed to the FINPOLAR Financing. This financing (worth a total 127,597 thousand Euro on 31.12.2012) can be broken down as follows:

- Installment A: medium/long-term financing of 24,403 thousand Euro (due in February 2015 in six-monthly installments with a constant capital share);
- Installment B: medium/long-term financing of 63,232 thousand Euro (due in February 2016 with "bullet" reimbursement plan at expiry);
- Installment C1: medium/long-term financing of 10,658 thousand Euro (due in February 2015 in six-monthly installments with a constant capital share);
- Installment C2: credit line for invoice advances (revolving), of which 8,370 thousand Euro used up as of December 31, 2012 (the total credit line is for 12,200 thousand Euro to cover Corporate working capital requirements);
- Installment D: credit line for cash of 19,833 thousand Euro (max. capital amount: 20 million Euro);
- on 31.12.2012, accrued and as yet unpaid interest is listed in the Financial statement for all installment items of the FINPOLAR Financing worth a total 1,101 thousand Euro.

The FINPOLAR Financing is for 88,325 thousand Euro and is due after 12 months.

Please note that over the course of 2012, the Company has regularly paid its debt with the pool of financing banks with regards to the FINPOLAR Financing. Furthermore, on 21.06.2012 the Company paid an obligatory advance reimbursement (*excess cash*) of 166 thousand Euro. On the date this financial statement is drafted, the installment due on 04.02.2013 and amounting to 7,468 thousand Euro (broken down as described below) has been regularly reimbursed:

- Capital share installment A and C1 for 5,123 thousand Euro;
- Interest installments A, B and D for 1,306 thousand Euro;
- Differential on hedge contract for 1,039 thousand Euro.

Covenants measured on the consolidated financial statement are all met on 31.12.2012.

Non-current bank debts also include other bank financings for 884 thousand Euro and the negative *fair value* of certain hedging instruments (IRS – Interest Rate Swap), which globally amount to 7,262 thousand Euro. The main contracts are those stipulated by PRIMA INDUSTRIE SpA partly to cover interest rate risk on the so-called FINPOLAR Financing. Tests performed on hedge contracts on 31.12.2012 point to the fact that they are substantially effective and as such, the Company having also complied with the other requisites established by IAS 39, have been entered according to *hedge accounting* principles. The financial instruments that, given their characteristics, are not tested for effectiveness have been accounted for by attributing their variations of *fair value* in the Profit & Loss.
For further details on *covenants* and contractual clauses, please see the next paragraph "FINANCIAL INDICATORS ("COVENANTS") AND OTHER CONTRACTUAL CLAUSES”.

The current bank debt (considering also the current portion of the non-current debt) includes the FINPOLAR Financing for 39,272 thousand Euro, *bank overdrafts* for 14,120 thousand Euro and other bank financings for 2,163 thousand Euro.

OTHER FINANCIAL DEBTS

Other financial debts are worth a total 3,452 thousand Euro (of which 958 thousand are current). The other financial debts include:

- debts on financial leasing agreements for a total 2,745 thousand Euro (of which 489 thousand are current);
- other financial debts for 707 thousand Euro (of which 469 thousand are current); these debts chiefly refer to ministry granted financings with discounted rates.

FINANCIAL INDICATORS ("COVENANTS") AND OTHER CONTRACTUAL CLAUSES

The FINPOLAR Financing agreement calls for the Company to comply with a series of economic-financial parameters (*covenants*) for its entire term (until 2016) and with variable values in the different measuring periods.
At the same time the afore-mentioned agreement that modifies the FINPOLAR Financing signed on 29.07.2011, new fixed *covenants* have been defined that are in line with the industrial plan (spanning several years) of the Group reviewed by Bain&Co.
Below is a table that lists the *covenants* currently in force on 31.12.2012 and the following measuring periods.

EBITDA/Consolidated Net Financial costs ratio not less than:	*2,5x at December 31, 2012 and June 30, 2013* *3,0x at December 31, 2013 and June 30, 2014* *4,0x at December 31, 2014 and June 30, 2015* *4,5x at December 31, 2015*
Net Financial Borrowings/consolidated EBITDA ratio not more than :	*5,5x at December 31, 2012 and June 30, 2013* *4,1x at December 31, 2013 and June 30, 2014* *3,0x at December 31, 2014 and June 30, 2015* *2,75x at December 31, 2015*
Net Financial Borrowings/Consolidated Shareholders's Equity ratio not more than:	*1,8x at December 31, 2012 and June 30, 2013* *1,6x December 31, 2013 and June 30, 2014* *1,4x at December 31 2014 and June 30, 2015* *1,2x at December 31, 2015*

The FINPOLAR Financing, moreover, involves a series of other engagements entered by PRIMA INDUSTRIE and that can only be waivered with the express approval of financing banks, such as:

- the right of PRIMA INDUSTRIE to submit and the right of the agent bank to access, the financial and accounting documentation, as well as all documents concerning possible disputes involving the Parent and other Group companies;
- the requirement to provide due information on the circumstances that may lead to the occurrence of a decisive event, as well as to a call of the Shareholders' Assembly;
- the requirement to finalize and maintain the guarantees required of the FINPOLAR Financing agreement and the veto to issue guarantees in favor of other third beneficiaries that are not financing banks;
- the requirement not to operate outside the scope of its *core business*, if not within well-defined limits, and not to dismiss assets and stakes of any kind whose value is higher than an established amount and without prejudice to the option of transferring specific stakes and assets that are instrumental to the conduction of its *core business;*
- the requirement not to exceed certain financial debt limits agreed to in the FINPOLAR Financing agreement;
- the requirement not to grant financings or issue guarantees to third companies that are not Group members, except when the latter are part of its normal business;
- the requirement not to change its scope of business and articles of association, not to carry out transactions regarding its share capital (including the establishment of capital assets or the assumption of financings intended for a specific business affair and without prejudice to certain exceptions that do not infringe the rights of financing banks), not to modify the accounting standards and the closing date of the business year;
- the requirement to comply with provisions of law or regulations, or to file for permits and authorizations applicable to PRIMA INDUSTRIE and to Group companies, also with reference to the environmental and fiscal legislation;
- the requirement to aptly protect its intellectual property rights and to sign suitable insurance policies on assets and activities of PRIMA INDUSTRIE and companies of the Group;

- the requirement to subordinate credits claimed by shareholders to strict compliance with payments deriving from the FINPOLAR Financing agreement and to ensure that the latter are deferred to any other obligation taken by the Company with its unsecured creditors.

As pertains to the FINPOLAR Financing agreement, the following are considered as just cause for express termination:

- failure to comply with *covenants,*
- failure to fulfill the main obligations and engagements entered as part of the FINPOLAR Financing agreement;
- the occurrence of any circumstance that is substantially worse than the overview resulting from the documentation delivered to the financing banks;
- the existence of disputes that may have a substantially compromising effect;
- the existence of settlements with creditors or insolvency proceedings pending on the Parent or other Group companies;
- failure to pay financial debts of the Parent or companies of the Group, should their amount be more than 500 thousand Euro.

The interest rates currently applicable are:

- Installment A: Euribor 6 months plus a spread of 205 *basis points*.
- Installment B: Euribor 6 months plus a spread of 230 *basis points*.
- Installment C: Euribor 6 months plus a spread of 215 *basis points* (sub-installment C1); Euribor *pro-tempore* plus a spread of 215 *basis points* (sub-installment C2).
- Installment D: Euribor *pro-tempore* (depending on actual drafts), plus a spread of 195 *basis points*

TRANSACTIONS INVOLVING DEBTS WITH BANKS AND FINANCINGS

Debts with banks and financings of the PRIMA INDUSTRIE Group on 31.12.2012 (not inclusive of *fair value* of hedge contracts) are worth 148,216 thousand Euro and have been part of transactions over 2012 as shown in the table below.

PAYABLES TO BANKS AND LOANS	*Euro/000*
Payables to banks and loans - current portion (December 31, 2011)	52.031
Payables to banks and loans - non-current portion (December 31, 2011)	102.351
TOTAL PAYABLES TO BANKS AND LOANS AS OF DECEMBER 31, 2011	**154.382**
Variation in the area of consolidation	-
Stipulation of loans and borrowings *(including bank overdrafts)*	7.866
Repayment of loans and borrowings *(including bank overdrafts)*	(14.101)
Loans/(repayments) of financial leases	81
Exchange rate effet	(12)
TOTAL PAYABLES TO BANKS AND LOANS AS OF DECEMBER 31, 2012	**148.216**
of which:	
Payables to banks and loans- current portion (December 31, 2012)	56.513
Payables to banks and loans non-current portion (December 31, 2012)	91.703
TOTAL PAYABLES TO BANKS AND LOANS AS OF DECEMBER 31, 2012	**148.216**

DISTRIBUTION OF FINANCIAL DEBTS DUE TO EXPIRY AND INTEREST RATE

Hereinafter is a breakdown of the financial debts w/banks and other financers (including leasing debts, factoring and bank debts on hedge contracts, for the sole purpose of providing an overview that agrees with the figures listed in the financial statement) that are past-due and their interest rate.

Current financial debts

Values expressed in Euro thousand	Effective interest rate	Due	December 31, 2012
Current Bank payables			
Bank overdrafts	N/A	Sight	14.120
MPS	Libor 3m + 1,5%	Sight	1.857
Interest owed	N/A	N/A	4
TOTAL			**15.981**
Current portion of non-current indebtedness			
FINPOLAR - Quota A (Bank pool)	Euribor 6m + 2,05%	04/02/15	6.921
FINPOLAR - Quota B (Bank pool)	Euribor 6m + 2,30%	04/02/16	(240)
FINPOLAR - Quota C1 (Bank pool)	Euribor 6m + 2,15%	04/02/15	3.133
FINPOLAR - Quota C2 (Bank pool)	Euribor provisional + 2,15%	12/11/14	8.411
FINPOLAR - Quota D (Bank pool)	Euribor provisional + 1,95%	31/01/16	19.946
FINPOLAR - Interest owed	N/A	N/A	1.101
Unicredit	Euribor 6m + 1%	30/06/16	181
MPS	Euribor 3m + 1,5%	01/01/21	43
Banca Itau	1,35%	04/12/14	60
Banco do Brasil	1,509%	20/12/15	18
TOTAL			**39.574**
Other current financial payables			
Ministry of Economic Development	3,275%	10/03/13	96
Ministry of Economic Development	1,175%	08/06/14	37
MCC	0,73%	30/04/15	116
MCC	0,88%	31/10/13	98
Nordea	5,950%	31/08/16	9
ECO	2,3%	26/04/13	18
Chicopee Electric Light	NA	31/01/14	10
Interest owed	N/A	N/A	85
Leasing			489
TOTAL			**958**

Non-current financial debts

Values expressed in Euro thousand	Effective interest rate	Due	December 31, 2012
Non-current bank payables			
FINPOLAR - Tranche A (Bank Pool)	Euribor 6m + 2,05%	04/02/15	17.482
FINPOLAR - Tranche B (Bank Pool)	Euribor 6m + 2,30%	04/02/16	63.472
FINPOLAR - Tranche C1 (Bank Pool)	Euribor 6m + 2,15%	04/02/15	7.525
FINPOLAR - Tranche C2 (Bank Pool)	Euribor pro-tempore + 2,15%	12/11/14	(41)
FINPOLAR - Tranche D (Bank Pool)	Euribor pro-tempore + 1,95%	31/01/16	(113)
Derivative - IRS Unicredit	N/A	04/02/16	3.019
Derivative - IRS Sanpaolo-IMI	N/A	04/02/16	3.019
Derivative - IRS Unicredit	N/A	07/05/17	1.224
Unicredit	Euribor 6m + 1%	30/06/16	500
MPS	Euribor 3m + 1,5%	01/01/21	324
Banca Itau	1,35%	04/12/14	31
Banco do Brasil	1,509%	20/12/15	29
TOTAL			**96.471**

Other non-current financial payables	Effective interest rate	Due	December 31, 2012
Ministry of Economic Development	1,175%	08/06/14	38
MCC	0,73%	30/04/15	174
Nordea	5,950%	31/08/16	26
Leasing			2.256
TOTAL			**2.494**

Below is the temporal distribution of paid financial debts.

Values expressed in Euro thousand	2013	2014	2015	2016	2017 onwards	Total
CURRENT BANK PAYABLES (*)	15.981	-	-	-	-	15.981
CURRENT PORTIONS OF NON-CURRENT PAYABLES	39.574	-	-	-	-	39.574
OTHER CURRENT FINANCIAL PAYABLES (*)	958	-	-	-	-	958
NON-CURRENT BANK PAYABLES	-	9.967	14.875	64.173	194	89.209
OTHER NON-CURRENT FINANCIAL PAYABLES	-	563	358	219	1.354	2.494
TOTAL	56.513	10.530	15.233	64.392	1.548	148.216

(*)excluding the value of derivatives

Please note that, of the total amount of 56,513 thousand Euro due in business year 2013:

- 14.120 thousand Euro refer to *bank overdrafts* and
- 28,357 thousand Euro refer to installment D (19,946 thousand Euro) and to installment C2 (8,411 thousand Euro), which are *revolving* credit lines and are as such considered short-term, but not available respectively until 31.01.2016 and 12.11.2014.

HEDGING INSTRUMENTS

On 31.12.2012, the Group holds hedging instruments for a negative net total of 7,193 thousand Euro.

Notional values are indicated in the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/2012
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	€ 24.620.536	-€ 3.018.872
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	€ 24.620.536	-€ 3.018.872
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	€ 10.000.000	-€ 1.224.452
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	04/01/13	$430.966	€ 4.370
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	15/01/13	$932.190	€ 22.599
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	18/01/13	$292.497	€ 2.943
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	31/01/13	$174.714	€ 4.144
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	15/02/13	$199.349	€ 1.245
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	15/02/13	$469.507	€ 8.665
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	15/03/13	$583.747	€ 12.369
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	28/02/13	$485.040	€ 9.040
CRS - Non hedge accounting	Finn-Power OY	Nordea Bank	08/02/13	$266.544	€ 4.281
				TOTAL	-€ 7.192.540

NOTE 8.12 – NON-CURRENT ASSETS FOR DISMISSAL

On 31.12.2012, the value of non-current assets reserved for dismissal is 4,130 thousand Euro.

Non-current assets intended for disinvestment	SUP Investments	SNK Investments	Real Property Rivalta sul Mincio	Real Property Asola	TOTAL
Value at December 31st , 2011	**-**	**-**	**805.000**	**207.201**	**1.012.201**
Reclassification of investments valued with Net Equity	9.143.619	83.500	-	-	9.227.119
Currency adjustment	(96.154)	-	-	-	(96.154)
Disinvestments	(4.757.952)	-	-	(175.002)	(4.932.954)
Adjustment to *fair value*	(786.161)	-	-	-	(786.161)
Impairment	-	-	(262.000)	(32.199)	(294.199)
Value at December 31st, 2012	**3.503.352**	**83.500**	**543.000**	**-**	**4.129.852**

The stake in JV SUP held by PRIMA INDUSTRIE SpA amounts to 3,503 thousand Euro. As previously mentioned, during the last quarter of 2012, PRIMA INDUSTRIE SpA has transferred to the majority stakeholder WUHAN HUAGONG UNITY a 20% share of its stake in the JV; contextually with the agreement, the Company has also signed another agreement that will bring the Chinese stakeholder to purchase an additional 10% by 30.06.2013 (for more details, see Note 8.3).

In the last quarter of 2012, PRIMA INDUSTRIE SpA has notified its intention not to renew the agreement with joint-venture SNK, as a result of which the company will be liquidated.

Considering that the book value of the stake in SNK will not be recovered through its continued use, the *asset* was reclassified among "Non-current assets reserved for dismissal".
Certain real estate units owned by FINN-POWER Italia Srl in the Mantova district have been classified in this entry of the financial statement; a part of these properties refer to apartments in Asola (MN), which in the course of 2012 (after a partial reduction of their value) have been sold and part of which (543 thousand Euro) refer to certain real estate units under construction in Rivalta sul Mincio (MN); the real estate units under construction too have been depreciated in 2012 to adjust them to their *fair value*.

NOTE 8.13 – NET EQUITY

SHARE CAPITAL

Share Capital amounts to 21,606,552.50 Euro (distributed in 8,642,621 ordinary shares with a nominal value of Euro 2.50 each), up by 4,812.50 compared to 31.12.2011. This increase is due to certain shareholders having converted "PRIMA INDUSTRIE 2009-2013" *warrants*. Over the course of 2012, 1,925 *warrants* (which correspond to an equal number of shares) have been converted.
Credits from shareholders for unpaid contributions refer to a credit for the subscription of 210 shares deriving from the exercise of an equal number of warrants; said subscription took place in December 2012 and the equivalent value of issued shares was collected in January 2013. As required by international accounting standards, this credit is detracted from Net Equity against share capital.
For further details regarding thereto, please see the Net Equity statement.

LEGAL RESERVE

The entry is worth 4,320 thousand Euro and has remained unchanged compared to 31.12.2011.

OTHER RESERVES

These reserves have a value of 53,218 thousand Euro and are down by 1,108 thousand Euro compared to 31.12.2011.

The entry includes:

Share premium reserve

The Share premium reserve is worth 46,463 thousand Euro and is up by 12 thousand Euro compared to 31.12.2011, due to the effect of the aforementioned *warrant* conversion.

Share Capital increase expenses

This reserve (-1,286 thousand Euro) has remained unvaried compared to the previous year.

Stock Option Reserve

This reserve (1,295 thousand Euro) has remained unvaried compared to the previous year. For more information on the *stock option* plan is use by the Company, please see the relative paragraph of the Report of the Board of Directors.

Hedge fair value adjustment reserve
This reserve include profits and losses entered directly under Net Equity and deriving from the adjustment to *fair value* of the Group's hedging instruments. This reserve on 31.12.2012 has a negative balance of 5,188 thousand Euro.
Other Reserves
This reserve amounting to 11,934 thousand Euro has decreased by 1,483 thousand Euro compared to 31.12.2011.

CONVERSION RESERVE
The Conversion reserve is -535 thousand Euro and has worsened compared to the previous year, when its balance was positive (1,331 thousand Euro).

PROFITS CARRIED FORWARD
This entry shows a positive balance of 25 thousand Euro (-3,391 thousand Euro on 31.12.2011) and is affected by results in previous years of consolidated businesses, the variation by area of consolidation and the capital gains/losses generated by the effect of purchased and sold treasury shares. It likewise includes the sums relating to differences in the accounting methods that have emerged on the date of transition to IAS/IFRS, traceable to adjustments operated on balances of financial statements drafted in compliance with national accounting standards.

OPERATING PROFIT
The operating profit in the year is 5,307 thousand Euro (1,933 thousand on 31.12.2011).

RECONCILIATION OF OPERATING PROFIT AND NET EQUITY OF PARENT AND RESPECTIVE GROUP VALUES
Pursuant to Consob Bulletin of July 28, 2006, below is a statement reconciling the operating profit in 2012 and the Net Equity on 31.12.2012 of the Group with the respective entries of Parent PRIMA INDUSTRIE SpA.

Reconciliation between income and shareholders' equity of the parent company and related Group values *(values expressed in Euro thousand)*	Shareholders' Equity at 31/12/2012	Income at 31/12/2012	Shareholders' Equity at 31/12/2011	Income at 31/12/2011
PRIMA INDUSTRIE SpA separate Financial Statements	**79.462**	**1.892**	**77.192**	**(1.483)**
Accounting for shareholders' equity and income from subsidiaries	138.945	1.531	101.530	5.935
Accounting Goodwill including share allocated on Trade Mark and Customer List	33.108	(2.807)	35.664	(2.860)
Elimination of values of consolidated shareholdings in PRIMA INDUSTRIE SpA Financial Statements	(168.582)	5.344	(137.468)	-
Valuation of Joint Ventures	2.958	(3.205)	7.473	1.217
Elimination of infragroup income included in stock and fixed assets	(5.278)	343	(5.305)	(243)
Elimination of depreciation/revaluation of consolidated shareholdings	6.410	1.802	-	-
Tax effect on consolidation adjustments	(4.355)	618	(4.575)	1.518
Other consolidate entries	1.281	(211)	5.610	(2.151)
PRIMA INDUSTRIE Group Financial Statements	**83.949**	**5.307**	**80.121**	**1.933**

PROFIT (LOSS) ENTERED IN NET EQUITY
Profit/(Loss) entered directly in Net Equity include:
- Hedge *fair value* adjustment reserve: -5,188 thousand Euro;
- Conversion reserve: -525 thousand Euro;

NOTE 8.14 – EMPLOYEE BENEFITS
Employee benefits include:
- Severance (TFR) paid by Italian companies to employees;

- a loyalty bonus paid by the Parent and by PRIMA ELECTRO to its employees;
- a pension fund paid by PRIMA POWER GMBH and by PRIMA POWER FRANCE Sarl to its employees.

It should be specified that, until 31.12.2006, Severance Pay (TFR) of Italian companies was considered a plan of fixed benefits. The legislation on Severance was modified by Law of 27.12.2006, no. 296 ("Financial Law 2007") and the subsequent Decrees and Regulations issued in the first months of 2007. In light of those amendments, and with reference in particular to companies with at least 50 employees, it is now considered a plan of definite benefits only for shares accrued before January 1, 2007 (and resulting as yet unpaid on the closing date of the financial statement), while after that date, it can be assimilated to a fixed contributions plan.
In agreement with the requirements of IAS 19, the PRIMA INDUSTRIE Group will apply the transition rules retrospectively, starting from 01.01.13. Said application will entail an adjustment of the opening values of the Assets & Liabilities Statement on 01.01.2012, as well as of the economic values for year 2012, as though the amendment to IAS 19 had always been applied. If the Group had applied the new version of IAS 19 starting from 01.01.2011, its liabilities for employee benefits would have been higher in 2011 by approximately 236 thousand Euro and by 552 thousand Euro in 2012; consequently, the Net Equity would have been less by 236 thousand Euro in 2011 and by 552 thousand Euro in 2012.

The loyalty bonus, instead, is accrued when the employee attains to seniority status.
Below is a comparison of the subject entries.

EMPLOYEE BENEFITS	31/12/12	31/12/11
Severance indemnity fund	5.677.403	5.706.828
Fidelity premium	1.399.821	1.086.024
TOTAL	**7.077.224**	**6.792.852**

Hereinafter is a table listing transactions related to Severance Pay.

EMPLOYEE SEVERANCE	2012	2011
Thousand Euro		
Severance fund at the beginning of the year	**5.707**	**5.822**
Severance indemnity paid out during the period	(272)	(371)
Other movements	5	-
Financial expenses	237	256
Severance fund at the end of the year	**5.677**	**5.707**

The chief actuarial assumptions applied in estimating the final liabilities for employee benefits are the following:

ACTUARIAL HYPOTHESES	31/12/12	31/12/11
Annual discount rate	3,25%	4,0%
Annual inflation rate	2,0%	2,0%
Annual Severance fund increase rate	3,0%	3,0%

- the probability of death, as determined by the State's General Region named RG48, distinguishing by gender;

- the date of retirement equaling the first pensionable requisites for the General Obligatory Insurance;
- the probability of the employee leaving the Company for a reason other than death, with a frequency of 5%, depending on the Company.

NOTE 8.15 – FISCAL LIABILITIES FOR DEFERRED TAXES

Fiscal liabilities for deferred taxes are worth 9,297 thousand Euro, down by 441 thousand Euro compared to the previous year. Please note that this entry also includes fiscal liabilities for deferred taxes on trademark, customer relations and on the real estate in Cologna Veneta, deriving from the Corporate merger of the FINN-POWER Group amounting to 6,588 thousand Euro.

NOTE 8.16 – PROVISIONS FOR RISKS AND CHARGES

Hereinafter is a table listing provisions made for risks and charges in year 2012.

Medium/long-term provisions for risks	Cust. Agent. Ind. Provision	Other provisions	TOTAL
December 31st, 2011	**124.009**	**-**	**124.009**
Allocations	9.394	-	9.394
Utilizations in the period	-	-	-
December 31st, 2012	**133.403**	**-**	**133.403**

Short-term provisions for risks	Guarantee fund	Other provisions	TOTAL
December 31st, 2011	**7.519.116**	**2.503.670**	**10.022.786**
Allocations	3.290.949	1.025.229	4.316.178
Utilizations in the period	(1.207.725)	(1.291.098)	(2.498.823)
Reclassification	-	(374.024)	(374.024)
Exchange rate differences	(28.458)	(7.710)	(36.168)
December 31st, 2012	**9.573.883**	**1.856.066**	**11.429.949**

Current risks funds for the most part refer to product warranties. Warranties refer to provisions for technical warranty service on products of the Group and are considered sufficient in relation to warranty costs that will be sustained in the future. Warranties are worth 9,574 thousand Euro. Other provisions refer to legal proceedings and grievances; these provisions represent the management's best estimate of the liabilities that need to be accounted for with reference to legal proceedings filed over the course of ordinary Corporate business with retailers, customers, suppliers or public authorities, and also lawsuit to settle disputes with former employees.

NOTE 8.17 – PAYABLES, DEPOSITS AND OTHER DEBTS

The value of these debts has decreased by 22,631 thousand Euro compared to 31.12.2011. Please consider that Customer deposits include both deposits on orders for undelivered machines and on those generated by the application of accounting standard IAS 18 for delivered machines, but that are still subject to the customer's final acceptance and cannot therefore be entered as income. The entry "Other debts" include social insurance and security contributions, debts with employees, accrued liabilities and deferred income and other minor debts.

For further details, please see the table shown below.

TRADE AND OTHER PAYABLES	December 31st, 2012	December 31st, 2011
Trade payables	72.403.779	79.797.117
Advances	16.991.891	32.355.143
Other payables	17.665.682	17.539.790
TOTAL	**107.061.351**	**129.692.050**

NOTE 8.18 – FISCAL LIABILITIES FOR CURRENT TAXES

Fiscal liabilities for current taxes on 31.12.2012 are worth 4,910 thousand Euro, down by 1,495 thousand Euro compared to 31.12.2011.
The liabilities are distributed as follows:

- debts for taxes on income amounting to 2,409 thousand Euro;
- VAT payables for 1,195 thousand Euro;
- debts for IRPEF withholding taxes (1,218 thousand Euro) and other minor debts (88 thousand Euro).

NOTE 8.19 – NET INCOME FROM SALES AND SERVICES

Income from sales and services are commented in detail in Chapter 3 of this report "Report of the Board of Directors" under paragraph "Income and Profitability".

NOTE 8.20 – OTHER OPERATING INCOME

Other operating income amounts to 5,205 thousand Euro and largely refers to contributions to Research & Development received from public entities or as part of cooperation with other industrial companies.

NOTE 8.21 – INCREASE FOR INTERNAL PRODUCTION

Increase for internal production on 31.12.2012 amounts to 6,575 thousand Euro and largely refers to the capitalization of R&D on new projects (6,167 thousand Euro), whose technical feasibility and likelihood of generating future economic benefits has been verified by the Board. The capitalized R&D activities are conducted by the Parent, by FINN-POWER OY, by FINN-POWER ITALIA, by PRIMA POWER LASERDYNE, by PRIMA ELECTRO SpA and by PRIMA ELECTRO NORTH AMERICA.

NOTE 8.22 – PERSONNEL COST

Personnel costs on 31.12.2012 are worth 89,387 thousand Euro and are up by 7,767 thousand compared to the corresponding period of the previous year. This increase is owed to a higher headcount required to satisfy growing operating needs of the Group, due to the launch of new marketing campaigns and new manufacturing lines.

NOTE 8.23 – AMORTIZATION-IMPAIRMENT

Amortization on 31.12.2012 amounts to 11,091 thousand Euro. Below is a table showing the breakdown of amortization in tangible and intangible assets and their comparison with the previous year.

DEPRECIATION	December 31st, 2012	December 31st, 2011
Depreciation of tangible fixed assets	2.743.708	2.867.308
Depreciation of intangible fixed assets	8.347.435	6.995.742
TOTAL	**11.091.143**	**9.863.050**

It should be pointed out that amortization of trademarks and customer relations ("*customer list*") are globally worth 2,807 thousand Euro, while R&D costs amount to 4,413 thousand Euro.

Over the course of 2012, the Group reported a loss of value of 294 thousand Euro on certain real estate assets classified among "Non-current assets for dismissal".

NOTE 8.24 – OTHER OPERATING COSTS

Other operating costs in 2012 amount to 80,959 thousand Euro, as opposed to the 72,707 thousand on 31.12.2011.
This entry has increased by 8,251 thousand Euro compared to the previous year.
The increase in costs is due to the growth in sales.

Several types of operating costs are channeled in this entry; key items include:

- outsourced production for 16,200 thousand Euro;
- business trips for 12,906 thousand Euro;
- transport and delivery expenses for 9,189 thousand Euro;
- lease/rentals and other costs to enjoy third party assets for 6,679 thousand Euro;
- procurement for 5,177 thousand Euro;
- consulting (executive, administrative, fiscal, commercial and technical) for 3,179 thousand Euro;
- trade fairs and advertising for 2,660 thousand Euro.

NOTE 8.25 – FINANCIAL INCOME AND CHARGES

Financial management in year 2012 shows a negative balance of 8,934 thousand Euro.

FINANCIAL MANAGEMENT	December 31st, 2012	December 31st, 2011
Financial income	225.395	146.761
Financial costs	(8.629.941)	(9.546.302)
Net result deriving from transactions in foreing currency	(529.606)	229.098
TOTAL	**(8.934.152)**	**(9.170.443)**

Financial charges relating to the FINPOLAR Financing incurred by PRIMA INDUSTRIE amount to 4,366 thousand Euro, while financial charges on hedge contracts stipulated by the Group amount to 2,237 thousand Euro.

NOTE 8.26 – NET PROFIT FROM NOT FULLY CONSOLIDATED STAKES

This entry on 31.12.2012 shows a positive balance of 359 thousand Euro, of which 803 thousand Euro refer to the Net Profit deriving from joint-ventures and -444 thousand to the depreciation of Group stakes over the course of the last quarter.
The Net profit contributed by joint-ventures is deeply affected by the agreement signed by PRIMA INDUSTRIE SpA to transfer 20% of its stake in the Chinese JV, SUP and the dissolution of JV SNK (for more details, see Note 8.3).

The amount accounted for in Profit & Loss refers to the following effects:

- inclusion of part of the profit of JV SUP belonging to the Group as per the most recent evaluation made with the net equity method (positive balance of 106 thousand Euro);
- adjustment of the stake in JV SUP to its *fair value* (negative balance of 786 thousand Euro);
- reclassification in Profit & Loss of conversion reserve (positive balance of 1,484 thousand Euro);
- inclusion of part of the profit of JV SNK belonging to the Group as per the most recent evaluation made with the net equity method (negative balance of 1 thousand Euro).
-

Depreciation deducted from stakes by the Group over the course of the last quarter refer to:

- 363 thousand Euro from its stake in EPS (held by PRIMA ELECTRO SpA);
- 52 thousand Euro from its stake in SINTESI (held by PRIMA INDUSTRIE SpA);
- 29 thousand Euro from its stake in CARETEK (held by PRIMA ELECTRO SpA).

For more information on the above-mentioned transactions, please see respectively Note 8.3 and Note 8.4. Please note that the entry on 31.12.2011 was worth 1,217 thousand Euro and included the Net Profit deriving from the evaluation with the net equity method of the joint-ventures belonging to the Group.

NOTE 8.27 – CURRENT AND DEFERRED TAXES

Taxes on income in 2012 show a negative net balance of 3,739 thousand Euro (of which IRAP amounting to 1,493 thousand Euro). The Group's higher fiscal load is largely attributable to the higher taxable income of some of its Companies.

Values expressed in Euro Thousand

INCOME TAX	2012	2011
Current income tax (excluding regional trade tax IRAP)	(2.212)	(3.860)
IRAP (Regional Trade tax)	(1.493)	(1.322)
Taxes relating to previous years	(69)	(4)
Tax Credit	-	71
Deferred tax	369	2.504
Other taxes	(334)	-
TOTAL	**(3.739)**	**(2.611)**

Please note that taxes due to disputes with the financial Administration for 217 thousand Euro are classified among Other taxes.

The reconciliation between the fiscal expense entered in the Consolidated Financial statement and the theoretical fiscal expense, determined based on the theoretical fiscal rates applicable in Italy, is as follows:

Values expressed in Euro Thousand

CURRENT INCOME TAX	2012	2011
Current tax on theoretical income (excludig regional trade tax IRAP)	(2.574)	(2.761)
Permanent changes	1.204	(460)
Temporary changes	167	(824)
Utilization/Surplus losses	(1.010)	220
Other	1	(35)
CURRENT INCOME TAX	**(2.212)**	**(3.860)**

NOTE 8.28 – PROFIT PER SHARE

(a) Basic profit per share

The basic profit per share is calculated by dividing the profit attributable to Parent shareholders by the average number of shares in circulation in the period, excluding ordinary shares purchased by the Parent, held as treasury shares in its portfolio.

Over the course of 2012, the average number of shares in circulation was 8,641,676; therefore, the profit per share in 2012 amounts to 0.61 Euro per share (as opposed to the 0.22 Euro per share in 2011).

BASIC PROFIT PER SHARE	December 31st, 2012	December 31st, 2011
Profit due to shareholders (Euro/000)	5.307	1.933
Weighted average - number of ordinary shares	8.641.676	8.640.498
Basic profit per share (Euro)	0,61	0,22

(b) Diluted profit per share

The diluted profit per share is calculated by dividing the profit attributable to Parent shareholders by the weighted average of shares in circulation, adjusted to take account of the effects of all ordinary shares having a potentially diluting effect.

DILUTED RESULT PER SHARE	December 31st, 2012	December 31st, 2011
Profit due to shareholders (Euro/000)	5.307	1.933
Weighted average number of ordinary shares	8.641.676	8.640.498
Corrected average number of ordenary shares	10.981.055	10.981.802
Diluted result per share (Euro)	0,48	0,18

Ordinary shares considered as potentially diluting are those tied to the *stock option* plan and to *warrants* that will be exercisable by December 16, 2013.

With regards to the *stock option* plan, please see the paragraph in this report that specifically discusses the plan.

NOTE 8.29 – LENT GUARANTEES, OBLIGATIONS AND OTHER POTENTIAL LIABILITIES

Hereinafter is a table that shows the situation on 31.12.2012 for the guarantees lent and obligations undertaken by the Group.

Values expressed in Euro thousand	December 31st, 2012	December 31, 2011
Guarantees granted	25.786	21.812
Commitments to leasing companies	1.271	1.432
Other commitments and significant contracts rights	13.585	9.871
TOTAL	**40.642**	**33.115**

On 31.12.2012, the guarantees lent by the PRIMA INDUSTRIE Group amounted to 25,786 thousand Euro and refer to guarantees issued in favor of commercial counterparties and to bank sureties issued to credit institutes.
"Obligations with leasing companies" refer to repurchase agreements for sales made through financial intermediaries.
"Other obligations and relevant contractual rights" chiefly refer to real estate rentals, leases and business leases. The Board has no potential liabilities to report besides those already listed in the financial statement.

The PRIMA INDUSTRIE Group, besides probable liabilities for which the relative provisions have been made to cover risks, has no potential liabilities to report, as per their description in IAS 37.

NOTE 8.30 – INFORMATION ON ASSOCIATES

Transactions with associates have prevalently concerned relations with the strategic management and the Board of Auditors.

Below is a table that summarizes the capital and economic effects of transactions with associates.

OPERATIONS WITH ASSOCIATES	SHANGHAI UNITY PRIMA LASER MACHINERY	SNK - PRIMA COMPANY Ltd.	STRATEGIC MANAGEMENT	BOARD OF STATUTORY AUDITORS	TOTAL
RECEIVABLES AS OF 01/01/2012	1.192.982	4.530	-	-	**1.197.512**
RECEIVABLES AS OF 31/12/2012	-	-	-	-	-
PAYABLES AS OF 01/01/2012	-	-	363.074	105.000	**468.074**
PAYABLES AS OF 31/12/2012			487.474	105.000	**592.474**
REVENUES 01/01/2012 - 31/12/2012	888.551	-	-	-	**888.551**
COSTS 01/01/2012 - 31/12/2012	-	-	1.545.996	105.000	**1.650.996**
VARIATIONS IN RECEIVABLES					
01/01/2012 - 31/12/2012	(1.192.982)	(4.530)	-	-	**(1.197.512)**
VARIATIONS IN PAYABLES					
01/01/2012 - 31/12/2012	-	-	*124.400*	-	***124.400***

Please note that, since the stake in JV SUP is classified among Assets for Dismissal, the Income listed in the table refers to the first semester 2012 (most recent evaluation with the net equity method).

NOTE 8.31 – MANAGEMENT OF FINANCIAL RISKS

The Group's financial instruments that are meant to finance its business include bank financing, financial lease agreements and factoring, bank deposits (demand and short-term). There are also other financial instruments, such as receivables and payables generated by Corporate business.
The Group has also finalized transactions in hedge contracts, primarily “Interest Rate Swap – IRS” agreements. The purpose of these instruments is to manage interest rate risks generated by the Group's transactions and its financing sources.

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

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

The Group has adopted a specific policy in order to efficiently manage the risks mentioned, the aim being to protect its business and its ability to create value for Shareholders and all Stakeholders. What follows is a detail of the objectives and policies of the Group in managing the above listed risks.

Interest rate risk

The debt with the credit system and the capital market can be negotiated at a fixed or variable rate.

The variation of market interest rates generates the following risk categories:

- an increase of the market rates that exposes the Company to the risk of higher financial charges it must pay on the share of debt with variable rate;
- a decrease of the market rates that exposes the Company to the risk of excessive financial charges it must pay on the share of debt with fixed rate.

More specifically, the strategies applied by the Group to counter this risk are the following:

- Interest rate → Management/Hedging

The exposure to interest rate is structural, in as much as the net financial position generates net financial charges that are liable to a volatile interest rate, in accordance with the contractual conditions established with financial counterparties.

Consequently, the strategy identified is Management/Hedging and unfolds in:

- Continuous monitoring of Corporate exposure to interest rate risk;
- Hedging activity through hedge contracts.

Exchange rate risk

The debt with the banking system and the capital market, as well as with other creditors can be expressed in its own account currency (Euro), or in other currencies.

In such case, the financial charge of the debt in currency is subject to the interest rate risk not of the Euro market, but of the market of the chosen currency.

The approach and strategies to pursue with regards to risk factors are determined by a number of elements that concern both the characteristics of reference markets and their impact on profits in Corporate financial statements.

Four possible, distinct steering strategies can, in fact, be identified for the business management of individual risk factors:

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

More specifically, the strategies prevalently applied by the Group to counter this risk are the following:

tale rischio sono le seguenti:

- Exchange rate → Management/Hedging

Corporate exposure to the exchange rate risk deriving from financial factors is currently circumscribed, as the Company does not stipulate financing agreements in a foreign currency, except for certain financings in the United States of subsidiary PRIMA ELECTRO NORTH AMERICA, whose currency is the U.S. dollar.
With reference to commercial entries, instead, on a Group level, there is a certain degree of exposure to the exchange rate risk, in as much as purchase flows in U.S. dollars (basically the only foreign currency of the Group other than the Euro) of the Parent PRIMA INDUSTRIE SpA, of FINN-POWER OY and of PRIMA ELECTRO SpA are not sufficient to balance sale flows in U.S. dollars.

The Group, therefore, monitors business to reduce said exchange rate risk, also by resorting to hedging instruments.
With regards to other foreign currencies (i.e. not the U.S. dollar) that almost entirely concern certain subsidiaries that provide sales and after-sales services, the strategy to manage the risk is more of acceptance, both because they generally involve small amounts and because of the hard time finding adequate hedging instruments.

Credit risk

The Group only conducts business with known and reliable customers; furthermore, the credit balance is monitored over the course of the year, so that the amount of exposure to losses is not significant.
To this end, a Corporate credit management department has been recently launched in PRIMA INDUSTRIE.
Please note that part of the credits from customers are transferred through factoring transactions.
There are no significant concentrations of credit risk in the Group.
Financial assets are reported in the financial statement net of depreciation, calculated on the basis of the risk of the counterparty not coming through, determined by examining the available information on customer credit standing and, if need be, considering its case history.
In compliance with CONSOB Bulletin DEM/RM 11070007 of August 5, 2011, please be informed that the PRIMA INDUSTRIE Group does not hold any securities issued by central and local governments, nor by government agencies, neither has it paid loans to these institutions.

Liquidity risk

The liquidity risk is the risk that financial resources will not be sufficient to cover Corporate financial and commercial obligations according to agreed terms and by the agreed deadlines.
The liquidity risk to which the Group is liable may arise from delayed payments of its sales and, more in general, by trouble receiving financings in support of its business when they are needed.
Cash-flows, financing and liquidity requirements of Group companies are monitored or managed by headquarters under the control of the Group's treasury, with the objective of guaranteeing an effective and efficient management of financial resources.

The Group operates so as to finalize transactions to collect funds on different financial markets in several technical vestures, the aim being to guarantee the right level of liquidity, present and future. The strategic goal is to make sure that the Group at all times has enough financial means to face its payment deadlines in the following 12 months.

The current difficult context of markets, business and financial alike, demands special attention to the management of the liquidity risk, which the Group accordingly places on actions aiming at generating financial resources through the conduction of its business and at ensuring the right level of available liquidity.

The Group therefore sees that the requirements deriving from financial debts nearing their due-date and from investments are satisfied through cash-flows generated by its operating management, available liquidity, use of credit lines, renewal of bank loans and by resorting if need be to other unordinary forms of procurement.

The table that follows includes the supplementary information on financial instruments, pursuant to IFRS7, for the assets and liabilities on 31.12.2012 and based on the categories mentioned by IAS 39.

Fair value by category - IAS 39 - December 31st, 2012							
Values in Euro thousand	Significant values as per IAS 39						
Assets	Category IAS 39	Financial value 31.12.2012	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31.12.12
Cash and cash equivalents	NA	24.459	-	-	-	-	24.459
Assets owned to expiry	Held to Maturity	4.671	-	-	-	-	4.671
Assets at fair value reported in the income statement	Held for Trading	70	-	-	70	-	70
Assets valuated as per IAS 17	NA	2.792	-	-	-	2.792	2.792
TOTAL		31.992	-	-	70	2.792	31.992
Liabilities	Category IAS 39	Financial value 31.12.2012	Amortized cost	FV in Equity	FV in income statement	IAS 17	Fair Value 31.12.12
Liabilities at amortized cost	Amortised Cost	145.471	145.471	-	-	-	146.881
Liabilities at fair value in income statement	Held for Trading	1.224	-	-	(393)	-	-
Hedge Derivatives	NA	6.038	-	363	(1.941)	-	6.038
Liabilities valuated as per IAS 17	NA	2.745	-	-	-	2.745	2.745
TOTAL		155.478	145.471	363	(2.334)	2.745	155.664

Profit and losses by category - IAS 39 - December 31st, 2012			
Values in Euro thousand			
Assets	Category IAS 39	Net profit and loss	Interests
Cash and cash equivalents	NA	39	39
Assets held to expiry	Held to Maturity	-	-
Assets valuated as per IAS 17	NA	-	-
TOTAL		39	39
Liabilities	Category IAS 39	Financial value 31.12.2012	Amortized cost
Liabilities at amortized cost	Amortised Cost	(4.768)	(4.672)
Liabilities at fair value in income statement	Held for Trading	(393)	(493)
Hedge Derivatives	NA	(1.941)	(1.783)
Liabilities valuated as per IAS 17	NA	(201)	(201)
Other Financial payables - factoring	NA	(223)	(223)
TOTAL		(7.526)	(7.372)

Hierarchical levels in measuring fair value

With reference to financial instruments reported in the Assets and Liabilities at *fair value*, IFRS 7 requires those values to be classified based on a hierarchy of levels that reflects the importance of the inputs used in determining the *fair value*. The following levels can be distinguished:

- level 1 – quotations surveyed on an active market for the measured asset or liability;
- level 2 – inputs other than the quoted prices referred to in level 1, as observable directly (prices) or indirectly (drawn from prices) on the market;
- level 3 – inputs that are not based on the observable market figures.,

The following table shows the assets and liabilities measured at *fair value* on 31.12.2012, according to the hierarchical level of measurement of the *fair value*.

Values expressed in Euro thousand	Level 1	Level 2	Level3
Assets valuated at fair value	-	70	-
Other Assets	-	-	-
TOTAL ASSETS	**-**	***70***	**-**
Liabilities valuated at fair value	-	7.262	-
Other Liabilities	-	-	-
TOTAL LIABILITIES	**-**	***7.262***	**-**

NOTE 8.32 – NON-RECURRENT, SIGNIFICANT EVENTS AND TRANSACTIONS

The table below summarizes non-recurrent transactions that have had a positive impact on the Profit & Loss of a total 374 thousand Euro, of which 252 thousand on the Operating Profit and 122 thousand Euro on the financial entries.

Significant non-recurrent events and transactions	Other operating revenues	Personnel cost	Other operating costs	Impairment	Net result of investments not fully consolidated	Total
Ministry contribution	1.250	-	-	-	-	1.250
Actions of reorganization /Restructuring	-	(516)	(27)	-	-	(543)
Other minor events	-	-	(161)	-	-	(161)
EBITDA	**1.250**	**(516)**	**(188)**	**-**	**-**	**546**
Impairment of non-current assets held for disinvestment	-	-	-	(294)	-	(294)
EBIT	**1.250**	**(516)**	**(188)**	**(294)**	**-**	**252**
Economical effect on investments operations	-	-	-	-	122	122
NET RESULT BEFORE TAXES	**1.250**	**(516)**	**(188)**	**(294)**	**122**	**374**

NOTE 8.33 – TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL BUSINESS

Pursuant to Consob Bulletin of July 28, 2006, we wish to specify that in 2012, the Group has not conducted atypical and/or unusual business, as per its definition in the Bulletin itself, which states that atypical and/or unusual business are those transactions that given their importance/relevance, nature of the counterparties, transaction scope, method in determining the price of transfer and time-frame (close to closing date) may lead to doubts on: the accuracy/completeness of the information in the financial statement, conflicts of interest, protection of Corporate wealth and protection of minority shareholders.

FINAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31.12.2012

PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND ITS SUBSEQUENT AMENDMENTS AND INTEGRATIONS

1. The undersigned Gianfranco Carbonato (Managing Director) and Massimo Ratti (Manager responsible for drafting Corporate accounting documents) of PRIMA INDUSTRIE SpA certify that, taken account of what established by art. 154-bis, paragraphs 3 and 4, of Leg. Decree of February 24, 1998, no. 58:
   - that the Company's business is compliant with the given requirements and
   - that the administrative and accounting procedures have been effectively applied in drafting the consolidated financial statement over the course of 2012.

2. That no significant facts have emerged regarding thereto

3. Said signees furthermore certify that:

3.1 the consolidated financial statement:

a) is drafted in conformity with the applicable international accounting standards commonly used in the European Community, pursuant to (CE) Regulation no. 1606/2002 of the European Parliament and Council of July 19, 2002;
b) truthfully represents the figures in the accounting books and ledgers;
c) is suitable to provide a truthful and faithful representation of the capital, economic and financial position of the Corporation and of the group of companies included in the consolidation.

3.2 the report of the Board of Directors includes a reliable analysis of Corporate business trends and results, as well as of the position of the Corporation and of the group of companies included in the consolidation, along with the description of the chief risks and uncertainties to which they are exposed.

Date: 13.03.2013

Signature of the Managing Director

____

Signature of the Manager responsible for drafting Corporate accounting documents

____

CHAPTER 9.

FINANCIAL STATEMENTS OF PRIMA INDUSTRIE
AS OF DECEMBER 31st , 2012

ACCOUNTING TABLES

CHAPTER 9. FINANCIAL STATEMENTS OF PRIMA INDUSTRIE AS OF DECEMBER 31ST, 2012

EQUITY AND FINANCIAL SITUATION

Values in Euro	Note	31/12/2012	31/12/2011
Property, plant and equipment	11.1	6.628.274	6.606.181
Intangible assets	11.2	4.205.727	4.073.758
Investment properties	11.3	121.516.588	95.561.094
Investments in joint venture	11.4	-	1.487.760
Other investments	11.5	1.006	52.606
Financial assets - loan to the subsidiaries	11.6	58.559.461	87.636.197
Other financial assets	11.7	16.982.285	16.438.199
Deferred tax assets	11.8	2.024.598	1.758.865
NON CURRENT ASSETS		**209.917.939**	**213.614.660**
Inventories	11.9	18.282.509	19.233.275
Trade receivables	11.10	38.373.348	39.459.312
Other receivables	11.11	2.591.549	2.113.263
Current tax receivables	11.12	437.398	1.776.093
Other current financial assets	11.6	7.951.959	6.821.573
Cash and cash equivalents	11.13	719.308	2.471.994
CURRENT ASSETS		**68.356.071**	**71.875.510**
ASSETS HELD FOR SALE	11.22	**629.008**	**-**
TOTAL ASSETS		**278.903.018**	**285.490.170**
Capital stock	11.14	21.606.553	21.601.740
Legal reserve	11.14	4.320.069	4.320.069
Other capital reserves	11.14	53.215.932	54.326.181
Retained earnings	11.14	(1.572.844)	(1.572.844)
Net result	11.14	1.892.421	(1.482.668)
STOCKHOLDERS' EQUITY		**79.462.131**	**77.192.478**
Interest-bearing loans and borrowings	11.16	88.407.843	98.719.935
Employee benefit liabilities	11.17	3.424.882	3.145.465
Deferred tax liabilities	11.18	816.263	654.300
Provisions	11.19	6.477.568	4.672.898
Derivatives	11.15	6.037.744	6.242.344
NON CURRENT LIABILITIES		**105.164.300**	**113.434.942**
Trade payables	11.20	32.516.959	36.666.634
Advance payments	11.20	1.339.128	4.121.401
Other payables	11.20	7.620.659	9.040.503
Interest-bearing loans and borrowings	11.16	46.690.307	41.068.490
Current tax payables	11.21	2.068.743	1.155.958
Provisions	11.19	4.040.791	2.710.000
Derivatives	11.15	-	99.764
CURRENT LIABILITIES		**94.276.587**	**94.862.750**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**278.903.018**	**285.490.170**

INCOME STATEMENT

Values in Euro	*Note*	31/12/2012	31/12/2011
Net revenues	*11.23*	100.661.947	90.393.868
Other income	*11.24*	4.740.388	2.118.460
Change in inventories of finished goods and WIP		(3.892.489)	2.394.753
Increases in fixed assets for internal work	*11.25*	1.456.049	891.543
Use of raw materials, consumables, supplies and goods		(48.856.755)	(48.179.268)
Personnel cost	*11.26*	(20.750.217)	(18.866.452)
Depreciation	*11.27*	(1.730.721)	(1.596.658)
Other operating expenses	*11.28*	(26.811.481)	(24.371.041)
OPERATING PROFIT		**4.816.721**	**2.785.205**
Financial income	*11.29*	7.393.808	4.211.621
Financial expenses	*11.29*	(8.992.623)	(7.993.785)
Net exchange differences	*11.29*	52.194	150.437
RESULT BEFORE TAXES		**3.270.100**	**(846.522)**
Income taxes	*11.30*	(1.377.679)	(636.146)
NET RESULT		**1.892.421**	**(1.482.668)**

GENERAL INCOME STATEMENT

VALUES IN EURO	*Note*	31/12/2012	31/12/2011
NET RESULT (A)		**1.892.421**	**(1.482.668)**
Gain/(Losses) on cash flow hedges	*11.14*	362.654	91.524
TOTAL OTHER GAIN/(LOSSES) (B)		**362.654**	**91.524**
NET RESULT OVERALL PERIOD (A) + (B)		**2.255.075**	**(1.391.144)**

TABLE OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1st, 2011 to December 31st, 2011

VALUES IN EURO	01/01/2011	CAPITAL INCREASE	ALLLOCATION OF PRIOR YEARS PROFIT	DISTRIBUTION OF DIVIDENDS TO STOCKHOLDERS	OTHER MOVEMENTS	NET RESULT	31/12/2011
Capital stock	21.600.337	1.403	-	-	-	-	21.601.740
Additional paid-in capital	46.447.703	3.366	-	-	-	-	46.451.069
Legal reserve	2.733.635	-	1.586.434	-	-	-	4.320.069
Capital increase - expenses	(1.284.466)	(1.688)	-	-	-	-	(1.286.154)
Stock option reserve (*)	1.138.624	-	-	-	156.882	-	1.295.506
Change in the FV of hedging derivatives	(5.641.858)	-	-	-	-	91.524	(5.550.334)
Other reserves	11.565.999	-	1.850.095	-	-	-	13.416.094
Retained earnings	(1.572.844)	-	-	-	-	-	(1.572.844)
Net result	3.436.529	-	(3.436.529)	-	-	(1.482.668)	(1.482.668)
Stockholders' equity of the Group	**78.423.659**	**3.081**	**-**	**-**	**156.882**	**(1.391.144)**	**77.192.478**

from January 1st, 2012 to December 31st, 2012

VALUES IN EURO	01/01/2012	CAPITAL INCREASE	ALLOCATION OF PRIOR YEARS PROFIT	DISTRIBUTION OF DIVIDENDS TO STOCKHOLDERS	OTHER MOVEMENTS	NET RESULT	31/12/2012
Capital stock	21.601.740	4.813	-	-	-	-	21.606.553
Credits to shareholder's for payment still due	-	(1.785)	-	-	-	-	(1.785)
Additional paid-in capital	46.451.069	11.550	-	-	-	-	46.462.619
Legal reserve	4.320.069	-	-	-	-	-	4.320.069
Capital increase - expenses	(1.286.154)	-	-	-	-	-	(1.286.154)
Stock option reserve	1.295.506	-	-	-	-	-	1.295.506
Change in the FV of hedging derivatives	(5.550.334)	-	-	-	-	362.654	(5.187.680)
Other reserves	13.416.094	-	(1.482.668)	-	-	-	11.933.426
Retained earnings	(1.572.844)	-	-	-	-	-	(1.572.844)
Net result	(1.482.668)	-	1.482.668	-	-	1.892.421	1.892.421
Stockholders' equity of the Group	**77.192.478**	**14.578**	**-**	**-**	**-**	**2.255.075**	**79.462.131**

CASH FLOW STATEMENT

VALUES IN EURO	31/12/2012	31/12/2011
Net result	**1.892.421**	**(1.482.668)**
Adjustments (sub-total)	***(1.301.967)***	***4.888.012***
Depreciation and amortization	1.730.721	1.596.658
Net change in deferred tax assets and liabilities	(103.770)	2.448
Change in employee benefits	279.417	(59.125)
Change in inventories	950.766	(2.059.124)
Change in trade receivables	1.085.964	(6.843.889)
Change in trade payables	(6.931.948)	11.041.758
Net change in other receivables/payables and other assets/liabilities	1.686.883	1.209.286
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**590.454**	**3.405.344**
Cash flow from investments		
Acquisition of tangible fixed assets	(482.684)	(373.693)
Acquisition of intangible fixed assets	(200.974)	(94.506)
Capitalization of development costs	(1.203.556)	(762.781)
Net disposal of fixed assets and investment properties	2.431	188
Capital Increase FINN-POWER OY	(26.000.000)	-
Devaluation PRIMA POWER Gmbh	1.596.282	-
Establishment PRIMA POWER MAKINA TICARET LIMITED SIRTEKI	(99.860)	(99.860)
Capital Increase PRIMA POWER SOUTH AMERICA Ltda	(850)	(144.366)
Devaluation PRIMA POWER SOUTH AMERICA Ltda	350.862	-
Devaluation SNK-PRIMA	131.408	-
Devaluation other investments	51.600	-
Net disposal of SUP' sale	4.757.952	-
Gain on SUP' sale	(4.030.608)	-
Liquidation PRIMA FP SWEDEN	-	13.444
Change in investments for stock option	-	(51.848)
Change in financial receivables and other financial assets	27.402.264	(5.216.587)
Change in other investments	-	(774)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**2.274.267**	**(6.730.783)**
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	(304.364)	(115.923)
Increases in loans and borrowings (including bank overdrafts)	4.484.978	11.879.730
Repayment of loans and borrowings (including bank overdrafts)	(9.175.253)	(6.675.895)
Increases/(repayments) in financial lease liabilities	-	-
Capital increase	4.813	1.403
Other changes	372.419	250.084
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(4.617.407)**	**5.339.399**
Net change in cash and equivalents (D=A+B+C)	**(1.752.686)**	**2.013.960**
Cash and equivalents beginning of period (E)	**2.471.994**	**458.034**
Cash and equivalents end of period (F=D+E)	**719.308**	**2.471.994**

Additional information on the consolidated statement of cashflow	31/12/2012	31/12/2011
Values in Euro		
Income tax	(1.377.679)	(636.146)
Financial Income	7.393.808	4.211.621
Financial expenses	(8.992.623)	(7.993.785)

EQUITY AND FINANCIAL SITUATION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27TH, 2006

VALUES IN EURO	Notes	31/12/2012	*of which related parts*	31/12/2011	*of which related parts*
Property, plant and equipments	*11.1*	6.628.274	-	6.606.181	-
Intengible assets	*11.2*	4.205.727	-	4.073.758	-
Investment properties	*11.3*	121.516.588	*121.516.588*	95.561.094	*95.561.094*
Investment in joint venture	*11.4*	-	-	1.487.760	*1.487.760*
Other investments	*11.5*	1.006	-	52.606	-
Financial assets - loan to the subsidiaries	*11.6*	58.559.461	*58.559.461*	87.636.197	*87.636.197*
Other financial assets	*11.7*	16.982.285	*16.982.285*	16.438.199	*16.438.199*
Deferred tax assets	*11.8*	2.024.598	-	1.758.865	-
NON CURRENT ASSETS		**209.917.939**		**213.614.660**	
Inventories	*11.9*	18.282.509	-	19.233.275	-
Trade receivables	*11.10*	38.373.348	*17.101.772*	39.459.312	*18.219.595*
Other receivables	*11.11*	2.591.549	-	2.113.263	*179.402*
Current tax receivables	*11.12*	437.398	-	1.776.093	-
Other current financial assets	*11.6*	7.951.959	*3.280.824*	6.821.573	*6.292.937*
Cash and cash equivalents	*11.13*	719.308	-	2.471.994	-
CURRENT ASSETS		**68.356.071**		**71.875.510**	
ASSETS HELD FOR SALE	*11.22*	*629.008*	-	-	-
TOTAL ASSETS		**278.903.018**		**285.490.170**	
Capital stock	*11.14*	21.606.553	-	21.601.740	-
Legal reserve	*11.14*	4.320.069	-	4.320.069	-
Other capital reserves	*11.14*	53.215.932	-	54.326.181	-
Retained earnings	*11.14*	(1.572.844)	-	(1.572.844)	-
Net result	*11.14*	1.892.421	-	(1.482.668)	-
STOCKHOLDERS' EQUITY		**79.462.131**		**77.192.478**	
Interest-bearing loand and borrowings	*11.16*	88.407.843	-	98.719.935	-
Employee benefit liabilities	*11.17*	3.424.882	-	3.145.465	-
Deferres tax liabilities	*11.18*	816.263	-	654.300	-
Provisions	*11.19*	6.477.568	-	4.672.898	-
Derivatives	*11.15*	6.037.744	-	6.242.344	-
NON CURRENT LIABILITIES		**105.164.300**		**113.434.942**	
Trade payables	*11.20*	32.516.959	*8.094.690*	36.666.634	*11.405.865*
Advance payables	*11.20*	1.339.128	-	4.121.401	-
Other payables	*11.20*	7.620.659	*3.297.363*	9.040.503	*5.411.197*
Interest-bearing loans and borrowings	*11.16*	46.690.307	-	41.068.490	-
Current tax payables	*11.21*	2.068.743	-	1.155.958	-
Provisions	*11.19*	4.040.791	-	2.710.000	-
Derivatves	*11.15*	-	-	99.764	-
CURRENT LIABILITIES		**94.276.587**		**94.862.750**	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**278.903.018**		**285.490.170**	

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO.15519 OF JULY 27TH, 2006

VALUES IN EURO	Notes	31/12/2012	of which related parts	31/12/2011	of which related parts
Net revenues	*11.23*	100.661.947	*47.856.718*	90.393.868	*37.171.477*
Other income	*11.24*	4.740.388	*1.566.941*	2.118.460	*1.092.726*
Variation in inventories of finished good and WIP		(3.892.489)	-	2.394.753	-
Increases in fixed assets for internal work	*11.25*	1.456.049	-	891.543	-
Use of raw materials, consumables, supplies and goods		(48.856.755)	*(13.000.041)*	(48.179.268)	*(9.605.057)*
Personnel cost	*11.26*	(20.750.217)	*(664.130)*	(18.866.452)	*(745.219)*
Depreciation	*11.27*	(1.730.721)	-	(1.596.658)	-
Other operating expenses	*11.28*	(26.811.481)	*(4.194.178)*	(24.371.041)	*(3.116.540)*
OPERATING PROFIT		**4.816.721**		**2.785.205**	
of which: non-recurring items		***974.500***		***(39.450)***	
Financial income	*11.29*	7.393.808	*3.322.418*	4.211.621	*3.526.706*
Financial expenses	*11.29*	(8.992.623)	-	(7.993.785)	-
Net result exchange differences	*11.29*	52.194	-	150.437	-
Net result of associates and joint venture		-	-	-	-
RESULT BEFORE TAXES		**3.270.100**		**(846.522)**	
of which: non-recurring items		***2.874.955***		***(39.450)***	
Income taxes	*11.30*	(1.377.679)		(636.146)	
NET RESULT		**1.892.421**		**(1.482.668)**	

CASH FLOW STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF JULY 27TH, 2006

VALUES IN EURO	31/12/2012	of which related parts	31/12/2011	of which related parts
Net result	**1.892.421**	**-**	**(1.482.668)**	**-**
Adjustments (sub-total)	***(1.301.967)***	**-**	***4.888.012***	**-**
		-		-
Depreciation and amortization	1.730.721	-	1.596.658	-
Net change in deferred tax assets and liabilities	(103.770)	-	2.448	-
Change in employee benefits	279.417	-	(59.125)	-
Change in inventories	950.766	-	(2.059.124)	-
Change in trade receivables	1.085.964	*1.117.823*	(6.843.889)	*(4.003.222)*
Change in trade payables	(6.931.948)	*(3.311.175)*	11.041.758	*4.801.082*
Net change in other receivables /payables and other assers/liabilities	1.686.883	*(2.113.834)*	1.209.286	*418.933*
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**590.454**		**3.405.344**	
Cash flow from investments				
Acquisition of tangible fixed assets	(482.684)	-	(373.693)	-
Acquisition of intangible fixed assets	(200.974)	-	(94.506)	-
Capitalization of development costs	(1.203.556)	-	(762.781)	-
Net disposal of fixed assets and investment properties	2.431	-	188	-
Capital Increase FINN-POWER OY	(26.000.000)	*(26.000.000)*	-	-
Devaluation PRIMA POWER Gmbh	1.596.282	*1.596.282*	-	-
Establishment PRIMA POWER MAKINA TICARET LIMITED SIRTEKI	(99.860)	*(99.860)*	(99.860)	*(99.860)*
Capital Increase PRIMA POWER SOUTH AMERICA Ltda	(850)	*(850)*	(144.366)	*(144.366)*
Devaluation PRIMA POWER SOUTH AMERICA Ltda	350.862	*350.862*	-	-
Devaluation SNK-PRIMA	131.408	-	-	-
Devaluation other investments	51.600	-	-	-
Net disposal of SUP' sale	4.757.952	-	-	-
Gain on SUP' sale	(4.030.608)	-	-	-
Liquidation PRIMA FP SWEDEN	-	-	13.444	*13.444*
Change in investments for stock option	-	-	(51.848)	*(51.848)*
Change in financial receivables and other financial assets	27.402.264	*31.544.763*	(5.216.587)	*(4.687.951)*
Change in other investments	-	-	(774)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**2.274.267**		**(6.730.783)**	
Cash flow from financing activities				
Change in other non current financial liabilities and other minor items	(304.364)	-	(115.923)	-
Increases in loans and borrowings (including bank overdrafts)	4.484.978	-	11.879.730	-
Repayment of loans and borrowings (including bank overdrafts)	(9.175.253)	-	(6.675.895)	-
Increases/(repayments) in financial lease liabilities	-	-	-	-
Capital increase	4.813	-	1.403	-
Other changes	9.765	-	250.084	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(4.980.061)**		**5.339.399**	
Net change in cash and equivalents (D=A+B+C)	**(2.115.340)**		**2.013.960**	
Cash and equivalents beginning of period (E)	**2.471.994**		**458.034**	
Cash and equivalents end of period (F=D+E)	**719.308**		**2.471.994**	

CHAPTER 10.

DESCRIPTION OF ACCOUNTING PRINCIPLES

CHAPTER 10. DESCRIPTION OF ACCOUNTING STANDARD

COMPANY INFORMATION

PRIMA INDUSTRIE SpA (the "Company") is a company incorporated under Italian law and is the parent company which holds directly or indirectly through other companies, the shares in the capital of the PRIMA INDUSTRIE Group. The company is headquartered in Collegno (TO), Italy.

The scope of PRIMA INDUSTRIE SpA includes the design, manufacture and marketing of devices, instruments, machines and mechanical, electrical and electronic equipment and related programming (software) for industrial automation or in other areas where the company's technology may be usefully employed.

The company can also provide industrial services of a technical, managerial and organizational nature in the production of capital goods and industrial automation.
Its main activity is focused in the field of laser cutting and welding machines for two-dimensional (2D) and three-dimensional applications (3D).

PRIMA INDUSTRIE SpA, as the parent company, has also prepared the consolidated financial statements of the PRIMA Group at 31/12/2012.

EVALUATION CRITERIA

The 2012 financial statements represent the separate financial statements of the parent company PRIMA INDUSTRIE SpA and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The IFRS also includes all valid International Accounting Standards ("IAS") and all interpretations of the International Financing Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In compliance with European Regulation n. 1606 of 19 July 2002, starting from 2005, the PRIMA Group has adopted the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") in the preparation of the consolidated financial statements. Depending on the national legislation implementing that Regulation, the financial statements of the parent company PRIMA INDUSTRIE SpA have been prepared in accordance with these standards since 2006.

The disclosures required by IFRS 1, First Time Adoption of IFRS, regarding the effects following the transition to IFRS, was included in a specific Chapter to the Financial Statements as at 31 December 2006, to which reference is made.

The financial statements are prepared under the historical cost principle, except for financial assets and liabilities (including derivative instruments) of the category at fair value with changes in value recorded in the income statement, as well as on a going concern basis. The Group has determined that there are no significant uncertainties (as defined by par. 25 of IAS 1) on business continuity.

On this issue, it is also appropriate to refer to the specific comment included in the consolidated financial statements in Chapter 6 "DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES" in the section "Accounting policies used".The preparation of the financial statements in accordance with IFRS inevitably requires the use of accounting estimates and opinions expressed by the Directors of the company. Aspects of the financial statements that require the application of more complex estimates and greater recourse to the judgments of the Directors is provided below.

FINANCIAL STATEMENTS

The Company presents its income statement by type of cost. With reference to the assets and liabilities of the balance sheet a form of presentation that distinguishes between current and non-current, as allowed by IAS 1 has been adopted. Moreover, adequate information on the timing of liabilities is provided in the notes. The cash flow statement has been prepared under the indirect method.

CHANGES IN ACCOUNTING POLICIES

With regard to the change in accounting principles that took place in 2012, refer to as stated in the consolidated financial statements in Chapter 6 "DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES".

CONVERSION OF FOREIGN CURRENCY

The financial statements have been prepared in euro, the functional and presentation currency. Transactions in foreign currency are initially recorded at the exchange rate at the transaction date. The assets and liabilities denominated in currencies other than the euro are converted into euro using the exchange rates prevailing at the balance sheet date. All exchange differences are recognized in the income statement, provided that the accounting standards have the revaluation in equity.

TANGIBLE ASSETS

All classes of tangible assets, including investment properties, are stated at historical cost less accumulated depreciation and impairment losses, except for land, recorded at historical cost less impairment, where applicable. Cost includes all expenses directly attributable to the acquisition.

Costs incurred after the acquisition of the asset are accounted for as an increase of their historical value or booked separately only if it is probable that they will generate future economic benefits and the costs can be measured reliably. Depreciation of tangible fixed assets is calculated using the straight-line method, in order to distribute the residual book value of its estimated economic life as follows:

- Buildings and incremental work: 33 years
- Plant and machinery 10 - 5 years
- Equipment: 4 - 5 years
- Furniture and office equipment: 9 - 5 years
- Electronic office equipment: 5 years
- Motor vehicles: 3 - 5 years

Extraordinary maintenance capitalized as an increase of an existing asset is depreciated over the remaining useful life of the asset or, if lower, in the period until the next maintenance.

The residual value and the useful life of tangible assets are reviewed and adjusted if appropriate, at the date of the balance sheet.
The book value of tangible fixed assets is written down immediately to its recoverable value, whenever the former exceeds the latter.

Gains and losses on disposal of tangible assets are recognized in the income statement and are determined by comparing the carrying amount with the sale price.

Assets held under finance leases, through which all property risks and rewards are substantially transferred to the Company, are recognized as assets of the Group at their fair value or, if lower, the present value of minimum lease payments due for the lease. The lease fee is separated between the capital portion and the interest, which is determined by applying a fixed interest rate on outstanding debt.

Financial debt payable to the leasing company is recognized as a liability in the short term, for the current portion, and as long-term liabilities for the portion due over one year. The interest cost is recognized in the income statement over the term of the contract. The asset under finance leases are recognized as intangible assets and are amortized over the estimated economic useful life of the asset.

Leases for which the Lessor substantially retains all the property risks and rewards are classified as operating leases. The costs of operating leases are recognized in the income statement over the term of the lease.

Property investments held for lease are measured at cost less accumulated depreciation and accumulated impairment losses.

INTANGIBLE ASSETS

Finite useful life
(a) Software
Software licenses are capitalized at costs incurred to obtain and implement them and amortized over the estimated useful life (3 to 5 years).
Costs associated with the development and maintenance of software are treated as period costs and charged to the income statement on an accruals basis.

(b) Research and development costs
Research costs are recognized in the income statement in the period in which they are incurred.
Development costs incurred in relation to a specific project are capitalized if the following conditions are met:

- the costs can be measured reliably;

- the technical feasibility of the projects, the volumes and prices indicate that the costs incurred in the development phase will generate future economic benefits

Development costs recorded in income statements in previous years are not capitalized retrospectively if at a later time the requirements are met.
Development costs with a finite useful life are amortized from the date the product is commercialized, based on the period in which it is estimated to produce economic benefits, in any case not more than 5 years. Development costs that do not meet these characteristics are charged to the income statement in the year in which they are incurred.

(c) Other intangible assets
Other intangible assets acquired separately are capitalized at cost, while those acquired through business combinations are capitalized at fair value as of the acquisition date.
After initial recognition, intangible assets with finite useful life are recorded at cost, less depreciation and impairment; intangible assets with indefinite useful life, at cost less impairment only.

Intangible assets generated internally are not capitalized but are recognized in the income statement in the year in which they were incurred.

Intangible assets with a finite useful life are verified annually for "impairment" whenever there are reasons which justify it; such analysis can be conducted for each individual intangible asset or cash revenues generating unit. The useful lives of other intangible assets are reviewed annually: any changes are applied prospectively, where possible.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES
They are recorded at cost and adjusted for impairment loss. The positive difference arising from the purchase agreement between the acquisition cost and the share of net equity at fair values of the company's subsidiary is therefore included in the carrying amount of the investment. Investments in subsidiaries and associates are reviewed for impairment when there are related indicators. If there is evidence that these investments have suffered an impairment loss, the loss is recognized in the income statement as an impairment loss. If any share of the company's losses exceeds the carrying amount of the investment, and the company has an obligation to respond, then the value of the investment is reduced to nil and the share of further losses is recognized as a provision under liabilities. If the impairment is subsequently nil or reduced, it is recognized in the income statement as a reversal of impairment within cost limits.

INVESTMENTS IN OTHER COMPANIES
Investments in other small companies, for which no market price is available, are stated at cost less any impairment losses.

IMPAIRMENT OF ASSETS

Assets with indefinite lives not subject to amortization are tested for their recoverable value (impairment) annually and whenever there is an indication that the carrying amount may not be recoverable. Assets subject to amortization are tested for impairment only if there is an indication that their carrying value may not be recoverable.

The amount of the impairment loss is determined as the difference between the asset's carrying amount and its recoverable amount, determined as the higher amount between the sale price net of transaction costs and its use value, that is the value current of estimated cash flows, before tax, applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the recoverable amount is less than the book value. When a loss on an asset other than goodwill is reversed or reduced, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount and cannot exceed the carrying amount that would have been determined if there had been no loss in value. The reversal of an impairment loss is recognized immediately in the income statement.

FINANCIAL INSTRUMENTS

Presentation

The financial instruments held by the Company are included in the items described below. Investments and other non-current financial assets include investments in subsidiaries and other companies as well as investments in joint ventures and other non-current assets. Current financial assets include trade receivables and cash and cash equivalents. In particular, the item Cash and cash equivalents include bank deposits. The financial liabilities refer to financial payables, including payables for advances on orders, transfer of receivables, and other financial liabilities (which include the negative fair value of derivative financial instruments), trade payables and other payables.

Evaluation

Investments in subsidiaries, associates, joint ventures and other companies included under non-current financial assets are accounted for as described in the preceding paragraphs.

Non-current assets other than investments, as well as financial liabilities, are accounted for in accordance with IAS 39 - Financial Instruments: Recognition and Measurement.

Loans and receivables that the Company does not hold for trading purposes, the assets held with the intention of holding them to maturity are measured at amortized cost using the effective interest method. When financial assets do not have a fixed maturity they are measured at acquisition cost. Assessments are made regularly in order to check whether there is objective evidence that a financial asset may have suffered an impairment loss. If any such evidence exists, the impairment loss is recognized as an expense in the income statement for the period. With the exception of derivative financial instruments, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments
Consistent with IAS 39, derivative financial instruments can be accounted for in accordance with the hedge accounting only when:

- at the beginning of the hedge, there is formal designation and documentation of the hedging relationship;
- it is assumed that the hedge is highly effective;
- effectiveness can be reliably measured and
- the hedge is highly effective throughout the financial reporting periods for which it is designated

All derivative financial instruments are measured at fair value in accordance with IAS 39.
When financial instruments have the characteristics to be accounted for under hedge accounting, the following accounting treatment applies:

- *Cash flow hedge*. If a derivative financial instrument is designated as a hedge for the exposure to variability in future cash flows of an asset or liability recognized in the balance sheet or for a highly probable expected transaction and could affect the income statement, the effective portion of the gain or loss on the financial instrument is recognized in other comprehensive income / (loss). The derivative gain or loss is removed from other comprehensive income / (loss) and recognized in the income statement in the period in which the relative economic effect of the hedged transaction is noted. The gain or loss associated with a hedge (or part of the hedge) that has become ineffective is recognized in the income statement immediately. If a hedging instrument or hedge relations is terminated but the hedged transaction has not yet been realized, the gains and losses accrued up to the time recorded in other comprehensive income / (loss) are recognized in the income statement in correlation with the detection of the economic effects of the hedged transaction. If the hedged transaction is no longer probable, the cumulative gains or losses not yet realized in other comprehensive income / (loss) are recognized immediately in the income statement.
- *Fair value hedge*. If a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of an asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from reviewing the fair value of the hedging instrument are recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the item and are recognized in the income statement.
- *Hedge of a net Investment*. If a derivative financial instrument is designated as a hedge of a net investment in a foreign operation, the effective portion of the gain or loss on the derivative financial instrument is recognized in other comprehensive income / (loss). The gain or loss is removed from equity and recognized in the income statement at the date of disposal of the foreign asset.

FINANCIAL LIABILITIES

Financial liabilities include financial payables, including payables for advances on orders, transfer of receivables, and other financial liabilities, including derivative financial instruments and liabilities in respect of assets acquired under finance leases. Pursuant to IAS 39, they also include trade and other payables of varied nature.

Financial liabilities, other than derivative financial instruments are initially recognized at fair value and are subsequently measured at amortized cost, i.e. the initial value, net of principal repayments made, adjusted (up or down) on the basis of depreciation (using the effective interest method) of any difference between the initial amount and the maturity amount.

LOANS

Loans are initially recognized at fair value, net of any incidental charges. After initial recognition they are recorded at amortized cost. Any difference between the proceeds net of any transaction costs and the redemption value is recognized in the income statement on an accrual basis at the effective interest rate method.

Loans are classified as short-term liabilities, unless the Company has an unconditional right to defer more than 12 months after the date of the balance sheet.

INVENTORIES

Inventories are stated at the lower amount between cost and net realizable value, the latter represented by the normal sales value during ordinary activities, less the variable costs of sale.

The cost is determined using the weighted average cost method. The cost of finished goods and semi-finished goods includes the cost of design, raw materials, direct labor, other direct costs and other indirect costs allocated to production activities based on normal production capacity and on the progress. This costing does not include interest expense.

Provision is made for materials, finished goods, spare parts and other supplies considered obsolete or slow moving, taking into account their expected future use and realizable value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, net of the allowance to take account of their uncollectible accounts. The allowance is recognized if there is objective evidence that the Company is not able to collect the full amount due on the date agreed with the customer.

The amount of the allowance is determined as the difference between the asset's carrying amount and the present value of future collections, discounted at the effective interest rate. The allowance is recognized in the income statement.

Transfer of receivables

Receivables transferred as a result of factoring transactions are eliminated from the balance sheet assets only if the ownership risks and rewards have been substantially transferred to the concessionaire. Recourse and non-recourse receivables transferred that do not meet this requirement remain in the balance sheet of the company, although they have been legally transferred, in which case a liability of equal amount is recognized as a liability against the advance received.

CASH AND CASH EQUIVALENTS

The item concerning Cash and cash equivalents includes cash, bank accounts, demand deposits and other highly liquid short-term financial investments, that are readily convertible into cash and are subject to an insignificant risk of changes in value.

ASSETS HELD FOR SALE

Assets held for sale include non-current assets (or groups of assets being disposed of) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower amount between their carrying amount and fair value less costs to sell.

SHARE CAPITAL

Ordinary shares are classified as equity. Accessory costs incurred to issue shares or options are shown in equity as a reduction of the cash received.

When the Company purchases its own shares, the price paid, net of any directly attributable accessory costs, is deducted from equity until the shares are canceled, reissued or sold.

EMPLOYEE BENEFITS

(a) Pension Plans

Until 31 December 2006, the provision for severance indemnities (TFR) was considered a defined benefit plan.

The treatment of this provision was amended by the Law of 27 December 2006, no. 296 (2007 Finance Act) and subsequent Decrees and Regulations issued in early 2007. In light of these changes, and in particular with reference to companies with at least 50 employees, this is now considered a defined benefit plan only for amounts accrued prior to 1st January 2007 (and not yet budgeted), while amounts accrued after that date are treated as a defined contribution plan.

The Cometa fund (supplementary fund CCNL – Collective Bargaining) is regarded as a defined contribution plan.

The defined benefit plans are pension plans that define the amount of the retirement benefit payable to the worker upon termination of employment, an amount that depends on several factors such as age, years of service and salary.

The defined plans are contribution pension plans for which the Company pays a fixed amount to a separate entity. The Company has no legal or implicit obligation to pay further amounts if the activities in the plan were not sufficient to pay the employees the benefits due for the current service and past services.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the obligation at the balance sheet date less the fair value of the assets serving the plan (if any), both corrected for the amount of earnings and losses and the cost of benefits for past service. This obligation is determined annually by an independent actuary through the projected unit credit method.

The present value of the obligation is determined by discounting the estimated future payments at an interest rate of prime bonds issued in the same currency in which the benefits will be paid and with a maturity that approximates the terms of the related pension liability.
The cumulative actuarial gains and losses arising from changes in estimates exceeding 10% of the greater amount between the fair value of the assets serving the plan (if any) and 10% of the obligation referred to the defined benefit plan, are recognized in the income statement on an accruals basis over the average remaining working lives of the employees participating in the plan.

The cost of benefits related to past service is immediately recognized in the income statement, unless the changes to the pension plan are not affected by the employees remaining in service for a certain period of time (the vesting period). In this case the cost of benefits for past service is amortized equally over the vesting period.
For defined contribution plans, the Company pays contributions to public or private pension funds, on a mandatory, contractual or voluntary basis. Once these contributions are paid, the Company has no further obligations. Contributions are recognized in the income statement under the cost of labor when due. Contributions paid in advance are recorded as a prepaid expense only if a refund or a reduction in future payments is expected.

(b) Benefits granted to the achievement of certain seniority
The Company offers its employees benefits upon achievement of a certain length of service.
The liability recognized in the balance sheet in respect of these benefits is the present value of the obligation at the balance sheet date less the fair value of the assets serving the plan (where they exist), both corrected for the amount of gains and losses and the actuarial cost of the benefits accrued. This liability is determined annually by an independent actuary through the projected unit credit method. The present value of the obligation is determined by discounting the estimated future payments at an interest rate of prime bonds issued in the same currency in which the benefits will be paid and with a maturity that approximates the terms of the related liability.

The cumulative actuarial gains and losses arising from changes in estimates exceeding 10% of the greater amount between the fair value of the assets serving the plan (if any) and 10% of the obligation referred to the defined benefit plan, are recognized in the income statement on an accruals basis over the average remaining working lives of employees with these benefits.

c) Benefits granted upon termination of the employment relationship
These benefits are payable to workers in case of early termination of the employment relationship, the date of retirement, or termination due to corporate restructuring plans. The Company records a liability in the balance sheet in respect of these benefits when:

A. there is a formal, detailed plan of incentives to leave and employees cannot refuse;
B. an offer is made to employees to encourage voluntary redundancy; The amounts payable beyond 12 months from the balance sheet date are discounted to present value

(d) Incentives, bonuses and profit-sharing schemes
The Company recognizes a costs and debt for liabilities that arise for bonuses, incentive compensation and profit-sharing schemes, determined using a formula that takes into account the profits attributable to shareholders after certain adjustments. The Company records a liability to a fund only if it is probable that the event concerning the incentive occurs, if it is contractually obliged or where there is a custom that defines an implicit obligation.

(e) Employee benefits granted in shares
The Company provides additional benefits to certain members of management and employees through equity compensation plans (stock option plans).
In accordance with IFRS 2 - Share-based payments, these plans are a component of the remuneration of beneficiaries, so the cost is the fair value of stock options at the grant date and is recognized in the income statement on a straight-line basis over the period between the grant date and the vesting date, with the offsetting credit recognized directly in equity. Changes in fair value subsequent to the grant date do not affect the initial assessment.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for risks and charges are recognized when:

- a legal or implicit obligation arises for the company as a result of past events;
- an outflow of resources to settle the obligation and the amount thereof is probable;
- it can be determined reliably.

The restructuring provisions include both liabilities arising from the leave incentives as well as penalties related to the termination of the lease agreements. Provisions are not set aside for risks and charges in respect of future operating losses.
Provisions are measured by discounting the best estimates made by the directors to identify the amount of costs that the Company shall bear the date of the balance sheet, to settle the obligation.

REVENUES RECOGNITION

Revenues include the *fair value* arising from the sale of goods and services, net of VAT, returns, discounts and transactions between Group companies. Revenues are recognized according to the following rules:

(a) Sale of goods

Revenue from sale of goods (laser systems, sheet metal processing machines and components) are recognized when all the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group ceases to exercise effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

(b) Provision of services

Revenues from services are recognized based on the progress made in the period in which they are performed.

(c) Interest

Interest income is recognized on an accrual basis at amortized cost using the effective interest rate (the rate that discounts estimated future cash flows exactly based on the expected life of the financial instrument).

(d) Royalties

Revenues from *royalties* are recognized on an accrual basis under the agreed conditions in the underlying contracts.

(e) Dividends

Dividends are recognized in the period in which the right of shareholders to receive the payment arises.

TAXES

a) Current: the burden on income taxes for the year is determined in accordance with current legislation. Income taxes are recognized in the income statement. Concerning in particular Italian Companies, on 10 March 2010 PRIMA INDUSTRIE SpA informed the Inland Revenue of the renewal of the national tax consolidation regime for the period 2010-2012 pursuant to article 117/129 of the Consolidated Income Tax Code (TUIR) together with its subsidiaries PRIMA ELECTRO SpA and FINN POWER ITALY Srl.

b) Deferred: Deferred tax liabilities and deferred tax assets are calculated on all temporary differences between the tax value and the book value of assets and liabilities in the financial statements of the Company.

They are calculated using the tax rates and laws that have been enacted at the balance sheet date, or substantially enacted, and that are expected to be applicable at the time of the reversal of temporary differences that gave rise to the recognition of deferred tax.

The deferred tax assets on tax losses and temporary differences are recognized only if sufficient taxable income to their compensation is probable at the time of the reversal of the temporary differences. Deferred tax assets are reviewed at each financial year end, and if necessary reduced to the extent that it is no longer probable that sufficient taxable income will become available in the future in order to allow all or part of the asset to be utilized. Deferred tax relating to items recognized directly in equity is also recognized directly in equity.

DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders generates a payable at the time of approval of the Shareholders' Meeting.

GOVERNMENT GRANTS

Government grants are recognized at their *fair value* only if there is reasonable certainty that the Company has satisfied all the requirements set by the terms of the grants. Revenues from government grants are recognized in the income statement based on the costs for which they were granted.

VALUATION OF THE FAIR VALUE

The *fair value* of financial instruments traded in an active market is determined based on market prices at the balance sheet date. The market price of reference for financial assets held by the Company is the current selling price (purchase price for financial liabilities).
The fair value of financial instruments that are not traded in an active market is determined using various valuation techniques and assumptions based on market conditions existing at the balance sheet date. For medium and long-term liabilities comparing prices of similar listed financial instruments, for the other categories of financial instruments cash flows are discounted.
The *fair value* of IRS is determined by discounting the estimated deriving cash flows at the balance sheet date. For receivables it is assumed that the nominal value net of any adjustments made to take account of their payable approximates their fair value. The fair value of financial liabilities for disclosure purposes is determined by discounting contractual cash flows at an interest rate that approximates the market rate at which the company borrows.

FINANCIAL RISK FACTORS

As regards the management of financial risks, refer to as provided in the corresponding note of the consolidated financial statements.

DISCRETIONARY EVALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements requires Management to make a number of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions affects the amounts of assets and liabilities recognized in the balance sheet, as well as expenses and income recognized in the income statement. Actual results may differ significantly from the estimates made, in view of the natural uncertainty surrounding the assumptions and conditions on which the estimates are based.

In this context it should be noted that the situation caused by the financial and economic crisis has led to the need to make assumptions about future trends characterized by significant uncertainty, so it cannot be ruled out that there will be different results next year compared to as estimated, and which therefore might require even significant adjustments that at present cannot be foreseen or estimated, to the carrying amount of the related items. The main items affected by these situations of uncertainty are provisions for doubtful accounts receivable and inventory, non-current assets (tangible and intangible assets), pension funds and other post-employment benefits, deferred tax assets.

The following summarizes the main evaluation process and key assumptions used in the process that can have a significant effect on the amounts recognized in the financial statements or for which there is a risk that there can be value adjustments to the carrying amount of assets and liabilities in the year following the date of the financial statements.

Recoverable amount of goodwill included in the investment FINN POWER OY

The recoverable amount of goodwill included in the investment FINN POWER OY has been evaluated in the context of the impairment test prepared for the CGU PRIMA POWER. The key assumptions used to determine the recoverable amount of the CGU, including a sensitivity analysis, are detailed in Note 8.2 - INTANGIBLE ASSETS.

Deferred tax assets and liabilities

Deferred tax assets and liabilities recorded in the balance sheet are determined using the differences between the accounting values and recognized for tax purposes of the various assets and liabilities at the tax rates that are assumed to be in effect in the year in which the temporary differences are expected to be less. Deferred taxes relating to tax losses carried forward to subsequent years are recognized only if and to the extent that management believes likely that in future years the company will achieve a positive tax result such that it can be absorbed. In the event that, subsequent to the time of execution of the estimate, there are circumstances that lead to changing these estimates or the rate used for the calculation of deferred taxes, the items recorded in the financial statements will be adjusted.

Provision for inventories

In determining the provision for inventory obsolescence, the Company makes a number of estimates regarding future demand for the various types of products and materials in stock, on the basis of their production plans and past experience of customer requirements. In the event that these estimates are found to be inappropriate, this will result in an adjustment to the provision for obsolescence with its impact in the income statement.

Provision for doubtful debts

Provisions for doubtful accounts are determined based on an analysis of the individual debtors and in the light of past experience in terms of debt and relationships with individual customers. In the event that there is an unexpected deterioration in economic and financial conditions of a major customer, this could result in the need to adjust the allowance for doubtful accounts, with the consequent negative effects in terms of economic performance.

Employee benefits

The determination of the amount to be budgeted requires the use of actuarial estimates that take into account a number of assumptions relating to parameters such as the annual rate of inflation, wage increase, the annual rate of staff turn-over and other variables. Any changes in these parameters require a re-adjustment of the actuarial estimates and, consequently, the amounts disclosed in the financial statements.

CHAPTER 11.

EXPLANATORY NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2012

CHAPTER 11. EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31ST, 2012

NOTE 11.1 – TANGIBLE ASSETS

The following table illustrates the composition of tangible assets at 31/12/2012 and 31/12/2011, as well as changes during the year.

Tangible fixed assets	Land, Buildings and constructions	Plants and machinery	Industrial and commercial Equipmetn	Other assets	Fixed assets under construction	TOTAL
Net Value as at December 31st, 2010	**5.259.872**	**215.775**	**453.669**	**278.899**	**521.228**	**6.729.443**
Year 2011						
Increases	17.860	20.045	242.838	78.390	14.560	373.693
Disinvestments	-	-	-	(1.880)	-	(1.880)
Use of depreciation fund	-	-	-	1.692	-	1.692
Depreciation fund	(66.288)	(63.898)	(230.768)	(135.813)	-	(496.767)
Net value as at December 31st, 2011	**5.211.444**	**171.922**	**465.739**	**221.288**	**535.788**	**6.606.181**
Value as at December 31st, 2011						
Historical cost	6.077.289	2.043.059	3.297.895	3.038.792	535.788	14.992.823
Depreciation fund	(865.845)	(1.871.137)	(2.832.156)	(2.817.504)	-	(8.386.642)
Net value as at December 31st, 2011	**5.211.444**	**171.922**	**465.739**	**221.288**	**535.788**	**6.606.181**
Year 2012						
Net value as at December 31 st, 2011	5.211.444	171.922	465.739	221.288	535.788	6.606.181
Increases	-	6.980	359.720	58.784	57.200	482.684
Disinvestments	-	-	-	(61.361)	-	(61.361)
Use of depreciation fund	-	-	-	58.930	-	58.930
Depreciation	(65.957)	(41.022)	(246.348)	(104.833)	-	(458.160)
Net value as of December 31st, 2012	**5.145.487**	**137.880**	**579.111**	**172.808**	**592.988**	**6.628.274**
Value as at December 31st, 2012						
Historical cost	6.077.289	2.050.039	3.657.615	3.036.215	592.988	15.414.146
Depreciation fund	(931.802)	(1.912.159)	(3.078.504)	(2.863.407)	-	(8.785.872)
Net value as of December 31st, 2012	**5.145.487**	**137.880**	**579.111**	**172.808**	**592.988**	**6.628.274**

Land and buildings amounting to Euro 5,145 thousand includes:

- Land for a total value of Euro 4,108 thousand, unchanged from the previous year.
- Buildings for a total value of Euro 983 thousand. This item includes property leased to PRIMA POWER UK LTD (161 thousand euro) and the company plant in Via Antonelli 28 (822 thousand euro).
- Light construction of Euro 54 thousand.

Plant and machinery for Euro 138 thousand decreased by Euro 34 thousand (increases for Euro 7 thousand and depreciation for Euro 41 thousand).

The item Industrial and commercial equipment amounting to Euro 579 thousand has increased during the year to Euro 113 thousand and includes equipment for Euro 553 thousand and molds for Euro 26 thousand. The value of the equipment has increased during the year by Euro 360 thousand (of which Euro 252 thousand internally generated) and decreased for depreciation and amortization for 192 thousand euro.

Other assets amounted to 173 thousand and are represented mainly by:

- Electronic office equipment for 140 thousand euro;
- Furniture, furnishings and office equipment for 22 thousand euro;

- Vehicles for 10 thousand euro.

Assets under construction relate to expenses incurred for preliminary analysis and design activities related to the construction of the new plant in Collegno (TO).

All values shown above are at 31/12/2012, net of accumulated depreciation except for land and construction in progress that are not depreciated.

NOTE 11.2 – INTANGIBLE ASSETS

The following table shows the breakdown of intangible assets as at 31/12/2012 and 31/12/2011, as well as changes during the year.

Intangible fixed assets	Software	Development cost	Other intangible assets	TOTAL
Year 2011				
Net values as at December 31st, 2010	**136.435**	**4.174.927**	**5.000**	**4.316.362**
Increases /(Decreases)	90.087	762.781	4.419	857.287
Depreciation	(104.413)	(989.594)	(5.884)	(1.099.891)
Net value as at December 31st, 2011	**122.109**	**3.948.114**	**3.535**	**4.073.758**
Year 2012				
Net value as at December 31st, 2011	**122.109**	**3.948.114**	**3.535**	**4.073.758**
Increases/(decreases)	200.974	1.203.556	-	1.404.530
Depreciation	(102.477)	(1.169.200)	(884)	(1.272.561)
Net value as at December 31st, 2012	**220.606**	**3.982.470**	**2.651**	**4.205.727**

The increase in Software is primarily related to the development of the intranet.

The main component of intangible assets at 31/12/2012 is the item R&D costs, which amounted to Euro 3,982 thousand (of which an amount of Euro 1,428 thousand is still ongoing), the net change of the item is a positive Euro 34 thousand. All capitalized development costs are related to activities carried out internally.

During the year 2012 development costs have been capitalized for a total of Euro 1,204 thousand:

- Euro 222 thousand relating to projects that became operational during 2012 and
- Euro 982 thousand refer to assets not yet completed and therefore not yet in operation.

NOTE 11.3 – INVESTMENTS IN SUBSIDIARIES

The value of investments in subsidiaries at 31/12/2012 amounts to Euro 121,517 thousand, an increase of Euro 25,955 thousand compared to the previous year.

Shareholding in subsidiaries	Investment value	Investment provisions	Net value at Dec. 31st,2011	Increases	Depreciation	Net value as at Dec. 31st, 2012
FINN POWER OY	90.948.538	-	90.948.538	26.000.000	-	116.948.538
PRIMA ELECTRO SpA	1.944.702	-	1.944.702	-	-	1.944.702
PRIMA POWER IBERICA SL	1.441.304	-	1.441.304	-	-	1.441.304
PRIMA POWER CHINA Company Ltd	766.765	-	766.765	-	-	766.765
PRIMA POWER MAKINA TICARET LIMITED SIRKET	99.860	-	99.860	99.860	-	199.720
OOO PRIMA POWER	122.737	-	122.737	-	-	122.737
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	-	92.821	-	-	92.821
PRIMA POWER UK LTD	1	-	1	-	-	1
PRIMA POWER GmbH	474.436	(474.436)	-	-	-	-
PRIMA POWER SOUTH AMERICA Ltda	144.366	-	144.366	850	(145.216)	-
TOTAL	**96.035.530**	**(474.436)**	**95.561.094**	**26.100.710**	**(145.216)**	**121.516.588**

The events that have given rise to this change in 2012 are:

- FINN-POWER OY. The investment has increased by Euro 26 million as a result of a capital increase subscribed by PRIMA INDUSTRIE SpA; the capital increase was approved, through the issuance of 26,000,000 new shares in order to allow the Finnish company adequate capital. The new shares were subscribed by PRIMA INDUSTRIE SpA through the renunciation of the financial receivable from FINN-POWER OY.

- PRIMA POWER SOUTH AMERICA Ltda. Al 31/12/2012 At 31/12/2012 the equity of the Brazilian company is negative for Euro 206 thousand, inclusive of the operating loss of Euro 278 thousand. This result has led us to assess the loss gained as durable, for which the cost of the investment, amounting to Euro 145 thousand, was fully impaired. In addition to cover losses in excess of the net assets of the subsidiary, the parent company PRIMA INDUSTRIE SpA recognized in the balance sheet a provision amounting to Euro 206 thousand, as a result of the future settlement of these losses.

- PRIMA POWER MAKINE TICARET LTD SIRTEKI. The Turkish company was established in the second half of 2011 and became operational in 2012; PRIMA INDUSTRIE SpA paid an additional Euro 100 thousand in the first quarter of the year, to finalize the payment of the subscribed capital and not yet paid.

The detail of the cost of investments, compared with the pro-portion of equity resulting from the economic and financial situation of the company prepared in accordance with IAS / IFRS is as follows:

Equity investment in subsidiaries	Net value as at Dec. 31st, 2012	Equity as at Dec. 31st, 2012	Stake	Equity pro-quota	Difference
FINN POWER OY	116.948.538	75.341.977	100,00%	75.341.977	(41.606.561)
PRIMA ELECTRO SpA	1.944.702	18.568.016	100,00%	18.568.016	16.623.314
PRIMA POWER IBERICA SL	1.441.304	5.266.856	22,00%	1.158.708	(282.596)
PRIMA POWER CHINA Company Ltd	766.765	901.531	100,00%	901.531	134.766
PRIMA POWER MAKINA TICARET LIMITED SIRKET	199.720	414.675	99,86%	414.094	214.374
OOO PRIMA POWER	122.737	1.328.901	99,99%	1.328.768	1.206.031
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	107.870	100,00%	107.870	15.049
PRIMA POWER UK LTD	1	700.910	100,00%	700.910	700.909
PRIMA POWER GmbH	-	(6.204.276)	100,00%	(6.204.276)	(6.204.276)
PRIMA POWER SOUTH AMERICA Ltda	-	(205.708)	99,97%	(205.646)	(205.646)

The difference between the cost and the net equity of FINN-POWER OY mainly reflects the value of goodwill and other intangible assets recognized during the acquisition of the company. In view of the results achieved by the company and Finn-Power Group during the year and previous year, there were no indicators of impairment related to the value of the investment. In 2012 FINN-POWER OY earned an IFRS EBITDA of Euro 8,594 thousand (or 7.7% of revenues) and the sub-group FINN-POWER (resulting from the consolidation of FINN-POWER OY and of all the companies it controls) achieved an EBITDA of Euro 14,038 thousand (or 6.4% of revenues) and a net profit of Euro 4,300 thousand. Moreover, the PRIMA INDUSTRIE Group performed an impairment test on PRIMA POWER CGU (where the sub-group FINN-POWER is included) in the consolidated financial statements (see Note 8.2) from which the impairment indicators emerge.

With regard to PRIMA POWER IBERICA SL, the difference is essentially due to the losses incurred by the subsidiary in previous years and does not represent a loss in the value of the investment; during the period 2009-2011, despite the difficult economic situation, the Spanish company has achieved positive results in 2012 and has gained a very low loss. It should be noted that all the above-listed companies are included in the consolidation of the PRIMA INDUSTRIE Group.

The resulting difference for the investment in PRIMA POWER GMBH is totally offset by a risk provision amounting to Euro 6,204 thousand (see Note 11.19), it should be noted that during the year Euro 1,596 thousand have been set aside in this provision.

As mentioned earlier the difference arising for the investment in PRIMA POWER SOUTH AMERICA Ltda is entirely covered by a provision.

NOTE 11.4 – INVESTMENTS IN JOINT VENTURES

As shown in the table here below, the value of investments in joint ventures was eliminated in the course of 2012; this reduction is due to the streamlining operations of the Company's investments.

Investments in Joint Venture	SUP	SNK	TOTAL
Investments	1.272.852	389.827	1.662.679
Depreciation funds	-	(174.919)	(174.919)
December 31st, 2011	**1.272.852**	**214.908**	**1.487.760**
Decreases	(727.344)	-	(727.344)
Depreciation	-	(131.408)	(131.408)
Reclassification with non-current assets for disinvestments	(545.508)	(83.500)	(629.008)
December 31st, 2012	**-**	**-**	**-**

There were two streamlining operations; one concerns the partial sale of SHANGHAI UNITY PRIMA LASER CO MACHINERY CO. LTD (SUP) and the other the liquidation of SNK-PRIMA Co. Ltd. (SNK).

As regards the first operation, please note that PRIMA INDUSTRIE SpA held 35% of SUP and in the last quarter an agreement has been signed for the sale of 20% at WUHAN HUANGONG UNITY (the other member of the joint venture) for a value of Euro 4,758 thousand, noting a gain of Euro 4,031 thousand; it should be noted that a financial receivable of Euro 4,671 thousand was recognized to the buyer for this sale for the full value of the transaction (note that the difference between the sale agreement and the financial credit is due to the currency adjustment). The credit was almost completely collected in the early months of 2013 and the remainder is secured by an escrow account. Therefore, following the above operation, at 31/12/2012 PRIMA INDUSTRIE SpA only has a 15% stake. Finally we note that, simultaneously with the above-mentioned transfer another sale agreement was signed with

WUHAN HUAGONG UNITY by 30/06/2013 for an additional 10%. For more details about this see also Notes 8.3 and 8.12.

As for the second operation, please note that PRIMA INDUSTRIE SpA owns 50% of SNK and in the last quarter the intention not to renew the joint venture agreement expiring next May was notified. Following this decision, it was decided to write down the investment to its estimated realizable value corresponding to Euro 84 thousand.

Both investments, considering that the corresponding value will be recovered principally through a sale or liquidation, rather than through continuing use, are classified under "Non-current assets held for sale".

NOTE 11.5 – OTHER INVESTMENTS

The value of investments in other companies as at 31/12/2012 amounted to Euro one thousand, down Euro 52 thousand the previous year.

Other investments	Consorzio Sintesi	Unionfidi	Fidindustria	TOTAL
December 31st, 2010	**51.600**	**129**	**103**	**51.832**
Increases	-	774	-	774
Decreases	-	-	-	-
December 31st, 2011	**51.600**	**903**	**103**	**52.606**
Increases	-	-	-	-
Depreciation	(51.600)	-	-	(51.600)
December 31st, 2012	**-**	**903**	**103**	**1.006**

The change is related to the full impairment of the investment in Sintesi Consortium (of which PRIMA INDUSTRIE SpA holds 10%). This impairment was carried out following the decision of the Board of Directors of the Sintesi Consortium to submit to the Court the application for admission to the agreement procedure.

Other investments refer to two guarantee consortiums (Unionfidi and Fidindustria) which the company has joined. In addition to the aforementioned investments, PRIMA INDUSTRIE SpA holds other investments whose value at 31/12/2012 is equal to zero. The carrying value of these investments was written off in previous years by virtue of insolvency proceedings to which they are subjected; charges to be borne by the company resulting from the completion of these procedures are not expected.

NOTE 11.6 – FINANCIAL ASSETS - LOANS PROVIDED TO SUBSIDIARIES

As shown in the table below, the loans granted to subsidiaries (classified as non-current assets) amounted to Euro 58,559 thousand and decreased during the year 2012 by Euro 29,077 thousand.

Financial assets - Loans to subsidiaries	FINN POWER OY	PRIMA ELECTRO SpA	PRIMA POWER UK LTD	TOTAL
December 31st, 2010	**66.633.461**	**22.076.736**	**626.000**	**89.336.197**
Increases	-	-	-	-
Decreases	-	(1.700.000)	-	(1.700.000)
December 31st, 2011	**66.633.461**	**20.376.736**	**626.000**	**87.636.197**
Increases	-	-	-	-
Decreases	(27.000.000)	(2.076.736)	-	(29.076.736)
December 31st, 2012	**39.633.461**	**18.300.000**	**626.000**	**58.559.461**

This decrease of Euro 29,077 thousand is mainly due to waiver of the receivable from FINN-POWER OY, as part of the capital increase of the subsidiary for Euro 26,000 thousand (see Note 11.3). Further reductions are related to the credit repayments made by PRIMA ELECTRO SpA for Euro 2,077 thousand and reimbursement of FINN-POWER OY for Euro 1,000 thousand.

The item “Current financial assets” amounted to Euro 7,952 thousand and is as follows:

- Receivables from the Chinese company Wuhan Huagong Unity on the partial sale of the investment in SUP (see Note 11.4) for Euro 4,671 thousand.
- Receivables from the subsidiary FINN-POWER Italia Srl resulting from the intra-group factoring contract (Euro 1,856 thousand);
- Accrued interest on loans to subsidiaries (classified as “Financial assets - loans to subsidiaries”), which amounted to Euro 1,425 thousand.

NOTE 11.7 – OTHER FINANCIAL ASSETS

This item amounted to Euro 16,982 thousand and solely refers to a financial receivable from the subsidiary FINN-POWER OY; this asset is related to a class E action (so-called E-Share) without voting rights and remunerated by way of an annual Euribor dividend plus a spread. Compared to 31/12/2011 there was an increase of Euro 544 thousand relating to interest accrued during the year 2012.

NOTA 11.8 – TAX ASSETS FOR DEFERRED TAX

The following table shows the changes in deferred tax assets during the year 2012.

Deferred tax assets	Dec. 31st, 2012	Dec. 31st, 2011
Initial balance	**1.758.865**	**1.802.439**
Provisions	499.938	135.234
Utilizations	(234.205)	(178.808)
Closing balance	**2.024.598**	**1.758.865**

The items that give rise to deferred tax assets can be summarized as follows.

Deferred tax assets	Deferred taxability	Deferred tax assets
Provisions for risks, charges and other debts	4.332.112	1.193.862
Inventories	1.683.166	462.871
Employees benefits	1.044.536	287.247
Current credits and debits	214.773	59.061
Tangible fixed assets	1.457	401
Other assets/liabilities	67.376	21.156
Total	**7.343.420**	**2.024.598**

With regard to the recoverability of these taxes it should be noted that PRIMA INDUSTRIE SpA has historically realized positive taxable income, both for IRES and IRAP purposes and provides the attainment of taxable income in the years after.

The assessment of the recoverability of deferred tax assets takes into account the expected profitability in future years and is also supported by the fact that the deferred tax assets relate to valuation allowances for which there is no expiration.

NOTE 11.9 – INVENTORIES

Inventories at 31/12/2012 amounted to Euro 18,283 thousand, net of inventory losses.

Inventories	Dec. 31, 2012	Dec. 31, 2011
Raw materials	14.256.546	11.294.823
(Provision for Raw materials)	(1.683.165)	(1.663.165)
Semifinished goods	3.496.201	5.282.128
Finished goods	2.212.927	4.439.489
(Provisions for finished goods)	-	(120.000)
Total	**18.282.509**	**19.233.275**

In 2012 there was a decrease of Euro 951 thousand, resulting from the difference between the overall increase in inventories of raw materials and semi-finished goods (net of impairment provisions) amounted to Euro 1,156 thousand, in line with the higher production volumes in the year, and the decrease in finished products (net of impairment provisions) amounted to Euro 2,107 thousand, due to the reduced use of finished products used in the demo and development activities, as well as the optimization of delivery times and acceptance of the machines. The value of inventories of raw materials and semi-finished products is influenced by the solid order backlog that requires a large number of machines to produce and deliver early in the year 2013.

The table below provides the changes in the provision of raw materials and finished products during the year.

Depreciation Fund	Raw materials	Finished goods
Balance as at December 31st, 2011	**(1.663.165)**	**(120.000)**
Utilizations	85.000	120.000
Provisions	(105.000)	-
Balance as at December 31st, 2012	**(1.683.165)**	-

With regard to the use of the provision for obsolete finished goods, they refer to Euro 55 thousand for the sale of the inventory of the Swiss branch following the sale of the business to the subsidiary PRIMA POWER GmbH and for Euro 30 thousand for the supply of goods specifically in relation to which the provision had been set aside.

NOTE 11.10 – TRADE RECEIVABLES

Trade receivables as at 31/12/2012 amounted to Euro 38,373 thousand, compared to the previous year decreased by Euro 1,086 thousand

Trade Receivables	Dec. 31st, 2012	Dec. 31st, 2011
Receivables from customers	21.644.518	21.480.623
Provisions for bad debts	(372.942)	(240.906)
Receivables from other customers (net)	**21.271.576**	**21.239.717**
Receivables from related parts	17.101.772	18.219.595
Receivables from customers (net)	**38.373.348**	**39.459.312**

Despite the increased turnover for the year, due to the good performance of both sales to external customers and towards the Group companies, the company has reduced trade receivables as a result of careful management of working capital.

Trade receivables include receivables in foreign currencies related to items denominated in U.S. dollars and British pounds that relate mostly to invoices issued in respect of the British and North American subsidiaries.

In the face of open positions at 31/12/2012 the exchange rate adjustment has been correctly accounted for. The receivables in currencies other than the reference currency are converted into euro using the exchange rates prevailing at the balance sheet date. All exchange differences are recognized in the income statement.

The changes in the allowance for doubtful accounts in the period considered were as follows:

Provisions for doubtful credits	
Provision for doubtful credits as of December 31st, 2011	**240.906**
Utilization	(123.809)
Provisions	255.845
Provisions for doubtful credits as of December 31st, 2012	**372.942**

There is an increase in allowance for doubtful accounts largely due to the use of about half of the provision to cover losses on certain identified positions and the provision of new positions in the amount of Euro 256 thousand. The provision reflects management's estimate of the expected losses of the Group.
The breakdown of trade receivables (including subsidiaries and associates, but before the provision for doubtful debts) divided by maturity is illustrated below.

Receivables by due date	Dec. 31st, 2012	Dec. 31st, 2011
Values expressed in Euto thousand		
Not due	29.476	21.122
Expired 0 - 60 days	3.673	8.647
Expired 61 - 120 days	1.443	3.881
Expired over 120 days	4.154	6.050
Total	**38.746**	**39.700**

NOTE 11.11 – OTHER RECEIVABLES

Other current receivables amounted to Euro 2,592 thousand, an increase of Euro 478 thousand compared to the previous year (Euro 2,113 thousand at 31/12/2011), and includes:

- contributions to be received for Euro 1,894 thousand, which refers mostly to a capital contribution on a program of technological innovation to be paid by the Ministry of Economic Development of approximately Euro 1.1 million, and a capital contribution relating to an experimental development in the field of Converging Technologies to be paid by the Piedmont Region of approximately Euro 540 thousand;
- advances to suppliers (Euro 371 thousand) paid in respect of orders for future deliveries;
- security deposits (Euro 150 thousand);
- accrued expenses and deferred income (Euro 107 thousand);
- receivables from employees (Euro 57 thousand) for advances on travel expenses paid to employees;
- other minor receivables (Euro 12 thousand).

NOTE 11.12 – OTHER TAX ASSETS

Other deferred tax assets at 31/12/2012 amounted to Euro 437 thousand, a significant decrease (amounting to Euro 1,339 thousand) compared to last year. This reduction is due almost exclusively to the reduction of the VAT credit, due to careful management of the corporate treasury, which allowed the optimization of deferred tax assets.

The credit for VAT at 31/12/2012 amounted to Euro 430 thousand (vs. Euro 1,748 thousand at 31/12/2011) and the remaining Euro 7 thousand are represented by other minor tax credits.

NOTE 11.13 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to Euro 719 thousand at 31/12/2012, compared to Euro 2,472 thousand as at 31/12/2011 and are composed of cash (including foreign currency), from cheques and bank loans at sight.

Cash and cash equivalents	Dec. 31st, 2012	Dec. 31st, 2011
Cahs and checks	22.090	70.190
Bank accounts	697.218	2.401.804
Total	**719.308**	**2.471.994**

NOTE 11.14 – SHAREHOLDERS' EQUITY

SHARE CAPITAL

At 31/12/2012, the share capital fully subscribed and paid, consists of n. 8,642,621 ordinary shares with a nominal value of Euro 2.5 each, for a total of Euro 21,606,552.50.

The amount due from shareholders for outstanding amounts refer to a credit for the subscription of n° 210 shares arising from the exercise of an equal number of warrants; this subscription was in the month of December 2012 and the value of the shares issued was collected in the month of January 2013. As required by international accounting standards this credit is deducted from equity, against the share capital.

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

LEGAL RESERVE

This item amounted to Euro 4,320 thousand and did not change during the year 2012.

OTHER RESERVES

The item "Other reserves" has a value of Euro 53,217 thousand and is as follows:

- Extraordinary reserve: Euro 11,254 thousand, decreased by Euro 1,483 thousand compared to 31/12/2011 due to use to cover the loss for the year 2011.
- Share premium reserve: Euro 46,463 thousand, increased by Euro 12 thousand due to the share capital increase in 2012. This item is generated by the premium of the new shares of the nominal value.
- Reserve for fair value of derivatives: a negative Euro 5,188 thousand represents the portion recognized directly in equity in the market value of derivatives hedging the variability of interest rates.
- Stock option: a total of Euro 1,295 thousand, unchanged since 31/12/2011.
- Expenses for share capital increase: is a negative Euro 1,286 thousand and represents the costs incurred for capital increases (for example, bank charges, legal and administrative, etc.) the first in 2008 and the second deliberated in 2009 and ended in early 2010, in addition to an increase of Euro 2 thousand in 2011 and has remained unchanged since 31/12/2011.
- Reserve for recovery investments value: amounted to Euro 679 thousand and has remained unchanged since 31/12/2011.

RETAINED EARNINGS (LOSSES)

The item that was negative for about Euro 1,573 thousand has not changed; this item also includes amounts related to the differences in accounting practice at the date of transition to IFRS due to the adjustments made to the balances on the financial statements prepared in accordance with national accounting standards.

PROFIT (LOSS) FOR THE YEAR

The result for the year was positive for Euro 1,892 thousand.

The gains / (losses) recognized directly in equity, refer only to the "Reserve for fair value of derivatives adjustment", which benefited from a profit of Euro 363 thousand (see also the statement of comprehensive income) in the year.

For more information about:

- stock option plans, see the relevant paragraph in the Report;
- hedging derivative financial instruments, see note 11.8 of the consolidated financial statements;
- increase in share capital, see note 13.8 of the consolidated financial statements

NOTE 11.15 – DERIVATIVE FINANCIAL INSTRUMENTS

PRIMA INDUSTRIE SpA as at 31/12/2012 into derivative financial instruments for a net negative amount of Euro 6,038 thousand (all non-current).

Type	Company	Counterparty	Expiry date	Notional reference	MTM Dec. 31st, 2012
IRS - Hedge accounting	Prima Industrie SpA	Unicredit	04/02/16	€ 24.620.536	€ 3.018.872
IRS - Hedge accounting	Prima Industrie SpA	Intesa-Sanpaolo	04/02/16	€ 24.620.536	€ 3.018.872
				TOTAL	**€ 6.037.744**

At the time of preparation of the consolidated financial statements at 31/12/2012 a valuation of derivative instruments entered into by the company was carried out, in order to verify the type and the consequent method of accounting.

All financial instruments held by PRIMA INDUSTRIE SpA were HEDGE ACCOUNTING, since they fulfilled all the requirements of IAS 39 to be classified in this category.

For all derivatives designated as HEDGE ACCOUNTING in IAS 39, the Company has formally documented the hedging relationship between the hedging instrument and the hedged item, its risk management objectives and strategy being coverage. The effectiveness of the hedging relationship has been verified by an independent expert in actuarial valuations.

In compliance with IAS 39 HEDGE ACCOUNTING derivatives they were recognized as follows: the changes in fair value are initially recognized directly in equity, in the amount qualifying as effective; the gains or losses were subsequently released from equity and recognized in the income statement in conjunction with the economic effects of the hedged transaction. The portion of the fair value of derivatives that do not qualify as effective is recognized directly in the income statement under financial expenses.

It should be noted that during the year PRIMA INDUSTRIE SpA has held several NON-HEDGE ACCOUNTING financial instruments and the related changes in fair value are recognized in the income statement under financial expenses. For further comments about the IRS, see note 8.10 "NET FINANCIAL POSITION".

NOTE 11.16 – FINANCING

Below is a breakdown of PRIMA INDUSTRIE SpA financing at 31/12/2012 (in comparison with 31/12/2011).

Bank borrowings and other financing	Dec. 31st, 2012	Dec. 31st, 2011
Current		
Bank overdrafts	2.446.389	803.450
Short-term factoring operations	-	1.035.532
Short-term payable for bank loans	39.355.464	35.688.819
Short-term payable for other financing	96.054	405.543
Short-term payable for advances on invoices	4.792.400	3.135.146
Total Current	**46.690.307**	**41.068.490**
Non-current		
Payable for operational leasingsDebiti per leasing operativi	83.000	83.000
Long-term payable for bank loans	88.324.843	98.540.881
Long-term payable for other financing	-	96.054
Total Non-current	**88.407.843**	**98.719.935**
TOTAL	**135.098.150**	**139.788.425**

The main debt included in the banking debt is the FINPOLAR loan. This loan, which at 31/12/2012 amounted to Euro 127,597 thousand, is as follows:

- Tranche A: medium/long-term loan for Euro 24,403 thousand (expiring in February 2015 with semi-annual repayment in constant capital share);
- Tranche B: medium/long-term loan for Euro 63,232 thousand (expiring in February 2016 with a “bullet” repayment at maturity);
- Tranche C1: medium/long-term loan for Euro 10,658 thousand (expiring in February 2015 with repayment in semi-annual repayment in constant capital share);
- Tranche C2: line of credit for advances on invoices (revolving) utilized as at 31 December 2012 for Euro 8,370 thousand (the line can be used for a maximum total amount of Euro 12,200 thousand for working capital requirements of the Group);
- Tranche D: line of credit for cash of Euro 19,833 thousand (maximum capital amount of Euro 20 million);
- At 31/12/2012 interest accrued and unpaid is registered on all FINPOLAR loan tranche for a total of Euro 1,101 thousand.

The FINPOLAR loan is for Euro 88,325 thousand due over 12 months.
It should be noted that on 06/02/2012 and on 06/08/2012 the company regularly paid the debt to the pool of banks on the FINPOLAR loan and a total of Euro 11,004 thousand (which includes share capital for Euro 5,523 thousand, interest for Euro 3,698 thousand and differential on the derivative for Euro 1,783 thousand). In addition, on 21/06/2012 the company made a mandatory prepayment (*excess cash*) of Euro 166 thousand.

At the date of preparing the financial statements, the debt to the pool of banks on the FINPOLAR loan, maturing on 04/02/2013 amounting to a total of Euro 7,468 thousand euro, is regularly paid and divided as follows:

- Capital tranches A and C1 for Euro 5,123 thousand;
- Interests tranches A, B and D for Euro 1,306 thousand;
- Differential on derivative for Euro 1,039 thousand.

The *covenants* measured on the consolidated financial statements at 31 December 2012 were met.

The changes in the financial debt of PRIMA INDUSTRIE SpA in 2012 are as follows.

Bank borrowings and other financing *Movements*	Dec. 31st, 2011	Increases	Decreases	Reclassification	Dec. 31st, 2012
Current					
Bank overdrafts	803.450	1.642.939	-	-	2.446.389
Short-term factoring transactions	1.035.532	-	(1.035.532)	-	-
Short-term payable for bank loans	35.688.819	1.184.785	(7.734.178)	10.216.038	39.355.464
Shor-term for other financing	405.543	-	(405.543)	96.054	96.054
Short-term for advances on invoices	3.135.146	1.657.254	-	-	4.792.400
Total current	**41.068.490**	**4.484.978**	**(9.175.253)**	**10.312.092**	**46.690.307**
Non-current					
Payable for operational leasings	83.000	-	-	-	83.000
Long-term payable for bank loans	98.540.881	-	-	(10.216.038)	88.324.843
Long-term payable for other financing	96.054	-	-	(96.054)	-
Total Non current	**98.719.935**	**-**	**-**	**(10.312.092)**	**88.407.843**
TOTAL	**139.788.425**	**4.484.978**	**(9.175.253)**	**-**	**135.098.150**

In 2012, financial debt decreased by a total of Euro 4,690 thousand.

For assets and liabilities at 31 December 2012 due to third parties and in accordance with the categories set out in IAS 39, the table below shows disclosures relating to financial instruments under IFRS 7.

Fair value by category - IAS 39 - December 31st, 2012							
Values in Euro thousand	Relevant values on balance according to IAS 39						
Assets	**Category IAS 39**	**Financial value as of Dec. 31st, 2012**	**Amortized cost**	**FV in Property**	**FV in Equity**	**IAS 17**	**Fair value 31.12.2012**
Cash and cash equivalents	NA	719	-	-	-	-	719
Assets held to maturity	Held to Maturity	7.952	-	-	-	-	-
Total		**8.671**	**-**	**-**	**-**	**-**	**719**
Liabilities	**Category IAS 39**	**Financial value as of Dec. 31st, 2012**	**Amortized cost**	**FV in Property**	**FV in Equity**	**IAS 17**	**Fair value 31.12.2012**
Liabilities at amortized cost	Amortised Cost	135.015	135.015	-	-	-	136.425
Liabilities at fair value in profit or loss	Held for Trading	-	-	-	(176)	-	-
Hedging derivatives	NA	6.038	-	363	(1.941)	-	6.038
Liabilities valued under IAS 17	NA	83	-	-	-	83	83
Total		141.136	135.015	363	(2.117)	83	142.546

Gains and losses by category - IAS 39 - December 31st, 2012			
Values in Euro thousand			
Assets	**Category IAS 39**	**Net gains and losses**	**of which interest**
Cash and cash equivalents	NA	5	5
Assets held to maturity	Held to Maturity	35	35
Total		40	40
Liabilities	**Category IAS 39**	**Net gains and losses**	**of which interest**
Liabilities at amortized cost	Amortised Cost	(4.646)	(4.550)
Liabilities at fair value in profit or loss	Held for Trading	(176)	(248)
Hedging derivatives	NA	(1.941)	(1.783)
Other financial liabilities - factoring	NA	(9)	(9)
Total		(6.772)	(6.590)

For more details about the financing of PRIMA INDUSTRIE SpA, see the Report on Operation and the consolidated financial statements in Note 8.11 – NET FINANCIAL POSITION.

NOTE 11.17 – EMPLOYEE BENEFITS

The table below shows the composition of liabilities for employee benefits at 31/12/2012 and the closing of the previous year.

Employee Benefits	Dec. 31st, 2012	Dec. 31st, 2011
Italian employee's benefit liabilities	2.347.676	2.325.910
Fidelity premium	1.077.206	819.555
TOTAL	**3.424.882**	**3.145.465**

The TFR is the compensation provided for by Italian law that is accrued by employees in the course of their employment and is paid upon termination of employment. This allowance is treated as a defined benefit provision, subject to actuarial valuation for the part related to future expected benefits and related to benefits already paid.

Following the changes to the TFR by Law 27 December 2006 (2007 Finance Act) and subsequent Decrees and Regulations issued in early 2007 for IAS only the TFR liability that accrued and remained in the company was valued, since the accruing amount was paid to a separate entity (complementary pension or INPS FUNDS). As a result of these payments, the Company has no further obligations with regard to future labor performed by the employee. Even for those who have explicitly decided to keep the TFR in the company, and therefore under the previous legislation, the severance indemnities accruing from 1st January 2007 have been paid to the Treasury Fund managed by INPS. This fund, on the basis of article 1, paragraph 5, of the 2007 Finance Act provides to employees in the private sector the payment of indemnities pursuant to article 2120 of the Italian Civil Code, for the portion corresponding to the payments made to the same.

In accordance with IAS 19, PRIMA INDUSTRIE SpA will apply the transition rules in retrospect starting from 01/01/13. This application will result in the adjustment of the initial values of the balance sheet - financial at 01/01/2012, as well as the economic values of 2012, as if the amendment to IAS 19 had always been applied. In the event that the Company had applied the new version of IAS 19 starting from 01/01/2011, the liability for employee benefits in would have been higher by about Euro 37 thousand in 2011 and Euro 143 thousand in 2012; consequently the net equity would have been lower by Euro 37 thousand in 2011 and Euro 143 thousand in 2012.

The table below shows the changes in both the TFR and Fidelity premium during the year 2012.

Italian employees's benefit	Dec. 31st, 2012	Dec. 31st, 2011
Opening balance	**2.325.910**	**2.381.069**
Italian Employee's benefit indemnities paid out during the period	(76.351)	(157.960)
Provision	-	11.253
Financial costs	98.117	102.801
Other movements	-	(11.253)
Closing balance	**2.347.676**	**2.325.910**

Fidelity Premium	Dec. 31st, 2012	Dec. 31st, 2011
Opening balance	**819.555**	**823.521**
Fidelity Premium paid out during the period	(5.625)	(22.113)
Provisions/Actuarial Adjustment	230.606	(18.414)
Financial costs	32.670	36.561
Closing balance	**1.077.206**	**819.555**

The Fidelity Premium refers to the professional seniority premium scheduled for the company's employees paid at the end of 20, 30 and 35 years of seniority for an amount equal to two gross monthly salaries. The main assumptions used for estimating the ultimate liability relating to employee benefits are as follows:

Actuarial Assumptions	Dec. 31st, 2012	Dec. 31st, 2011
Annual discount rate	3,25%	4,00%
Annual inflation rate	2,00%	2,00%
Annual Italian enployee's benefit increase rate	3,00%	3,00%

The demographic assumptions used for the actuarial valuation include:

- the probability of death determined by the General Accounting Office called RG48, broken down by gender;
- the probability of disability, by gender, adopted by the INPS model for 2010 projections;
- retirement age equal to the first of the pension requirements for the general compulsory insurance;
- the probability of leaving for reasons other than death, with annual frequency equal to 5% depending on the company;
- the probability of advance equal to a value of 3% each year

NOTE 11.18 –TAX LIABILITIES FOR DEFERRED TAX

The following table shows the changes in tax liabilities for deferred taxes during the year 2012.

Deferred tax liabilities	Dec. 31st, 2012	Dec. 31st, 2012
Opening balance	**654.300**	**695.426**
Provisions	287.143	67.647
Utilizations	(125.180)	(108.773)
Closing balance	**816.263**	**654.300**

The main items, which give rise to tax liabilities for deferred taxes can be summarized as follows.

Deferred tax liabilities	Deferred taxability	Deferred tax liabilities
Current debits and credits	2.346.010	646.626
Tangible fixed assets	616.863	169.637
Total	**2.962.873**	**816.263**

NOTE 11.19 – PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges at 31/12/2012 amounted to Euro 10,518 thousand (Euro 6,478 of which non-recurring operations). In 2012 there was an overall increase of Euro 3,135 thousand.

Changes in non-current and current provisions are outlined below.

Provisions for non-current risks	Cust. Agent. Ind. Provision	Equity investments loss fund	TOTAL
December 31st, 2010	**67.091**	**4.607.994**	**4.675.085**
Provisions	5.436	-	5.436
Utilizations	(7.623)	-	(7.623)
December 31st, 2011	**64.904**	**4.607.994**	**4.672.898**
Provisions	2.742	1.801.928	1.804.670
Utilizations	-	-	-
December 31st, 2012	**67.646**	**6.409.922**	**6.477.568**
Provisions for current risks	**Risks fund on tax claims**	**Guarantee fund**	**TOTAL**
December 31st, 2010	**-**	**2.630.000**	**2.630.000**
Provisions	-	2.710.000	2.710.000
Utilizations	-	(2.630.000)	(2.630.000)
December 31st, 2011	**-**	**2.710.000**	**2.710.000**
Provisions	91.791	3.949.000	4.040.791
Utilizations	-	(2.710.000)	(2.710.000)
December 31st, 2012	**91.791**	**3.949.000**	**4.040.791**

Provision for subsidiary losses

This provision refers to the subsidiary PRIMA POWER GmbH for Euro 6,204 thousand (for more details, please refer to Note 11.3) and Euro 206 thousand for the company PRIMA POWER SOUTH AMERICA Ltda. This provision was increased during the year by Euro 1,802 thousand following the losses incurred by the two subsidiaries.

Provision for agent indemnity

It represents the amount payable at year-end with respect to agents for the indemnity due to them in the event of termination of the agent agreement as required by current legislation.

Provision for guarantees

It refers to provisions for technical product warranty of the company and is considered appropriate in relation to the guarantee costs that will be incurred. Compared to 2011, the Guarantee provision increased by Euro 1,239 thousand.

Provision for tax claims

It refers to provisions for litigation with a former agent with the financial administration; it was considered that in view of the obligations in progress, a reasonable estimate of business risk is equal to Euro 92 thousand.

NOTE 11.20 –TRADE PAYABLES, ADVANCES AND OTHER DEBTS

Trade payables amounted to Euro 32,517 thousand at 31/12/2012, of which Euro 24,422 thousand to third party suppliers and Euro 8,095 thousand due to related parties.

Trade and other payables	December 31st, 2012	December 31st, 2011
Payable owed to suppliers	24.422.269	25.260.769
Amounts due to subsidiaries	8.094.690	11.405.865
Trade payables	**32.516.959**	**36.666.634**
Advances from customers	1.339.128	4.121.401
Advances from customers	**1.339.128**	**4.121.401**
Other payables due to subsidiaries	3.297.363	5.411.197
Social security payables	1.579.844	1.419.307
Amounts due to employees	2.041.314	1.823.612
Accrued expenses and deferred income	504.308	346.351
Other payables	197.830	40.036
TOTAL	**7.620.659**	**9.040.503**

Trade payables have decreased during the year 2012 by Euro 4,150 thousand. This decrease is mainly due to an improvement in the timing of payment, due to the efficient management of working capital.

Advances from customers have decreased compared to the previous by Euro 2,782 thousand; at 31/12/2012 it amounts to Euro 1,339 thousand against Euro 4,121 thousand as at 31/12/2011. This item is entirely from advance payments on orders for machines not yet delivered whereas those generated by the accounting standard IAS 18, relating to machines already delivered but not yet accepted by the end customer, amount to zero because all the cars sold are attributable to revenue.
Other payables to related parties amounted to Euro 3,297 thousand and relate to debts arising from commercial transactions had with subsidiaries or other related parties (strategic management and auditors). A significant portion of this debt, amounting to Euro 2,741 thousand, is to the subsidiary FINN-POWER OY.

The social security and welfare payables relate to payments to social security and welfare institutions (especially INPS Social Security and other forms of assistance).

Payables to employees relate to salaries not yet paid and amounts accrued but not yet paid for remaining vacation time not taken, for rewards, incentives for accrued incentives for managers and commercial personnel and travel expenses incurred by the company for employees on business trips.

NOTE 11.21 –TAX LIABILITIES FOR CURRENT TAX

This item amounted to Euro 2,069 thousand (Euro 1,156 thousand at 31/12/2011) and is composed as follows:

- Payables/IRES and IRAP: Euro 802 thousand
- Payables/subsidiaries for tax consolidation: Euro 718 thousand
- Withholding Tax Personal Income Tax IRPEF: Euro 509 thousand
- Other payables v/Treasury: Euro 40 thousand

NOTE 11.22 – NON-CURRENT ASSETS HELD FOR SALE

This item includes two investments that are no longer considered strategic for the company; their carrying amount will be recovered principally from the disposal rather than through their continuing use.

The two investments are the remaining 15% of SUP and 50% of SNK. For more details, please see note 11.4.

NOTE 11.23 –NET REVENUES FROM SALES AND SERVICES AND OTHER REVENUES

Net revenues from sales and services by product/activity and geographic area are shown below (amounts in thousands of Euro).

Revenues from sales and services	Italy	%	Europe	%	North America	%	Rest of the World	%	Total
Machines	13.347	16,45%	27.164	33,47%	13.969	17,21%	26.675	32,87%	81.155
Services	3.211	69,80%	823	17,89%	158	3,43%	408	8,87%	4.600
Spare parts	4.097	29,61%	4.462	32,24%	1.752	12,66%	3.527	25,49%	13.838
Other sales - miscellaneous	43	4,02%	346	32,37%	621	58,09%	59	5,52%	1.069
Total	**20.698**		**32.795**		**16.500**		**30.669**		**100.662**

Revenues at 31/12/2012 amounted to Euro 100,662 thousand, compared to 2011, increased by Euro 10,268 thousand (31/12/2011 their value amounted to Euro 90,394 thousand).

NOTE 11.24 – OTHER OPERATING REVENUES

Below is a summary of other operating income.

Other operating income	December 31st, 2012	December 31st, 2011
Services provided and costs charged back to subsidiaries	1.566.941	1.092.726
Research and development projects income	1.790.000	380.560
Government grants	1.058.468	458.978
Extraordinary income	281.890	161.113
Insurance refunds	653	10.314
Collection of security deposits	-	-
Other	42.436	14.769
Total	**4.740.388**	**2.118.460**

Services and costs charged to the various companies of the group are attributable to activities performed by the parent company to its subsidiaries for assistance in accounting, finance, IT and management control.

Research grants recognized in the income statement are related to the amount of the grant concessions for research and development acquired in the reporting period.

Proceeds for research and development, refer to a “license agreement” for 1 million euro and to a project for the development of new numeric control CNC to be used on PRIMA POWER machines for Euro 790 thousand.

Contingent assets primarily related to adjustments to provisions made in the previous period.

NOTE 11.25 –INCREASES FOR INTERNAL WORK

The increase in internal work capitalized amounted to Euro 1,456 thousand in 2012, compared with Euro 892 thousand the previous year.
The amount recognized in the income statement refers to Euro 1,204 thousand in development costs related to research and Euro 252 thousand in costs incurred for the construction of production equipment and off-line testing of pre-assembled components or groups. For all capitalized projects technical feasibility and generation of probable future economic benefits was verified.

The first category of costs is classified as an intangible asset, and the second as tangible fixed assets.

NOTE 11.26 –PERSONNEL COSTS

Personnel costs at 31/12/2012 amounted to Euro 20,750 thousand, an increase over the previous year of Euro 1,884 thousand.

Personnel costs	December 31st , 2012	December 31st, 2011
Salaries and wages	14.699.630	13.429.769
Social security contributions	4.492.952	4.135.651
Severance indemnities paid into complementary	868.615	763.969
Fidelity Premium	224.981	(40.527)
Other costs	464.039	577.590
TOTAL	**20.750.217**	**18.866.452**

The total increase is due to the increased number of employees necessary to meet the increased production needs.

The number of employees as at 31/12/2012 compared to the previous year is shown below.

Personnel movements	December 31st, 2012	December 31st, 2011
Executives	16	15
Front-line managers	19	16
Managers	18	16
Office staff	186	181
Intermediate	5	5
Production workers	91	76
Total ITALY	**335**	**309**
Foreign Branch office- *Switzerland*	-	2
Total PRIMA INDUSTRIE SpA	**335**	**311**

Overall, the workforce at PRIMA INDUSTRIE increased from 311 units (31 December 2011) to 335 units (31 December 2012). Please note that the Company operates in a high-tech sector, therefore the personnel is generally very specialized and as a consequence, more expensive than the average industry standard. As can be seen from the table above, the Company no longer has employees in Switzerland, following the sale of the subsidiary branch office PRIMA POWER GMBH.

NOTE 11.27 – DEPRECIATION

Depreciation for the year increased compared to the previous year by Euro 134 thousand. This increase has been mainly due to intangible assets, following the entry into operation of many development projects capitalized in previous years.

The table below contains a breakdown of depreciation between tangible and intangible assets and a comparison with the previous year.

Depreciation	Dec. 31st, 2012	Dec. 31st, 2011
Intangible fixed assets	1.272.561	1.099.891
Tangible fixed assets	458.160	496.767
TOTAL	**1.730.721**	**1.596.658**

NOTE 11.28 – OTHER OPERATING COSTS

Operating costs at 31/12/2012 amounted to Euro 26,811 thousand and increased by Euro 2,440 thousand compared to the previous year (as at 31/12/2011 the figure was Euro 24,371 thousand). This increase mainly relates to costs for subcontracted work, travel costs, transport, consulting and other expenses that are variable and for which the increase reflects the growing volume of company business during 2012.

Other operating costs	Dec. 31st, 2012	Dec. 31st, 2011
External services	10.005.511	9.412.686
Travel expenses	3.100.052	2.845.630
Transport and custom duties	2.181.241	2.053.050
Technical, legal, fiscal and administrative consultation fees	2.232.025	1.748.773
Commissions	1.022.504	1.544.712
Temporary work	751.925	895.736
Rentals and other costs for leases	921.027	855.019
Utility	854.420	816.657
Other costs for services	938.085	797.858
Advertising and promotion	302.330	605.151
External maintenance	445.461	559.393
Administrators' fee	591.104	542.385
Rent	514.687	478.803
Insurances	428.028	408.522
Extraordinary liabilities	288.387	222.438
Statutory auditors' fee	105.000	105.000
Taxes	83.876	61.706
Other operating costs	522.275	245.983
Assignment CH subsidiary loss	25.500	-
Provision for tax claim risk fund	3.200	-
Provision for risk	3.949.000	2.710.000
Utilization of provision for risk	(2.710.000)	(2.630.000)
Provision for doubtful debts	255.845	91.539
Total	**26.811.481**	**24.371.041**

Among "Other costs for services", the most significant are:

- translation costs for Euro 178 thousand;
- cleaning costs for Euro 161 thousand euro;
- representation costs for Euro 92 thousand;

- royalty costs for Euro 50 thousand;
- recruitment for Euro 41 thousand euro;
- costs for annuities of trademarks and patents for Euro 12 thousand;
- costs for manuals and documentation for Euro 9 thousand.

NOTE 11.29 – FINANCIAL INCOME AND EXPENSES

The financial year 2012 was negative overall for Euro 1,547 thousand.

Financial management	Dec. 31st, 2012	Dec. 31st, 2011
Writedowns of equity investments in subsidiaries	(2.130.152)	-
Interest on short term loans (current/non current)	(4.578.295)	(5.044.003)
Derivatives expenses	(2.116.747)	(1.938.264)
Interests paid on employee tax benefits	(130.787)	(139.362)
Bank charges (including amortized costs)	(330.319)	(864.117)
Interest on trade allowances	(17.359)	(8.039)
Other	311.036	-
Financial expenses	**(8.992.623)**	**(7.993.785)**
Gain of the sale of the stake	4.030.608	-
Recovery of value of equity investments in subsidiaries	3.322.418	3.526.706
Interest income from customers	8.150	8.426
Financial income from other companies	5.166	9.161
Other financial income	27.466	-
Financial income from subsidiaries	-	667.328
Financial income	**7.393.808**	**4.211.621**
Positive exchange differences	493.698	895.719
Negative foreign exchanges differences	(441.504)	(745.282)
Exchange rate differences	**52.194**	**150.437**
FINANCIAL INCOME AND EXPENSES (NET)	**(1.546.621)**	**(3.631.727)**

Financial expenses relating to the FINPOLAR loan (included in “Interest on debts v/lenders (current/non-current)”) amounted to Euro 4,366 thousand and net financial expense on derivatives amounted to Euro 2,117 thousand. As can be seen from the above table, the interest paid to banks decreased by Euro 466 thousand. This decrease is mainly attributable to the reduction of the Euribor, despite the higher spreads on the FINPOLAR financing compared to the 2011 average. It is also reported (Other items of financial expenses) that a release of an investigation was carried out in previous years, for which there are no longer the basis for its maintenance in the financial statements.
It should also be noted that, financial expenses include Euro 2,130 thousand of impairment of investments. The write-downs relate to PRIMA POWER GmbH (for Euro 1,596 thousand), PRIMA POWER South America (for Euro 351 thousand), SNK (for Euro 131 thousand) and Sintesi (for Euro 52 thousand).

Concerning financial income we report a gain on the sale of the stake in the JV SUP for Euro 4,031 thousand; for more details, please see “Note 11.4 - INVESTMENTS IN JOINT VENTURES”

For further information, reference is made to the consolidated financial statements in Note 8.11 – NET FINANCIAL POSITION.

NOTE 11.30 – CURRENT AND DEFERRED TAX

Below is a summary of the tax burden of PRIMA INDUSTRIE SpA at 31/12/2012 compared with the previous year.

Current tax liabilities and deferred taxes	Dec. 31st, 2012	Dec. 31st, 2011
IRAP (Regional trade tax)	(738.701)	(610.167)
IRES *(included the effect derived from consolidated taxa*	(639.677)	(47.401)
Taxes relating to previous years	(31.280)	(3.834)
Deferred tax assets	265.733	(43.574)
Deferred tax liabilities	(161.963)	41.126
Tax claim fund	(71.791)	-
Tax credit	-	27.704
TOTAL	**(1.377.679)**	**(636.146)**

The reconciliation between the tax charge recognized in the financial statements and the theoretical tax charge, calculated on the basis of the theoretical tax rates in force in Italy, is as follows.

Reconciliation between ordinary and actuarial tax rates	2012	2011
EARNINGS BEFORE TAX	**3.270.100**	**(846.522)**
IRES rate	*27,50%*	*27,50%*
THEORICAL IRES ON INCOME	**899.278**	**(232.794)**
PERMANENT INCREASE	2.803.323	1.078.033
TEMPORARY INCREASE	5.160.416	3.338.182
PERMANENT DECREASE	(4.422.164)	(150.064)
TEMPORARY DECREASE	(4.485.578)	(4.455.648)
NON-DEDUCTABLE INTEREST	951.507	2.523.179
ROL SURPLUS RECOVERED FROM ITALIAN FISCAL CONSOLIDATED	(951.507)	(873.442)
ROL SURPLUS RECOVERED FROM SUBSIDIARIES	-	(441.349)
INCREASE/DECREASE	**(944.003)**	**1.018.891**
EFFECTIVE FISCAL RESULT	**2.326.097**	**172.369**
IRES rate	*27,50%*	*27,50%*
EFFECTIVE IRES ON INCOME	**639.677**	**47.401**

NOTE 11.31 – GUARANTEES, COMMITMENTS AND OTHER LIABILITIES

The situation regarding guarantees issued and commitments made by the Company at 31/12/2012 is as follows.

Values expressed in Euro thousand

Potential guarantees, commiments and liabilities	Dec. 31st, 2012	Dec. 31st, 2011
Guarantees granted	25.271	20.368
Commitments towards leasing companies	1.271	1.432
Other commitments and significant contract	2.383	2.564
TOTAL	**28.925**	**24.364**

At 31/12/2012 the guarantees provided by PRIMA INDUSTRIE SpA amounted to Euro 25,271 thousand and relate to guarantees in favour of commercial counterparties and guarantees given to banks in favour of Group companies.

“Commitments to leasing companies” refer to repurchase agreements for sales made through financial intermediaries.
“Other commitments and contractual obligations” refer mainly to rental of premises, rentals and operating leases.
PRIMA INDUSTRIE SpA, in addition to probable liabilities which have been allocated in the risks provisions, does not have contingent liabilities to be mentioned, as described in IAS 37.

NOTE 11.32 – TRANSACTIONS WITH ASSOCIATED PARTIES

Transactions with associated parties are mainly represented by transactions carried out with directly and indirectly controlled subsidiaries and joint venture governed by market conditions that are normal in their respective markets, taking into account the characteristics of the goods and services provided.

The impact of these transactions on items in the 2012 financial statements already highlighted in the supplementary Balance Sheet and Income Statement, prepared in accordance with CONSOB Resolution no. 15519 of 27 July 2006 is summarized in the following table:

Associated parties - Financial items

Counterparty	Financial receivables	Trade receivables	Trade payables and advances	Other debts
FINN-POWER ITALIA Srl	1.856.000	96.904	2.388.640	-
PRIMA ELECTRO SpA	19.000.118	42.578	1.792.339	-
FINN-POWER OY	57.336.044	3.864.528	174.767	2.740.537
PRIMA POWER BENELUX NV	-	1.038.689	-	-
PRIMA POWER CENTRAL EUROPE Spzoo	-	446.180	51.321	-
PRIMA POWER FRANCE Sarl	-	71.008	5.582	-
PRIMA POWER GmbH	-	4.995.711	117.570	-
PRIMA POWER UK LTD	630.408	933.044	33.534	14.352
PRIMA POWER IBERICA	-	689.863	110.090	-
PRIMA POWER CHINA Company Ltd	-	509.790	870.497	-
OOO PRIMA POWER	-	882.969	19.690	-
PRIMA ELECTRO NORTH AMERICA LLC	-	201.308	2.440.223	-
PRIMA POWER LASERDYNE LLC	-	2.093.655	-	-
PRIMA POWER NORTH AMERICA Inc	-	595.868	-	-
PRIMA POWER SOUTH AMERICA LTDA	-	82.691	14.383	-
PRIMA MACHINE SERVICE INDIA PR. LTD	-	227.832	36.544	-
PRIMA POWER MAKINA TICARET LTD	-	329.155	39.510	-
STRATEGIC MANAGEMENT	-	-	-	437.474
BOARD OF AUDITORS	-	-	-	105.000
TOTAL	*78.822.570*	*17.101.772*	*8.094.690*	*3.297.363*

Associated parties – Eonomic items

Counterparty	Revenues	Other operating revenues	Financial income	Purchases	Personnel cost	Other operating costs
FINN-POWER ITALIA Srl	49.156	214.450	32.123	497.500	-	484.762
PRIMA ELECTRO SpA	983	67.756	701.096	3.968.750	-	863.736
FINN-POWER OY	3.487.862	183.891	2.561.016	10.959	28.310	229.061
PRIMA POWER BENELUX NV	2.516.846	20.636	1.318	1.097	-	-
PRIMA POWER CENTRAL EUROPE Spzoo	1.230.014	24.674	-	29.446	-	158.851
PRIMA POWER FRANCE Sarl	2.045.418	22.207	306	8.029	-	10.833
PRIMA POWER GmbH	10.709.987	86.875	3.691	523.273	92.844	198.852
PRIMA POWER UK LTD	2.311.824	55.218	21.783	55.025	-	48.957
PRIMA POWER IBERICA	2.978.460	28.311	-	118.674	-	311.307
PRIMA POWER CHINA Company Ltd	452.967	11.218	-	65.728	-	594.103
OOO PRIMA POWER	3.976.312	351.268	-	-	-	23.156
PRIMA ELECTRO NORTH AMERICA LLC	1.075	118.371	-	7.656.506	-	32.311
PRIMA POWER LASERDYNE LLC	12.100.044	324.636	-	37.027	-	7.497
PRIMA POWER NORTH AMERICA Inc	4.359.290	52.236	1.085	170	-	164
PRIMA POWER SOUTH AMERICA LTDA	83.285	1.974	-		-	438.936
PRIMA MACHINE SERVICE INDIA PR. LTD	255.816	1.228	-	510	-	47.574
PRIMA POWER MAKINA TICARET LTD	1.297.379	1.992	-	27.347	-	40.728
STRATEGIC MANAGEMENT	-	-	-	-	542.977	598.350
BOARD OF AUDITORS	-	-	-	-	-	105.000
TOTAL	***47.856.718***	***1.566.941***	***3.322.418***	***13.000.041***	***664.130***	***4.194.178***

As regards the impact on cash flows of the related party transactions it was not considered to represent them in a separate table as they are related to almost all transactions with directly or indirectly controlled companies, as already mentioned above.
The table above does not include items arising from national tax consolidation as not representative of actual exchanges, but solely as part of financial procedures required by national tax legislation (credit v/ PRIMA ELECTRO SpA amounted to Euro 29 thousand and debt v/FINN POWER ITALIA to Euro 747 thousand).

NOTE 11.33 – NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

The table below summarizes the non-recurring transactions which have had a positive impact on the income statement for a total of Euro 2,875 thousand, of which Euro 975 thousand on EBITDA and Euro 1,901 thousand on financial items.

Values expressed in Euro thousand	EBITDA	Financial income and expenses	TOTAL
New CNC Development project	1.000	-	1.000
Assignment CH subsidiary loss	(25)	-	(25)
Gain of the sale of the SUP stake	-	4.030	4.030
Impairment of investments	-	(2.130)	(2.130)
December 31st, 2012	**975**	**1.900**	**2.875**

NOTE 11.34 – UNUSUAL TRANSACTIONS FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to Consob Communication of 28 July 2006, it should be noted that during 2012 the Company did not carry out any atypical and/or unusual transactions, as defined by the Communication, according to which atypical and/or unusual operations are those operations whose significance/relevance, nature of counterparties, purpose, method of determining the transfer price and timing (close to the end of the year) could give rise to doubts as to the accuracy/completeness of the information in financial statements, conflicts of interest, the safeguarding of assets, the protection of minority shareholders.

NOTE 11.35 – NET FINANCIAL POSITION

		Dec. 31st, 2012	Dec. 31st, 2011	Variations
A	CASH	719	2.472	(1.753)
B	OTHER CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH (A+B+C)**	**719**	**2.472**	**(1.753)**
E	**CURRENT FINANCIAL RECEIVABLES**	**7.952**	**6.822**	**1.130**
F	CURRENT BANK LOANS	7.239	4.037	3.202
G	CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	39.355	35.689	3.666
H	OTHER CURRENT FINANCIAL PAYABLE	96	1.441	(1.345)
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**46.690**	**41.167**	**5.523**
J	**CURRENT NET FINANCIAL INDEBTEDNESS (I-D-E)**	**38.019**	**31.873**	**6.146**
K	NON-CURRENT BANK LOANS	94.363	104.783	(10.420)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	83	179	(96)
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**94.446**	**104.962**	**(10.516)**
O	**NET FINANCIAL INDEBTEDNESS (J+N)**	**132.465**	**136.835**	**(4.370)**

In accordance with Consob communication DEM/6064293 of 28 July 2006, the net financial position in the table here above does not show the non-current loans which at 31/12/2012 amounted to Euro 75,542 thousand (as at 31/12/2011 amounted to Euro 104,074 thousand). These receivables relate to loans granted to subsidiaries FINN POWER OY (including financial credit E-Share), PRIMA ELECTRO SpA and PRIMA POWER UK LTD.

For more details about the financial position, see the following notes:

- 11.6 - Financial assets - loans made to subsidiaries
- 11.13 - Cash and cash equivalents
- 11.16 - Financing

SUMMARY OF KEY FIGURES OF THE LAST FINANCIAL STATEMENTS OF SUBSIDIARIES

The tables below provide a summary of the key figures of the Financial Statements of subsidiaries by segment at 31/12/2012.

PRIMA POWER

Values expressed in Euro thousand	PRIMA POWER GMBH	PRIMA POWER UK LTD.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	PRIMA POWER MAKINA TICARET LTD SIRTEKI	FINN-POWER OY	FINN-POWER ITALIA S.r.l.	PRIMA POWER IBERICA S.L.	PRIMA POWER FRANCE Sarl	PRIMA POWER BENELUX	BALAXMAN OY	PRIMA MACHINE SERVICES INDIA PVT.LTD.	PRIMA POWER NORTH AMERICA INC.	PRIMA POWER CANADA Ltd.	PRIMA POWER LASERDYNE LLC
NON-CURRENT ASSETS	210	123	44	407	56	8	38	120.791	11.180	631	53	68	41	41	2.871	-	3.157
CURRENT ASSETS	9.541	3.425	2.135	5.492	317	1.703	1.618	60.170	28.076	6.523	3.539	3.649	54	506	19.280	549	15.733
NON-CURRENT ASSETS DESTINATED TO DISINVESTMENTS	-	-	-	-	-	-	-	-	543	-	-	-	-	-	-	-	-
TOTAL ASSETS	**9.751**	**3.548**	**2.179**	**5.899**	**373**	**1.711**	**1.656**	**180.961**	**39.799**	**7.154**	**3.592**	**3.717**	**95**	**547**	**22.151**	**549**	**18.890**
SHAREHOLDERS EQUITY	(6.204)	701	108	1.329	(206)	902	415	75.342	10.793	5.267	21	64	86	155	8.713	440	3.367
NON-CURRENT LIABILITIES	62	636	-	192	61	26	-	56.771	3.527	-	64	23	-	-	1.709	-	629
CURRENT LIABILITIES	15.893	2.212	2.070	4.378	518	784	1.241	48.848	25.479	1.887	3.506	3.630	10	392	11.729	109	14.894
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**9.751**	**3.549**	**2.178**	**5.899**	**373**	**1.712**	**1.656**	**180.961**	**39.799**	**7.154**	**3.591**	**3.717**	**96**	**547**	**22.151**	**549**	**18.890**

Values expressed in Euro thousand	PRIMA POWER GMBH	PRIMA POWER UK LTD.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	PRIMA POWER MAKINA TICARET LTD SIRTEKI	FINN-POWER OY	FINN-POWER ITALIA S.r.l.	PRIMA POWER IBERICA S.L.	PRIMA POWER FRANCE Sarl	PRIMA POWER BENELUX	BALAXMAN OY	PRIMA MACHINE SERVICES INDIA PVT.LTD.	PRIMA POWER NORTH AMERICA INC.	PRIMA POWER CANADA Ltd.	PRIMA POWER LASERDYNE LLC
REVENUES	26.994	6.933	6.090	21.232	780	1.245	4.774	111.472	46.348	8.538	11.288	10.654	42	576	44.986	684	34.505
EBIT	(503)	315	154	984	(227)	60	281	5.493	(191)	(151)	(132)	(343)	(1)	131	1.417	55	2.999
PROFIT BEFORE TAXES	(517)	309	137	805	(278)	77	267	(2.628)	(716)	(88)	(135)	(356)	(2)	117	1.176	55	2.740
NET INCOME	**(664)**	**303**	**96**	**694**	**(278)**	**37**	**213**	**(2.743)**	**(958)**	**(88)**	**(135)**	**(356)**	**(2)**	**82**	**1.132**	**40**	**2.184**

PRIMA ELECTRO

Values expressed in Euro thousand	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
NON-CURRENT ASSETS	38.192	26	5.051	2
CURRENT ASSETS	21.205	1.483	19.431	377
NON-CURRENT ASSETS DESTINATED TO DISINVESTMENTS	-	-	-	-
TOTAL ASSETS	**59.397**	**1.509**	**24.482**	**379**
SHAREHOLDERS EQUITY	18.204	1.355	18.061	33
NON-CURRENT LIABILITIES	3.945	-	1.266	-
CURRENT LIABILITIES	37.248	154	5.155	346
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**59.397**	**1.509**	**24.482**	**379**

Values expressed in Euro thousand	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
REVENUES	38.177	901	18.372	380
EBIT	5.174	(16)	(14)	(14)
PROFIT BEFORE TAXES	3.468	(3)	92	(18)
NET INCOME	**2.067**	**(2)**	**(72)**	**(20)**

Please note that all statements above refer to 31/12/2012 and have been prepared and reclassified according to IAS/IFRS.

INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION - PRIMA INDUSTRIE GROUP

The following table, prepared pursuant to article 149-k of the Consob Issuers Regulation, shows the audit fees for the year 2012 for audit and non-audit services provided by the independent auditors and entities belonging to its network.

Audit costs (expressed in Euro thousand)	2012
Parent company audit	122
Subsidiary audit	187
Other services	14
TOTAL	**323**

CERTIFICATION OF FINANCIAL STATEMENTS AS AT 31/12/2012

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (executive in charge of preparing the corporate financial statements) of PRIMA INDUSTRIE SpA, also taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, n. 58 certify:

- the adequacy in relation to the characteristics of the company and
- the effective application of administrative and accounting procedures for the preparation of financial statements in the year 2012

2. In this regard no significant issues arose.

3. We also certify that:

3.1 The financial statements:

(a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
(b) correspond to the accounting books and records;
(c) are able to give a true and fair view of the financial position, operations and financial position

3.2 The report on operations includes a reliable analysis of the results of operations, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Date: 13/03/2013

Signature delegated administrative body

____

Signature manager responsible for preparing the financial documents

____

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the financial statements of Prima Industrie S.p.A. as of 31 December 2012 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 23 March 2012.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Prima Industrie S.p.A. for the year then ended.

4. The Directors of Prima Industrie S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Prima Industrie S.p.A. at 31 December 2012.

Turin, 25 March 2013

Reconta Ernst & Young S.p.A.
Signed by: Stefania Boschetti, partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the consolidated financial statements of Prima Industrie S.p.A. and its subsidiaries, (the "Prima Industrie Group") as of 31 December 2012 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 23 2012.

3. In our opinion, the consolidated financial statements of the Prima Industrie Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Prima Industrie Group for the year then ended.

4. The Directors of Prima Industrie S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governace" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Prima Industrie Group at 31 December 2012.

Turin, 25 March 2013

Reconta Ernst & Young S.p.A.
Signed by: Stefania Boschetti, partner

Reconta Ernst & Young S.p.A.
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PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli 32, 10097 Collegno (TO)
Share capital: Euro 21,609,125.00 fully paid-up
Listed in the Company Register of Turin under no. 03736080015
www.primaindustrie.com

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REPORT OF THE BOARD OF AUDITORS
TO THE SHAREHOLDERS' ASSEMBLY CALLED TO APPROVE THE FINANCIAL STATEMENT AS OF 31.12.2012
(pursuant to art. 153 of Leg. Decree of February 24, 1998, no. 58)

Dear Shareholders,

article 153 of Leg. Decree of 24.02.1998 no. 58 requires the Board of Auditors to report to the Assembly called to approve the financial statement, on its auditing activity, any omissions or censurable facts it may have found, as well as to submit suggestions or comments concerning said statement, its approval and the financial matters that are related to its office.

We therefore comply with the legislation, and with article 2429, paragraph 2 of the Civil Code, in submitting this report.

Over the course of the business year, we have fulfilled the duties required of us by article 149 of Leg. Decree of 24.02.1998 no. 58, abiding by all provisions of law, the principles of conduct imposed on the Board of Auditors of Companies listed in the stock exchange of the National Council of Chartered Accountants and Tax Advisors, and have acted according to the recommendations of the National Commission for Companies and the Stock Exchange.

Hereinafter we summarize the contents and results of our auditing activity carried out over the course of the business year closed on December 31, 2012.

Auditing activity and received information

Over the course of the year we have:

held 6 Board meetings attended by all members of the Board, taken part in 8 meetings held by the Board of Directors, 5 meetings held by the Control and Risk Committee and in 1 Shareholders' Assembly;

continued to exchange information and held regular meetings with the auditing company, so as to ensure a prompt circulation of the data and information that is vital to the proper execution of our statutory tasks, met with the Manager of Group Internal Audit and the Supervisory Board appointed in accordance with Leg. Decree of June 8, 2001, no. 231;

collected all documents and information deemed of significance by the Managing Directors, the Manager in charge of drafting the Company's accounting documents and by other Company Managers;

exchanged information with the Board of Auditors of the chief subsidiary Prima Electro S.p.A., pursuant to paragraphs 1 and 2 of art. 151 of Leg. Decree of February 24, 1998, no. 58.

During the meetings of the Board of Directors, we were informed of its activity and particularly relevant economic, financial and capital transactions finalized or in the process of negotiations and acquired elements as to their conformity to law, to the Articles of Association, to the Assembly's resolutions and to the lack of conflicts of interest.

With particular regard to our functions assumed in accordance with art. 19 of Leg. Decree of January 27, 2010, no. 39, we have held joint meetings and have coordinated our work with the Control and Risk Committee, proceeding foremost to supervise the financial information process, the efficiency of the internal auditing systems and risk management, the legal auditing of the Company's annual and consolidated accounts, and all aspects relating to the independence of the auditing company.

In the context of our meetings with the legal auditing company and with the Control and Risk Committee, we reviewed the work-plan, received information on the applied accounting principles, on the ledgers compiled to represent the most important transactions that were finalized in the business year in question and on the result of our auditing activity.

We hereby acknowledge that the auditing Company Reconta Ernst & Young S.p.A., of whose independence we absolutely have no doubt, has on today's date presented the report referred to in the third paragraph of art. 19 of Leg. Decree of January 27, 2010 no. 39, reporting that no essential issues have emerged, nor significant deficiencies in the internal audit system, as far as relates to the financial information process.

We have evaluated and supervised the appropriateness of the internal auditing and administrative-accounting systems, as well as the latter's reliability in correctly construing management facts, drawing from the information of the respective Division Managers, a review of Company documents, of the report of the Group Internal Audit, an analysis of the results of the labor conducted by the legal auditing company and the participation in meetings of the Control and Risk Committee instituted by the Board of Directors and consisting of three members independent of the Board.

We have ensured that the rules of Corporate Governance established by the Self-Disciplinary Code in use at Prima Industrie S.p.A. have been applied in practice. More specifically, we have on an annual basis checked the subsistence of the requisites of independence expected of the members acting independently of the Board of Directors.

Based on our auditing activity, we can safely claim that the organizational structure of the Company is proportionate to its size and scope of business, that the Internal Audit system is on a whole appropriate and that the administrative system can indeed truthfully represent the transactions engaged by the management.

As required by law, the Board of Directors has submitted to us the six-monthly financial report for the previous year, including the interim results for the 1st and 3rd quarter in 2012, publicizing them according to the terms and conditions prescribed by the relevant legislation issued by Consob and by the Italian Stock Exchange.

The six-monthly financial report on the consolidated business of Gruppo Prima Industrie has been limitedly audited by Reconta Ernst & Young S.p.A.. The quarterly data and information have not instead, seeing it is not required by law.

We have reviewed the financial statement as of December 31, 2012 drafted by the Directors as required by law and disclosed to the Board of Auditors over the course of the meeting of the Board of Directors of March 13, 2013. The financial statement includes as attachment the declaration of the Chairman-Managing Director and of the Manager responsible for drafting Corporate accounting documents, as per art. 154-bis of Leg. Decree of February 24, 1998, no. 58.

More specifically, we have verified that no dispensations have been applied, as per art. 2423, fourth paragraph of the Civil Code.

Furthermore, we have received the report on Financial Statement 2012 issued today from Reconta Ernst & Young S.p.A., pursuant to article 156 of Leg. Decree of February 24, 1998, no. 58, without further comments.

We have reviewed the Report on the Remuneration of Board members drafted in accordance with art. 123-ter of Leg. Decree of February 24, 1998 no. 58 and submitted to us by the Board of Directors over the course of its meeting on March 13, 2013, regarding which the Assembly is called to resolve either in favor or against, with a non-binding vote.

With reference to Consob bulletin no. 1025564 of April 6, 2001, in as far as pertains to our responsibilities, we can affirm that:

- the information provided by the Directors in the Report of the Board are by all means to be considered exhaustive and thorough;
- in compliance with the Consolidated Act on Finance (Leg. Decree of February 24, 1998, no. 58) we were continuously kept up to date on the matters of our competence;
- the regular audits we performed on Corporate accounts have shown no atypical and/or unusual transactions were finalized with third parties, associates or intercompany in nature, as per their definition given by Consob Bulletin of July 28, 2006;
- the orders imparted by Prima Industrie S.p.A. to its subsidiaries, pursuant to art. 114, paragraph 2 of Leg. Decree of February 24, 1998 no. 58, appear to be in order. A further guarantee of a mutual exchange of information is given by the presence in the Corporate bodies of the main subsidiaries of certain members of the Parent's Board of Directors;
- with regard to intercompany transactions, in the Explanatory Notes to the Financial Statement, the Directors report and describe the existence of relations between your Company and Group Companies, as well as with associates, specifying that the same are regulated by the standard conditions of the reference market, taking account of the characteristics of the sold goods and provided services and/or of the financings granted to subsidiaries. Regarding thereto, we wish to highlight that, as of January 1, 2011, the "Procedures for transactions with associates" in line with Consob Regulation no. 17221 of March 12, 2010 and with Consob Bulletin of September 24, 2010 have been duly applied;
- no aspects worthy of note emerge from the correspondence exchanged with the Auditors of subsidiary Prima Electro S.p.A.;
- we have reviewed and received information on the organizational and procedural activities carried out in accordance with and by effect of Leg. Decree of June 8, 2001 no. 231 and its subsequent integrations, concerning the administrative liability of Legal Entities for breaches contemplated by such legislation. The Supervisory Board describes the activities carried out over the course of 2012 in its report, confirming that the adopted model works and is efficient;
- no critical issues have emerged during the meetings held with the legal auditors, pursuant to art. 150 of Leg. Decree of February 24, 1998, no. 58;
- Prima Industrie S.p.A. has requested that Reconta Ernst & Young S.p.A., in addition to the provisions of art. 155 of Leg. Decree of February 24, 1998 no. 58, also certify the VAT statement for €uro 3,000 as formally approved. The activities demanded of the auditing company and its fees are stated in the

Explanatory Notes and have been summarized to us by the company;

- the report of the legal auditor, issued on today's date, does not contain comments or informational requirements, nor observations or suggestions, and finds the Report of the Board of Directors to be coherent;
- in observance of art. 149, paragraph 1, let. c) bis of Leg. Decree of February 24, 1998 no. 58, we hereby acknowledge that the in their report on Corporate Governance and Assets attached to the financial statement, the Directors specify that:

  "*The Issuing Party has adhered to the Code of Self-Discipline promoted by the Italian Stock Exchange, except for certain specific cases. In those cases in which the Company has decided to stray from the Code's guidelines, it has provided evidence thereof and the reasons behind them, included in the relevant sections of this report*".

  The aforementioned Annual Report of the Directors supplies analytical information concerning the procedures employed in applying principles of Corporate Governance approved by the Italian Stock Exchange.

  Said Report proves in line with the provisions of art. 123-bis of the T.U.F. and the auditing company has confirmed the Report's consistency with the information recalled in paragraph 4 of the Consolidated Act;
- pursuant to art. 2408 of the Civil Code, we have not been notified by the shareholders of any censurable facts or received formal complaints by the latter and/or other third parties;
- we have expressed our due comments over the course of the business year.

We hereby acknowledge that Prima Industrie S.p.A. is not currently subordinate or the control of other companies.

We bear record that a stock option plan is in the projects, approved by Shareholders' Ordinary Assembly held on April 29, 2008 and intended for the Managing Directors of Prima Industrie S.p.A., Prima Electro S.p.A., as well as the Corporate CFO and General Manager of Prima Industrie S.p.A., in light of their powers to make strategic decisions. In their Report on the Management, the Directors provide comprehensive and exhaustive information on the plan, which is also posted on the Company's website.

Prima Industrie S.p.A. does not hold treasury shares.

On November 12, 2012, the Board of Directors approved the statutory modifications of articles 16 and 28 and the introduction of the new article 34, in order to implement the contents of Law 120/2011 on the balanced membership of the Boards of Companies listed in the stock exchange.

In conclusion to our report, we acknowledge that the Board of Directors has in the business year verified the autonomy of independent Directors and we confirm that the procedures and principles employed in the verifying process are all correct, pursuant to art. 3, par. 1 of the Self-Disciplinary Code, while we on our part have ensured that we continue to preserve our independence, as required by art. 8, par. 1 of the same Code.

With regard to the financial statement closed on December 31, 2012, which reports a profit of €uro 1,892,421, we have verified by way of audits and in the scope of our responsibility, that the all provisions of law regulating the statement's layout and composition, as per art. 149 of Leg. Decree of February 24, 1998 no. 58, have been observed, based on the information supplied to us by the auditing company.

In light of the above, considering the legal audit of Company accounts carried out by auditor Reconta Ernst & Young S.p.A., which has expressed no comments on the financial statement, as far as we known, we deem the Financial Statement as of December 31, 2012 of your Company, as well as the allocation of the annual profit proposed by the Board of Directors, to be approvable.

Dear Shareholders,

on the date of your Assembly, our three-year mandate you have conferred to us expires.

In thanking you for the trust shown to us, we invite you to appoint a new Board of Auditors, taking account of the statutory changes concerning the balanced membership of the Board of Auditors of companies listed in the stock exchange.

Collegno, March 25, 2013

The Board of Auditors

(Mr. Franco Nada) - Chairman

(Mr. Andrea Mosca) - Statutory Auditor

(Mr. Roberto Petrignani) - Statutory Auditor

GRUPPO PRIMA INDUSTRIE

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REPORT OF THE BOARD OF AUDITORS ON THE CONSOLIDATE FINANCIAL STATEMENT FOR THE BUSINESS YEAR CLOSED ON DECEMBER 31, 2012

Dear Shareholders,

the Board of Directors of Prima Industrie S.p.A. has prepared and approved the consolidated financial statement as of December 31, 2012, in compliance with Leg. Decree of April 9, 1991 no. 127 and the provisions issued to implement art. 9 of Leg. Decree of February 28, 2005 no. 38, which has been delivered to us during the Board meeting of March 13, 2013.

The consolidated financial statement of the Group includes the attached declaration of the Chairman-Managing Director and of the Manager in charge of drafting Company financial statements, as per art. 154-bis of Leg. Decree of February 24, 1998 no. 58.

The consolidated financial statement of Gruppo Prima Industrie made available to you reports a Net Profit of €uro 5,306,613 and has been drafted in accordance with the International Accounting Standards (IAS/IFRS).

Over the course of the business year, we have carried out our auditing activity as required by law and have been promptly informed by the Board of Directors of the Parent of the most significant economic, financial and capital transactions, including extraordinary ones, finalized as part of the Group's business.

We have checked that all approved and executed transactions are compliant to the law and Articles of Association, are not contrary to the Assembly's resolutions or potentially in conflict of interest, and that they are in line with principles of sound administration.

We have especially reviewed intercompany transactions finalized in the business year to verify their lawfulness, both with regards to those of commercial nature and to financings granted by the Parent to its subsidiaries.

The audits carried out by Reconta Ernst & Young S.p.A., the Company's legal auditor, have shown that the values listed in the consolidated financial statement match those in the Parent's ledgers, in the annual statement of its Subsidiaries and in the information notices formally issued by the latter.
Said financial statements do not, as such, fall under the scope of audit of the Board

of Auditors, in compliance with the provisions of art. 41 no. 3 of Leg. Decree of April 9, 1991 no. 127.

Please be reminded that we have obtained copy of the report on the financial statement from the legal auditor, issued by the same pursuant to art. 156 of Leg. Decree of February 24, 1998 no. 58 this day, without further comments. In its Report, the auditing company has confirmed that the Report of the Board of Directors on the consolidated financial statement of Prima Industrie S.p.A. and the information provided pursuant to art. 123-bis of Leg. Decree of February 24, 1998 no. 58 in the Report on Corporate Governance and Proprietary Assets are coherent.

The consolidated business, the choice of consolidation principles of its shareholdings and the adopted procedures are in line with IFRS guidelines. The structure of the financial statement is therefore to be considered technically correct and compliant on a whole to the specific legislation and standards.

As in previous business years, your Board of Directors has prepared a single Report of the Board that jointly supplies all the required information, both on the Parent and on the individual subsidiaries.
It is to the above report, which accurately describes the economic, capital and financial position, the business trend in 2012, the main risks to which the Company's activity is exposed and the forecast for 2013 for all consolidated Companies, that we here refer to.
Our review shows that it is coherent with the Group's consolidated financial statement.

The Explanatory Notes to the consolidated financial statement highlight the general drafting principles, as well as those applied to the single statement entries.

For comparative purposes, the consolidated financial statement lists the corresponding figures for the previous year.

Based on our audits, the Board of Auditors agrees with the contents and form of the Group's Consolidated Financial Statement as of December 31, 2012.

Collegno, March 25, 2013

The Board of Auditors

(Mr. Franco Nada) - Chairman

(Mr. Andrea Mosca) - Statutory Auditor

(Mr. Roberto Petrignani) - Statutory Auditor