PRIMA INDUSTRIE

2008 REPORT ON OPERATIONS

CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDING DECEMBER 31, 2008

March 13, 2009

NOMINAL CAPITAL EURO 16,000,000,
TURIN COMPANIES' REGISTER NO. 03736080015 - FINANCIAL AND ADMINISTRATIVE INDEX (R.E.A.) NO. 582421
REGISTERED OFFICE IN COLLEGNO, VIA ANTONELLI, 32 (TURIN)
WEBSITE: WWW.PRIMAINDUSTRIE.COM *E-MAIL: IR@PRIMAINDUSTRIE.COM*

MANAGEMENT AND CONTROL

Board of Directors (B.o.D.)

Chairman and Managing Director	Gianfranco Carbonato
Non-independent Directors	Michael Mansour, Rafic Y Mansour
Independent Directors	Sandro d'Isidoro, Mario Mauri
Other Executive Directors	Domenico Peiretti, Ezio G. Basso[(1)]
Secretary of the Board of Directors	*Massimo Ratti*
General Director	Ezio G. Basso

Internal Control Committee

Chairman	Sandro D'Isidoro
Members	Mario Mauri, Michael Mansour

Remuneration Committee

Chairman	Mario Mauri
Members	Sandro d'Isidoro, Rafic Y Mansour

Board of Auditors

Chairman	Riccardo Formica
Regular Auditors	Andrea Mosca, Roberto Petrignani
Alternate auditors	Roberto Coda, Franco Nada
Auditing Company	Reconta Ernst & Young S.p.A.

(1)= co-opted by the Board of Directors on 13/03/2009 to replace Marco Pinciroli who resigned.

Expiration of terms and appointments:

The B.o.D. was appointed at the Stockholders' Meeting held on 29.04.08, for the three-year period 2008-2010.

At the meeting of May 7, 2008 the B.o.D. appointed as Managing Director Mr. Gianfranco Carbonato, endowing him with the relative powers.

In terms of clause 25 of the Company By-Laws, the Chairman and Managing Director is the legal representative of the Company.

The Board of Auditors was appointed at the Stockholders' Meeting held on 14.05.07, for the three-year period 2007 - 2009.

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

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1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP AS OF 31.12.08

PRIMA INDUSTRIE S.p.A.

- PRIMA ELECTRONICS S.p.A. – Moncalieri (TO) Italy – 100%
- OSAI S.p.A. – Barone Canavese (TO) Italy – 100 %
- OSAI GmbH – Hofheim - Germany – 100 %
- OSAI UK – Bletchley - UK – 100 %
- OSAI USA – Bloomfield - USA – 100 %

- PRIMA INDUSTRIE GmbH – Dietzenbach - Germany – 100%
- PRIMA FINN-POWER UK Ltd. – Coventry - UK – 100%
- PRIMA SCANDINAVIA AB – Göteborg - Sweden – 100%
- PRIMA FINN-POWER POLSKA Sp.z.o.o. – Krakow - Poland – 100%
- PRIMA North America Inc. – Chicopee (MA) - USA – 100%
  - WUHAN OVL CONVERGENT LASER Co. Ltd. – Wuhan - China – 25,74%
- PRIMA INDUSTRIE (Beijing) Co. Ltd. – Beijing - China – 100%
- SHENYANG - PRIMA LASER MACHINE COMPANY Ltd. – Shenyang - China – 50%
- SHANGHAI UNITY PRIMA LASER MACHINERY COMPANY Ltd. – Shanghai - China – 35%
- SNK - PRIMA COMPANY Ltd. – Osaka - Japan – 50%

- FINN-POWER OY – Kauhava - Finland – 100%
  - FINN-POWER ITALIA S.r.l. – Cologna Veneta (VR) - Italy – 100%
  - FINN-POWER GmbH – Hallbergmoos- Germany – 100%
  - PRIMA FINN-POWER Iberica S.L. – Barcelona- Spain – 100%
  - PRIMA FINN-POWER FRANCE Sarl – Saint Michel sur Orge - France – 100%
  - PRIMA FINN-POWER NV – Nazareth - Belgium – 100%
  - PRIMA FINN-POWER NORTH AMERICA Inc. – Arlington Heights - USA – 100%
    - FINN-POWER CANADA Ltd. – Toronto - Canada – 100%
  - Balaxman Oy – Kauhava - Finland – 100%

2. INTRODUCTION

LEGISLATIVE FRAMEWORK

In application of EC Regulations No. 1606 dated 19 July 2002, the PRIMA INDUSTRIE Group prepared the consolidated financial statements of 31.12.08 in accordance with the International Accounting Standards approved by the European Commission (hereinafter referred to individually as the IAS/IFRS or jointly IFRS).

The consolidated financial statements as of 31.12.08 include the following components:
a) balance sheet;
b) income statement;
c) statement of changes in Shareholders' Equity;
d) cash-flow statement;
e) supplementary notes
The consolidated financial statements include the Management Report prepared by the directors.

Pursuant to Legislative Decree no. 38/2005, starting January 1, 2006, the financial statements of the parent company PRIMA INDUSTRIE S.p.A. are also prepared in accordance with the International Accounting Standards. Reference will be made to them in outlining the data relative to the parent company.

CONSOLIDATION AREA

The main variation in the consolidation area which occurred in 2008 was the inclusion, starting 04/02/2008 of FINN-POWER OY and its subsidiaries (FINN-POWER Group). For this reason the economic, financial and equity data relative to the year ending 31/12/2008 are not immediately comparable with those of the previous year. In any case, all the additional information deemed necessary for correct evaluation of the changes in data in the financial statements in the two years examined will be provided.

For the purpose of a better understanding of the financial statements illustrated hereafter, it should also be noted that the OSAI Group joined the PRIMA INDUSTRIE Group starting from the month of July 2007.

In addition, it should be noted that with effect from 01/07/2008 Techmark S.r.l. merged with OSAI S.p.A. (its parent company). The merged company was a wholly-owned subsidiary, for which reason, for the purposes of the Consolidated Financial Statements the merger did not produce any changes to the portrayal of the PRIMA INDUSTRIE Group's Balance Sheet and Income Statement.

The under mentioned companies fell within the scope of consolidation as of 31.12.08.

SUBSIDIARY COMPANIES	REGISTERED OFFICE	CAPITAL STOCK	STAKE	METHOD OF CONSOLIDATION
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6.000.000	100%	Net Asset Method
PRIMA North America, Inc.	CONVERGENT LASERS Division & PRIMA LASER SYSTEMS Division: 711 East Main Street, Chicopee, MA 01020, U.S.A. LASERDYNE SYSTEMS Division: 8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 24.000.000	100%	Net Asset Method
OSAI S.p.A	Via Torino 14, 10010 Barone Canavese, (TO) ITALY	€ 1.172.000	100%	Net Asset Method
OSAI USA, LLC	105A West Dudley Town Road, Bloomfield, CT 06002, U.S.A.	USD 39.985	100%	Net Asset Method
OSAI UK LTD.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Net Asset Method
OSAI GmbH	Am Stegskeuz 6, 65719 Hofheim, DEUTSCHLAND	€ 25.000	100%	Net Asset Method
PRIMA INDUSTRIE GmbH	Lise-Meitner Strasse 5, Dietzenbach, DEUTSCHLAND	€ 500.000	100%	Net Asset Method

JOINT VENTURES	REGISTERED OFFICE	CAPITAL STOCK	STAKE	METHOD OF CONSOLIDATION
Shenyang PRIMA Laser Machine Company Ltd.	45, Huanghai Rd, Yuhong District, Shenyang City, 110141, P.R. CHINA	USD 2.000.000	50%	Equity Method
SNK PRIMA Company Ltd	Misaki Works 3513-1, Fuke Misaki-Cho, Sennan-Gun, Osaka, JAPAN	Yen 90.000.000	50%	Equity Method
Shanghai Unity PRIMA Laser Machinery Co Ltd.	2019, Kunyang Rd., Shanghai 201111 - P.R. CHINA	Rmb 16.000.000	35%	Equity Method
Wuhan OVL Convergent Laser Co., Ltd.	Building No.1, Great Wall Technology Industry Park, no.1, Townson Lake Road, Wuhan East Lake High-Tech Development Zone Wuhan, 430223, Hubei, P.R. CHINA	RNB 62.364.091	25,74%	Equity Method

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PROFILE OF PRIMA INDUSTRIE GROUP

Founded in 1977, PRIMA INDUSTRIE S.p.A. ("the company") designs, manufactures and markets high power laser systems for cutting, welding and surface treatment of three-dimensional (3D) and flat (2D) components.

After focusing its strategic business on laser systems for industrial applications, the company repeatedly reported double-digit growth, at the same time becoming one of the leaders on the market of laser systems. More recently, maintaining its own leadership in three-dimensional applications, PRIMA INDUSTRIE has also become an important manufacturer on the market relating to the laser cutting of flat surfaces, thanks to its strong commitment to product innovation and its extensive sales and customer service network.

With its subsidiary company PRIMA ELECTRONICS S.p.A., PRIMA INDUSTRIE S.p.A. has accumulated significant skill and know-how in the industrial electronics field, as well as in control technology and real-time software, success factors in the continuous innovation of the products necessary to maintain its leadership in a high-tech sector with highly developmental dynamics.

In May 2000, the company acquired Convergent Energy Inc. in the USA. Through this acquisition, the PRIMA Group integrated the knowledge required to internationalise its design and manufacture of CO_2 and solid-state lasers, in addition to strengthening its own position on the US market.

In April 2001, the company bought the Laser dyne division from GSI Lumonics. Laserdyne is the leading industrial company in the design, manufacture and sale of multi-axis laser systems, particularly in the field of precision drilling, cutting and welding for the aerospace and energy industries. Thanks to this acquisition, the PRIMA Group has broadened its presence in North America and in the aerospace market.

In 2002, the U.S. activities were combined and consolidated into a single legal entity – PRIMA North America Inc. – with two production plants: one at Chicopee in Massachusetts (CONVERGENT LASERS and PRIMA SYSTEMS) and the other at Champlin in Minnesota (LASERDYNE SYSTEMS).

Between 1999 and 2003, the company grew on the Asian market, where it established three joint ventures, two in China and one in Japan.

Another subsidiary was added in 2003 with the creation, in Bari, of the centre for Research and Development.

In 2004-2005 the company further consolidated its sales and service structures through the incorporation of PRIMA SCANDINAVIA AB and PRIMA INDUSTRIE UK Ltd, and the acquisition (in 2005) of the assets of the previous German distributor by PRIMA INDUSTRIE GmbH. These companies were flanked, in 2007, by PRIMA INDUSTRIE POLSKA Sp.z.o.o. (now PRIMA FINN-POWER POLSKA Sp.z.o.o.), to cover the Polish market, and PRIMA INDUSTRIE (Beijing) Co. Ltd which absorbed the business of the branch office in Beijing that had been operating for years in China, selling the Group's machines. Also in China, in 2005 the Group expanded its representation in the sector of laser sources through the establishment of a third JV between the Convergent Lasers Division of PRIMA North America and Wuhan Optics Valley Laser Technology, for the purpose of producing and distribution of CO_2 lasers in China.

During 2007 PRIMA INDUSTRIE Group continued to grow, and strengthened its position in the power electronics sector, with the acquisition by PRIMA ELECTRONICS S.p.A. of OSAI S.p.A., merged with the company by incorporation as of 01/01/2009.

Early in February 2008, the parent company PRIMA INDUSTRIE S.p.A. acquired the FINN-POWER Group, one of the major players in the world in the field of sheet metal processing machinery, which manufactures products that are absolutely complementary to those of PRIMA INDUSTRIE.

Following this last acquisition, the PRIMA INDUSTRIE Group consolidated its leadership at the world level in the sector of sheet metal processing applications.

At the present time, therefore, the PRIMA INDUSTRIE Group is active in three sectors of business:

Laser Systems: which includes design, production and sale of Laser Machines and Laser Sources for cutting, welding and drilling of 3D and 2D components.
The 2D Laser Machines are used for applications in diversified industrial sectors, while the 3D Laser Machines are mainly used for the production of parts for the automotive, aerospace and energy sectors. The Laser Sources are one of the components with the highest technological content and added value of Laser Machines.

Sheet Metal Processing Machines: design, production and sale of machinery for processing sheet metal using mechanical tools. The Group disposes of a wide range of machinery for cutting and bending flat sheet metal: punches, integrated punching and shearing systems, integrated punching and laser cutting systems, panel shapers, bending machines and automation systems.

Electronics: development and design of power and control electronics, with the relative software. Moreover, the Group designs and produces, on its own premises, numerical control equipment for integration on the laser machines it produces.

The PRIMA Group's mission is to systematically expand the range of its production and services and to continue to grow as a world supplier of laser systems and solutions for industrial applications and industrial electronics on markets that are characterized by high technology with elevated growth rates.

The Parent Company, PRIMA INDUSTRIE S.p.A., has been listed on the Italian Stock Exchange since October 1999 (currently STAR section); the company has its registered office and its business premises at via Antonelli 32, Collegno (Turin).

These draft financial statements were approved by the Board of Directors on 13.03.09.

ALTERNATIVE PERFORMANCE INDICATORS

In this Management Report, in the consolidated financial statements of the PRIMA INDUSTRIE Group and in the separate financial statements of the parent company PRIMA INDUSTRIE S.p.A. for the years ending December 31, 2008 and 2007, in addition to the conventional financial indicators foreseen by the IFRS, we have included several alternative performance indicators to facilitate a better evaluation of the economic and financial management performance. These indicators, that are also presented in the Management Report at the time of filing the other periodical reports must not, however, be considered as replacements for the conventional ones foreseen by the IFRS.
The Group and parent company use as these alternative performance indicators the EBITDA ("Profit before interest, taxes and depreciation"), that is calculated by adding to the operating result of the financial statement the items "Amortisation", and "Impairment and Write-downs" and the Operating Capital in circulation, calculated as the sum of "Inventories" and "Trade receivables" net of "Trade payables" and "Advances".

EXCHANGE RATES

The rates of exchange applied in conversion in the financial statements expressed in currencies other than the euro, for purposes of consolidation, are as follows.

Currency	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	2.008	2.007	31/12/08	31/12/07
US DOLLAR	1,4708	1,3705	1,3917	1,4721
POUND STERLING	0,7963	0,6843	0,9525	0,7334
SWEDISH KRONA	9,6152	9,2501	10,8700	9,4415
CHINESE RENMINBI	10,2236	10,4178	9,4956	10,7524
JAPANESE YEN	152,4540	161,2530	126,1400	164,9300
POLISH ZLOTY	3,5121	N/A	4,1535	N/A
CANADIAN DOLLAR	1,5594	N/A	1,6998	N/A

3. MANAGEMENT REPORT

MESSAGE TO SHAREHOLDERS

Ladies and Gentlemen,

The financial statements as of 31/12/2008 that the Board of Directors presents for your approval contains two significant elements of discontinuity with respect to those of the previous year:

- the inclusion in the area of consolidation of the FINN-POWER Group (from February 2008 and thus for 11 months). Following that addition, the turnover of the group increased considerably, as did the financial indebtedness contracted to finance the acquisition, while the income was diluted by effect of the higher financial costs and amortisations, as well as due to the performance of FINN-POWER which was not in line with expectations;

- The sudden worsening of the reference market, which occurred starting in the month of October when the financial crisis, which was then prevalently noticed in the real estate and financial markets, spread rapidly to the real economy and in particular to sectors of hard goods and investment. Consequently, the last quarter of the year began to show a significant slowing of demand that involved practically all sectors of the geographical markets in which the Group operates.

The consolidated turnover as of 31/12/2008 was 367.3 million euro compared with 176.4 million euro in 2007. Without considering the FINN-POWER Group, the turnover would have been 183.1 million euro and thus substantially in line with the 176.4 million euro of the previous year, that consolidated the Electronic Division of the OSAI Group (acquired in 01/07/2007) for 6 months only.

The turnover was divided geographically as follows: 23.8% in Italy, 42.7% in Europe, 17.7% in North America and 15.8% in the Rest of the World.

The EBITDA was 31.7 million euro compared to 25.1 million euro in 2007. Without considering the acquisition of the FINN-POWER Group, the EBITDA would have been 24.6 million euro and thus very close to the level reached the previous year. The contribution of the FINN-POWER Group was therefore (in the 11 months of consolidation) 7.1 million euro, a value that is also affected by several non-recurrent negative components.

The income of the Group is penalized by the fact that, during the last quarter, the allocation of the purchase price of FINN-POWER was made, and this caused a negative effect on the provision for amortisation relative to the entire year in the amount of 2.7 million euro on the EBIT and 2 million euro on the Net Profit.

In this way the company complied with the term for making the provision for the acquisition of FINN-POWER implementing the impairment test with a positive outcome.

The Net Profit, after this provision, was down to 5.5 million euro compared with 13.7 million euro in 2007, by effect of the significant financial costs relative to the loan contract for the acquisition.

The fundamental considerations behind the acquisition of FINN-POWER, that remain valid regardless of the reference market situation, were:

- the total complementarity of the product range. The Group now disposes of a vast and competitive range of products in line with that of the main competitors worldwide;
- substantial reinforcement of geographical coverage. The Group is active in over 60 countries and the coverage has improved significantly in areas such as Northern Europe, North America, Russia and the countries of Eastern Europe;
- increased dimension of the turnover. Before the acquisition, the dimension of PRIMA INDUSTRIE was about one order of greatness below that of its main competitors. This gap is substantially halved after the operation;
- important synergisms of cost and revenues. An action of rationalization is in progress in the Group in the sector of branches engaged in sales and service, parts manufacture (laser and electronics), marketing (fairs, Group image and selling aids) the benefits of which will start to be apparent during the year in progress;
- relevant fiscal benefits for FINN-POWER in the medium-long term.

During 2008, the reorganization of sales and service of the new Group was largely completed, and it is now structured into 12 main markets:

- Italy and the former Yugoslavia (PRIMA INDUSTRIE and FINN-POWER ITALIA)
- Finland and the Baltic States (FINN-POWER OY)
- Scandinavia (PRIMA SCANDINAVIA AB and Distributors)
- United Kingdom (PRIMA INDUSTRIE UK)
- Benelux (PRIMA FINN-POWER NV and Distributors)
- France (PRIMA FINN-POWER FRANCE Sarl)
- Spain and Portugal (PRIMA FINN-POWER IBERICA)
- Germany, Austria and Switzerland (PRIMA GmbH and FINN-POWER GmbH - unified in the first half of 2009 and Branch office in Switzerland)
- Eastern Europe, Russia, Turkey (PRIMA FINN-POWER POLSKA, Branch offices in Hungary and Russia and Distributors)
- North America (PRIMA FINN-POWER North America and FINN-POWER CANADA);
- China (PRIMA INDUSTRIE Beijing and Distributors);
- Rest of the World (Branch offices in India, U.A.E. and Distributors)

The Electronics Division of the Group (which celebrated the 30th anniversary of the foundation of PRIMA ELECTRONICS S.p.A. in September 2008) also performed an important reorganization activity in 2008.
The activities of PRIMA ELECTRONICS and OSAI were rationalized also by adopting a single, highly advance Data Processing system, which "went live" on 01/01/2009, and is carried out primarily at the offices of Moncalieri and Barone Canavese. Branch offices for sales and services have been established in Italy (Milan, Bologna and Padua) and in the U.S. and U.K.
Starting on 01/01/2009, OSAI S.p.A. was merged by incorporation in PRIMA ELECTRONICS S.p.A., that thus became the sole production company of the Group's Electronic Division.

In terms of operations, the Group's activities are currently organized in three divisions:

- Laser Systems Division (PRIMA INDUSTRIE), with the main plants in Collegno (Turin) for 2D and 3D laser machines, in Chicopee (Massachusetts, U.S.A.) for laser generators and in Champlin (Minnesota, U.S.A.) for special laser systems.
- Sheet Metal Processing Machines Division (FINN-POWER), with the main plants in Kauhava and Villpula (Finland) for punches, combined machines and systems, and Cologna Veneta (Verona) for panel shapers.
- Electronics Division (PRIMA ELECTRONICS) with plants in Moncalieri and Barone Canavese (Turin).

The above operations do not include the Chinese JV plants (which have not been entirely consolidated) in Shanghai for 2D laser systems and in Wuhan for laser generators.

The foregoing is presented in order to furnish a complete picture of the Group at the present time and of the work performed during the past year for its reorganization.

In financial terms, the acquisition of FINN-POWER was coordinated by Intesa Sanpaolo and Unicredit and financed as follows:

- with a capital increase of 25 million euro completed in July 2008;
- with an extension of payment (*vendor loan)* of 25 million euro at 3 years by EQT, also as a guarantee of the "*rep and warranties*" of the company (*Share Purchase Agreement*);
- with a *bullet* loan at 8 years for about 65 million euro;
- with an *amortising* loan at 7 years for about 50 million euro;

In consideration of the results of FINN-POWER below expectations, and of the worsening of the reference market starting from the last quarter of the year, the covenants relative to the loans were renegotiated with a positive outcome, with an inevitable and consequent increase of the spreads that are now around 200 bps.
With reference to the *vendor loan*, this is currently being renegotiated with the seller EQT in the light of what emerged during the first year of management of FINN-POWER.

As a further comment on the performance of the year 2008, we wish to stress that it was in line with the previous year for the Laser Systems Division (PRIMA INDUSTRIE) and Electronics Division (PRIMA ELECTRONICS) until the third quarter of last year. A marked slowdown occurred starting in October, following the worldwide economic crisis we have already mentioned.
For the Sheet Metal Processing Machines Division (FINN-POWER), the slowdown had already started in the third quarter of the year and intensified from October, in line with the slowdown reported by PRIMA INDUSTRIE and the entire reference market.

Among the many fairs and trade initiatives during the year, we wish to focus on the EuroBLECH Fair in Hanover, in October, where PRIMA INDUSTRIE and FINN-POWER appeared on the market, for the first time in a single stand, presenting the vast, competitive range of their products, which aroused great interest in the clients and operators present.

As usual, the activity of Research and Development was particularly significant during the year and concerned all the Group's products. Just to mention a few of the main developments, we can indicate the new VIVIDA head for the 3D laser machines, the new FAST-BEND panel shaper, the family of CV lasers in the 5 and 6 KW range and the new OPEN platform of Numerical Control.
The activity of Research and Development amounted during the year to a total of 20.8 million euro (5.7% of turnover) and was charged to the Income statement for 15.3 million euro and capitalized for the difference.

The employees of the Group as of 31/12/08 totalled 1,663 people.
The personnel in Italy (PRIMA INDUSTRIE S.p.A., PRIMA ELECTRONICS S.p.A., OSAI S.p.A., FINN-POWER ITALIA S.r.l.) totalled 779 people as of 31/12/2008.
In the rest of Europe (FINN-POWER OY and European branches) there are 625 employees
In the rest of the world (North America and other branches) there are 259 employees.

Among the companies of the Group it is important to report the excellent result obtained in 2008 by the parent company PRIMA INDUSTRIE S.p.A., that recorded a growth trend in turnover of 8% to 120.1 million euro, with an EBITDA of 15.6 million euro (+42%), an EBIT of 14.5 million euro and a net profit of 8.7 million euro (+15%). The foregoing confirms the excellent level of Management and Organization of the company as well as the quality and competitiveness of its laser products.

In the framework of the deep and complex changes required by the organization and financial structure of the Group by the acquisition of FINN-POWER, the sudden deterioration of the reference market which started last October was a significant factor. We wish to point out that the Business Plan developed with the assistance, also, of a primary consulting company on the occasion of the acquisition, called for a recessive stage of the international economy starting in 2009. The forecast was for a moderate slowing of the more mature markets (Western Europe, the U.S., Japan) balanced at least in part by a growth, although at a slower pace than in the past, of the so-called developing markets (Eastern Europe, Russia, Turkey, India, China, Brazil).
The scenario that presented itself in the last quarter of the year was one of violent collapse of order acquisition (source UCIMU: -47%) and of turnover (source OPTECH CONSULTING: -20%) on all the geographic markets of the world.

The information on order acquisition is further penalized by the many cancellations made during the months of November and December for problems of the clients and/or for a growing difficulty in obtaining investment financing from the banking system.
By the combined effect of the above events and due to the unusual performance of the month of December (typically a “busy” month in terms of turnover which, this year, did not yield a comparable acquisition of new orders), the Group started 2009 with an order portfolio of just slightly over 3 months. This value is in line with past history (for example in 2002) at times of economic crisis, and is comparable with a value of over 5 months, averaged in the periods of positive performance and thus also in 2008 until the month of September.

In the light of the above, the company has provided to prepare a new 5-year plan that is the basis for the redefinition of the covenants with the financing banks and for the audit of the value of goodwill as of December 31, 2008. In that plan, a reduction of revenues is foreseen for 2009, as well as a series of actions of efficiency and cost reduction, and adjustment of the personnel, mainly resorting to the redundancy schemes that are available in both Italy and Finland, where the group has most of its operations.

At the beginning of March, 2009, the company acknowledged that the market had not shown signs of improvement in January and February, and therefore provided to draft a further, more incisive plan of cost reduction starting from the second quarter of the current year.
This plan calls for additional rationalization, in particular in the area of the production plants (in consideration of the general maintenance of the after-sales turnover, that accounts for about 20% of the total), involving a cost structure compatible with the current level of orders even if that level should continue for the remainder of the current year.
It should be noted, however, that in a market context in which economic forecasts are objectively very difficult, as they are based on a market crisis without precedent, the company will be forced to update its forecasts periodically, and retool its action plan accordingly.

In the context outlined above, the negative performance of the share on the stock exchange, falling from 28.7 euro per share as of 31/12/2007 to 8.9 euro per share as of 31/12/2008, comes as no surprise. It should also be noted that the capital increase made in July 2008 was made at 14.25 euro per share.

The Management's proposal not to distribute a dividend to the shareholders on the result of 2008 should be viewed in the light of the size of the debt contracted - for which two instalments have already been paid as due - and the foreseeable reduction of the Gross Operating Margin in a year as difficult as 2009. We hope the shareholders understand and agree with this proposal.

We wish to thank the shareholders, employees and all those who have cooperated with the company for their commitment and for all that they will be called upon, with us, to do in 2009.
As far as we are concerned, we guarantee the maximum commitment and exactitude to enable our Group to overcome this difficult time and be ready, with the technological level of its products and its international structure, for a new growth cycle when the global economic conditions make that possible.

MACROECONOMIC CONTEXT

The difficult economic situation that had its origin in the financial market crash, in turn caused in the U.S. by the problem of the subprime mortgages, not only did not spare any of the European countries and developing economies in general, but also greatly slowed the growth of the main emerging markets.

At the end of the year, the main European countries reported negative growth rates of the GNP (Germany -2.1%; France -1.2%; Holland -0.9%; the U.S. 1.8%; Great Britain -0.2%); even Italy, by then deep in recession, ended the entire year 2008 down by 1%.

On the whole, the Euro zone had an average GNP of +0.7% (which rises to 0.9% if we consider all the countries in the European Union) which is not far from the growth expectations, but with a gradually worsening performance throughout 2008.

Even the economies of countries considered high growth, such as China, showed signs of severe slowing, ending the year, according to the estimates, just over 9%, after five consecutive years of double-digit expansion.

The American economy, considering all of last year, grew by 1.1% (the weakest growth since 2001, when the U.S. economy stopped at 0.8%), down more than 2% from 2007, but especially in the fourth quarter, when the GNP was negative by 6.2%.

Unfortunately, forecasts relative to 2009 are not comforting and, according to the most accredited review boards, it will be necessary to wait a few more years for the world economy to recover, though at much lower rates than those experienced in the five years from 2003 to 2007.

According to the IMF, growth will slow worldwide this year to +0.5%, the lowest level since World War II. This estimate reduces forecasts by 1.7% from the 2.2% foreseen less than three months ago, due to the crisis in the financial sector.

Among the main European countries the estimates are as follows: Germany -2.3%, France -1.8%, Spain -2% and Italy -2%.

In 2010 world growth will be 3%. In particular, in 2010 the U.S. should recover, showing an expansion of 1.6%. For the euro zone as a whole, the Fund expects a reduction of 2% in 2009 and a growth of 0.2% in 2010. The new estimates should show, for Japan, a reduction of the GNP by 2.6% while the Japanese economy should grow in 2010 by 0.6%. Even Russia, that in 2007 had shown a growth of 8.1%, had a reduction in its GNP for the year 2008 of 5.6%, while they are talking about recession in 2009, with the GNP down by 0.2% .

In particular, within the market for machine tools, more growth was observed even in 2008 (preliminary data on production: +5%), while a negative figure is expected for 2009 by the UCIMU (Italian Association of Machine Tool Manufacturers).

Contrariwise, on the whole, in 2008 orders for machine tools were down by 15.7%, causing a reduction of the orders received on the domestic market (-18.5%), as well as on the export market (-12.5%).

The situation of orders taken in the fourth quarter 2008 was particularly critical. This was the first quarter that fully revealed the difficulties of the world's financial markets, which began to appear after the bankruptcy of Lehman Brothers (September 15, 2008). The available data indicates a reduction of 45.9% compared to the fourth quarter 2007.

This situation is due not only to the reduced propensity for investment of the manufacturing enterprises, but also to the severe credit restrictions applied by the banking and leasing institutions, that prevent even those investments that the companies would plan to make.

Indeed, while in the early months of the year the recession had not affected some areas, particularly geographical but also sectorial areas, the Lehman Brothers bankruptcy marks the beginning of a second wave that submerged even those "safe islands" especially in the sector of investment property and hard goods.

In this contexts, we include the performance of consolidated sales of the PRIMA INDUSTRIE Group, that went well in the early months of 2008, especially with reference to the laser system sector, but then decreased over the entire range of production in the second half of the year, when the placing of orders was penalized by the difficult economic and financial situation both at home and at the international level.

INCOME AND PROFITABILITY

The consolidated income as of 31/12/2008 amounted to 367,276,000 euro.
Such revenues include within the area of consolidation:

- 11 months' revenue from the FINN-POWER Group (consolidated effective from February) in an amount of 184,198,000 Euro;
- the revenues for 12 months of the OSAI Group (present for only 6 months in the financial statements for 2007); the revenues of the OSAI Group in the first 6 months of 2008 amounted to 9,588,000 euro.

Thus, for an equal area, the turnover for the year 2008, would have been 173,490,000 euro, slightly down (by about 1.6%) compared with 2007. This is explained by the fact that the turnover reached in 2007 came largely from the laser sector, which was affected by the economic crisis only from the fourth quarter 2008.

The geographical breakdown of consolidated revenues at 31.12.08 is as follows:

Revenues	Year 2008		Year 2007 (*)	
	euro/000	%	euro/000	%
Italy	87.579	23,8	42.958	24,3
Europe	156.884	42,7	77.593	44,0
North America	64.847	17,7	29.762	16,9
Asia and Rest of World	57.966	15,8	26.078	14,8
TOTAL	367.276	100,0	176.391	100,0

(*) For greater comparability of data, the values relative to 2007 have been reclassified

Consolidated revenues for the year 2008 are strongly affected by the variation in the area of consolidation, for better understanding of which it appears advisable to indicate the data for an equal area, also as regards the geographical breakdown.

Revenues	Year 2008		Year 2007 (*)	
	euro/000	%	euro/000	%
Italy	47.933	27,6	42.958	24,3
Europe	75.775	43,7	77.593	44,0
North America	22.097	12,7	29.762	16,9
Asia and Rest of World	27.685	16,0	26.078	14,8
TOTAL	173.490	100,0	176.391	100,0

(*) For greater comparability of data, the values relative to 2007 have been reclassified

Considering an equal area, the Group showed a growth of its turnover in Italy, while it remained generally stable in Europe. Sales in the Rest of the World, however, increased, thanks above all to the contribution received from Russia and Turkey; the turnover in these two countries last year amounted to 5,181,000 euro, while this year it amounts to 8,955,000 euro (not including the FINN-POWER Group that invoiced 8,592,000 euro in these two countries). However, we are seeing a reduction in North America due in part to the slowing of the American economy, and in part to the increase in the average euro/dollar exchange rate of about 7.3% (that penalized the conversion into euro of the amounts invoiced in U.S. dollars).

The turnover for the FINN-POWER Group reached, net of intersectorial revenues, a value of about 184,198,000 euro; 43.3% of this turnover was sold in the European area, 22.7% in the U.S. area, 17.6% in Italy and the remaining 16.4% in the area of Asia and the Rest of the World (8,592,000 euro were invoiced in Russia and Turkey).

The division by geographical area on a consolidated basis at the end of the year (that is, with the inclusion of FINN-POWER), thus reiterates the importance of the European area (42.7% of the total turnover) and indicates a growing percentage of turnover on the U.S. market, thanks to the contribution of the FINN-POWER Group. On the other hand, we see a slight drop in the percentage of sales made in Italy, going from 24.3% to 23.8%.

The percentage of turnover in the Rest of the World is still significant, as shown by the growth of this percentage on turnover (from 14.8% to15.8%).

At the level of the reference market, we observe that the economic crisis, having struck a wide range of markets (construction, appliances, metal furniture, air conditioning systems, etc.) has caused a slowing of the market in the sector of "Sheet metal processing machines" (not represented in 2007) and the part of the "Laser Systems" sector closest to it (2D systems). On the other hand, in the sphere of the laser sector, despite the unfavourable automotive market, 3D systems showed rather good performance that also reflected on the order portfolio as of 31/12/2008.

The electronic sector invoiced 41,633,000 euro in 2008, reaching good levels; net of intersectorial revenues the turnover for this segment amounted to 35,331,000 euro (see also the section relative to the information on this sector). These revenues were higher with respect to 2007 (they totalled 37,346,000 with the intersectorial business), a year in which OSAI was consolidated for only 6 months. Also in the electronics sector, the economic slowdown was particularly noticeable toward the end of 2008, due to the severe difficulties of some of the markets for OSAI products (woodworking and glass processing equipment).

In the sheet metal processing machinery sector, deriving from the acquisition of the FINN-POWER Group, sales were mainly relative to integrated punching and shearing systems (20% of the turnover for the sector), punching machines (19% of the turnover for the sector) and panel shaping machines (16% of the turnover for the sector).

The **value of production** as of 31/12/2008 amounted to 376,408,000 euro.
Again in relation to this comparison, it is essential to bear in mind the important contribution arising from the consolidation of the FINN-POWER Group (equal to 184,225,000 Euro) and the OSAI Group (equal to 10,855,000 Euro for the first 6 months of 2008).
Thus, taking the same area of consolidation and comparing it with 2007, we can see a growth of approximately 0.9% compared to the corresponding value for the previous year (181,328,000 Euro compared to 183,047,000 Euro as of 31.12.07).

Performance indicators	Year 2008		Year 2007	
	euro/000	%	euro/000	%
EBITDA	31.786	8,7	25.108	14,2
EBIT	23.233	6,3	23.584	13,4
EBT	11.730	3,2	22.901	13,0
NET PROFIT	5.476	1,5	13.747	7,8

The income of the Group is penalized by the fact that, during the last quarter, the allocation of the purchase price of FINN-POWER was made, and this caused a negative effect on the provision for amortisation relative to the entire year in the amount of 2,666 million euro on the EBIT and 1,971 million euro on the Net Profit.

In this way the company complied with the term for making the provision for the acquisition of FINN-POWER implementing the impairment test with a positive outcome.
For purposes of clearer understanding, see the following summary table.

Performance indicators	**2008**		**2008 (without PPA)**	
	thousand euro	%	thousand euro	%
EBITDA	367.276	100,0	367.276	100,0
EBIT	23.233	6,3	25.899	7,1
EBT	11.730	3,2	14.396	3,9
NET EARNINGS	5.476	1,5	7.447	2,0

Group **EBITDA**, amounting to 31,786,000 Euro (8.7% of sales) increased by 27% compared to the 25,108,000 Euro as of 31.12.07 (14.2% of sales).
In regard to external growth:

- ❑ the contribution of the FINN-POWER Group amounted to 7,145,000 Euro;
- ❑ the contribution of the OSAI Group (for the first 6 months only) amounted to 716,000 Euro.

Therefore, for a comparable consolidation area, there was a decrease of 4.7% (23,925,000 euro vs. 25,108,000 euro as of 31/12/2007). This reduction reflects the negative performance in the last part of the year.

The consolidated **EBIT** (23,233,000 Euro, equal to 6.3% of sales) grew by 1.5% compared to 23,584,000 Euro as of 31.12.07 (13.4% of sales).
Since it includes:

- ❑ the contribution of the FINN-POWER Group, for 535,000 Euro;
- ❑ the contribution of the OSAI Group (for the first 6 months only) of 611,000 Euro.

The decrease, taking into account the same area of consolidation (22,087,000 Euro, compared to 23,584,000 Euro as of 31.12.07) was 6.3%.

The consolidated **EBT** as of 31.12.08 amounted to 11,730,000 Euro (it was 22,901,000 Euro ad of 31.12.07); it should be borne in mind that unlike 2007, it includes the financial expenses arising from the loan stipulated for the acquisition of the FINN-POWER Group.

The **Net profit** as of 31.12.08 amounted to 5,476,000 Euro (1.5% of the Group's sales), compared to 13,747,000 Euro as of 31.12.07 (7.8% of sales).

ORDER ACQUISITION AND PORTFOLIO

Order acquisition as of 31.12.08, relative to the “Laser systems” and “Electronics” segments (excluding after-sale services), amounted to 141,594,000 Euro; in the corresponding period of the 2007 financial year, the figure was 161,566,000 Euro.
Order acquisition decreased in the last quarter of the year, when the value of orders acquired decreased to the point that, at the end of the year, it was lower than the corresponding value for the previous year.

In particular, the acquisition of orders in the Laser System segment amounted to 106,873,000 euro (it was 130,537,000 euro in 2007), while that of the electronic products segment, relative to third party clients, amounted to 34,721,000 euro, of which 15,486,000 relative to the OSAI Group (as opposed to 31,028,000 euro recorded in 2007).

The Laser System segment thus showed a decrease in orders acquired, mainly in the 2D and Convergent Laser sectors; the 3D sector showed an increase, on the other hand, toward which a large portion of market demand is moving, confirming a potential that had not been expressed until now.

As regards the FINN-POWER Group, the slowdown in order acquisitions in the last months of 2007, was mainly due to the reorganization of the sales network, now integrated with the channels also covered by PRIMA INDUSTRIE, as well as the difficult situation in the reference market. Order acquisitions by the FINN-POWER Group as of 31.12.08, also excluding after-sales service, amounted to 126,068,000 Euro.

The **consolidated order portfolio** as of 31/12/2008 amounts to 94,708,000 euro (of which 52,616,000 refer to the FINN-POWER Group and 2,046,000 euro to the OSAI Group); this value as of 31/12/2007 (in which FINN-POWER was not present) was 63,789,000 euro.

NET FINANCIAL POSITION

As of 31.12.08 the Net Financial Position was negative in an amount of 161,645,000 Euro.
Bearing in mind that at the end of 2007 the net financial position was practically balanced, the difference generated in 2008 is mainly due to the indebtedness contracted by PRIMA INDUSTRIE for the acquisition of the FINN-POWER Group.

The net financial position as of 31/12/2008 improved with respect to that of 30/06/2008, thanks to the capital increase made in July 2008 that brought a net influx of about 24.7 million euro.

In addition to the information provided hereafter, for further details see also:

- the information furnished in the section “EVENTS OCCURRING AFTER THE DATE OF REFERENCE OF THE FINANCIAL STATEMENTS”;
- the information furnished in note 9.12 to this document.

Values expressed in euro/000	31/12/2008	30/06/2008	31/12/2007 (*)
CASH ON HAND	(14.467)	(25.299)	(21.551)
SHORT-TERM PAYABLES	127.803	50.760	5.577
MEDIUM/LONG-TERM PAYABLES	48.309	148.655	15.206
NET FINANCIAL POSITION	**161.645**	**174.116**	**(768)**

(*) For greater comparability of data, the values relative to 2007 have been reclassified

Recalculation of the financial indices

The PRIMA INDUSTRIE Group found the necessary financial resources for the acquisition and reimbursement of the financial indebtedness of the FINN-POWER Group through a loan of 183.5 million euro consisting of credit lines used initially for 138.5 million euro, of which as of 31/12/2008 about 109 million euro remained after repaying 25 million euro (in July 2008) through the capital increase, payment of the first instalment of 3.5 million euro (in August 2008) and amortization of the costs of the transaction for 1 million euro. The contract agreements require respect of certain financial indices (see note 9.12) to verify on the data of the consolidated financial statements starting from that of 31/12/2008.

In the light of the economic forecasts of the PRIMA INDUSTRIE Group for the end of the year, and in consideration of the economic situation described above, the Group, realizing that it would not be able to comply punctually with the financial indices originally agreed on, sent the banks a formal request to amend them in December 2008.

As of the date of approval of these consolidated financial statements, the Group had received formal notice from the main bank of the pool of credit institutions that our request to amend the financial indices had been accepted. This communication, received after the date of closure of the year, made it necessary to classify the residual debt relative to the aforementioned loan among current liabilities, in accordance with the provisions of IAS 1. This classification was made for the sole purpose of complying with the provisions of the IAS/IFRS, although the recalculation of the financial indices will not necessitate the advance repayment of the residual debt by the Group.

The positive outcome of the recalculation of the financial indices by the date of approval of the financial statement and the consequent loss of the right for the credit institutions to request advance repayment of the debt, enables us to consider resolved any possible uncertainties about the future continuity of the company adopted in preparing the consolidated financial statements as of 31/12/2008, as this is therefore a valid and effective likelihood. The financial indices newly calculated by agreement with the lending banks have already been fulfilled as of 31/12/2008. Therefore, the reclassification of the entire debt in the short term was made exclusively for the purpose of complying with the provisions of IAS 1.

As a result of this redefinition the company will have a heavier spread applied to various portions of the loan, in the measure of 90 additional basis points, and will have to pay a waiver fee of 0.40% on the residual amount of portions A and B from the date of concession of the waiver and on the total amount of portion D (euro 20 million)

Description of the net financial position

The net financial position highlights the overall exposure to credit institutions and other lenders (including payables to leasing and factoring companies).

For better disclosure relating to the Consolidated Net Financial Position as of 31.12.08, the following should be borne in mind:

- payables due to leasing companies amount to 9,131,000 Euro and
- bank payables include the negative fair value of several IRS for 5,854,000 euro; the main IRS were contracted by the parent company in partial coverage of the interest rate risk on the loan for acquisition of FINN-POWER (underwriting these derivatives was foreseen by the underlying loan contract);
- payables due to factoring companies amount to 1,461,000 Euro.

FINANCIAL RISK MANAGEMENT

As foreseen by IFRS 7, the following is a list of the goals and policies of PRIMA INDUSTRIE S.p.A. and the other companies in the group on the subject of risk management.

The financial instruments of the Group which are allocated for the purposes of financing operations include bank loans, financial lease contracts, sight and short-term bank deposits. There are also other financial instruments, such as trade receivables and payables, deriving from operating activities.
The Group also performed operations in derivatives, such as "Interest Rate Swap – IRS" contracts. The purpose of these instruments is to manage interest rate risks generated by the Group's operations and its loan sources.

The main risks related to the Group's financial instruments are interest risks, exchange rate risks, credit risks and cash flow risks.

The Group has applied a specific policy to manage financial risks correctly, with the purpose of safeguarding its business and its ability to create value for the shareholders and all the *Stakeholders*.

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

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

Note 9.31 lists the goals and policies of the Group for management of the risks indicated above.

THE STOCK TREND AND TREASURY STOCK

During 2008, PRIMA INDUSTRIE stock went from a unit price of 28.09 euro on 02/01/2008 to a price of 8.885 euro per share on 28/12/2008 (the last day of trading in 2008), and then ended February 2009 around 7 euro per share.
Effectively, performance in 2008 was divided into two stages: a first stage in which the stock appreciated, reaching a maximum quotation of 30.49 euro on 25/02/2008, and a second stage (starting in the second half of May), in which the positive performance came to a halt, just as the negative situation became accentuated and eventually led to the international financial crisis in progress. In addition to the adverse market conditions, there was also the impact on the prices deriving from the capital increase, the price of which was fixed at 14.25 euro per share.

The minimum value (closing price) of the share during the year was € 8,885 per share, after a maximum value of €43.00 per share.

The graph shows these trends.

As regards treasury stock, PRIMA INDUSTRIE S.p.A., did not own any as of 31/12/2008, or as of the date of approval of this report, and does not currently own any, though there is a resolution to purchase a maximum of 80,000 treasury shares (for 1.25% of the share capital, at a minimum purchase price of 2.5 euro per share (face value) and maximum of 60 euro (the maximum price of sale can be set even higher, with regard to the market conditions in force at the time).

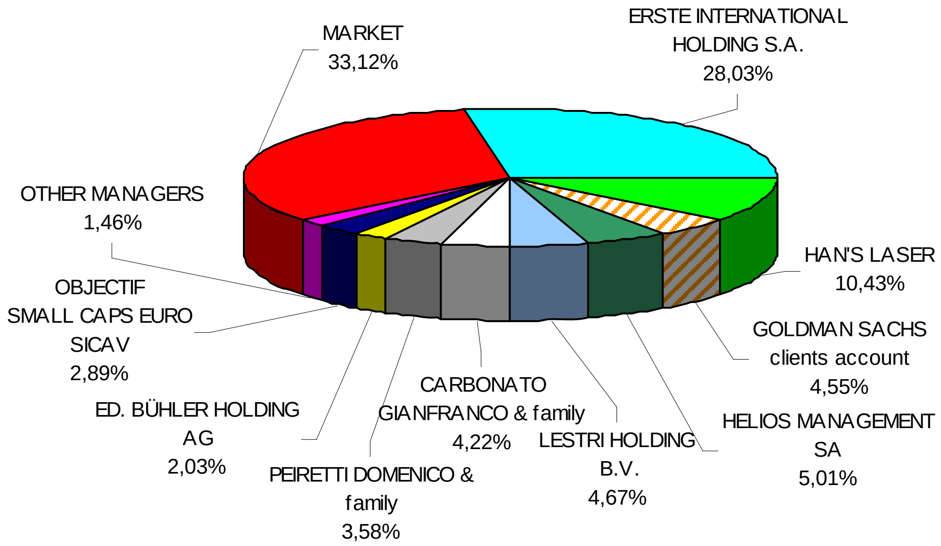
SHAREHOLDING STRUCTURE

During the year, finalized on 31/07/2008, a capital increase for payment was resolved by the Board of Directors of the company on 18/06/2008 followed by a proxy conferred pursuant to art. 2443 c.c. by the Special Shareholders' Meeting held on 29/04/2008.
The capital increase concluded with full subscription of 1,800,000 newly issued ordinary shares, for a value of about Euro 25,650,000 (Euro 24,676,777 net of costs incurred).
The new share capital of PRIMA INDUSTRIE S.p.A thus amounts to 16,000,000 Euro divided into 6,400,000 ordinary shares with a par value of 2.5 Euro each.

The Group has issued no bonds or securities other than ordinary shares.

As recorded in the Shareholders' Ledger, updated with the distribution of dividends, which took place in May 2008, and the aforementioned capital increase and communications subsequently received, the shareholder structure at 31.12.08 looks like this:

SHARE OWNERSHIP STRUCTURE



RESEARCH AND DEVELOPMENT

Research and development carried out by the Group in 2008 totalled 20,831,000 Euro; of this the portion capitalised amounted to 5,516,000 Euro.

During the period, R&D by the parent company **PRIMA INDUSTRIE** centred on the following activities.

The 3D Division was engaged in three areas:

- consolidation of the products in a view of greater efficiency as an intensive means of production: both OPTIMO and RAPID machines were installed, with new automatic loading/unloading systems for large sizes, and activities continued for industrialization of the Rapid Evolution;
- product innovation with the presentation of the “VIVIDA” system: a light, compact head that makes it possible to reduce cutting times by an average of 30%; the system presented represents the final stage of a complex process of development that has taken several years and has resulted in the development of several prototypes, optimised one after the other;
- technological innovation with the good results obtained on an extremely demanding market from the viewpoint of laser processing quality such as aeronautics, where a revolving table was validated, with numerical control for high performance of accuracy and repeatability.

As regards the 2D division, activities continued relative to the design and development of the new proprietary CAD/CAM system of PRIMA INDUSTRIE, called “Maestro Libellula” (Master Dragonfly). A first version of the product was presented at the EuroBLECH fair, where it encountered real interest and obtained positive feedback.

The new MAXIMO project with P20L control continued and design activities will proceed parallel with activities of procurement of the materials for construction of the first prototype, expected to be ready in the first quarter 2009.

The designing of the Tower Server PRIMA INDUSTRIE version was finalised, based on the current model produced externally, but made with electronics and controls internal to the Group (PRIMA ELECTRONICS). The first unit was delivered to a client in Italy. A second unit is under construction and will be installed in the showroom at Collegno.

Finally, technical contacts with FINN-POWER continued, to define the guidelines of activities relative to the integration between the different products of the two group brands. The two key topics at the moment are linked to the use of the CONVERGENT laser source on FINN-POWER laser machines, and evaluation of the integration of the Prima Industrie laser products on the FINN-POWER production lines.

As regards the electronics sector (**PRIMA ELECTRONICS** and **OSAI**), development continued on a new type of solid state laser source. During the year the basic units and prototype of the first laser were completed.
Activities of improvement and expansion of the performance of the
numerical control P20L and the electronic and control interface of the capacitative sensor, with the goal of improving its performance.

After defining and approving the road-map for development of a new line of numerical control called OPEN, to integrate the application needs on machines produced by PRIMA INDUSTRIE and FINN-POWER as well as the traditional clientele served by the subsidiary OSAI S.p.A., new developments were undertaken in the hardware and software. At the end of the year a first version was released for use by experts and clients to achieve development of the specific application portion of each machine.

Following completion of the test of the functional prototypes, the high voltage power supply for the gas laser was engineered, so that the final prototypes could be put into production for complete testing and approval.

The research and development activity of **PRIMA North America** concerned, as regards the CONVERGENT Lasers Division, completion of the introduction of the CV5000 laser and the start of development of the additional options that will permit it to extend its performance in terms of reliability and usability by the client. As regards the CP laser, a method was developed and introduced that will permit energy savings in the *stand-by* stage.

Development was also completed on a modern new control unit for the CL50k laser that is part of the Nd: YAG line of company products.

At the Laserdyne division, research and development centres on completion of the focusing mechanism, equipped with greater speed and accuracy, capable of manipulating high power laser beams (both CO_2 and solid state) for a wide range of cutting and welding applications. The stages of design and prototyping were undertaken for a compact version of the new focusing mechanism, specifically intended for high-speed drilling of the cooling holes on turbine engines, with a tilt angle of 10° with respect to the surface.

The main innovations introduced by the **FINN-POWER** Group concerned:

- the launch of a new 5kW version of the L6 laser machine, a new generation with low energy consumption. It had already been presented in March at the Metapro fair (Belgium) and Lamiera fair (Bologna).
- A new machine integrating shearing and punching, Shear Brilliance®, with higher productivity thanks to higher acceleration and speeds, achieved using new linear motors (presented at the EuroBLECH 2008 fair in Hanover);
- a completely new product in the FINN-POWER range of bending machines: a semi-automatic (FBe4) "FastBend", capable of offering cycles of automatic processing with automatic tool changing;
- finally, new integrated and modular software was introduced, ideal for the management of the entire manufacturing process.

PERSONNEL

As of 31/12/2008, the PRIMA INDUSTRIE Group employed 1,663 people.
The large increase recorded is mainly to be attributed to the entrance in the consolidation area of the FINN-POWER Group with its 890 employees.

The breakdown by Group company is shown below:

COMPANY	31/12/2008	31/12/2007 (*)
PRIMA INDUSTRIE S.p.A. – Italy	346	326
PRIMA North America, Inc. – USA	137	122
OSAI Group	130	135
Prima Electronics S.p.A. – Italy	108	107
PRIMA INDUSTRIE GmbH - Germany	21	18
PRIMA INDUSTRIE UK Ltd. – United Kingdom	12	13
PRIMA SCANDINAVIA AB - Sweden	7	8
PRIMA FINN-POWER POLSKA Sp.z.o.o.	6	4
FINN-POWER Group	890	N/A
Prima Beijing Co. Ltd - China	6	N/A
TOTAL	**1.663**	**733**

(*) For greater comparability of data, the values relative to 2007 have been reclassified

Without this acquisition, the increase in the Group's personnel would have been 5%.

The per capita turnover amounts to 221,000. It should be noted that the FINN-POWER Group contributed to the 2008 turnover for only 11 months.

The breakdown of employees by department is as follows:

FUNCTION	2008	2007 (*)
Production	626	284
After sales service	489	169
Management/Administration	197	79
Marketing and sales	171	84
Research and development	161	108
Quality	19	9
TOTAL	**1.663**	**733**

(*) For greater comparability of data, the values relative to 2007 have been reclassified

In the final months of 2008, with the worsening economic situation and in the sphere of a policy of cost reduction, many companies in the Group took measures to make their use of the workforce more flexible and reduce its incidence on company costs.
These measures continue in 2009, leading to the adoption of "temporary lay-off" (YT) plans by FINN-POWER OY and similar lay-off procedure in PRIMA INDUSTRIE S.p.A. and FINN-POWER ITALIA S.r.l., concerning a large percentage of the company employees.

STOCK OPTIONS PLANS

The Shareholders' Meeting of 29/04/2008 approved the realisation of a stock option plan, aimed at the executive directors of PRIMA INDUSTRIE S.p.A., PRIMA ELECTRONICS S.p.A. and FINN-POWER Oy, as well as at the Group financial manager and the General manager of PRIMA INDUSTRIE S.p.A., in their capacity as executives with the power to adopt strategic decisions.

The subsequent meeting of the Board of Directors held on 07/05/2008 set out the plan in detail; the plan provides that the beneficiaries shall be as follows:

FIRST / LAST NAME	POSITION
Gianfranco CARBONATO	Chairman and Managing Director of PRIMA INDUSTRIE S.p.A.
Domenico PEIRETTI	Managing Director of PRIMA ELECTRONICS S.p.A.
Marco PINCIROLI	Managing Director of PRIMA INDUSTRIE S.p.A.
Tomas HEDENBORG	Managing Director of FINN POWER OY
Ezio BASSO	General Director of PRIMA INDUSTRIE S.p.A.
Massimo RATTI	Financial Director of the PRIMA INDUSTRIE Group

The main features of the plan are as follows:

- The issue price of the shares was determined as the arithmetic mean of the official prices (as defined by the Borsa Italiana S.p.A. rules) recorded by the Stock in the MTA market (or in the market in which the shares are to be quoted pro tempore) in the period that runs from the date of allocation of the Options to the same date in the preceding calendar month, increased by 20%. This value, initially identified at 34.96 euro per share, was subject to correction (on the basis of the AIAF factor) following the capital increase; the updated working price of the options attributed therefore currently amounts to euro 32.55;
- the options give the right to subscribe to an equal number of newly issued shares in PRIMA INDUSTRIE S.p.A.;
- the plan is a medium/long-term plan, envisaging a “vesting period” of three years from the date of the allocation of the Options. This aspect takes into consideration the time period necessary to establish positive progress in relation to the process of integration of the PRIMA INDUSTRIE and the FINN-POWER Groups;
- the Options allocated to each Beneficiary can be exercised after a period of three years has elapsed from the allocation date, from 01/06/2011 and by no later than 30/06/2014 (the date on which the Plan expires) during the two undermentioned periods of each year until the expiry of the Plan:
- 1st June – 30th June
- 1st October - 30th October
- The individual beneficiaries can exercise, in each of the two monthly periods prescribed in each year, up to a maximum of one third of the total of the Options allocated to them.

This plan is configured as an operation with payment based on regulated shares with instruments that represent the capital and was the object of an assessment entrusted to an independent expert, who proceeded to perform the valuation of the fair value of the instruments allocated.

In view of the nature of the option, for valuation purposes the numeric procedure of the binomial trees was adopted, which incorporates the windows for the exercise of the option in accordance with the provisions of the rules of the stock option plan.

The following assumptions were made for the purposes of the valuation:

- Volatility: 42.66%
- Free risk rate: 4.16%
- Expected dividend: 0.65 Euro in 2008 and 0.47 Euro for the subsequent years.

The application of this model for the valuation provided the results set out hereunder:

- Value of the option: 9,979 Euro
- Number of subscription rights: 150,000
- Equivalent value: 1,496,850 Euro

Further information about the stock option plan is published on the company's website: *www.primaindustrie.com*

The Plan aims at further developing, in the management of the PRIMA INDUSTRIE Group, a culture which is strongly orientated at the creation of value for the Company, the Group and the members of the Company.

In this regard the aims of the Plan are:

- to create a variable incentivisation mechanism in line with the directions contained in the Code of Self-regulation promoted by Borsa Italiana S.p.A.;
- to align the interests of the beneficiaries with the interests of the stockholders in the logic of value creation;
- to insure the motivation of the beneficiaries towards strategic success factors in the medium-term;
- to promote the beneficiaries' loyalty towards the Group.

CORPORATE GOVERNANCE, APPLICATION OF LEG.DECR. 231/2001

The company publishes information annually on its system of governance (or Corporate Governance) and on its compliance with the code of self-governance, in a special report.

The report serves mainly to provide information about the corporate offices of the company, their composition, term of office, functions, powers attributed and all other elements that describe the organization of corporate governance. Moreover, it contains specific information, including personal data, about the corporate executives, with a brief but complete personal and professional profile of each.

The same report also furnishes information about the system of remuneration of the management and directors with strategic responsibilities, about the rules to apply on the subject of use of confidential information and operations of significant economic, financial and equity relevance, with the parties involved, specifying whether they are atypical or unusual.

The report is a separate document from the annual financial statement and is made available to the shareholders every year with the documentation foreseen for the shareholders' meeting for approval of the financial statement and sent to the market management company, that makes it available to the public; the report is also published on the company website (www.primaindustrie.com).

Among the activities performed in 2008 we call your attention to the update (following the new legislative elements enacted) and the completion of the Organization, Management and Control Model designed to prevent the commission of the crimes indicated in Legislative Decree no. 231/2001 (and its subsequent amendments and additions) .

The new model, starting from a detailed analysis of the activities, is a set of general principles, rules of conduct, instruments of control and organization procedures, training and information activities and disciplinary system which serve to prevent, as far as possible, the commission of crimes.

In the sphere of the project, performed with the cooperation of professional consultants, the company was able to elaborate - among other things - a new corporate code of ethics, which shall serve as a very important behavioural reference for both employees and for the outside co-operators of PRIMA INDUSTRIE S.p.A.

A new Monitoring Organization (M.O.) was also appointed by the Board of Directors on 13/11/2008, with the duty of monitoring the correct function of the Organization Model and attending to its updates, reporting to the Board of Directors and Board of Auditors.

INVESTMENTS MADE FOR SAFETY IN THE WORKPLACES

The most significant investments for the year 2008, in terms of size, refer to the parent company PRIMA INDUSTRIE S.p.A. In 2008 the costs incurred by the company for health and safety in the workplace amounted to a total of about 131,000 euro.

Of these, the investments relative to improvements in the working environment as a whole (meaning, for example, improvement of the microclimatic conditions and lighting, as well as investments to safeguard the healthful aspect of infrastructures, etc.) can be estimated at about 90,000 euro. In addition to these, were investments made for safety reasons, that were mainly due to activities of control of the working environment and technical consultant fees, which amounted to about 41,000 euro.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The last quarter of 2008 confirmed a significant and widespread worsening of the market conditions in the operating sectors and geographical areas in which the Group operates.

This negative trend complicates the predictability of the economic and financial results in 2009.

Under the circumstances, for a more efficient management of operations, the Group has undertaken an internal reorganization designed to greatly reduce structural costs and optimise staff potential. The Group has provided to draft a new 5-year plan for 2009-2013, that served as the basis for the redefinition of the *covenants* with the lending banks and was used as an impairment test of goodwill. In this plan, the year 2009 is expected to show lower revenues, which will be contrasted with a series of actions of efficiency and cost reduction, as well as an adjustment of the employee base, made with recourse to the redundancy plans available in both Italy and Finland, where the group has the majority of its operations.

At the beginning of March 2009, the company acknowledged that the market had not shown signs of improvement in January and February, and therefore provided to draft a further, more incisive plan of cost reduction starting from the second quarter of the current year. This plan calls for additional rationalization, in particular in the area of the production plants (in consideration of the general maintenance of the after-sales turnover, that accounts for almost 20% of the total), involving a cost structure compatible with the current level of orders even if that level should continue for the remainder of the current year.

The foreseeable development of management for the year 2009 is consequently affected by risks and uncertainties depending on many economic factors, not all within the control of the Group, so that it will be necessary to update the forecasts periodically and possibly modify the plan of action.

EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENT

RECALCULATION OF THE FINANCIAL INDICES

As illustrated in the paragraph above entitled “NET FINANCIAL POSITION”, following the deterioration of the economic reference framework the PRIMA INDUSTRIE Group found itself in the position of probably being unable to comply with the financial indices (*covenants*) of the loan contract made originally for 185 million, signed on 31/01/2008 with a pool of banks, and serving to locate funds for the acquisition of the FINN-POWER Group. As a consequence, the company sent a formal request to the pool of banks to recalculate the *covenants* as of 31/12/2008 and until 31/12/2009. The request was accepted prior to the date of approval of the financial statement, therefore the new *covenants* agreed are as follows:

Ratio of EBITDA/Net Financial costs on a consolidated basis of not less than:

- Consolidated financial statements for 2008: 2.4
- Consolidated financial statements for 2009: 2.1

Ratio of Financial indebtedness/EBITDA on a consolidated basis not higher than:

- Consolidated financial statements for 2008: 5.2
- Consolidated financial statements for 2009: 6.9

Ratio of Net Financial indebtedness/Shareholders' Equity on a consolidated basis not higher than:

- Consolidated financial statements for 2008: 2.4
- Consolidated financial statements for 2009: 2.5

As a result of this, the company will have a heavier spread applied to various portions of the loan, in the measure of 90 additional basis points, and will have to pay a waiver fee of 0.40% on the residual amount of portions A and B from the date of concession of the waiver and on the total amount of portion D (euro 20 million)

It should be noted that, in calculating the *covenants* relative to the consolidated financial statements for 2008, the EBITDA refers to a normalized value (considering 12 months of results of the FINN-POWER Group and not considering costs of a non-recurrent nature).

The aforementioned covenants as of 31/12/2008 were respected, so that despite the fact that PRIMA INDUSTRIE had classified the financial debt for acquisition of the FINN-POWER Group entirely in current financial liabilities, it will not be required to repay it before the end of next year, in the light of this development.

OTHER INFORMATION

<u>ATYPICAL AND UNUSUAL TRANSACTIONS</u>

For the purposes of Consob Notice No. DEM/6064296 dated 28/07/2006 it should be noted that the Group did not perform any atypical and/or unusual transactions as defined in the aforesaid notice.

<u>MANAGEMENT AND COORDINATION ACTIVITIES</u>

PRIMA INDUSTRIE S.p.A. is not subject to activities of management and coordination by companies or organizations and decides its general and operating strategy orientations in a fully independent manner.

<u>CODE ON THE SUBJECT OF SAFEGUARDING PERSONAL DATA</u>

In the sphere of the activities foreseen by Legislative Decree 196/03, entitled “Code on the subject of safeguarding personal data”, the measures to aid in evaluating the system of production of information regarding the companies in the Group subject to this law have been implemented. These activities revealed the substantial adequacy of methods used to comply with the laws on the subject of the protection of any personal data handled by those companies.

<u>EQUITY INVESTMENTS held directly and indirectly by the members of the offices of administration and control, by the general directors and executives with strategic responsibilities in PRIMA INDUSTRIE S.p.A. and in its subsidiaries (art.79 of CONSOB Regulation no. 11971/1999)</u>

SURNAME Name	Shareholding as of 1/01/2008	Purchased during 2008	Sold during 2008	Shareholdings as of 31/12/2008
BASSO Ezio Giovanni	2.074	810	-	2.884
CARBONATO Gianfranco	174.500	59.500	-	234.000
GAGLIARDI Franca (i)	39.000	-	-	39.000
DEVESCOVI Stefano	-	-	-	-
D'ISIDORO Sandro	-	-	-	-
FORMICA Riccardo	1.000	1.008	-	2.008
MANSOUR Michael	-	-	-	-
MANSOUR Y Rafic	13.744	5.373		19.117
MAURI Mario	-	-	-	-
MOSCA Andrea	-	-	-	-
PEIRETTI Domenico	138.000	31.320	-	169.320
MONTICONE Emilia (ii)	59.690	-	-	59.690
PELLEGRINI Pio	-	-	-	-
PETRIGNANI Roberto	-	-	-	-
PINCIROLI Marco	-	-	-	-
RATTI Massimo	1.250	-	-	1.250

(i) Epouse of Mr. Carbonato - (ii) Epouse of Mr. Peiretti

4. PERFORMANCE OF THE MAIN COMPANIES OF THE GROUP

An overview of the Group companies' performance during the year is provided below.

➔ PRIMA INDUSTRIE S.p.A.

The year 2008 of the parent company PRIMA INDUSTRIE S.p.A. was highly positive, both in terms of revenues and of profitability, achieving the best results in the company's history.

With respect to the previous year there was a growth of EBITDA and EBIT, as illustrated in the table below.

Performance indicators	Year 2008		Year 2007	
	thousand euro	%	thousand euro	%
TURNOVER	120.126	100,0	111.402	100,0
EBITDA	15.566	13,0	10.926	9,8
EBIT	14.553	12,1	10.183	9,1
EBT	12.334	10,3	12.204	11,0
NET PROFIT	8.673	7,2	7.517	6,7

The parent company's sales turnover in 2008 amounted to 120,126,000 euro, an 8% increase from 2007's 111,402,000 euro.

The breakdown of the turnover changed with respect to the previous year; there was a gradual shift of sales volumes from the 2D laser systems to the 3D systems. The increase in turnover in this sector was particularly significant (+19%), mainly due to the contribution of the new RAPIDO product.

The EBITDA for 2008 amounts to 15,566,000 euro (13% of turnover) with a growth compared to the previous year, both in percentage and in absolute terms. This increase of 42% was due to the volume effect and better margins also attributable to the more favourable product mix.

The EBIT amounts to 14,553,000 euro, compared to 10,183 in 2007 (+43%).
The incidence of depreciation was 1,013,000 euro (it was 743,000 euro in 2007).

The EBT amounts to 12,334,000, up about 1% over 2007.
Net financial management in 2008, amounted to 2,218,000 (2,367,000 euro in 2007); this management basically includes:

- dividends from subsidiaries for 3,146,000 euro;
- interest collected from subsidiaries for 4,407,000 euro (mainly from FINN-POWER OY);
- bank interest for medium/long-term loans for 7,652,000 euro;
- interest paid to other lenders for 1,360,000 euro (to the seller of the FINN-POWER Group);
- bank expenses for 379,000 euro (mainly attributable to the loan for acquisition of FINN-POWER);
- adjustment to fair value of derivatives for 180,000 euro;
- interest paid on severance indemnity for 147,000;
- interest paid on leases for 23,000 euro;
- net loss on exchange rate for 200,000 euro.

The net result improves by 8,673,000 euro compared to 7,517,000 euro in 2007 (+15%), with an average tax rate that goes from 38.4% to 29.7% for a number of factors, including:

- reduction of the corporate income and regional tax percentages (respectively 27.5% and 3.9% vs. 33% and 4.25%);
- the higher incidence on the result of dividends (taxed at 1.375%);
- the presence of the tax credit on research in 2007, for 464,000 euro which was not present in the 2007 financial statement.

The equity situation of the parent company PRIMA INDUSTRIE, as of 31/12/2008, was the following.

Values in thousands of euro	**2.008**	**2.007**
NON-CURRENT ASSETS	197.786	26.578
CURRENT ASSETS	70.422	78.398
SHAREHOLDERS' EQUITY	63.194	36.671
NON-CURRENT LIABILITIES	40.439	16.444
CURRENT LIABILITIES	164.575	51.861

As can be seen from the above table, the non-current assets of the company increased considerably (increase of 171,208,000 euro), mainly after the following transactions:

- acquisition of equity investment in FINN-POWER for 90,722,000 euro;
- concession to the subsidiary FINN-POWER of loans for about 61,633,000 euro;
- acquisition of a class E share (E-Share cd) of FINN-POWER for the total value of 14,035,000 euro;
- acquisition of land in Collegno at a cost of 3,099,000 euro (not including accessory costs);
- increase of the equity investment in Shanghai Unity PRIMA (acquired additional 7.5%) for 824,000 euro;
- accounting of part of a stock option plan as foreseen by IFRS 2, increasing the value of the equity investments in FINN-POWER and PRIMA ELECTRONICS for a total of 102,000 euro.

We also report an increase in the shareholders' equity of PRIMA INDUSTRIE of 26,523,000, mainly due to the net effect of the following factors:

- capital increase in the month of July of 24,677,000 euro;
- result for the year 2008 of 8,673,000 euro;
- adjustment to fair value of negative hedges for 4,247,000 euro;
- distribution of dividends for 2,990,000 euro;
- registration of stock option costs relative to the year 2008, for 318,000 euro.

Current and non-current liabilities also increased considerably during the year; as for the other changes, this increase is linked to the acquisition of the FINN-POWER Group.

This increase is mainly due to:

- the stipulation with a pool of banks of a medium/long-term loan, that as of 31/12/2008 amounts to 108,949,000; as we have already illustrated extensively, this debt was entirely classified as short-term, only for a figurative matter required by IAS 1 (for more details on the subject see the section of the Management Report entitled “NET FINANCIAL POSITION”);
- residual payable to EQT III Ltd. (seller of the FINN-POWER Group) inclusive of interest accrued, amounting to 26,360,000 euro.

For a fuller understanding of the economic and equity data of the parent company PRIMA INDUSTRIE, we illustrate here below the relations in 2008 with the subsidiaries.

EQUITY AND ECONOMIC RELATIONS OF PRIMA INDUSTRIE S.P.A. WITH SUBSIDIARIES

Values expressed in euro/000	PRIMA ELECTRONICS	OSAI	FINN POWER GROUP	PRIMA NORTH AMERICA	PRIMA INDUSTRIE GmbH	PRIMA SCANDINAVIA AB	PRIMA FINN-POWER UK	PRIMA FINN-POWER POLSKA	PRIMA INDUSTRIE BEIJING
FINANCIAL RECEIVABLES	3.000	-	79.858	-	-	-	626	-	-
TRADE RECEIVABLES	296	20	1.153	3.003	3.192	582	715	132	23
TRADE PAYABLES	1.858	-	307	2.871	192	59	17	69	179

Values expressed in euro/000	PRIMA ELECTRONICS	OSAI	FINN POWER GROUP	PRIMA NORTH AMERICA	PRIMA INDUSTRIE GmbH	PRIMA SCANDINAVIA AB	PRIMA FINN-POWER UK	PRIMA FINN-POWER POLSKA	PRIMA INDUSTRIE BEIJING
SALES REVENUES	6	-	1.276	7.431	15.618	2.788	1.582	258	24
OTHER REVENUES	342	33	147	279	98	33	60	91	16
PURCHASE COSTS	4.537	-	-	12.488	15	9	15	5	20
PERSONNEL COSTS	-	-	58	-	-	2	-	-	-
COSTS FOR SERVICES	429	-	370	-	241	119	46	269	207
FINANCIAL COSTS	178	-	4.190	-	-	-	39	-	-

→ FINN-POWER GROUP

FINN-POWER OY was purchased by PRIMA INDUSTRIE S.p.A. on 04/02/2008, therefore the consolidated financial statement as of 31/12/2008 includes the economic results of the FINN-POWER Group for the period of 11 months from 01/02/2008 to 31/12/2008.

During that period, the FINN-POWER Group generated revenues for 184,416,000 euro. As regards the main product lines, we can report that those revenues refer for 35,084,000 euro to punching machines that accounted for 19% of the revenues in the period, for 36,943,000 euro to integrated punching and shearing systems, that accounted for 20% of the revenues, for 29,320,000 euro to panel shaping machines for 16% of revenues and for 17,382,000 euro to integrated punching and laser cutting systems for 9% of revenues in 2008.

As regards the division of revenues by geographical area, Italy reported a turnover of 32,604,000 euro, or 18% of the total; the turnover achieved by the other European countries amounted to 79,801,000 euro or 43% of the total. The turnover for the U.S., that is the main market for FINN-POWER, was 41,811,000 euro, equivalent to 23% of the consolidated turnover. The remaining portion, 30,200,000 euro, or about 16% of the total revenues, refers mainly to Russia, Turkey, the Far East (particularly China, Taiwan and South Korea), India and the Middle East. The contribution of the FINN-POWER Group to the consolidated turnover amounted to 184,198000 euro as, in 2008 there were inter-sectorial revenues for 218,000 euro; this amount refers mainly to services performed for companies in the PRIMA group that operate in the sector of laser systems, and sales of spare parts.

At the operating level, the income statement of the FINN-POWER Group reports an EBITDA of 7,229,000 euro or 3.92% of the turnover (the EBITDA that contributes to the consolidated company PRIMA INDUSTRIE is 7,145,000 euro, after cancellation of the inter-sectorial margins) and an EBIT of 3,260,000 euro or 1.77% of the turnover (the EBIT that contributes to the consolidated company PRIMA INDUSTRIE amounts to 535,000 euro, after cancellation of the inter-sectorial margins and depreciation on the assets allocated).

Performance indicators	*FINN-POWER Group 2008*		Consolidated adjustments	*FINN-POWER Group 2008 (adjusted fpr purposes of consolidation with PRIMA INDUSTRIE)*	
	thousand euro	%	thousand euro	thousand euro	%
TURNOVER	184.416	100,0	(218)	184.198	100,0
EBITDA	7.229	3,9	(84)	7.145	3,9
EBIT	3.260	1,8	(2.725)	535	0,3

Reduction of the marginality recorded with respect to the previous year is partly due to significant extraordinary costs that arose during 2008 by effect of the contingency of costs accrued in previous years, losses on receivables and on transactions with clients.

The contract of acquisition contains the usual declarations and guarantees in favour of the purchase with regard to the consistency of the equity and financial and economic situation of the FINN-POWER Group as of the date of the transaction; these guarantees foresee reimbursement via reduction of the amount of the deferred part of the price, for 25 million euro to be paid to the sellers on 04/02/2011. With reference to the extraordinary costs described above, the PRIMA INDUSTRIE Group has undertaken the actions foreseen by the contract described above in order to obtain reimbursement of the losses incurred; however, any benefits relative to future reimbursements will be reported in subsequent years, at the time of settlement of the transactions with the sellers in the light of the damages reflected in the financial statements for 2008.

Moreover, the year 2008 was penalized by restructuring costs incurred in order to achieve synergisms in future years.

The equity structure of the Group as of 31/12/2008 was altered by effect of the allocation of the price paid for the acquisition of the company's assets. For more details about these provisions, see section 7 "BUSINESS COMBINATIONS AND PURCHASES OF MINORITY INTERESTS". Amortisations for the year, amounting to a total of 6,585,000 euro, include a portion relative to the higher amortisation of assets allocated, for 2,666,000 euro.
The net financial position as of 31/12/2008 is negative for 84,801,000 euro. This amount includes payables to the parent company for 79,859,000 euro, consequent to the intercompany loans granted by PRIMA INDUSTRIE to repay financial payables at the time of the acquisition, payables for lease contracts amounting to 8,862,000 euro, financial liabilities relative to the *fair value* of derivative instruments for 1,452,000 euro, payables to banks for 1,838,000 euro and savings and loan institutions for 7,210,000 euro.

➔ ELECTRONICS GROUP

To provide more exhaustive information, we illustrate the economic data of the Electronics Group as a whole.

The Electronics Group comprises:

- PRIMA ELECTRONICS
- OSAI S.P.A.
- OSAI USA
- OSAI UK
- OSAI GmbH

In addition, it should be noted that with effect from 01/07/2008 Techmark S.r.l. merged with OSAI SpA.

As regards the economic data, here below we list only those for the year under examination because, as we have pointed out already, the OSAI Group only joined the PRIMA INDUSTRIE Group in July, 2007 and the two years are not directly comparable.

Performance indicators	Year 2008	
	thousand euro	%
TURNOVER	41.633	100,0
EBITDA	5.255	12,6
EBIT	4.581	11,0
EBT	4.138	9,9

The turnover for 2008 amounted to 41,633,000 euro (revenues net of intersectorial items amount to 35,331,000 euro), and was achieved for over half in Italy and the rest almost exclusively in Europe. We illustrate here below the breakdown of turnover divided by geographical area.

Geographical areas	**2.008**
Italy	55%
Europe	37%
USA	7%
Rest of world	1%

The following table shows revenues divided into the traditional business lines of the Electronics Group and compared with those of the previous year.

Turnover	**2.008**
Regulators	10.487
Motion Control	5.456
Other products + Service	9.006
OSAI group (including Service and Techmark	16.684
Electronic turnover	**41.633**

The line of electronic regulators for stationary compressors generated revenues for 10,487,000 euro, down 4.3% compared with 2007 (10,960,000 euro), while the line of Motion Control products, consisting of numerical controls and drivers for electric motors, generated revenues for 5,456,000 euro, down 14% compared with 2007. The portion of turnover referring to the other electronic products (inclusive of revenues generated by service and engineering activities), was down to 9,006,000 euro, compared with 10,271,000 in 2007.
The OSAI Group is not comparable with the previous year, as it was present for only 6 months.

It should also be noted that, during 2008, the shareholders' meetings of PRIMA ELECTRONICS and OSAI S.p.A. resolved the merger of the latter corporation in the parent company PRIMA ELECTRONICS.

The merger answers the need to rationalize and simplify the company structure in the electronics segment, simultaneously reducing the general and administrative costs, as well as the fixed costs. The merger will take effect for tax and accounting purposes on 01.01.09.

➔ PRIMA NORTH AMERICA

There was a reduction in turnover and profitability in 2008 for the American subsidiary. The company had a lower turnover of 2,627,000 dollars (down about 4% from the previous year). This reduction was due to the slower American (and world) economy in the last quarter of the year.

Performance indicators	Year 2008		Year 2007	
	US$/000	%	US$/000	%
TURNOVER	62.278	100,0	64.905	100,0
EBITDA	4.591	7,4	10.784	16,6
EBIT	4.298	6,9	10.505	16,2
EBT	4.167	6,7	10.439	16,1
NET PROFIT	2.666	4,3	6.724	10,4

All three divisions showed lower sales; in particular as regards the laser sources sold in 2008, there was a reduction of about 12% (240 were sold in 2008, compared with 272 in 2007), while laser systems decreased by about 21% in 2008 (38 in 2008 compared with 47 in 2007).

In particular:

- the Convergent Lasers division posted a turnover of $33.7m before consolidation adjustments ($33.9m in 2007);
- the Laserdyne Systems division posted a turnover of $15.1m ($16.6m in 2007);
- The PRIMA Systems division posted a turnover of $19.1m ($21.2m in 2007);

The EBITDA amounted to $4,591,000 (or 7.4% of the turnover), a decrease with respect to the previous year ($10,784,000 or 16.6% of the turnover) of $6,193,000 (-57%). This reduction was due to a number of factors:

- reduction of volumes;
- less favourable mix of products;
- increase of costs of some parts of the product paid in euro (which grew against the dollar in 2008);
- the increase of certain structural costs (especially in the sales area).

The result after taxes was $2,666,000, down by about 60% with respect to the previous year ($6,724,000 in 2007).

It should also be noted that investments in research and development in 2008 amounted to $3.4m (of which 0.8 million were capitalized among intangible fixed assets).

➔ OTHER SUBSIDIARIES

We comment here below on the economic performance of the other main subsidiaries.

PRIMA INDUSTRIE GmbH

The German subsidiary had a good growth of sales in 2008 (+22%) compared to the previous year. Sales were almost exclusively made in Germany, although there were sales for about 900,000 euro in other countries (Austria and Eastern Europe).

The EBITDA also grew in 2008 (+35%). For more details, see the table here below.

Performance indicators	Year 2008		Year 2007	
	thousand euro	%	thousand euro	%
TURNOVER	20.975	100,0	17.213	100,0
EBITDA	600	2,9	446	2,6
EBIT	554	2,6	398	2,3
EBT	572	2,7	438	2,5
NET PROFIT	389	1,9	452	2,6

PRIMA SCANDINAVIA AB

The Swedish subsidiary showed a negative result in 2008, due mainly to the radical reorganization in progress (following integration with the FINN-POWER Group) and also to the poor performance of the local market.

For more details, see the table here below.

Performance indicators	Year 2008		Year 2007	
	thousand euro	%	thousand euro	%
TURNOVER	3.572	100,0	5.039	100,0
EBITDA	-148	-4,1	406	8,1
EBIT	-155	-4,3	398	7,9
EBT	-203	-5,7	403	8,0
NET PROFIT	-214	-6,0	287	5,7

PRIMA FINN-POWER UK LTD.

The British subsidiary also had a negative result in 2008, due mainly to the deterioration of the local market.

It should be noted that financial management also had a negative incidence, as it was particularly affected by a loan in euro (from the parent company), following the fall in the euro/pound exchange rate.

For more details, see the table here below.

Performance indicators	Year 2008		Year 2007	
	thousand pounds	%	thousand pounds	%
TURNOVER	1.921	100,0	4.784	100,0
EBITDA	-155	-8,1	250	5,2
EBIT	-160	-8,3	246	5,1
EBT	-506	-26,3	36	0,8
NET PROFIT	-506	-26,3	33	0,7

➔ AFFILIATES, JOINT VENTURES AND OTHER EQUITY INVESTMENTS

As will be illustrated in notes 9.4 and 9.5 to this document, the PRIMA INDUSTRIE Group has equity investments in the following companies:

- Shanghai Unity PRIMA
- Wuhan OVL Convergent Laser Technology
- Shenyang PRIMA laser machine
- SNK-PRIMA
- Electro Power Systems
- Consorzio Sintesi

➔ <u>SHANGHAI UNITY PRIMA</u>

The PRIMA Group increased its equity investment in the Chinese JV in 2008 (from 27.5% to 35%).

Performance indicators	Year 2008		Year 2007	
	thousand RMB	%	thousand RMB	%
TURNOVER	198.436	100,0	187.067	100,0
EBITDA	29.441	14,8	38.202	20,4
EBIT	27.851	14,0	36.880	19,7

As can clearly be seen from the above table, there was an increase in revenues during the year, from 187,067,000 to 198,436,000 Renminbi (+6%). In spite of this increase, there was a slowing of profitability due to the increased cost of raw materials on the Asian markets and the increase in the number of employees.

The equity structure of the Chinese company is as shown below.

Values expressed in thousands of renmimbi	**2.008**	**2.007**
NON-CURRENT ASSETS	8.341	7.657
CURRENT ASSETS	284.940	273.641
SHAREHOLDERS' EQUITY	100.897	76.680
NON-CURRENT LIABILITIES	-	-
CURRENT LIABILITIES	192.384	204.618

The net financial position of the company as of 31/12/2008 was positive for 8,340,000 Renminbi.

We do not deem it significant to furnish further information regarding the other Joint Ventures.

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Ladies and Gentlemen,

We hope that you are in favour of continuing the Company's return on risk capital policy, and, taking this opportunity to thank you for the confidence that you have placed in us, we invite you to approve these financial statements, and to allocate the year's earnings of 8,672,710 as follows:

- Euro 433,635.50 to the Legal Reserve;
- Euro 8,239,074 to the Statutory Reserve

For the Board of Directors
The Chairman

Mr. Gianfranco Carbonato

5. CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31.12.08

ACCOUNTING TABLES

CONSOLIDATED BALANCE SHEET
ACCORDING TO CONSOB RESOLUTION No. 15519 OF 27 JULY 2006

Values in Euro	Notes	31/12/2008	of which related parties	31/12/2007	of which related parties
Property, plant and equipment	**9.1**	35.503.867		10.165.878	
Intangible assets	**9.2**	153.175.834		6.713.046	
Investment properties	**9.3**	158.000		-	
Investments accounted for using the equity method	**9.4**	4.062.534	4.062.534	2.234.917	2.234.917
Other investments	**9.5**	801.885		801.885	
Other non current financial assets	**9.6**	368.190		1.133.223	
Deferred tax assets	**9.7**	6.300.579		5.073.208	
Other non current assets		1.688.820		30.126	
Derivatives		-		25.902	
NON CURRENT ASSETS		**202.059.709**		**26.178.185**	
Inventories	**9.8**	106.186.873		41.967.051	
Trade receivables	**9.9**	72.266.007	159.226	51.703.785	379.963
Other receivables	**9.10**	7.460.278		2.564.642	
Current tax receivables	**9.11**	3.551.878		2.577.565	
Cash and cash equivalents	**9.12**	14.467.456		21.551.369	
CURRENT ASSETS		**203.932.492**		**120.364.412**	
Assets held for sale				-	
TOTAL ASSETS		**405.992.201**		**146.542.597**	
Capital stock	**9.13**	16.000.000		11.500.000	
Treasury stock	**9.13**	-		(87.880)	
Legal reserve	**9.13**	2.300.000		2.300.000	
Other capital reserves	**9.13**	37.794.240		17.018.984	
Currency translation reserve	**9.13**	(1.776.810)		(2.559.891)	
Retained earnings	**9.13**	15.293.409		9.303.872	
Profit for the year	**9.13**	5.476.434		13.728.496	
Stockholders' equity of the Group		**75.087.273**		**51.203.581**	
Minority interest		-		237.134	
STOCKHOLDERS' EQUITY		**75.087.273**		**51.440.715**	
Interest-bearing loans and borrowings	**9.12**	42.454.994		15.205.862	
Employee benefit liabilities	**9.14**	9.021.418		7.561.363	
Deferred tax liabilities	**9.15**	11.626.501		1.905.744	
Provisions	**9.16**	87.210		44.235	
Derivatives	**9.12**	5.854.189		-	
NON CURRENT LIABILITIES		**69.044.312**		**24.717.204**	
Trade payables	**9.17**	65.870.443	46.065	33.727.779	-
Advance payments	**9.17**	32.217.942		10.545.432	
Other payables	**9.17**	22.716.004	329.209	9.883.075	286.738
Interest-bearing loans and borrowings	**9.12**	127.803.118		5.577.448	
Current tax payables	**9.18**	2.824.569		5.180.714	
Provisions	**9.16**	10.428.540		5.470.230	
CURRENT LIABILITIES		**261.860.616**		**70.384.678**	
Liabilities held for sale				-	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**405.992.201**		**146.542.597**	

CONSOLIDATED INCOME STATEMENT
ACCORDING TO CONSOB RESOLUTION No. 15519 OF 27 JULY 2006

Values in Euro	Notes	31/12/2008	of which related parties	31/12/2007	of which related parties
Net revenues	**9.19**	367.275.623	2.278.619	176.391.205	1.149.044
Other income	**9.20**	4.119.332		2.560.047	
Change in inventories of finished goods and WIP		(2.507.277)		3.856.509	
Increases in fixed assets for internal work	**9.21**	7.519.980		239.052	
Use of raw materials, consumables, supplies and goods		(176.244.161)		(79.461.918)	
Personnel cost	**9.22**	(89.204.241)	(1.088.590)	(37.196.704)	(766.136)
Depreciation	**9.23**	(8.528.039)		(1.524.142)	
Amortization and impairment		(25.000)		-	
Other operating expenses	**9.24**	(79.173.011)	(1.129.140)	(41.279.721)	(977.436)
OPERATING PROFIT		**23.233.206**		**23.584.328**	
Financial income	**9.25**	805.331		720.970	
Financial expenses	**9.25**	(13.036.179)		(1.518.119)	
Net exchange differences	**9.25**	(89.961)		(358.755)	
Net result of investments accounted for using the equity method	**9.26**	817.951	817.951	472.586	472.586
RESULT BEFORE TAXES		**11.730.348**		**22.901.010**	
Income taxes	**9.27**	(6.253.914)		(9.154.309)	
RESULT FROM CONTINUING OPERATIONS		**5.476.434**		**13.746.701**	
Income from assets held for disposal		-		-	
NET RESULT		**5.476.434**		**13.746.701**	
- Attributable to Group shareholders		5.476.434		13.728.496	
- Attributable to minority shareholders		-		18.205	
EARNINGS PER SHARE - BASIC (in euro)	9.28	**1,02**		**2,99**	
EARNINGS PER SHARE - DILUTED (in euro)	9.28	**0,99**		**2,99**	

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS'EQUITY

Values in Euro	01/01/07	Change of consolidation area	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Loss on sale of treasury stock	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	Currency translation reserve	31/12/07
Capital stock	11.500.000	-	-	-	-	-	-	-	-	-	11.500.000
Treasury stock	(109.034)	-	21.154	-	-	-	-	-	-	-	(87.880)
Additional paid-in capital	15.664.893	-	-	-	-	-	-	-	-	-	15.664.893
Legal reserve	2.300.000	-	-	-	-	-	-	-	-	-	2.300.000
Other reserves	1.184.141	-	-	-	-	169.950	-	-	-	-	1.354.091
Currency translation reserve	(639.537)	-	-	-	-	-	-	-	-	(1.920.354)	(2.559.891)
Retained earnings	(1.307.575)	26.042	-	38.630	(1.146)	10.547.921	-	-	-	-	9.303.872
Net result	13.705.921	-	-	-	-	(10.717.871)	(2.988.050)	13.728.496	-	-	13.728.496
Stockholders' equity of the Group	**42.298.809**	**26.042**	**21.154**	**38.630**	**(1.146)**	**-**	**(2.988.050)**	**13.728.496**		**(1.920.354)**	**51.203.581**
Minority interest	**60.266**	**176.868**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**237.134**
STOCKHOLDERS' EQUITY	**42.359.075**	**202.910**	**21.154**	**38.630**	**(1.146)**	**-**	**(2.988.050)**	**13.728.496**	**-**	**(1.920.354)**	**51.440.715**

from January 1st to December 31st, 2008

Values in Euro	01/01/08	Change of consolidation area	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	Currency translation reserve	31/12/08
Capital stock	11.500.000	-	-	-	4.500.000	-	-	-	-	-	16.000.000
Treasury stock	(87.880)	-	87.880	-	-	-	-	-	-	-	-
Additional paid-in capital	15.664.893	-	-	-	21.150.000	-	-	-	-	-	36.814.893
Legal reserve	2.300.000	-	-	-	-	-	-	-	-	-	2.300.000
Capital increase - expenses	-	-	-	-	(973.223)	-	-	-	-	-	(973.223)
Stock option reserve	-	-	-	-	-	-	-	-	318.364	-	318.364
Change in the FV of hedging derivatives	-	-	-	-	-	-	-	-	(4.247.108)	-	(4.247.108)
Other reserves	1.354.091	-	-	-	-	4.527.223	-	-	-	-	5.881.314
Currency translation reserve	(2.559.891)	-	-	-	-	-	-	-	-	783.081	(1.776.810)
Retained earnings	9.303.872	-	-	4.680	-	6.211.273	-	-	(226.416)	-	15.293.409
Net result	13.728.496	-	-	-	-	(10.738.496)	(2.990.000)	5.476.434	-	-	5.476.434
Stockholders' equity of the Group	**51.203.581**	**-**	**87.880**	**4.680**	**24.676.777**	**-**	**(2.990.000)**	**5.476.434**	**(4.155.160)**	**783.081**	**75.087.273**
Minority interest	**237.134**	**(220.640)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16.494)**	**-**
STOCKHOLDERS' EQUITY	**51.440.715**	**(220.640)**	**87.880**	**4.680**	**24.676.777**	**-**	**(2.990.000)**	**5.476.434**	**(4.155.160)**	**766.587**	**75.087.273**

CONSOLIDATED STATEMENT OF CASH FLOW

Values in Euro	31/12/08	31/12/07
Result before taxes	11.730.348	22.901.010
Adjustments (sub-total)	*20.783.110*	*2.255.063*
Depreciation and amortization	8.553.039	1.524.142
Accrual in the provisions for employee benefits	408.849	47.603
Net exchange differences	89.961	358.755
Net result of investments accounted for using the equity method	(817.951)	(472.586)
Cost for share-based payments	318.364	-
Financial expenses	13.036.179	1.518.119
Financial income	(805.331)	(720.970)
	32.513.458	25.156.073
(Increase)/Decrease in trade receivables and other receivables	23.394.546	(5.934.994)
(Increase)/Decrease in inventories	(1.633.707)	(4.483.238)
(Increase)/Decrease in trade payables	(18.848.485)	5.368.163
(Increase)/Decrease in other payables and liabilities	(8.828.949)	(1.307.352)
Cash from operations	**26.596.863**	**18.798.652**
Income taxes paid	(7.674.532)	(3.646.040)
Net cash provided by operating activities	**18.922.331**	**15.152.612**
Cash flow from investments		
Acquisition FINN-POWER Group (net of cash acquired)	(85.217.377)	-
Acquisition OSAI Group (net of cash acquired)	-	(8.409.145)
Acquisition of OSAI UK minorities	(256.525)	-
Acquisition of tangible fixed assets	(6.639.393)	(1.716.027)
Acquisition of intangible fixed assets	(7.428.187)	(292.819)
Disposal/(Purchase) investments accounted for using the equity method	(823.625)	25.575
Financial income	805.331	720.970
Net disposal of tangible and intangible fixed assets	310.962	49.224
Net cash used in investing activities	**(99.248.814)**	**(9.622.222)**
Cash flow from financing activities		
Change in other net equity items	(39.777)	(1.975.174)
Capital increase	24.676.777	-
Net purchase of treasury stocks	92.560	58.638
Net change in other financial assets/liabilities	1.254.533	(233.075)
Increases in loans and borrowings	176.358.106	7.795.000
Repayment of loans and borrowings	(112.770.918)	(5.237.269)
Net change in financial lease liabilities	(302.532)	(583.679)
Financial expenses	(13.036.179)	(1.518.119)
Dividends paid	(2.990.000)	(2.988.050)
Net cash provided by financing activities	**73.242.570**	**(4.681.728)**
Net change in cash and equivalents	**(7.083.913)**	**848.662**
Cash and equivalents beginning of period	**21.551.369**	**20.702.707**
Cash and equivalents end of period	**14.467.456**	**21.551.369**

6. DESCRIPTION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS APPLIED

➔ STANDARDS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2008 were prepared in respect of the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, and provisions enacted with implementation of art. 9 of Lgs .Decr. no. 38/2005.

IFRS refers to all reviewed International Accounting Standards ("IAS") and all interpretations of the International Financing Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements were drafted on the basis of the standard of historical cost and on the supposition of a going concern. This supposition, though in the reference economic context and in consideration of the financial commitments ahead of the Group, must be deemed satisfactory in consideration of the industrial strong points of the Group and the availability of financial resources deemed sufficient to meet the commitments undertaken in the near future. The aforementioned recalculation of the financial indices relative to the loan contract and the punctual payment of the first two instalments of the loan, one expiring in 2009, corroborate the certainty of an ongoing concern.

➔ ACCOUNTING STATEMENT FORMAT

The Group presents the income statement by nature of expenditure. With reference to the assets and liabilities of the balance sheet, a form of presentation was used that distinguishes them between current and non-current, as allowed by IAS 1. Adequate information on the expiration of the liabilities is furnished in the relative notes. The financial cash-flow statement was prepared using the indirect method.

➔ BUSINESS COMBINATIONS AND GOODWILL

Business combinations are reported using the purchase method. This requires identification of the fair value of the assets recognized (including intangible fixed assets not previously recognized) and identifiable liabilities (including potential liabilities and excluding future restructuring of the companies acquired.

The goodwill acquired in a business combination is initially entered at costs, and represents the excess of the cost of the business combination with respect to the percentage of ownership by the Group of the fair value net of assets, liabilities and potential identifiable liabilities (of the company acquired).

After the initial entry, goodwill is not subject to amortisation and is decreased by any accumulated impairments of value, calculated in the manner described hereafter.

The goodwill relative to equity investments in joint ventures is included in the value attributed to the company.

The goodwill is subject to an annual analysis of recoverability or even more often if events or changes of circumstances occur that could lead to the development of possible impairments of value.

To ascertain the existence of lasting impairments, the goodwill acquired in a business combination is allocated, as of the date of acquisition, to the individual generators of the Group's cash flow or to the groups of cash flow generators that should benefit from the synergisms of aggregation, regardless of whether the other assets or liabilities of the company acquired have been assigned to those units or groups of units.

Every unit or group of units to which the goodwill is allocated:

- is the lowest level, in the sphere of the Group, at which goodwill is monitored for purposes of internal management; and
- is not larger than the segments identifiable from the information on the sector of the Group.

Any impairment of value is identified through evaluations that refer to the ability of each unit to produce financial flows capable of recovering the part of goodwill to which it is allocated, with the method indicated below in the section relative to tangible fixed assets. If the value recoverable by the unit generating the flows is lower than the original value attributed, the relative impairment of value is reported. This impairment of value is not restored if the reasons that caused it should later be overcome.
At the time of sale of part or all of the company previously acquired and from the acquisition of which there was goodwill, in the determination of the capital gains or losses from the sale reported in the income statement account is taken of the corresponding residual value of goodwill.
For the purposes of the accounting treatment of the purchases and sales of the minority shares in the subsidiary companies, the PRIMA INDUSTRIE Group adopted the "Parent entity extension method", which provides that the difference between the purchase price of the minority share acquired and the value of same included in the Consolidated Financial Statements at the date of the acquisition must be treated as an operation with third parties and thus disclosed as a change in the value of goodwill. Similarly the effects of the sales are set out in the Income Statement.

➔ COMPARABILITY OF DATA IN THE FINANCIAL STATEMENTS

The main variation in the consolidation area which occurred in 2008 was the inclusion, starting 04/02/2008 of FINN-POWER OY and its subsidiaries (FINN-POWER Group). It is also important to specify that the OSAI Group joined the PRIMA INDUSTRIE Group in July 2007.

For this reason the economic, financial and equity data relative to the year ending 31.12.08 are not immediately comparable with those of the previous year. In any case, all the additional information deemed necessary for correct evaluation of the changes in data in the financial statements in the two years examined will be provided, with reference to the aforementioned transactions.

➔ TRANSLATION OF ITEMS IN FOREIGN CURRENCY

(a) Functional currency and reporting currency
The Financial Statements of the subsidiaries, affiliated companies and joint ventures are prepared using the applicable functional currency, i.e. the currency used in their primary economic environment. The reporting currency adopted by the Prima Industrie Group is the Euro.

(b) Assets, liabilities and transactions in currencies other than the Euro
Transactions in currencies other than Euro are initially recorded at the exchange rate effective on the date of the operation.
Monetary assets and liabilities denominated in currencies other than Euro are converted at the exchange rate effective on the date of closing of the financial statements. All the exchange differences are reflected in the Income Statement.
The non-monetary items recorded at historical cost are converted into Euro using the exchange rate in force at the starting date of the disclosure of the transaction. The non-monetary entries recorded at fair value are converted using the exchange rate at the date of determination of that value.

(c) Companies of the Group
On the closing date of the financial statements, the assets and liabilities of the companies of the Group which are denominated in currencies other than Euro are converted at the exchange rate effective on the date of closing of the financial statements. Their income statement is converted by utilizing the average exchange rate of the year. The exchange differences are disclosed directly in shareholders' equity and are shown separately in the "Translation reserve", as long as the company remains in the Group.

➔ TANGIBLE ASSETS

All categories of tangible fixed assets, including real estate investments, are entered in the financial statements at their historical cost, decreased by any depreciation and impairment—with the exception of land which is entered at the historical cost and potentially reduced by the impairment value. The cost includes all expenses which are directly ascribable to the purchase.

Costs incurred after the acquisition of the asset are booked as an increase of their historical value or separately, but only if it is probable that they will generate future economic benefits and if their cost can be reliably measured.

Depreciation of tangible fixed assets is calculated on a straight-line basis in order to distribute the residual book value across the economic-technical life, which is estimated as follows:

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

Extraordinary maintenance operations which are capitalized as increases of an existing asset are depreciated on the basis of the residual useful life of this asset or, if lower, within the period up until the subsequent maintenance operation.

The residual value and the useful life of the tangible fixed assets are reviewed and modified, if necessary, at the closing date of the Financial Statements.
"*Impairment*": the book value of the tangible fixed assets is immediately written down to the recoverable value, whenever the former value exceeds the latter.

Gains and losses on the disposal of tangible fixed assets are recorded in the Income Statement and are determined by comparing their carrying value with the selling price.

Financial charges which are sustained for the construction of a tangible asset are booked within the income statement of the year of reference.

Assets owned through financial lease contracts, through which all the risks and benefits linked to ownership are substantially transferred to the Group, are entered as Group assets at their *fair value* or, if less, at the current value of the minimum payments due on the lease. The leasing fee is separate between the capital quota and the interest quota, determined by applying a constant interest rate to the residual debt.

The financial payable due to the leasing company is booked under short-term liabilities for its current portion and under long-term liabilities for the quota which must be reimbursed after the year. Interest liabilities are allocated to the Income Statement for the duration of the contract. The asset under financial lease is recorded among the tangible fixed assets and is depreciated on the basis of the estimated financial-technical useful life of the asset.

Rentals in which the landlord maintains practically all the risks and benefits linked to ownership of the property are classified as operating leases. The costs referred to operating leases are reported in the income statement during the duration of the lease contract.

Real estate investments owned for rental purposes are valued at the net cost of amortization and losses for accumulated impairment of value.

➔ INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess price paid with respect to the "fair value" of the quota of net assets identifiable on the date of acquisition.

Goodwill which is generated from the acquisition of a shareholding quota in subsidiaries is booked under intangible assets. Goodwill which is generated from the acquisition of a shareholding quota in affiliated companies is booked as an increase in the shareholding value.

Goodwill is booked in the financial statements at cost, adjusted by the impairment, which is tested annually. Gains or losses arising from the sale of the shareholding also take into account the residual carrying value of the related goodwill.

(b) Software

Software licences are capitalized at the cost incurred to obtain and put them into operation and are amortized on the basis of their estimated useful life (from 3 to 5 years).

Costs associated with the development and maintenance of software programs are considered costs of the year and are therefore booked within the income statement of competence.

(c) Research and development costs

R&D costs are booked in the income statement of the year in which they are incurred.

Development costs incurred in relation to a specific project are capitalized under the following conditions:

- ❑ the costs can be reliably ascertained;
- ❑ the technical feasibility of the projects, expected volumes and prices indicate that the costs incurred in the development stage will generate future economic benefits.

Development costs allocated to the Income Statement in previous financial years are capitalized retrospectively if, at a later date, they possess the necessary characteristics.

The development costs having a definite useful life are amortized from the date of marketing the product, on the basis of the period over which it is estimated that they will produce a financial benefit and in any event over a period not exceeding five years.

Development costs that do not have these characteristics are charged to the income statement
of the year in which they are incurred.

(d) Brand

The brands are considered assets with a definite useful life. Such assets, in accordance with IAS 38, are depreciated using a method that reflects the performance on the basis of which the future economic benefits are supposedly consumed by the entity.

(e) Other intangible assets

Other intangible assets which are acquired separately are capitalized at cost while those acquired through company grouping operations are capitalized at their fair value which is determined on the date of acquisition.

After the first determination, the intangible fixed assets with a defined useful life are recorded at cost reduced by amortization and impairment; the intangible fixed assets with an indefinite useful life are shown at cost reduced by impairment only;

Intangible assets which are internally produced are not capitalized but are booked in the income statement of the year in which they are incurred. The other intangible assets are annually subject to impairment tests; this analysis may be implemented at the level of the individual intangible asset or unit which generates revenue flows. The useful life of other intangible fixed assets is reviewed annually: where possible, any changes are shown in tables.

➔ LOSS OF VALUE OF THE ASSET (“IMPAIRMENT”)

Assets with undefined useful lives that are not subject to amortization are subject to impairment tests each year as well as each time there is an indication that their book value can not be recovered.

Assets subject to amortization are only subject to impairment tests if there is an indication that their book value can not be recovered.

The amount of the write-down for impairment is calculated as the difference between the book value of the asset and its recoverable value, which is considered the greater between the price of sale net of transaction costs and its value in use, i.e. the current value of the estimated financial flows, inclusive of taxes, applying a discount rate that reflects the current market evaluations of the temporal value of money and the risks specific to the activity. Impairment is entered if the recoverable value is less than the book value. When an impairment on assets other than goodwill are reduced or eliminated at a later date, the book value of the asset or generator of financial flows is increased up to the new estimate of the value recoverable and cannot exceed the value that it would have had if an impairment had not been reported for reduction of value. Restoration of value impairment is entered immediately in the income statement.

➔ FINANCIAL INSTRUMENTS

PRESENTATION

The financial instruments held by the Group are included in the items of the financial statements described hereafter.

The item Equity Investments and the other non-current financial assets include equity investments in other enterprises, equity investments in enterprises with joint control and other non-current financial assets (policies of capitalization held with the intention of keeping them in the portfolio until their expiration).

Current financial assets include trade receivables and the availability of equivalent means. In particular, the item Availability of equivalent means includes bank deposits.

The financial liabilities refer to financial payables, including payables for advances on the transfer of receivables, and other financial liabilities (that include the negative fair value of derivative financial instruments), trade payables and other payables.

VALUATION

Equity investments in other enterprises and equity investments in enterprises with joint control included among non-current financial assets are reported as described below in the section entitled “Consolidation Principles”.

Non-current financial assets other than equity investments, such as financial liabilities, are reports as required by IAS 39 – Financial Instruments: *reporting and valuation*.

Assets held with the intention of keeping them until maturity are valued at the depreciated cost, using the method of effective interest. When financial assets do not have a fixed expiration, they are valued at the purchase cost. Evaluations are made regularly to ascertain whether there is any objective evidence that a financial asset may have undergone impairment. If there is such objective evidence, the impairment must be reported in the income statement for the period. With the exception of derivative financial instruments, the financial liabilities are reported at their depreciated cost using the method of effective interest.

DERIVATIVE FINANCIAL INSTRUMENTS

Financial instruments are used as hedges to reduce the rate risk.

Coherently with the terms of IAS 39, derivative financial instruments can be reported according to the methods established for *hedge accounting* only when, at the start of coverage, there is a formal designation and documentation of the hedge relation, the hedge is presumed to be highly effective, the effectiveness can be reliably measured and the hedge is highly effective during the different accounting period for which it is designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

When the financial instruments have the characteristics to be reported in *hedge accounting*, the following accounting methods are used:

CASH FLOW HEDGE

If a derivative financial instrument is designated as a hedge for exposure to the variability of future cash flows of an asset or liability entered in the financial statement or of a transaction this is highly likely to have effects on the income statement, the effective portion of the profit or loss of the derivative financial instrument, it is reported in shareholders' equity. The accumulated profit or loss are cancelled from the shareholders' equity and reported in the income statement in the same period in which the relative economic effect of the hedged transaction is reported. The profit or loss associated with a hedge (or portion of a hedge) are entered in the income statement immediately when they become ineffective. If a hedge or hedge relation are closed, but the hedged transaction has not been realized yet, the accumulated profits and losses, reported until then in the shareholders' equity, are reported in the income statement in relation to the report of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed probable, the profits or losses still not realized, suspended in shareholders' equity, are reported immediately in the income statement.

➔ <u>INVENTORIES</u>

Warehouse inventories are booked at the lower of the cost and the net estimated realizable value, the latter being represented by the normal sales value during ordinary activities, net of variable sales expenses.

The cost is determined using the average weighted cost method. The cost of finished and semi-finished products includes planning costs, raw materials, direct labour costs, other direct and indirect costs which may be allocated to production activities on the basis of a normal production capacity and the state of work progress. This cost configuration does not include financial expenses.

Write-down funds are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow moving, taking account of the expected future utility and their sale value.

➔ <u>TRADE AND OTHER RECEIVABLES</u>

Trade receivables are initially booked at "fair value" and subsequently measured at their amortized costs by using the effective interest rate method, net of write-downs in order to take account of the loss of their recoverability. The write-down of a receivable is booked if there is objective evidence that the Group is not capable of collecting the full due amounts according to the deadlines stipulated with the customer.

The write-down amount is determined as the difference between the book value of the receivable and the present value of future collections, discounted on the basis of the effective interest rate. The write-down of receivables is recorded in the Income Statement.

All receivables transferred via factoring transactions, that do not comply with the requisites for elimination established by IAS 39 remain entered in the Group financial statement, although legally transferred;
a financial liability for the same amount is reported in the consolidated financial statement. Profits and losses relative to the transfer of these assets are reported only when the assets have been removed from the balance sheet of the Group.

➔ TRANSFER OF RECEIVABLES

The receivables transferred via factoring transactions are eliminated from the assets of the balance sheet if and only if the risks and benefits relative to their ownership have been substantially transferred to the concessionaire. Transferred recourse loans and receivables transferred for collection that do not satisfy these requisite remain in the financial statements of the Company, despite the fact that they have legally been transferred; in this case, a financial liability of the same amount is entered for the advance received.

➔ CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, immediately available bank deposits and the current account overdraft and other liquid investments maturing within three months. The overdraft on the current account is recorded among short-term loans.

➔ ASSETS HELD FOR SALE

The item Assets held for sale includes non-current assets (or groups of assets for liquidation) whose book value will be recovered mainly through sale rather than through continuous use. Assets held for sale are valued at the lesser between the net book value and the *fair value* net of sale costs.

➔ SHARE CAPITAL

Ordinary shares are classified in shareholders' equity.
Additional expenses directly tied to the issue of shares or options are recorded in the equity as a reduction of the cash received.
Whenever the Group buys Parent Company shares (treasury shares), the purchase price net of any additional expenses that can be directly attributed to the purchase (net of taxes) is deducted from Group Shareholders' Equity until such time as the treasury shares are eliminated, re-issued or sold.

➔ LOANS

Loans are initially booked in the financial statements at their fair value, net of any potential accessory charges. After their first disclosure, they are accounted for as amortised costs. Any difference between the collection net of any potential accessory charges and the reimbursement value is recorded in the income statement on an accruals basis by using the effective interest rate method.
The loans are recorded among short-term liabilities, provided that the Group has no unconditional rights to defer the loan beyond 12 months of the closure of the Financial Statements.

➔ DEFERRED TAX

Deferred taxes are calculated on all the temporary differences between tax value and the carrying value of the assets and liabilities of the Consolidated Financial Statements.

Deferred taxes are not calculated:

- ❑ on the goodwill derived from a company grouping;
- ❑ on the initial booking of an asset or liability which is derived from a transaction that is not a company grouping and which does not involve effects on either the results of the year--calculated for financial statement purposes--or on taxable income.

Deferred taxes are calculated by utilizing the tax rates and laws which were issued on the closing date of the financial statements, or which were substantially issued, and which are expected to be applied at the time of transfer of the timing differences which generated the booking of the deferred taxes.

Receivables for prepaid taxes are recorded in the Financial Statements only if, at the time of the reversal of the temporary difference, the likelihood exists of sufficient taxable income for them to be set off.

Receivables for advance taxes are reviewed at the close of each year and are potentially reduced in order to ensure that it is no longer probable that sufficient taxable income may become available in the future so as to allow all or part of these receivables to be utilized.

Deferred taxes are also calculated with respect to timing differences which originate from shareholdings in subsidiaries, affiliated companies and joint ventures, with the exception of the case in which the transfer of timing differences may be controlled by the Group and it is probable that it may not occur in the immediate future.

Deferred taxes relative to items that are directly booked under shareholders' equity are also directly booked under shareholders' equity.

➔ EMPLOYEE BENEFITS

(a) Pension plans

Until December 31st, 2006, employee severance indemnities were considered a fixed-benefit plan.

Regulation of these funds was modified by Law no. 296 of December 27th, 2006 (2007 Financial Act) and subsequent Decrees and Regulations issued in the first months of 2007. In light of these modifications and, in particular, with reference to companies with at least 50 employees, this scheme must now only be considered a fixed—benefit plan for quotas accrued before January 1st, 2007 (and not yet liquidated within the financial statements) while the quotas which accrued subsequently to this date are comparable to a fixed-contribution plan.

The Cometa fund (CCNL supplementary pension fund) is considered equivalent to a fixed-contribution plan.

Fixed-benefit plans are retirement plans which define the total amount of the retirement benefit which is due to the worker at the time of cessation of the employment relationship; this amount depends upon a variety of factors such as age, years of service and salary.

Fixed-contribution plans are retirement plans for which the Group pays a fixed amount to a separate entity. The Group does not have any legal or implicit obligation to pay further sums should the assets serving the scheme become insufficient to pay the employees the benefits due to them for current and past services.

The liability booked in the financial statements in connection with fixed—benefit plans is the present value of the obligation due on the closing date of the financial statements, net of the fair value of the assets serving the plan (if existent), both of which are adjusted for the total actuarial earnings and losses and for the social security cost relative to past services. The obligation is determined on an annual basis by an independent actuary by means of the Projected Unit Credit Method.
The present value of the obligation is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated retirement liabilities.
The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan (if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years expected from employees which adhere to the plan.
The employee benefit cost relating to past services is immediately recorded in the Income Statement, unless the changes to the pension plan are not dependant on the employees' remaining in service for a certain period of time. In this case the employee benefit cost for past services is amortized on a straight-line basis in the period in which it accrued.

For defined contribution plans the Group pays contributions to state or private pension funds on a compulsory, contractual or voluntary basis. Once these contributions have been paid, the Group has no further obligations. The contributions paid are recorded in the Income Statement under labour costs when they fall due. Contributions paid in advance are recorded amongst the prepaid expenses only if a refund or a reduction of future payments is expected.

(b) Benefits granted on achieving a certain level of seniority in the company
Certain companies of the Group grant benefits to their employees when they reach a certain seniority of service in the company.
The liability booked in the financial statements in connection with these benefits plans is the present value of the obligation on the closing date of the financial statements, net of the fair value of the assets serving the plan (if existent), both of which are adjusted for the total actuarial earnings and losses and the relative accrued benefits. The obligation is determined on an annual basis by an independent actuary by means of the Projected Unit Credit Method. The present value of the bond is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated liabilities.
The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan (if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years with respect to the date of attainment of the seniority pre-determined for employees which adhere to the plan.

(c) Benefits granted on termination of the employment relationship
Workers are entitled to receive these benefits on early termination of the employment relationship, prior to the retirement date or in the case of termination due to a corporate restructuring plan. The Group records a liability in the Financial Statements to meet such benefits when:
a) there is a formal, detailed plan of incentives to leave without the possibility that the employee chooses otherwise
b) an offer is made to employees to encourage voluntary resignations. The amounts payable beyond 12 months of the closure of the financial statements are discounted back.

(d) Incentives, bonuses and profit-sharing schemes

The Group records a cost and a debt to meet the liabilities that arise for bonuses, employee incentives and profit-sharing schemes, determined using a formula that considers profits attributable to shareholders after certain adjustments are made. The Group only books a liability if contractually required or if there exists a custom to define an implicit obligation.

(e) Employee benefits granted in shares

The Group awards additional benefits to some members of the top management and employees through stock option plans.

As established by IFRS 2 – Payments based on stocks, these plans are an element of retribution of the beneficiaries; therefore the cost is represented by the *fair value* of the *stock options* as of the date of assignment, and is reported in the income statement in regular portions for the period between the date of assignment and that of maturity, with the counterpart attributed directly to the shareholders' equity. Variations in the *fair value* subsequent to the date of assignment have no effect on the initial valuation.

➔ PROVISIONS FOR RISKS AND CHARGES

Provisions are allocated to risks and charges when:

- a legal or implicit obligation arises for the Group as a result of past events,
- it is probable that resources will be utilized in order to meet the obligation and its amount.
- it can be reliably determined.

Restructuring funds include both liabilities deriving from company exiting incentives as well as from penalties linked to the cancellation of leasing contracts. Provisions cannot be allocated to risks and charges to meet future operating losses.

Allocations are booked by discounting the best estimates implemented by directors in order to identify the amount of costs which the Group must sustain on the closing date of the financial statements in order to redeem the obligation.

➔ REPORTING REVENUES

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

(a) Sale of goods

Revenues are booked at the time in which the company has transferred the significant risks and benefits linked to ownership of the good and when its amount can be reliably estimated.

Revenues from the sale of laser systems are booked at the time of acceptance of the machines on the part of the final customer; this moment generally coincides with the date of signing of the test report by the final customer.

On the other hand, invoicing takes place when the goods are taken on by the carrier in accordance with international commercial terms (known as "incoterms"). From that time onwards, the PRIMA INDUSTRIE Group is free from all liability relating to transportation.

Following a misalignment between the invoicing date and the date of recognition of the revenue, the counter-value of machines which are invoiced but not yet accepted by the customer are re-entered amongst the inventories of finished products, net of the margin, and offset within the “accounts” account under liabilities. The Group has chosen this presentation, instead of reducing the "receivables from clients" account, because this option ensures correct portrayal of underlying contract relationships.

(b) Services
Revenues from services are booked on the basis of the state of progress in the year in which they are performed.

(c) Interest
Receivable interest is booked on an accruals basis and in accordance with the criterion of amortized cost by utilizing the effective interest rate (a rate which precisely discounts future expected financial flows on the basis of the expected lifetime of the financial instrument).

(d) Royalties
The revenues from royalties are accounted for on the accrual principle on the basis of the contents of the underlying contracts.

(e) Dividends
Dividends are booked in the year in which the right of shareholders to receive the payment becomes effective.

➔ TAXES

a) Current: the income tax burden for the year is determined according to the legislation in force. Income tax is reflected in the income statement. In particular as regards Italian companies, on 01/06/07, PRIMA INDUSTRIE S.p.A. notified the Italian Internal Revenue Service of its renewal—in conjunction with the subsidiary PRIMA ELECTRONICS S.p.A.—in the national consolidated taxation regime for the three-year period 2007-2009, in accordance with article 117/129 of the Consolidation Act on Income Tax (T.U.I.R.). An agreement was therefore stipulated in order to regulate relations between the two companies.

b) Deferred: deferred taxes and prepaid taxes are calculated on all the temporary differences between tax value and the book value of the assets and liabilities of the company's financial statements.

These are calculated using the tax rates and laws that are in force at the date of closure of the financial statements, or using ones that are effectively in place and that are expected to be applicable at the time of the reversal of the temporary differences that gave rise to the recording of the deferred taxes.

Receivables for prepaid taxes are recorded in the financial statements only if, at the time of the reversal of the temporary difference, the likelihood exists of sufficient taxable income for them to be set off.

Receivables for prepaid taxes are re-examined at the close of each financial year and they are reduced if it is no longer likely that sufficient taxable income will become available in the future for whole or partial utilization of the receivable.

Deferred taxes relative to items that are directly booked under shareholders' equity are also directly booked under shareholders' equity.

➔ DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders generates a payable at the time of approval of the shareholder's meeting.

➔ PROFIT PER SHARE

The basic profit per share is calculated dividing the economic result of the Group by the weighted average of the shares in circulation during the year. For purposes of calculation of the diluted profits per share, the weighted average of the shares in circulation is modified, assuming the conversion of all the shares having potential dilutive effect. The net result of the Group is also corrected to take account of the effects, net of taxes, of conversion of shares having potential dilutive effects, issued by the subsidiaries.

➔ STATE GRANTS

State grants are recorded in the Financial Statements at their fair value, only if there exists a reasonable certainty that they will be granted and the Group has satisfied all the conditions required to obtain them (obtaining the decree from the competent Ministry).

Revenues from state grants are recorded in the Income Statement if the costs for which they were granted are actually incurred.

State grants for the acquisition of tangible fixed assets are booked net of the fixed asset value and are credited to the income statement on the basis of the depreciation of the goods for which they were granted.

➔ ESTIMATE OF FAIR VALUE

The fair value of the financial interests quoted on an active market is determined on the basis of the market price at the date of closure of the Financial Statements. The market price of reference for financial assets held by the group is the current sales price (acquisition price for financial liabilities).

The fair value of financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions depending on the market conditions existing at the time of closure of the Financial Statements. Medium/long-term liabilities are compared with the prices of similar listed financial instruments, for other categories of financial instruments the financial flows are discounted.

The "fair value" of the IRS is calculated by discounting the estimated financial flows deriving from it to the date of the financial statement. For receivables, the nominal value net of any corrections made to take account of their payability will presumably approximate the "fair value". For the purposes of informational disclosure, the fair value of financial liabilities is determined by discounting the contractual financial flows at an interest rate which approximates the market rate at which the Group finances itself.

DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNT ESTIMATES

The preparation of the Financial Statements requires Management to make a series of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions influences the amount of the assets and liabilities recorded in the Balance Sheet, as well as the costs and income disclosed in the Income Statement. The actual results can differ significantly from the estimate made, in view of the natural uncertainty that surrounds the assumptions and conditions on which the estimates are based.

In this context, it should be noted that the situation caused by the current financial and economic crisis has made necessary certain assumptions regarding future performance, characterized by significant uncertainty, so that it is not possible to exclude, in the coming year, the possibility of different results from those estimated and that could required correction, even to a great extent but obviously not foreseeable in the present time, of the book value of the relative items. The items of the financial statement mainly affected by this situation of uncertainty are the receivable and inventory write-down funds, non-current assets (both tangible and intangible), pension funds and other benefits subsequent to employment, deferred asset taxes.

Hereafter we summarize the main processes of evaluation and the key assumptions used in the process, that could have significant effects on the values reported in the consolidated financial statements of the assets and liabilities for the coming year and the one to which the financial statements refer.

RECOVERABLE VALUE OF GOODWILL

Analysis of the book value of this asset was made using the expected cash flows deriving from its use and adequate discount rates for calculation of its current value. In this context, in preparing the consolidated financial statement as of December 31, 2008, and more in particular, in performing the impairment test, expected performance for 2009 was taken into consideration, the assumptions and results of which are coherent with the comments contained in the section entitled "Significant events occurring after year end and foreseeable management developments". Moreover, for the subsequent years of the plan, the necessary changes were made in the original plans to take account, in the prudential sense, of the economic-financial context and the market context which have been profoundly affected by the current crisis. On the basis of the amended plan data, no needs of impairment emerged.

CHANGES IN ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applicable from January 1, 2008, not relevant for the Group

The following international accounting standards and interpretations, already published in the Official Gazette and applied starting in 2008, did not have any effects on the financial statements of the PRIMA INDUSTRIE Group:

- IFRIC interpretation 11 “Transactions with treasury shares and those of the group” integrating the standards of IFRS 2 on the subject of payments based on stocks;

- Interpretation IFRIC 14 on IAS 19 – “The limit relative to an asset at the service of a defined benefit plan, forecasts of minimum contribution and their interaction”, applicable retroactively from January 1, 2008. This interpretation furnishes the general guidelines on how to determine the limit amount established by IAS 19 for recognition of assets at the service of plans, and furnishes an explanation of the accounting effects caused by the presence of a minimum coverage clause for the plan.

- Regulation no. 1004/2008, which partially modifies the content of IAS 39 and IFRS 7. This amendment allows reclassification of certain assets in the financial statement, when the requisites exist, not including derivative contracts, from the category of “assets held for negotiation valued at fair value with transit to the income statement”, to the category of “assets available for sale with variation of fair value entered in shareholders' equity” or, if these are receivables or loans held to maturity, to the category of “receivables” valued at cost (nominal or effective interest rate). The Group, in any case, does not have any cases affected by the amendment.

- interpretation IFRIC 12 – “*Concession of service contracts*” (that must be applied from January 1, 2008, and that has not yet been approved by the European Union) regulating cases and examples not pertinent to the Group.

IAS/IFRS and relative SIC/IFRIC interpretations applicable to the financial statement in 2009

The following international accounting standards will be applied starting in 2009 and the interpretations will be published in the Official Gazette in January 2009, for some of which the effect on valuations of the Group financial statement are in the process of being determined. In particular:

- the amendment of IFRS 2 “Payments based on stocks”, according to which, for the purpose of evaluation of the instruments used for remuneration based on stocks, only the service and performance conditions can be considered conditions for maturity of the plans. The amendment further clarifies that in case of cancellation of the plan, the same accounting method should be used whether it derives from the company or from the other party. The amendment will be applied retroactively by the Group from January 1, 2009;

- IFRS 8 “Operating Sectors” will replace IAS 14 “Sartorial Information”. With respect to the current rule, the information required is completed with a breakdown of the products and services furnished and of the main clients. This new accounting standard further requires the company to base the information reported in the sectorial disclosure on the elements that the management uses to make its operating decisions, and thus requires identification of the operating segments on the basis of internal reporting that is regularly reviewed by the management in order to allocate resources to the different segments and analyse their performance;
- “IAS 23”, that eliminates the so-called alternative method on the subject of capitalization of financial costs. It thus becomes compulsory to capitalize financial cost directly attributable to the acquisition, construction or production of an item every time a significant amount of time is necessary for its production before it becomes available for the intended use or sale;
- “IAS 1”, that requires presentation of complementary information in the income statement with reference to the so-called “Table of breakdown of total profit (loss) of others and of the Group”. Among the other elements of total profit are changes in the Cash flow hedge fund, the conversion fund and the result of financial assets available for sale. To date, the changes to these elements result exclusively from examination of the changes to the shareholders' equity funds that compose them;
- IASB has issued an updated version of IFRS 3 – *Corporate Aggregations*, and has amended IAS 27 – *Separate consolidated financial statements*. The main changes made to IFRS 3 concern elimination of the obligation to value each asset and liability of the subsidiaries at the *fair value* in every succeeding acquisition, in case of acquisition by degrees of subsidiaries. The goodwill in these cases will be determined as the difference between the value of equity investments immediately prior to acquisition, the price of the transaction and the value of the net assets acquired. Moreover, if the company does not acquire 100% of the equity investment, the portion of shareholders' equity accruing to others can be valued either at *fair value*, or using the method formerly accepted by IFRS 3. The revised version of the standard also foresees attribution to the income statement of all the costs connected with the business combination and reporting as of the date of acquisition of any liabilities for payments subject to conditions. In the amendment to IAS 27, on the other had, the IASB has established that changes in the portion of interest that do not cause a loss of control must be handled as *equity transactions* and therefore must have a counterpart in shareholders' equity. Moreover, it establishes that when a subsidiary transfers control in one of its equity investments but continues to hold an interest in the company, the equity investments maintained in the financial statement must be valued at *fair value* and any profits or losses deriving from the loss of control must be entered in the income statement. Finally, the amendment to IAS 27 requires that all losses attributable to minority shareholders be allocated to the portion of shareholders' equity of others, even when they exceed their portion of pertinence of the capital in the equity investment. The new rules must be applied in table form starting January 1, 2010. As of the date of this financial statement, the appropriate offices of the European Union had not yet concluded the process of approval necessary for application of this standard and the amendment.
- Marginal amendments were made to a series of international accounting standards in the view of a general harmonization of the IFRS international accounting standards with the main national accounting standards of certain countries which do not belong to the European Union, such as the Unites States. These changes (so-called “Improvements to IFRS 2008”) will be applicable between 2009 and 2010 and will necessitate a change in the presentation, recognition and evaluation of the items of the financial statements or will cause

only terminological variations or editorial changes with minimum effects in accounting terms.

Accounting principles, amendments and interpretations that are not yet applicable by the Group

It should be noted, finally, that the following amendments and interpretations were issued to regulate cases and situations not pertinent to the Group as of the date of these financial statements:

- On February 14, 2008 the IASB issued an amendment to IAS 32 – *Financial Instruments: Presentation* and to IAS 1 – *Presentation of Financial Statements.* Financial Instruments with option to sell and bonds in case of liquidation. In particular, the amendment requires companies to classify as instruments of shareholders' equity all *puttable* financial instruments and those that place an obligation on the company to deliver a portion of equity investments in the company assets to a third party. This amendment must be applied from January 1, 2009 in table form;
- Improvement to IAS 28 – Equity investments in affiliates, and to IAS 31 – Equity investments in joint ventures: these amendments, which must be applied from January 1, 2009, require the provision of additional information also for equity investments in affiliates and joint ventures valued at fair value in accordance with IAS 39. Coherently, IFRS 7 – Financial instruments: additional information, and IAS 32 – Financial instruments: inclusion in the financial statement have been amended;
- Improvement to IAS 29 – Financial reporting in hyperinflationary economies: the previous version of the standard did not take account of the fact that certain assets or liabilities could be valued in the financial statements on the basis of current values rather than historical cost. The amendment, introduced to take account of this possibility, must be applied from January 1, 2009, in table form;
- Improvement to IAS 40 – Investment property: The amendment, which must be applied in table form from January 1, 2009, establishes that investment property under construction falls within the sphere of application of IAS 40, rather than that of IAS 16.
- IFRIC 13 - Customer Loyalty Programmes (which must be applied from January 1, 2009);
- IFRIC 15 – Agreements for the construction of real estate (which must be applied from January 1, 2009 and has not yet been approved by the European Union).

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of PRIMA INDUSTRIE S.p.A. (the parent company) and its subsidiaries as of December 31 of every year. The financial statements of the subsidiaries are prepared applying the same accounting standards as the parent company; any corrections for consolidation are made to harmonize the items that are affected by application of different accounting standards. All infragroup balances and transactions, including any profits not realized deriving from relations engaged in between companies in the Group are entirely eliminated. The profits and losses not realized with affiliates are eliminated for the part pertaining to the Group.
Any losses not realized are eliminated with the exception of the case in which they are representative of lasting impairments.

The subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group acquires control, and cease to be consolidated as of the date on which control is transferred outside the Group.
Minority interests represent the part of profits or losses and net assets not held by the group, and are reported in a separate item in the income statement, and in the income

statement, and in the balance sheet among the elements of shareholders' equity, separately from the shareholders' equity of the Group.

(a) Subsidiaries
All companies, including any vehicle-company, in which the Group has the capacity to control the financial and operating choices, are defined as subsidiary companies.
Generally, control is presumed to exist if the Group holds more than half of the voting rights, also via Para-corporate agreements or potential voting rights. Subsidiaries are consolidated at the time in which the Group is capable of exercising control and are de-consolidated when this control ceases.
The Group records acquisitions of controlling shareholdings by means of the purchase method.

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

Identifiable and acquired assets and liabilities are initially booked within the consolidated financial statements at their fair value which is determined on the date of acquisition.
The excess cost with respect to the shareholding quota of the fair value of net acquired assets is capitalized as goodwill amongst intangible fixed assets, if positive; if negative, it is immediately booked to the income statement.
The costs, income, receivables, payables and gains realized amongst companies belonging to the group are eliminated. Where necessary, the accounting principles of the Subsidiaries are amended to bring them into line with those of the Parent Company.

(b) Affiliates and joint ventures
Affiliated companies are those in which the Group exercises significant influence but no form of control. Significant influence is presumed in the case that 20-50% of voting rights are held. Affiliated companies are initially recorded at cost and then accounted for using the shareholders' equity method.
Joint Ventures are companies subject to joint control. They are booked in accordance with IAS 31, paragraph 38, which provides for the recording of the shareholding by means of the shareholders' equity method.
Group equity investment in affiliated companies and joint ventures includes goodwill, as recorded at the time of acquisition and net of any potentially accumulated value losses.
The Group's Income Statement reflects the applicable share of the affiliated company and joint venture's result. If the affiliated company or the Joint Venture records an adjustment with a direct effect on shareholders' equity, the Group determines the portion that applies to it, reflecting such change in the Statement of Changes in Shareholders' Equity.
Booking the quota of a loss from an affiliated company or joint venture within the accounts of the Group includes a limit relative to the zeroing out of the investment value; additional loss quotas are only booked under liabilities if the Group has assumed obligations or has implemented payments on behalf of the affiliated company or joint venture.
The earnings realized through transactions with the affiliated company or the Joint Venture are eliminated against the value of the shareholding. The same procedure is adopted in case of losses, on condition that there is no impairment of the assets that are the object of the transaction. Where necessary, the accounting principles of the affiliated companies are modified to bring them into line with those of the Parent Company.

(c) Other enterprises
Equity investments in other minor enterprises are booked at cost, and may be written down for impairment of value.

7. BUSINESS COMBINATIONS AND ACQUISTIONS OF MINORITY INTERESTS

➔ FINN-POWER OY

On 04/02/2008 the PRIMA INDUSTRIE Group concluded the acquisition transaction, from EQT III Ltd., of FINN-POWER OY and its subsidiaries (the FINN-POWER Group). These financial statements include the result of the FINN-POWER Group from the date of acquisition.

The total cost of the aforementioned acquisition amounted to 90,722,000 euro, including 2,777,000 euro accessory costs, and was attributed to assets and liabilities acquired on the basis of their respective fair values, as required by IFRS 3. In particular, the following greater values are reported:

- Brand: 24,000,000 euro
- Relations with the acquired clientele ("customer list"): 14,000,000 euro
- Property located in Cologna Veneta: 2,070,000 euro
- Deferred taxes payable: 10,535,000 euro

Relative to attribution of the excess of the purchase price, specific appraisals were made by an independent expert in the sector.

The value of the brand was calculated using the "*royalties*" method, assuming that their value corresponds to the current value of the *royalties* that the market would be ready to pay if the entirety of the goods was produced by third parties on license; the flow of *royalties* was identified in percentage (1.5%) of the turnover expected in the time period taken into consideration, defiscalised and discounted at a rate of 12%, higher than the WACC rate of the company, to take account of the extended time range of projection of the flows as well as the risk propensity of a third party buyer.

The value of the *customer list* was determined with the historical cost method, that valorises the intangible resources on the basis of the costs effectively incurred by the company and specifically referring to the intangible item subject to evaluation.

The value of the property in Cologna Veneta was amortized over a period of 33 years, coherently with the economic and technical life of similar intangibles; the trademark has a useful life estimated in 15 years, taking account of the characteristics of the goods produced and their position on the reference market (limited number of competitors, high entry barriers, high technological specialization necessary for the production of certain machines) and was amortized in relation to the performance of the expected economic benefits deriving from exploitation of this investment; the *customer list* is amortized linearly over 10 years, coherently with the average useful life of the relationship with the clientele.

The following table illustrates the accounting effect of the FINN-POWER Group acquisition.

ASSETS	Book value (thousands of Euro)	Value reports at acquisition (thousands of Euro)
Tangible fixed assets	20.543	22.613
Intangible fixed assets	86.166	47.567
Non-instrumental real estate investments	158	158
Fiscal assets for prepaid taxes	2.489	2.489
Other financial assets	145	145
Other receivables	17	17
TOTAL NON-CURRENT ASSETS	**109.518**	**72.989**
Inventories	62.586	62.586
Trade receivables and other receivables	48.662	48.662
Other financial assets	10	10
Cash and valuables on hand	5.504	5.504
TOTAL CURRENT ASSETS	**116.762**	**116.762**
TOTAL ASSETS	**226.280**	**189.751**
LIABILITIES	**(thousands of Euro)**	**(thousands of Euro)**
Loans	10.293	10.293
Employee benefits	1.442	1.442
Fiscal liabilities for deferred taxes	-	10.535
TOTAL NON-CURRENT LIABILITIES	**11.735**	**22.270**
Payables to banks and loans	75.897	75.897
Trade payables and other payables	89.870	89.870
Derivative financial instruments	1.289	1.289
Funds for risks and costs	5.781	5.781
TOTAL CURRENT LIABILITIES	**172.837**	**172.837**
TOTAL LIABILITIES	**184.572**	**195.107**
NET BOOK VALUE	**41.708**	**(5.356)**
GOODWILL DERIVING FROM ACQUISITION		**96.078**
TOTAL COST OF TRANSACTION		**90.722**

As shown in the table, following acquisition of the FINN-POWER Group a goodwill emerged, amounting to 96,078,000 euro, attributable to the market share acquired, the expected synergisms and other benefits deriving from integration of the assets of the subsidiary with those of the Group.

Net liquidity currently used and the total allocated for the purchase are illustrated hereafter (values in million euro):

Net financial position of subsidiary	82
Payment in cash	63
Costs of acquisition	3
Net cash used	**148**
Amounts to liquidate	25
Net cash allocated to acquisition	**173**

(*) Not including interest matured as of the date of acquisition

The net liquidity allocated for the acquisition reflects the value of the Group acquired plus accessory costs.

From the date of acquisition to 31/12/2008, the FINN-POWER Group , contributed negatively for 5,685,000 euro to the result for the year of the PRIMA INDUSTRIE Group. If the combination had taken place at the beginning of the year, the contribution of the FINN-POWER Group to consolidated revenues would have been 203,067,000 euro.

➔ OSAI UK Ltd.

In 2008 OSAI S.p.A. acquired the residual minority portion (18%) of OSAI UK Ltd. The price paid was 257,000 euro.

As set out in the section entitled "Accounting Standards" the difference between the purchase price of the minority share acquired and the value of the said share as at the acquisition date (220,000 euro) was recorded as an increase in goodwill for 37,000 euro.

OSAI UK Ltd, insofar as it is a subsidiary company, was already totally consolidated in the Consolidated Financial Statements of the Group as at 31.12.07 and thus it is not believed to be necessary to provide the declaration required by IFRS 3 paragraphs 67 et seq., nor to proceed to recalculate the value of the net assets that can be recorded in the Financial Statements.

8. SEGMENT REPORT

COMPANY INFORMATION

The corporate scope of PRIMA INDUSTRIE S.p.A. involves the planning, manufacturing and marketing of devices, instruments, machinery as well as of mechanical, electrical and electronic systems and of the relative programming (software) which is utilized for industrial automation or in other sectors where the company's technologies may be usefully employed.
The company may also supply industrial services of technical, managerial and organizational nature within the fields of production of instrumental goods and industrial automation.
The main activity is focused in the cutting and welding laser machines sector.

The corporate scope of PRIMA ELECTRONICS S.p.A. involves the planning, manufacturing and marketing of devices and systems as well as of mechanical, electrical and electronic systems and of the relative programming (software).
The company may also acquire and grant manufacturing licences.

PRIMA NORTH AMERICA Inc. (incorporated under American law) is structured in three divisions:

- CONVERGENT LASERS DIVISION: which designs, manufactures, sells and renders assistance in respect of industrial lasers throughout the world.
- LASERDYNE SYSTEMS DIVISION: which designs, manufactures, sells and provides assistance in respect of Laserdyne systems throughout the world. These systems are specialized in the use of lasers for the production of components for aeronautic motors and turbines for the generation of energy.
- PRIMA LASER SYSTEMS DIVISION: which is engaged in the sale and installation in North America of Prime Industrie's products, as well as the provision of technical assistance in respect thereof.

PRIMA INDUSTRIE GmbH, a company incorporated under German law, is primarily engaged in providing after-sales service. The company resumed operations effective from 7/01/2005 pursuant to the acquisition of the business unit from Matra, relative to the distribution of the PRIMA machines on the German market.

PRIMA SCANDINAVIA AB (incorporated under Swedish law) carries out management and promotional activities and also provides assistance for Prima Industrie's products on the Scandinavian market.

PRIMA FINN-POWER UK LTD. (incorporated under of English law) carries out management and promotional activities and also provides assistance for PRIMA INDUSTRIE's products on the English and neighbouring markets.

PRIMA INDUSTRIE POLSKA Sp.z.o.o. (incorporated under Polish law) was founded in 2007 and provides technical assistance services for PRIMA INDUSTRIE products on Eastern European markets.

PRIMA INDUSTRIE (Beijing) Ltd. Co. Ltd. (operating under Chinese law) has been operational since the second quarter of 2008 and implements technical assistance services for the products of PRIMA INDUSTRIE on the Chinese market.

OSAI S.p.A. (acquired by PRIMA ELECTRONICS S.p.A. in July 2007), plans, produces and markets—either directly or through its subsidiaries—numerical controls which are applied, in particular, to machines designed for processing marble, wood and glass.

This company is the parent company of the group composed of the following firms:

- ❑ OSAI USA Llc., 100% shareholding
- ❑ OSAI UK Ltd., 100% shareholding
- ❑ OSAI GmbH, 100% shareholding

FINN-POWER OY (acquired by PRIMA INDUSTRIE S.p.A. in February 2008) is the parent company of a group consisting of:

- ❑ FINN-POWER ITALIA S.r.l., 100% shareholding
- ❑ FINN-POWER GmbH, 100% shareholding
- ❑ PRIMA FINN-POWER FRANCE Sarl, 100% shareholding
- ❑ PRIMA FINN-POWER NV, 100% shareholding
- ❑ PRIMA FINN-POWER IBERICA, SL, 100% shareholding
- ❑ BALAXMAN OY, 100% shareholding
- ❑ PRIMA FINN-POWER North America, 100% shareholding
- ❑ FINN-POWER CANADA Ltd., 100% shareholding

The FINN-POWER Group with headquarters in Finland, and with productive sites in both Finland and Italy and subsidiary companies in Italy, Germany, France, Belgium, Spain, the USA and Canada, operates mainly in the sector of machines for sheet metal processing (punching machines, punching-shearing cells and punching machines-lasers, automatic bending cells and the related automation systems) and to a lesser extent, in the sector of laser cutting machines, a sector in which the PRIMA INDUSTRIE Group is a leader.
FINN-POWER products are positioned within the average to high range and are characterized by elevated versatility and size as well as a high degree of automation: the company is renowned for its flexible production systems operating throughout the whole production unit.

SEGMENT DETAILS

Information by sector of activity

The infra-sector revenues were determined on the basis of the market price using the “cost plus” method.
It should be noted that following acquisition of the FINN-POWER Group there are now three operating segments:

- ❑ Laser Systems
- ❑ Electronics
- ❑ Sheet Metal Processing Machines

The following table illustrates the main details of by sector.

Result by sector - 31/12/2008	**Laser systems**	**Electronics**	**Sheet metal processing machinery**	**Not allocated**	**Group**
Total revenues by sector	149.263	41.633	184.416	-	375.312
(Inter-sector revenues)	(1.516)	(6.302)	(218)	-	(8.036)
Revenues	**147.747**	**35.331**	**184.198**	-	**367.276**
Operating result	20.102	2.596	535	-	23.233
Net financial costs/income	(6.126)	(445)	(5.750)	-	(12.321)
Income/costs from subsidiaries and joint ventures	818	-	-	-	818
Result before taxes	-	-	-	-	**11.730**
Taxes	-	-	-	-	(6.254)
Net result	-	-		-	**5.476**

Result by sector - 31/12/2007	Laser systems	Electronics	Sheet metal processing machinery	Not allocated	Group
Total revenues by sector	145.205	37.346	-	-	182.551
(Inter-sector revenues)	-	(6.160)	-	-	(6.160)
Revenues	**145.205**	**31.186**	**-**	-	**176.391**
Operating result	18.334	5.250	-	-	23.584
Net financial costs/income	(936)	(220)	-	-	(1.156)
Income/costs from subsidiaries and joint ventures	473	-	-	-	473
Result before taxes	-	-	-	-	**22.901**
Taxes	-	-	-	-	(9.154)
Net result	-	-	-	-	**13.747**

Information by sector - 31/12/2008	Laser systems	Electronics	Sheet metal processing machinery	Not allocated	Group
Depreciation of tangible fixed assets	831	630	2.337	-	**3.798**
Depreciation of intangible fixed assets	439	43	4.248	-	**4.730**
Total	**1.270**	**673**	**6.585**	**-**	**8.528**

Information by segment - 31/12/2007	Laser systems	Electronics	Sheet metal processing machinery	Not allocated	Group
Depreciation of tangible fixed assets	821	472	-	-	**1.293**
Depreciation of intangible fixed assets	192	39	-	-	**231**
Total	**1.013**	**511**	**-**	**-**	**1.524**

Assets and liabilities - 31/12/2008	Laser systems	Electronics	Sheet metal processing machinery	Not allocated	Group
Assets	145.189	32.627	198.624	24.688	401.128
Subsidiaries and joint ventures	4.114	750	-	-	4.864
Total assets	**149.303**	**33.377**	**198.624**	**24.688**	**405.992**
Liabilities	**50.985**	**14.549**	**74.806**	**190.565**	**330.905**

Assets and liabilities - 31/12/2007	Laser systems	Electronics	Sheet metal processing machinery	Not allocated	Group
Assets	91.013	21.376	-	33.913	146.302
Subsidiaries and joint ventures	2.287	750	-	-	3.037
Total assets	**93.300**	**22.126**	**-**	**33.913**	**149.339**
Liabilities	**49.934**	**17.298**	**-**	**30.666**	**97.898**

Sales breakdown by geographical area

For details relative to revenues divided by geographical area, see the Management Report, in the sections entitled “Revenues and profitability” and “Performance of the main companies in the Group”. In this connection, it is important to bear in mind that some of the data for 2007 have been reclassified.

As regards non-current assets divided by geographical area, however, the data are contained in the table below.

Non-current assets	31/12/08
Italy	30.185
Europe	152.417
North America	6.234
Asia and rest of the world	1
TOTAL	**188.837**

Non-current assets refer to tangible fixed assets intangible fixed assets, and non-instrumental investment property.

9. NOTES ILLUSTRATING THE CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2008

The data provided in the explanatory notes are in euro, unless specified otherwise.

- NOTE 9.1 – INTANGIBLE FIXED ASSETS

Tangible fixed assets changed with respect to the previous year for the following reasons:

- change in the consolidation area (entrance of FINN-POWER) for 22,612,000 euro;
- increase by 6,639,000 euro;
- net sales for 311,000 euro;
- depreciation and impairment for 3,823,000 euro;
- positive exchange rate differences for 220,000 euro.

For more details, see the table here below.

Tangible fixed assets	Land and buildings	Machinery and equipment	Industrial and commercial equipment	Other property	Fixed assets in progress	TOTAL
Values as of January 1, 2007						-
Historic cost	3.535.870	5.870.648	4.374.605	5.638.376	-	**19.419.499**
Depreciation fund	(569.771)	(3.831.505)	(3.733.562)	(4.857.553)	-	**(12.992.391)**
Net value as of January 1, 2007	**2.966.099**	**2.039.143**	**641.043**	**780.823**	-	**6.427.108**
Year 2007						
Net value as of January 1, 2007	2.966.099	2.039.143	641.043	780.823	-	**6.427.108**
Variation in area of consolidation	3.125.000	101.519	111.656	116.685	-	**3.454.860**
Variation in area of consolidation on depr.fund	-	11.600	(84.341)	(21.900)	-	**(94.641)**
Increases	25.900	418.976	520.979	579.554	243.624	**1.789.033**
Removals	-	-	(49)	(49.175)	-	**(49.224)**
Use of depreciation fund	-	-	(972)	22.665	-	**21.693**
Depreciation	(149.855)	(443.385)	(346.930)	(331.193)	-	**(1.271.363)**
Reclassification		-	-	4.033	-	**4.033**
Reclassification of depreciation funds	-	-	-	-	-	-
Differences in exchange rates	-	(249.781)	(2.036)	(252.282)	-	**(504.099)**
Differences in exchange rates on depr.funds	-	160.385	395	227.698	-	**388.478**
Net value as of December 31, 2007	**5.967.144**	**2.038.457**	**839.745**	**1.076.908**	**243.624**	**10.165.878**
December 31, 2007						
Year 2008	6.686.770	6.141.362	5.005.155	6.037.191	243.624	**24.114.102**
Depreciation fund	(719.626)	(4.102.905)	(4.165.410)	(4.960.283)		**(13.948.224)**
Net value as of December 31, 2007	**5.967.144**	**2.038.457**	**839.745**	**1.076.908**	**243.624**	**10.165.878**
Year 2008						
Net value as of January 1, 2008	5.967.144	2.038.457	839.745	1.076.908	243.624	**10.165.878**
Variation in area of consolidation	21.047.799	9.660.101	-	6.679.180	-	37.387.080
Variation in area of consolidation on depr.fund	(2.932.916)	(6.353.519)	-	(5.488.224)	-	(14.774.659)
Increases	3.612.005	1.156.641	479.373	1.183.930	207.444	6.639.393
Removals	(404.846)	(42.515)	(67.216)	-	-	(514.577)
Use of depreciation fund	128.784	17.510	57.321	-	-	203.615
Depreciation	(1.105.264)	(1.413.639)	(393.656)	(885.637)	-	(3.798.196)
Impairment	-	(25.000)	-	-	-	(25.000)
Reclassification	-	2.760	-	-	(2.760)	-
Reclassification of depreciation funds	-	-	-		-	-
Differences in exchange rates	180.922	128.280	-	103.040	-	412.242
Differences in exchange rates on depr.funds	-	(84.030)	-	(107.879)	-	(191.909)
Net value as of December 31, 2008	**26.493.628**	**5.085.046**	**915.567**	**2.561.318**	**204.684**	**35.503.867**
December 31, 2008						
Historic cost	31.122.650	17.021.629	5.417.312	14.003.341	448.308	**68.013.240**
Depreciation fund	(4.629.022)	(11.936.583)	(4.501.745)	(11.442.023)	-	**(32.509.373)**
Net value as of December 31, 2008	**26.493.628**	**5.085.046**	**915.567**	**2.561.318**	**448.308**	**35.503.867**

Among the most significant increases of the year, was the purchase of land relative to the area of the new plant located in the municipality of Collegno (TO) for 3,553000 euro (inclusive of costs for registration tax, mortgages, Property Registry costs and other accessory costs).

The leased property refers mainly to two buildings located in Arlington Heights (U.S.A.) and Kauhava (Finland); the total value of the two properties as of 31/12/2008 is 8,302,000 euro.

❍ NOTE 9.2 – INTANGIBLE FIXED ASSETS

The significant increase in intangible assets is mainly due to the goodwill resulting from acquisition of the FINN-POWER Group and consequent allocation of the relative purchase price and entry on the books of development costs by the different companies in the Group.
Allocation of the price paid as illustrated in Note 7 involved an increase in the trademarks item for 24,000,000 euro, in the other fixed assets item for 14,000,000 euro (relative to customer relations) and in the goodwill item for 96,078,000 euro.

The "FINN-POWER" trademark has been defined an asset with definite life, as we consider that its use for business and production purposes will be limited in time to 15 years, and consequently it is subject to the depreciation process.

Customer list of the FINN-POWER Group have been defined as an asset with a definite life of 10 years, and consequently this asset is also subject to the process of depreciation.

Goodwill refers to the greater value paid with respect to the fair value of the net assets acquired. The goodwill is not subject to depreciation and is annually subject to the impairment test.

For purposes of the annual impairment test, the individual goodwill items acquired through the business combinations has been allocated to the respective cash-generating units, coinciding with the legal entity or group of enterprises to which they refer for control of any impairment.

Entry value of goodwill of each of the generators of financial flows

CASH-GENERATING UNITS	BOOK VALUE OF GOODWILL AS OF 31/12/2007	BOOK VALUE OF GOODWILL AS OF 31/12/2008
FINN-POWER Group	N/A	96.078
OSAI (Service)	4.125	4.125
PRIMA NORTH AMERICA	2.072	2.192
MLTA	154	154
OSAI UK	N/A	37
TOTAL	**6.351**	**102.586**

FINN-POWER

Acquisition of the FINN-POWER Group caused, as illustrated in this document, the inclusion of a goodwill of 96,078,000 euro; the cash generating unit to which it has been allocated is represented by the FINN-POWER group, consisting of the production plants in Finland and Italy, and the European and U.S. distribution companies. For an illustration of the effects related to the allocation of the price paid on the fair value of the net assets acquired, reference is made to Note 7.
As of 31/12/2008 the recoverable value from the cash flow generating unit was subjected to the impairment test to determine the existence of any impairment through comparison between the book value of the unit (inclusive of goodwill, intangible assets with limited useful life identified at the time of purchase and of the other net operating assets) and the value of use, or rather the current value of future financial flows that should derive from their continued use and any removal of them from service at the end of their useful life.
The value of use was calculated by discounting the cash flows contained in the economic and financial plan approved by the management, having as subject the time period 2009-2013. This plan was prepared by evaluating the current reference market situation appropriately, and considering the current value of the company's operating assets at the end of the period of explicit projection (residual value). The assumptions

made on the cash flow forecast for the period of explicit projection were made on a prudential basis and take account of the impact that the financial crisis has had on the cyclical performance of the sector, anticipating the downward trend of volumes.
The discount rate applied to prospective cash flows was 9%, calculated taking account of the sector in which the Group operates, the structure of indebtedness and the current economic situation. For the cash flows relative to the years subsequent to the period of explicit projection, a growth rate of 1% has been theorized, and this is prudential with respect to the recent market evaluations, taking account of the current economic situation.
Determination of the value of use according to the process illustrated made it possible not to make any reductions in the value of goodwill allocated to the FINN-POWER Group.
With regard to the unit for which the value in use is estimated, an analysis was also made of the sensitivity of the results: in all cases, the values in use remain higher than the book values even assuming a variation upward in the average weighted cost of the capital by 25 basis points (hundredths of a percentage point).

OSAI (Service)
The acquisition of the OSAI Group during 2007 reflects the strategy of penetration and development of the “service” market, in which the Group acquired has a consolidated position. The goodwill remaining at the end of the process of allocation of the price paid is therefore entirely allocated to the “service” segment and represents the entire value of the capital invested in that segment.
The value recoverable from this generator of cash flows as of 31/12/2008 was calculated on the basis of the value of use, determined by discounting the cash flows contained in the economic and financial plan for the period 2009-2014 and considering the current value of the operating assets of the company at the end of the period of explicit projection (residual value, calculated assuming as the cash flow expected in perpetuity the flow of the last year of the plan).
The discount rate applied to prospective cash flows was 10%, calculated taking account of the sector in which the OSAI Group operates, the structure of indebtedness.
Determination of the value of use according to the process illustrated made it possible not to make any reductions in the value of goodwill allocated in the “service” sector of the OSAI Group.

PRIMA NORTH AMERICA
The goodwill shown in the financial statement and relative to the American subsidiary, refers to the two cash flow generating units consisting of the divisions:
- LASERDYNE SYSTEMS
- CONVERGENT LASERS

The recoverable amount of the cash flow generating unit was calculated on the basis of the value of use. To calculate the relative value we used the projection of cash flows from the financial plan for 2009-2011, from which the cash flows beyond 2011 and for an unlimited time frame were extrapolated assuming flows equal to those of the last year of the financial plan with zero turnover growth.
The discount rate applied to prospective cash flows was 8.30%, calculated on the basis of the country in which the company operates, and the structure of its indebtedness.
From our audit of the possible value impairment of the goodwill referring to this cash generating unit, it did not appear necessary to make any reduction in the value.

For more details on the subject of changes in intangible fixed assets in 2008, see the table here below.

Intangible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Year 2006				
Net value as of January 1, 2006	2.586.959	-	151.968	**2.738.927**
Change in consolidation area		-	2.533	**2.533**
Difference in exchange rate	(269.570)	-	3.977	**(265.593)**
Increases	28.324	-	178.499	**206.823**
Depreciation	-	-	(171.615)	**(171.615)**
Net value as of December 31, 2006	**2.345.713**	**-**	**165.362**	**2.511.075**
Year 2007				
Net value as of January 1 2007	2.345.713	-	165.362	**2.511.075**
Variation in area of consolidation	124.486	-	15.002	**139.488**
Difference in exchange rate	(244.131)	-		**(244.131)**
Increases	4.125.190	-	412.461	**4.537.651**
Depreciation	-	-	(231.037)	**(231.037)**
Net value as of December 31, 2007	**6.351.258**	**-**	**361.788**	**6.713.046**
Year 2008				
Net value as of January 1 2006	6.351.258	-	361.788	**6.713.046**
Variation in area of consolidation	96.077.967	2.847.623	44.719.356	**143.644.946**
Difference in exchange rate	119.498	-	-	**119.498**
Increases/(decreases)	36.770	5.515.715	1.875.702	**7.428.187**
Reclassifications	-	940.797	(940.797)	-
Depreciation	-	(1.291.446)	(3.438.397)	**(4.729.843)**
Impairment	-		-	-
Net value as of December 31, 2008	**102.585.493**	**8.012.689**	**42.577.652**	**153.175.834**

As can be seen from the table, in addition to changes in the item "Goodwill" (already extensively commented on), there were increases in other items of intangible assets as well.
These increases were due in part to the change in the area of consolidation and in part to the capitalisations for the year. The most significant increases are those relative to costs for activities of development on new projects, where the technical feasibility was checked and the generation of probable future economic benefits was calculated in 5,516,000 euro. Among the increases in Other assets we included several investments in software made by the group in 2008.

NOTE 9.3 – INVESTMENT PROPERTIES

The increase over the previous year is entirely due to the change in the area of consolidation. The value, equal to 158,000 euro, refers to an area for agricultural use owned by FINN-POWER Italia, located in Asola (MN). This area was valued by an independent appraiser during 2008.

NOTE 9.4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of equity investments included in this item increase with respect to the past year, by 1,828,000 euro. The difference is due to:

- the increase in our equity investment in the Chinese joint venture Shanghai Unity PRIMA;
- application of the share of profits from Shanghai Unity PRIMA and SNK;
- currency adjustment of Shanghai Unity PRIMA and SNK.

Equity investments values with the SE method	SNK	SUP [1]	TOTAL
December 31, 2007	**153.883**	**2.081.034**	**2.234.917**
Value of shares	(11.105)	829.056	**817.951**
Increase	-	823.625	**823.625**
Currency adjustment	(63.203)	249.244	**186.041**
December 31, 2007	**79.575**	**3.982.959**	**4.062.534**

[1] SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD.

The increase in the equity investments in Shanghai Unity PRIMA was made following an agreement with the partners in the Chinese JV for reorganization thereof.
The agreement specified that, by 30/06/2008, PRIMA INDUSTRIE would increase its share from 27.5% to 35% at a cost of 9 million Chinese Renminbi.

The agreement reflects the strategic intention of PRIMA INDUSTRIE to strengthen its presence within the Chinese market by aiming towards greater influence in the Shanghai JV, and as a result of which the Group holds a share of the Chinese market which is altogether significant (approx. 40%). Thus as of 31.12.08 PRIMA INDUSTRIE's stake in this JV amounted to 35%. The greater value by 264,000 euro resulting in the consolidated financial statements with respect to the shareholders' equity per share reflects the goodwill included in the value of the equity investment and recognized in the acquisition of the share of 7.5% during the year.

We report that the PRIMA INDUSTRIE Group holds two more equity investments in the following joint ventures:

- Wuhan OVL Convergent Laser Technology Co.Ltd. (held by PRIMA North America at 25.74%).
- Shenyang PRIMA Laser Machine Co.Ltd (50% shareholding).

which are valued at zero in the financial statements.

NOTE 9.5 - OTHER EQUITY INVESTMENTS

The item, Other equity investments remains unchanged with respect to the previous year.

This item is made up as follows:

- Electro Power Systems (750,000 euro);
- Consorzio Sintesi (52,000 euro).

The equity investment in ELECTRO POWER SYSTEMS is held by the subsidiary PRIMA ELECTRONICS and amounts to 3.08%, while the equity investment in Consorzio Sintesi is held by the parent company and amounts to 10%.
It should be noted that the equity investment held in ELECTRO POWER SYSTEMS as of 31/12/2007 amounted to 5.4%, but on 17/11/2008 the company increased its capital for payment, entirely underwritten by the investment funds 360 Capital Partners and 77 Holding S.r.l., for 5.4 million euro. After the transaction the equity investment held by PRIMA ELECTRONICS decreased to 3.08%. The difference between the cost and the value of the shareholders' equity per share (negative for 729,000 euro) is not deemed indicative of an impairment of value, taking account of the implicit market value attributed to the company with the arrival of the new funds.

NOTE 9.6 - OTHER FINANCIAL ASSETS

The item Other financial assets decreased by 765,000 euro, from 1,133,000 euro to 368,000 euro.
This value, as of 31/12/2008 refers mainly to the policy of capitalization with single 5-year premium, underwritten on 08/09/2004 by the parent company.

❍ NOTE 9.7 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes amount to 6,301,000 euro, up with respect to the previous year by 1,227,000 euro.
The variation in the consolidation area (acquisition of the FINN-POWER Group) for 2,489,000 euro (FINN-POWER Group prepaid taxes as of 04/02/2008) contributed to this increase.

The temporary differences in this item as of 31/12/2008 are illustrated in the table below.

FISCAL ASSETS FOR PREPAID TAXES *(thousands of Euro)*	**31.12.2008**
Profits not made	2.513
Fund for guarantee risks	1.054
Inventory write-down fund	624
Receivable write-down fund	537
Fidelity premium fund	293
Financial assets write-downs	103
Fund for agents' clientele allowance	77
Fund for contract risks and costs	77
Extra maintenance costs	74
Entertainment expenses	13
Other prepaid taxes	936
TOTAL	**6.301**

Entry in the financial statements of the prepaid taxes was made, wherever there was a definite probability of recovering them.

❍ NOTE 9.8 - INVENTORIES

The following table illustrates the breakdown of inventories as of 31/12/2007 and as of 31/12/2008.

INVENTORIES	**31/12/08**	**31/12/07**
Raw materials	42.879.564	18.869.781
(Fund for raw materials write-downs)	(3.887.811)	(2.811.880)
Unfinished products	22.196.967	11.995.656
(Fund for unfinished products write-downs)	(211.000)	-
Finished products	48.352.656	15.399.209
(Fund for finished products write-downs)	(3.143.503)	(1.485.715)
TOTAL	**106.186.873**	**41.967.051**

Inventories as of 31/12/2008 amount to 106,187,000 euro (55,142,000 euro relative to the FINN-POWER Group as of the same date) net of the inventory write-down fund for a total of 7,242,000 euro. Clearly, the inventories of the Group increased significantly compared to the past year; this increase is mainly due to the addition of FINN-POWER to the consolidation area, bringing inventories as of 04/02/2008 for 62,586,000 euro.

NOTE 9.9 - TRADE RECEIVABLES

Trade receivables as of 31/12/2008 amount to 72,266,000 euro and, compared with the previous year, are up by 20,562,000 euro.

Within the previous perimeter there was actually a reduction of trade receivables, since the contribution as of 31/12/2008 of the FINN-POWER Group (net of the receivables write-down fund) is 27,841,000 euro.

The receivables from associates amount to 159,000 euro and are commented on in note 9.30 “Information about associates”.

TRADE RECEIVABLES	31/12/08	31/12/07
Receivables from clients	78.151.924	54.240.634
Receivables write-down fund	(6.045.143)	(2.916.812)
Net receivables from clients	**72.106.781**	**51.323.822**
Receivables from associates	159.226	379.963
Write-down fund for rec.from associates	-	-
Loans made to associates	-	-
TOTAL	**72.266.007**	**51.703.785**

During 2008 the change in the receivables write-down fund was as follows.

RECEIVABLE WRITE-DOWN FUND	Customers	Associates
Balance as of 01/01/2008	**2.916.812**	-
Utilizations	(299.960)	-
Provisions	433.805	-
FINN-POWER group	2.974.323	-
Differences in exchange rates	20.163	-
BALANCE AS OF 31/12/2008	**6.045.143**	-

We illustrate here below the breakdown of trade receivables (inclusive of the receivable write-down fund) divided by expiration.

Receivables by expiration	31/12/08
Expiring	35.970
0 - 60 days	22.445
60 - 90 days	4.843
After 90 days	14.894
Total	**78.152**

NOTE 9.10 - OTHER RECEIVABLES

The other current receivables as of 31/12/2008 amount to 7,460,000 euro and have increased considerably compared to the previous year.

Other receivables as of 01/01/2008	**2.564.642**
Variation in area of consolidation	8.400.609
Variation of other receivables	(3.504.973)
Other receivables as of 31/12/2008	**7.460.278**

As can be seen from the table above, the change in the consolidation area involved a major increase compared to 31/12/2007.

The value of the other receivables refers mainly to accruals and deferrals in assets, advances paid to suppliers, advances on travel expenses paid to employees, contributions for research & development to be received.

Among the other non-current receivables, there is also a receivable from EQT III Ltd for 1,271,000 euro.

❍ NOTE 9.11 - OTHER FISCAL ASSETS

The item stands at 3,552,000 euro compared with 2,578,000 euro at the end of the previous financial year. Fiscal assets are represented by VAT receivables (for 3,326,000 euro) and other tax receivables (for 226,000 euro).

Advances paid for corporate income taxes of the Group were applied to reduction of the debt. This was reclassified also in the previous year.

❍ NOTE 9.12 - NET FINANCIAL POSITION

As of 31.12.08 the Net Financial Position was negative in an amount of 161,645,000 euro. The change in the net financial position which took place during 2008 can be attributed to the loan taken out by PRIMA INDUSTRIE for the acquisition of the FINN-POWER Group.

As required by Consob Communication no. DEM/6064293 of July 28, 2006, the following table illustrates the net financial indebtedness as of 31/12/2008 and 31/12/2007, determined with the criteria indicated in the Recommendation of the CESR (Committee of European Securities Regulators) of February 10, 2005 “Recommendations for uniform implementation of the European Commission in information prospectuses” and cited also by Consob.

	Values expressed in thousands of Euro	31/12/2008	31/12/2007
A	CASH	14.467	21.551
B	OTHER VALUABLES	-	-
C	SECURITIES HELD FOR NEGOTIATION	-	-
D	**CASH ON HAND (A+B+C)**	**14.467**	**21.551**
E	**CURRENT FINANCIAL RECEIVABLES**	**-**	**-**
F	CURRENT BANK PAYABLES	6.775	359
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	118.154	4.135
H	OTHER CURRENT FINANCIAL PAYABLES	2.874	1.083
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**127.803**	**5.577**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**113.336**	**(15.974)**
K	NON-CURRENT BANK PAYABLES	12.462	13.805
L	BONDS ISSUED	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	35.847	1.401
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**48.309**	**15.206**
O	**NET FINANCIAL INDEBTEDNESS (J-N)**	**161.645**	**(768)**

LIQUIDITY

For more details relative to the reduction of cash availability see the Group Cash Flow Statement.

INDEBTEDNESS WITH BANKS

In this connection, for clearer understanding of the current/non-current division of financial payables, see the section in the Management Report entitled “EVENTS OCCURRING AFTER THE DATE OF THE FINANCIAL STATEMENT”, that illustrates the obligation of classification in this way, as required by the IAS/IFRS (in observance of IAS 1 par. 65), despite the fact that the company is already in possession of the information necessary to consider part of the debt (102,037,000 euro) as having long-term expiration.

The parent company located the necessary financial resources for acquisition and repayment of the financial indebtedness of the Group acquired, through a loan of 183.5 million euro consisting of credit lines used initially for 138.5 million euro.

The loan was made by a pool of banks organized by IMI (Mandated Lead Arranger), Unicredit Banca di Impresa (Mandated Lead Arranger) and Intesa Sanpaolo (financing bank). The loan is guaranteed on pledge of the FINN-POWER OY shares and on intercompany loans made by PRIMA INDUSTRIE S.p.A..

This loan of 138.5 million euro, was divided as follows:

- medium/long-term loan of 49,348,000 (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- medium/long-term loan of 64,152,000 (expiring in February 2016 with a "bullet" repayment at expiration);
- short-term loan of 25,000,000 euro.

The short-term loan of 25,000,000 euro was repaid in July 2008, through the collection deriving from the capital increase (see note 9.13).

The initial loan of euro 49,348,000 was repaid in part for euro 3,525,000 in August 2008, so that at the end of the year the residual debt was 45,823,000 euro. It should be noted that the instalment due in February 2009 (also for 3,525,000 euro) was made regularly.

Payables to banks also include the negative fair value of some derivative financial instruments (IRS – Interest Rate Swaps). The main contracts are those stipulated by PRIMA INDUSTRIE SpA, as a partial hedge for the interest rate risk on the loan for acquisition of FINN-POWER; it should be noted that the two derivatives, although stipulated with two separate banks, are identical. The following are the terms and conditions of one of these IRS contracts.

Terms and conditions of IRS contract	
Date of stipulation	15/07/08
Starting date	04/08/08
Ending date	04/02/16
Reference capital and currency	Same as amortization plan
PRIMA INDUSTRIE parameter rate	4.83%
BANK parameter rate	Euribor 6 months-Reuters (recorded 2 working days prior to every calculation period)

AMORTIZATION PLAN			
Starting date	**Ending date**		**Capital**
04/08/08	04/02/09	€	27.857.143
04/02/09	04/08/09	€	26.964.286
04/08/09	04/02/10	€	26.071.429
04/02/10	04/08/10	€	25.178.571
04/08/10	04/02/11	€	24.285.714
04/02/11	04/08/11	€	29.642.857
04/08/11	04/02/12	€	27.968.750
04/02/12	04/08/12	€	26.294.643
04/08/12	04/02/13	€	24.620.536
04/02/13	04/08/13	€	22.946.429
04/08/13	04/02/14	€	21.272.321
04/02/14	04/08/14	€	19.598.214
04/08/14	04/02/15	€	17.924.107
04/02/15	04/08/15	€	16.250.000
04/08/15	04/02/16	€	16.250.000

OTHER FINANCIAL PAYABLES

Also relative to the FINN-POWER transaction, among the other non-current financial payables are present 26,360,000 euro for price adjustment (of which 25,000,000 euro capital and 1,360,000 euro interest relative to the portion expiring as of 31/12/2008), to be paid to the seller on 04/02/2011.

The other financial payables include:

- payables for financial leases amounting to 9,131,000 euro (of which 973,000 euro are current and 8,158,000 euro non-current);
- payables to factoring companies for 1,471,000 euro.

FINANCIAL INDICATORS ("*COVENANTS*")

As we have already illustrated in this note, in order to purchase the FINN-POWER Group, the parent company stipulated a medium/long-term loan with a pool of banks (divided in several portions).
The contract terms foresee that the PRIMA INDUSTRIE Group should respect, for the duration of the contract, specific financial *covenants*.
The PRIMA INDUSTRIE Group agreed to comply with these *covenants* starting from 31/12/2008 and on an annual basis.
Following renegotiation with the pool of banks, new *covenants* were agreed as of 31/12/2008 and 31/12/2009

Therefore we outline the *covenants* here below, effective on the dates of the consolidated financial statements for 2008:

- Ratio of EBITDA/Net Financial costs on a consolidated basis of not less than 2.4
- Ratio of Financial indebtedness/EBITDA on a consolidated basis not higher than 5.2
- Ratio of Net Financial indebtedness/Shareholders' Equity on a consolidated basis not higher than 2.4

It is important to note that, toward the end of 2008, the company asked the lending banks to recalculate the *covenants* and that those listed above have already been recalculated and complied with as of 31/12/2008. Classification of the financial payable for acquisition of the FINN-POWER Group entirely in current financial liabilities was made solely in respect of the international accounting standards. Therefore, in the light of the foregoing, the company will not be required to reimburse the loan by the end of next year.

It should be noted that, in calculating the *covenants* relative to the consolidated financial statements for 2008, the EBITDA refers to a normalized value (considering 12 months of results of the FINN-POWER Group and not considering costs of a non-recurrent nature).

CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and loans of the PRIMA INDUSTRIE Group as of 31/12/2008 amount to 170,258,000 euro and in 2008 they changed as shown in the table below.

PAYABLES TO BANKS AND LOANS	Euro
Payables to banks and loans - current portion (01/01/2008)	5.577.448
Payables to banks and loans - non-current portion (01/01/2008)	15.205.862
TOTAL PAYABLES TO BANKS AND LOANS AS OF 01/01/2008	**20.783.310**
Variation of area of consolidation	86.190.146
Stipulation of loans and mortgages	176.358.106
Repayments of loans and mortgages	(112.770.918)
Net variation of liabilities for financial leases and Sabatini transaction	(302.532)
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2008	**170.258.112**
of which	
Payables to banks and loans - current portion (31/12/2008)	127.803.118
Payables to banks and loans - non-current portion (31/12/2008)	42.454.994
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2008	**170.258.112**

DIVISION OF FINANCIAL PAYABLES BY EXPIRATION AND INTEREST RATE
The following table lists the breakdown of financial payables to banks and other lenders (excluding payables for leases, factoring and payables to banks for derivatives) by expiration and interest rate. We reiterate the concept that, as regards the loan for acquisition of the FINN-POWER group, the short-term classification was made in respect of IAS 1, although actually, at the time of preparing the financial statement, the company already possessed the necessary documentation to consider this payable as non-current.

Current financial payables

In addition to the financial payables listed above, it is necessary to consider payables for leases (973,000 euro) and to factoring companies (1,471,000 euro).

Non-current financial payables

Values expressed in thousands of euro	*Effective interest rate*	*Expiration*	*31/12/2008*
Current bank payables			
Bank overdrafts	Euribor 1m + 0,1%	A vista	1.039
FinPolar - Part A (Pool of banks)	Euribor 6m + 1%	03/02/15	45.417
FinPolar - Part B (Pool of banks)	Euribor 6m + 1,250%	03/02/16	63.532
Banca di Roma	Euribor 3m	01/06/10	750
Sanpaolo-IMI	Euribor 3m + 0,72%	14/06/11	600
Unicredit Banca	Euribor 3m + 0,75%	30/06/11	1.018
Banca Intesa	Euribor 3m + 0,75%	30/09/11	842
Simest	1,360%	19/05/11	399
Fortis	Euribor 6m + 1,70%	31/07/11	2.250
Banca del Piemonte	Euribor 3m + 1%	29/12/09	2.000
Sanpaolo-IMI	2,000%	01/01/10	109
JP Morgan Chase	Libor + 1%	16/03/09	3.018
MPS	Libor + 0,9%	31/07/09	719
Unicredit	Euribor 6m + 1%	30/06/16	144
Banca Popolare dell'Emilia Romagna	6,135%	25/12/11	45
Sanpaolo-IMI	1,000%	01/01/13	56
Bank interest payable			2.991
Total current bank payables			**124.929**
Payables to other lenders			
Ministry of Industry	3,275%	10/03/13	89
Ministry of Industry	1,175%	08/06/14	35
MIUR	2,000%	01/07/09	208
MCC	0,920%	31/10/13	98
Total current payables to other lenders			**430**

In addition to the financial payables listed above, it is necessary to consider payables for leases (8,158,000 euro).

Values expressed in thousands of euro	*Effective interest rate*	*Expiration*	*31/12/2008*
Non-current bank payables			
Banca di Roma	Euribor 3m	01/06/10	375
Sanpaolo-IMI	Euribor 3m + 0,72%	14/06/11	900
Unicredit Banca	Euribor 3m + 0,75%	30/06/11	1.600
Banca Intesa	Euribor 3m + 0,75%	30/09/11	1.474
Simest	1,360%	19/05/11	598
Sanpaolo-IMI	2,000%	01/01/10	111
Sanpaolo-IMI	1,000%	01/01/13	173
Unicredit	Euribor 6m + 1%	30/06/16	1.164
Banca Popolare dell'Emilia Romagna	6,135%	25/12/11	212
Total non-current bank payables			**6.607**
Non-current payables to other lenders			
Ministry of Industry	3,275%	10/03/13	376
EQT	6,000%	04/02/08	26.360
Ministry of Industry	1,175%	08/06/14	184
MCC	0,920%	31/10/13	769
Total non-current payables to other lenders			**27.689**

❍ NOTE 9.13 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

On 31/07/2008 the capital increase against payment was successfully finalised; this increase had been resolved upon by the Board of Directors of the company on 18.06.08 pursuant to the mandate given to it in terms of section 2443 of the Italian Civil Code by the Extraordinary Meeting of Shareholders held on 29.04.08.

The capital increase, was finalised with 1,800,000 newly issued ordinary shares being fully subscribed for, for an amount of 25,650 thousand Euro; the intervention of the Guarantee Consortium, made up of UniCredit Group (Lead Manager and Guarantor of the Guarantee Consortium) and Banca IMI S.p.A. (Guarantor of the Guarantee Consortium) was not necessary.

In addition, in execution of the obligations respectively undertaken, Erste International SA and Lestri Holding BV fully exercised their option and as a result they subscribed for 504,621 and 83,979 shares respectively.

The other shareholders that undertook to exercise their rights partly directly and partly by obtaining the subscription by third parties, i.e. Gianfranco Carbonato (Chairman and

Chief Executive Officer of the company) and Domenico Peiretti (Executive Director of the company), holders of 3.79% and 3.00% respectively in the company before the capital increase, also complied with their commitments. The new share capital of PRIMA INDUSTRIE S.p.A thus amounts to 16,000,000 Euro divided into 6,400,000 ordinary shares with a par value of 2.5 Euro each.
The capital increase falls within the financing plan connected to the purchase of the FINN-POWER by PRIMA INDUSTRIE S.p.A.

LEGAL RESERVE
This item amounts to 2,300,000 euro and did not change in 2008.

OTHER RESERVES
This item has a value of 37,794,000 euro and, compared to 31/12/2007, it increased by 20,775,000 euro.

The item consists of:
SHARE PREMIUM RESERVE The Share Premium Reserve (amounting to 36,815,000 euro) increased with respect to 31/12/2007 by 21,150,000 euro. This increase is due to the share capital increase already describe in this note.

CONVERSION RESERVE
The conversion reserve is negative for 1,777,000 euro and increased by 783,000 euro with respect to 31/12/2007.

PROFITS CARRIED OVER
This amount, which totals 15,293,000 euro (9,304,000 euro as of 31.12.07) includes the results of previous years of consolidated companies as well as the change in the area of consolidation and the capital losses and gains generated as a result of the acquisition or transfer of treasury shares.
In addition, the amounts relative to differences in accounting methods on the date of IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

PROFIT FOR THE YEAR
This item amounts to 5,476,000 euro (13,728,000 euro as of 31/12/2007) .

CONNECTION BETWEEN RESULT AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND THE SAME VALUES OF THE GROUP
Pursuant to Consob communication dated July 28, 2006, the following tables illustrate the connection between the result for the year 2008 and the shareholders' equity as of 31/12/2008 of the group and the same values of the parent company, PRIMA INDUSTRIE S.p.A.

COSTS OF INCREASING SHARE CAPITAL
This reserve did not exist in the previous year and as of 31/12/2008 it was negative for 973,000 euro. The reserve refers to the capital increase already described in this note.

STOCK OPTION RESERVE
This reserve did not exist in the previous year and as of 31/12/2008 it amounted to 318,000 euro. Complying with IFRS 2, the Group booked a shareholders' equity reserve for the cost of the services received from the beneficiaries of the plan. For more details about the stock option plan in force, see the relative section of the Management Report.

RESERVE FOR ADJUSTMENT OF DERIVATIVE FAIR VALUE

This reserve consists of profits and losses entered directly in the shareholders' equity deriving from the adjustment to *fair value* of hedges underwritten by the Group. This reserve did not exist in the previous year and as of 31/12/2008 it was negative for 4,247,000 euro.

OTHER RESERVES

The reserve for 5,881,000 euro increased with respect to the past financial year by 4,527,000 euro, i.e. the part of the 2007 result allocated by the parent company to reserves.

Connection between result and shareholders' equity of the parent company and the same values for the Group *(values expressed in thousands of euro)*	**Shareholders' Equity as of 31.12.2008**	**Result as of 31.12.2008**	**Shareholders' Equity as of 31.12.07**	**Result as of 31.12.07**
Annual Financial Statement of PRIMA INDUSTRIE SpA	**63.194**	**8.673**	**36.671**	**7.517**
Book entries of shareholders' equity and results obtained by the consolidated companies	125.988	(821)	38.947	8.679
Elimination of values of consolidated equity investments in financial statement of PRIMA INDUSTRIE SpA	(114.718)	-	(23.588)	-
Elimination of dividends of consolidated companie from the financial statement of PRIMA INDUSTRIE SpA	-	(3.474)	-	(2.638)
Elimination of infragroup profits and losses included in the inventory and fixed assets	(2.911)	480	(3.320)	(799)
Evaluation of joint ventures	2.575	818	1.571	818
Other entries (including the fiscal effect on consolidation adjustments)	959	(200)	1.160	169
Equity and result of others	-	-	(237)	(18)
Consolidated financial statement of the PRIMA INDUSTRIE Group	**75.087**	**5.476**	**51.204**	**13.728**

PROFITS (LOSSES) BOOKED IN SHAREHOLDERS' EQUITY

The profits/(losses) entered directly in shareholders' equity are as follows:

- Reserve for adjustment fair value adjustment of derivatives: € (4,247,108)
- Reserve for conversion: € 783,081

❍ NOTE 9.14 - EMPLOYEE BENEFITS

The item Employee benefits includes:

❑ Severance Indemnity paid by Italian companies to their employees;

❑ a fidelity premium paid by the parent company, PRIMA ELECTRONICS, PRIMA GmbH and PRIMA FINN-POWER Sarl to their employees.

It should be noted that, until December 31, 2006, the Severance Indemnity of the Italian companies was considered a fixed-benefits plan. Regulation of these funds was modified by Law no. 296 of December 27th, 2006 (“2007 Financial Law) and subsequent Decrees and Regulations enacted early in 2007. In the light of these changes and, in particular, with reference to companies with at least 50 employees, this scheme must now only be considered a fixed—benefit plan for quotas accrued before January 1st, 2007 (and not yet liquidated as of the date of the financial statements) while the quotas which accrued subsequently to this date are comparable to a fixed-contribution plan.

The fidelity premium, however, accrues on reaching a certain seniority within the company.

The following are the changes in these items.

EMPLOYEE BENEFITS	**31/12/08**	**31/12/07**
Severance indemnity fund	8.002.738	6.881.428
Fidelity premium	1.018.680	679.935
TOTAL	**9.021.418**	**7.561.363**

SEVERANCE INDEMNITY	31/12/08	31/12/07
Open liabilities	**6.881.428**	**4.900.947**
Severance paid in the period	(749.135)	(430.395)
Other changes	(81.729)	12.812
Reduction after reform	-	(604.638)
Variation of area of consolidation	1.364.603	2.676.159
Sev.ind.transferred to Cometa and Previndai		
Social sec.cost on current services	147.189	57.466
Financial costs	440.382	269.077
Total entered in income statement	**587.571**	**(278.095)**
TOTAL SEV.INDEM.AS OF 31/12/2008	**8.002.738**	**6.881.428**

Fidelity premium	31/12/08	31/12/07
Open liabilties	679.935	643.289
Decreases	(682)	(10.957)
Increases by acquisition	77.767	-
Allocations	261.660	47.603
Financial costs	-	-
Total entered in income statement	**338.745**	**36.646**
TOTAL FIDELITY PREMIUM AS OF 31/12/2008	**1.018.680**	**679.935**
TOTAL EMPLOYEE BENEFITS	**9.021.418**	**7.561.363**

The main actuarial hypotheses used to estimate the final liabilities deriving from employee benefits are as follows:

ACTUARIAL HYPOTHESES	31/12/08	31/12/07
Annual technical discount rate	5,0%	5,0%
Annual inflation rate	2,0%	2,0%
Annual rate of Sev.Indem.increase	3,0%	3,0%

The demographic hypotheses used for actuarial valuation include:

- for the probabilities of mortality, those of the Italian population reported by ISTAT in 2002 divided by sex;
- For the probabilities of disability, divided by sex, those used in the INPS model for projections to 2010. These probabilities are calculated starting from the distribution by age and sex of pensions in force as of January 1, 1987, dating from 1984, 1985, 1986 relative to the personnel in the banking industry;
- for period of pension for the generic asset, they were presumed to have reached the first of the pension requisites valid for the General Compulsory Insurance Scheme;
- for the probabilities of leaving employment for reasons other than mortality, the annual average of 2.50% was considered;
- for the probabilities of advances, a value year by year of 3.00% was considered,

NOTE 9.15 - FISCAL LIABILITIES FOR DEFERRED TAXES

Fiscal liabilities for deferred taxes amount to 11,627,000 euro, up with respect to the previous year by 9,721,000 euro.

The increase is almost exclusively due to the acquisition of the FINN-POWER Group, as at the time of making the “business combination” (see the section entitled “Business combinations and acquisitions of minority interests”), fiscal liabilities for deferred taxes were reported on the brand, on customer relations and on the Cologna Veneta property for 10,535,000 euro, partially paid (687,000 euro) during the year.

NOTE 9.16 - FUNDS FOR RISKS AND CHARGES

The funds for risks and charge changes as follows in 2008.

Medium/long-term risk funds	Agents' cl.ind.fund	Dispute risk fund	Profit sharing fund	Restruc.fund	Other funds	TOTAL
January 1, 2007	**33.500**	-	-	-	-	**33.500**
Amounts to income statement	-	-	-	-	-	-
- Provisions	10.035	-	-	-	-	**10.035**
- Turnover of excess funds	-	-	-	-	-	-
Uses in the period	-	-	-	-	-	-
Amounts taken over by acquisition	700	-	-	-	-	**700**
Exchange rate differences	-	-	-	-	-	-
December 31, 2007	**44.235**	-	-	-	-	**44.235**
Amounts to income statement	-	-	-	-	-	-
- Provisions	43.275	-	-	-	-	**43.275**
- Turnover of excess funds	-	-	-	-	-	-
Uses in the period	(300)	-	-	-	-	**(300)**
Amounts taken over by acquisition	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
December 31, 2008	**87.210**	-	-	-	-	**87.210**

Short-term risk funds	Guarantee fund	Dispute risk fund	Profit sharing fund	Restruc.fund	Other funds	TOTAL
January 1, 2007	**4.316.684**	-	**35.000**	**144.875**	**213.338**	**4.709.897**
Provisions	3.231.103	100.000	55.000	-	252.700	**3.638.803**
Uses in the period	(2.635.928)	-	(10.000)	(144.875)	(51.372)	**(2.842.175)**
Variation of consolidation area	132.360	-	-	-	-	**132.360**
Exchange rate differences	(168.655)	-	-	-	-	**(168.655)**
December 31, 2007	**4.875.564**	**100.000**	**80.000**	-	**414.666**	**5.470.230**
Provisions	3.692.113	85.121	-	-	213.941	**3.991.175**
Uses in the period	(3.229.582)	(135.121)	(80.000)	-	(1.414.700)	**(4.859.403)**
Variation of consolidation area	3.602.007	-	-	-	2.179.582	**5.781.589**
Exchange rate differences	44.949	-	-	-	-	**44.949**
December 31, 2008	**8.985.051**	**50.000**	-	-	**1.393.489**	**10.428.540**

Guarantee fund

The Guarantee Fund refers to provisions for work on Group products under warranty and is proportionate to the warranty costs that will have to be incurred.

Fund for risks on disputes

The dispute risk fund refers to provisions for certain legal matters of the company PRIMA INDUSTRIE GmbH.

Profit Sharing Fund

The profit sharing, that as of 31/12/2007 amounted to 80,000 euro was completely used up in 2008.

NOTE 9.17 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

TRADE AND OTHER PAYABLES	31/12/08	31/12/07
Payables to suppliers	65.870.443	33.727.779
Trade payables	**65.870.443**	**33.727.779**
Advances to clients	32.217.942	10.545.432
Advances from clients	**32.217.942**	**10.545.432**
Taxes and social security payable	4.305.511	2.176.455
Payables to employees	5.698.629	4.172.425
Other short-term payables	4.049.225	622.245
Accrued payables and deferred income	8.662.639	2.911.950
Other payables	**22.716.004**	**9.883.075**

As shown in the table above, trade payables increased with respect to the past year. Those deriving from the FINN-POWER Group as of 31/12/2008 amount to 32,503,000 euro. For a clearer understanding of the changes during the year, see the table of changes enclosed hereafter, where by change of the consolidation area is meant the payables deriving from the FINN-POWER Group as of 04/02/2008.

Payables to suppliers as of 01/01/2008	33.727.779
Changes in area of consolidation	42.890.174
Changes in trade payables in 2008	(10.747.510)
Payables to suppliers as of 31/12/2008	**65.870.443**

Also for advances from clients, the increase is affected by the change in the consolidation area.

Advances as of 01/01/2008	10.545.432
Changes in area of consolidation	29.773.755
Changes in trade payables in 2008	(8.101.245)
Advances as of 31/12/2008	**32.217.942**

"Advances from customers" contains advances on orders for machines that have not been delivered, and advances generated by application of IAS 18 for machines that have been delivered but not yet accepted by the end customer and thus cannot be entered among revenues. Advances from customers that, as of 31/12/2008 had accrued to the FINN-POWER Group, amount to 20,909,000 euro.

❍ NOTE 9.18 - FISCAL LIABILITIES FOR CURRENT TAXES

Fiscal liabilities for current taxes as of 31/12/2008 amounted to 2,825,000 euro.

The main liabilities are as follows:

- payables for income taxes amounting to 1,455,000 euro;
- payables for VAT amounting to 812,000 euro;
- payables for withholding tax amounting to 430,000 euro.

It should be noted that the corporate income tax payable by the Group is shown net of advances paid. This was reclassified also in the previous year.

❍ NOTE 9.19 - NET REVENUES FROM SALES AND SERVICES

Revenues from sales and services were extensively commented on the Management Report, in the section entitled "REVENUES AND PROFITABILITY" and in Chapter 8 "SECTORIAL INFORMATION".

❍ NOTE 9.20 - OTHER OPERATING REVENUES

The other revenues and income consist of the following:

OTHER OPERATING REVENUES	31/12/08	31/12/07
Income from activities of research & development	1.141.876	713.600
Contingent assets	853.085	332.334
Other income and revenues	957.423	604.638
Capital gains	220.816	-
Insurance repayments	47.756	10.941
Other	898.376	898.534
TOTAL	**4.119.332**	**2.560.047**

NOTE 9.21 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of 31/12/2008 amount to 7,520,000 euro and refer mainly to capitalization of assets for the development of new projects (5,516,000 euro), for which the technical feasibility and generation of probable future economic benefits has been ascertained.

NOTE 9.22 - PERSONNEL COST

The personnel cost as of 31/12/2008 amounted to 89,204,000 euro and was divided as follows.

COST OF PERSONNEL	31/12/08
Salaries and wages	62.641.806
Social security	18.363.811
Other costs	8.198.624
TOTAL	**89.204.241**

The increase with respect to the previous year refers to the staff increase following the acquisition of the FINN-POWER Group (46,108,000 euro). For more information concerning the number of employees of the Group as of 31/12/2008, see the Management Report, in the section entitled “PERSONNEL”.

NOTE 9.23 - DEPRECIATION

Depreciation for the year increased considerably with respect to the past year, especially after the entrance of FINN-POWER in the consolidation area.

The following table contains the division of depreciation allotments between tangible and intangible assets, and a comparison with the previous year.

AMORTISATION	31/12/08	31/12/07
Amortization of tangible fixed assets	3.798.196	1.293.061
Amortization of intangible fixed assets	4.729.843	231.081
TOTAL	**8.528.039**	**1.524.142**

It is interesting to note that depreciation relative to the brand and customer relations (*“customer list”*) amount to a total of 2,642,000 euro.

NOTE 9.24 - OTHER OPERATING REVENUES

The other operating costs for 2008 amount to 79,173,000 euro. With respect to the previous year, this item increased by about 37,893,000 euro; the increase was mainly due to the change in the consolidation area.

Other operating costs refer to:

- the FINN-POWER with operating costs for the year 2008 of 35,133,000 euro;
- the first 6 months of the year 2008 for the OSAI Group, which amounted to 1,876,000 euro.

This item of the financial statements contains several different types of operating costs, including the following main types:

- commission processing for 18,834,000 euro;
- travel expenses for 13,712,000 euro;
- consultants for 6,944,000 euro;
- rentals and other rental costs for 6,001,000 euro;
- utilities for 4,948,000 euro;
- insurance for 1,362,000 euro;

❍ NOTE 9.25 - FINANCIAL INCOME AND COSTS

Financial management was negative for the year 2008 for 12,321,000 euro.

FINANCIAL MANAGEMENT	31/12/08	31/12/07
Financial income	805.331	720.970
Financial costs	(13.036.179)	(1.518.119)
Net result deriving from transactions in foreign currency	(89.961)	(358.755)
TOTAL	**(12.320.809)**	**(1.155.904)**

The item is not comparable for to the previous year as it derives from two completely different net financial positions. The year 2008 shows the effects relative to the financial costs related to acquisition of the FINN-POWER Group, as well as the financial payable deriving from that Group. The year 2007 reflects a situation prior to that acquisition, with a relatively balanced net financial position.

The financial costs for the acquisition of FINN-POWER incurred by PRIMA INDUSTRIE amounted to 6,962,000 euro, while costs accrued, also to Prima Industrie, on the balance of the price to pay the seller amount to 1,360,000 euro.

Net financial costs on derivatives stipulated by the Group in 2008, amounted to 324,000 euro (net of positive differentials).

❍ NOTE 9.26 - NET RESULT OF AFFILATED COMPANIES AND JOINT VENTURES

As of 31/12/2008, this item amounted to 818,000 euro, up compared to the previous year, mainly due to the absence the Shenyang write-down.

For more details, see the table here below.

Net result of affiliates and joint ventures	31/12/08	31/12/07
Shenyang Prima Laser Machine	-	(345.659)
Shanghai Unity Prima Laser Machinery	829.056	838.153
SNK-PRIMA	(11.105)	(19.908)
Net result of affiliates and joint ventures	**817.951**	**472.586**

❍ NOTE 9.27 - CURRENT AND DEFERRED TAXES

Income taxes amounted to 6,254,000 euro, down by 9,154,000 euro from the previous year.

The following is the breakdown of income taxes for the year 2008.

INCOME TAXES	2008
CURRENT INCOME TAXES (excluding Regional tax)	4.438
REGIONAL INCOME TAX	1.478
TAXES FROM PREVIOUS YEARS	517
DEFERRED TAXES	446
TAX CREDITS	(779)
U.S. FEDERAL TAX	154
TOTAL	**6.254**

The reconciliation between the fiscal costs entered in the consolidated financial statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows (values expressed in euro/000):

INCOME TAXES	2008
CURRENT TAXES ON THEORETICAL INCOME *(excluding regional t*	3.226
PERMANENT VARIATIONS	1.025
TEMPORARY VARIATIONS	821
FOREIGN TAX RATES	188
TAXES ON DIVIDENDS	(822)
CURRENT INCOME TAXES (excluding regional)	**4.438**

The tax rate for 2008 was 53.3%, compared to 40% for 2007. This reflects the current level of taxation in Italy and the U.S. where the Group had its best results at the level of legal amount, and takes account also of a tax credit of 779,000 for research (for Italian companies) relative to the year 2007 (10% of the research and development costs incurred in the previous year).
It should be noted that in 2008 there was a reduction of the tax rates for corporate and regional income tax, respectively of 27.5% and 3.9% as compared with 33% and 4.25% in force in 2007.

❍ NOTE 9.28 - PROFIT AND DIVIDEND PER SHARE

(a) Basic profit per share
The basic profit per share is determined by dividing the earnings due to the stockholders of the Parent Company by the average number of shares in circulation during the period, excluding the ordinary stock acquired by the Parent Company, held as treasury stock in portfolio.

During the period, the stock in circulation, until 31/07/2008 amounted to 4,400,000, shares, (of which 3,000 are treasury shares held by the company until 28/02/2008 and after the capital increase they totalled 6,400,000; thus the profit per share for the year 2008 amounts to €1.02 per share (compared to €2.99 per share for the same period in 2007).

BASIC PROFIT PER SHARE	31/12/2008	31/12/2007
Profit due to shareolders (Euro/000)	5.476	13.728
Weighted average - number of ordinary shares	5.354.027	4.597.042
Basic profit per share (Euro)	1,02	2,99

(b) Diluted profit per share
The diluted profit per share is determined by dividing the earnings allocated to the stockholders of the Parent Company by the average number of shares in circulation during the period, corrected to take into account the effects of the potential ordinary shares with dilutive effect.

DILUTED PROFIT PER SHARE	31/12/2008	31/12/2007
Profit due to shareolders (Euro/000)	5.476	13.728
Weighted average - number of ordinary shares	5.354.027	4.597.042
Corrected average number of ordinary shares	5.354.027	4.597.042
Diluted profit per share (Euro)	0,99	2,99

Those shares tied to the stock option plan were considered as potential ordinary shares with a dilutive effect.

In relation to the stock option plan the reader is referred to the specific paragraph dedicated to this subject in this document.

For a better understanding of the number of shares in circulation in the year 2008, see the table here below.

Values expressed in euro	31/12/2007		Year 2008		31/12/2008	
Reconciliation between number and value of shares in circulation as of 31/12/2007 and number and value of shares in circulation as of 31/12/2008	**Number of shares**	**Value of shares**	**Shares issued following capital increase**	**Sale of treasury shares**	**Number of shares**	**Value of shares**
Ordinary shares	4.600.000	11.500.000	1.800.000	-	6.400.000	16.000.000
(Treasury shares)	(3.000)	(87.880)	-	3.000	-	-
Ordinary shares in circulation	**4.597.000**	**11.412.120**	**1.800.000**	**3.000**	**6.400.000**	**16.000.000**

❍ NOTE 9.29 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

As of 31/12/2008, the situation relative to guarantees granted, commitments and other potential liabilities of the group was as follows.

Values expressed in euro/000	31/12/08
Guarantees granted	13.947
Commitments for buyback agreements w/clients	3.496
Other commitments and relative contract rights	14.530
Potential liabilities	-
TOTAL	**31.973**

As of 31/12/2008, the Group had granted guarantees to others for an amount equal to 13,947,000 euro.

Commitments for buy-back agreements refer to sales made through leasing companies.

Other commitments and significant contract rights refer mainly to rentals, lease transactions, leases on property and commitments for the purchase of intangible assets.

There are no potential liabilities other than those already reported in the financial statements.

❍ NOTE 9.30 - INFORMATION ON ASSOCIATES

The transactions with associated parties were mainly connected to the supply of laser systems and components to the Joint Ventures in the Far East.
The aforesaid supplies were made at market price.

A table that summarises the equity and financial effects of these transactions is set out hereunder.

BUSINESS WITH JV	SHENYANG PRIMA LASER MACHINE CO.LTD	SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD	WUHAN OVL CONVERGENT	TOTAL BUSINESS WITH JV
RECEIVABLES AS OF 01/01/08	379.963	-	-	379.963
RECEIVABLES AS OF 31.12.08	159.226	-	-	159.226
PAYABLES AS OF 01/01/08	-	-	-	-
PAYABLES AS OF 31.12.08	46.065	-	-	46.065
REVENUES 01/01/08 - 31/12/2008	324.339	401.223	1.553.057	2.278.619
COSTS 01/01/08 - 31/12/2008	-	-	-	-
CHANGES IN RECEIVABLES		-	-	-
01/01/08 - 31/12/2008	(220.737)	-	-	(220.737)
CHANGES IN PAYABLES		-	-	-
01/01/08 - 31/12/2008	46.065	-	-	46.065

OPERATIONS WITH OTHER ASSOCIATES	STRATEGIC MANAGEMENT
RECEIVABLES AS OF 01/01/08	-
RECEIVABLES AS OF 31.12.08	-
PAYABLES AS OF 01/01/08	286.738
PAYABLES AS OF 31.12.08	329.209
REVENUES 01/01/08 - 31/12/2008	-
COSTS 01/01/08 - 31/12/2008	2.217.730
CHANGES IN RECEIVABLES	-
01/01/08 - 31/12/2008	-
CHANGES IN PAYABLES	42.471
01/01/08 - 31/12/2008	-

OPERATIONS WITH ASSOCIATES	TOTAL
RECEIVABLES AS OF 01/01/08	379.963
RECEIVABLES AS OF 31.12.08	159.226
PAYABLES AS OF 01/01/08	286.738
PAYABLES AS OF 31.12.08	375.274
REVENUES 01/01/08 - 31/12/2008	2.278.619
COSTS 01/01/08 - 31/12/2008	2.217.730
CHANGES IN RECEIVABLES	-
01/01/08 - 31/12/2008	(220.737)
CHANGES IN PAYABLES	42.471
01/01/08 - 31/12/2008	46.065

❍ NOTE 9.31 - MANAGEMENT OF FINANCIAL RISKS

As foreseen by IFRS 7, the following is a list of the goals and policies of PRIMA INDUSTRIE S.p.A. and the other companies in the group on the subject of risk management.

The financial instruments of the Group which are allocated for the purposes of financing operations include bank loans, financial lease contracts, sight and short-term bank deposits. There are also other financial instruments, such as trade receivables and payables, deriving from operating activities.
The Group also performed operations in derivatives, such as “Interest Rate Swap – IRS” contracts. The purpose of these instruments is to manage interest rate risks generated by the Group's operations and its loan sources.

The main risks generated by the Group's aforementioned financial instruments are interest risks, exchange rate risks, credit risks and cash flow risks.

The Group has applied a specific policy to manage financial risks correctly, with the purpose of safeguarding its business and its ability to create value for the shareholders and all the *Stakeholders*.

As indicated in the Management Report, the PRIMA INDUSTRIE Group is mainly exposed in the following risks categories:

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

The following table illustrates the goals and policies of the Group for management of the risks indicated above.

Interest rate risk

The position of indebtedness toward the credit system and capital market can be negotiated at fixed or variable rates.
The variation of interest rates on the market generates the following categories of risk:

- an upward variation of market rates exposes the group to the risk of higher financial costs to pay on the amount payable at the variable rate;
- a downward variation of market rates exposes the group to the risk of higher financial costs to pay on the amount payable at the fixed rate;

The strategies of the Group to meet these risks are as follows:

- Interest rate → Management/Hedging

Exposure to the interest rate is structural in nature, as the net financial position generates net financial costs subject to the volatility of interest rates, depending on the contract conditions established with the financial counterparts.

Consequently, the strategy identified, consisting of Management/Hedging consists of:
- Continuous *Monitoring* of exposure to interest rate risk
- Activities of *Hedging* via derivative financial instruments

Exchange rate risk

The position of indebtedness toward the banking system and capital market, as well as toward the other creditors, can be expressed in the group's own reporting currency (euro), or in other reporting currencies.
In this case, the financial cost of the payable in currency is subject to the interest rate risk of a market other than the euro market, that of the chosen currency.

The attitude and strategies to pursue toward the risk factors are determined by a number of elements that concern both the characteristics of the reference markets and their impact on the results of the corporate financial statements.

Four possible strategic orientations can be identified for operating management of the separate risk factors:

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

The strategies of the Group to meet these risks are as follows:

- Exchange rate → Management/Hedging

Exposure to the exchange rate risks deriving from financial factors is currently limited, as the company does not take out loans in currencies other than the valuta euro, with the exception of a few loans in the U.S. pertaining to the subsidiary PRIMA North America, for which the U.S. dollar is the currency of reference.

Relative to trade items, however, the exposure to exchange rate risk is relatively limited at the Group level, as the trade flows in U.S. dollars (basically the only significant reporting currency other than the euro) of the parent company PRIMA INDUSTRIE S.p.A., of FINN-POWER OY and of PRIMA ELECTRONICS (that purchases a large quantity of parts in dollars) are balanced by the flows of the subsidiaries, PRIMA North America Inc. and FINN-POWER International Inc. which operate exclusively in dollars.

The Group therefore tends to minimize its recourse to financial markets for hedges due to the benefits deriving from this natural hedge.
In any case, PRIMA INDUSTRIE performs frequent monitoring to ascertain the existence of this natural hedge at the Group level.

As regards the reporting currencies other than the U.S. dollar, almost exclusively used only by a few subsidiaries that perform activities of sales and after-sales service, the risk management strategy is generally one of acceptance, both because generally the amounts are not large, and also because of the difficulty of finding adequate hedges.

Credit risk

The company deals only with known and reliable clients, moreover the receivable balance is monitored during the year so that the exposure to losses is never great. For this purpose, PRIMA INDUSTRIE recently established a function of Group *credit management*.

It should be noted that part of receivables from clients are transferred to factoring companies.

There are no significant concentrations of receivable risk for the Group.

Financial assets are reported in the financial statements net of the write-down calculated on the basis of the risk of non-performance by the other party, determined on the basis of the available information on the solvency of the client and possibly considering the history.

The receivable risk regarding financial assets of the Group has a maximum level equal to the net book value of these assets in case of insolvency of the other party. For further details on this subject see “NOTE 9.9, TRADE RECEIVABLES”.

Liquidity risk

The liquidity risk is the risk that financial sources may not be sufficient to meet the financial and trade obligations of the Group within the terms and deadlines established for them.

The liquidity risk to which the Group is subject may arise following delayed payments and, more in general, to the difficulty in obtaining financing to support operating activities in the necessary time. The cash flows, financing needs and liquidity of the companies in the Group are monitored or managed centrally, under the control of the Group treasury, with the goal of ensuring effective and efficient management of the financial resources.

The Group operates with a view to performing operations of collection on different financial markets and with different technical forms, in order to guarantee a proper level of liquidity currently and in the future. The strategic goal is to ensure that the company disposes at all times of sufficient credit to meet its financial obligations in the next twelve months.

The current difficult market context at the operating and financial level requires particular attention to management of the liquidity risk and in that sense, particular attention is devoted to those items tending to generate financial resources with operating management and maintenance of an adequate level of liquidity available as an important factor to meet the Group's obligations in 2009, that is expected to be a difficult year.

The Group therefore plans to meet its needs deriving from financial payables and programmed investments as they fall due, through the flows deriving from its operating management, available liquidity, use of credit lines, renewal of bank loans and if necessary, recourse to other forms of provision of an extraordinary nature.

It is particularly important to note that as of 31/12/2008 credit lines were available for 45,901,000 euro, of which 26,105,000 euro to the parent company (in particular at the consolidated level 9,752,000 euro for cash).
These lines, as of 31/12/2008, had been used at the consolidated level for only 11,330,000 euro. In should also be noted that the *working capital* part of the line (portion D of the loan contract for the acquisition of FINN-POWER) for euro 20,000,000 euro had been used as of 31/12/2008 for 4,697,000 euro.

The table below lists, for the assets and liabilities as of 31/12/2008 and on the basis of the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7.

Fair value by categories - IAS 39 - December 31, 2008							
Values in thousands of Euros	**Amounts entered in the financial statement in accordance with IAS 39**						
Assets	**IAS 39 Category**	**Amount in financial statement as of**	**Amortized cost**	**FV attributed to equity**	**FV attributed to income statement**	**IAS 17**	**Fair value as of 31.12.2008**
Cash and cash equivalents	NA	14.467	-	-	-	-	14.467
Assets held to maturity	Held to Maturity	368	368	-	-	-	368
Assets valued in accordance with IAS 17	NA	9.491	-	-	-	9.491	9.491
Total		**24.326**	**368**	**-**	**-**	**9.491**	**24.326**
Liabilities	**IAS 39 Category**	**Amount in financial statement as of 31.12.2008**	**Amortized cost**	**FV attributed to equity**	**FV attributed to income statement**	**IAS 17**	**Fair value as of 31.12.2008**
Liabilities at amortized cost	Amortized Cost	159.656	159.656	-	-	-	160.682
Liabilities at fair value attributed to income statement	Held for Trading	1.453	-	-	164	-	1.453
Derivative hedges	NA	4.401	-	4.247	154	-	4.401
Liabilities valued in accordance with IAS 17	NA	9.131	-	-	-	9.131	9.131
Other financial liabilities - factoring	NA	1.471	-	-	-	-	1.471
Total		**176.112**	**159.656**	**4.247**	**318**	**9.131**	**177.138**

Profits and losses by categories - IAS 39 - December 31, 2008			
Values in thousands of Euros			
Assets	**IAS 39 Category**	**Net profits and losses**	**including from interest**
Cash and cash equivalents	NA	531	531
Assets held to maturity	Held to Maturity	11	11
Assets valued in accordance with IAS 17	NA	-	-
Total		**542**	**542**
Liabilities	**IAS 39 Category**	**Net profits and losses**	**including from interest**
Liabilities at amortized cost	Amortized Cost	(9.585)	(9.247)
Liabilities at fair value attributed to income statement	Held for Trading	(164)	-
Derivative hedges	NA	(180)	-
Liabilities valued in accordance with IAS 17	NA	-	-
Other financial liabilities - factoring	NA	-	-
Total		**(9.929)**	**(9.247)**

For more details on the subject of the liquidity risk, see "NOTE 9.12, NET FINANCIAL POSITION".

- NOTE 9.32 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

In 2008 the Group did not carry out any significant non-recurrent transactions in the sense of the Consob Communication of July 28, 2006.

CERTIFICATION OF THE CONSOLIDTED FINANCIAL STATEMENTS AS OF 31/12/2008
PURSUANT TO ART. 81B OF CONSOB REGULATION No.11971 DATED MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Gianfranco Carbonato and Massimo Ratti of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154a clauses 3 and 4, of legislative decree no. 58 dated February 24, 1998:

   - the adequacy of the report to the characteristics of the enterprise (also taking account of the significant growth of the size of the group during the year, as a consequence of the acquisition, on 4/02/08, of the FINN-POWER) Group, and
   - effective application of the administrative and accounting procedures for the drafting of the consolidated financial statements for the year 2008.

2. The following important aspects have emerged in this regard:
   although for the purposes of preparing the consolidated financial statement only the procedures applied by the parent company in performing the consolidation required examination, we point out that auditing activities and control of administrated accounting procedures relative to the largest companies in the Finn-Power Group as of 31/12/2008 are still incomplete.

3. We also certify that the Consolidated Financial Statements:
   a) reflect the situation as described in accounting documentation;
   b) are drafted in compliance with the international accounting standards issued by the International Accounting Standards Board, as adopted by the European Commission in accordance with the procedure referred to in Article 6 of EC Regulations n°1606/2002 of the European Parliament and Council of 19 July 2002, and in terms of Article 9 of Legislative Decree 38/2005; based on implemented audits, the Financial Statements provide an accurate and truthful representation of the issuing company's financial and economic situation and of the group of companies included in the consolidation.

Date: 13/03/2009

Signed by the appointed Administrative Executive

____

Signature of the director in charge of preparing the Group's corporate accounting documents

Massimo Ratti

____

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Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(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 and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and 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 Italian Legislative Decree n° 38/2005 is the responsibility of the Prima Industrie S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, 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 and correct application of the accounting principles and the reasonableness of the estimates made by management. 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 the auditors' report dated April 11, 2008, issued by other auditors.

3. In our opinion, the consolidated financial statements of the Prima Industrie Group at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the Prima Industrie Group for the year then ended.

4. As a result of our audit, we draw your attention on the following matters disclosed in the notes to the consolidated financial statements and in the Report on Operations:

   a. On February 4, 2008 Prima Industrie S.p.A. concluded the acquisition of the Finn-Power Group; the relevant terms of the transaction are described in the notes to the consolidated financial statements. As a consequence of the above mentioned transaction the economic and financial data relative to the year ending December 31, 2008 are not immediately comparable with those of the previous year.

   b. On March 12, 2009 Prima Industrie S.p.A. received from the pool of lenders the formal acceptance of the amendment of the financial indices originally provided for in the loan arrangement drawn up to finance the acquisition of the Finn-Power Group. The amended financial indices were met as of December 31, 2008. Since the acceptance notice was received after the end of the reporting period, the Company classified the residual obligation under the above mentioned loan within current liabilities, in accordance with the provisions of IAS 1.

Reconta Ernst & Young S.p.A.
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Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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5. The management of Prima Industrie S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of the Prima Industrie Group as of December 31, 2008.

Turin, April 7 2009

Reconta Ernst & Young S.p.A.
signed by: Pietro Carena, partner

ACCOUNTING TABLES

BALANCE SHEET
ACCORDING TO CONSOB RESOLUTION No. 15519 OF 27 JULY 2006

Values in Euro	Note	31/12/2008	of which related parties	31/12/2007	of which related parties
Property, plant and equipment	12.1	7.240.331		3.587.179	
Intangible assets	12.2	1.833.158		315.277	
Investments in subsidiaries	12.3	103.857.439	103.857.439	12.933.734	12.933.734
Investments in joint venture	12.4	1.487.760	1.487.760	664.135	664.135
Other investments	12.5	51.832		51.832	
Financial assets issued to subsidiaries	12.6	65.259.461	65.259.461	5.126.000	5.126.000
Other non current financial assets	12.7	14.324.446	14.035.206	1.133.223	
Deferred tax assets	12.8	2.062.656		2.730.129	
Derivatives	12.14	-		25.902	
Other non current assets	12.9	1.669.247		10.049	
NON CURRENT ASSETS		**197.786.330**		**26.577.460**	
Inventories	12.10	26.532.042		22.968.611	
Trade receivables	12.11	33.089.079	9.274.405	39.535.587	11.323.288
Other receivables	12.12	1.232.902		1.608.323	
Current tax receivables	12.13	2.974.094		2.096.931	
Other current financial assets	12.6	4.189.934	4.189.934	-	
Cash and cash equivalents	12.15	2.403.808		12.188.897	
CURRENT ASSETS		**70.421.859**		**78.398.349**	
TOTAL ASSETS		**268.208.189**		**104.975.809**	
Capital stock	12.16	16.000.000		11.500.000	
Treasury stock	12.16	-		(87.880)	
Legal reserve	12.16	2.300.000		2.300.000	
Other capital reserves	12.16	37.794.240		17.018.984	
Retained earnings	12.16	(1.572.844)		(1.577.524)	
Profit for the year	12.16	8.672.710		7.517.223	
STOCKHOLDERS' EQUITY		**63.194.106**		**36.670.803**	
Interest-bearing loans and borrowings	12.17	31.684.150		11.938.677	
Employee benefit liabilities	12.18	3.466.705		3.369.756	
Provisions	12.19	86.010		42.735	
Deferred tax liabilities	12.20	800.746		1.093.251	
Derivatives	12.14	4.401.465		-	
NON CURRENT LIABILITIES		**40.439.076**		**16.444.419**	
Trade payables	12.21	29.091.976	5.551.536	28.256.140	4.929.974
Advance payments	12.21	8.552.361	46.065	8.554.554	
Other payables	12.21	3.497.565	274.480	3.884.770	239.404
Interest-bearing loans and borrowings	12.17	119.596.718		4.543.011	
Current tax payables	12.22	747.387		3.808.112	
Provisions	12.19	3.089.000		2.814.000	
CURRENT LIABILITIES		**164.575.007**		**51.860.587**	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**268.208.189**		**104.975.809**	
		-		-	

INCOME STATEMENT

ACCORDING TO CONSOB RESOLUTION No. 15519 OF 27 JULY 2006

Values in Euro	Note	31/12/2008	of which correlated parties	31/12/2007	of which correlated parties
Net revenues	12.23	120.125.914	29.372.015	111.401.585	30.902.362
Other income	12.23	2.736.862	1.099.321	2.334.843	439.065
Change in inventories of finished goods and WIP		139.980		2.527.549	
Increases in fixed assets for internal work	12.24	1.776.417		134.807	
Use of raw materials, consumables, supplies and goods		(59.109.539)	(16.939.580)	(58.976.896)	(16.629.032)
Personnel cost	12.25	(19.740.074)	(819.995)	(17.929.817)	(523.764)
Depreciation	12.26	(1.013.738)		(742.759)	
Amortization and impairment					
Other operating expenses	12.27	(30.363.276)	(2.628.274)	(28.565.983)	(1.287.927)
OPERATING PROFIT		**14.552.546**		**10.183.329**	
Financial income	12.28	7.913.166	4.406.952	3.566.202	166.230
Financial expenses	12.28	(9.931.569)		(1.229.474)	(12.157)
Net exchange differences	12.28	(199.824)		30.252	
Impairment of investments in joint ventures	12.29	-		(345.659)	(345.659)
RESULT BEFORE TAXES		**12.334.319**		**12.204.650**	
Income taxes	12.30	(3.661.609)		(4.687.427)	
NET RESULT		**8.672.710**		**7.517.223**	

STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY

from January 1st to December 31st, 2007

Values in Euro	01/01/07	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Loss on sale of treasury stock	Allocation of prior year profits	Distribution of dividends to stockholders	Other movements	Capital increase	Net result	31/12/07
Capital stock	11.500.000	-	-	-	-	-	-	-	-	11.500.000
Treasury stock	(109.034)	21.154	-	-	-	-	-	-	-	(87.880)
Additional paid-in capital	15.664.893	-	-	-	-	-	-	-	-	15.664.893
Legal reserve	2.300.000	-	-	-	-	-	-	-	-	2.300.000
Other reserves	1.184.141	-	-	-	169.950	-	-	-	-	1.354.091
Retained earnings	(1.601.378)	-	25.000	(1.146)	-	-	-	-	-	(1.577.524)
Net result	3.158.000	-	-	-	(169.950)	(2.988.050)	-	-	7.517.223	7.517.223
STOCKHOLDERS' EQUITY	**32.096.622**	**21.154**	**25.000**	**(1.146)**	**-**	**(2.988.050)**	**-**	**-**	**7.517.223**	**36.670.803**

from January 1st to December 31st, 2008

Values in Euro	01/01/08	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Loss on sale of treasury stock	Allocation of prior year profits	Distribution of dividends to stockholders	Other movements	Capital increase	Net result	31/12/08
Capital stock	11.500.000	-	-	-	-	-	-	4.500.000	-	16.000.000
Treasury stock	(87.880)	87.880	-	-	-	-	-	-	-	-
Additional paid-in capital	15.664.893	-	-	-	-	-	-	21.150.000	-	36.814.893
Legal reserve	2.300.000	-	-	-	-	-	-	-	-	2.300.000
Other reserves	1.354.091	-	-	-	4.527.223	-	(3.928.744)	-	-	1.952.570
Capital increase - expenses	-	-	-	-	-	-	-	(973.223)	-	(973.223)
Retained earnings	(1.577.524)	-	4.680	-	-	-	-	-	-	(1.572.844)
Net result	7.517.223	-	-	-	(4.527.223)	(2.990.000)	-	-	8.672.710	8.672.710
STOCKHOLDERS' EQUITY	**36.670.803**	**87.880**	**4.680**	**-**	**-**	**(2.990.000)**	**(3.928.744)**	**24.676.777**	**8.672.710**	**63.194.106**

CASH FLOW STATEMENT

Values in Euro	**31/12/08**	**31/12/07**
Result before taxes	12.334.319	12.204.650
Adjustments (sub-total)	*3.733.100*	*(1.256.851)*
Depreciation and amortization	1.013.738	742.759
Accrual in the provisions for employee benefits	182.771	21.711
Net exchange differences	199.824	(30.252)
Losses/(Gains) from investments	(3.146.280)	(2.522.600)
Cost for share-based payments	318.364	-
Financial expenses	9.931.569	1.229.474
Financial income	(4.766.886)	(697.943)
	16.067.419	10.947.799
(Increase)/Decrease in trade receivables and other receivables	6.612.239	(8.384.402)
(Increase)/Decrease in inventories	(3.563.431)	(3.010.772)
(Increase)/Decrease in trade payables	833.643	9.246.192
(Increase)/Decrease in other payables and liabilities	(3.009.358)	1.644.496
Cash from operations	**16.940.512**	**10.443.313**
Income taxes paid	(4.160.233)	(3.646.040)
Net cash provided by operating activities	**12.780.279**	**6.797.273**
Cash flow from investments		
Acquisition of tangible fixed assets	(4.241.199)	(986.015)
Acquisition of intangible fixed assets	(1.962.279)	(345.811)
Sale/(Purchase) of financial assets	(64.323.395)	(5.365.224)
Sale/(Purchase) of investment in subsidiaries	(90.923.705)	(92.821)
Sale/(Purchase) of investment in joint ventures	(823.625)	-
Sale/(Purchase) of other financial assets	(14.850.421)	-
Net disposal of tangible and intangible fixed assets	18.707	1.437
Dividends received	3.146.280	2.868.259
Financial income	4.766.886	697.943
Net cash used in investing activities	**(169.192.751)**	**(3.222.232)**
Cash flow from financing activities		
Net purchase of treasury stocks	92.560	45.008
Net change in derivatives (FV)	180.259	(32.577)
Increases in loans and borrowings	165.111.358	5.000.000
Repayment of loans and borrowings	(34.433.264)	(4.597.784)
Net change in financial lease liabilities	(199.674)	(583.679)
(Repayment)/Increases of intercompany loans	-	(1.500.000)
Capital increase	24.676.777	-
Financial expenses	(5.810.633)	(1.199.222)
Dividends paid	(2.990.000)	(2.988.050)
Net cash provided by financing activities	**146.627.383**	**(5.856.304)**
Net change in cash and equivalents	**(9.785.089)**	**(2.281.263)**
Cash and equivalents beginning of period	**12.188.897**	**14.470.160**
Cash and equivalents end of period	**2.403.808**	**12.188.897**

11. DESCRIPTION OF ACCOUNTING STANDARDS

➔ COMPANY INFORMATION

PRIMA INDUSTRIE S.p.A. ("Company") is an organization incorporated under the legal system of the Italian Republic and is the parent company possessing directly, or indirectly through other companies, holdings in the share capital of companies belonging to the PRIMA Group. The company's registered office is in Collegno, Italy.

The corporate scope of PRIMA INDUSTRIE S.p.A. involves the planning, manufacturing and marketing of devices, instruments, machinery as well as of mechanical, electrical and electronic systems and of the relative programming (software) which is utilized for industrial automation or in other sectors where the company's technologies may be usefully employed.
The company may also supply industrial services of a technical, managerial and organizational nature within the fields of production of instrumental goods and industrial automation.

The main activity is focused on the sector of 2D and 3D cutting and welding laser machines.

As parent company, PRIMA INDUSTRIE S.p.A. has also prepared the consolidated financial statements to 31.12.08 of the PRIMA Group.

➔ VALUATION CRITERIA

The 2008 financial statements represent the separate statements of the parent company PRIMA INDUSTRIE S.p.A. and were prepared according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. IFRS refers to all reviewed International Accounting Standards ("IAS") and all interpretations of the International Financing Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee (""SIC).

In fulfilment of European Regulation no. 1606 of 19 July 2002, since 2005 the PRIMA Group has adopted the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") to prepare the consolidated financial statements. In accordance with national norms for the implementation of these Regulations, the Financial Statements of the parent company PRIMA INDUSTRIE S.p.A have been prepared using the aforementioned standards since of 2006.

The information statement required by IFRS 1 - First-time adoption of the IFRS, regarding the effects of transition to the IFRS, was included as an annex to the consolidated financial statements to 31 December 2006, to which you are referred.

The financial statements have been drafted on the basis of the principle of historical cost, with the exception of the financial assets and liabilities (derivative instruments included) of the category at the fair value with changes of value reported in the income statement, and on the presumption of a going concern. The Group has effectively ascertained that there are no significant uncertainties (as defined in par. 25 of IAS Standard 1) about its continuity, also in view of the mentioned recalculation of the financial indices relative to the loan contract.

Preparation of the financial statements in accordance with IFRS Statements" inevitably involves use of accounting estimates and the opinions expressed by the Directors of the company. The areas of the financial statements which require the application of more complex estimates and a greater use of evaluations on the part of the company's Directors are specified below.

The financial statements were prepared on the basis, therefore, of a going concern. This supposition, though in the reference economic context and in consideration of the financial commitments ahead of the Group, must be deemed satisfactory in consideration of the industrial strong points of the Group and the availability of financial resources deemed sufficient to meet the commitments undertaken in the near future. The aforementioned recalculation of the financial indices relative to the loan contract, for which on the formalisation stage remains, and the punctual payment of the first two instalments of the loan, one expiring in 2009, corroborate the certainty of an ongoing concern.

➔ ACCOUNTING STATEMENT FORMAT

The Company presents its income statement by nature of expenditure. With reference to the assets and liabilities of the balance sheet, a form of presentation was used that distinguishes them between current and non-current, as allowed by IAS 1. Adequate information on the expiration of the liabilities is furnished in the relative notes. The financial cash-flow statement was prepared using the indirect method.

➔ CHANGES IN ACCOUNTING STANDARDS

Relative to changes in the accounting standard which occurred in 2008, see Chapter 6 of the consolidated financial statements entitled “DESCRIPTION OF THE ACCOUNTING STANDARDS”.

TRANSLATION OF ITEMS IN FOREIGN CURRENCY

The financial statements were drawn up in euro, the functional and presentation currency.

Transactions in currencies other than Euro are initially recorded at the exchange rate effective on the date of the operation.
Monetary assets and liabilities denominated in currencies other than Euro are converted at the exchange rate effective on the date of closing of the financial statements. All the exchange differences are reflected in the Income Statement.
The non-monetary items recorded at historical cost are converted into Euro using the exchange rate in force at the starting date of the disclosure of the transaction. The non-monetary entries recorded at fair value are converted using the exchange rate at the date of determination of that value.

TANGIBLE ASSETS

All categories of tangible fixed assets, including real estate investments, are entered in the financial statements at their historical cost, decreased by any depreciation and impairment, with the exception of land which is entered at the historical cost and potentially reduced by the impairment value. The cost includes all expenses which are directly ascribable to the purchase.

Costs sustained after the acquisition of the asset are booked as an increase of their historical value or booked separately, but only if it is probable that they will generate future economic benefits and if their cost can be reliably measured.

Depreciation of tangible fixed assets is calculated on a straight-line basis in order to distribute the residual book value across the economic-technical life, which is estimated as follows:

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

Extraordinary maintenance operations which are capitalized as increases of an existing asset are depreciated on the basis of the residual useful life of this asset or, if lower, within the period up until the subsequent maintenance operation.

The residual value and the useful life of the tangible fixed assets are reviewed and modified, if necessary, at the closing date of the Financial Statements.
"*Impairment*": the book value of the tangible fixed assets is immediately written down to the recoverable value, whenever the former value exceeds the latter.

Gains and losses on the disposal of tangible fixed assets are recorded in the Income Statement and are determined by comparing their carrying value with the selling price.

Financial charges which are sustained for the construction of a tangible asset are booked within the income statement of the year of reference.

Assets owned through financial lease contract, through which all the risks and benefits linked to ownership are substantially transferred to the company, are entered as croup assets at their *fair value* or, if less, at the current value of the minimum payments due on the lease. The leasing fee is separate between the capital quota and the interest quota, determined by applying a constant interest rate to the residual debt.

The financial payable due to the leasing company is booked under short-term liabilities for its current portion and under long-term liabilities for the quota which must be reimbursed after the year. Interest liabilities are allocated to the Income Statement for the duration of the contract. The asset under financial lease is recorded amongst the tangible fixed assets and is depreciated on the basis of the estimated financial-technical useful life of the asset.

Rentals in which the landlord maintains practically all the risks and benefits linked to ownership of the property are classified as operating leases. The costs referred to operating leases are reported in the income statement during the duration of the lease contract.

Real estate investments owned for rental purposes are valued at the net cost of amortization and losses for accumulated impairment of value.

➔ INTANGIBLE ASSETS

(a) Software

Software licences are capitalized at the cost incurred to obtain and put them into operation and are amortized on the basis of their estimated useful life (from 3 to 5 years).
Costs associated with the development and maintenance of software programs are considered costs of the year and are therefore booked within the income statement of competence.

(b) Research and development costs

R&D costs are booked within the income statement of the year in which they are sustained.
Development costs incurred in relation to a specific project are capitalized under the following conditions:

- ❑ the costs can be reliably ascertained;
- ❑ the technical feasibility of the projects, expected volumes and prices indicate that the costs incurred in the development stage will generate future economic benefits.

Development costs allocated to the Income Statement in previous financial years are capitalized retrospectively if, at a later date, they possess the necessary characteristics.
The development costs having a definite useful life are amortized from the date of marketing the product, on the basis of the period over which it is estimated that they will produce a financial benefit and in any event over a period not exceeding five years.
Development costs that do not have these characteristics are charged to the income statement
of the year in which they are incurred.

(c) Other intangible assets

Other intangible assets which are acquired separately are capitalized at cost while those acquired through business combination transactions are capitalized at their fair value which is determined on the date of acquisition.
After the first determination, the intangible fixed assets with a defined useful life are recorded at cost reduced by amortization and impairment; the intangible fixed assets with an indefinite useful life are shown at cost reduced by impairment only;
Intangible assets which are internally produced are not capitalized but are booked within the income statement of the year in which they are sustained. The other intangible assets are annually subject to impairment tests; this analysis may be implemented at the level of the individual intangible asset or unit which generates revenue flows. The useful life of other intangible fixed assets is reviewed annually: where possible, any changes are shown in schedules.

➔ SHAREHOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

They are entered at the cost adjusted by impairment.

The positive difference, emerging from the purchase agreement, between the cost of acquisition and the current value of shareholders' equity in the subsidiary is hence included in the book value of the shareholding.

Stakes in subsidiaries and associated companies are subject to a yearly, or more frequent, if necessary, impairment test. If there is evidence that these shareholdings have undergone a loss in value, this fact is posted as a write down in the income statement. If the portion of losses in the subsidiary exceeds the book value of the shareholding, and the company is obliged to answer for this, the value of the stake is cleared and the share of further losses are entered under liability provisions. If, later, the impairment is overcome or reduced, a recovery of the value is reported in the income statement, within the limits of the cost.

➔ EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other minor companies, for which no market quotation exists, are entered at cost, written down for any losses in value.

➔ LOSS OF VALUE OF THE ASSET ("IMPAIRMENT")

Assets with undefined useful lives that are not subject to amortization are subject to impairment tests each year as well as each time there is an indication that their book value cannot be recovered.

Assets subject to amortization are only subject to impairment tests if there is an indication that their book value cannot be recovered.

The amount of the write-down for impairment is calculated as the difference between the book value of the asset and its recoverable value, which is considered the greater between the price of sale net of transaction costs and its value in use, i.e. the current value of the estimated financial flows, inclusive of taxes, applying a discount rate that reflects the current market evaluations of the temporal value of money and the risks specific to the asset. Impairment is entered if the recoverable value is less than the book value. When an impairment on assets other than goodwill are reduced or eliminated at a later date, the book value of the asset or generator of financial flows is increased up to the new estimate of the value recoverable and cannot exceed the value that it would have had if an impairment had not been reported for reduction of value. Restoration of value impairment is entered immediately in the income statement.

➔ FINANCIAL INSTRUMENTS

PRESENTATION

The financial instruments held by the company are included in the items of the financial statements described hereafter.

The item Equity Investments and the other non-current financial assets include equity investments in other enterprises, equity investments in enterprises with joint control and other non-current financial assets (policies of capitalization held with the intention of keeping them in the portfolio until their expiration, and loans and receivables originating during the course of characteristic activities). Current financial assets include trade receivables and the availability of equivalent means. In particular, the item Availability of equivalent means includes bank deposits. The financial liabilities refer to financial payables, including payables for advances on the transfer of receivables, and other financial liabilities (that include the negative fair value of derivative financial instruments), trade payables and other payables.

VALUATION

Equity investments in subsidiaries, affiliates and joint ventures, as well as other enterprises included among non-current financial assets are booked as described below.

Non-current financial assets other than equity investments, such as financial liabilities, are reports as required by IAS 39 – Financial Instruments: reporting and valuation

The loans and receivables that the company is not holding for negotiation, the assets in portfolio with the intention of holding them to maturity, are valued at the depreciated cost, using the method of effective interest. When financial assets do not have a fixed expiration, they are valued at the purchase cost. Evaluations are made regularly to ascertain whether they is any objective evidence that a financial asset may have undergone impairment. If there is such objective evidence, the impairment must be reported in the income statement for the period. With the exception of derivative financial instruments, the financial liabilities are reports at their depreciated cost using the method of effective interest.

DERIVATIVE FINANCIAL INSTRUMENTS

Financial instruments are used as hedges to reduce the rate risk.

Coherently with the terms of IAS 39, derivative financial instruments can be reported according to the methods established for *hedge accounting* only when, at the start of coverage, there is a formal designation and documentation of the hedge relation, the hedge is presumed to be highly effective, the effectiveness can be reliably measured and the hedge is highly effective during the different accounting period for which it is designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

When the financial instruments have the characteristics to be reported in *hedge accounting*, the following accounting methods are used:

CASH FLOW HEDGE

If a derivative financial instrument is designated as a hedge for exposure to the variability of future cash flows of an asset or liability entered in the financial statement or of a transaction this is highly likely to have effects on the income statement, the effective portion of the profit or loss of the derivative financial instrument, it is reported in shareholders' equity. The accumulated profit or loss are cancelled from the shareholders' equity and reported in the income statement in the same period in which the relative economic effect of the hedged transaction is reported. The profit or loss associated with a hedge (or portion of a hedge) are entered in the income statement immediately when they become ineffective. If a hedge or hedge relation are closed, but the hedged transaction has not been realized yet, the accumulated profits and losses, reported until then in the shareholders' equity, are reported in the income statement in relation to the report of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed probable, the profits or losses still not realized, suspended in shareholders' equity, are reported immediately in the income statement.

➔ INVENTORIES

Warehouse inventories are booked at the lower of the cost and the net estimated realizable value, the latter being represented by the normal sales value during ordinary activities, net of variable sales expenses.

The cost is determined using the average weighted cost method. The cost of finished and semi-finished products includes planning costs, raw materials, direct labour costs, other direct and indirect costs which may be allocated to production activities on the basis of a normal production capacity and the state of work progress. This cost configuration does not include financial expenses.

Write-down funds are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow moving, taking account of the expected future utility and their sale value.

➔ TRADE AND OTHER RECEIVABLES

Trade receivables are initially booked at "fair value" and subsequently measured at their amortized costs by using the effective interest rate method, net of write-downs in order to take account of their dubious recuperability. The debt is written off if there is

objective evidence that the company will not be able to collect the entire amount due on the date agreed with the customer.
The write-down amount is determined as the difference between the book value of the receivable and the present value of future collections, discounted on the basis of the effective interest rate. The write-down of receivables is recorded in the Income Statement.

➔ TRANSFER OF RECEIVABLES

The receivables transferred via factoring transactions are eliminated from the assets of the balance sheet if and only if the risks and benefits relative to their ownership have been substantially transferred to the concessionaire. Transferred recourse loans and receivables transferred for collection that do not satisfy these requisites remain in the financial statements of the Company, despite the fact that they have legally been transferred; in this case, a financial liability of the same amount is entered for the advance received.

➔ CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, immediately available bank deposits and the current account overdraft and other liquid investments maturing within three months. The overdraft on the current account is recorded amongst short-term loans.

➔ ASSETS HELD FOR SALE

The item Assets held for sale includes non-current assets (or groups of assets for liquidation) whose book value will be recovered mainly through sale rather than through continuous use. Assets held for sale are valued at the lesser between the net book value and the *fair value* net of sale costs.

➔ SHARE CAPITAL

Ordinary shares are classified in shareholders' equity.

Additional expenses directly tied to the issue of shares or options are recorded in the equity as a reduction of the cash received.
Whenever the company buys treasury shares, the purchase price net of any additional expenses that can be directly attributed to the purchase (net of taxes) is deducted from Shareholders' Equity until such time as the treasury shares are eliminated, re-issued or sold.

➔ LOANS

Loans are initially booked within the financial statements at their fair value, net of any potential accessory charges. After their first disclosure, they are accounted for as amortized costs. Any difference between the collection net of any potential accessory charges and the reimbursement value is recorded within the income statement on an accruals basis by using the effective interest rate method.
Loans are recorded among short-term liabilities, provided that the Company has no unconditional rights to defer the loan beyond 12 months of the closure of the financial statements.

➔ EMPLOYEE BENEFITS

(a) Pension plans
Until December 31st, 2006, employee severance indemnities were considered a fixed-benefit plan.
Regulation of these funds was modified by Law no. 296 of December 27th, 2006 (2007 Financial Act) and subsequent Decrees and Regulations issued in the first months of 2007. In light of these modifications and, in particular, with reference to companies with at least 50 employees, this scheme must now only be considered a fixed—benefit plan for quotas accrued before January 1st, 2007 (and not yet liquidated within the financial

statements) while the quotas which accrued subsequently to this date are comparable to a fixed-contribution plan.

The Cometa fund (CCNL supplementary pension fund) is considered equivalent to a fixed-contribution plan.

Fixed-benefit plans are retirement plans which define the total amount of the retirement benefit which is due to the worker at the time of cessation of the employment relationship; this amount depends upon a variety of factors such as age, years of service and salary.
The defined contribution schemes are pension plans in respect of which the Company pays a fixed sum to a separate entity. The company does not have any legal or implicit obligation to pay further sums should the assets serving the scheme become insufficient to pay the employees the benefits due to them for current and past services.

The liability booked within the financial statements in connection with fixed—benefit plans is the present value of the obligation due on the closing date of the financial statements, net of the fair value of the assets serving the plan (if existent), both of which are adjusted for the total actuarial earnings and losses and for the social security cost relative to past services. The obligation is determined on an annual basis by an independent actuary by means of the Projected Unit Credit Method.

The present value of the obligation is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated retirement liabilities.
The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan (if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years expected from employees which adhere to the plan.
The employee benefit cost relating to past services is immediately recorded in the Income Statement, unless the changes to the pension plan are not dependant on the employees' remaining in service for a certain period of time. In this case the employee benefit cost for past services is amortized on a straight-line basis in the period in which it accrued.

For defined contribution plans the Company pays contributions to state or private pension funds on a compulsory, contractual or voluntary basis. Once these contributions have been paid, the Company has no further obligations. The contributions paid are recorded in the Income Statement under labour costs when they fall due. Contributions paid in advance are recorded amongst the prepaid expenses only if a refund or a reduction of future payments is expected.

(b) Benefits granted on achieving a certain level of seniority in the company
The company grants benefits to its employees when they reach a certain seniority of service in the company.
The liability booked within the financial statements in connection with these benefits plans is the present value of the obligation on the closing date of the financial statements, net of the fair value of the assets serving the plan (if existent), both of which are adjusted for the total actuarial earnings and losses and the relative accrued benefits. The obligation is determined on an annual basis by an independent actuary by means of the Projected Unit Credit Method. The present value of the bond is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated liabilities.
The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan

(if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years with respect to the date of attainment of the seniority pre-determined for employees which adhere to the plan.

(c) Benefits granted on termination of the employment relationship
Workers are entitled to receive these benefits on early termination of the employment relationship, prior to the retirement date or in the case of termination due to a corporate restructuring plan. The Company records a liability in the financial statements to meet such benefits when:
a) there is a formal, detailed plan of incentives to leave without the possibility that the employee chooses otherwise
B) an offer is made to employees to encourage voluntary resignations. The amounts payable beyond 12 months of the closure of the financial statements are discounted back.

(d) Incentives, bonuses and profit-sharing schemes
The Company records a cost and a debt to meet the liabilities that arise for bonuses, employee incentives and profit-sharing schemes, determined using a formula that considers profits attributable to shareholders after certain adjustments are made. The company records a liability to a reserve only if contractually obliged or if there is a customary obligation to do so.

(e) Employee benefits granted in shares
The company awards additional benefits to some members of the top management and employees through stock option plans.
As established by IFRS 2 – Payments based on stocks, these plans are an element of retribution of the beneficiaries; therefore the cost is represented by the fair value of the stock options as of the date of assignment, and is reported in the income statement in regular portions for the period between the date of assignment and that of maturity, with the counterpart attributed directly to the shareholders' equity. Variations in the fair value subsequent to the date of assignment have no effect on the initial valuation.

➔ PROVISIONS FOR RISKS AND CHARGES

Provisions are allocated to risks and charges when:

- ❑ a legal or implied obligation arises for the company as a result of past events,
- ❑ it is probable that resources will be utilized in order to meet the obligation, and
- ❑ the amount can be reliably determined.

Restructuring funds include both liabilities deriving from company exiting incentives as well as from penalties linked to the cancellation of leasing contracts. Provisions cannot be allocated to risks and charges to meet future operating losses.

Allocations are booked by discounting the best estimates implemented by directors in order to identify the amount of costs which the company must incur on the closing date of the financial statements in order to redeem the obligation.

➔ REPORTING REVENUES

Revenues include the "fair value" arising from the sale of goods and services net of VAT, returns and discounts. Revenues are recorded according to the following rules:

(a) Sale of goods

Revenues are booked at the time in which the company has transferred the significant risks and benefits linked to ownership of the good and when its amount can be reliably estimated.

Revenues from the sale of laser systems are booked at the time of acceptance of the machines on the part of the final customer; this moment generally coincides with the date of signing the test report by the final customer.

On the other hand, invoicing takes place when the goods are taken on by the carrier in accordance with international commercial terms (known as "incoterms"). From that time onwards, the PRIMA INDUSTRIE Group is free from all liability relating to transportation.

Following a misalignment between the invoicing date and the date of recognition of the revenue, the counter-value of machines which are invoiced but not yet accepted by the customer are re-entered amongst the inventories of finished products, net of the margin, and offset within the “accounts” account under liabilities. The Group has chosen this presentation, instead of reducing the "receivables from clients" account, because this option ensures correct portrayal of underlying contract relationships.

(b) Services

Revenues from services are booked on the basis of the state of progress in the year in which they are performed.

(c) Interest

Receivable interest is booked on an accruals basis and in accordance with the criterion of amortized cost by utilizing the effective interest rate (a rate which precisely discounts future expected financial flows on the basis of the expected lifetime of the financial instrument).

(d) Royalties

The revenues from royalties are accounted for on the accrual principle on the basis of the contents of the underlying contracts.

(e) Dividends

Dividends are booked in the year in which the right of shareholders to receive the payment becomes effective.

➔ TAXES

a) current: the income tax burden for the year is determined according to the legislation in force. Income tax is reflected in the income statement. On 01/06/07, the company notified the Italian Internal Revenue Service of its renewal—in conjunction with the subsidiary PRIMA ELECTRONICS S.p.A.—in the national consolidated taxation regime for the three-year period 2007-2009, in accordance with article 117/129 of the Consolidation Act on Income Tax (T.U.I.R.). An agreement was therefore stipulated in order to regulate relations between the two companies.

b) deferred: deferred and prepaid taxes are calculated on all the temporary differences between tax value and the book value of the assets and liabilities of the company’s financial statements.

These are calculated using the tax rates and laws that are in force at the date of closure of the financial statements, or using ones that are effectively in place and that are expected to be applicable at the time of the reversal of the temporary differences that gave rise to the recording of the deferred taxes.

Receivables for prepaid taxes are recorded in the financial statements only if, at the time of the reversal of the temporary difference, the likelihood exists of sufficient taxable income to offset them.

Assets for prepaid taxes are reviewed at the close of each financial year and may be reduced if it is no longer likely that sufficient taxable income will become available in the future for full or partial utilization of the receivable.

Deferred taxes relative to items that are directly booked under shareholders' equity are also directly booked under shareholders' equity.

➔ DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders generates a payable at the time of approval of the shareholder's meeting.

➔ STATE GRANTS

State grants are recorded in the Financial Statements at their fair value, only if there exists a reasonable certainty that they will be granted and the company has satisfied all the conditions required to obtain them (obtaining the decree from the competent Ministry).

Revenues from state grants are recorded in the Income Statement if the costs for which they were granted are actually incurred.

State grants for the acquisition of tangible fixed assets are booked net of the fixed asset value and are credited to the income statement on the basis of the depreciation of the goods for which they were granted.

➔ ESTIMATE OF FAIR VALUE

The "fair value" of financial interests quoted on an active market is determined on the basis of the market price at the date of closure of the Financial Statements. The market price of reference for financial assets held by the company is the current sales price (acquisition price for financial liabilities).

The fair value of financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions depending on the market conditions existing at the time of closure of the Financial Statements. Medium/long-term liabilities are compared with the prices of similar listed financial instruments, for other categories of financial instruments the financial flows are discounted.

The "fair value" of the IRS is calculated by discounting the estimated financial flows deriving from it to the date of the financial statement. For receivables, the nominal value net of any corrections made to take account of their payability will presumably approximate the "fair value". For reporting purposes, the fair value of financial liabilities is determined by discounting the financial flows from the contract at an interest rate that approximates the market rate at which the Company obtains financing.

➔ THE FINANCIAL RISK FACTORS

As regards management of financial risks, see our commentary in the corresponding note of the consolidated financial statements.

➔ DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNT ESTIMATES

The preparation of the Financial Statements requires Management to make a series of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions influences the amount of the assets and liabilities recorded in the Balance Sheet, as well as the costs and income disclosed in the Income Statement. The actual results can differ significantly from the estimate made, in view of the natural uncertainty that surrounds the assumptions and conditions on which the estimates are based.

In this context, it should be noted that the situation caused by the current financial and economic crisis has made necessary certain assumptions regarding future performance, characterized by significant uncertainty, so that it is not possible to exclude, in the coming year, the possibility of different results from those estimated and that could required correction, even to a great extent but obviously not foreseeable in the present time, of the book value of the relative items. The items of the financial statement mainly affected by this situation of uncertainty are the receivable and inventory write-down funds, non-current assets (both tangible and intangible), pension funds and other benefits subsequent to employment, deferred asset taxes.

Hereafter we summarize the main processes of evaluation and the key assumptions used in the process, that could have significant effects on the values reported in the annual financial statements or for which there is a risk of possible corrections of book value of the assets and liabilities in the year after the one to which the financial statements refer.

Recoverable value of goodwill included in the FINN-POWER equity investment

Analysis of the book value of this assets was made using the expected cash flows deriving from its use and adequate discount rates for calculation of its current value. In this context, in preparing the financial statement as of 31.12.08, and more in particular, in performing the impairment test of the equity investment, expected performance for 2009 was taken into consideration, the assumptions and results of which are coherent with the comments contained in the section entitled "SIGNIFICANT EVENTS OCCURRING AFTER YEAR END" and "FORESEEABLE MANAGEMENT DEVELOPMENTS". Moreover, for the subsequent years of the plan, the necessary changes were made in the original plans to take account, in the prudential sense, of the economic-financial context and the market context which have been profoundly affected by the current crisis. On the basis of the amended plan data, no needs of impairment emerged.

12. NOTES ILLUSTRATING THE ANNUAL FINANCIAL STATEMENT AS OF DECEMBER 31, 2008

The data provided in the explanatory notes are in euro, unless specified otherwise.

NOTE 12.1 – INTANGIBLE FIXED ASSETS

Intangible fixed assets	Land and buildings	Machinery and equipment	Industrial and commercial equipment	Other goods	TOTAL
January 1, 2007					
Historic cost	2.418.872	1.863.126	2.129.373	2.485.037	**8.896.408**
Depreciation fund	(495.174)	(1.395.236)	(1.746.588)	(2.105.620)	**(5.742.618)**
Net value as of January 1, 2007	**1.923.698**	**467.890**	**382.785**	**379.417**	**3.153.790**
Year 2007					
Net value as of January 1, 2007	1.923.698	467.890	382.785	379.417	**3.153.790**
Increases	266.765	116.294	270.655	332.301	**986.015**
Removals				(2.590)	**(2.590)**
Depreciation	(75.798)	(120.265)	(191.192)	(163.933)	**(551.188)**
Use of depreciation fund				1.152	**1.152**
Net value as of December 31, 2007	**2.114.665**	**463.919**	**462.248**	**546.347**	**3.587.179**
January 1, 2008					
Historic cost	2.685.637	1.979.420	2.400.028	2.814.748	**9.879.833**
Depreciation fund	(570.972)	(1.515.501)	(1.937.780)	(2.268.401)	**(6.292.654)**
Net value as of January 1, 2008	**2.114.665**	**463.919**	**462.248**	**546.347**	**3.587.179**
Year 2008					
Net value as of January 1, 2008	2.114.665	463.919	462.248	546.347	**3.587.179**
Increases	3.789.590	47.548	211.487	190.475	**4.239.100**
Removals	-	(7.875)	(13.412)	(60.239)	**(81.525)**
Depreciation	(76.966)	(107.856)	(197.479)	(187.039)	**(569.340)**
Use of depreciation fund	-	3.776	9.056	52.086	**64.918**
Net value as of December 31, 2008	**5.827.288**	**399.512**	**471.900**	**541.630**	**7.240.331**
December 31, 2008					
Historic cost	6.475.227	2.019.094	2.598.103	2.944.984	**14.037.408**
Depreciation fund	(647.938)	(1.619.581)	(2.126.203)	(2.403.354)	**(6.797.076)**
Net value as of December 31, 2008	**5.827.288**	**399.512**	**471.900**	**541.630**	**7.240.331**

The item “Land and buildings” includes:

- “Land” for a total value of 4,108,000 euro. Among the most significant increases of the year, was the purchase of land relative to the area of the new plant located in the municipality of Collegno (TO) for 3,553,000 euro (inclusive of costs for registration tax, mortgages, Property Registry costs and other accessory costs).
- “Buildings” for a total value of 1,582,000 euro. This item includes the building rented to PRIMA FINN-POWER UK (187,000 euro) the company plant leased at via Antonelli 28 (947,000 euro) and tangible fixed assets in progress (448,000 euro).
- “Light constructions” for 137,000 euro.

It should be noted that land and buildings were valued in 2004 by an outside appraiser who determined their fair value. As of 31/12/2008 this value is not lower than the value entered in the financial statements.

The item Plants and Machinery includes:

- Plants for 322,000 euro and
- Machinery for 78,000 euro.

During 2008 this item increased by 47,000 euro.

The item industrial equipment includes equipment for 355,000 euro and dies for 117,000 euro. The value of equipment produced on a time and materials basis during the year is 78,000 euro.

The other tangible fixed assets are:

- electronic office equipment worth 456,000 euro;
- office furniture, furnishings and equipment with a value of 62,000 euro;
- vehicles for internal transport for 24,000 euro

During 2008 the value of electronic machines obtained on a financial lease was zeroed, at they had been fully depreciated.

Tangible fixed assets decreased in 2008 mainly following sale of the assets of the PRIMA FRANCE branch to the Group company PRIMA FINN-POWER FRANCE. The breakdown of decreases is illustrated below.

	thousand euro
Plants	8
Tools and instruments	13
Office fornitures and furnishings	5
Electronic office equipments	24

Electronic office machines decreased by 31,000 euro following sale of a plotter, 5 photocopiers and a laptop computer, the latter to PRIMA FINN-POWER (Beijing) Co. Ltd.

All the above figures to 31.12.08 are net of depreciation.

In accordance with IAS 16, paragraph 74, there are no restrictions on the ownership of property, plants and machinery, with the exception of the goods under financial leasing mentioned above, which remain the property of the leasing company.

NOTE 12.2 – INTANGIBLE FIXED ASSETS

Intangible fixed assets	**Software**	**Est.rights on production**	**Development costs**	**Other**	**TOTAL**
Year 2007					
Net value as of January 1, 2007	95.156	65.880	-		**161.036**
Increase/(decrease)	321.811	(1.000)	-	25.000	**345.811**
Depreciation	(170.350)	(16.220)	-	(5.000)	**(191.570)**
Net value as of December 31, 2007	**246.617**	**48.660**	**-**	**20.000**	**315.277**
Year 2008					
Net value as of January 1, 2008	246.617	48.660	-	20.000	**315.277**
Increase/(decrease)	263.718	-	1.698.561	-	**1.962.279**
Depreciation	(227.213)	(16.220)	(195.965)	(5.000)	**(444.398)**
Intangible fixed assets	**283.122**	**32.440**	**1.502.596**	**15.000**	**1.833.158**

Intangible assets as of 31/12/2008 consist of software for 283,000 euro, rights for 32,000 euro and development costs for 1,503,000 euro, while the item “Others”, for 15,000 euro, refers to the concession of a patent in accordance with the cooperation and license agreement with the Fiat Research Centre.

The item “Rights on prod. - Stima” refers to the agreement between PRIMA INDUSTRIE S.p.A. and Stima Engineering S.r.l. whose object is non-exclusive transfer to PRIMA INDUSTRIE of the production know-how of the units entitled compact server and tower server, as well as development of the compact server project with motorized pallets.

During the year 2008 development costs were capitalized for 980,000 euro relative to development assets for products already in use, on which the depreciation was calculated (value net of depreciation 784,000 euro) and for 719,000 euro referring to assets that will be completed in the year or years thereafter, for which there were no benefits in the year and consequently no depreciation was calculated.

❍ NOTE 12.3 - EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries	PRIMA ELECTRONICS S.p.A	PRIMA INDUSTRIE GmbH	PRIMA North America Inc.	PRIMA SCANDINAVIA AB	PRIMA FINN-POWER UK LTD	PRIMA FINN-POWER POLSKA S.p.z.o.o	PRIMA INDUSTRIE (BEIJING) CO. LTD.	FINN POWER	TOTAL
Value of equity investment	1.705.206	474.435	24.205.796	248.516	1				**26.633.954**
Write-down fund		(149.238)	(13.408.731)	(235.072)					**(13.793.041)**
Net value as of 01/01/08	**1.705.206**	**325.197**	**10.797.065**	**13.444**	**1**	**92.821**	**-**	**-**	**12.933.734**
Percentage of result									-
Increases							100.000	90.772.767	**90.872.767**
Other changes in shareholders' equity	50.938								**50.938**
Net value as of 31/12/08	**1.756.144**	**325.197**	**10.797.065**	**13.444**	**1**	**92.821**	**100.000**	**90.772.767**	**103.857.439**

The value of equity investments as of 31/12/2008 amounts to 103,857,000 euro, and increased with respect to the previous year by 90,924,000 euro due to the acquisition of the equity investment in FINN-POWER for 90,722,000 euro and the establishment of a new company in China, “PRIMA (INDUSTRIE) Beijing Co. Ltd.” for 100,000 euro.

The equity investments in FINN-POWER and PRIMA ELECTRONICS both increased during the year 2008 by 51,000 euro relative to the fair value of the options assigned to the company management.

It should be noted that all the Companies listed above fall within the area of consolidation of the PRIMA group.

In this connection, the acquisition of the FINN-POWER Group brought with it a goodwill of 96,078,000 euro. Determination of the value of use according to the process illustrated in Note 9.2 made it possible not to make any reductions in the value of goodwill allocated to the FINN-POWER Group. Clearly, this value, adjusted by the net financial position of the FINN-POWER Group as of 31/12/2008 is higher than the cost of the equity investment. Thus there is no reason for reducing the value of the cost of the equity investment.

❍ NOTE 12.4 - EQUITY INVESTMENTS IN JOINT VENTURE

Equity investments in joint ventures	SNK	SHANGHAI UNITY PRIMA [1]	TOTAL
Value of equity investment	389.827	449.227	**1.752.941**
Write-down fund	(174.919)		**(1.088.806)**
Net value as of January 1, 2008	**214.908**	**449.227**	**664.135**
Percentage of result			**-**
Increases		823.625	**823.625**
Other changes in shareholders' equity			**-**
December 31, 2008	**214.908**	**1.272.852**	**1.487.760**

[1] *SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD.*

PRIMA INDUSTRIE S.p.A. has equity investments in three joint ventures established in China and Japan; in addition to the two illustrated in the table above, the company also owns 50% of the joint venture Shenyang-PRIMA Laser Machinery Co. Ltd., the cost of which was entirely zeroed. During the year the equity investment in Shanghai Unity PRIMA was increased by 824,000 euro with the acquisition of additional 7.5%, thus increasing the equity investment from 27.5% to 35%. In compliance with IAS/IFRS, the share for the year's result in the joint ventures is posted only in the consolidated financial statements. For more information, see note 9.4 "Equity investments values with the shareholders' equity method".

❍ NOTE 12.5 - OTHER EQUITY INVESTMENTS

Other equity investments	Consorzio Sintesi	Unionfidi	Fidindustria	TOTAL
Value of equity investment	51.600	129	103	**51.832**
Write-down fund	-	-	-	**-**
Net value as of 01/01/2008	**51.600**	**129**	**103**	**51.832**
Increases	-	-	-	**-**
Decreases	-	-	-	**-**
Net value as of 31/12/2008	**51.600**	**129**	**103**	**51.832**

The other equity investments did not change with respect to the previous year.
This refers mainly to the equity investment held Consorzio Sintesi, equivalent to la share of 10% of the company capital. This consortium, with private and public organizations numbering among its partners, led by CNR, carries out research and development studies and technological industrialization for the manufacturing sector.
The other shareholdings refer to two guarantee consortia (Unionfidi and Fidindustria), which the Company joined in order to receive suretyship for SIMEST loans.
The book value of the equity investments listed below was zeroed in previous years due to the insolvency procedures to which they were subject; no costs to the company are expected to derive from completion of these procedures.

- ❑ Mechanical Industries S.r.l.;
- ❑ Macro Meccanica S.p.A.;
- ❑ Rambaudi Industriale S.p.A..

NOTE 12.6 - FINANCIAL ASSETS - LOANS TO SUBSIADIARIES

Financial assets - Loans made to subsidiaries	PRIMA ELECTRONICS	PRIMA FINN-POWER UK	FINN POWER OY	TOTAL
January 1, 2007	**-**	**626.000**	**-**	**626.000**
Increases	6.000.000	-	-	6.000.000
Decreases	(1.500.000)	-	-	(1.500.000)
Exchange adjustment	-	-	-	-
January 1, 2008	**4.500.000**	**626.000**	**-**	**5.126.000**
Increases	-	-	61.633.461	61.633.461
Decreases	(1.500.000)	-	-	(1.500.000)
Exchange adjustment	-	-	-	-
December 31, 2008	**3.000.000**	**626.000**	**61.633.461**	**65.259.461**

As the table above shows, loans to subsidiaries increased by 60,133,000 euro after the following transactions:

- two loans for a total of 61,633,000 euro to FINN-POWER OY, to enable the recently acquired company to cancel its financial payables to banks and guarantee the loan for operations of the company;
- partial repayment of the loan of 1,500,000 euro to PRIMA ELECTRONICS.

It should be noted that the item “current financial assets” contains interest accrued on intercompany loans to FINN-POWER OY, and interest accrued on the E-Share (for more details on this subject see “NOTE 12.7 - OTHER FINANCIAL ASSETS”).

NOTE 12.7 - OTHER FINANCIAL ASSETS

This item amounts to 14,324,000 euro and consists almost exclusively of a financial receivable from the subsidiary FINN-POWER for 14,035,000 euro; this asset refers to a class E share without the right to vote and paid for through a Euribor parameterised dividend plus a spread.

This item also contains a capitalization policy with a single premium for the duration of 5 years, underwritten on 08/09/2004. This amount was revalued as of 31/12/2008, applying the measures of valuation of 3.70% for the days between the date of the last annual recurrence of 08/09/08 and 31/12/2008. Until 08/09/07 the revaluation was made punctually, applying the financial yield earned by the fund (4.53%).

With respect to the previous year, non-current financial assets in progress were cancelled, for 855,000 euro, referring to accessory costs for acquisition of the equity investment in FINN-POWER OY incurred until 31/12/2007. This acquisition was completed in the year 2008 and the costs were reclassified in the value of the FINN-POWER equity investment. As of 31/12/2008 this item was completely zeroed.

NOTE 12.8 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes	31/12/08	31/12/07
Initial balance	2.730.129	2.784.368
Provisions for the year	274.025	1.165.486
Utilization in the year	(941.498)	(1.219.725)
TOTAL	**2.062.656**	**2.730.129**

The main items for fiscal assets deriving from prepaid taxes can be summed up as follows:

Fiscal assets for prepaid taxes	Taxable deferred assets	Prepaid taxes
Non-deductible funds	7.021	1.907
Other minor funds	445	156
TOTAL	**7.466**	**2.063**

There are no fiscal assets for prepaid taxes on previous losses.

NOTE 12.9 - OTHER RECEIVABLES

The item amounts to 1,669,000 euro compared with 10,000 euro as of 31/12/2007.

It refers to:

- receivables from EQT III Ltd, for 1,271,000 euro;
- accrued revenues for "*commissions for organization*" on portions C-D of the loan for acquisition of FINN-POWER for 384,000 euro;
- 14,000 euro for withholding advances on severance indemnity withholding tax (9,000 euro as of 31/12/07) and other lesser receivables.

NOTE 12.10 - INVENTORIES

Inventory	31/12/08	31/12/07
Raw materials	13.896.148	10.372.697
(Raw material write-down fund)	(1.473.165)	(1.373.165)
Unfinished products	4.067.561	4.693.405
Finished products	10.231.498	9.507.674
(Finished products write-down fund)	(190.000)	(232.000)
TOTAL	**26.532.042**	**22.968.611**

The increase of raw materials with respect to 31/12/2007, for 3,423,000 euro, net of the write-down fund, is attributable to the greater need of raw materials to satisfy the increasing volume of business booked during the year.

Finished products in inventory (net of the change in the write-down fund) increased with respect to 2007, by 766,000 euro and consist of 32 machines.

In accordance with IAS 2, there now follow highlights of the movements of provisions for write-down of raw materials and finished products during the year:

Write-down fund	Raw materials	Finished products
Balance as of 01/01/08	1.373.165	232.000
Utilizations	-	(122.000)
Provisions	100.000	80.000
Balance as of 31/12/08	**1.473.165**	**190.000**

Provision to the finished products write-down fund refers for 80,000 euro to 3 machines, 2 of which are currently in use by the Research & Development department and one by a client. During the year the provisions made previously were used, relative to 2 second-hand machines sold to clients for 122,000 euro.

❍ NOTE 12.11 - TRADE RECEIVABLES

Trade receivables	31/12/08	31/12/07
Receivables from clients	25.785.497	30.233.501
Receivable write-down fund	(1.970.823)	(2.028.000)
Net receivables from clients	**23.814.674**	**28.205.501**
Receivables from subsidiaries	9.115.179	10.950.123
Receivables from affiliates	159.226	379.963
TOTAL	**33.089.079**	**39.535.587**

This item amounts to 33,089,000 euro as of 31.12.08 and increased with respect to the previous year by 6,447,000 euro.

In detail, the decrease referred to receivables from clients, for 4,391,000 euro, net of the write-down fund, is the result of more and more careful management of circulating assets. Receivables from subsidiaries and affiliates decreased by 2,056,000 euro despite the expansion of business toward the companies of the PRIMA INDUSTRIE Group as a direct consequence of the acquisition of the FINN-POWER equity investments. In particular, receivables from joint ventures decreased by 221,000 euro by effect of the lower volume of sales to Shenyang PRIMA Laser Machinery Co. Ltd.

As regards the amount of the receivables in foreign currency, it should be noted that they mainly concern the U.S. dollar and the British pound and refer mainly to invoices issued to our subsidiaries PRIMA North America and PRIMA FINN-POWER UK.

Given the open positions as of 31.12.08, adjustments to the exchange rate were entered according to the figure recorded by the financial markets on the same date.

Movements in the write-down fund during the period considered are as follows:

Receivable write-down fund as of 01/01/2008	2.028.000
Utilizations	(156.982)
Provisions	99.805
Receivable write-down fund as of 31/12/2008	**1.970.823**

A net decrease of 57,000 euro was reported for the receivable write-down fund. It consists of uses for 157,000 euro and new provisions for 100,000 euro relative to bankrupt clients, subject to insolvency procedure for which legal procedures have been undertaken.

We illustrate here below the breakdown of trade receivables (inclusive of the receivable write-down fund) divided by expiration.

Receivables by expiration	31/12/08
Expiring	17.791
0 - 60 days	10.038
60 - 120 days	861
120 -180 days	487
180 days - 1 year	1.854
After 1 year	4.029
Total	**35.060**

<u>Receivables due beyond one year</u>

Trade receivables due after next year amount to 58,000 euro and refer to a Spanish client to which extended terms in monthly instalments were granted, the last payment of which is due on 15/04/2011.

NOTE 12.12 - OTHER SHORT-TERM RECEIVABLES

The item stands at 1,233,000 euro compared with 1,608,000 euro at the end of the previous financial year and includes:

- contribution to be received (PAMELA project) for 189,000 euro. These are contributions that have not been paid yet, against a contract for activities of research & development already signed with the Ministry of the University and Scientific and Technological Research.
- receivables from employees (98,000 euro) for advances on travel expenses granted to them;
- advances to suppliers (for 606,000 euro) paid on orders for future deliveries; the advances also include commissions paid on machines that were not accepted, for 128,000 euro
- security deposits (134,000 euro)
- accruals and deferrals (206,000 euro)

NOTE 12.13 - OTHER FISCAL ASSETS

The item stands at 2,974,000 euro compared with 2,097,000 euro at the end of the previous financial year.
Fiscal assets are represented by VAT receivables (for 2,748,000 euro) and other tax receivables (for 226,000 euro).

Advances paid for corporate income taxes of the Group were applied to reduction of the debt. This was reclassified also in the previous year.

NOTE 12.14 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments as of 31.12.08 refer to 4 Interest Rate Swap contracts stipulated by in protection of interest rates relative to currently effective medium/long-term loans. Two of them were already in existence as of the beginning of the year, while the other two were stipulated as a partial hedge for the loan for acquisition of FINN-POWER.

For more information on the subject of the two new IRS see note 9.12 “NET FINANCIAL POSITION”.

NOTE 12.15 - CASH AND CASH EQUIVALENTS

Cash on hand	**31/12/08**	**31/12/07**
Cash and checks	31.223	21.390
Active bank current accounts	2.372.585	12.167.507
Other short term bank deposits		
TOTAL	**2.403.808**	**12.188.897**

This item accounts for 2,404,000 euro, against 12,189,000 euro as of 31/12/2007 and consists of the entire sum of cash on hand in the company treasury, and available liquidity in foreign branches and bank and post office accounts. Cash availability was greatly reduced following the investment made during the year, which involved acquisition of the equity investment in FINN-POWER. For more details about this decrease see “FINANCIAL CASH FLOW”.

NOTE 12.16 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

Share capital as of December 31, 2008, fully underwritten and paid up, is composed of 6,400,000 ordinary shares with a nominal value of 2.5 Euro each, totalling Euro 16,000,000.

The share capital was increased, as resolved by the extraordinary shareholders' meeting on 29/04/2008, by 1,800,000 ordinary shares for a value of euro 4,500,000.

TREASURY SHARES

At the end of 2008 there were no treasury shares in the financial statements. During 2008, they were all sold before 31/12/2007.

LEGAL RESERVE

This item totals 2,300,000 euro and did change during the course of 2008. It is equal to one fifth of share capital.

OTHER RESERVES

The item "Others" for 37,794,000 euro has the following breakdown.

- Extraordinary reserve: for 5,881,000 euro, increased by 4,527,000 euro with respect to 31/12/2007 following allocation of the result from the previous year.
- Share premium reserve: amounts to 36,815,000 euro and increased by 21,150,000 euro following the capital increase mentioned above. This item is generated by the price premium on the issue of new shares with respect to the nominal value equal to Euro 2.5.
- Stock option reserve: this amounts to 318,000 euro and was established in 2008 after the introduction of a stock option plan.
- Reserve for adjustment to fair value adjustment of derivatives: for a negative amount of 4,247,000 euro, it represents the losses entered directly to shareholders' equity at the market value of the hedge contracts on the risks of interest rate variability.
- Costs for share capital increase: for a negative amount of 973,000 euro, it represents the costs incurred for the share capital increase (such as bank fees, legal and administrative consultant fees, etc.)

PROFITS CARRIED OVER

This amount, which is negative for about 1,573,000 euro, decreased by 5,000 euro with respect to 31.12.07 as a result of capital gains generated as a result of the acquisition or transfer of treasury shares and also includes the amounts relative to differences in accounting methods on the date of IFRS transition, referring to adjustments on balances concerning the financial statements drafted in accordance with Italian accounting standards.

PROFIT FOR THE YEAR

The item refers to result for the year amounting to 8,673,000 euro compared with 7,517,000 euro on 31.12.07. The result from last year was distributed for 2,990,000 euro or 0.65 euro per share).

PROFITS(LOSSES) BOOKED IN SHAREHOLDERS' EQUITY

The Profits/(Losses) entered directly in shareholders' equity refer entirely to the “Reserve for adjustment of hedges to fair value”, which amounts to a negative value of 4,247,000 euro (this reserve was not present in 31/12/2007).

For more information on the subject of :

- ❑ share capital increase, see note 9.13 in the consolidated financial statements;
- ❑ stock option plans, see the relative section in the Management Report;
- ❑ hedges, see note 9.12 of the consolidated financial statements.

❍ NOTE 12.17 - LOANS

For a better understanding of the division of bank loans between current and non-current, see:

- ❑ the section of the Management Report entitled "EVENTS AFTER THE END OF THE FINANCIAL YEAR";
- ❑ and illustrative note 9.12 of the consolidated financial statements.

In any case, it is useful to repeat again in this note that, following the deterioration of the economic reference framework the PRIMA INDUSTRIE Group found itself in the position of probably being unable to comply with the financial indices (*covenants) of the loan contract made originally for 185 million, signed on 31/01/2008 with a pool of banks, and serving to locate funds for the acquisition of the FINN-POWER Group. Consequently, PRIMA INDUSTRIE S.p.A. sent a formal request to the pool of banks to recalculate the covenants* as of 31/12/2008 and 31/12/2009. This request was accepted prior to the date of approval of the financial statements. The aforementioned covenants as of 31/12/2008 were respected, so that despite the fact that PRIMA INDUSTRIE had classified the financial debt for acquisition of the FINN-POWER Group entirely in current financial liabilities, it will not be required to repay it before the end of next year, in the light of this development.

Payables to banks and other loans	**31/12/08**	**31/12/07**
Current		
Passive current accounts	65	332.805
Short-term quotas on factoring transactions	1.471.000	-
Payables for financial leases	268.842	199.674
Short-term quotas on bank loans	117.768.249	3.921.970
Short-term quotas on other loans	88.562	88.562
TOTAL	**119.596.718**	**4.543.011**
Not current		
Payables for financial leases	-	268.842
Long-term quotas on bank loans	4.947.395	11.204.792
Long-term quotas due to EQT	26.360.274	-
Long-term quotas on other loans	376.481	465.043
TOTAL	**31.684.150**	**11.938.677**

Payables to banks and other loans Changes	**Balance as of 31/12/07**	**New loans**	**Financial costs**	**Repayments**	**Reclassifications**	**Net Variation**	**Saldo 31/12/08**
Current							
Passive current accounts	332.805	-	-	-	-	(332.740)	65
Short-term quotas on factoring transactions	-	1.471.000	-	-	-	-	1.471.000
Payables for financial leases	199.674	-	-	(199.674)	268.842	-	268.842
Short-term quotas on bank loans	3.921.970	3.490.407	2.960.486	(32.811.206)	140.206.592	-	117.768.249
Short-term quotas due to EQT	-	1.200.756	-	(1.200.756)	-	-	-
Short-term quotas on other loans	88.562	-	-	(88.562)	88.562	-	88.562
TOTAL	**4.543.011**	**6.162.163**	**2.960.486**	**(34.300.198)**	**140.563.996**	**(332.740)**	**119.596.718**
Non Current							
Payables for financial leases	268.842	-	-	-	(268.842)	-	-
Long-term quotas on bank loans	11.204.792	133.949.195	-	-	(140.206.592)	-	4.947.395
Long-term quotas due to EQT	-	25.000.000	1.360.274	-	-	-	26.360.274
Long-term quotas on other loans	465.043	-	-	-	(88.562)	-	376.481
TOTAL	**11.938.677**	**158.949.195**	**1.360.274**	**-**	**(140.563.996)**	**-**	**31.684.150**

Other loans stipulated during the year concern the one stipulated for acquisition of FINN-POWER and the portion of residual payable to make to the EQT fund, former shareholder of FINN-POWER. For more information, see chapter 7 of this document “BUSINESS COMBINATIONS AND PURCHASES OF MINORITY INTERESTS”.

Pursuant to IAS 17 we point out that the minimum payments deriving from financial leases (including payments due for redemption interest) amount to 269,000 euro and are all to be paid during the year.

The table that follows lists, for the assets and liabilities as of 31/12/2008 and based on the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7 (the loans made to subsidiaries and other financial assets are listed inclusive of interest accrued up to 31/12/2008).

Fair value by categories - IAS 39 - December 31, 2008							
Values in thousands of Euros	Amounts entered in the financial statement in accordance with IAS 39						
Assets	IAS 39 Category	Amount in financial statement as of 31.12.2008	Amortized cost	FV attributed to equity	FV attributed to income statement	IAS 17	Fair value as of 31.12.2008
Cash and cash equivalents	NA	2.405	-	-	-	-	2.405
Assets held to maturity	Held to Maturity	289	289	-	-	-	289
Assets valued in accordance with IAS 17	NA	946	-	-	-	946	946
Loans made to subsidiaries	Loan and Receivable	68.674	68.674	-	-	-	68.674
Other financial assets- class "E" stocks	Amortized Cost	14.810	14.810	-	-	-	14.810
Total		**87.124**	**83.773**	**-**	**-**	**946**	**87.124**
Liabilities	IAS 39 Category	Amount in financial statement as of 31.12.2008	Amortized cost	FV attributed to equity	FV attributed to income statement	IAS 17	Fair value as of 31.12.2008
Liabilities at amortized cost	Amortized Cost	149.541	149.541	-	-	-	150.567
Derivative hedges	NA	4.401	-	4.247	154	-	4.401
Liabilities valued in accordance with IAS 17	NA	269	-	-	-	269	269
Other financial liabilities - factoring	NA	1.471	-	-	-	-	1.471
Total		**155.682**	**149.541**	**4.247**	**154**	**269**	**156.708**

Profits and losses by categories - IAS 39 - December 31, 2008			
Values in thousands of Euros			
Assets	IAS 39 Category	Net profits and losses	including from interest
Cash and cash equivalents	NA	211	211
Assets held to maturity	Held to Maturity	11	11
Assets valued in accordance with IAS 17	NA	-	-
Loans made to subsidiaries	Loan and Receivable	3.631	3.631
Other financial assets- class "E" stocks	Amortized Cost	775	775
Total		**4.628**	**4.628**
Liabilities	IAS 39 Category	Net profits and losses	including from interest
Liabilities at amortized cost	Amortized Cost	(9.020)	(8.682)
Derivative hedges	NA	(180)	-
Liabilities valued in accordance with IAS 17	NA	-	-
Other financial liabilities - factoring	NA	-	-
Total		**(9.200)**	**(8.682)**

❍ NOTE 12.18 - EMPLOYEE BENEFITS

Benefits to employees	31/12/2008	31/12/2007
Severance indemnity	2.753.654	2.839.476
Fidelity premium	713.051	530.280
Total benefits to employees	**3.466.705**	**3.369.756**

The Employees’ Severance Indemnity Fund refers to mandatory indemnities due to employees during their working life and paid on termination of their employment. This indemnity is considered a defined benefit fund, subject to actuarial valuation with regard to future benefits and to benefits already paid.

Following the changes to severance indemnity as per Law 27 December 2006 (Budget 2007) and subsequent Decrees and Regulations issued in early 2007, for the purpose of IAS we have considered only the liability concerning the S.I. accrued and held by the company, as the amount not yet matured was credited to a separate account (complementary pension fund FONDINPS). As a consequence of these payments the company will have no other liabilities in connection with future employee activity.

Also for those who have explicitly decided to keep the severance indemnity in the company, and therefore subject to the regulations in force, the severance indemnity yet to mature starting from January 1, 2007, was paid into the Treasury Fund managed by INPS. This fund, based on art. 1, clause 5, of Budget 2007 ensures that private employees qualify for severance indemnity as per art. 2120 of the Civil Code, for the part equivalent to payments made.

Here are the movements of this item during the year:

Severance indemnity	31/12/2008	31/12/2007
Opening liabilities	**2.839.476**	**3.426.816**
Severance paid during the period	(234.467)	(261.209)
Other changes	1.456	695
Reduction after reform	-	(492.455)
Quota of Severance Indemnity transferred to funds and INPS	-	-
Social security cost on current services	-	25.804
Financial costs	147.189	139.825
Total entries to income statement	**147.189**	**(326.826)**
Total final liabilities -Severance Indemnity	**2.753.654**	**2.839.476**

Fidelity Premium	31/12/2008	31/12/2007
Opening liabilities	**530.280**	**508.569**
Decreases	-	-
Provisions	182.771	21.711
Total entries to income statement	**182.771**	**21.711**
Total final liaiblities - Fidelity Premium	**713.051**	**530.280**

Fidelity premium refers to the seniority premium for employees of the Company paid at the end of 20, 30 and 35 years of service, corresponding to two gross monthly salaries.

The main hypotheses used to estimate liabilities from employee benefits are as follows:

Actuarial hypotheses	31/12/2008	31/12/2007
Annual technical discount rate	5,0%	5,5%
Annual rate of inflation	2,0%	2,0%
Annual rate of severance indemnity increase	3,0%	3,0%

The demographic hypotheses used for actuarial valuation include:

- the probability of death as estimated by ISTAT in 2002, divided by sex;
- the probability of incapacity adopted in the INPS model for projections to 2010;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with annual frequency of 5% depending on the company;
- probability of advances with an annual rate of 3%.

NOTE 12.19 - FUNDS FOR RISKS AND CHARGES

Funds for med./long-term risks	Agents' goodwill comp.fund	TOTALE
January 1, 2007	**33.500**	**33.500**
Amounts to income statement	-	**-**
- Provisions	15.747	**15.747**
- Excess funds carried over	-	**-**
Utilizations in the period	(6.512)	**(6.512)**
December 31, 2007	**42.735**	**42.735**
Amounts to income statement	-	**-**
- Provisions	43.275	**43.275**
- Excess funds carried over	-	**-**
Utilizations in the period	-	**-**
December 31, 2008	**86.010**	**86.010**

Short-term risks	Guarantee fund	Fund for risks on controversies	TOTAL
January 1, 2007	**2.358.000**	**-**	**2.358.000**
Amounts to income statement			
- Provisions	2.714.000	100.000	**2.814.000**
- Excess funds carried over	-	-	
Utilizations in the period	(2.358.000)	-	**(2.358.000)**
December 31, 2007	**2.714.000**	**100.000**	**2.814.000**
Amounts to income statement			**-**
- Provisions	3.089.000	-	**3.089.000**
- Excess funds carried over	-	-	
Utilizations in the period	(2.714.000)	(100.000)	**(2.814.000)**
December 31, 2008	**3.089.000**	**-**	**3.089.000**

Guarantee fund

This refers to provisions for work on Company products under warranty and is proportionate to the warranty costs that will be incurred.

Provision for agents' customer indemnity

This represents the indemnity payables matured at year-end towards agents due for interruption to the agency relationship, in accordance with current legislation.

Provision for litigation risks

This refers to an allocation for a legal dispute underway with a French customer. During 2008 this fund was entirely used.

NOTE 12.20 - FISCAL LIABILITIES FOR DEFERRED TAXES

The items for fiscal liabilities deriving from deferred taxes can be summed up as follows:

Fiscal liabilities for deferred taxes	31/12/08	31/12/07
Initial balance	1.093.251	1.661.121
Utilizations during the year	(327.394)	(605.552)
Provisions during the year	34.889	37.682
TOTAL	**800.746**	**1.093.251**

The main items for tax liabilities deriving from deferred taxes can be summed up as follows:

Values expressed in thousands of euro

Fiscal liabilities for deferred taxes	Deferred taxable liabilties	Deferred tax liabilities
Contributions	2.011	627
Other minor costs	634	174
TOTAL	**2.645**	**801**

❍ NOTE 12.21 - TRADE PAYABLES

The increase in trade payables reflects the increased production volumes and careful management of working capital.

Trade payables and other payables	31/12/08	31/12/07
Payables to suppliers	23.539.096	23.326.165
Payables to subsidiaries	5.552.880	4.929.975
Payables to affiliates	-	-
Trade payables	**29.091.976**	**28.256.140**
Advances from clients	8.552.361	8.554.554
Advances from clients	**8.552.361**	**8.554.554**
Social security and health service payables	1.145.438	1.211.934
Payables to employees	1.581.631	1.920.952
Other short-term payables	528.682	353.167
Accruals and deferrals in liabilities	241.814	398.717
Other payables	**3.497.565**	**3.884.770**

"Advances from customers" contains advances on orders for machines that have not been delivered, and advances generated by application of IAS 18 for machines that have been delivered but not yet accepted by the end customer and thus cannot be entered among revenues. This value remained basically unchanged with respect to 31/12/2007.

Payables to employees refers to deferred and non-matured compensation for leave not taken, the variable quota of the production bonus and incentives matured by managers and sales personnel and for travel expenses advanced by and owed to employees.

❍ NOTE 12.22 - FISCAL LIABILITIES FOR CURRENT TAXES

This item totals 747,000 euro (3,808,000 euro as of 31/12/07) and includes:

Trade payables and other payables	31/12/08	31/12/07
Payables to suppliers	23.539.096	23.326.165
Payables to subsidiaries	5.552.880	4.929.975
Payables to affiliates	-	-
Trade payables	**29.091.976**	**28.256.140**
Advances from clients	8.552.361	8.554.554
Advances from clients	**8.552.361**	**8.554.554**
Social security and health service payables	1.145.438	1.211.934
Payables to employees	1.581.631	1.920.952
Other short-term payables	528.682	353.167
Accruals and deferrals in liabilities	241.814	398.717
Other payables	**3.497.565**	**3.884.770**

It should be noted that the corporate income tax payable by the Group is shown net of advances paid. This was reclassified also in the previous year.

❍ NOTE 12.23 - NET REVENUES FROM SALES AND SERVICES AND OTHER REVENUES

Revenues from the sales of goods are made up as follows:

data expressed in euro/000

Revenues from sales and services	TOTAL		ITALY		EUROPE		REST OF THE WORLD		N.AMERICA	
	value	%	value	%	value	%	value	%	value	%
Laser systems	101.731	85%	27.575	23%	48.380	47%	19.592	10%	6.184	5%
Service calls and other	18.395	15%	7.026	6%	7.402	6%	2.557	2%	1.410	1%
TOTAL	**120.126**	**100%**	**34.601**	**29%**	**55.782**	**53%**	**22.149**	**11%**	**7.594**	**7%**

Revenues during the year 2008 increased by about 8% compared to the previous year (as of 31/12/2007 their value amounts to 111,402,000 euro).

Other operating revenues	31/12/08	31/12/07
Contributions on research projects	158.585	163.600
Income for activities of Research and development	705.000	550.000
Contingent assets	548.635	321.023
Services performed with costs charged back to PRIMA ELECTRONICS	297.000	268.000
Services performed with costs charged back to PRIMA FINN-POWER UK	32.469	43.000
Services performed with costs charged back to PRIMA INDUSTRIE GmbH	55.000	64.000
Services performed with costs charged back to PRIMA SCANDINAVIA	33.000	43.000
Services performed with costs charged back to PRIMA North America	264.489	202.418
Services performed with costs charged back to PRIMA FINN-POWER Polska	56.106	-
Services performed with costs charged back to OSAI	33.000	-
Services performed with costs charged back to FINN-POWER OY	85.711	-
Services performed with costs charged back to FINN-POWER Italia	48.158	-
Insurance reimbursements	2.756	4.211
Non-recurrent income following severance indemnity reform	-	492.455
Other	416.953	183.136
TOTAL	**2.736.862**	**2.334.843**

The contributions entered in the income statement for 2008, refer to facilitations on an unsecured basis for research and development amount to 159,000 euro.
Revenue for Research and Development activity amounting to 705,000 refers to work undertaken for Consorzio Sintesi on Program Contract for the Ministry for Industry – Apulia Region.

Services and cost chargebacks with respect to the various companies of the Group are ascribable to services provided by the parent company to subsidiaries in relation to accounting, IT and managerial assistance.

Non-operating losses mainly refer to adjustments to appropriations made in the previous year.

Other income refers to rents collected on the property leased to Prima Industrie UK for 26,000 euro, to the capital gains on sales of equity property for 7,000 euro and other income, all for a value of 387,000 euro.

NOTE 12.24 - INCREASES FOR INTERNAL WORKS

Capitalization for increases for internal work was 1,776,000 euro in 2008 against 135,000 euro in 2007.

The amount entered in the income statement for the year refers to 78,000 euro for costs incurred for the construction of production equipment and 1,698,000 euro for development costs relative to research projects.

The former category of costs is classified among tangible assets, and the latter among intangibles.

NOTE 12.25 - PERSONNEL COST

Cost of personnel	31/12/08	31/12/07
Salaries and wages	13.889.494	12.841.593
Social security costs	4.332.629	4.030.937
Severance indemnity	14.067	-
IAS 19 provision for liabilities	-	25.804
Fidelity Premium	182.771	21.711
Severance indemnity paid to other pension funds	722.670	615.639
Other costs	598.443	394.133
TOTAL	**19.740.074**	**17.929.817**

Personnel costs grew from 17,930,000 euro in 2007 to 19,740,000 euro in 2008. The increase was due to the growth of the personnel in numerical terms. On the subject of the numerical change in employees, see the section of the Management Report entitled "PERSONNEL".

During the year the Company hired a number of new employees, although it endeavoured to keep the increase in costs to a minimum. Furthermore, it should be noted that, since the Company operates in a high-tech sector, employees are, on average, more specialized and thus the labour costs are higher than the average industry standard.

Changes during the year in the number of employees are detailed by category (Collegno production facility and secondary facility in Bari) below:

Changes in personnel	31/12/07	Hirings	Leavings	Promotions	31/12/08	Average for year
Management	12	1	-	-	**13**	13
Officers	13	1	(1)	2	**15**	14
Middle management	11	2	(1)	(1)	**11**	11
Office staff	184	26	(10)	2	**202**	198
Apprentice office workers	2	-	-	(1)	**1**	1
Intermediates	2	-	-	-	**2**	2
Laborers	72	10	(3)	(2)	**77**	76
TOTAL	**296**	**40**	**(15)**	**-**	**321**	**315**

As regards employees in the branches, the Spanish branch acquired 5 new employees. All the personnel employed at the French branch (as of 31/12/07 there were 8 employees) were hired as of 01/07/2008 by the new company of the PRIMA FINN Group - POWER FRANCE. The personnel employed by the branches totals 25 people (22 at the Spanish branch and 3 at the Swiss branch).
The total number of employees of PRIMA INDUSTRIE is 346.

NOTE 12.26 - DEPRECIATION

Depreciation	31/12/08	31/12/07
Depreciation of intangible assets	444.398	191.570
Depreciation of tangible assets	569.340	551.189
TOTAL	**1.013.738**	**742.759**

Depreciation of tangible fixed assets was basically in line with that of the previous year, while intangible fixed assets increased considerably with respect to 2007. This increase is attributable to capitalization of development costs.
With regard to the method of calculating depreciation on tangible and intangible fixed assets, see chapter 11 "DESCRIPTION OF ACCOUNTING STANDARDS".

NOTE 12.27 - OTHER OPERATING REVENUES

Other operating costs	31/12/08	31/12/07
Commission processing	11.737.214	9.844.002
Travel expenses	3.318.696	2.952.155
Shipping and duties	2.740.037	2.575.428
Commissions	1.993.723	1.689.473
Temporary work	437.229	357.055
Technical, legal, fiscal and management consultation	2.256.750	2.521.456
Advertising and promotion	759.695	785.832
Outside maintenance	647.961	578.709
Costs for utilities, phones, etc.	1.126.186	925.686
Insurance	408.389	388.032
Directors' remuneration	946.688	846.183
Auditors' remuneration	110.382	99.685
Other costs for services	1.097.413	1.910.237
Rents paid	495.860	365.163
Rentals and other costs for the use of rented property	979.673	716.441
Provision to fund for contract risks and costs	375.000	356.000
Provision to receivable write-down fund	99.805	664.414
Provision to risks on controversies	-	100.000
Contingent liabilties	370.977	357.452
Taxes and duties	226.948	166.135
Other operating costs	234.650	366.445
TOTAL	**30.363.276**	**28.565.983**

The increase in operating costs compared with 2007 amounted to a total of 1,797,000 euro and refers mainly to processing and other variable costs, confirming the increasing volume of business achieved by the company in 2008.

Provisions to the receivable write-down fund were made to bring the fund into line with nonperforming receivables existing at the end of the year.

The most significant *Other service costs* include:

- entertainment expenses for 108,000 euro;
- royalties for 104,000 euro;
- translation costs for 62,000 euro;
- personnel recruitment costs totalling 43,000 euro

Other operating costs include subscriptions to books and magazines, membership dues and other costs for associations.

❍ NOTE 12.28 - FINANCIAL INCOME AND COSTS

Financial costs and income	**31/12/08**	**31/12/07**
Financial costs for subsidiaries	-	(12.157)
Interest on payables to banks (current/non current)	(8.685.668)	(725.032)
Interest and trade discounts granted	(174.221)	(123.909)
Interest paid on lease contracts	(22.925)	(34.919)
Interest paid on severance indemnity	(147.189)	(139.825)
Adjustment of FV deriviative instruments	(180.259)	(6.165)
Other	(721.307)	(187.467)
Financial costs	**(9.931.569)**	**(1.229.474)**
Dividend paid by PRIMA ELECTRONICS	600.000	600.000
Dividend paid by PRIMA North America	2.546.279	2.268.259
Financial income from subsidiaries	4.406.958	166.234
Bank interest received	211.007	336.635
Interest received on receivables	-	2.049
Interest received from clients	118.016	139.534
Positive difference on derivative instruments	20.373	32.577
Other	10.533	20.914
Financial income	**7.913.166**	**3.566.202**
Negative difference on currency exchange rates	(910.400)	(388.288)
Positive difference on currency exchange rates	710.576	418.540
Difference on exchange rates	**(199.824)**	**30.252**
FINANCIAL COSTS AND INCOME (NET)	**(2.218.227)**	**2.366.980**

The increase in financial costs reflects the changed financial situation of the company subsequent to the indebtedness taken on for the acquisition of FINN-POWER. For more details see Note 9.12 “NET FINANCIAL POSITION”.

❍ NOTE 12.29 - VALUE IMPAIRMENT OF EQUITY INVESTMENTS IN JOINT VENTURES

Net result of affiliates and joint ventures	**31/12/08**	**31/12/07**
Shenyang PRIMA Laser Machine Co. Ltd.	-	(345.659)
Shanghai Unity PRIMA Laser Machinery Co. Ltd.	-	-
SNK PRIMA Co. Ltd.	-	-
Net result of affilitates and joint ventures	**-**	**(345.659)**

The item reflects the impairments of value of equity investments in affiliates and joint ventures. During the year no write-downs were made.

NOTE 12.30 - CURRENT AND DEFERRED TAXES

Despite a result before taxes higher than that of 2007, taxes are reduced in both absolute and percentage value. This occurred by effect of the lower corporate and regional income tax quotas (27.5% and 3.9% compared with, respectively, 33% and 4.25%), for the higher incidence of taxed dividends by 1.375% and for the inclusion of a tax receivable for research and development assets amounting to 464,000 euro.

Current and deferred taxes	31/12/2008	31/12/2007
IRAP (Regional tax)	(968.085)	(1.044.704)
IRES (corporate income tax)	(2.424.536)	(4.156.354)
IRES for group	(936.428)	(1.593.915)
Taxes from previous years	(357.733)	
Prepaid taxes	(667.473)	(54.239)
Deferred taxes	292.505	567.870
Income for IRES from fiscal consolidation	936.428	1.593.915
Tax receivables on Research and Development costs	463.713	
TOTAL	**(3.661.609)**	**(4.687.427)**

The reconciliation between the fiscal costs entered in the theoretical financial statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows (values expressed in euro/000):

(values in euro/000)

Reconciliation between ordinary and effective percentage	Taxable amount	Income tax	Percentage %
RESULT BEFORE TAXES	12.334	3.392	27,50
DIVIDENDS	(2.989)	(822)	(6,66)
PERMANENT UPWARD VARIATIONS	1.326	365	2,96
PERMANENT DOWNWARD VARIATIONS	(3.036)	(835)	(6,77)
TEMPORARY VARIATONS FOR USE/PROVISION OF FUNDS	376	103	0,84
TEMPORARY VARIATONS FOR CONTRIBUTIONS RECEIVED	822	226	1,83
TEMPORARY VARIATIONS FOR PREV.YEARS'EQ.INVESTMENT LOSSES	-	-	-
OTHER TEMPORARY VARIATIONS	-	-	-
TAXABLE INCOME FOR IRES	**8.833**	**2.429**	**20**
USE OF PREVIOUS LOSSES	-	-	-
FREE PAYMENTS	(16)	(4)	(0,04)
IRES FOR THE YEAR	**8.817**	**2.425**	**19,67**

	Taxable amount	Percentage	IRAP
VALUE OF PRODUCTION	128.260		
UPWARD/DOWNWARD VARIATIONS	(1.495)		
TOTAL POSITIVE COMPONENTS	**126.765**		
COSTS OF PRODUCTION (EXCLUDING LABOR COST)	(93.435)		
UPWARD/DOWNWARD VARIATIONS	977		
TOTAL NEGATIVE COMPONENTS	**(92.458)**		
TOTAL NET VALUE OF PRODUCTION	34.307		
DEDUCTION OF PERSONNEL COSTS, R& D, ETC.	(7.114)		
TAXABLE INCOME	27.193		
DEDUCTION OF QUOTA FOR FOREIGN REMUNERATIONS	(2.370)		
TAXES FOR THE YEAR	**24.823**	**3,90**	**968**
TOTAL IRAP			**968**

❍ NOTE 12.31 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

As of 31/12/2008, the situation relative to guarantees granted, commitments and other potential liabilities of the company was as follows.

VALUES EXPRESSED IN THOUSAND EURO	31/12/08
GUARANTEES GRANTED	4.566
COMMITMENTS FOR BUY BACKS AGREEMENTS	3.496
OTHER COMMITMENTS AND SIGNIFICANT CONTRACTS RIGHTS	3.687
POTENTIAL LIABILITIES	
Totale	**11.749**

As of 31/12/2008, the company had granted guarantees to others for an amount equal to 4,566,000 euro.

Commitments for buy-back agreements refer to sales made through leasing companies.

Other commitments and significant contract rights refer mainly to rentals, operating leases and rents on buildings.

There are no potential liabilities other than those already reported in the financial statements.

❍ NOTE 12.32 - TRANSACTIONS WITH ASSOCIATED PARTIES

Relations with associated parties are generally represented by transactions with companies controlled directly or indirectly by the Company or with joint ventures regulated at market conditions considered normal in the reference market, in view of the characteristics of the assets and the services rendered.

The impact of these transactions on individual items in the 2008 financial statements, already highlighted in the supplementary tables of the balance sheet and income statement, drawn up in accordance with CONSOB Resolution no. 15519 of 27 July 2006, is summarized in the following table:

Associate	Financial receivables	Trade receivables	Trade payables	Other payables
PRIMA ELECTRONICS	3.000	296	1.858	-
PRIMA INDUSTRIE GmbH	-	3.192	192	-
PRIMA NORTH AMERICA	-	3.003	2.871	-
PRIMA FINN-POWER UK	626	715	59	-
PRIMA SCANDINAVIA AB	-	582	69	-
PRIMA FINN-POWER POLSKA Sp.z.o.o	-	132	17	-
PRIMA INDUSTRIE (BEIJING) CO.LTD.	-	23	179	-
OSAI	-	20	-	-
FINN POWER GROUP	79.858	1.153	307	-
SHENYANG PRIMA LASER MACHINE CO. Ltd.	-	159	46	-
MANAGEMENT STRATEGICO	-	-	-	274
OTHER ASSOCIATES	-	-	-	-
TOTAL	**83.484**	**9.275**	**5.598**	**274**

ASSOCIATE	Revenues	Other operating revenues	Financial income	Purchase	Cost of personnel	Other operating costs	Financial costs
PRIMA ELECTRONICS	6	342	178	4.537	-	429	-
PRIMA INDUSTRIE GmbH	15.618	98	-	15	-	241	-
PRIMA NORTH AMERICA	7.579	279	-	12.340	-	-	-
PRIMA FINN-POWER UK	1.582	60	39	15	-	46	-
PRIMA SCANDINAVIA AB	2.788	33	-	8	2	119	-
PRIMA FINN-POWER POLSKA Sp.z.o.o	258	91	-	5	-	269	-
PRIMA INDUSTRIE (BEIJING) CO.LTD.	24	16	-	20	-	207	-
OSAI	-	33	-	-	-	-	-
FINN POWER GROUP	1.276	147	4.190	-	58	370	-
SHENYANG PRIMA LASER MACHINE CO. LTD	241	-	-	-	-	-	-
SHANGHAI UNITY PRIMA LASER MACHINERY CO.LTD	-	-	-	-	-	-	-
MANAGEMENT STRATEGICO	-	-	-	-	760	947	-
OTHER ASSOCIATES	-	-	-	-	-	-	-
TOTAL	**29.372**	**1.099**	**4.407**	**16.940**	**820**	**2.628**	**-**

In terms of the impact on the financial flows of relationships with associated parties, these were not represented in a table, since they are almost entirely linked to transactions with companies that are directly or indirectly controlled by the Company, as illustrated previously.

The above table does not contain entries deriving from national consolidated taxation, since they do not represent actual exchanges, but rather only those originating from the financial procedures provided for in national taxation legislation.

See the explanatory table below illustrating "COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES".

❍ NOTE 12.33 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

In accordance with CONSOB Communication dated 28 July 2006, the Company performed no significant non-recurring transactions.

❍ NOTE 12.34 - TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with CONSOB Communication dated 28 July 2007, during 2008 the company performed no atypical and/or unusual transactions, as defined by the Communication, which states that atypical and/or unusual transactions are those operations whose size/importance, nature of the counter parties, object, price transfer determination method and timing (proximity to close of the financial year) can give rise to doubts regarding: the correctness/completeness of the information in the financial statements, conflict of interests, safeguard of company assets, protection of minority shareholders.

❍ NOTE 12.35 - NET FINANCIAL POSITION

	values in thousands of euro	**31/12/2008**	**31/12/2007 (*)**
A	CASH	2.404	12.189
B	OTHER AVAILABILITY ON HAND	-	-
C	SECURITIES HELD FOR NEGOTIATION	-	-
D	**CASH ON HAND (A+B+C)**	**2.404**	**12.189**
E	CURRENT FINANCIAL RECEIVABLES	4.190	-
F	CURRENT BANK PAYABLES	-	333
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	117.769	3.922
H	OTHER CURRENT FINANCIAL PAYABLES	1.828	288
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H) (AVAILABILITY)**	**119.597**	**4.543**
J	**NET CURRENT FINANCIAL INDEBTEDNESS / (AVAILABILITY) (I-E-D)**	**113.003**	**(7.646)**
K	NON-CURRENT BANK PAYABLES	4.947	11.205
L	BONDS ISSUED	-	-
M	OTHER NON-CURRENT PAYABLES	31.138	734
N	OTHER NON-CURRENT RECEIVABLES	-	-
O	**NET NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M-N)**	**36.085**	**11.939**
P	**NET FINANCIAL INDEBTEDNESS (J+O)**	**149.088**	**4.293**

For more details about the Net Financial Position see the following notes:

- ❑ 12.15 - Cash and cash equivalents
- ❑ 12.17 – Payables to banks and lenders

COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

AS REQUIRED BY ART. 78 of Consob regulation No. 11971 approved on 5/14/99 a summary of the compensation paid to directors, statutory auditors and the general manager by PRIMA INDUSTRIE S.p.A. and the subsidiary companies, relating to the persons who held such appointments during the year 2007, is illustrated here below (from 1 January to 31 December 2007). (data expressed in euro)

LAST AND FIRST NAME	POSITION	TERM OF OFFICE IN THE POSITION	EXPIRATION OF TERM	REMUNERATION FOR THE OFFICE IN THE COMPANY THAT PREPARES THE FINANCIAL STATEMENT (1)	NON MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES (2)	OTHER REMUNERATION (SALARIES)
CARBONATO Gianfranco	CHAIRMAN OF THE BoD and MANAGING DIRECTOR OF P.I.	01/01/07-31/12/07 01/01/07-31/12/07	Approv. of 2007 financial statement	281.585	Auto 3.943,1	268.500 (2)	24.614
D'ISIDORO Sandro	Board member of PRIMA INDUSTRIE	01/01/07-31/12/07	Approv. of 2007 financial statement (7)	23.140	-	-	-
LUGARESI Fabrizio	Board member of PRIMA INDUSTRIE	01/01/07-13/05/07	Approv. of 2007 financial statement	4.372	-	-	-
MAURI Mario	Board member of PRIMA INDUSTRIE	01/01/07-31/12/07	Approv. of 2007 financial statement (7)	23.140	-	-	-
PINCIROLI Marco	Board member of PRIMA INDUSTRIE	01/01/07-31/12/07	Approv. of 2007 financial statement	167.085	-	-	-
PELLEGRINI Pio	Board member of PRIMA INDUSTRIE	01/06/07-31/12/07	Approv. of 2007 financial statement (7)	23.140	-	-	-
PEIRETTI Domenico	Board member of PRIMA INDUSTRIE	01/01/07-31/12/07	Approv. of 2007 financial statement	17.085 (3)	3.004	115.585 (4)	210.637
BASSO Ezio	Board member of PRIMA INDUSTRIE	13/05/07-31/12/07	Approv. of 2007 financial statement	12.712			
DE VESCOVI Stefano	Board member of PRIMA INDUSTRIE	13/05/07-31/12/07	Approv. of 2007 financial statement	12.712			
MANSOUR Michael	Board member of PRIMA INDUSTRIE	13/05/07-31/12/07	Approv. of 2007 financial statement	12.712			
FORMICA Riccardo	Chairman of the Board of Auditors	01/01/07-31/12/07	Approv. of 2007 financial statement	37.040	-	-	-
MOSCA Andrea	Regular Auditor	01/01/07-31/12/07	Approv. of 2007 financial statement	31.386	-	-	-
PETRIGNANI Roberto	Regular Auditor	01/01/07-31/12/07	Approv. of 2007 financial statement	31.260	-	-	-
FRIGERIO GianLuigi	Alternate Auditor	01/01/07-31/12/07	Approv. of 2007 financial statement	-	-	-	-
CODA Roberto	Alternate Auditor	01/01/07-31/12/07	Approv. of 2007 financial statement	-	-	-	-
BASSO Ezio	General Director of PRIMA INDUSTRIE	01/01/07-31/12/07	-	-	2.697	110.114 (5)	165.356
RATTI Massimo	Corporate Financial Director	01/01/07-31/12/07	-	-	2.742	104.529 (6)	143.256

(1) DETERMINED ON THE ACCRUAL BASIS

(2) INCLUDES THE VALUE OF STOCK OPTIONS. THE BENEFICIARIES ARE AS FOLLOWS:
G.CARBONATO (VALUE: 63,673 EURO), D. PEIRETTI (VALUE: 50,938 EURO), M. PINCIROLI (VALUE: 50,938 EURO), E. BASSO (VALUE: 50,938 EURO), M. RATTI (VALUE: 50,938 EURO).

TABLE OF ESSENTIAL DATA FROM LAST FINANCIAL STATEMENTS OF THE SUBSIDIARIES

thousand euro	PRIMA ELECTRONICS	PRIMA INDUSTRIE GMBH	PRIMA NORTH AMERICA	PRIMA SCANDINAVIA	PRIMA FINN-POWER UK	PRIMA FINN-POWER POLSKA	PRIMA BEIJING	OSAI SPA	OSAI UK	OSAI USA	OSAI GMBH	GRUPPO FINN-POWER
NON CURRENT ASSETS	14.734	205	4.794	13	13	2	1	7.064	46	34	-	112.400
CURRENT ASSETS	13.984	7.878	23.875	1.603	2.144	273	187	8.139	1.376	836	73	96.143
TOTALE ASSETS	**28.718**	**8.083**	**28.669**	**1.616**	**2.157**	**275**	**188**	**15.203**	**1.422**	**870**	**73**	**208.543**
NET EQUITY	11.187	1.397	16.003	398	(100)	70	115	6.243	1.150	225	(40)	39.973
NON CURRENT LIABILITIES	1.753	77	-	-	626	-	-	4.359	14	-	1	13.462
CURRENT LIABILITIES	15.778	6.609	12.666	1.218	1.631	205	73	4.601	258	645	112	155.108
TOTAL LIABILITIES AND NET EQUITY	**28.718**	**8.083**	**28.669**	**1.616**	**2.157**	**275**	**188**	**15.203**	**1.422**	**870**	**73**	**208.543**

thousand euro	PRIMA ELECTRONICS	PRIMA INDUSTRIE GMBH	PRIMA NORTH AMERICA	PRIMA SCANDINAVIA	PRIMA FINN-POWER UK	PRIMA FINN-POWER POLSKA	PRIMA BEIJING	OSAI SPA	OSAI UK	OSAI USA	OSAI GMBH	TECHMARK	GRUPPO FINN-POWER
REVENUES	25.375	20.975	42.344	3.572	2.412	783	215	14.224	1.510	1.711	82	1.333	184.416
OPERATING RESULTS	3.684	554	2.922	(155)	(201)	13	4	381	151	31	21	285	3.260
EARNING BEFORE TAX	3.171	572	2.833	(203)	(635)	4	5	389	233	10	21	287	(2.490)
Net profit	**2.150**	**389**	**1.812**	**(214)**	**(636)**	**3**	**4**	**262**	**164**	**6**	**15**	**205**	**(3.030)**

It should be noted that:

- all the financial statements listed above were prepared in accordance with the international accounting standards IAS/IFRS;
- the financial statements of the FINN-POWER Group refer to the subconsolidated financial statements of the Group for 11 months (used for purposes of consolidation);
- the financial statements of TECHMARK refer only to the first six months of the year 2008, as of 01/07/2008 it merged by incorporation with OSAI S.p.A. (the parent company).

INFORMATION PURSUANT TO ART. 149L
OF ISSUER REGULATION CONSOB - PRIMA INDUSTRIE GROUP

The following table, prepared in accordance with art art. 149L of the Consob Issuer Rules indicates the auditing fees for the year 2008 for auditing services and services other than auditing performed by the same company and by companies in its network.

AUDITING COSTS	31/12/08
Auditing of parent company books	64.000
Auditing of subsidiaries' books	146.000
Other services	-
TOTAL COSTS FOR AUDITING FINANCIAL STATEMENT 2008	**210.000**

CERTIFICATION OF THE FINANCIAL STATEMENTS AS OF 31/12/2008 PURSUANT TO ART. 81B OF CONSOB REGULATION No.11971 DATED MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Gianfranco Carbonato and Massimo Ratti of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154a clauses 3 and 4, of legislative decree no. 58 dated February 24, 1998:

   - the adequacy in relation to the business characteristics and
   - effective application of the administrative and accounting procedures for the drafting of the financial statements for the year 2008.

2. We also certify that the Financial Statements:

   a) reflect the book entries and accounting documentation;
   b) are in line with the international accounting standards enacted by the International Accounting Standards Board and adopted by the European Commission as per art. 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002, and according to art. 9 of Decree 38/2005, as far as is known, offer a true and correct representation of the assets and economic and financial position of the enterprise.

Date: 13/03/2009

SIGNED BY THE APPOINTED ADMINISTRATIVE EXECUTIVE

____

SIGNATURE OF EXECUTIVE IN CHARGE OF DRAFTING
THE COMPANY ACCOUNTING DOCUMENTS

Massimo Ratti

____

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

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Independent auditors' report
pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998
(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 and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and 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 Italian Legislative Decree n° 38/2005 is the responsibility of the Prima Industrie S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, 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 and correct application of the accounting principles and the reasonableness of the estimates made by management. 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 the auditors' report dated April 11, 2008, issued by other auditors.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Prima Industrie S.p.A. for the year then ended.

4. On March 12, 2009 Prima Industrie S.p.A. received from the pool of lenders the formal acceptance of the amendment of the financial indices originally provided for in the loan arrangement drawn up to finance the acquisition of the Finn-Power Group. The amended financial indices were met as of December 31, 2008. Since the acceptance notice was received after the end of the reporting period, the Company classified the residual obligation under the above mentioned loan within current liabilities, in accordance with the provisions of IAS 1.

5. The management of Prima Industrie S.p.A. is responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Prima Industrie S.p.A. as of December 31, 2008.

Turin, April 7 2009

Reconta Ernst & Young S.p.A.
signed by: Pietro Carena, partner

PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli 32, 10097 Collegno (TO)
Fully paid-up share capital: Euro 1,6,000,000
Registered in the Turin Companies' Register under No. 03736080015

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONVENED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2008

(in accordance with section 153 of Legislative Decree No. 58 dated 24th of February 1998)

Dear Shareholders,

During the financial year we carried out the supervisory activity assigned to the Board of Statutory Auditors in terms of section 149 of Legislative Decree No. 58 dated 24th of February 1998, and we complied with the legislative provisions, the code of conduct of the Board of Statutory Auditors of listed companies issued by the National Council and the recommendations of the National Commission for Companies and the Stock Exchange.

In compliance with the provisions of section 153 of the aforesaid Legislative Decree and section 2429 of the Italian Civil Code we summarise the contents and the results of the surveillance activities carried out during the course of the financial year ended 31st of December 2008.

We examined the draft Financial Statements at 31.12.2008, prepared by the Directors as required by the law and communicated by them to the Board of Statutory Auditors during the board meeting held on 13th of March 2009.

The Annual Financial Statements and Report on Operations, which also relates to the Consolidated Financial Statements, reflect a net profit of € 8,672,710.

As regards the control of accounting records and the Financial Statements, we record that, in accordance with section 159 of Legislative Decree No. 58 dated 24th of February 1998, pursuant to the motivated proposals advance by the Board of Statutory Auditors, the General Meeting appointed Reconta Ernst & Young S.p.A. to perform the audit of the Annual and Consolidated Financial Statements. The appointment was made for the period 2008-2016.

In terms of Legislative Decree No. 58/1998, during the 2008 financial year the auditing company performed the audits relating to the proper keeping of the companies accounts and, in relation to the draft Financial Statements, the auditors certified that they reflected the results of the accounting books and records.

The half-yearly report on consolidated information on Prima Industrie Group, prepared in accordance with the International Financial Reporting Standards and in accordance with section 81 of the Issuer's Regulations, was subject to a limited audit by Reconta Ernst & Young S.p.A.. The quarterly data and information were not audited as this was not a mandatory requirement.

During the course of the year we met with the managers of the auditing company to exchange information in accordance with section 150, paragraph 3, of Legislative Decree No. 58/1998 as amended, and we confirm that the Auditors did not notify us of the existence of any censurable activities.

In addition, we acquired the necessary information from the auditing company on the report to be issued by the auditing company as to the 2008 Financial Statements, in accordance with Section 156 of Legislative Decree No. 58/1998. In this regard no criticisms were raised by the auditors.

In particular, we record the following, in view of the directions contained in Consob Notice No. 1025564 dated 6.04.2001:

- We participated in the Shareholders' and Directors' meetings, supervising that the statutory, legislative and regulatory provisions which regulate the functioning of the company were complied with. We obtained information from the Directors - with the frequency required by law and the Articles of Association - regarding the activities and operations of major economic and financial importance (including those of an extraordinary nature) carried out by the company, its subsidiaries and associated companies. In this regard, we paid particular attention - both individually and through the Board - to making sure that operations implemented complied with the law and the Articles of Association. We also ensured that such activities were not imprudent or risky, nor in conflict with the resolutions adopted by the Meeting, nor in potential conflict of interest nor capable of compromising the integrity of the company’s assets and that such operations and resolutions complied with proper management principles.
- To the extent that we were empowered to act, we verified the adequacy of the organizational structure of the company and its compliance with proper management principles. This was done through direct monitoring or by collecting information from the managers of the organizational functions and by meeting with the auditing company and the appointed managers for the purposes of exchanging relevant information.
- We assessed and verified the adequacy of internal auditing and administrative-accounting systems and the reliability of the latter in correctly representing the management information. This was done by collecting information from the managers of the respective functions, as well as by analysing the results of the work performed by the auditing company and by taking part in the meetings of the Internal Auditing Committee.
- We monitored the method of actual implementation of the rules of corporate governance specified by the Code of Self-discipline adopted by Prima Industrie S.p.A.. In particular, we checked, on an annual basis the existence of the requirement of independence in relation to the non executive members of the Board of Directors, as well as the requirement of independence of the auditing company.
- During the year, we performed five periodical audits and participated in twelve meetings of the Board of Directors and one General Meeting and one Extraordinary Shareholders' Meeting. The Committees established within the Board of Directors, the Internal Auditing Committee and the Remuneration Committee met twice and four times respectively during the course of 2008. The meetings of the Internal Auditing Committee were conducted in the presence of a representative of the Board of Statutory Auditors.
- We checked the auditing company's activities aimed at verifying the proper keeping of the company's books of accounts and the correct disclosure of management operations to permit the drafting of the annual Financial Statements as required by law.
- We monitored the adequate exchange of information between Prima Industrie S.p.A. and subsidiary companies as per section 114 paragraph 2 of Legislative Decree No. 58/1998, guaranteed by management's instructions issued with respect to all the companies of the Group. The presence of top management and certain members of the Parent Company's Board of Directors in the subsidiary companies' control bodies is a further guarantee for adequate exchange of information. We also exchanged information with the Chairman of the Board of Statutory Auditors of the subsidiary Prima Electronics S.p.A. No censurable or significant events emerged from this exchange.
- We verified compliance with the legal principles and the International Accounting Standards

relating to the preparation and layout of the Financial Statements and the Report on Operations by means of direct audit checks and from information obtained from the Directors, the company's management and from the audit company and the managers appointed to prepare the accounting and corporate documents. The information provided by the Directors in the report on operations was found to be thorough and complete.

- We found that the compliance activities in respect of the "Organisational, management and control model, ex Legislative Decree No. 230 dated 8th of June 2001" are underway and are in the process of being completed as a consequence of the changes in the regulatory framework. This model must be submitted for approval by the Board of Directors.
- In line with the rules laid down by the Savings Act, we verified that Prima Industrie S.p.A. and its main subsidiaries had in hand an appropriate manual of procedures and that the appropriated quarterly audits were performed.

We confirm that Prima Industrie S.p.A. is not under the control or dependency of other companies and that the shareholders of the company have not stipulated shareholders agreements in terms of section 122 of Legislative Decree 58/1998.

The Board of Directors sent us the financial report relating to the first six months of the previous financial year, as well as the quarterly reports for the first and third quarter of 2008, within the specified period. These were published within the periods and as required by the regulations issued by Consob and the Italian Stock Exchange. In particular, the Financial Report on the consolidated information at 30th of June 2008 - drafted in compliance with the International Financial Reporting Standards and accompanied by the accounting statements and the relative explanatory notes of the Parent company - were carefully examined by the Board of Statutory Auditors; the related considerations were set out in the appropriate report.

We can certify that:

- The Board of Statutory Auditors, in compliance with the Consolidated Text on Finance (Legislative Decree No. 58/1998), has been constantly informed of matters within its sphere of competence.

- The periodic reviews and audits carried out on the company have not brought to light the existence of atypical and/or unusual operations, including those within the group or with associated parties.

- Intangible fixed assets with long-term utility have been recorded as Balance Sheet assets with the consent of the auditors in accordance with section 154, paragraph 1 of Legislative Decree No. 58/1998 as amended.

- No exceptions were applied in terms of section 2423, paragraph 4, of the Italian Civil Code.

- As regards intra-group operations, the Directors, in the Report on Operations, highlighted and illustrated the existence of relations between the Company and Companies of the group to which it belongs; these relations were entertained in normal market condition. The Board of Statutory Auditors certifies that these relations - both trading and concerning loans to subsidiary companies - are in the company's interests.

- The Management Report contains all the mandatory information required by the applicable legislation (Section 2428 of the Italian Civil Code); this information is coherent with the data and results of the Financial Statements.

- Thus, we believe that the documents submitted to you provide a clear and complete disclosure in the light of the principles of the Law.

- The instructions given by the company to its subsidiaries, in accordance with section 114, paragraph 2 of Legislative Decree No. 58/1998 are believed to be adequate.

- In accordance with section 149 no. 1 letter c) bis of Legislative Decree 58/1998 we acknowledge that the company has adopted its own Code of Self-governance.

- The Directors drafted the Group Consolidated Financial Statements as at 31st of December 2008 - given the obligation specified in sections 25 and 27 of Legislative Decree 127/1991 - in compliance with the International Financial Reporting Standards. These Financial Statements were prepared for the purposes of presenting a true and fair disclosure of the financial and economic situation of the company and the financial result of the Group and will be filed with the Registrar of Companies: the Board of Statutory Auditors drafted its report on the basis of these Financial Statements.

- The accounting audit was performed by Reconta Ernst & Young S.p.A. who will certify the annual Financial Statements and the Consolidated Financial Statements as at 31st of December 2005, without raising any significant matters.
- Other than the appointment conferred on the auditing company, Reconta Ernst & Young S.p.A., no further appointments were made.

The auditing company PricewaterhouseCoopers S.p.A., which performed the audit until the 2007 year end, was appointed to carry out the following tasks:

- "Due diligence" report for the acquisition of Finn Power Oy for a total sum of 350 thousand Euro in addition to costs of 31 thousand Euro.
- Examination of the pro-forma accounting statements of Prima Industrie Group as at 30.06.2007 for a total of 80 thousand Euro in addition to costs of 1 thousand Euro.
- Determination of net borrowings of the Finn Power Group for a total of 40 thousand Euro in addition to 5 thousand Euro costs.
- Certification referred to in section 2441 para. 4 of the Italian Civil Code relating to the stock option plan for a total of 12 thousand Euro.
- Examination of pro-forma accounting statements of the Prima Industrie Group as at 31.12.2007 (statements relating to capital increase) for a total of 30 thousand Euro.
- Professional services relating to the option on the ordinary shares of Prima Industrie for a total of 150 thousand Euro in addition to 7 thousand Euro costs.
- Preparation of the disclosure statement as per section 71 of the Consob regulations relating to the acquisition of Finn Power for a total of 80 thousand Euro.

- As regards section 2408 of the Italian Civil Code, we have not received any complaints from shareholders relating to any potentially censurable deeds.

- No complaints were received from shareholders and/or third parties.

- During the year the Board provided the opinions required in relation to the allocation of remuneration, bonuses and incentives and formulated proposals for the appointment relating to the accounting audit.

Significant Operations

The Board of Statutory Auditors, informed on an ongoing basis by the Board of Directors, monitored ordinary and extraordinary operations of higher financial impact, carried out by Prima Industrie S.p.A. and its subsidiaries. These operations included the following:

- *Acquisitions - Incorporations -Equity Investments*

It should be noted that on 4th of February 2008, a contract was signed for the acquisition of 100% of the share capital of Finn Power Oy, (a Finnish manufacturer of machines and systems for sheet metal processing) from Private Equity EQT III Limited, a fund which owned 91.64% of the shares, and private shareholders, who owned the remaining portion of the share capital. The enterprise value amounts to 170 million Euro, including the financial borrowings of the Finn Power Group at the closing date.
The contract provides for part of the payment of 25 million Euro to be deferred to the third year from the date of stipulation of the contract (4th of February 2011) and a guarantee in favour of the buyer relating to the solidity of the equity and income of the Group, and includes compensation by way of a reduction of the deferred consideration.
The entire operation was financed with a credit line, mainly medium and long-term, for 183.5 million Euro, divided into five *tranches*, made available by a pool of banks organised by Banca IMI, Unicredit Banca di Impresa and Intesa San Paolo.
A portion of this loan (25 million Euro) was repaid in July 2008 using funds from a capital increase resolved upon by the Extraordinary Shareholders' Meeting held on 29th of April 2008.
The results of Finn Power Oy were lower than expected and the worsening of the reference market with effect from the last quarter of the year lead the Board of Directors to successfully renegotiate the covenants fixed in the loan agreement, even though there was an inevitable increase in the spread of 90 additional basis points in addition to the payment of a waiver fee of approximately 500 thousand Euro.
At the financial year end, the remaining debt of approximately 109 million Euro, even though repayable in the medium/long-term was reclassified amongst the current financial payables, in compliance with the provisions of IAS 1.
The bank payables includes the negative fair value of two new Interest Rate Swap contracts, which were stipulated, as envisaged in the agreements with the credit institutions, in partial coverage of the interest rate risk on the loan for the acquisition of the Finnish Group.

As a consequence of the acquisition of the Finn Power Group goodwill, fixed in an amount of 96,078 thousand Euro, was recorded in the Consolidated Financial Statements. This intangible asset was subjected to an impairment test with a positive result.

On 23/12/2008 the subsidiary company Prima Electronics S.p.A., in order to rationalise the electronics sector merged with OSAI S.p.A. with effect from 1st of January 2009.

During the course of the financial year Prima Industrie S.p.A. subscribed to the capital increase resolved upon by the Board of Directors of the Chinese Joint Venture Prima Industrie S.p.A., increasing its investment by 7.5% with a payment of 824 thousand Euro. As at 30.06.2008 the equity investment of Prima Industrie in the joint venture Shangai Unity Prima amounted to 35% of the capital.

- *Research*

The Board records that for the financial year ended 31.12.2008 the amount spent for research by the Parent Company amounts to 5,264 thousand Euro amounting to 4.4% of turnover. During the course of the financial year the Group spent 20,831 thousand Euro on research which amounts to 5.7% of turnover. The capitalised portion amounts to 5,516 thousand Euro for the Group and 1,699 thousand Euro for the Parent Company.

- *Meetings*

The Ordinary Shareholders' Meeting held on 29.04.2008 approved the Financial Statements for the year ended 31.12.2007 and resolved to distribute a dividend of 0.65 Euro per share payable to shareholders registered on 29.05.2008 against presentation of coupon No. 4.
The Ordinary Shareholders' Meeting also approved a stock option plan intended for the executive directors of Prima Industrie S.p.A., Prima Electronics S.p.A. and Finn-Power Oy, as well as the corporate financial director and the general manager of Prima Industrie S.p.A., as managers who take strategic decisions.
The Meeting also appointed, by list vote, the new Board of Directors for the three year period 2008-2010 after having determined the number of members as being 7 and the total remuneration as being 140,000 Euro.
The new Board of Directors is made up as follows: Mr. Gianfranco Carbonato, Mr. Sandro D'Isidoro, Dr. Michael Mansour, Mr. Rafie Mansour, Dr. Mario Mauri, Mr. Domenico Peiretti and Mr. Marco Pinciroli. The Ordinary Meeting of Shareholders appointed Mr. Gianfranco Carbonato as the Chairman of the Board of Directors.
The same Meeting revoked the resolution relating to the purchase and sale of the treasury stock taken on 14.05.2007 and resolved to delegate to the Board of Directors for a period of eighteen months, the right to buy and sell (including divided lots) a maximum amount of 80,000 shares at a minimum price of 2.5 Euro per share and a maximum price of 60 Euro per share.
In addition, the Ordinary Shareholders' Meeting appointed Reconta Ernst & Young as the auditors of the Annual and Consolidated Financial Statements for the period 2008-2016 on the basis of the proposal motivated by the Board of Statutory Auditors.
The Extraordinary Meeting of Shareholders held on 29th of April 2008 resolved upon a severable increase in capital for the purpose of the stock option plan for a nominal maximum amount of 375,000 Euro, to be achieved by issuing a maximum amount of 150,000 new ordinary shares in Prima Industrie S.p.A. with the exclusion of pre-emptive right as per section 2441, paragraph 4 of the Italian Civil Code, reserving the right to subscribe to the issue to the beneficiaries of the plan. The right to effect the increase will lapse on 30th of June 2014.
The issue price for the shares will be a unit price equal to the arithmetical average of the share prices recorded in the period that runs from the day of allocating the option to the same day in the previous calendar month increased by 20%.
The Extraordinary Meeting also appointed the Board of Directors to increase the share capital of Prima Industrie S.p.A., against payment, in accordance with sections 2441 and 2443 of the Italian Civil Code, in one or more *tranches*, for a maximum period of five years and for a maximum amount of 4,500,000 in addition to any share premium.
Finally, the said Extraordinary Meeting resolved to amend clause 16 of the Articles of Association relative to the composition of the Board of Directors, increasing the maximum number of members from 9 to 11.

- *Capital Increases by Parent Company and Subsidiaries*

The capital increase against payment in the Parent Company resolved upon by the Extraordinary Meeting of Shareholders held on the 29.04.2008 in terms of sections 2441 and 2443 of the Italian Civil Code was finalised in July with all the 1,800,000 new ordinary shares being subscribed for at a par value of 2.5 Euro each and for a total value of 25,650,000 Euro.
The Board records that the new share capital of Industrie S.p.A. amounts to 16,000,000 Euro divided into 6,400,000 ordinary shares with a par value of 2.5 Euro each.

In execution of the resolution of the Extraordinary Meeting held on 09.09.2008, the capital of the subsidiary Prima Electronics S.p.A. was increased from 1,500,000 to 6,000,000 Euro by way of a transfer into the capital reserve of the item "Other Reserves", with consequent amendment to clause 5 of the Articles of Association. The new share capital is thus made up of 2,400,000 shares with a par value of 2.5 Euro per share.

- *Acquisition of Treasury Stock*

The Board records that as of 31.12.2008 Prima Industrie S.p.A. does not hold any treasury stock.

- *Stock Option Plan*

As set out earlier, the Ordinary Shareholders' Meeting held on 29.04.2008 approved a stock option plan intended for the executive directors of Prima Industrie S.p.A., Prima Electronics S.p.A. and Finn-Power Oy, as well as the corporate financial director and the general manager of Prima Industrie S.p.A., as managers who take strategic decisions.

The plan is to develop over a period of three years from the date of allocating the option after the lapse of a period of time adequate to check the results of the integration between the Prima Industrie and the Finn Power Groups.

Based on the proposal by the Remuneration Committee at the meeting of the 7th of May 2008 , the Board of Directors, with the approval of the Board of Statutory Auditors, allocated the 150,000 options envisaged in the plan.

- *Purchase of Real Estate*

The Board notes that during the financial year Prima Industrie S.p.A. acquired property in the municipality of Collegno (Turin) to be used as a site for a new, modern factory. The total of the investment amounted to 3,553 thousand Euro, which sum includes the registration fees and the mortgage and cadastral charges as well as ancillary costs.

- *Independence of Directors*

The Board, within the scope of the duties assigned to it by law, confirms the correct application of the criteria and the audit procedures adopted by the Board of Directors to assess the independence of its members, Mr. Sandro D'Isidoro and Dr. Mario Mauri.

- *Appointment of Managing Director*

The Board of Directors, at the meeting held on 7th of May 2008, appointed Gianfranco Carbonato Managing Director of the Company for the three year period 2008-2010, conferring on him the related powers.
At the same meeting the Board appointed Marco Pinciroli Managing Director of the Company for extraordinary operations for the three year period 2008-2010.

- *Appointment of Committees*

The Board of Directors, at the meeting held on 7th of May 2008, appointed the following members of the Internal Auditing Committee: Sandro D'Isidoro, Michael Mansour and Mario Mauri. The aforesaid Board also appointed the members of the Remuneration Committee who are Sandro D'Isidoro, Rafic Mansour and Mario Mauri.

- *Appointment of "Lead Independent Director"*

The Board of Directors, at the meeting held on 04.07.2008, appointed Sandro D'Isidoro Lead Independent Director of the company. This function is provided for by the Code of Corporate Governance of the Italian Stock Exchange whenever the Chairman and the Managing Director are the same person, as is the case in Prima Industrie S.p.A.

- *Appointment of Surveillance Body*

At the meeting held on 13.11.2008, the Board of Directors appointed the surveillance body required by Legislative Decree 231/2001 which includes Sandro D'Isidoro (Director and Lead Independent Director), Dr. Roberto Petrignani (Statutory Auditor) and Dr. Chiara Roncolini (Compliance Officer of Prima Industrie S.p.A.). The Surveillance body can be supplemented with or employ legal consultants as necessary. The Board records that the Surveillance Body does not receive remuneration for its activities and no expense accounts have been allocated.

- *Six-monthly Report by Internal Control Committee*

The Board records that as required by the Code of Self-governance, the Internal Control Committee delivered the six-monthly report on its activities to the Board of Directors.

- *Net Financial Position*

At the end of the financial year the net financial position of Prima Industrie S.p.A. was set at -149,088 thousand Euro compared to -4,293 thousand Euro in the previous financial year. The net financial position of the Group was set at -161,645 thousand Euro compared to 768 thousand Euro in the previous financial year. The financial position *inter alia* takes into account the disbursement made for the acquisition of Finn Power Oy and the purchase of the real estate in Collegno (TO) and dividend distribution.

- *Operations on Derivative Instruments*

The Board records that the Company did not carry out any other operations on derivative financial instruments except for those specified in the Financial Statements to cover the risk on rates relating to bank loans.

- *Organisation Structure*

The acquisition of Finn Power Oy increased the size of the Group to a sales figure of 367 million Euro in 2008. The Group employs 1,700 people in the world, operates in 50 countries and has a total of 10 factories in Italy, Finland, the USA and China.
The Board notes that an integration committee to integrate Prima Industrie and Finn Power Groups has been established; the activities of this committee will be monitored *inter alia* by the Internal Control Committee. As regards the growth in the size of the Group the Board notes the introduction of two new functions, namely Consolidated Financial Statements headed by Dr. Danieli and Operational Control under the care of Dr. Cagliero.

Significant Events after 31st December 2008

To the extent required, the Board monitored the significant events that occurred after the end of the financial year.

- *New Agreements with Institutions*

In view of the significant and widespread worsening of market conditions in the segments and areas in which the Group operates, and in view of the anticipated impossibility of meeting the financial indexes set out in the Loan Contract (183,5 k/€) signed on 31.01.2008 with Credit Institutions for the acquisition of Finn Power, the Board of Directors agreed to re-determine the covenants as at 31.12.2008 and 31.12.2009 with the pool of banks, as previously described.

- *Resignation of Directors/New Managing Directors*

The Board, during the Meeting of the Board of Directors held on 13th of March 2009 expressed its approval to coopt Dr. Ezio Basso to replace Marco Pinciroli.
At the same meeting, to implement cost saving plans at Group level, the Board gave specific mandate on the matter to Dr. Ezio Basso for the Laser Division and to Mr. Domenico Peiretti, for the Electronics Division.

- *Disclosure Statement on "Corporate Governance" System*

The Board records that in compliance with section 124 bis of the Consolidated Finance Act, section 89 bis of Consob's Issuers' Regulation and section IA.2.6 of the Instructions to the Regulations of Borsa Italiana S.p.A., the Board of Directors of Prima Industrie S.p.A. delivered the statement required on the "corporate governance" system.

- *Forecasts for 2009*

The negative trend of the last few months following the negative effects of the global credit crunch on the real economy lead to the Directors launching an internal reorganisation campaign aimed at drastically reducing structural costs and streamlining the workforce mainly by resorting to layoffs in Italy and Finland.
The Board approved a new long-term plan for 2009-2013 as the basis for redefining the financial indexes set out in the aforesaid Loan Contract for the acquisition of Finn Power.
Further rationalisation measures were considered as a consequence of the risks and the uncertainties in relation to a multiplicity of factors related to business contingencies.

- *Limits to Appointments of Control Body Members*

The Board records that, for each member of the Control Body, a statement was issued in relation to appointments held, as per section 148 bis of Legislative Decree 58/1998 and annex 5 bis to the Issuers' regulations.

Dear Shareholders,

In light of the above and given the legal audit performed by the auditing company Reconta Ernst & Young S.p.A., who will express an opinion without reservation on the annual Financial Statements, the Board of Statutory Auditors proposes to approve the Financial Statements of the company as of 31st of December, 2008 and the proposal formulated by the Board of Directors as regards the allocation of the net income for the year.

Collegno, 2nd of April 2009

The Board of Statutory Auditors
(Riccardo Formica) - Chairman
(Dott. Andrea Mosca) - Statutory Auditor
(Dott. Roberto Petrignani) -- Statutory Auditor

THE PRIMA INDUSTRIE GROUP

REPORT OF THE BOARD OF STATUTORY AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OF DECEMBER 2008

Dear Shareholders,

The Board of Directors of Prima Industrie S.p.A. drafted and approved the Consolidated Financial Statements for the year ended 31st of December 2008, in compliance with Legislative Decree No. 127 dated 9th of April 1991; the Financial Statements were presented to the Board Meeting on 13th of March 2009.

The Consolidated Financial Statements of the Prima Industrie Group - which are presented to you - show a Net Result of € 5,476,434 and are drafted in compliance with the International Financial Reporting Standards (IAS/IFRS).

The net profit is entirely attributable to the shareholders of the Parent Company.
The base profit per share is 1.02 compared to 2.99 of the previous financial year. The base profit for 2008 is lower than that of the previous financial year due to the growth in the number of ordinary shares in circulation, which increased from 4,600,000 to 6,400,000 as a result of the Parent Company's capital increase which took place in July, as well as the discounting of the 3,000 shares held in portfolio until 28.02.2008.

During the course of the year, the Board of Statutory Auditors performed the supervisory activities required by the law and was timely informed by the parent company's Board of Directors regarding significant economic and financial operations, both ordinary and extraordinary, undertaken within the scope of group relationship. We verified that operations implemented were in accordance with the law and Articles of Association, were not in conflict with the resolutions of the meetings, that there was no potential conflict of interest and that compliance with the principles of proper management was assured.

The Board paid particular attention to reviewing intra-group operations taking place during the year, observing that these were in compliance with the law, both where these operations were of a commercial nature and also where they related to the loans extended by the Parent Company to the Subsidiaries.

The checks carried out by Reconta Ernst & Young S.p.A., who were appointed to perform the audit, verified that the information of the Consolidated Financial Statements correspond to the accounting entries of the Parent Company, as well as to the Financial Statements of the Subsidiaries and associated data officially communicated by them.

The Financial Statements and reconciliations, prepared by the competent corporate bodies in accordance with the IAS/IFRS and sent by the Subsidiaries to the Parent Company for the purposes of drafting the Consolidated Financial Statements are subject to review by the internal auditing bodies of the individual companies, as well as by Reconta Ernst & Young S.p.A., within the ambit of the procedures followed for the auditing of the Consolidated Financial Statements. The Board of Statutory Auditors did therefore not review these Financial Statements, in accordance with the provisions of section 41 no. 3 of Legislative Decree No. 127 dated 9.04.1991.

It should be noted that the Financial Statements of Subsidiaries Prima Electronics S.p.A., Finn Power Italia

S.r.l. and Osai S.p.A. are separately audited by Reconta Ernst & Young S.p.A., who certifies the Financial Statements of the Parent Company.

We record that we obtained the necessary information in relation to the Report on the Consolidated Financial Statements from the auditing company, in accordance with Art. 156 of Legislative Decree No. 58/1998 as amended, and nothing of any particular significance was raised.

The Financial Statements are made up of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the Explanatory Notes to the Consolidated Financial Statements.

As in previous financial years the Board of Directors drafted a single Report on Operations, which provides all information required in relation to the Parent Company and individual Subsidiaries.
We made reference to this report, which adequately illustrates the financial position of the company, as well as the trend in operations during the course of 2008 and the forecasts for 2009 in relation to all the companies involved in consolidation.
The examination conducted by us confirmed congruence with the Group Consolidated Financial Statements.

The Notes to the Consolidated Financial Statements underline the general criteria used in the preparation of the Financial Statements, as well as the criteria applied in the evaluation of each individual item.

The Consolidated Financial Statements includes the corresponding previous-year data for comparative purposes. For correct comparison the Directors have highlighted the effects of the acquisition of Finn Power.

The determination of the area of consolidation, and the choice of consolidation principles for equity investments and procedures adopted, reflect the provisions of Legislative Decree No. 127 dated 9/4/1991, in compliance with International Accounting Standards (IAS/IFRS). The Consolidated Financial Statements are therefore to be considered technically correct and as a whole in accordance with the applicable regulations.

Within the terms of its mandate the Board of Statutory Auditors confirms that:

The Consolidated Financial Statements of the Prima Industrie Group include the Subsidiary Companies which are part of consolidation by the line-by-line method and the joint ventures also part of consolidation by the net equity method, as required by IAS 31 paragraph 38.
It should be noted that by using the line-by-line method (or the global integration method) the Consolidated Balance Sheet includes all the assets and liabilities of the Parent Company, except for the equity investments in the subsidiary companies, the accounting value of which is replaced by the sum of the assets and liabilities of the subsidiaries, determined in accordance with accounting principles that match those applied by the Parent Company. In the case of equity investments in subsidiary companies of less than 100% the appropriate share of the net equity and income is allocated to the minority shareholders. If the net equity consolidation method is used, the accounting value of the equity investment is replaced with the applicable fraction of the subsidiary's net equity (including the share of the result for the financial year), determined in accordance with accounting principles that match those applied by the parent company. The Consolidated Income Statement includes the applicable share of the result for the financial year, which is also determined in accordance with uniform accounting principles. Thus, a company valued using the net equity method contributes to the Financial Statements with the same net equity and result for the financial year as would have been applied had it been consolidated using the global integration method. The essential

difference lies in the different disclosure in the Financial Statements, one method disclosing a single equity item (the value of the equity investment) and a single item of income (profit or loss) and the other disclosing all the detailed items of the assets, liabilities and positive or negative income.

Compared to the Financial Statements for the year ending 31st of December 2007, the area of consolidation changed due to the entry of the Finn Power Oy Group into the area of consolidation with effect from 4th of February 2008. It should be noted that on this date the contract was signed for the acquisition of 100% of the share capital of Finn Power Oy, (Finnish manufacturer of machines and systems for sheet metal processing) from Private Equity EQT III Limited, a fund which owned 91.64% of the shares, and private shareholders, who owned the remaining portion of the share capital.
As regards the Osai Group, acquired by subsidiary Prima Electronics, which entered into consolidation from July 2007, the Board records the merger of Techmark S.r.l. with Osai S.p.A. effective from 01.07.2008. This merger did not produce any changes in the financial portrayal of the Prima Industrie Group because Technark S.r.l. was a wholly-owned subsidiary of Osai S.p.A.

The subsidiaries consolidated using the line-by-line method in addition to the Parent Company include:

Subsidiary companies	Holding	Share Capital
Prima Electronics S.p.A.	100%	€ 6,000,000
Prima North America Inc.	100%	USD 24,000,000
Osai S.p.A.	100%	€ 1,172,000
Osai USA LLC	100%	USD 39,985
Osai UK LTD	100%	GBP 160,000
Osai GmbH	100%	€ 25,000
Prima Industrie GmbH	100%	€ 500,000
Prima Industrie Scandinavia AB	100%	SEK 100,000
Prima Finn Power UK LTD	100%	GBP 1
Prima Finn Power Polka Sp. Zoo	100%	PLN 350,000
Prima Industrie (Beijing) Company Ltd	100%	RMB 1,046,900
Finn Power Oy	100%	€ 23,417,108
Balaxman Oy	100%	€ 2,522
Finn Power GmbH	100%	€ 180,000
Prima Finn Power Iberica S.L.	100%	€ 5,040,000
Finn Power Italia S.r.l.	100%	€ 1,500,000
Prima Finn Power NV	100%	€ 500,000
Prima Finn Power France Sarl	100%	€ 792,000
Finn Power North America Inc.	100%	USD 10,000
Prima Finn Power Canada Ltd	100%	CAD 200

The joint ventures consolidated using the net equity method include:

	Holding	Share Capital
Shenyang Prima Laser Machine Co. Ltd	50%	USD 2,000,000
Snk Prima Company Ltd	50%	YEN 90,000,000

Shanghai Unity Prima Laser Machinery Co. Ltd	35%	RMB 16,000,000
Wuhan Ovl Convergent Laser Co. Ltd	25,74%	RNB 62,364,091

The auditing techniques implemented for the purposes of drafting the Financial Statements submitted to you for review are appropriate to ensure the proper use of the data submitted by the subsidiary companies.

The consolidation adjustments take into account the applicable deferred tax effect.

Fiscal liabilities for deferred taxes totalled 11,627 thousand Euro, an increase compared to the previous financial year (9,721 thousand Euro). This increase is attributable to the acquisition of the Finn Power Group because at a business combination level tax liabilities were found relating to deferred tax on the trademark, on the client portfolio and on the real estate of Finn Power Italia S.r.l. situated in Cologna Veneta.

The net financial position of the Group showed a deficit of 161,645 thousand Euro.

The Balance Sheet records a consolidated shareholders' equity of € 75,087,273 against a Parent Company net shareholders' equity of € 63,194,106.

Dear Shareholders,

On the basis of the checks performed, the Board of Statutory Auditors agrees with the content and the form of the Consolidated Financial Statements of the Group for the year ending 31st of December 2008.

Collegno, 2nd of April 2009

The Board of Statutory Auditors
(Dott. Riccardo Formica) - Chairman
(Dott. Andrea Mosca) - Statutory Auditor
(Dott. Roberto Petrignani) - Statutory Auditor