



**CONSOLIDATED AND
STATUTORY FINANCIAL STATEMENTS
AT DECEMBER 31, 2009**

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DIRECTORS AND AUDITORS

Board of Directors

Chairman and CEO	Gianfranco Carbonato
Non-independent Directors	Michael R. 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 Manager	Ezio G. Basso

Audit Committee

Chairman	Sandro d'Isidoro
Members	Mario Mauri, Michael R. Mansour

Compensation Committee

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

Board of Statutory Auditors

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

(1) Appointed by the Stockholders' Meeting of April 28, 2009 to replace resigning director Marco Pincirolì

EXPIRATION OF TERMS AND APPOINTMENTS

The Board of Directors was appointed by the Stockholders' Meeting of April 29, 2008 for a three-year term from 2008 to 2010.

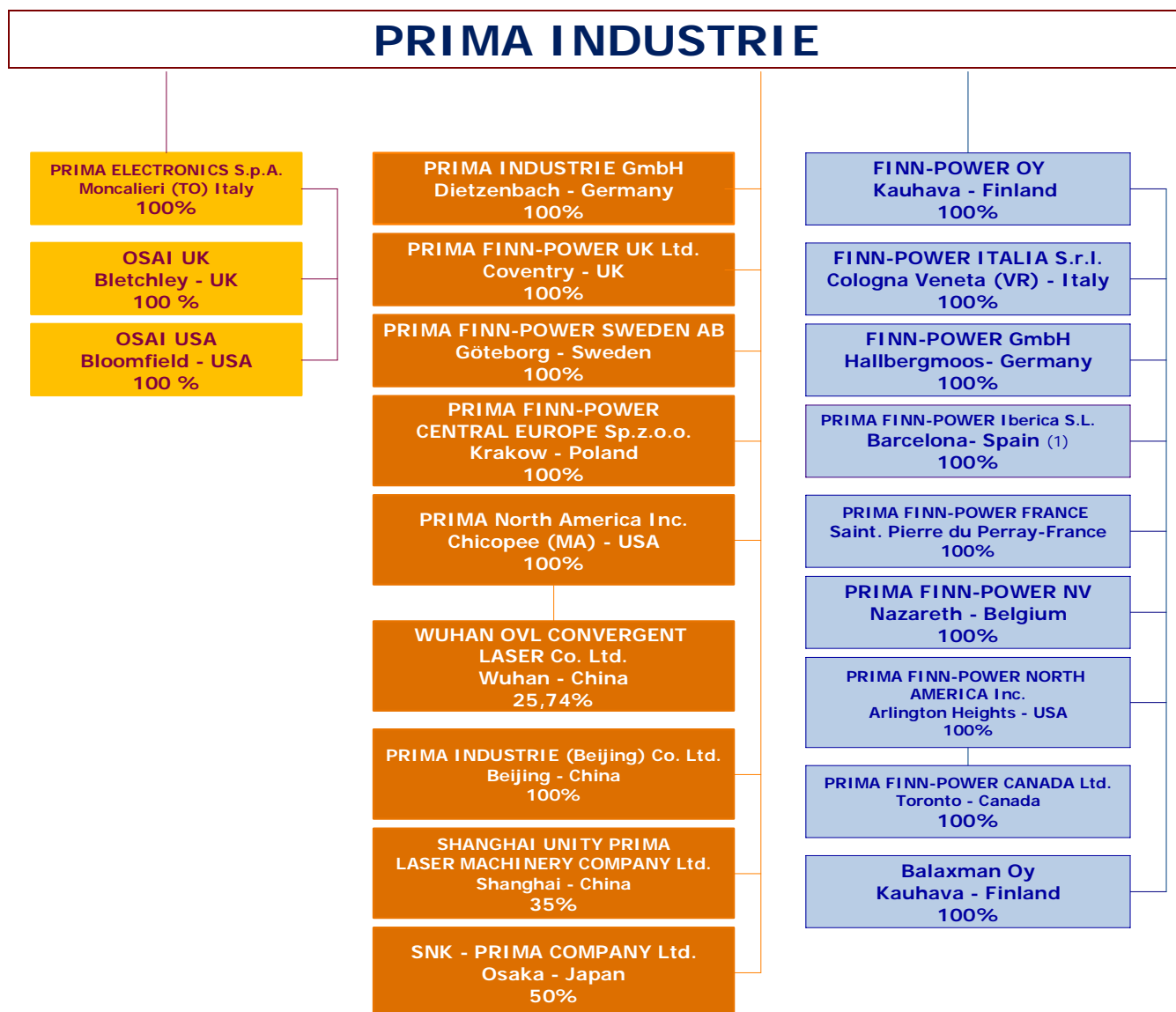
At the meeting of May 7, 2008, the Board of Directors appointed Mr. Gianfranco Carbonato as Managing Director, vesting him with all powers required to conduct the company's business. At the meeting of March 13, 2009, the Board of Directors appointed Messrs. Ezio Basso and Domenico Peiretti as Managing Directors of the Laser business unit and Electronics business unit respectively, vesting them with the necessary powers.

Under the terms of Article 25 of the corporate bylaws, the Chairman and Managing Director is granted power of attorney to act as the Company's legal representative.

The Board of Statutory Auditors was appointed by the Stockholders' Meeting of May 14, 2007 for a three-year term from 2007 to 2009.

The external auditors were appointed by the Stockholders' Meeting of April 29, 2008 for a nine-year term from 2008 to 2016.

1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2009



(1)

FINN-POWER OY holds 78% of PRIMA FINN-POWER IBERICA S.L. (the remaining 22% is held by PRIMA INDUSTRIE S.p.A.)

During 2010, PRIMA INDUSTRIE GmbH and FINN-POWER GmbH merged to form PRIMA FINN-POWER GmbH.

2. INTRODUCTION

REGULATORY FRAMEWORK

In application of EC Regulation 1606 of July 19, 2002, the PRIMA INDUSTRIE Group has prepared the consolidated financial statements at December 31, 2009 in compliance with the International Accounting Standards approved by the European Commission (hereinafter referred to individually as IAS/IFRS or together as IFRS).

The consolidated financial statements include the directors' Report on Operations.

Pursuant to Legislative Degree 38/2005, since January 1, 2006 the statutory financial statements of the parent company PRIMA INDUSTRIE S.p.A. have also been prepared in accordance with International Accounting Standards. Reference will be made to them in presenting data regarding the parent company.

SCOPE OF CONSOLIDATION

OSAI GmbH was put into liquidation during the third quarter of 2009. The company did not do business during the year and had no revenues (the income statement shows only liquidation expenses, the amount of which is insignificant), and was thus excluded from the scope of consolidation. This operation resulted in a 42,000 euro increase in consolidated stockholders' equity.

In September 2009, expiry of the Chinese joint venture Shenyang Prima Laser Machine Co. Ltd was postponed; the duration of the joint venture, which was originally scheduled to expire on September 26, 2009, was extended for a further 12 months to facilitate transfer of PRIMA INDUSTRIE SpA's share to the Chinese partner Shenyang Machine Tool Company, which took place in January 2010.

Effective January 1, 2009, OSAI S.p.A. merged by absorption with PRIMA ELECTRONICS S.p.A., its parent company. As OSAI S.p.A. was a wholly-owned consolidated subsidiary, this transaction entailed no changes in the view of the PRIMA INDUSTRIE Group's financial position and results of operations provided by the financial statements.

As of December 31, 2009, the following companies were included in the scope of consolidation.

SUBSIDIARY COMPANIES				
LASER SYSTEMS SEGMENT	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
PRIMA North America, Inc.	CONVERGENT LASERS: 711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24,000,000	100%	Line-by-line method
	LASERDYNE SYSTEMS DIVISION: 8600, 109th Av. North, Champlin, MN 55316, U.S.A.			
PRIMA INDUSTRIE GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA FINN-POWER SWEDEN AB	MöIndalsvägen 30 C, Göteborg, SWEDEN	SEK 100,000	100%	Line-by-line method
PRIMA FINN-POWER UK LTD.	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	ul. Przemysłowa 25 - 32-083 Balice, POLSKA	PLN 350,000	100%	Line-by-line method
PRIMA INDUSTRIE (Beijing) Company Ltd.	Rm.1 M, no. 1 Zuo Jiazhuang. Guomen Building, Chaoyang District, Beijing, P.R. CHINA	RMB 1,046,900	100%	Line-by-line method
ELECTRONICS SEGMENT				
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6.000.000	100%	Line-by-line method
OSAI USA, LLC	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 39,985	100%	Line-by-line method
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160,000	100%	Line-by-line method

SUBSIDIARY COMPANIES					
METAL SHEET MACHINES SEGMENT	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD	
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 23.417.108	100%	Line-by-line method	
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2.522	100%	Line-by-line method	
FINN-POWER GmbH	Lilienthalstrasse 2 a, Isar-Buro Park Am Soldermoos, D-85399 Hallbergmoos, GERMANY	€ 180.000	100%	Line-by-line method	
PRIMA FINN-POWER Iberica S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method	
FINN-POWER Italia S.r.l.	Viale Finlandia 2, 37044, Cologna Veneta (VR), ITALY	€ 1.500.000	100%	Line-by-line method	
PRIMA FINN-POWER NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 500.000	100%	Line-by-line method	
PRIMA FINN-POWER FRANCE	Espace Green Parc , Route de Villepècle 91280 St. Pierre du Perray, FRANCE	€ 792.000	100%	Line-by-line method	
PRIMA FINN-POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10,000	100%	Line-by-line method	
PRIMA FINN-POWER CANADA Ltd.	1040 Martingrove Road, Unit 11, Toronto, Ontario M9W 4W4, CANADA	CAD 200	100%	Line-by-line method	

JOINT VENTURES					
	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD	
SNK PRIMA Company Ltd	Misaki Works 3513-1, Fuke Misaki-Cho, Sennan-Gun, Osaka, JAPAN	Yen 90,000,000	50%	Net equity method	
Shanghai Unity PRIMA Laser Machinery Co Ltd.	2019, Kunyang Rd., Shanghai 201111 - P.R. CHINA	Rmb 16,000,000	35%	Net 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	Rmb 62,364,091	25,7%	Net equity method	

PROFILE OF THE 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 laser systems market. More recently, while maintaining its leadership in three-dimensional applications, PRIMA INDUSTRIE has also become a major presence on the 2D laser cutting market, thanks to its commitment to product innovation and extensive sales and customer service network.

Through the subsidiary PRIMA ELECTRONICS S.p.A., the company has amassed a wealth of skills and know-how in industrial electronics, control technology and realtime software, all key factors in achieving the continual product improvements needed to maintain the company's edge in a fast-paced, high-tech industry.

In May 2000, the company acquired Convergent Energy Inc. in the US. With this acquisition, the PRIMA Group integrated the knowledge required to internationalize CO₂ and solid state laser design and production, as well as strengthening its position on the US market.

In April 2001, the company bought the GSI Lumonics Laserdyne division. Laserdyne leads the field in multi-axis laser system design, manufacturer and sales, particularly in systems for microdrilling, cutting and welding in the aerospace and energy industries. Thanks to this acquisition, the PRIMA Group broadened its presence in North America and in the aerospace market.

In 2002, the Group's US businesses were combined and consolidated in a single legal entity – PRIMA North America Inc. – with two production facilities: one in Chicopee, Massachusetts (CONVERGENT LASERS) and the other in Champlin, Minnesota (LASERDYNE SYSTEMS).

Between 1999 and 2005, the company grew on the Asian market, where it set up three joint ventures in China (one of which was sold early in 2010) and another in Japan.

Starting in 2004, the company added to its sales and service organization in Europe. The PRIMA Group is now represented in Sweden (where it established PRIMA SCANDINAVIA AB, since re-named PRIMA FINN-POWER SWEDEN AB), the United Kingdom (with PRIMA INDUSTRIE UK, now PRIMA FINN-POWER UK Ltd), Germany (PRIMA INDUSTRIE GmbH) and Poland (PRIMA INDUSTRIE POLSKA Sp.z.o.o., which has now become PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o. after opening a branch office in the Czech Republic in the second half of 2009).

To oversee the Group's business activities in China, PRIMA INDUSTRIE (Beijing) Co. Ltd was set up in 2007.

During 2007, the PRIMA INDUSTRIE Group continued to grow, strengthening its position in the power electronics industry through the acquisition by PRIMA ELECTRONICS S.p.A. of OSAI S.p.A., which merged with the company by absorption on January 1, 2009.

In February 2008, the parent company PRIMA INDUSTRIE S.p.A. acquired the FINN-POWER Group, one of the world's major players in the field of sheetmetal fabricating machinery. The FINN-POWER Group's products are the perfect complement to the PRIMA INDUSTRIE lineup.

The Group consists of two manufacturing companies, FINN-POWER OY (the parent company, based in Finland) and FINN-POWER ITALIA S.r.l. (located near Verona, Italy) and a chain of subsidiaries that handle sales and service in Europe, the United States and Canada.

Following this latest acquisition, the PRIMA INDUSTRIE Group stands firmly in the forefront of the worldwide Sheetmetal Machinery industry.

Today, the PRIMA INDUSTRIE Group thus does business in three major areas:

Laser Systems. In this area, the Group designs, manufactures and sells laser machines and laser sources for cutting, welding and drilling 3D and 2D components.

The Group's 2D laser machines are used in a wide range of industrial applications, while the 3D laser machines are chiefly used to produce parts for the automotive, aerospace and energy industries. Laser sources are a high added value component of laser machines, and account for much of their technological content.

Sheetmetal Machinery. Here, the Group designs, manufactures and sells machine tools for sheetmetal fabricating operations. The Group offers a wide range of machinery for cutting and bending flat sheet: punching machines, combined punching and shearing systems, combined punching and laser cutting systems, panel forming machines, bending machines and automation systems.

Electronics: The Group designs and develops power and control electronics, together with the associated software. In addition, the Group designs and produces its own in-house NC control units for its laser machine lineup.

The PRIMA INDUSTRIE Group's mission is to systematically expand the range of its products and services, and to continue growing as a global supplier of laser, sheetmetal fabricating and electronics systems for industrial applications, all high-tech markets where growth rates are holding up under cyclic pressure.

Since October 1999, the parent company PRIMA INDUSTRIE S.p.A. has been listed on the Italian Stock Exchange, where it is traded on the MTA market STAR segment. Registered offices and administrative headquarters are located in via Antonelli 32, Collegno (Torino).

These draft financial statements were approved by the Board of Directors on March 11, 2010.

ALTERNATIVE PERFORMANCE MEASURES

In addition to the performance indicators contemplated by the IFRS, this Report on Operations, the consolidated financial statements of the PRIMA INDUSTRIE Group, and the separate financial statements of the parent company PRIMA INDUSTRIE S.p.A. for the years ending December 31, 2009 and 2008 use several alternative measures to gauge management effectiveness.

These alternative indicators, which are also used in interim reports, are not to be regarded as replacing the IFRS indicators.

The Group uses the following alternative performance indicators:

- EBIT (Earnings Before Interest and Taxes, which corresponds to operating profit),
- EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), which is determined by adding the amounts stated under the headings "Depreciation and Amortization" and "Impairment and Writedowns" to the operating profit shown on the income statement.

Other indicators include:

- "Value of production", or the algebraic sum of the amounts stated under the headings "Net revenues from sales and services", "Other operating revenues", "Changes in inventories of semifinished and finished products" and "Assets produced internally", and
- the "Contribution margin", or the algebraic sum of the amounts stated under "Net revenues from sales and services", "Other operating revenues", "Raw materials", "Changes in inventories of semifinished and finished products" and "Other operating costs".

EXCHANGE RATES

The foreign exchange translation rates used for consolidation purposes are shown below.

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE	
	Year 2009	Year 2008	31/12/09	31/12/08
US DOLLAR	1,3948	1,4708	1,4406	1,3917
POUND STERLING	0,8909	0,7963	0,8881	0,9525
SWEDISH KRONA	10,6191	9,6152	10,2520	10,8700
CHINESE RENMINBI	9,5277	10,2236	9,8350	9,4956
JAPANESE YEN	130,3370	152,4540	133,1600	126,1400
POLISH ZLOTY	4,3276	4,1045	4,1045	4,1535
CANADIAN DOLLAR	1,5850	1,5594	1,5128	1,6998

3. REPORT ON OPERATIONS

MESSAGE TO THE STOCKHOLDERS AND OTHER STAKEHOLDERS

Ladies and Gentlemen,

As was widely expected a year ago, 2009 proved to be an enormously difficult year for the entire global economy: unquestionably the worst since the Second World War.

The financial crisis that began in 2008 has severely impacted manufacturing industries, affecting all international markets as it spread to developed and emerging countries alike.

As always in such times of strife, machine tool makers were among the hardest hit, as investments in new facilities shrank and financing for capital goods became harder to find.

After-sales turnover, which includes revenues from service and sales of spare parts, also fell sharply for the first time in the company's history: in previous recessions, these activities had held firm, enabling the company to curb the contraction in earnings.

It is generally believed that the most critical quarters of the year were the first and second, as signs of recovery began to appear in the summer, first in China and other emerging markets such as Brazil and India. In these latter areas, the crisis is already a thing of the past, and GNP is once again growing at record levels.

In any case, the first quarter of 2009 was still buoyed up by the previous year's order backlog, though the effects of the dwindling number of orders received in the early months continued to be felt until the end of the year.

The market stabilized late in the year, but at a considerably lower level. Recovery in Europe is expected to be slow, at least for the current year.

Nevertheless, there are widespread hopes for gradual improvement during 2010, hopes that are borne out by rising product manufacturing indexes around the world. A turnaround thus looks likely in 2011, when even the capital goods sector, typically the last to recover, should return to significant growth.

Given this situation in its key markets, the Group's revenues fell by 37% (or approximately 40% if we include the month of January 2008, when FINN-POWER was not yet consolidated) to total 231.9 million euros.

Compared with the completion's reported performance during the same period, the Group was thus able to do as well or better, confirming that it has successfully maintained its market share in this challenging period.

The crisis struck the Group immediately after the acquisition of FINN-POWER, dictating a change in strategy from the planned "gradual integration" to a "reorganizational approach" in order to match resources with lower market demand.

Some of the major reorganization measures were as follows:

- All of the Group's punching and automation technologies were concentrated at the Kauhava plant in Finland.
- Bending technologies were concentrated at the Cologne Veneta plant in Italy.
- Laser system activities at Collegno (Italy) were scaled back.

- OSAI was merged with PRIMA ELECTRONICS, which operates through plants in Moncalieri and Barone Canavese, Italy.
- All of the Group's sheetmetal fabricating machinery sales and service business in North America was transferred to PRIMA FINN-POWER NORTH AMERICA of Arlington Heights, Illinois.
- PRIMA NORTH AMERICA focused on manufacturing lasers (through the Convergent Division in Chicopee, Massachusetts) and 3D laser systems (through the Laserdyne Division in Champlin, Minnesota).
- PRIMA INDUSTRIE and FINN-POWER sales and service activities were merged and relocated in France, Spain and Germany.

This process of reorganization was reflected in significant cutbacks in the workforce, which went from over 1,700 units at June 30, 2008 to fewer than 1,400 at December 31, 2009 (including employees who were already involved in early retirement or voluntary separation programs). A further group of employees were compensated through the temporary layoff benefits fund or received similar forms of unemployment benefits to bring the workforce into line with market demand.

These layoffs and rigorous cost control measures enabled the Group to maintain earnings at a level that was relatively healthy, though far short of the previous year's. EBITA was thus 6.2 million or 2.7% of net revenues, as against 31.8 million euros or 8.7% of net revenues in 2008.

The Group posted consolidated losses of 8.7 million euros which, in view of the 33 million euros in cumulative net profit over the last three years, should not cause undue alarm in a year as difficult as 2009.

From the financial standpoint, a concerted effort was made to improve the Group's net financial position after the major outlays invested in acquiring FINN-POWER in 2008.

Specifically:

- An indemnity was obtained from the seller, EQT, which reduced the outstanding capital amount of the debt to 12.2 million euros.
- As a result of this transaction, the loan and the covenants for 2009 were renegotiated with the banks.
- The sales and lease agreement for the Kauhava plant entered into by FINN-POWER OY prior to the acquisition was renegotiated, enabling it to be converted into an operating lease (with positive repercussions on the Group's net indebtedness of 5.9 million euros).
- Capital was successfully increased by 15.2 million euros (with a further 19.0 million euros in warrants). The results of the capital increase have not yet been included in the 2009 financial statements, as the operation was concluded in February 2010.

As a result of this reduction in financial indebtedness, the debt to equity ratio improved from 2.15 at December 31, 2008 to 1.17 (current pro-forma financial statements, considering the capital increase and assuming that all warrants are exercised).

It should also be borne in mind that a substantial portion – over 80% - of the Group's net borrowing is in the form of medium/long-term loans, including an approximately 64 million euro bullet loan falling due in 2016.

In reviewing each business unit's performance, the clear standout was the Electronics Division, which limited the drop in its revenues to 32% and achieved a net profit despite the general economic situation.

Committed as the entire Group is to curbing costs and bringing down the break-even point, however, we have not lost sight of the need to invest in the future. Accordingly, research and development expenditures totaled 13.6 million euros or 5.9% of revenues, and addressed all areas of the Group's business. For the laser segment, Zaphiro, a new high-performance 2D

system was put on the market, and the first deliveries were made of the Rapido and Sincrono fiber laser systems. A new electric punching system dubbed the E5X was also developed and delivered.

An advanced new generation of open source CNC control units is now under development, and the electronics division has installed a customized version for woodworking machinery.

To increase market coverage, the Group continued to showcase its products at the major trade fairs, though with smaller stands and budgets than in the past. The sales and service facility recently opened in Central Europe (with headquarters in Krakow, Poland and offices in the Czech Republic in addition to the FINN-POWER branch office in Hungary) was augmented and a new company is now being set up in Moscow for the Russian market.

Marketing activities were intensified on other overseas markets, where an encouraging number of orders have been received.

The stock market followed our overall situation with interest during the year, demonstrating considerable confidence in the company. Thus, share price dropped only slightly, going from € 8.90 at December 31, 2008 to € 7.87 at December 31, 2009.

Likewise, the success met by the capital increase operation despite the small discount to the TERP theoretical ex right price (~ 13.5% taking the warrants into consideration) and the recent rise in the value of the 2010/2013 warrants offer further confirmation of our stockholders' trust in the company's future prospects. We are grateful to our stockholders for their support.

An important part of this message is addressed to our employees.

As illustrated above, the crisis has forced our Group (like all producers of durable and capital goods) to reduce its workforce and costs. We have tried to do so as painlessly as possible, because human resources are our greatest asset. Reductions in force were made across the board, involving management, clerical staff and shop floor workers in a way that we hope was reasonable and honest.

Management incentives were also completely eliminated and several of the Group's executives voluntarily accepted cuts in their compensation packages. Many employees received lower annual salaries when we were obliged to enroll them in the temporary layoff benefits scheme.

To all of our employees and managers, we would like to express our heartfelt thanks for their support in helping the Group "cross the wilderness" in this most difficult of years.

As we face the future, confidence is the key, because 2010 will still be fraught with difficulty, a year of slow recovery in Europe and one in which the quake that rocked the very foundations of our economy can still have many aftershocks in store. Nevertheless, we have confidence in our products' worth, in the loyalty of our customers and suppliers, and in our human resources. On this confidence, we will build a new future of growth and success.

MACROECONOMIC ENVIRONMENT

The year 2009 was hard hit by what is considered as the worst and most violent crisis of the postwar period.

The crisis, which began in 2008 when the subprime mortgage bubble burst in the United States, first affected financial markets and spread to the real economy in the course of 2009, sparing none of the European countries and other developed economies, and bringing the growth of the major emerging markets to a near standstill.

At the end of the year, the World Bank reported that the global economy had contracted by 2.2% in 2009, with GNP in all major European countries showing negative growth: -5% in Germany, -2.2% in France, -4.9% in Italy, and -3.2% in the United Kingdom; on the whole, the European economy shrank by 4% in the 16-country euro zone in 2009, and by 4.1% when all 27 member states are taken into account.

In the United States, GNP dropped by 2.4%, hitting its lowest level since 1946.

Against this backdrop, the entire machine tool and capital goods industry struggled to stay afloat, closing one of its worst years ever on December 31, 2009.

For the Italian market, orders for machine tools fell by around 47% compared to the previous year according to the Italian machine tool trade association UCIMU, and are expected to pick up slowly in 2010. The drop in orders was general, affecting those received from domestic and foreign customers alike.

This situation was mirrored in other markets: in Germany, the national machine tool trade association VDW reported a 55% drop in orders booked by the country's machine tool makers in 2009, while the United States fared little better, with the Association For Manufacturing Technology (AMT) reporting approximately 45% fewer orders for high-tech machine tools during the year.

Though the worst would seem to be over, forecasts for 2010 point to a slow, cautious recovery for the traditional economies. The International Monetary Fund expects global GNP to grow by 3.9% in 2010, while Italy is likely to show growth of 1%. Projected growth for the advanced economies as a whole is 2.1%, with 2.7% in the United States and 1% in the euro zone.

The growth outlook is better for the so-called BRIC countries, spearheaded by China, and for the East-Central European countries.

For the high-power laser systems sector to which PRIMA INDUSTRIE and the LASERDYNE division belong, forecasts put 2010 market growth at 8% (Source: Longbow Research – Industrial Laser Solutions), though investments are expected to lag in the first half of the year because of large inventories and unused excess capacity.

REVENUES AND PROFITABILITY

For a better understanding of the data presented below, it should be borne in mind that the FINN-POWER Group was acquired on February 4, 2008. Consequently, the figures for 2008 used for purposes of comparison include only eleven months of the Finnish Group's operations.

Consolidated revenues at December 31, 2009 totaled 231,886 thousand euros, down 37% from 2008.

Were the FINN-POWER Group's revenues for January 2008 (which were not included in the scope of consolidation) to be considered, the shortfall would be 40%. This drop was due to the difficulties affecting all of the Group's key markets.

The geographical breakdown of consolidated revenues at December 31, 2009 is shown below.

Revenues	Fiscal year 2009		Fiscal Year 2008	
	<i>thousands of Euros</i>	<i>%</i>	<i>thousands of Euros</i>	<i>%</i>
Italy	51.862	22,4	87.579	23,8
Europe	97.388	42,0	156.884	42,7
North America	38.207	16,5	64.847	17,7
Asia and rest of world	44.429	19,1	57.966	15,8
TOTAL	231.886	100,0	367.276	100,0

The economic slowdown had a major impact on sales in all geographical areas. In Italy and North America, sales plummeted by 41%, and in Europe by 38%. The rest of the world was somewhat less affected by this contraction, with sales dropping by 23% from 2008.

This year, revenues from outside of Italy accounted for 77.6% of the total, confirming the PRIMA INDUSTRIE Group's international standing.

The breakdown of revenues by business area is shown below (for details of the Group's business units, see Section 7, Segment Reporting).

Revenues	Fiscal year 2009		Fiscal Year 2008	
	<i>thousands of Euros</i>	<i>%</i>	<i>thousands of Euros</i>	<i>%</i>
Laser Systems	91.123	39,3	149.263	40,6
Electronics	28.218	12,2	41.633	11,4
Sheet Metal Machines	127.104	54,8	184.416	50,2
Infra-segment revenues	(14.559)	(6,3)	(8.036)	(2,2)
TOTAL	231.886	100,0	367.276	100,0

Leaving out the Sheetmetal Fabricating Machinery segment and considering only the Laser Systems and Electronics units, whose revenues net of intercompany amounts are immediately comparable with those for the corresponding period in 2008, the Laser Systems unit posted revenues of 91,123 thousand euros (down 39%), while the Electronics unit posted revenues of 28,218 thousand euros (down 32%). The Group's shrinking revenues reflected the plunge in demand, which was all the worse by comparison with 2008, truly a banner year.

For a clearer view of revenues in 2009, the following table shows the breakdown by both segment and geographical area, net of intercompany amounts.

Revenues	Italy	Europe	North America	Asia and rest of world	TOTAL
<i>thousands of Euros</i>					
Laser Systems	21.882	19.923	14.059	24.774	80.638
Electronics	11.053	13.533	705	505	25.796
Sheet Metal Machines	18.927	63.932	23.443	19.150	125.452
TOTAL	51.862	97.388	38.207	44.429	231.886

The Laser Systems segment is evenly distributed across the various areas, with a major presence (and 31% of its revenues) in the Rest of the World, where its performance was particularly commendable in China (12,197 thousand euros, not including the approximately 27.2 million euro turnover contributed by the Chinese joint ventures, which were consolidated using the equity method), and in Russia, with 2,409 thousand euros. The Electronics unit chiefly does business in Italy and the rest of Europe (where revenues account for 43% and 52% of the total respectively). Here, highlights for the year included sales for 5,879 thousand euros in Benelux and 3,804 thousand euros in Spain. Lastly, the Sheetmetal Fabricating Machinery segment is deeply rooted in Europe, where revenues in 2009 amounted to 63,932 thousand euros, or 51% of the unit's total; the Scandinavian countries and Germany were this unit's most important market.

The **value of production** at December 31, 2009 was 222,193 thousand euros, 41% or 154,215 thousand euros less than in the corresponding period of the previous year. The fact that the value of production is less than revenues (which totaled 231,886 thousand euros), testifies to the reduction in the Group's inventories of finished and semifinished products.

Value of production in 2009 includes 7,141 thousand euros in assets produced internally, as against 7,520 thousand euros in 2008; this amount consisted chiefly of product development investments.

The drop in revenues that has been mentioned several times in this report was largely due to smaller sales volumes in 2009. However, the percentage impact of the 77,052 thousand euro contribution margin on sales revenues was 33%, an improvement over 2008, when the contribution margin was 113,470 thousand euros. The major factors behind this improvement were the efficiencies achieved by absorbing inventories in stock at December 31, 2008, the more than proportional reduction in other operating expenses, and the contribution made by non-recurring income, the indemnity illustrated later in this report in particular.

Performance indicators	Fiscal year 2009		Fiscal Year 2008	
	<i>thousands of Euros</i>	<i>%</i>	<i>thousands of Euros</i>	<i>%</i>
EBITDA	6.243	2,7	31.786	8,7
EBIT	(3.863)	(1,7)	23.233	6,3
EBT	(9.644)	(4,2)	11.730	3,2
NET INCOME	(8.696)	(3,8)	5.476	1,5

Group **EBITDA** amounted to 6,243 thousand euros or 2.7% of sales, down from 31,786 thousand euros or 8.7% of sales at December 31, 2008.

Given the disruption on all its key markets in 2009, the Group reached an EBITDA of 6,243 thousand euro. However, the drop in earnings would have been far more drastic had it not been for the cost cutting measures introduced by all Group companies, as well as for the positive effects of the transaction with EQT (a private equity fund from whom the FINN-POWER Group was acquired last year) and the renegotiation of the Kauhava plant lease agreement, which was thus converted into an operating lease (both of the latter operations are discussed below in the section dealing with the Group's net financial position).

In this connection, it should be noted that EBITDA performance reflects 3,394 thousand euros in non-recurring expenses (including 2,966 thousand euros incurred for the Group's restructuring and reorganization plans, and 428 thousand euros for other minor events), as well as 9,420 thousand euros in non-recurring income. This latter amount included 6,768 thousand euros from the EQT transaction and 2,652 thousand euros from renegotiating the Kauhava plant lease agreement (for further details of these transactions, see Note 8.32 to this report).

The following table shows EBITDA breakdown by segment unit, including intercompany amounts.

EBITDA	Fiscal year 2009		Fiscal Year 2008	
	<i>thousands of Euros</i>	<i>%</i>	<i>thousands of Euros</i>	<i>%</i>
Laser Systems	1.484	23,7	19.541	61,5
Electronics	2.129	34,1	5.255	16,5
Metal Sheet Machines	2.831	45,4	7.228	22,7
Intersegment items and adjustment	(201)	(3,2)	(238)	(0,7)
TOTAL	6.243	100,0	31.786	100,0

Consolidated **EBIT** for 2009 showed a loss of 3,863 thousand euros, as against earnings of 23,233 thousand euros at December 31, 2008. This amount reflected 3,935 thousand euros in depreciation on fixed assets and 5,997 thousand euros in amortization of intangible assets, of which 2,507 thousand euros consisted of assets with a finite useful life assumed last year for the FINN-POWER Group business combination (trademark and customer list), while 2,341 thousand euros consisted of amortization of development costs.

Consolidated **EBT** at December 31, 2009 showed a loss of 9,644 thousand euros, an amount that reflected net financial expenses of 6,164 thousand euros, including gains and losses on foreign exchange.

In particular, EBT was affected by 4,571 thousand euros in financial expenses associated with the loan taken out last year in order to acquire the FINN-POWER Group (hereinafter referred to as the "FINPOLAR loan") and 1,557 thousand euros in net financial expenses for derivatives. It should be noted that the year's performance benefited from the favorable outcome of the EQT transaction, which reduced borrowing costs by approximately 2,795 thousand euros, as accrued interest owing to the sellers amounting to 1,730 thousand euros was canceled and the Group was indemnified for 1,065 thousand euros in other costs. In addition, the heading "Net result of affiliates and joint ventures" includes a non-recurring expense of 411 thousand euros, which represents the loss incurred by PRIMA INDUSTRIE S.p.A. for the Chinese joint venture Shenyang Prima Laser Machine Co. Ltd.

NET LOSS at December 31, 2009 was 8,696 thousand euros, as against net income of 5,476 thousand euros at December 31, 2008. Income tax for 2009 totaled 948 thousand euros, chiefly as a result of tax credits for research carried out by the Italian companies and tax credits for the losses incurred by PRIMA North America, PRIMA FINN-POWER North America, OSAI USA and PRIMA INDUSTRIE GmbH.

BALANCE SHEET

The PRIMA INDUSTRIE Group's reclassified balance sheet is shown below.

VALUES IN THOUSANDS OF EUROS	31/12/2009	31/12/2008
Tangible and intangible assets	77.944	86.252
Goodwill	102.511	102.585
Equity investments and other non-current assets	5.599	6.921
Deferred tax assets	4.916	6.301
NON CURRENT ASSETS	190.970	202.059
Inventories	71.808	106.187
Trade receivables	58.823	72.266
Trade payables and accounts	(71.094)	(98.088)
WORKING CAPITAL	59.537	80.365
Other current assets and liabilities	(16.964)	(24.957)
Other non current liabilities	(7.571)	(9.109)
Deferred tax liabilities	(10.903)	(11.626)
NET INVESTED CAPITAL	215.069	236.732
NET BORROWING	150.091	161.645
STOCKHOLDERS' EQUITY	64.978	75.087
SOURCES OF FINANCING	215.069	236.732

The value of the PRIMA INDUSTRIE Group's property, plant, equipment and intangible assets dropped by 8,308 thousand euros by comparison with the previous year. This change was due to the joint effect of the significant capitalized investments in product development (see the section dealing with Research and Development below), the disposal of the Kauhava

facility following renegotiation of the lease agreement (see the section on Net Financial Position) and depreciation and amortization for the year. A significant portion of non-current assets consists of goodwill: as illustrated in the section entitled "Impairment test of goodwill", directors checked that there has been no loss in this asset's value.

Working capital dropped by 20,828 thousand euros with respect to the previous year, chiefly as a result of the destocking strategies implemented by Group companies when production was cut in response to lower market volumes. In addition, payment terms were renegotiated with suppliers, in particular at FINN-POWER OY.

At December 31, 2009, the Group's indebtedness (which does not yet take the effects of the 15,232 thousand euro capital increase into account) amounted to 150,091 thousand euros; bearing in mind that the total at the 2008 year-end was 161,645 thousand euros, this is a significant improvement (for further details, see the section headed "Net financial position").

Net assets dropped by 10,109 thousand euros compared to the previous year. This was chiefly the result of the losses incurred during the year, though other contributing factors included the 967 thousand euro reduction in provisions for change in the fair value of hedging derivatives, the 608 thousand euro reduction in the currency translation reserve, the 290 thousand euro reduction in the reserve for capital increase expenses, the 410 thousand euro increase in the stock option reserve, and the 42 thousand euro increase in the scope of consolidation following the liquidation and exclusion of OSAI GmbH.

IMPAIRMENT TEST OF GOODWILL

In the current economic situation, checking for loss of value in the Group's assets is of fundamental importance. Consequently, an essential part of drafting the PRIMA INDUSTRIE Group's financial statements consists of performing impairment tests of the assets shown in the statements, and in particular of those included following the acquisition of the FINN-POWER Group.

To provide readers with a grasp of the entire valuation process used for the Group's assets – the underlying assumptions, the estimation methods, the parameters used, etc. – an extensive explanation of the methods employed by the directors for this purpose is given in the notes appended to the financial statements (see Note 8.2 – Intangible assets). The methods and basic assumptions used in performing the impairment test of goodwill were independently approved by PRIMA INDUSTRIE management prior to the approval of these financial statements.

No problems came to light in the impairment test.

NEW ORDERS AND ORDER BACKLOG

The Group had received **orders** (including after-sale orders) at December 31, 2009 valued at 211.9 million euros, as against 335.7 million euros at December 31, 2008.

Penalized by the difficult economic situation in the early part of the year, order intake began to pick up speed in March 2009 and showed more stable signs of recovery starting in September 2009.

In particular, new orders received by the Laser Systems and Electronics units totaled 95.7 million euros (down from 170.7 million euros in 2008), while the Sheetmetal Machinery unit booked orders for 116.2 million euros, as against 165.0 million euros in 2008.

Thus, orders received by the Laser Systems and Electronics units fell by 44%, while those received by the Sheetmetal Machinery unit dropped by a less drastic 30%. This can be explained by the fact that the sheetmetal fabricating industry had already begun to feel the effects of shrinking demand during 2008, several months before the laser systems and electronics sectors.

It should be noted that the rise in order intake that occurred in the second part of 2009 continued in the early months of 2010: in February 2010, the total order book was valued at 22.5 million euros, an amount that had never been reached in 2009 and was far above the 10.8 million euros booked in February 2008.

The **consolidated order backlog** (which does not include service parts and after-sales) at December 31, 2009 totaled 65.1 million euros, including 25.4 million euros for the Laser Systems and Electronics units and 39.7 million euros for the Sheetmetal Fabricating Machinery unit). By comparison, the order backlog at December 31, 2008 was 94.7 million euros, including 42.1 million euros for the Laser Systems and Electronics units and 52.6 million euros for the Sheetmetal Fabricating Machinery unit.

NET FINANCIAL POSITION

At December 31, 2009, the Group's net financial position (which does not yet take the effects of the 15,232 thousand euro capital increase into account) showed a total indebtedness of 150,091 thousand euros. Compared to the 161,645 thousand euros at the 2008 year-end, this was a significant improvement.

In particular, the Group's improved net financial position reflects the positive effects of the EQT transaction, which reduced financial indebtedness by 13,946 thousand euros, and the renegotiation of the lease agreement for the FINN-POWER OY plant in Kauhava, which reduced financial liabilities by 5,855 thousand euros.

To facilitate a better comparison with data for the previous year, it should be noted that at December 31, 2008, the FINPOLAR loan was entirely classified among current liabilities as required by IAS 1, as the covenants were still being reviewed at the balance sheet date. This review was satisfactorily concluded, as the lending banks sent formal notification to the Group on March 12, 2009 that the covenants originally contained in the FINPOLAR loan agreement had been revised. As a result, the loan was once again divided between current and non-current liabilities as contemplated by the agreement.

In addition to the information given below, further details are provided in Note 8.12.

Values expressed in thousands of Euros	31/12/2009	31/12/2008
CASH AND CASH EQUIVALENTS	(15.084)	(14.467)
SHORT-TERM BORROWINGS	44.163	127.803
MEDIUM-, LONG-TERM BORROWINGS	121.012	48.309
NET FINANCIAL POSITION	150.091	161.645

Analysis of the Group's net financial position

The net financial position highlights the Group's overall exposure to credit institutions and other lenders, including amounts payable to leasing and factoring companies.

To provide full disclosure of the consolidated net financial position at December 31, 2009, the following additional information is provided:

- Payables to leasing companies amount to 2,384 thousand euros.
- Amounts due to banks include the negative fair value of several interest rate swaps totaling 7,519 thousand euros. The main IRSs were contracted by the parent company to hedge a portion of the interest rate risk on the loan taken out to acquire FINN-POWER (entering into these derivatives was contemplated by the underlying loan agreement).
- Payables to factoring companies amount to 286 thousand euros.

The main events that influenced the Group's indebtedness in 2009 are illustrated below.

TRANSACTION WITH EQT, SELLER OF FINN-POWER

On June 30, 2009, PRIMA INDUSTRIE S.p.A. and the private equity fund EQT III Limited (who together with the other minority owners will be referred to jointly below as the "Sellers") concluded a transaction whose aim was to reduce the outstanding amount due on the purchase of the Finnish company FINN POWER OY, which took place on February 4, 2008.

During the acquisition, in fact, the parties agreed that a portion of the purchase price due to the Sellers amounting to 25 million euros (plus interest at the agreed annual rate of 6%), was to be paid on February 4, 2011, net of any amounts payable by the Sellers as an indemnity for breaches of the representations and warranties made in the sale contract in order to hold the PRIMA INDUSTRIE Group harmless of any liabilities resulting from circumstances or events coming to light after the acquisition and inconsistent with the claims made by the Sellers.

Starting the time of the acquisition, the PRIMA INDUSTRIE Group incurred a series of costs and expenses in connection with the company's former management which were not foreseen at the time of the purchase. Consequently, negotiations were entered into with the Sellers to ensure that the assurances contained in the reps and warranties would be honored and the associated indemnity obtained.

As a result of these negotiations, which concluded on June 30, 2009 with a transaction, PRIMA INDUSTRIE S.p.A. paid only the sum of 12,785 thousand euros (of which 12,215 thousand euros went to the former majority owner EQT and the remainder to the former minority owners) to the Sellers in November 2009, and the interest accrued at a rate of 6% up to June 30, 2009 was cancelled.

The transaction also established that the indemnity is recognized by the various companies of the acquired group on the basis of the actual liabilities sustained.

By signing the transaction, both parties were released from any present or future obligations or claims arising in connection with the acquisition.

Overall, this indemnity increased the Group's income by 9,049 thousand euros (with 6,254 thousand euros in EBITDA), an amount which represented 7,319 thousand euros in reimbursement of expenses incurred by the Group (including 1,065 thousand euros in borrowing costs) and 1,730 thousand euros in cancelled interest accrued on amounts payable to the Sellers. The amount indemnified for expenses which had not yet been incurred (3,626 thousand euros) was recorded as a liability and was allocated to the income statement. The Group also received a 1,271 thousand euro refund from EQT under the terms of a contractual provision regarding failure to obtain a building permit

A brief summary of the effects of the transaction on the PRIMA INDUSTRIE Group's income and assets at June 30, 2009 is given below.

Values expressed in thousands of Euros	EBITDA	Financial expenses	Total Economic Effect	Equity Effect	PFN Reduction
Paid amount	6.254	1.065	7.319	4.897	12.216
Cancellation financial expenses	-	1.730	1.730	-	1.730
Situation at June 2009	6.254	2.795	9.049	4.897	13.946

At December 31, 2009, a portion of the initial effect on assets was charged to income to reflect expenses incurred in the second quarter. At the 2009 year-end, the overall net effect on the income statement amounted to 9,563 thousand euros, of which 2,795 thousand were financial expenses.

The effects of the transaction on the Group's income and assets at December 31, 2009 are summarized below:

Values expressed in thousands of Euros	EBITDA	Financial expenses	Total Economic Effect	Risk provisions / Other liabilities	Repayment of loans	Equity Effect	PFN Reduction
Paid amount	6.254	1.065	7.319	3.626	1.271	4.897	12.216
Cancellation financial expenses	-	1.730	1.730	-	-	-	1.730
Situation at June 2009	6.254	2.795	9.049	3.626	1.271	4.897	13.946
Reversal equity effect	2.907	-	2.907	(2.907)	-	(2.907)	-
Costs incurred related to payment	(2.393)	-	(2.393)	-	-	-	-
Situation at December 2009	6.768	2.795	9.563	719	1.271	1.990	

With this agreement, the PRIMA INDUSTRIE thus obtained significant benefits in terms of reducing its net indebtedness, which dropped by an amount corresponding to the portion of the outstanding debt which PRIMA INDUSTRIE is no longer required to pay, plus interest accrued up to June 30, 2009. This reduction totaled 13,946 thousand euros.

AMENDMENT TO THE FINPOLAR LOAN AGREEMENT

The Group's financial situation also benefited from an amendment to the FINPOLAR loan agreement signed by the lending banks on November 12, 2009. Under the terms of this amendment, the Group obtained:

- Suspension of the obligation to comply with the covenants in the consolidated financial statements at December 31, 2009;
- Early drawdown of funds from line C of the loan to a maximum amount of 25,000 thousand euros, both in order to pay the outstanding amount falling due to EQT on November 30, 2009, and to cover the Group's working capital requirements (through a revolving credit line to be used in connection with advances on commercial invoices);
- The right to use up to 15 million euros of the net proceeds from the capital increase to cover the Group's need for financial flexibility, rather than in repayment of the FINPOLAR loan as originally envisaged by the loan agreement.
- To renegotiate the loan agreement, the Group paid a 250 thousand euro waiver fee to the banks.

AMENDMENT TO THE LEASE AGREEMENT FOR THE FINN-POWER OY PLANT IN KAUHAVA.

During 2009, FINN-POWER OY extensively reorganized its supplier network in order to cut procurement costs and optimize payment terms.

This reorganization also entailed renegotiating the lease agreement for the facility located in Kauhava, which houses FINN-POWER OY headquarters and manufacturing facilities.

The existing lease contract, which was entered into in June 2007 after the sale of the facility to the Varma Mutual Pension Insurance Company, had a term of approximately 15 years, viz., until December 31, 2022. Under the original provisions of the agreement, the lease was considered in accordance with IAS-IFRS as a finance lease.

This was motivated by the fact that the current minimum lease payments established at the beginning of the term approximated the fair value of the leasehold property, though ownership of the facility was not to be transferred to the lessee upon expiry of the lease, there was no end-of-lease redemption option, and the agreement's 15 year term was well under the leasehold facility's estimated useful life of 30 years.

In the autumn of 2009, FINN-POWER OY asked Varma Mutual Pension Insurance Company to ease the original conditions of the agreement, reducing either the rent or the term of the agreement.

An agreement was reached to reduce the term of the lease from 15 to 11 years. The lease will now expire on December 31, 2018. The other portions of the agreement remain unchanged, and the lessee is not required to pay penalties and/or other expenses.

Following this negotiation, the lease agreement was reviewed as required by IAS 17; as a result of this review, the lease was reclassified as an operating lease.

Consequently, the value of the property (5,520 thousand euros) and the corresponding financial liability (5,855 thousand euros) were derecognized in the consolidated balance sheet at December 31, 2009, with the difference being reallocated to the income statement. The liability for gains deferred until sale of the property amounting to 2,317 thousand euros was released. To this end, a new appraisal of the property was commissioned, and confirmed fair value at December 31, 2009.

CAPITAL STOCK INCREASE

As mentioned earlier, the financial position at December 31, 2009 does not reflect the proceeds of the capital increase, which was still in progress at that date (for further details, see the section "Capital Stock and Ownership Structure" below).

This operation was concluded on February 11, 2010 with the subscription of 2,240,000 new shares with a par value of 5,600,000 euros. The total amount raised (including premium) was 15,232,000 euros.

FINANCIAL RISK MANAGEMENT

As contemplated by IFRS 7, the risk management policies and goals formulated by PRIMA INDUSTRIE S.p.A. and the other Group companies are disclosed below.

The financial instruments that fund the Group's operations include bank loans, finance lease and factoring agreements, and sight and short-term deposits at banks. Additional financial instruments, such as trade payable and receivables, arise from the Group's operations.

The Group has also entered into derivatives such as interest rate swaps, or IRSs. The purpose of these instruments is to hedge the interest rate risk generated by the Group's operations and sources of financing.

The main risks associated with these financial instruments used by the Group are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

The Group has adopted a specific policy manage these financial risks effectively, and thus safeguard its business and its capacity to create stockholder and stakeholder value.

- The PRIMA INDUSTRIE Group is chiefly exposed to the following risk categories:
- Interest rate risk
- Foreign exchange risk
- Credit risk
- Liquidity risk

The Group's goals and policies for managing these risks are detailed in Note 8.31.

PERFORMANCE ON THE STOCK MARKET AND TREASURY STOCK

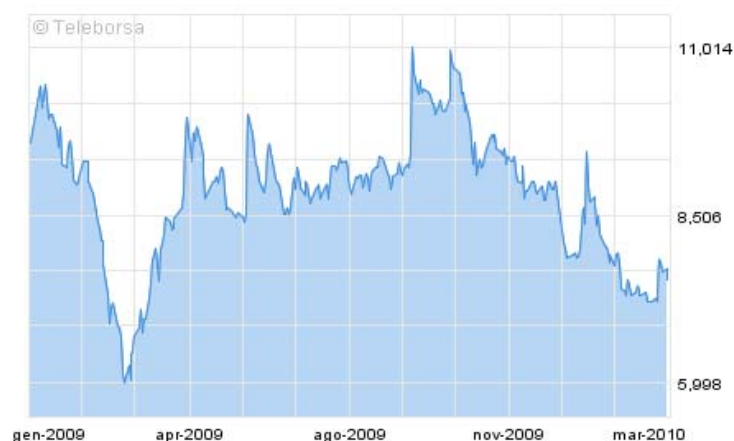
During 2009, PRIMA INDUSTRIE stock went from a unit price of 9.59 euros at January 2, 2009 to 7.87 euros per share at December 30, 2009 (the last day of trading in 2009), closing above 7.50 euros per share after the first ten days of March 2010.

With the market in general in free fall, the Group's stock traded down during the first months of the year, bottoming out at 5.998 euros per share on March 6, 2009, and then rising again to between 8.5 and 9.5 euros per share.

Early in the fourth quarter, stock prices climbed once more, hitting a maximum of 11.01 euros per share on September 17, 2009.

The announcement of the capital increase conditions and the beginning of the operation, though having an inevitable impact on prices, were well received by the market, pushing stock well above the offering price of 6.8 euros per share.

Market performance is illustrated in the graph below.



At December 31, 2009, PRIMA INDUSTRIE S.p.A. held no treasury stock, and the authorization to purchase and sell shares of the Group's own stock granted by the Stockholders' meeting on April 29, 2008 had expired. Even during the period when this authorization was still in force, the Group neither bought nor sold treasury stock, and no use was thus made of the authorization.

CAPITAL STOCK AND OWNERSHIP STRUCTURE

As mentioned earlier in this report, a capital increase was in progress at December 31, 2009. This increase was resolved on December 18, 2009 by the Board of Directors, who had been given a mandate to do so pursuant to Article 2443 of the Italian Civil Code by the Extraordinary Stockholders' Meeting held on June 8, 2009, and reflected the decision announced by the Board on October 12, 2009.

This increase involved a maximum of 2,240,000 shares of common stock with a par value of 2.50 euros each, for a nominal total of 5,600,000 euros. Stock was issued in a rights issue in a ratio of 7 new shares of common stock for every 20 shares held at a subscription price of 6.80 each, for a maximum value, including premium, of 15,232,000 euros.

In addition, one free Prima Industrie 2009-2013 warrant was issued for each new share of common stock subscribed. As the warrants entitle stockholders to subscribe to one new share for each warrant held, the capital increase through shares issued to service warrants will involve a maximum of 2,240,000 shares of common stock with a par value of 2.50 euros each for a nominal total of 5,600,000 euros and a maximum value, including premium, of 19,040,000 euros. The exercise price of the warrants is 8.50 euros. Warrants may be exercised until December 16, 2013.

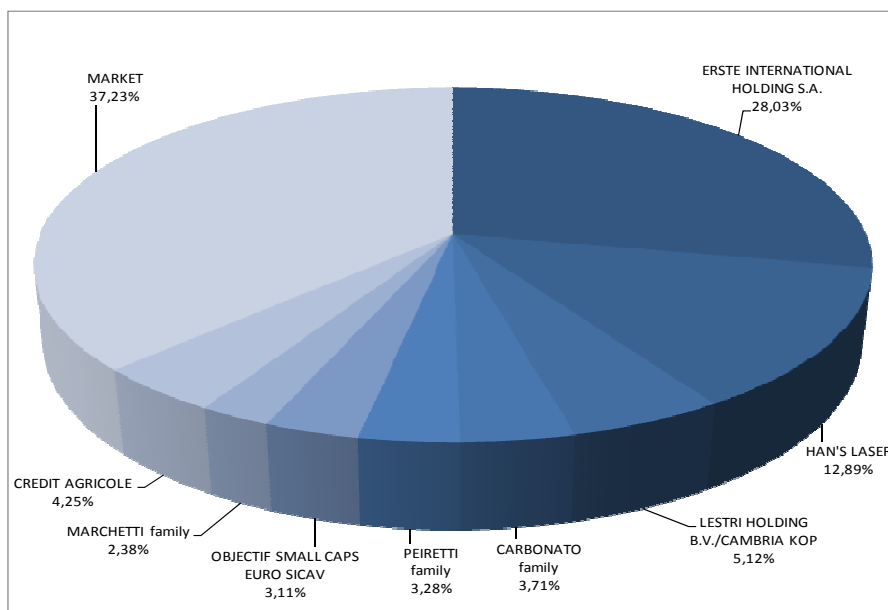
The capital increase started on December 28, 2009, while option rights could be exercised until January 22, 2010. Options trading concluded on January 15, 2010.

Pursuant to Article 2442, indent 3 of the Italian Civil Code, unexercised option rights were offered on the stock market by the issuer between February 1 and February 5, 2010.

At the end of the operation, all 2,240,000 shares offered had been subscribed for a nominal value of 5,600,000 euros and a total amount, including premium, of 15,232,000 euros.

Following the share increase, which concluded on February 11, 2010, the Group's subscribed and paid capital stock amounted to 21,600,000 euros, represented by 8,640,000 shares of common stock with a par value of 2.50 euros each. The Group has issued no bonds or securities other than common stock.

As recorded in the Stockholders' Ledger, which has been updated on the basis of the distribution of dividend which took place in May 2008, the capital increase and the notifications subsequently received by the company or the regulatory authorities, the ownership structure is as shown below:



RESEARCH AND DEVELOPMENT

The Group's research and development costs in 2009 totaled 13,583 thousand euros or 5.9% of revenues. Of this total, capitalized expenses amounted to 6,501 thousand euros, including 2,889 thousand euros for the Laser Systems unit, 2,692 thousand euros for the Sheetmetal Machinery unit, and 920 thousand euros for the Electronics unit.

R&D work by the parent company **PRIMA INDUSTRIE** centered on the areas discussed below.

The 3D Division focused on product innovation, where further advances were made to the RAPIDO line, particularly as regards the laser beam transport system for which new concepts and designed were tested. The Division also concentrated on the final stages of development of a new high-speed three-dimensional component cutting machine equipped with an optical-fiber laser generator. The new technology, which is ideal for cutting thin-gauge sheet, provides higher production capacity, lower power consumption, better reliability and lower maintenance costs.

The 2D Division made its first sales of its newly launched high-end ZAPHIRO flat workpiece cutting machine. At the same time, it unveiled "Perfect Cut", the world's first application of a sensor capable of analyzing laser cutting quality. The sensor not only makes it possible to certify laser cutting machine output, but, as an added optional feature, can also correct operating parameters to ensure constant high quality.

PRIMA ELECTRONICS also made significant achievements during the year:

- The first two stages of the new OPEN CNC family of numerical control units. As part of this project, an axis control card for interfacing the major commercial buses was developed.
- Design got under way of a new family of drives whose innovative features include the ability to use either DC or AC power supply, integrated Safety Integrity Level SIL2 intrinsic safety functions that make it possible to eliminate bulky and expensive safety relays, and communication interface with major commercial digital buses.

For **PRIMA North America**, the CONVERGENT Lasers division improved cutting performance and dependability of the new CV5000 laser, and began development of a 2.7 kW CO₂ laser for cutting flat sheet.

At the LASERDYNE division, R&D work centered on designing a compact version of the BeamDirector[®] automatic focus control, intended in particular for high-speed, high quality

drilling applications for turbine components featuring small angles (approximately 10° relative to the surface).

The **FINN-POWER** Group introduced a number of major innovations:

- The new E5x machine, an entry level punching unit, was developed and successfully presented at October's EMO trade fair in Milano.
- Engineering work on the Tulus software family continued, resulting in the Tulus Lite, a graphical interface for machine control.
- The 4kW CP laser source produced by PRIMA NORTH AMERICA's Convergent division was integrated on a combined LPe6 laser cutting and punching machine, and the first unit was delivered.
- The new Combo FMS compact storage system was developed which features one or two shelving units and a wide range of connections with processing.

PERSONNEL

As the economic situation worsened in 2009 and cost-cutting policies were introduced, a number of Group companies made reductions in force and took steps to increase flexibility and reduce the impact of personnel expenses on corporate costs.

During 2009, the Group's Italian companies made use of the Ordinary Temporary Layoff Benefits Fund, while FINN-POWER Italia S.r.l. also made use of the Special Temporary Layoff Benefits Fund. Together, the two measures brought a total reduction of over 119 thousand paid hours, netting savings of almost two million euros for the Group.

At December 31, 2009, the Group's employees numbered 1,463, down 200 from the 1,663 at the 2008 year-end. Though cuts were made in almost all of the countries where the Group does business, the number of layoffs was largest in Italy, Finland and North America. In reality, however, the reduction in the workforce is larger than would appear from the payroll, as the 1,463 units includes a number of employees who will be leaving the Group in 2010.

Workforce breakdown by Group company and segment is shown below.

COMPANY	31/12/2009	31/12/2008
PRIMA INDUSTRIE S.p.A.	294 *	346
PRIMA North America, Inc.	93 **	137
PRIMA INDUSTRIE GmbH	22	21
PRIMA FINN-POWER UK Ltd	11	12
PRIMA FINN-POWER SWEDEN	7	7
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	9	6
PRIMA Beijing Co. Ltd	7	6
LASER SYSTEMS	443	535
PRIMA ELECTRONICS S.p.A. - OSAI S.p.A.	183	224
OSAI UK Ltd.	6	7
OSAI USA LLC	5	7
ELECTRONICS	194	238
FINN-POWER OY	411	478
PRIMA FINN-POWER NORTH AMERICA & CANADA	104 **	100
FINN-POWER ITALIA Srl	191	207
FINN-POWER GmbH	28	32
PRIMA FINN-POWER FRANCE Sarl	28	27
PRIMA FINN-POWER NV	24	25
PRIMA FINN-POWER IBERICA SL	40 *	21
PLATE PROCESSING MACHINERY	826	890
TOTAL GROUP PERSONNEL	1.463	1.663

(*) Following the company's reorganization, PRIMA INDUSTRIE employees at the Spanish branch were transferred to PRIMA FINN-POWER IBERICA in 2009.

(**) Following the company's reorganization, several employees of PRIMA NORTH AMERICA were transferred to PRIMA FINN-POWER NORTH AMERICA in 2009.

Workforce breakdown by function is shown below:

DEPARTMENT	31/12/2009	31/12/2008
Production	555	626
After sales service	431	489
Research and development	164	161
G&A	156	197
Marketing and sales	143	171
Quality	14	19
TOTAL	1.463	1.663

For greater comparison of the data, the values for 2008 have been reclassified

STOCK OPTION PLANS

During 2008, the Stockholders' Meeting approved a stock option plan offered to the executive directors of PRIMA INDUSTRIE S.p.A., PRIMA ELECTRONICS S.p.A. and FINN-POWER OY, as well as to the general manager of PRIMA INDUSTRIE S.p.A. and the Group's financial manager, as they are vested with the power to make strategic decisions.

Beneficiaries at December 31, 2009 were as follows:

SURNAME Name	DEPARTMENT
CARBONATO Gianfranco	Chairman and Chief Executive Officer of PRIMA INDUSTRIE SpA
PEIRETTI Domenico	Chief Executive Officer of PRIMA ELECTRONICS SpA
HEDENBORG Tomas	Chief Executive Officer of FINN-POWER OY
BASSO Ezio	General Manager PRIMA INDUSTRIE SpA
RATTI Massimo	Finance Director PRIMA INDUSTRIE Group

The main features of the plan are as follows:

- The option exercise price was the arithmetic mean of the official price as defined by Borsa Italiana S.p.A. rules at which stock was traded on the MTA electronic market (or in the market on which the stock will be temporarily listed) during the period running from the date on which the options were granted to the same date in the preceding calendar month, plus 20%. As this price, which was initially 34.96 euros per share, was adjusted using the correction factor established by AIAF, the Italian Association of Financial Analysts following the two subsequent capital increases, the current option exercise price is now 28.68 euros.
- Options give the holder the right to subscribe to an equal number of newly issued shares of stock in PRIMA INDUSTRIE S.p.A.;
- In consideration of the time needed to establish whether the integration of the PRIMA-INDUSTRIE Group and the FINN-POWER Group has met performance goals, the plan envisages a vesting period of three years from the time options are granted.
- Once the three-year vesting period has ended, the options granted to each beneficiary may be exercised from June 1, 2011 until no later than the plan's expiry date at June 30, 2014 during the following two periods of each year:
 - June 1 – June 30
 - October 1 – October 30
- In each of the two monthly periods each year, individual beneficiaries can exercise up to a maximum of one third of the total number of options vested.

As the plan is a share-based payment arrangement with settlement in equity instruments, it was assessed by an independent expert who appraised the fair value of granted instruments.

In view of the nature of the option, the valuation model used procedures based on binomial trees set up for the two yearly periods in which options can be exercised in accordance with the plan's rules.

The following assumptions were made for valuation purposes:

- Volatility: 42.66%
- Risk-free rate: 4.16%
- Expected dividends: 0.65 euros in 2008 and 0.47 euros in subsequent years

Applying this model on the basis of the parameters in existence at the valuation date (April-May 2008) yielded the following results:

- Fair option value: 9.979 euros
- Number of options: 150.000
- Total value: 1,496,850 euros

Further information about the stock option plan is available on the company's website at www.primaindustrie.com

The plan is designed to strengthen a value creation-oriented culture among PRIMA INDUSTRIE Group management. Consequently, its aims are to:

- Create a variable incentives mechanism complying with the recommendations of the Corporate Governance Code for Italian listed companies promoted by Borsa Italiana S.p.A.,
- Ensure that the plan's beneficiaries see that working to create stockholder value is in their own interests,
- Motivate beneficiaries to focus on medium-term strategic success factors, and
- Build loyalty to the Group.

CORPORATE GOVERNANCE AND COMPLIANCE WITH LEGISLATIVE DECREE 231/2001

Once a year, the company publishes a statement on its governance system and compliance with the Corporate Governance Code.

The statement provides information about the company's administrative, management and supervisory bodies, their composition, their members' terms of office, their operation, powers and duties, as well as all the other aspects of the corporate governance structure. In addition, it includes information about the company's executives, with a personal and professional profile of each.

The statement also provides information about the compensation received by administrators and directors with strategic responsibilities, the rules applying to confidential information, and any atypical or unusual transactions having a significant impact on the company's operations, finances and assets, specifying the parties involved.

Pursuant to Legislative Decree 173/2008, which transposed Directive 2006/46 into national law in Italy, the statement contains specific information about:

- a) The corporate governance practices actually applied in the company beyond the requirements under national law or regulations,
- b) The main features of the company's internal control and risk management system in relation to the financial reporting process, including that used for consolidated financial reporting,
- c) The operation of the stockholders' meeting and its key powers, and a description of stockholders' rights and how they can be exercised,
- d) The composition and operation of the administrative, management and supervisory bodies and their committees.

The statement is separate from the statutory financial statements and is made available to the stockholders each year together with the documentation required for the annual general meeting. It is also sent to the market management company, who makes it available to the

public. The corporate governance statement is posted on the company's website (www.primaindustrie.com).

On May 17, 2009, the Board of Directors of PRIMA INDUSTRIE S.p.A. approved the new Compliance Program designed to deter wrongdoing as indicated in Legislative Decree 231/2001, as amended.

Based on an extensive analysis of the company's activities, the Compliance Program enshrines a set of general principles, rules of conduct, control measures and operating procedures, training, informational activities and disciplinary systems which serve to prevent wrongdoing to the greatest possible extent.

As part of the program, which is conducted with the help of outside professionals, a new corporate code of ethics was drafted. The new code will provide invaluable guidance for everyone who works for or with PRIMA INDUSTRIE S.p.A.

The program is monitored and kept up to date by Compliance Officers who report to the Board of Directors and Board of Statutory Auditors.

INVESTMENTS IN WORKPLACE SAFETY

During 2009, safety-related expenses at PRIMA INDUSTRIE S.p.A. totaled approximately 95 thousand euros, including 48 thousand euros in investments for improving thermal comfort, purchasing equipment for protection against laser radiation, and audiovisuals dealing with safety measures used in production areas. The remaining expenditures went to enhancing existing safety materials and equipment, as well to consulting services and documentation for updating the prevention system and training emergency response teams.

BUSINESS OUTLOOK

As discussed earlier, 2010 opened with considerable hope for recovery after the turmoils of the previous year. Growth was expected to be fairly strong in the emerging markets, and more modest in the mature markets.

At the moment, despite the encouraging order intake in February (the best in the last 15 months), these expectations have not been confirmed by any real rebound in the market, especially in Europe. We must thus continue to keep a close eye on costs and working capital, waiting for the gradual improvement in profitability and cash flow that should take place in the course of the year.

As for the Group's asset structure, after the success of January's capital increase our policy will be to make further reductions in financial indebtedness by disposing of non-strategic assets and through other means.

It is expected that integration with FINN-POWER will be completed in 2010 (the third year after acquisition) through further organizational changes. Accordingly, the investment in improving and standardizing the Group's information systems, which was suspended because of the crisis in 2009, will be resumed in 2010 and will yield significant results before the year is out.

On the marketing front, cost reduction measures have been planned for several European sales and service branches, while steps will be taken to make the Group's presence more effective in a number of high-potential emerging markets.

In view of the Group's success in obtaining early drawdown of funds from the loan facilities granted by the lending banks and in renegotiating the covenants for the FINPOLAR loan, the positive results achieved through the capital increase and expected from the exercise of warrants in the future, and the economic benefits attending the Group's reorganization programs, the consolidated financial statements at December 31, 2009 give little reason to suppose that the Group will be unable to continue as a going concern.

In conclusion, the current year is likely to be one of transition, with revenues and profits (net of non-recurring items) improving over the previous year and paving the way for the return to growth that has been widely predicted for the entire industry in 2011.

EVENTS AFTER THE BALANCE SHEET DATE

CONCLUSION OF THE CAPITAL INCREASE

The capital increase resolved on December 18, 2009 by the Board of Directors, who had been given a mandate to do so by the Extraordinary Stockholders' Meeting held on June 8, 2009, concluded on February 11, 2010, when all new shares offered had been subscribed.

As a result, the issuer raised 15,232,000 euros, and the capital stock of PRIMA INDUSTRIE S.p.A. now amounts to 21,600,000 euros, represented by 8,640,000 shares of common stock.

SALE OF HOLDINGS IN THE JOINT VENTURE SPLMC LTD.

On January 13, 2010, PRIMA INDUSTRIE S.p.A. sold its 50% holding in the joint venture Shenyang Prima Laser Machine Co. Ltd. to the other partner, Shenyang Machine Tool Company.

To facilitate transfer of the holding to the Chinese partner, the duration of the joint venture, which was originally scheduled to expire in September 2009, was extended for a further 12 months.

Under the terms of the sales agreement, PRIMA INDUSTRIE assumed 491 thousand euros in debt and received 80 thousand euros in settlement of payables and receivables outstanding at the time of the sale. The transaction resulted in a net expense of approximately 411 thousand euros.

MERGER OF TWO GERMAN SUBSIDIARIES

On February 19, 2010 the merger took place of two of the Group's subsidiaries in Germany: PRIMA INDUSTRIE GmbH and FINN-POWER GmbH. The two companies had previously been wholly-owned subsidiaries of PRIMA INDUSTRIE S.p.A. and FINN-POWER OY respectively.

The transaction took place as follows:

- Acquisition of 100% of FINN-POWER GmbH from FINN-POWER OY by PRIMA INDUSTRIE S.p.A. After appraisal of the company's business and valuation of its net assets, the sales price of FINN-POWER GmbH was set at zero euros.
- Merger of FINN-POWER GmbH and PRIMA INDUSTRIE GmbH. For accounting purposes, the effects of the transaction are retroactive to July 1, 2009.

The transaction was between two entities subject to common control (by PRIMA INDUSTRIE S.p.A.). Consequently, it had no effects on the consolidated balance sheet, as all FINN-POWER GmbH assets and liabilities were taken over by PRIMA INDUSTRIE GMBH.

The merger between the two Group companies in Germany is part of the effort to rationalize the sales and service network following the acquisition of the FINN-POWER Group.

The new company, which operates under the name PRIMA FINN-POWER GmbH, has registered offices in Dietzenbach (Frankfurt), on the premises formerly occupied by PRIMA INDUSTRIE GmbH.

The FINN-POWER GmbH facility in Hallbergmoos, which consists entirely of offices, will handle installation and after-sales activities for FINN-POWER products.

INCORPORATION OF CARETEK S.r.l.

Caretek S.r.l. was established with a deed of incorporation dated February 10, 2010. The new company has a fully-paid capital stock of 100 thousand euros, of which 47% is held by PRIMA ELECTRONICS S.p.A., 47% by Consoft Sistemi S.p.A., and 6% by Etica S.r.l.

Caretek S.r.l. was set up to promote the health care business through the sale and lease of Adamo electronic telemonitoring devices. It is expected that PRIMA ELECTRONICS S.p.A. will be the preferred maker of all electronic products marketed by the new company.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are discussed in Note 8.30.

OTHER DISCLOSURES

ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB Communication DEM/6064296 of July 28, 2006, it should be noted that the Group engaged in no unusual and/or atypical transactions as defined in said Communication during 2009.

MANAGEMENT AND COORDINATION

PRIMA INDUSTRIE S.p.A. is not subject to management and coordination by other companies or entities, and establishes its general and operating strategies in complete independence.

PERSONAL DATA PROTECTION CODE

Pursuant to paragraph 26 of the Technical Specifications Concerning Minimum Security Measures for processing personal data by electronic means (Annex B to Legislative Decree 196 of June 30, 2003, the Personal Data Protection Code), the data controller PRIMA INDUSTRIE reports that the 2009 Security Policy Document will be updated on March 12, 2009, and that the data processor will update the 2010 Security Policy Document as envisaged by paragraph 19 of said Technical Specifications no later than March 31, 2010.

EQUITY INVESTMENTS held directly or indirectly by directors, statutory auditors, general managers and executives with strategic responsibilities in PRIMA INDUSTRIE S.p.A. and in its subsidiaries (disclosure pursuant to Article 79 of CONSOB Regulation 11971/1999)

SURNAME Name	No. shares			
	Owned at 01/01/2009	Purchased in 2009	Sold in 2009	Owned at 31/12/2009
BASSO Ezio Giovanni	2.884	-	-	2.884
CARBONATO Gianfranco	234.000	-	-	234.000
GAGLIARDI Franca (i)	39.000	-	-	39.000
D'ISIDORO Sandro	-	-	-	-
FORMICA Riccardo	1.000	1.008	-	2.008
MANSOUR Michael	-	-	-	-
MANSOUR Rafic	19.117	-	-	19.117
MAURI Mario	-	-	-	-
MOSCA Andrea	-	-	-	-
PEIRETTI Domenico	169.320	1.080	-	170.400
MONTICONE Emilia (ii)	59.690	-	(8.107)	51.583
PETRIGNANI Roberto	-	-	-	-
RATTI Massimo	1.250	-	-	1.250

(i) = spouse of Gianfranco Carbonato

(ii) = spouse of Domenico Peiretti

4. ECONOMIC PERFORMANCE BY SEGMENT

Amounts in thousands of Euros	FISCAL YEAR 2009					FISCAL YEAR 2008				
	REVENUES	EBITDA	% of Revenue	EBIT	% of Revenue	REVENUES	EBITDA	% of Revenue	EBIT	% of Revenue
LASER SYSTEMS	91.123	1.484	1,6%	39	0,0%	149.263	19.541	13,1%	18.266	12,2%
ELECTRONICS	28.218	2.129	7,5%	1.127	4,0%	41.633	5.255	12,6%	4.581	11,0%
PLATE PROCESSING MACHINERY	127.104	2.831	2,2%	(4.836)	-3,8%	184.416	7.228	3,9%	619	0,3%
ELIMINATIONS	(14.559)	(201)	1,4%	(193)	1,3%	(8.036)	(238)	3,0%	(233)	2,9%
CONSOLIDATION	231.886	6.243	2,7%	(3.863)	-1,7%	367.276	31.786	8,7%	23.233	6,3%

Performance by the PRIMA INDUSTRIE Group's three business units during 2009 is outlined below (net of intercompany amounts).

→ LASER SYSTEMS

Company	Fiscal Year 2009			Fiscal Year 2008		
	REVENUES	EBITDA	EBIT	REVENUES	EBITDA	EBIT
PRIMA INDUSTRIE SpA	63.243	1.040	(122)	120.126	15.566	14.553
PRIMA INDUSTRIE GmbH	9.641	(685)	(731)	20.975	600	554
PRIMA NORTH AMERICA	27.904	(384)	(604)	42.344	3.122	2.922
PRIMA FINN-POWER SWEDEN	1.805	(95)	(98)	3.572	(148)	(155)
PRIMA FINN-POWER UK	3.260	61	57	2.412	(195)	(201)
PRIMA FINN-POWER C. EUROPE	658	(21)	(30)	783	15	13
PRIMA INDUSTRIE BEIJING	542	193	193	215	5	4
Consolidation adjustments	(15.930)	1.375	1.374	(41.164)	576	576
LASER SYSTEMS	91.123	1.484	39	149.263	19.541	18.266

In 2009, the Laser System business unit's revenues dropped by 58,140 thousand euros, or 39%. EBITDA fell by 18,057 thousand euros or 92%, and EBIT was essentially zero. As a result, the segment's operating profits and losses came close to balancing.

PRIMA INDUSTRIE

The parent company PRIMA INDUSTRIE S.p.A., was heavily affected by the economic crisis in 2009, and its performance, like that of the entire Group, fell short of the previous year's.

Performance indicators	Fiscal Year 2009		Fiscal Year 2008	
	thousands of Euros	%	thousands of Euros	%
SALES	63.243	100,0	120.126	100,0
EBITDA	1.040	1,6	15.566	13,0
EBIT	(122)	(0,2)	14.553	12,1
EBT	(3.444)	(5,5)	12.334	10,3
NET INCOME	(2.554)	(4,0)	8.673	7,2

The parent company's sales turnover in 2009 reflected the sluggish market for capital goods, and for machine tools in particular. Turnover thus totaled 63,243 thousand euros, down approximately 47% from 120,126 thousand euros in 2008 as a result of the smaller number of machines sold and the lower prices they were able to command. It should be emphasized, however, that this comparison with last year does not make allowance for the changes in the company's scope of consolidation that took place during the two years in question. The parent company's 2009 sales turnover thus does not include revenues for services and spares on the Spanish and French markets, whereas the totals for 2008 included 12 months of Spanish market revenues and 6 months of French market revenues. This difference was due to the integration of the European sales networks, which involved the transfer of the PRIMA INDUSTRIE S.p.A Spanish and French branch offices to the local FINN-POWER branches to set up shared facilities. Obviously, revenues from the machines sold on these markets also dropped, as sales in 2008 were made directly to customers rather than to branches. Performance was more encouraging when revenues for services and sales are compared on a uniform basis, as the 13% drop from the levels reached in 2008 was far less drastic than the shrinkage shown by the market as a whole.

PRIMA INDUSTRIE S.p.A. deployed every possible measure to cut costs for both personnel and operating expenses. Thus, the PRIMA INDUSTRIE S.p.A. workforce went from 346 employees at December 31, 2008 to 294 at December 31, 2009. Of these redundant employees, 22 were moved to PRIMA FINN-POWER IBERICA as a result of a branch office transfer discussed earlier, while the other 30 employees whose jobs were cut had had contingent, temporary or durational contracts that were not renewed when activities were scaled back.

Starting on April 1, 2009, the company made use of the Ordinary Temporary Layoff Benefits Fund in its manufacturing facilities and a number of services, involving shop-floor workers, clerical staff and middle management. Through this social safety net, the company was able to save approximately 780 thousand euros in personnel expenses. The total cost of personnel thus dropped by around 3,550 thousand euros, or 18%. Close attention was also devoted to expenses per cost center, bringing them down by 29% compared to 2008. A significant contribution in this area came from mandating the use of economy class even for intercontinental air travel by top management and executives and from the extensive use of low-cost carriers, which brought the unit cost of flights down by around 30%.

With all of these cost containment and reduction measures, EBITDA was 1,040 thousand euros or 1.6% of revenues. EBIT showed a loss of 122 thousand euros, nearly reaching break-even point.

PRIMA INDUSTRIE S.p.A. had financial losses of 2,910 thousand euros (including the net result of foreign currency transactions). The financial position was impacted by borrowing costs associated with the FINPOLAR loan, but benefited in 2009 from EQT's decision to waive accrued interest.

Taxation for the year amounted to 889 thousand euros, after 726 thousand euros in tax credits for research.

Values expressed in thousands of Euros	31/12/2009	31/12/2008
NON-CURRENT ASSETS	202.756	197.786
CURRENT ASSETS	49.325	70.422
SHAREHOLDERS' EQUITY	59.792	63.194
NON-CURRENT LIABILITIES	119.217	40.439
CURRENT LIABILITIES	73.072	164.575

As regards assets, inventories were reduced by over 46%, going from 26,532 thousand euros at December 31, to 14,308 thousand euros at December 31, 2009

PRIMA NORTH AMERICA

In 2009, the subsidiary PRIMA NORTH AMERICA saw losses in both turnover and profitability, with the latter dropping by more than 37%.

Performance indicators	Fiscal year 2009		Fiscal Year 2008	
	Thousands of US\$	%	Thousands of US\$	%
SALES	38.919	100,0	62.278	100,0
EBITDA	(536)	(1,4)	4.591	7,4
EBIT	(843)	(2,2)	4.298	6,9
EBT	(990)	(2,5)	4.167	6,7
NET INCOME	(540)	(1,4)	2.666	4,3

All three divisions showed lower sales:

- The Convergent Lasers division posted a turnover of \$14.1 million before consolidation adjustments, as against \$33.7 million in 2008. This drastic drop reflected fewer orders from the parent company PRIMA INDUSTRIE and the larger number of lasers in stock at the end of 2008, which had to be moved out before proceeding with new orders.
- The Laserdyne Systems division posted a turnover of \$12.3 million, as against \$15.1 in 2008.
- The PRIMA Systems division posted a turnover of \$15.4 million, as against \$19.1 million in 2008; this amount includes the sale to PRIMA FINN-POWER North America of stocks held at the end of the second quarter.

EBITDA for the year showed a loss of \$843,000, a dramatic change from the previous year's earnings of \$4,591,000.

Loss after taxes amounted to \$540,000. It should be noted that PRIMA NORTH AMERICA benefited from a tax write-off for losses in 2009. Under US tax law, a company incurring a loss during the year can ask the IRS for a refund on the taxes paid in the three previous fiscal years (for this purpose, it is not necessary to show a profit in the future, but simply to submit an application for the refund).

Investments in research and development during 2008 totaled \$2.5 million, \$0.9 million of which were capitalized as intangible fixed assets.

PRIMA INDUSTRIE GMBH

PRIMA INDUSTRIE GmbH sales in 2009 dropped by 54% compared to the previous year.

Performance indicators	Fiscal 2009		Fiscal 2008	
	thousands of Euros	%	thousands of Euros	%
SALES	9.641	100,0	20.975	100,0
EBITDA	(685)	(7,1)	600	2,9
EBIT	(731)	(7,6)	554	2,6
EBT	(725)	(7,5)	572	2,7
NET INCOME	(635)	(6,6)	389	1,9

With shrinking demand for machine tools, market competition was fiercer than ever before. As a result, the company's revenues fell drastically, as did profit margins on the orders received during the year.

Profitability was significantly worse, with EBITDA showing a loss of 685 thousand euros. The company was able to take a tax write-off on losses in 2009. Under German tax law, a company incurring a loss during the year can ask the tax administration for a refund on part of the taxes paid previously, simply by submitting an application. It is not necessary to show a profit in the future.

OTHER COMPANIES IN THE LASER SYSTEMS SEGMENT

Together, the other companies in the laser systems segment posted revenues of 6,265 thousand euros, down 10% from 2008. Total EBITDA was 138 thousand euros, an improvement over the previous year despite the fall in revenues. This result was due to the good performance shown by the British subsidiary and by the Chinese subsidiary (set up in April 2008), which benefited from a local market that was affected by the crisis less than other areas and only in the first quarter of 2009.

As mentioned earlier, the Polish subsidiary PRIMA FINN-POWER CENTRAL EUROPE opened a branch office in the Czech Republic in the second half of 2009.

→ ELECTRONICS

Performance indicators	Fiscal Year 2009		Fiscal Year 2008	
	<i>thousands of Euros</i>	<i>%</i>	<i>thousands of Euros</i>	<i>%</i>
SALES	27.113	100,0	39.371	100,0
EBITDA	2.576	9,5	4.988	12,7
EBIT	1.612	6,0	4.351	11,1
EBT	1.083	4,0	3.848	9,8
NET INCOME	1.052	3,9	2.619	6,7

The Electronic business unit's revenues dropped by 13,415 thousand euros or 32% in 2009, largely as a result of the lower volumes for numerical control systems, which were only partially offset by sales of DOTS highly customized electronics systems. Turnover from services shrank more than the electronics unit's other revenues as a result of the guaranteed share on contracts entered into in past years and charged to income.

EBITDA fell by 3,126 thousand euros or 59%, and EBIT stood at 1,127 thousand euros. The Electronics business unit's revenues and profitability dropped less than those of the rest of the PRIMA INDUSTRIE Group's segments. It should be born in mind that the Electronics unit incurred non-recurring costs amounting to around 650 thousand euros during the year in connection with the Group's restructuring and reorganization programs.

PRIMA ELECTRONICS¹

Turnover for the year ending at December 31, 2009 was 27,113 thousand euros, 31% lower than in the previous year, with net profit of 1,052 thousand euros, or 3.9% of revenues.

Performance indicators	Fiscal 2009		Fiscal 2008	
	<i>thousands of Euros</i>	<i>%</i>	<i>thousands of Euros</i>	<i>%</i>
SALES	27.113	100,0	39.371	100,0
EBITDA	2.576	9,5	4.988	12,7
EBIT	1.612	6,0	4.351	11,1
EBT	1.083	4,0	3.848	9,8
NET INCOME	1.052	3,9	2.619	6,7

The drop in revenues resulted from the deep recession that began in the last quarter of 2008 and hit all of the markets where the company does business.

Against this background, and thanks to energetic cost containment measures, PRIMA ELECTRONICS was nevertheless able to achieve EBITDA of 2,576 thousand euros or 9.5% of turnover and EBIT of 1,612 thousand euros or 6.0% of turnover, as against 4,988 thousand euros (12.7%) and 4,351 thousand euros (11.1%) in 2008. Though the figures were lower than in the previous year as a result of shrinking revenues and higher depreciation and amortization, the two profitability measures remained at satisfactory levels. During the year, the company incurred non-recurring costs amounting to around 600 thousand euros in connection with Group's restructuring and reorganization programs.

In 2009, orders received totaled 24.8 million euros, down 35.1% from the 38.2 million euros in the previous year. Consequently, the order backlog at the year end was valued at approximately 9 million euros, around 20.4% less than the 11.3 million euros at the beginning of the year.

OTHER COMPANIES IN THE ELECTRONICS SEGMENT

For OSAI USA, 2009 was a year marked by a sharp contraction in revenues, which plunged by around 60% as a result of the near-extinction of demand in the company's key market

¹ Effective July 1, 2008, Techmark S.r.l. was merged by absorption into OSAI S.p.A., while on January 1, 2009 OSAI S.p.A. in turn merged with PRIMA ELECTRONICS S.p.A. To ensure that comparisons can be made on a uniform basis, the 2008 figures for PRIMA ELECTRONICS shown in the table for the Electronics Business Unit include the amounts for Techmark S.r.l. and OSAI S.p.A..

(woodworking machinery) and the business's excessive concentration on a small number of customers which is not compensated by appropriate revenues from services. Despite the company's cost cutting efforts, the plunge in revenues led to net losses of more than \$400,000. To reduce operating costs at Group level, OSAI USA moved its headquarters from Bloomfield, Connecticut to the PRIMA NORTH AMERICA facilities in Chicopee, Massachusetts.

OSAI UK revenues for the year totaled £872,000, down 27.5% from 2008 but essentially reaching the break-even point. Lower turnover was to some extent offset by sustained revenues from the service business, which accounted for over 60% of the total.

OSAI GmbH was put into liquidation during the third quarter of 2009, and was thus excluded from the scope of consolidation as of that date.

→ SHEETMETAL FABRICATING MACHINERY

Company	Fiscal Year 2009			Fiscal Year 2008		
<i>Amounts in thousands of Euros</i>	REVENUES	EBITDA	EBIT	REVENUES	EBITDA	EBIT
FINN-POWER OY	72.345	2.101	(1.546)	118.974	3.651	1.102
FINN-POWER ITALIA	33.300	1.505	584	49.374	54	(843)
PRIMA FINN-POWER NORTH AMERICA	25.742	132	(78)	43.682	2.561	2.397
FINN-POWER GmbH	16.353	(181)	(223)	15.518	(522)	(569)
PRIMA FINN-POWER NV	10.496	(208)	(392)	7.209	(727)	(984)
PRIMA FINN-POWER IBERICA	7.947	134	92	10.073	750	737
PRIMA FINN-POWER FRANCE	6.372	(1.660)	(1.686)	4.515	(196)	(230)
PRIMA FINN-POWER CANADA	252	105	105	604	(340)	(340)
BALAXMAN	61	27	(1)	81	36	4
Consolidation adjustments	(45.764)	876	(1.691)	(65.614)	1.961	(655)
SHEET METAL MACHINERY	127.104	2.831	(4.836)	184.416	7.228	619

The Sheetmetal Machinery business unit is headed by the FINN-POWER Group.

As FINN-POWER was acquired on February 4, 2008, the figures for 2008 used for purposes of comparison include only eleven months of the Finnish group's performance.

This Group consists of two manufacturing units, FINN-POWER OY and FINN-POWER ITALIA S.r.l., and a number of sales and services subsidiaries located in Europe and North America.

During 2009, work continued on integrating the FINN-POWER and PRIMA INDUSTRIE sales networks. In this connection, sales and service activities were merged and relocated in France and Spain, and all of the Group's sheetmetal machinery sales and service business in North America was transferred to PRIMA FINN-POWER North America. Reorganization is still in progress, as FINN-POWER GmbH and PRIMA INDUSTRIE GmbH were merged in February 2010 (see the section headed Events After the Balance Sheet Date).

The FINN-POWER Group generated 127,104 thousand euros in revenues during 2009.

As for revenue breakdown by geographical area, Italy accounted for 15.4% of the total with a turnover of 19,583 thousand euros, while other European countries accounted for 50.6% with 64,306 thousand euros. Turnover in the US, a major market for the FINN-POWER Group, was 24,036 thousand euros or 18.9% of consolidated turnover. The remaining 15.1% of total turnover, or 19,179 thousand euros, came chiefly from Turkey, Russia, the Middle East, the Far East (China, Taiwan and South Korea in particular), South America and India. The FINN-POWER Group's contribution to consolidated turnover amounted to 125,452 thousand euros, as there were 1,652 thousand euros in intercompany revenues in 2009. These latter revenues arose chiefly from services rendered to PRIMA Group companies in the laser systems business unit and from sales of spare parts.

The FINN-POWER Group's EBITDA was 2,831 thousand euros or 2.2% of turnover, while EBIT showed a loss of 4,836 thousand euros.

Narrower profit margins were due in part to the lower prices on the Group's key markets, where the economic crisis fueled intense competition. However, the FINN-POWER Group was not alone in seeing its margins shrink: the same situation affected its competitors, as is to be expected in a market as cyclic as that for sheetmetal machinery.

At this trying juncture, the Group has also had to bear major non-recurring costs to relocate and reorganize its facilities (as discussed above) following its integration with PRIMA INDUSTRIE. In addition to the mergers mentioned earlier, these activities included closing the Vilppula plant and concentrating production at Kauhava and Cologna Veneta (Verona)

These measures have ensured that the Group's organization is more streamlined and better able to meet current production needs, benefits that will continue to be felt in future years.

During the year, the Group received non-recurring income from two sources:

- The transaction with EQT, the seller of FINN-POWER OY to PRIMA INDUSTRIE on February 4, 2008.
- The amendment to the finance lease agreement for the FINN-POWER OY plant in Kauhava, which was thus reclassified as an operating lease.

Depreciation and amortization for the year amounted to 7,667 thousand euros, including 2,507 thousand euros in amortization on the trademark and customer list.

The net financial position at December 31, 2009 showed a total indebtedness of 82,949 thousand euros. This amount includes 85,969 thousand euros payable to the parent company in connection with the intercompany loans extended by PRIMA INDUSTRIE to repay amounts due at the time of the acquisition, 2,301 thousand euros in payables for lease agreements, 1.447 thousand euros in financial liabilities in connection with the fair value of derivatives, 3,912 thousand euros payable to banks, and 10,680 thousand euros in cash and bank accounts.

→ AFFILIATES, JOINT VENTURES AND OTHER EQUITY INVESTMENTS

As will be illustrated in Notes 8.4 and 8.5, the PRIMA INDUSTRIE Group has equity investments in the following companies:

- Shanghai Unity PRIMA (joint venture)
- Wuhan OVL Convergent Laser Technology (joint venture)
- SNK-PRIMA (JV)
- Electro Power Systems
- Consorzio Sintesi

SHANGHAI UNITY PRIMA

At December 31, 2009, the PRIMA INDUSTRIE Group held 35% of the Chinese joint venture.

Performance indicators	Fiscal 2009		Fiscal 2008	
	Thousands of RMB	% thousands of RMB	Thousands of RMB	%
SALES	217.660	100,0	198.436	100,0
EBITDA	28.761	13,2	29.442	14,8
EBIT	26.952	12,4	27.851	14,0
EBT	25.917	11,9	27.458	13,8
NET INCOME	21.628	9,9	24.217	12,2

As can be seen from the foregoing table, revenues rose 10% during the year, going from 198,436,000 to 217,660,000 Renminbi.

This demonstrates that the Chinese market not only held its ground in 2009, but even showed firm signs of recovery in the second half of the year. Profitability dropped to a minor extent, largely as a result of a different product mix.

No further information need be provided reading the other joint ventures and equity investments, given their small size or the type of accounting treatment used.

➔ MOTION TO COVER THE LOSS FOR FISCAL 2009

Dear Shareholders,

In inviting you to approve your company's financial statements at December 31, 2009, we propose that the loss of 2,554,390 euros for the year be fully covered through recourse to the extraordinary reserve.

For the Board of Directors
The Chairman



Mr. Gianfranco Carbonato

5. CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31/12/2009

ACCOUNTING TABLES

CONSOLIDATED BALANCE SHEET

Values in Euro	Note	31/12/2009	31/12/2008
Property, plant and equipment	8.1	26.446.492	35.503.867
Intangible assets	8.2	153.850.327	153.175.834
Investment properties	8.3	158.000	158.000
Investments accounted for using the equity method	8.4	4.699.761	4.062.534
Other investments	8.5	801.886	801.885
Other non current financial assets	8.6	78.967	368.190
Deferred tax assets	8.7	4.916.371	6.300.579
Other non current assets	8.10	18.696	1.688.820
NON CURRENT ASSETS		190.970.500	202.059.709
Inventories	8.8	71.807.653	106.186.873
Trade receivables	8.9	58.823.172	72.266.007
Other receivables	8.10	4.398.680	7.460.278
Current tax receivables	8.11	5.984.885	3.551.878
Cash and cash equivalents	8.12	15.083.752	14.467.456
CURRENT ASSETS		156.098.142	203.932.492
TOTAL ASSETS		347.068.642	405.992.201
Capital stock	8.13	16.000.000	16.000.000
Legal reserve	8.13	2.733.635	2.300.000
Other capital reserves	8.13	45.185.605	37.794.240
Currency translation reserve	8.13	(2.384.892)	(1.776.810)
Retained earnings	8.13	12.138.832	15.293.409
Net result	8.13	(8.695.527)	5.476.434
Stockholders' equity of the Group		64.977.653	75.087.273
Minority interest		-	-
STOCKHOLDERS' EQUITY		64.977.653	75.087.273
Interest-bearing loans and borrowings	8.12	113.495.746	42.454.994
Employee benefit liabilities	8.14	7.503.809	9.021.418
Deferred tax liabilities	8.15	10.902.912	11.626.501
Provisions	8.16	67.754	87.210
Derivatives	8.12	7.516.059	5.854.189
NON CURRENT LIABILITIES		139.486.280	69.044.312
Trade payables	8.17	51.429.488	65.870.443
Advance payments	8.17	19.664.435	32.217.942
Other payables	8.17	15.398.252	22.716.004
Interest-bearing loans and borrowings	8.12	44.160.205	127.803.118
Current tax payables	8.18	2.671.847	2.824.569
Provisions	8.16	9.277.398	10.428.540
Derivatives	8.12	3.084	-
CURRENT LIABILITIES		142.604.709	261.860.616
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		347.068.642	405.992.201

CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2009	of which related parties	31/12/2008	of which related parties
Net revenues	8.19	231.885.849	3.035.234	367.275.623	2.278.619
Other income	8.20	6.621.171		4.119.332	
Change in inventories of finished goods and WIP		(23.455.299)		(2.507.277)	
Increases in fixed assets for internal work	8.21	7.141.233		7.519.980	
Use of raw materials, consumables, supplies and goods		(96.044.496)		(176.244.161)	
Personnel cost	8.22	(77.950.213)	(730.736)	(89.204.241)	-1.088.590
Depreciation	8.23	(9.932.146)		(8.528.039)	
Amortization and impairment	8.23	(174.025)		(25.000)	
Other operating expenses	8.24	(41.954.734)	(803.517)	(79.173.011)	-1.129.140
OPERATING PROFIT		(3.862.660)		23.233.206	
Financial income	8.25	335.781		805.331	
Financial expenses	8.25	(6.400.837)		(13.036.179)	
Net exchange differences	8.26	(99.055)		(89.961)	
Net result of investments accounted for using the equity method		382.610	382.610	817.951	817.951
RESULT BEFORE TAXES		(9.644.161)		11.730.348	
Income taxes	8.27	948.634		(6.253.914)	
NET RESULT		(8.695.527)		5.476.434	
- Attributable to Group shareholders		(8.695.527)		5.476.434	
- Attributable to minority shareholders		-		-	
RESULT PER SHARE - BASIC (in euro)	8.28	(1,36)		1,02	
RESULT PER SHARE - DILUTED (in euro)	8.28	(0,79)		0,99	

STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	31/12/2009	31/12/2008
NET RESULT (A)		(8.695.527)	5.476.434
Gains/(Losses) on cash flow hedges	8.13	(967.160)	(4.247.108)
Gains/(Losses) on exchange differences on translating foreign operations	8.13	(608.082)	783.081
TOTAL OTHER GAIN/(LOSSES) (B)		(1.575.242)	(3.464.027)
TOTAL NET RESULT OF THE PERIOD (A) + (B)		(10.270.769)	2.012.407
- Attributable to Group shareholders		(10.270.769)	2.012.407
- Attributable to minority shareholders		-	16.494

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1st to December 31st, 2008

Values in Euro	01/01/2008	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	31/12/2008
Capital stock	11.500.000	-	-	-	4.500.000	-	-	-	-	-	16.000.000
Treasury stock	(87.880)	-	87.880	-	-	-	-	-	-	-	-
Azioni proprie detenute da controllate	-	-	-	-	-	-	-	-	-	-	-
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)	2.012.407	91.948	-	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)	1.995.913	91.948	-	75.087.273

from January 1st to December 31st, 2009

Values in Euro	01/01/2009	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	31/12/2009
Capital stock	16.000.000	-	-	-	-	-	-	-	-	-	16.000.000
Treasury stock	-	-	-	-	-	-	-	-	-	-	-
Azioni proprie detenute da controllate	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	36.814.893	-	-	-	-	-	-	-	-	-	36.814.893
Legal reserve	2.300.000	-	-	-	-	433.635	-	-	-	-	2.733.635
Capital increase - expenses	(973.223)	-	-	-	(290.680)	-	-	-	-	-	(1.263.903)
Stock option reserve	318.364	-	-	-	-	-	-	-	410.130	-	728.494
Change in the FV of hedging derivatives	(4.247.108)	-	-	-	-	-	-	(967.160)	-	-	(5.214.268)
Other reserves	5.881.314	-	-	-	-	8.239.075	-	-	-	-	14.120.389
Currency translation reserve	(1.776.810)	-	-	-	-	-	-	(608.082)	-	-	(2.384.892)
Retained earnings	15.293.409	41.699	-	-	-	(3.196.276)	-	-	-	-	12.138.832
Net result	5.476.434	-	-	-	-	(5.476.434)	-	(8.695.527)	-	-	(8.695.527)
Stockholders' equity of the Group	75.087.273	41.699	-	-	(290.680)	-	-	(10.270.769)	410.130	-	64.977.653
Minority interest	-	-	-	-	-	-	-	-	-	-	-
STOCKHOLDERS' EQUITY	75.087.273	41.699	-	-	(290.680)	-	-	(10.270.769)	410.130	-	64.977.653

CONSOLIDATED STATEMENT OF CASH FLOWS

VALUES IN EURO	31/12/2009	31/12/2008
Net result	(8.695.527)	5.476.434
Adjustments (sub-total)	23.229.550	620.413
Depreciation and amortization	10.106.171	8.553.039
Net change in deferred tax assets and liabilities	660.619	447.827
Net result of investments accounted for using the equity method	(794.089)	(817.951)
Change in employee benefits	(1.517.609)	17.685
Change in inventories	34.379.220	(1.633.707)
Change in trade receivables	13.442.835	19.690.414
Change in trade payables	(26.994.462)	(18.848.755)
Net change in other receivables/payables and other assets/liabilities	(6.053.135)	(6.788.139)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	14.534.023	6.096.847
Cash flow from investments		
Acquisition FINN-POWER Group (net of cash acquired)	-	(85.217.377)
Acquisition of OSAI UK minorities	-	(256.525)
Acquisition of tangible fixed assets	(1.142.825)	(6.639.393)
Acquisition of intangible fixed assets	(460.137)	(1.912.472)
Capitalization of development costs	(6.500.781)	(5.515.715)
Disposal/(Purchase) investments accounted for using the equity method	-	(823.625)
Change in financial receivables and other financial assets	-	910.226
Net disposal of tangible and intangible fixed assets	639.919	310.962
Change in fixed assets due to the amendment of Kauhava lease contract	5.519.940	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(1.943.884)	(99.143.919)
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	1.816.902	4.251.854
Net purchase of treasury stocks	-	92.560
Increases in loans and borrowings	38.167.243	176.358.106
Repayment of loans and borrowings	(43.802.684)	(112.770.918)
Net change in financial lease liabilities	(885.953)	(302.532)
Change in finan. lease liab. due to the amendment of Kauhava lease contract	(5.855.258)	-
Capital increase	(290.680)	24.676.777
Other changes in equity	(1.123.413)	(3.352.688)
Dividends paid	-	(2.990.000)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(11.973.843)	85.963.159
Net change in cash and equivalents (D=A+B+C)	616.296	(7.083.913)
Cash and equivalents beginning of period (E)	14.467.456	21.551.369
Cash and equivalents end of period (F=D+E)	15.083.752	14.467.456
More information on the Consolidated Statement of Cashflows	31/12/2009	31/12/2008
<i>Values in euro</i>		
Income tax	948.634	(6.253.914)
Financial Income	335.781	805.331
Financial Expenses	(6.400.837)	(13.036.179)

For better comparison of the data, some items have been reclassified

**CONSOLIDATED BALANCE SHEET ACCORDING TO CONSOB RESOLUTION N° 15519
DATED 27/07/2006**

Values in Euro	Note	31/12/2009	of which related parties	31/12/2008	of which related parties
Property, plant and equipment	8.1	26.446.492		35.503.867	
Intangible assets	8.2	153.850.327		153.175.834	
Investment properties	8.3	158.000		158.000	
Investments accounted for using the equity method	8.4	4.699.761	4.699.761	4.062.534	4.062.534
Other investments	8.5	801.886		801.885	
Other non current financial assets	8.6	78.967		368.190	
Deferred tax assets	8.7	4.916.371		6.300.579	
Other non current assets	8.10	18.696		1.688.820	
NON CURRENT ASSETS		190.970.500		202.059.709	
Inventories	8.8	71.807.653		106.186.873	
Trade receivables	8.9	58.823.172	986.281	72.266.007	1.008.770
Other receivables	8.10	4.398.680		7.460.278	
Current tax receivables	8.11	5.984.885		3.551.878	
Cash and cash equivalents	8.12	15.083.752		14.467.456	
CURRENT ASSETS		156.098.142		203.932.492	
TOTAL ASSETS		347.068.642		405.992.201	
Capital stock	8.13	16.000.000		16.000.000	
Legal reserve	8.13	2.733.635		2.300.000	
Other capital reserves	8.13	45.185.605		37.794.240	
Currency translation reserve	8.13	(2.384.892)		(1.776.810)	
Retained earnings	8.13	12.138.832		15.293.409	
Net result	8.13	(8.695.527)		5.476.434	
Stockholders' equity of the Group		64.977.653		75.087.273	
Minority interest		-		-	
STOCKHOLDERS' EQUITY		64.977.653		75.087.273	
Interest-bearing loans and borrowings	8.12	113.495.746		42.454.994	
Employee benefit liabilities	8.14	7.503.809		9.021.418	
Deferred tax liabilities	8.15	10.902.912		11.626.501	
Provisions	8.16	67.754		87.210	
Derivatives	8.12	7.516.059		5.854.189	
NON CURRENT LIABILITIES		139.486.280		69.044.312	
Trade payables	8.17	51.429.488	-	65.870.443	-
Advance payments	8.17	19.664.435		32.217.942	
Other payables	8.17	15.398.252	284.482	22.716.004	329.209
Interest-bearing loans and borrowings	8.12	44.160.205		127.803.118	
Current tax payables	8.18	2.671.847		2.824.569	
Provisions	8.16	9.277.398		10.428.540	
Derivatives	8.12	3.084		-	
CURRENT LIABILITIES		142.604.709		261.860.616	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		347.068.642		405.992.201	

For better comparison of the data, some items have been reclassified

CONSOLIDATED INCOME STATEMENT
ACCORDING TO CONSOB RESOLUTION N° 15519 DATED 27/07/2006

Values in Euro	Notes	31/12/2009	of which related parties	31/12/2008	of which related parties
Net revenues	8.19	231.885.849	3.035.234	367.275.623	2.278.619
Other income	8.20	6.621.171		4.119.332	
Change in inventories of finished goods and WIP		(23.455.299)		(2.507.277)	
Increases in fixed assets for internal work	8.21	7.141.233		7.519.980	
Use of raw materials, consumables, supplies and goods		(96.044.496)		(176.244.161)	
Personnel cost	8.22	(77.950.213)	(730.736)	(89.204.241)	(1.088.590)
Depreciation	8.23	(9.932.146)		(8.528.039)	
Amortization and impairment	8.23	(174.025)		(25.000)	
Other operating expenses	8.24	(41.954.734)	(803.517)	(79.173.011)	(1.129.140)
OPERATING PROFIT		(3.862.660)		23.233.206	
<i>of which: non recurring items</i>		<i>6.026.000</i>		<i>-</i>	
Financial income	8.25	335.781		805.331	
Financial expenses	8.25	(6.400.837)		(13.036.179)	
Net exchange differences	8.26	(99.055)		(89.961)	
Net result of investments accounted for using the equity method		382.610	382.610	817.951	817.951
RESULT BEFORE TAXES		(9.644.161)		11.730.348	
<i>of which: non recurring items</i>		<i>8.410.000</i>		<i>-</i>	
Income taxes	8.27	948.634		(6.253.914)	
RESULT FROM CONTINUING OPERATIONS		(8.695.527)		5.476.434	
Income from assets held for disposal		-		-	
NET RESULT		(8.695.527)		5.476.434	
<i>of which: non recurring items</i>		<i>8.410.000</i>		<i>-</i>	
- Attributable to Group shareholders		(8.695.527)		5.476.434	
- Attributable to minority shareholders		-		-	
RESULT PER SHARE - BASIC (in euro)	8.28	(1,36)		1,02	
RESULT PER SHARE - DILUTED (in euro)	8.28	(0,79)		0,99	

CONSOLIDATED STATEMENT OF CASH FLOWS ACCORDING TO CONSOB RESOLUTION N° 15519 DATED 27/07/2006

VALUES IN EURO	31/12/2009	of which related	31/12/2008	of which relate
Net result	(8.695.527)		5.476.434	
Adjustments (sub-total)	23.229.550		620.413	
Depreciation and amortization	10.106.171	-	8.553.039	-
Net change in deferred tax assets and liabilities	660.619	-	447.827	-
Net result of investments accounted for using the equity method	(794.089)	(794.089)	(817.951)	(817.951)
Change in employee benefits	(1.517.609)	-	17.685	-
Change in inventories	34.379.220	-	(1.633.707)	-
Change in trade receivables	13.442.835	22.489	19.690.414	(628.807)
Change in trade payables	(26.994.462)	-	(18.848.755)	46.065
Net change in other receivables/payables and other assets/liabilities	(6.053.135)	(44.727)	(6.788.139)	42.471
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	14.534.023		6.096.847	
Cash flow from investments				
Acquisition FINN-POWER Group (net of cash acquired)	-	-	(85.217.377)	-
Acquisition of OSAI UK minorities	-	-	(256.525)	-
Acquisition of tangible fixed assets	(1.142.825)	-	(6.639.393)	-
Acquisition of intangible fixed assets	(460.137)	-	(1.912.472)	-
Capitalization of development costs	(6.500.781)	-	(5.515.715)	-
Disposal/(Purchase) investments accounted for using the equity method	-	-	(823.625)	(823.625)
Change in financial receivables and other financial assets	-	-	910.226	-
Net disposal of tangible and intangible fixed assets	639.919	-	310.962	-
Change in fixed assets due to the amendment of Kauhava lease contract	5.519.940	-	-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(1.943.884)		(99.143.919)	
Cash flow from financing activities				
Change in other non current financial liabilities and other minor items	1.816.902	-	4.251.854	-
Net purchase of treasury stocks	-	-	92.560	-
Increases in loans and borrowings	38.167.243	-	176.358.106	-
Repayment of loans and borrowings	(43.802.684)	-	(112.770.918)	-
Net change in financial lease liabilities	(885.953)	-	(302.532)	-
Change in finan. lease liab. due to the amendment of Kauhava lease contract	(5.855.258)	-	-	-
Capital increase	(290.680)	-	24.676.777	-
Other changes in equity	(1.123.413)	-	(3.352.688)	-
Dividends paid	-	-	(2.990.000)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(11.973.843)		85.963.159	
Net change in cash and equivalents (D=A+B+C)	616.296		(7.083.913)	
Cash and equivalents beginning of period (E)	14.467.456		21.551.369	
Cash and equivalents end of period (F=D+E)	15.083.752	14.467.456		

For better comparison of the data, some items have been reclassified

6. ACCOUNTING POLICIES

BASIS OF PREPARATION

→ BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the implementation provisions for Article 9 of Legislative Decree 38/2005.

Compliance with IFRS also means compliance with all of the revised International Accounting Standards (IAS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

The financial statements were prepared under the historical cost convention, with the exception of financial assets held for sale, financial assets held for trading and derivatives, which are recorded at fair value.

The accounting principles applied by the Group in 2009 were consistent with those used in previous years.

→ GOING CONCERN

The consolidated financial statements at December 31, 2009 were prepared on the basis of the going concern concept, as it is reasonable to expect that PRIMA INDUSTRIE will continue its business in the foreseeable future.

In particulate, the following factors were taken into consideration in concluding that, at the present state of affairs, there are no material uncertainties about the Group's ability to continue its operations:

- The principal risks and uncertainties to which the Group is exposed, which are discussed in the section headed "Business Outlook",
- The success of the steps taken to curb financial indebtedness, including the capital increase. For a description of these measures, see the sections headed "Net Financial Position" and "Business Outlook",
- The identification, analysis, objectives and management policies for financial risks (market risk, credit risk and liquidity risk), as described in Note 8.31 "Financial Risk Management".

→ FORMAT OF THE FINANCIAL STATEMENTS

The Group has chosen to use the disclosure formats described below:

- a) The format chosen for the consolidated balance sheet separates current and noncurrent assets and liabilities, distinguishing between items which will be received or settled within the next 12 months, and those realizable or falling due after 12 months.
- b) In the format selected for the consolidated income statement, expenses are analyzed by nature; the consolidated statement of comprehensive income includes, in addition to profit or loss for the period as on the consolidated income statement, the changes in equity other than those arising from transactions with owners.
- c) For the statement of changes in equity, the chosen format discloses a reconciliation between the carrying amount of each class of equity capital at the beginning and at the end of the current period and the preceding period.
- d) The reporting format chosen for the cash flow statement uses the so-called indirect method, where net cash flow from operating activities is determined by introducing reconciling items that adjust income and losses for the effects of:

- Nonmonetary items such as depreciation, amortization and writedowns,
- Changes in inventory, accounts receivable and accounts payable generated by operating activities,
- Other items whose cash flows are generated by investing and financing activities.

Pursuant to CONSOB Resolution 15519 of July 27, 2006 regarding disclosure format, moreover, supplementary schedules have been included to detail significant transactions with related parties and non-recurring events and transactions in order to ensure that the financial statements are more readily understandable.

→ BUSINESS COMBINATIONS AND GOODWILL

As IFRS 3 (Business Combinations) was not applied using the prospectively in the financial statements at December 31, 2009, business combinations are accounted for using the acquisition or purchase method. This requires that the acquiree's identifiable assets (including intangible assets that were not previously recognized by the acquiree) and identifiable liabilities (including contingent liabilities and excluding the effects of future restructuring) be recognized at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is not amortized, and is carried at cost less any accumulated impairment losses determined as described below.

Goodwill on equity investments in joint ventures is included in the carrying value of these companies.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

To check for lasting impairment, the goodwill acquired in a business combination is allocated at the acquisition date to the Group's cash-generating units, or combinations of units, which are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units or groups of units.

Each unit or group of units to which goodwill is allocated:

- Represents the lowest level within the Group at which goodwill is monitored for internal management purposes, and
- Is no larger than an operating segment indicated in the Group's segment reporting.

Impairment is identified through valuations based on the capacity of each unit to generate cash sufficient to recover the goodwill allocated to it, using the procedures outlined in the section on property, plant and equipment. This impairment loss is not reversed if the reasons that produced it no longer exist.

At the time a company or a portion thereof is sold, the remainder of the goodwill acquired through its acquisition is taken into account in determining the gains or losses on disposal indicated in the income statement.

Acquisitions and disposals of minority interests in subsidiaries are accounted for using the parent entity extension method, whereby the difference between the consideration paid and the book value at the acquisition date is treated as a transaction with third parties and thus recognized as a change in goodwill. Similarly, the effects of disposal are recorded in the income statement.

→ COMPARABILITY OF FINANCIAL STATEMENT DATA

The main change in the scope of consolidation that took place in 2008 was the inclusion, effective February 4, 2008, of FINN-POWER OY and its subsidiaries (the FINN-POWER Group).

For this reason, the economic data for the year ending on December 31, 2009 are not directly comparable with those for the previous year, as 2008 included only eleven months of the FINN-POWER Group's operations.

→ IMPAIRMENT OF ASSETS

Assets with indefinite useful lives which are not subject to amortization are tested for impairment annually, or whenever there is an indication that their carrying value can not be recovered.

Assets subject to amortization are tested for impairment only if there is an indication that their carrying value cannot be recovered.

Goodwill acquired and allocated in the course of the year is tested for impairment at the end of the year in which acquisition and allocation took place.

To test for impairment, goodwill is allocated at the acquisition date to the cash-generating unit or combinations of units which are expected to benefit from the acquisition.

The impairment loss is determined as the difference between the asset's carrying value and the recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use, or in other words the present value of the estimated future cash flows discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and only subsequently to reduce the carrying amounts of the other assets of the unit on a prorated basis down to the recoverable amount of assets with indefinite useful lives. An impairment loss is recognized whenever the recoverable amount is below the asset's carrying amount. If a previously recognized impairment loss on an asset other than goodwill is reduced or no longer exists, the carrying amount of the asset or the cash-generating unit is increased to the new estimated recoverable amount, which cannot exceed the amount that would have been determined had there been no impairment loss. Reversal of an impairment loss is recognized as income in the income statement.

The value in use of an asset is the present value of the estimated future cash flows discounted at a rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

→ PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including real estate investments, is shown on the balance sheet at historical cost less subsequent depreciation and impairment, except for land, which is shown at historical cost less any impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings and renovations: 33 years
- Plant and machinery: 10 - 5 years
- Tooling: 4 - 5 years
- Office furniture and equipment: 9 - 5 years
- Electronic office machinery: 5 years
- Motor vehicle: 3 - 5 years

Extraordinary maintenance operations that are capitalized as major renovations to an existing asset are depreciated over the remaining useful life of the asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment: The carrying amount of an asset is immediately reduced to its recoverable amount whenever the former exceeds the latter.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement. Borrowing costs incurred for the construction of a tangible asset are expensed for the year involved.

Assets held under finance leases, where the Group has substantially all the risks and rewards of ownership, are recognized at the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Current finance charges are recorded among short-term payables, while amounts due after the end of the year are included in long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property acquired under finance leases is recorded among tangible fixed assets and depreciated over the asset's estimated useful life.

Leases where the lessor maintains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement over the period of the lease.

Investment properties are recorded at cost net of accumulated depreciation and impairment losses.

→ INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Software

Acquired computer software licenses are recognized as an asset on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

(c) Research and development

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects are recognized as an asset if the following conditions are satisfied:

- Costs can be measured reliably, and
- The project's technical feasibility, expected volumes and price indicate that the costs incurred in development will generate future economic benefits.

Development costs previously recognized as an expense are not recognized as an asset if these conditions are satisfied in a subsequent period.

Development costs that have a finite useful life are amortized from the commencement of the commercial production of the product over the period of its expected benefit, not exceeding five years.

Development costs that do not meet these requirements are recognized as an expense as incurred.

(d) Trademark

Trademarks are treated as assets with a finite useful life. In accordance with IAS 38, these assets are amortized on a systematic basis over that life using a method that reflects the pattern of future economic benefits to the Group.

(e) Other intangible assets

Other intangible assets acquired by separate purchase are recorded at cost, while those acquired as part of a business combination are measured at the fair value at the date of acquisition.

After initial recognition, intangible assets with a finite useful life are recorded at cost less amortization and impairment losses. Intangible assets with an indefinite useful life are recorded at cost less impairment losses.

Internally generated intangible assets are not capitalized, but recognized as an expense as incurred. Other intangible assets are tested annually for impairment, either at the level of the individual asset or of the cash-generating unit. Their useful life is reviewed annually; where possible, any changes are made prospectively.

➔ FINANCIAL INSTRUMENTS

Presentation

The financial instruments held by the Group are included in the financial statement items described below.

The item *Equity investments and other non-current financial assets* includes holdings in other enterprises, interests in jointly controlled companies and other non-current financial assets (investment growth bonds which will be held until maturity).

Current financial assets includes trade receivables, cash and cash equivalents. In particular, *Cash and cash equivalents* includes deposits held at banks.

Financial liabilities comprise financial payables, including amounts owed for advances on sales of receivables and other liabilities (including the negative fair value of derivative financial instruments), trade payables and other payables.

Valuation

Equity investments in other enterprises and holdings in jointly controlled companies included among non-current financial assets are accounted for as described below in the section entitled "Principles of Consolidation".

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

Held-to-maturity assets are carried at amortized cost using the effective interest method. Financial assets with no fixed maturity are carried at cost of acquisition. The Group regularly assesses whether there is objective evidence that a financial asset is impaired. If any such evidence exists, the cumulative loss is removed from equity and recognized in the income statement. With the exception of derivative financial instruments, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate risk exposure.

Under IAS 39, derivative financial instruments qualify for hedge accounting only when, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured, and the hedge is assessed on an ongoing basis and is determined actually to have

been highly effective throughout the financial reporting periods for which the hedge was designated.

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

When financial instruments qualify for hedge accounting, the following methods are used:

Cash flow hedge

If a financial instrument is designated as a hedge of the exposure of variability of cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss, the effective portion of the gain or loss on the hedging instrument is recognized in equity. The gain or loss relating to the ineffective portion is transferred from equity and recognized in the income statement when the effect of the hedged item is recognized. The gain or loss relating to a hedge (or a portion of a hedge) that has become ineffective is immediately recognized in the income statement. When a hedging instrument or relationship is terminated but the hedged transaction is still expected to occur, any cumulative gain or loss realized to the point of termination remains in equity and is recognized in the income statement at the same time that the underlying transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Financial liabilities

Financial liabilities comprise financial payables, including amounts owed for advances on sales of receivables and other liabilities such as derivative financial instruments and liabilities for assets leased under finance lease agreements.

Under IAS 39, they also include trade and other payables.

Financial liabilities other than derivative financial instruments are initially recognized at fair value. After initial recognition, they are carried at amortized cost, i.e., the initial value net of any capital repayments, adjusted upwards or downwards using the effective interest method for amortization on any differences between the initial value and the value at expiry.

→ INVENTORIES

Inventories are stated at the lower of cost and net realizable value, the latter being the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cost is determined on the basis of weighted average prices. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity. It excludes borrowing costs.

Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies, based on their expected future use and realizable value.

→ TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

→ SALE OF RECEIVABLES

All sales of receivables through factoring transactions that do not meet the IAS 39 criteria for derecognition are still carried on the Group's balance sheet even though they have been legally sold; a financial liability of an equal amount is recognized on the consolidated balance sheet. Gains and losses on these sales are reported only when the assets are derecognized.

Receivables sold through factoring transactions are derecognized when and only when the Group has substantially transferred all the risks and rewards of ownership to the factor.

→ CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

→ ASSETS HELD FOR SALE

Assets held for sale include comprise non-current assets (or groups of assets pending disposal) whose carrying value will be recovered mainly through sale rather than through continuous use. Assets held for sale are measured at the lower of net carrying value and fair value less selling expenses.

→ SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Where the Group purchases the parent company's equity share capital (treasury shares), the consideration paid, less any directly attributable incremental costs (net of income taxes), is deducted from the Group's net equity until the shares are canceled, reissued or disposed of.

→ BORROWINGS

Borrowing are initially recognized at fair value, net of transaction costs incurred. Borrowing are subsequently stated at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

→ DEFERRED INCOME TAXES

Deferred income tax is provided in full on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is not accounted for:

- On goodwill acquired in a business combination, or
- If it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax is also provided on temporary differences arising in investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax directly relating to items recognized in equity is also recognized directly in equity.

→ EMPLOYEE BENEFITS

(a) Pension obligations

Until December 31, 2006, the scheme underlying employee severance indemnities was classified as a defined benefit plan.

Legislation governing this scheme was amended by Law 296 of December 27, 2006, (the 2007 budget law) and subsequent decrees and regulations enacted early in 2007. In view of these changes, and specifically for companies with at least 50 employees, this scheme is now regarded as constituting a defined benefit plan only for the amounts accruing before January 1, 2007 (and not yet settled by the balance sheet date), while for accruals after that date, it is considered to be a defined contribution arrangement.

The supplementary Cometa scheme called for by the national collective bargaining agreement is considered as a defined contribution plan.

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of defined benefit obligations at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating to the terms of the related pension liability.

The portion of cumulative actuarial gains and losses arising from changes in actuarial assumptions which exceeds the greater of 10% of the fair value of the plan assets (if any) and 10% of the defined benefit obligation is charged or credited to income over the participating employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Long-service benefits

Some Group companies provide benefits to employees who attain a specified seniority.

The liability recognized in the balance sheet in respect of long-service benefit plans is the present value of the obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognized actuarial gains or losses and the cost of accrued benefits. The long-service benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the long-

service benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating to the terms of the related liability.

The portion of cumulative actuarial gains and losses arising from changes in actuarial assumptions which exceeds the greater of 10% of the fair value of the plan assets (if any) and 10% of the long-service benefit obligation is charged or credited to income over the qualifying employees' expected remaining working lives after reaching the specified seniority.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when:

- a) There is a detailed formal plan without possibility of withdrawal on the part of the employee
 - b) Benefits are provided as a result of an offer made to encourage voluntary redundancy.
- Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(d) Incentives, profit-sharing and bonus plans

The Group recognizes a liability and an expense for employee incentives, bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Equity compensation plans

The Group provides additional benefits to certain members of senior management and employees through equity compensation (stock option) plans.

Under IFRS 2 – *Share-based Payment*, these plans are a component of recipient remuneration whose cost is measured by the fair value of the stock options at the grant date and recognized in the income statement on a straight-line basis from the grant date to the vesting date, with the offsetting credit recognized directly in equity. Any subsequent variation changes to fair value do not have any effect on the initial measurement.

→ **PROVISIONS**

Provisions for risks and charges are recognized when:

- The Group has a present legal or constructive obligation as a result of past events,
- It is more likely than not that an outflow of resources will be required to settle the obligation, and
- The amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination benefits. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures that, according to management's best estimates, will be required to settle the obligation as of the balance sheet date.

→ **REVENUE RECOGNITION**

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognized as follows:

(a) Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer and the amount of revenue can be measured reliably.

Sales of laser systems are recognized at the time of acceptance by the end customer, which is generally when the latter signs the runoff report.

By contrast, systems are invoiced at the time they are made available to the carrier: under Incoterms, this is when risks and responsibilities for transportation pass from the PRIMA INDUSTRIE Group to the buyer.

Because of the difference between the billing date and the date on which revenues are recognized, the value of machines invoiced but not yet accepted by the customer is shown under inventories of finished products, net of the sales margin, and under "Advances" in the liabilities section. The Group has chosen to use this accounting treatment, rather than reducing the amount shown under "Trade receivables", because it provides a fairer presentation of the contractual relationships underlying these transactions.

(b) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to the state of completion of specific transactions.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest rate, i.e., the rate that exactly discounts estimated future cash flows through the expected life of the financial asset.

(d) Royalties

Royalty income is recognized on an accruals basis in accordance with the substance of the underlying agreements.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

→ TAXES

a) Current: The tax charge for the period is determined in accordance with existing legislation. Taxes on income are recognized in the income statement. For the Italian companies in particular, on June 1, 2007, PRIMA INDUSTRIE S.p.A. notified the Italian Revenue Service of its intention to renew the option for the domestic group taxation regime for the period 2007-2009 pursuant to Article 117/129 of the Consolidated Text of Income Tax Legislation (T.U.I.R.) together with the subsidiary PRIMA ELECTRONICS S.p.A.. Starting in 2009, FINN-POWER Italia S.r.l. also opted for the domestic group taxation regime with the parent company. Accordingly, the companies entered into agreements governing their relations in this connection.

b) Deferred: Deferred tax assets and liabilities are determined on the basis of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its corresponding tax base.

Deferred tax assets and liabilities are calculated using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets resulting from unused tax losses and temporary differences are recognized to the extent that future taxable profit will be available against which they can be utilized.

Deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax directly relating to items recognized in equity is also recognized directly in equity.

→ DIVIDEND DISTRIBUTION

Dividend distribution to the stockholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the stockholders.

→ EARNINGS PER SHARE

Basic EPS is calculated by dividing the Group's net profit divided by the weighted average number of shares outstanding during the period. To calculate diluted earnings per share, the weighted average number of shares outstanding is adjusted by assuming that all warrants and convertibles will be exercised or converted. The Group's net profit is also adjusted to account for the effects, net of taxes, of converting shares issued by subsidiaries with a potential dilutive effect.

→ GOVERNMENT GRANTS

Government grants are recognized at fair value only there is reasonable assurance that the grant will be received and all grant conditions will be met (i.e., approval has been obtained from the government agency concerned).

Revenues from government grants are recognized ratably on the income statement as the related costs are incurred.

Public funding for acquisitions of property, plant and equipment is recorded net of the value of the assets acquired and credited to the income statement on the basis of their depreciation.

→ FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries, associates and joint ventures are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Prima Industria Group's financial statements are presented in euros.

(b) Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the year-end exchange rates. All translation differences are recognized in the income statement.

Non-monetary items recognized at historical cost are translated into euros using the exchange rate prevailing at the time the transaction was first recognized. Non-monetary items held at fair value are translated using the exchange rate prevailing at the time fair value was determined.

(c) Group companies

Assets and liabilities for each balance sheet presented by a Group company are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement presented are translated at average exchange rates. Exchange differences are recognized as a separate component of equity under "Currency translation reserve" until the operation is sold.

→ FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions

that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for medium- and long-term debt. Estimated discounted cash flows are used for the remaining financial instruments.

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions based on historical experience.

Applying these judgements, estimates and assumptions can affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty surrounding assumptions and the conditions on which estimates are based, actual results could differ materially from estimated figures.

In this respect, the situation caused by the current economic and financial crisis has led to the need to make assumptions about future performance which can be regarded as sources of uncertainty. Consequently, these assumptions pose a significant risk of causing a material adjustment to the carrying amounts of the items involved within the next financial year. The items that are most sensitive to this uncertainty include provisions for doubtful accounts and inventory writedowns, non-current tangible and intangible assets, pension obligations and other post-employment benefits, and deferred tax credits.

The accounting policies, estimates and the key assumptions used in them that can have a significant effect on the amounts reported in the consolidated financial statements or that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

RECOVERABLE AMOUNT OF GOODWILL

The carrying value of goodwill was determined using estimates of the future cash flows from use of the asset and appropriate discount rates to calculate present value. In preparing the consolidated financial statements at December 31, 2009, and in performing impairment tests in particular, expected performance for 2010 was taken into consideration. For subsequent budget years, moreover, the original plans were revised to make prudent allowance for the profound changes that the current crisis has wrought in the market and the economic and financial scene. No impairment allowances were found to be necessary on the basis of these revisions.

The recoverable amount depends to a large extent on the discount rate used in the present value cash flow model, as well as on the estimated future cash flows and the growth rate used in extrapolation. The key assumptions used to determine the recoverable amount for the different cash-generating units, which included a sensitivity analysis, are discussed in detail in Note 8.2.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognized in the financial statements in cases where there are temporary differences between the carrying amount of an asset or a liability and its tax base, and are measured at the tax rates that are expected to apply in the countries concerned during the year in which it is presumed that the temporary differences will be reversed. Deferred tax assets are recognized for unused tax loss carryforwards only if, and to the extent that, management considers it probable that the company concerned will have sufficient future taxable profit against which the loss carryforward can be utilized. The carrying value of deferred tax assets and liabilities are reviewed and adjusted whenever circumstances arise that make it advisable to reconsider the estimates on which they were based, or when the tax rates used to measure them change.

PROVISIONS FOR INVENTORY WRITEDOWNS

In setting aside provisions for inventory obsolescence, Group companies make a series of estimates regarding their future needs for the various types of products and materials held in inventory on the basis of their production plans and past experience of customer demand.

Provisions for inventory obsolescence will be adjusted should these estimates prove inaccurate, which will have an impact on reported income and expenses.

PROVISIONS FOR DOUBTFUL ACCOUNTS

Provisions for bad and doubtful debts are set aside on the basis of an analysis of all receivables and in the light of past experience in debt collection and the relationships with individual customers.

Unforeseen setbacks affecting the economic and financial standing of a major customer may require additional provisions to be made for bad and doubtful debts, with the negative repercussions on operating results which this will entail.

EMPLOYEE BENEFITS

Many Group companies (those in Italy and Germany in particular) are required by law or collective bargaining agreements to implement post-retirement employee benefit plans.

The carrying amount of these employee benefit obligations is determined by means of actuarial estimates based on a series of assumptions regarding parameters such as annual rates of inflation, wage increases, employee turnover and a number of other variables.

Any changes in these parameters will require that the actuarial estimates be reformulated and the carrying values be adjusted accordingly.

CHANGES IN ACCOUNTING POLICIES

Accounting standards, amendments and interpretations effective from January 1, 2009

On January 1, 2009, several changes to the major international accounting standards were introduced, none of which had a material impact on the PRIMA INDUSTRIE Group consolidated financial statements.

The major changes are outlined below:

- IAS 23, *Borrowing Costs (Revised)* removes the option of the so-called alternative treatment of capitalizing borrowing costs. From January 1, 2009, an entity is required to capitalize borrowing costs that are directly attributable to the acquisition, contraction or production of an asset that takes a sufficient period of time to get ready for use or sale.
- IAS 1, *Presentation of Financial Statements (Revised)* introduces the Statement of Comprehensive Income. EC Regulation 1274-2008 issued on December 17 transposed the standard into community law. The major changes require:
 - A statement of changes in equity showing only those changes arising from transactions with Shareholders
 - A statement beginning with profit (or loss) and displaying components of other items in comprehensive income (the Statement of Comprehensive Income). This statement, which is used in a two-statement approach together with a separate income statement, comprises other changes in equity such as gains and losses on hedging instruments in a cash flow hedge and gains and losses on translating the financial statements of foreign operations. In the past, changes in these components were disclosed only as changes in the equity reserves of which they were a part.
- IFRS 8, *Operating Segments* which replaces IAS 14, *Segment Reporting*. This standard requires an entity to provide quantitative and qualitative disclosures about its reportable segments. Reportable segments are components of an entity (operating segments or aggregations of operating segment) for which discrete financial information is available that is regularly reviewed by the so-called Chief Operating Decision Maker (CODM) in order to allocate resources to the segment and assess its performance. The financial information must be presented using the same methods and criteria employed in the

internal reports submitted to the CODM. This new standard entails no changes for the PRIMA INDUSTRIE Group.

- IFRS 2, Share-based Payment (Amendment) introduces changes in vesting conditions and cancellations. The amendment clarifies the definition of vesting conditions and specifies the accounting treatment when a grant is cancelled. Application of the amendment had no effect on the consolidated financial statements at December 31, 2009.
- Several successive amendments to IAS 39 and IFRS 7 chiefly concerning enhanced disclosures about fair value and liquidity risk.
- IFRIC 13, Customer Loyalty Programs. EC Regulation 1262-2008 issued on December 16, 2008 transposed IFRIC 13 into community law. This interpretation, which does not apply to the PRIMA INDUSTRIE Group, provides general guidelines for accounting for customer loyalty programs.
- IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements. EC Regulation 53-2009 issued on January 21, 2009 transposed the amendments to these standards into community law. The amendments to IAS 32 requires an entity to classify certain puttable financial instruments as equity, provided they have particular features and meet specific conditions. The amendments to IAS 1 require additional disclosures about these instruments. The amendments had no impact on the consolidated financial statements at December 31, 2009.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation: The interpretation applies to cases where the company intends to hedge the foreign exchange risk arising from an investment in a foreign company, and designates the transaction as qualifying for hedge accounting under IAS 39.
- IFRIC 9, Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement. EC Regulation 1171-2009 issued on November 27, 2009 transposed the interpretation and amendment into community law. These changes enable entities to reclassify certain financial instruments out of the fair value through profit or loss category under specified circumstances. They had no impact on the consolidated financial statements at December 31, 2009.
- IFRS 7, Financial Instruments: Disclosures – Reclassification of Financial Assets. EC Regulation 1165-2009 issued on November 27, 2009 transposed the amendments into community law. For each category of financial instrument measured at fair value, these amendments require disclosures of measurement methods and techniques. For this purpose, a measurement hierarchy with three levels of inputs is introduced (Level 1: quoted prices for similar instruments; Level 2: directly observable market inputs other than Level 1 inputs; Level 3: inputs not based on observable market data). Changes are also made in disclosures about liquidity risk. These amendments had no impact on the consolidated financial statements at December 31, 2009.
- IFRIC 18, Transfers of Assets from Customers: The interpretation clarifies the accounting treatment for arrangements where an entity receives items of property, plant and equipment or cash which the entity must use to connect customers to a network or provide access to a supply of goods or services, or both. IFRIC 18 must be applied only by entities that are not required to apply IFRIC 12.

Annual improvements to IFRS issued in 2008

EC Regulation 70-2009 issued on January 23, 2009 transposed improvements to the following standards into community law as of January 2009:

- **IAS 1, *Presentation of Financial Statements***: This amendment requires that assets and liabilities arising from derivative financial instruments that are not classified as held for trading and are not financial guarantee contracts or designated as hedges be classified between current and non-current assets and liabilities, depending on their maturity.
- **IAS 16, *Property, Plant and Equipment***: This amendment clarifies the classification and accounting treatment to be used by an entity that in the course of its ordinary activities routinely sells items of property, plant and equipment that it has held for rental to others.
- **IAS 19, *Employee Benefits***: This amendment, effective prospectively from January 1, 2009, clarifies the approach to be used in the case of curtailments, specifies methods for measuring positive/negative past service costs and revises the definition of short-term employee benefits and other long-term employee benefits.
- **IAS 20, *Government Grants and Disclosure of Government Assistance***: This amendment, applicable prospectively from January 1, 2009, states that the benefit of a government loan at a below-market rate of interest shall be treated as a government grant.
- **IAS 23, *Borrowing Costs***: This amendment revises the definition of borrowing costs to eliminate terminological inconsistencies with other standards.
- **IAS 28, *Investments in Associates***: This amendment establishes that for investments accounted for using the equity method, any impairment loss is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate, but to the carrying amount of the investment as a whole. Accordingly, any reversal of that impairment loss shall must be recognized in full.
- **IAS 36, *Impairment of Assets***: This amendment requires additional disclosures to be made if fair value less costs to sell is calculated on the basis of discounted cash flows.
- **IAS 38, *Intangible Assets***: This amendment establishes that expenditure incurred to provide future economic benefits to an entity, but where no intangible asset is recognized, must, for the supply of goods or services, be recognized as an expense when the entity either has access to the goods or has received the services. In addition, the standard was revised to clarify the cases in which entities can use the unit of production method to amortize intangible assets with a finite useful life.
- **IAS 39, *Financial Instruments: Recognition and Measurement***: The amendment clarifies how to calculate the revised effective interest rate when discontinuing fair value hedge accounting. In addition, it specifies the cases in which a derivative can be reclassified into or out of the fair value through profit or loss category.
- Applying the **Annual improvements to IFRS issued in 2008** had no impact on the consolidated financial statements at December 31, 2009.

New Standards and Interpretations approved by the EU and not yet in effect for which the Group has elected early adoption

- On January 10, 2008, the IASB issued a revised version of IFRS 3, *Business Combinations*, and amended IAS 27, *Consolidated and Separate Financial Statements*. The key changes to IFRS 3 are that the requirement to measure every asset and liability at fair value separately at each acquisition for business combinations achieved in stages (step acquisitions) has been removed, and goodwill is recognized only at the acquisition date, and is measured as the difference between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

In addition, any non-controlling interest (minority interest) in the entity acquired can be measured at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired, a treatment corresponding to the measurement basis in the current version of IFRS 3. The revised version of the standard also states that all acquisition-related costs are to be recognized as period expenses, and that any contingent

consideration payable be recognized at fair value at the acquisition date. In the amendment to IAS 27, the IASB established that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions and must thus be recognized in equity. In addition, when a parent loses control of a subsidiary but retains an interest in it, the retained interest is recognized at its fair value at the date control is lost and any gain or loss on loss of control is recognized in the income statement. Lastly, the amendment to IAS 27 requires that an acquired entity's losses be allocated to a non-controlling interest even if they exceed the NCI's share of equity in the subsidiary. The new rules must be applied prospectively from January 1, 2010.

New Standards and Interpretations approved by the EU and not yet in effect

As required by IAS 8, *Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*, the IFRS standards which come into effect on January 1, 2010 or thereafter are briefly illustrated below.

- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting*. EC Regulation 839-2009 issued on September 15, 2009 transposed into community law certain amendments to IAS 39 which clarify several aspects of hedge accounting. The amendments must be applied retroactively as required by IAS 8 starting on January 1, 2010. These amendments are not expected to have a material impact on the Group's consolidated financial statements.
- IFRIC 17, *Distributions of Non-cash Assets to Owners*. EC Regulation 1142-2009 issued on November 26, 2009 transposed IFRIC 17 into community law. This interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized, and that an entity should measure the liability for distributions of non-cash assets as dividends at the fair value of the net assets to be distributed. At the time the dividend is paid, an entity should recognize any difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. IFRIC 17 comes into effect on January 1, 2010 and is to be applied prospectively. This interpretation is not expected to have a material impact on the Group's consolidated financial statements.
- Amendments to IAS 32 on *Classification of Rights Issues*. EC Regulation 1293-2009 issued on December 23, 2009 transposed into community law several amendments to IAS 32 regarding methods of accounting for rights issues (rights, options or warrants) denominated in a currency other than the issuer's functional currency. In the past, such issues were accounted for as derivative liabilities. The amendment states that, if certain conditions are met, they should be classified as instruments with characteristics of equity regardless of the currency in which the exercise price is denominated. The amendments to IAS 32 come into effect on January 1, 2011, though early adoption is permitted. These amendments are not expected to have a material impact on the Group's consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

Consolidated financial statements are prepared from the statutory financial statements of the parent company PRIMA INDUSTRIE S.p.A. and its subsidiaries at December 31 of each year. The subsidiaries' financial statements are prepared using the same accounting policies as those of the parent company; where necessary, adjustments are made to items affected by applying different standards. All intra-group balances and transactions, including unrealized profits arising from intra-group transactions, are eliminated in full on consolidation. Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are eliminated unless the transaction provides proof of an impairment of the asset transferred.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and are de-consolidated from the date that control is transferred outside the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity, and are separately disclosed in the consolidated income statement.

(a) Subsidiaries

Subsidiaries are all entities, including special purpose entities, over which the Group has the power to govern the financial and operating policies.

Control is generally presumed when the Group has more than one half of the voting rights of the entity, either directly, by virtue of an agreement with other investors, or through potential voting rights. Subsidiaries are consolidated from the date that the Group is able to exert control, and are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting for acquisitions of subsidiaries.

The cost of an acquisition is measured as the sum of the consideration paid plus any directly attributable expenses.

Identifiable assets and liabilities acquired are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly in the income statement.

Costs, revenues, receivables, payables and gains on transactions between group companies are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the parent company.

(b) Associates and joint ventures

Associates are entities over which the Group has significant influence but not control. Significant influence is presumed to exist where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognized at cost.

Joint ventures are jointly controlled entities in which the Group has an interest. They are accounted for in accordance with IAS 31, paragraph 38, with the participation recognized using the equity method.

The Group's investments in associates includes goodwill (net of any accumulated impairment cost) identified on acquisition.

The Group's share of its associates' and joint ventures' profits or losses is recognized in the income statement. If the associate or joint venture makes an adjustment directly affecting equity, the Group determines its share and records it in the statement of changes in equity.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the entity, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the entities. The same is true of losses unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the parent company.

(c) Other equity investments

Minority interests are recognized at cost less impairment.

7. SEGMENT REPORTING

COMPANY INFORMATION

PRIMA INDUSTRIE S.p.A.'s corporate mission is the design, manufacture and sale of mechanical, electrical and electronic machines and systems and the related software programs for use in industrial automation or in other sectors in which the Company's technology may be usefully employed.

The main activity is focused on the cutting and welding laser machines sector.

PRIMA North America Inc. (incorporated in terms of American law) has three divisions:

- CONVERGENT LASERS DIVISION: which designs, manufactures, sells and renders assistance for industrial lasers throughout the world.
- LASERDYNE SYSTEMS DIVISION: which designs, manufactures, sells and provides assistance for 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: sells and provides assistance in North America for 3D laser machines produced by PRIMA INDUSTRIE.

PRIMA INDUSTRIE GmbH (incorporated in terms of German law) carries out management and promotional activities and provides assistance on the German market.

PRIMA FINN-POWER SWEDEN AB (incorporated in terms of Swedish law) carries out management and promotional activities and provides assistance on the Scandinavian market.

PRIMA FINN-POWER UK LTD. (incorporated in terms of English law) carries out management and promotional activities and provides assistance on the English and neighbouring markets.

PRIMA FINN-POWER CENTRAL EUROPE Sp.zo.o. (formerly PRIMA FINN-POWER POLSKA Sp.z.o.o. incorporated under Polish law) carries out management and promotional activities and provides assistance on the Eastern European markets.

PRIMA INDUSTRIE (Beijing) Co. Ltd. (incorporated in terms of Chinese Law) has been operating since the second quarter of 2008 and provides assistance on the Chinese market.

PRIMA ELECTRONICS S.p.A.'s corporate mission is the design, manufacture and sale of mechanical, electrical and electronic equipment, systems and installations and the relevant software programs bearing the PRIMA ELECTRONICS, OSAI and TECHMARK trademark. The company may also acquire and grant manufacturing licences.

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

- OSAI USA LLC., 100% shareholding
- OSAI UK Ltd., 100% shareholding

The FINN-POWER Group with headquarters in Finland, and with production 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 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 medium to high range and are characterized by wide versatility, large dimensions and a high degree of automation: the company is renowned for its flexible production systems operating throughout the whole production unit.

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 Srl, wholly-owned, whose mission is, on one hand, the production of the FINN-POWER range of products (panel shaping machines), and, on the other, the sale of and assistance for all FINN-POWER products on the Italian market.
- FINN-POWER GmbH, wholly-owned subsidiary, commercial company and assistance (merged with PRIMA INDUSTRIE GmbH in February 2010).
- PRIMA FINN-POWER FRANCE Sarl, wholly-owned subsidiary, commercial company and assistance.
- PRIMA FINN-POWER NV, wholly-owned subsidiary, commercial company and assistance.
- PRIMA FINN-POWER IBERICA, SL, holding of 78% (the remaining 22% is held by PRIMA INDUSTRIE S.p.A.), commercial company and assistance.
- BALAXMAN OY, 100% shareholding.
- PRIMA FINN-POWER North America, wholly-owned subsidiary, commercial company and assistance.
- PRIMA FINN-POWER CANADA Ltd, wholly-owned subsidiary, commercial company and assistance.

SEGMENT DETAILS

Information by sector of activity

The infra-segment revenues were determined on the basis of the market price using the "cost plus" or "sales minus" methods .

It should be noted that following acquisition of the FINN-POWER Group there are now three operating segments:

- Laser Systems
- Electronics
- Metal Sheet Machines

The following table illustrates the main details by sector.

Sector results 31/12/2009	Laser Systems	Electronics	Metal Sheet Machines	Non-allocated items	Total
Total sector revenues	91.123	28.218	127.104	-	246.445
<i>(inter-sector revenues)</i>	<i>(10.485)</i>	<i>(2.422)</i>	<i>(1.652)</i>	-	<i>(14.559)</i>
Revenues	80.638	25.796	125.452	-	231.886
EBITDA	2.513	1.393	2.336	-	6.243
Operating result	1.067	400	(5.331)	-	(3.863)
Net financial income/expenses	(2.869)	(533)	(2.762)	-	(6.164)
Income/expenses from subsidiaries and join	383	-	-	-	383
Income (loss) before tax	-	-	-	-	(9.644)
Tax	-	-	-	948	948
Net income	-	-	-	-	(8.696)

Sector results 31/12/2008	Laser Systems	Electronics	Metal Sheet Machines	Non-allocated items	Total
Total sector revenues	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
EBITDA	21.372	3.269	7.145	-	31.786
Operating result	20.102	2.596	535	-	23.233
Net financial income/expenses	(6.126)	(445)	(5.750)	-	(12.321)
Income/expenses from subsidiaries and joint ventures	818	-	-	-	818
Income (loss) before tax	-	-	-	-	11.730
Tax	-	-	-	(6.254)	(6.254)
Net income	-	-	-	-	5.476

Sector Assets and liabilities 31/12/2009	Laser Systems	Electronics	Metal Sheet Machines	Not allocated	Group
Assets	53.960	29.580	231.963	26.064	341.567
Associated companies & joint ventures	4.752	750	-	-	5.502
Total assets	58.712	30.330	231.963	26.064	347.069
Liabilities	27.612	12.098	63.631	178.750	282.091

Sector Assets and liabilities 31/12/2008	Laser Systems	Electronics	Metal Sheet Machines	Not allocated	Group
Assets	145.189	32.627	198.624	24.688	401.128
Associated companies & 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

Sales breakdown by geographical area

For details regarding revenues divided by geographical area, see the Management Report, in the sections entitled "Revenues and profitability" and "Performance of the main Group companies".

The data for non-current assets divided by geographical area are contained in the table below.

Non-current assets	31/12/09	31/12/08
Italy	31.855	30.185
Europe	142.320	152.417
North America	6.279	6.234
Asia and rest of world	1	1
TOTAL	180.455	188.837

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

8. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

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

○ NOTE 8.1 – INTANGIBLE FIXED ASSETS

Intangible fixed assets varied from the previous year for the following reasons:

- increases of 1,143 thousand Euros;
- net disposals of 6,160 thousand Euro (including restatement of the financial leasing agreement for the Kauhava production site);
- depreciation and impairment at 3,935 thousand Euros;
- negative exchange rate differences of 105 thousand Euros.

For more details, see the table below.

Tangible fixed assets	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Construction in progress	TOTAL
Values at 1 January 2008						
Historical cost	6.686.770	6.141.362	5.005.155	6.037.191	243.624	24.114.102
Accumulated depreciation	(719.626)	(4.102.905)	(4.165.410)	(4.960.283)	-	(13.948.224)
Net value at 1 January 2008	5.967.144	2.038.457	839.745	1.076.908	243.624	10.165.878
Fiscal Year 2008						
Net value at 1 January 2008	5.967.144	2.038.457	839.745	1.076.908	243.624	10.165.878
Change to area of consolidation	21.047.799	9.660.101	-	6.679.180	-	37.387.080
Change to consolidation area on accumulated	(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
Disposals	(404.846)	(42.515)	(67.216)	-	-	(514.577)
Utilization of accumulated depreciation	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)
Reclassifications	-	2.760	-	-	(2.760)	-
Reclassification of accumulated depreciation	-	-	-	-	-	-
Exchange rate differences	180.922	128.280	-	103.040	-	412.242
Exchange rate differences on accumulated	-	(84.030)	-	(107.879)	-	(191.909)
Net value at 31 December 2008	26.493.628	5.085.046	915.567	2.561.318	448.308	35.503.867
Values at 1 January 2009						
Historical cost	31.122.650	17.021.629	5.417.312	14.003.341	448.308	68.013.240
Accumulated depreciation	(4.629.022)	(11.936.583)	(4.501.745)	(11.442.023)	-	(32.509.373)
Net value at 1 January 2009	26.493.628	5.085.046	915.567	2.561.318	448.308	35.503.867
Fiscal Year 2009						
Net value at 1 January 2009	26.493.628	5.085.046	915.567	2.561.318	448.308	35.503.867
Change to area of consolidation	-	-	-	-	-	-
Change to consolidation area on accumulated	-	-	-	-	-	-
Increases	30.677	234.624	235.100	424.805	217.619	1.142.825
Disposals	(7.409.563)	(412.020)	(796)	(692.487)	-	(8.514.866)
Utilization of accumulated depreciation	1.360.762	322.750	-	671.495	-	2.355.007
Depreciation	(1.146.019)	(1.422.372)	(415.647)	(950.948)	-	(3.934.986)
Impairment	-	-	-	-	-	-
Reclassifications	-	(113.953)	47.377	66.576	-	-
Reclassification of accumulated depreciation	-	-	-	-	-	-
Exchange rate differences	(72.870)	(97.053)	697	(74.620)	-	(243.846)
Exchange rate differences on accumulated	9.831	58.701	(800)	70.759	-	138.491
Net value at 31 December 2009	19.266.446	3.655.723	781.498	2.076.898	665.927	26.446.492
December 31 2009						
Historical cost	23.670.894	16.633.227	5.699.690	13.727.615	665.927	60.397.353
Accumulated depreciation	(4.404.448)	(12.977.504)	(4.918.192)	(11.650.717)	-	(33.950.861)
Net value at 31 December 2009	19.266.446	3.655.723	781.498	2.076.898	665.927	26.446.492

The most important change for the year concerns decreases.

Net disposals for 2009 amounted to 6,160 thousand Euros. The most significant decrease refers to renegotiation of the FINN-POWER OY financial leasing agreement for the Kauhava production site.

During 2009, FINN-POWER OY undertook a major overhaul of its network of suppliers, with a view to reducing procurement costs and optimising payment terms.

Part of this process included renegotiating the leasing contract for the Kauhava premises, site of the FINN-POWER OY headquarters and production activities.

The existing leasing agreement, signed in June 2007, after sale of the same premises to the Varma Mutual Pension Insurance Company, had a duration of 15 years until 31 December 2022. Under the original terms, the rental contract fell within the IAS-IFRS definition of financial leasing agreements.

This assessment was due to the fact that the existing value of minimum leasing payments determined at the start of the leasing period was close to the fair value of the rented property, despite there being no provision for transfer of ownership of the property to the leaseholder on expiry of the contract, nor were there terms for redemption at the close of the agreement, and the 15-year duration of the lease was far below the useful life of the premises, estimated at around 30 years.

In the autumn of 2009 FINN-POWER OY asked Varma Mutual Pension Insurance Company to reduce the original terms by reducing the size of rental payments or the duration of the contract.

The agreement reached involved a reduction of the contract duration from 15 to 11 years (the leasehold will expire on 31 December 2018), with no variation to the other conditions agreed in the original contract and no penalties and/or expenses incurred by the lessee. Following these negotiations, the leasing agreement was reviewed, as required by IAS 17. This analysis led to its definition as an operating lease.

Hence, the consolidated financial statements to 31 December 2009 includes the derecognition of 5,520 thousand Euros of the value of the property.

○ NOTE 8.2 – INTANGIBLE FIXED ASSETS

Intangible fixed assets increased from the previous year by 674 thousand Euros for the following reasons:

- increases of 6,961 thousand Euros;
- depreciation and impairment at 6,171 thousand Euros;
- negative exchange rate differences of 115 thousand Euros.

Intangible fixed assets	Goodwill	Development costs	Other assets	TOTAL
Year 2008				
Net value at 1 January 2008	6.351.258	-	361.788	6.713.046
Change to area of consolidation	96.077.967	2.847.623	44.719.356	143.644.946
Exchange rate differences	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 at 31 December 2008	102.585.493	8.012.689	42.577.652	153.175.834
Fiscal Year 2009				
Net value at 1 January 2009	102.585.493	8.012.689	42.577.652	153.175.834
Change to area of consolidation	-	-	-	-
increases/decreases	-	6.500.781	460.137	6.960.918
Reclassifications	-	3.316.084	(3.316.084)	-
Depreciation	-	(2.341.064)	(3.656.096)	(5.997.160)
Impairment	-	(174.025)	-	(174.025)
Exchange rate differences	(74.393)	(40.847)	-	(115.240)
Net value at 31 December 2009	102.511.100	15.273.618	36.065.609	153.850.327

GOODWILL

As the above table shows, the most significant component of intangible fixed assets is goodwill. Goodwill refers to the greater value paid with respect to the fair value of the net assets acquired. 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 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.

Value of goodwill of each of the cash generating units

CASHFLOW GENERATING UNITS	BOOK VALUE GOODWILL 31/12/2009	BOOK VALUE GOODWILL 31/12/2008
FINN POWER GROUP	96.078	96.078
OSAI (Service)	4.125	4.125
PRIMA NORTH AMERICA	2.117	2.192
MLTA	154	154
OSAI UK	37	37
TOTAL	102.511	102.586

FINN-POWER

Acquisition of the FINN-POWER Group in 2008 caused the inclusion of goodwill of 96,078 thousand Euros. 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.

As of 31 December 2009 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 the other net operating assets) and the value-in-use, that is, the current value of future cash flows that should derive from their continued use and their possible removal from service at the end of their useful life.

Value-in-use is determined by discounting the cash flows contained in the economic-financial plan approved by the Board of Directors of FINN-POWER OY for the period 2010-2014. In order to determine the value-in-use of the CGU, cash flows are considered discounted for the 5 years of the explicit forecast, and are then summed to a terminal value determined by discounting the perpetual yield.

This plan was drawn up taking the Group's previous experience into account (particularly the cyclical trend in the machine tools sector) and by assessing the current situation in the reference markets. The assumptions made on the cash flow forecast for the explicit forecast period 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 (the forecasts made by trade associations and the growth forecasts for the countries in which the Group has planned revenues were considered).

The discount rate applied to prospective cash flows was 8.76% (pre-tax), calculated taking account of the sector in which the Group operates, the countries in which the Group intends to achieve planned results, the structure of indebtedness at full capacity and the current economic situation. This rate was considerably in line with the previous year, when a 9% rate was used. This reduction is mainly due to the reduction in the cost of indebtedness.

For cash flows for the years subsequent to the explicit forecast period, a growth rate of 0.5% (halved from 31 December 2008) has been hypothesized, in line with recent market evaluations, to take account of the current economic situation.

Determination of the value-in-use using the process illustrated led to a recoverable value above the book value, making it possible to avoid any reductions in the value of goodwill allocated to the FINN-POWER Group.

For the above cases, a sensitivity analysis was carried out on the results in relation to WACC, growth rate (g) and forecast results. In particular, even with increases of 30 basis points (hundredths of percentage points) on the cost of capital and zero-setting the perpetuity growth rate (g), the values of use show no impairment losses. Considering a growth rate (g) of zero, the WACC needed to make the recoverable value of the CGU the same as its book value would be 9.60%.

A sensitivity test was also performed with forecast results lower than those reflected in the 2010-2014 plan. If revenues forecast for 2010 were reduced by 5% (and likewise EBITDA)

and the percentage growth rates were maintained for the following years, hence even with a WACC of 8.76% and growth rate of 0.5%, the values of use would not show impairment losses. Considering a growth rate (g) of 0.5% and a WACC of 8.76%, a 7% reduction in future revenues (with percentage growth maintained at the same rates in the subsequent years) would make the recoverable value of the CGU the same as its book value.

It should be emphasised that the data for this sensitivity study refer to a theoretical year and this presents limitations. Indeed, in the reference industry, the greater the revenue contractions, the higher the growth rates during the positive phase of the cycle. Hence a 7% reduction in revenues, with growth rates constant in the following years (hence with no recovery of the percentage loss of revenues during the five-year period), would mean either a contraction in the machines tools market during the next cycle or a loss in market share for the FINN-POWER Group. Neither of these events appear likely at the moment.

At the end of the test, the value-in-use of the FINN-POWER CGU at 31 December 2009 is greater than its book value of around €28m.

<i>WACC</i>	8,76%
<i>Growth rate (g)</i>	0,50%
<i>Surplus of recoverable value of CGU over book value</i>	28 million Euros

OSAI (Service)

The acquisition of the OSAI Group during 2007 reflects the strategy of penetration and development in 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 cash flow generator at 31 December 2009 was calculated on the basis of the value-in-use, determined by discounting the cash flows contained in the economic and financial plan for the period 2010-2014 (approved by the management of PRIMA ELECTRONICS) and considering the current value of the operating assets of the company at the end of the explicit forecast period (residual value, calculated by basing the expected perpetuity on the cash flow generated in the last year of the plan).

The discount rate applied to prospective cash flows was 10.86% pre-tax (an increase on the 10% rate used in the impairment test at 31 December 2008), calculated taking account of the sector in which the OSAI Group operates and its structure of indebtedness.

Determination of the value-in-use according to the process illustrated made it to avoid reductions in the value of goodwill allocated in the "Service" sector of the OSAI Group.

The sensitivity analysis carried out on WACC and growth rate, and on the deviations from the forecasts for revenues higher than 10% showed no reductions in the value of goodwill

<i>WACC</i>	10,86%
<i>Growth rate (g)</i>	0,00%
<i>Surplus of recoverable value of CGU over book value</i>	3.2 million Euros

PRIMA NORTH AMERICA

The goodwill shown in the financial statements refers to the American subsidiary and concerns 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-in-use. To calculate the relative value, we used the cash-flow forecast from the financial plan for 2010-2012 (approved by the Board of Directors of PRIMA North America),

while the cash flows beyond 2012 and for an unlimited time frame were determined by assuming flows equal to those of the last year of the financial plan with zero turnover growth (g).

The discount rate applied to prospective cash flows was 9.22% (an increase on the 8.3% WACC used in the impairment test at 31 December 2008), calculated taking account of the countries in which company operates and its structure of indebtedness.

From our audit of the possible value impairment of goodwill for this cash generating unit, it did not appear necessary to make any reduction in the value.

WACC	9,22%
Growth rate (g)	0,00%
Surplus of recoverable value of CGU over book value	2.6 million US\$

Lastly, it is important to emphasise that, in addition to performing these impairment tests, the directors also looked carefully for signs of loss in value.

OTHER INTANGIBLE FIXED ASSETS

As can be seen from the year's progression, most increases in 2009 were due to the capitalization of development costs.

Given that the activities of PRIMA INDUSTRIE S.p.A. (and all other Group companies) have a high technological content, constant investment in research and development activities is absolutely vital. Despite the economic crisis, the Group continued to invest significantly in the development of its products, in order to retain a competitive advantage.

The PRIMA INDUSTRIE Group capitalized costs in those areas where the conditions set out in IAS 38 applied. Technical feasibility and generation of likely future economic benefits were investigated for all development activities for newly capitalized projects. The costs capitalized on development projects are monitored individually and measured in terms of the expected economic benefits from the time of their implementation. The costs capitalized on projects where the technical feasibility is uncertain or no longer strategic are assigned to the income statement (this year 174 thousand Euros were "released" to the income statement).

The rate applied for the number of hours of internal development reflects the cost of man-hours.

It is to be noted that the "Other assets" category contains the trademark and customer relations (customer list) deriving from the Purchase Price Allocation of FINN-POWER OY in 2008. The net values of the FINN-POWER trademark and the customer list at 31 December 2009 are 21,651 thousand Euros and 11,200 thousand Euros respectively.

The "FINN-POWER" trademark has been defined as an asset with definite lifespan 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.

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

It is to be noted that the FINN-POWER trademark and the customer list of the FINN-POWER Group fall within the "FINN-POWER Group" CGU, hence their recoverability was considered as part of the impairment test on goodwill.



NOTE 8.3 – INVESTMENT PROPERTIES

This item remained unchanged compared to 31 December 2008 and amounts to 158 thousand Euros. The asset refers to an area zoned for agricultural purposes owned by FINN-

POWER Italia, situated in Asola (Mantua). The area was valued by an independent expert during 2008.

○ NOTE 8.4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of the equity investments included in this item has increased compared to the previous period by 637 thousand Euros. The change is due both to the allocation of the share of the result as well as to the adjustment of the value of the equity investments included in this item. The value entered in the consolidated financial statements refers to 4,624 thousand Euros for the 35% shareholding in Shanghai Unity Prima Laser Machinery Co.Ltd and 75 thousand Euros for the 50% stake in SNK Prima Company Ltd.

Stakes valued using the equity method	SUP ⁽¹⁾	SNK	TOTAL
31 dicembre 2007	2.081.034	153.883	2.234.917
Share of earnings	829.056	(11.105)	817.951
Increases	823.625	-	823.625
Exchange rate adjustments	249.244	(63.203)	186.041
31 dicembre 2008	3.982.959	79.575	4.062.534
Share of earnings	794.499	(410)	794.089
Increases	-	-	-
Exchange rate adjustments	(153.164)	(3.698)	(156.862)
31 dicembre 2009	4.624.294	75.467	4.699.761

⁽¹⁾ SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD.

A positive difference of 264 thousand Euros is seen comparing the per share value of the net equity of the Chinese JV SUP at 31 December 2009 (4,360 thousand Euros) with the book value of the shareholding. This reflects the 7% goodwill included in the value of the shareholding at the time of acquisition in 2008.

Values expressed in thousands of Euros	Value of stake	SE per share	Difference
SUP	4.624	4.360	264
SNK	75	75	-
TOTAL			

e report that the PRIMA INDUSTRIE Group holds two more equity investments in Chinese joint ventures (both entered at zero):

- Wuhan OVL Convergent Laser Technology Co.Ltd. (25.74% held by PRIMA North America).
- Shenyang PRIMA Laser Machine Co.Ltd (50% held by PRIMA INDUSTRIE S.p.A.).
-

In September 2009, the due expiry date of 26 September 2009 for the Chinese joint venture Shenyang Prima Laser Machine Co. Ltd was postponed a further 12 months, in order to facilitate the passage of ownership of the shareholding held by PRIMA INDUSTRIE SpA to the Chinese partner Shenyang Machine Tool Company, which subsequently took place in January 2010.

The assignment agreement involved assumption of financial liabilities of 491 thousand Euros and a further 80 thousand Euros paid to PRIMA INDUSTRIE for settlement of payables/receivables open at the time of assignment. The transaction determined net expenses of around 411 thousand Euros. This loss is entered in the income statement under the item "Net earnings from associated companies and joint ventures".

○ NOTE 8.5 - OTHER INVESTMENTS

The item, Other Shareholdings, remains substantially unchanged with respect to the previous year.

This item is made up as follows:

- ELECTRO POWER SYSTEMS (750 thousand Euros);
- Consorzio SINTESI (52 thousand Euros).

The 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%.

Among other shareholdings is the stake to the value of 1 Euro held in OSAI GmbH, which, during the third quarter of 2009, was placed into liquidation and consequently has been excluded from the area of consolidation.

It should be noted that the equity investment held in ELECTRO POWER SYSTEMS (with activities in hydrogen fuel-cell systems) initially stood at 5.4%, however on 17 December 2008 the company increased its capital for payment, entirely underwritten by the investment funds 360 Capital Partners and 77 Holding S.r.l., by 5.4 million euro. After the transaction, the equity investment held by PRIMA ELECTRONICS decreased to 3.08%. The negative difference between the cost of the shareholding and the value of the shareholders' equity per share (as the data for 2009 are not yet available, this comparison was based on preliminary indications and discloses a difference of around 0.6m Euros) is not considered an impairment of value, given the implicit market value attributed to the company with the arrival of the new funds. Hence, considering the implicit valuation of the company resulting from the aforementioned increase in capital and the prospects for the subsidiary, depreciation of the shareholding was considered unnecessary. the valuation takes account of the expected benefits of the budget forecasts for 2010 and the growth in revenues recorded during 2009.

○ NOTE 8.6 - OTHER FINANCIAL ASSETS

The other financial assets item decreased by 289 thousand Euros compared to 31 December 2008, following termination of the single 5-year premium capitalization policy, underwritten on 08 September 2004 by the parent company.

○ NOTE 8.7 – DEFERRED TAX ASSETS

The tax assets for prepaid taxes amount to 4,916 thousand Euros, a decrease compared to the previous financial year of 1,384 thousand Euros. The net decrease is mainly due to reabsorption of temporary differences in the provisions for liabilities and charges and intragroup profits.

The temporary differences in this item as of 31 December 2009 are illustrated in the table below.

TAX ASSETS FOR PREPAID TAXES	31/12/09	31/12/08
Taxed reserves for risks and charges	965.373	1.750.909
Inventories	766.770	822.054
Taxed allowance for doubtful accounts	624.987	599.796
Employee benefits	349.204	298.654
Non-current tangible/intangible assets	133.676	(805.324)
Equity investments	-	161.415
Tax losses carried forward	689.888	466.658
Intragroup profits yet to be realized	744.351	1.944.308
Financial expenses	157.000	-
Recognition of revenues	177.806	716.179
Financial leases	59.175	32.672
Other	248.141	313.259
TOTAL	4.916.371	6.300.579

For better comparison of the data, some items for 2008 have been reclassified

In terms of the recoverability of these taxes, the parent company and PRIMA ELECTRONICS (which have prepaid tax payables of 2,175 thousand Euros and 491 thousand Euros respectively) have achieved historical positive taxable incomes, with reference to both IRES and IRAP (the 2009 tax losses of PRIMA INDUSTRIE S.p.A. were due to the effects of the current economic situation) and are expected to achieve positive taxable incomes in the coming years. Evaluation of the recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that prepaid taxes refer mainly to asset adjustment provisions for risks and charges, which have no expiry.

Prepaid taxes include 723 thousand Euros entered for the American subsidiary PRIMA FINN-POWER North America (which has also achieved positive taxable income historically) and consolidation adjustments (due to the elimination of intragroup profits) of 744 thousand Euros.

Entry in the financial statements of the deferred tax assets was made wherever there was a high probability of recovering them.

○ NOTE 8.8 - INVENTORIES

The following table illustrates the breakdown of inventories at 31 December 2008 and 31 December 2009.

INVENTORIES	31/12/09	31/12/08
Raw materials	32.648.395	42.879.564
(Provision for writedown of raw materials)	(3.406.432)	(3.887.811)
Semi-finished products	9.161.872	22.196.967
(Provision for writedown semi-finished)	(175.489)	(211.000)
Finished products	35.873.404	48.352.656
(Provision for writedown of finished products)	(2.294.097)	(3.143.503)
TOTAL	71.807.653	106.186.873

At 31 December 2009 inventories amounted to 71,808 thousand Euros net of the provision for write-downs of inventories totalling 5,876 thousand Euros.

The value of warehouse inventories at 31 December shows a net decrease of 34,379 thousand Euros. The decrease compared to 31 December related to all inventory categories. The reduction in the net value of inventories reflects the Group's capacity to adapt stock to lower levels of production.

In addition to the drop in production as a response to the reduction in sale volumes, this decrease also reflects the already mentioned strategy of destocking activated by the Group's companies (which demonstrated the capacity to adapt stock to lower levels of production). In particular, there was a reduction in finished and semi-finished products mostly entirely due to the reduction in stock with a reduction in the average unit value of stock undergoing no significant variation. The net decrease in provisions for inventory write-downs is mainly due to the scrapping and transfer of several obsolete products during 2009.

○ NOTE 8.9 - TRADE RECEIVABLES

The trade receivables at 31 December 2009 amounted to 58,823 thousand Euros and compared to the previous financial year the item recorded a decrease of 13,443 thousand Euros.

TRADE RECEIVABLES	31/12/09	31/12/08
Trade receivables	63.673.042	77.302.380
Provision for doubtful debts	(5.836.151)	(6.045.143)
Net trade receivables	57.836.891	71.257.237
Receivables due from related parties	986.281	1.008.770
Provision for doubtful debts from rel. par.	-	-
TOTAL	58.823.172	72.266.007

The receivables from associates amount to 986 thousand Euros and are commented on in note 8.30 "Transactions with related parties".

The significant reduction in trade receivables between 31 December 2009 and 31 December 2008 was determined by a reduction in sales revenues. There were no significant variations to the provisions for doubtful loans, as the reduction in receivables mainly involved amounts due for expiry. The expired amounts decreased less than proportionately, with levels remaining sufficiently covered by allocated provisions.

Trade receivables included some amounts due after the close of the year, including:

- 288 thousand GBP from a British customer (324 thousand Euros);
- 36 thousand Euros from a Spanish customer;
- 97 thousand Euros from a Serbian customer

We illustrate below the breakdown of trade receivables (inclusive of provisions for doubtful loans) according to expiry date

<i>Receivables by due date</i>	<i>Amounts in thousands of Euros</i>
Due for expiry	35.029
Expired 0 - 60 days	11.600
Expired 61 - 90 days	2.720
Expired 91 - 120 days	2.280
Expired > 120 days	12.044
TOTAL	63.673

The book value of Trade receivables is taken to be in the region of its fair value.

○ NOTE 8.10 - OTHER RECEIVABLES

The Other receivables in existence at 31 December 2009 amount to 4,399 thousand Euro and decreased considerably compared to the previous period by 3,062 thousand Euros.

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.

Also to be noted is the significant reduction in other non-current receivables, down from 1,689 thousand Euros to 19 thousand Euros. This reduction occurred subsequently mainly due to the settlement of the EQT loan (1,271 thousand Euros) entered in accordance with a contract clause and repaid as part of the already mentioned transaction.

○ NOTE 8.11 - OTHER TAX ASSETS

The item amounts to 5,985 thousand Euros against 3,552 thousand Euros in the previous year. Tax assets consist of VAT receivables (3,362 thousand Euros), prepaid tax receivables matured in the USA and Germany (1,401 thousand Euros), advances on current taxes (724 thousand Euros), tax credits on research and development (409 thousand Euros) and other tax credits (89 thousand Euros).

Both US and German laws state that, in the event of losses during a financial year, companies are entitled to apply for a refund (full or partial) of taxes paid in previous years (three in the US). This application does not require companies to produce positive tax contributions in the future. Hence, this item was entered under "Other current tax assets".

○ NOTE 8.12 - NET FINANCIAL POSITION

At 31 December 2009 the Net Financial Position was negative, standing at 150,091 thousand Euros. The variation in the net financial position in 2009 was 11,554 thousand Euros. The net financial position does not yet take account of the positive effect of the 15,232 thousand Euro increase in share capital completed in February 2010 (for more information about this operation, see Report on Operations).

As required by Consob Communication no. DEM/6064293 of 28 July 2006, the following table illustrates the net financial indebtedness at 31 December 2009 and 31 December 2008, determined with the criteria indicated in the Recommendation of the CESR (Committee of European Securities Regulators) of 10 February 2005 "Recommendations for uniform implementation of the European Commission in information prospectuses" and cited also by Consob.

FINANCIAL POSITION			
<i>Values expressed in thousands of Euros</i>			
	31/12/09	31/12/08 ⁽¹⁾	Changes
A CASH	15.084	14.467	617
B OTHER CASH EQUIVALENTS	-	-	-
C SECURITIES HELD FOR TRADING	-	-	-
D CASH (A+B+C)	15.084	14.467	617
E CURRENT FINANCIAL RECEIVABLES	-	-	-
F CURRENT BANK LOANS	11.768	6.760	5.008
G CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	31.158	118.091	(86.933)
H OTHER CURRENT FINANCIAL PAYABLES	1.237	2.952	(1.715)
I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)	44.163	127.803	(83.640)
J CURRENT NET FINANCIAL INDEBTEDNESS (I-D-E)	29.079	113.336	(84.257)
K NON-CURRENT BANK LOANS	117.551	12.288	105.263
L BONDS ISSUED	-	-	-
M OTHER NON-CURRENT FINANCIAL PAYABLES	3.461	36.021	(32.560)
N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)	121.012	48.309	72.703
O NET FINANCIAL INDEBTEDNESS (J+N)	150.091	161.645	(11.554)

⁽¹⁾ For greater comparison of the data, the values for 2008 have been reclassified

As already mentioned, net financial indebtedness showed a considerable improvement. Some of the main movements during the year are illustrated below.

- Reclassification of current indebtedness to non-current indebtedness for the FINPOLAR loan following a formal communication received in March 2009, redetermining the financial ratios (covenants) by the credit institutions.
- Repayment of the two instalments for quota A of the FINPOLAR loan on the planned dates (4 February and 4 August 2009) totalling 7,050 thousand Euro, in addition to interest.
- Reduction in other non-current financial payables by around 26,8m Euros for payables to EQT. This reduction reflects the repayment of sums as already mentioned, and determined a reduction in payables by about 14m Euros. The difference of 12.8m Euros was refunded in November 2009 in the form of advanced use of quota C1 of the FINPOLAR loan (originally due for 2011);
- Use for cashflow purposes from the first half of 2009 of quota D of the FINPOLAR loan totalling 18 million Euros (against the 20 million agreed by contract for this quota). This form of use is entered under "current portion of non-current indebtedness" although the company can use this credit line by contract until 2016.

LIQUIDITY

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

INDEBTEDNESS WITH BANKS

The main item due to banks is the FINPOLAR loan. At 31 December 2009 this loan stood at 133,314 thousand Euros (of which 107,182 thousand Euros are non-current) and is divided as follows:

- quota A: medium/long-term loan of 38,340 thousand Euros (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- quota B: medium/long-term loan of 63,352 thousand Euros (expiring in February 2016 with a "bullet" repayment at expiry);
- quota C1: medium/long-term loan of 12,548 thousand Euros (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital beginning 4 August 2011);
- quota C2: revolving credit line, to be used as advanced payment on invoices, as yet unused at 31 December 2009. This credit line includes accessory charges on the depreciating loan of 222 thousand Euros (a total of 12,200 thousand Euros of the credit line may be used for the Group's circulating capital needs);
- quota D: revolving cash credit line of 17,792 thousand Euros (maximum capital 20 million Euros);
- at total of 1,504 thousand Euro of interest matured but not yet paid was recorded at 31 December 2009 on all FINPOLAR loans.

As already stated, the instalments due in February 2009 and August 2009 of the loan with half-yearly repayments and expiring in 2015 (quota A) were made on their respective due dates (capital portion of each instalment being 3,525 thousand Euros) and, at the time of drafting of the financial statements, the instalment for the same amount due on 4 February 2010 was also paid.

The FINPOLAR loan is subject to a number of covenants, which, following the changes to the FINPOLAR loan signed on 12 November 2009 (see also the paragraph entitled Net Financial Position in the Report on Operations), were suspended during 2009 with the agreement that, as from 31 December 2010 and for the remaining duration of the FINPOLAR loan, the company must respect the covenants agreed by contract.

The non-current bank borrowings include the negative fair value of certain financial derivatives (IRS – Interest Rate Swap) which stand at a total of 7,516 Euro. The main contracts are those stipulated by PRIMA INDUSTRIE S.p.A. in partial coverage of the interest rate risk on the aforementioned FINPOLAR loan. The efficiency tests carried out on the hedge agreements showed considerable effectiveness at 31 December 2009 and hence, since the other requirements of IAS 39 had been observed, were entered using hedge accounting criteria.

Given their characteristics, the financial instruments not tested for efficiency were entered in the income statement as changes in fair value. Non-current bank loans include, in addition to the FINPOLAR loan and derivatives, further 2,853 thousand Euros of outstanding bank loans. For more details on covenants and constrict clauses, see the paragraph below entitled "FINANCIAL MEASURES (COVENANTS) AND OTHER CONTRACT CLAUSES".

Current bank loans (including the current portion of non-current indebtedness) include, in addition to the FINPOLAR loan, bank overdrafts of 7,979 thousand Euros, other bank loans of 8,812 thousand Euros and 3 thousand Euros of derivatives.

OTHER FINANCIAL PAYABLES

Other Financial Payables total 4,698 thousand Euros (of which 3,461 thousand are non-current).

Other financial payables include:

- 311 thousand Euros of interest on the remaining payables due to EQT (for the FINN-POWER Group acquisition), matured from July to November 2009, and entirely classifiable within the current portion of the debt;
- payables for financial leases amounting to 2,384 thousand Euros (of which 286 thousand Euros are current);
- payables of 286 thousand Euros due to factoring companies;
- other financial payables of 1,717 thousand (of which 354 thousand are current); these payables refer mainly to facilitated ministerial loans.

FINANCIAL RATIOS (COVENANTS) AND OTHER CONTRACT CLAUSES

The FINPOLAR loan agreement includes a series of economic and financial parameters (covenants) to be observed throughout its duration (until 2016), with variable values for different measuring periods.

Given the economic downturn since the signing of the FINPOLAR loan agreement, and considering the risk of not being able to fully face the covenants renegotiated for the financial statements to 31 December 2009, the Group asked the financing banks to disapply the covenants for 2009. The financing banks agreed to this disapplication on 12 November 2009 and hence, the contractual provisions for covenants do not apply for the financial year 2009.

In 2010 and subsequent years the original covenants specified in the table below will apply:

EBITDA/CONSOLIDATED NET FINANCIAL CHARGES RATIO	3.5X AT 31 DECEMBER 2010 4.5X AT 31 DECEMBER 2011 6.9X AT 31 DECEMBER OF THE SUBSEQUENT YEARS
NOT LESS THAN:	
NET FINANCIAL DEBT/CONSOLIDATED EBITDA RATIO	4.3X AT 31 DECEMBER 2010 3.3X AT 31 DECEMBER 2011 2.3X AT 31 DECEMBER OF THE SUBSEQUENT YEARS
NOT LESS THAN:	
NET FINANCIAL DEBT/CONSOLIDATED SHAREHOLDERS' EQUITY RATIO	1.5X AT 31 DECEMBER 2010 1.2X AT 31 DECEMBER 2011 0.9X AT 31 DECEMBER OF THE SUBSEQUENT YEARS
NOT LESS THAN:	

The above covenants are to be observed on an annual basis and with reference to the end-of-year consolidated results.

The FINPOLAR loan also contains a series of further commitments undertaken by PRIMA INDUSTRIE and which may be derogated only by express consent of the financing banks.

These include:

- transmission of, by PRIMA INDUSTRIE, and access rights to, for the agent bank, financial and accounting documentation and documentation concerning any disputes involving the parent company and other group companies;
- transmission of information regarding circumstances that may lead to a decisive event or shareholders' meeting;
- completion and maintenance of guarantees required by the FINPOLAR loan agreement and non-surrender of guarantees for any parties other than the financing banks;
- undertaking not to operate outside of the core business, except within defined limits, and not to sell assets or shareholdings of any kind, beyond a defined value, barring the

allowance to transfer specific shareholdings and non-instrumental assets for the purposes of the core business;

- undertaking not to exceed certain levels of financial indebtedness beyond the level deriving from the FINPOLAR loan agreement;
- undertaking not to grant loans or issue guarantees to parties other than the Group, barring those guarantees arising during ordinary business activity;
- undertaking not to modify its business object and articles of association, not to carry out transactions on shareholders' capital (including the creation of assets or the financing of specific business, barring a few exceptions that do not prejudice the rights of the financing banks), not to modify the accounting standards and the closing date of the financial year;
- undertaking to observe statutory or regulatory provisions or obtain permission and authorizations applicable to PRIMA INDUSTRIE and the Group's companies, including with reference to environmental and fiscal regulations;
- undertaking to suitably protect its intellectual property rights and take out suitable insurance coverage on the assets and property of PRIMA INDUSTRIE and the Group's companies;
- undertaking to subordinate receivables due to shareholders over payment obligations deriving from the FINPOLAR loan agreement and to ensure that the latter does not defer on any obligations made by the company towards its unsecured creditors.

In accordance with the FINPOLAR loan agreement, the following events represent just cause for its express termination:

- non-observance of covenants,
- non-observance of the main obligations and commitments set out in the FINPOLAR loan agreement,
- substantial worsening of the situation outlined in the documentation provided to the financing banks,
- existence of disputes which might potentially prejudice the company's situation,
- existence of executive or insolvency procedures within the parent company or Group companies,
- non-payment of loans by the parent company or the Group companies if this exceeds the sum of 500 thousand Euros.

Occurrence of one of the above events gives the financing banks the right to ask for full payment of the entire residual debt. Moreover, in the event of a future risk of non-observance of covenants or other commitments, the Group must immediately open negotiations with the financing banks to request an amendment to the relevant contract provisions. Should the financing banks not agree to such amendments, entire repayment of the entire residual debt would be due with consequent significant negative effects on the economic and financial situation of the Group and on maintaining business continuity. Agreement by the financing banks to a request for amendments could lead to an increase in the spreads applied to the FINPOLAR loan.

The following rates are currently in force:

- Quota A: 6-month Euribor + a 190 basis point spread.
- Quota B: 6-month Euribor + a 215 basis point spread.
- Quota C: 6-month Euribor + 200 basis point spread (subquota C1); 1-, 2-, 3-week Euribor, 1-, 2-, 3-, 6-month Euribor + a 200 basis point spread (subquotas C2).
- Quota D: 1-, 3-, 6-month Euribor (as drawn) + a 180 basis point spread.

Other minor loans are also subject to the observance of covenants. The most significant of these are those due to Fortis Bank and Banca di Roma.

- Fortis Bank: residual debt at 12 December 2009, 1,500 thousand Euros. The covenants fixed by the credit institution were not observed by the Group (for 2009) and hence the debt was entirely recorded within current liabilities. In the meantime PRIMA INDUSTRIE continue to refund instalments on their due date, and has sufficient funds to repay the residual debt, in the event advance repayment is requested by the credit institution.
- Banca di Roma: residual debt at 12 December 2009, 375 thousand Euros. The covenants fixed by the credit institution were not observed by the Group (for 2009) and hence the debt was entirely recorded within current liabilities as a short-term measure (the debt will expire naturally in 2010 and hence would in any case have been classified as a current liability).

For more information on loan agreement clauses, see the Prospectus published for the recent increase in share capital by PRIMA INDUSTRIE and deposited with CONSOB on 24 December 2009.

CHANGES IN PAYABLES TO BANKS AND LOANS

Payables to banks and loans of the PRIMA INDUSTRIE Group at 31 December 2009 amount to 157,655 thousand Euros and changed in 2009 as shown in the table below.

PAYABLES TO BANKS AND LOANS	<i>Euro thousands</i>
Payables to banks and loans - current portion (01/01/2009)	127.803
Payables to banks and loans - non-current portion (01/01/2009)	42.455
TOTAL PAYABLES TO BANKS AND LOANS AT 01/01/2009	170.258
Change to area of consolidation	-
Loan agreements	38.167
Repayment of loans	(43.803)
Net changes in liabilities from financial leasing and Sabatini operations	(6.741)
Exchange rate effect	(226)
TOTAL PAYABLES TO BANKS AND LOANS AT 31/12/2009	157.655
Payables to banks and loans - current portion (31/12/2009)	44.160
Payables to banks and loans - non-current portion (31/12/2009)	113.495
TOTAL PAYABLES TO BANKS AND LOANS AT 31/12/2009	157.655

DIVISION OF FINANCIAL PAYABLES BY EXPIRY AND INTEREST RATE

The following table lists the breakdown of financial payables to banks and other lenders (and, for the purposes of providing a framework for the data exposed in the the financial statements, includes payables for leases, factoring and payables to banks for derivatives) by expiration and interest rate.

Current financial payables

Values expressed in thousands of Euros	Effective interest rate	Due	31/12/2009
Current bank payables			
Bank overdrafts	1m Euribor + 0.1%	Sight	7.979
JP Morgan Chase	Libor + 3%	15/01/10	2.082
MPS	Libor + 2%	30/09/10	694
Banca del Piemonte	3m Euribor + 1.9%	16/06/10	1.000
Derivative - IRS Unicredit	N/A	01/06/10	3
Interest owed	N/A	N/A	10
TOTAL			11.768
Current portion of non-current indebtedness			
FINPOLAR - Quota A (Bank pool)	6m Euribor + 1.9%	03/02/15	6.912
FINPOLAR - Quota B (Bank pool)	6m Euribor + 2.15%	03/02/16	(105)
FINPOLAR - Quota C1 (Bank pool)	6m Euribor + 2.0%	04/02/15	(68)
FINPOLAR - Quota C2 (Bank pool)	1,2,3 w Euribor +2.0% - 1,2,3,6 m + 2.0%	12/11/12	(77)
FINPOLAR - Quota D (Bank pool)	1,3,6 m Euribor + 1.8%	31/01/16	17.966
FINPOLAR - Interest owed	N/A	N/A	1.504
Banca di Roma	3m Euribor	01/06/10	375
Sanpaolo-IMI	3m Euribor + 0.72%	14/06/11	600
Unicredit Banca	3m Euribor + 0.75%	30/06/11	1.057
Banca Intesa	3m Euribor + 0.75%	30/09/11	842
Simest	1,360%	19/05/11	399
Fortis	6m Euribor + 1.70%	31/07/11	1.500
Unicredit	6m Euribor + 1%	30/06/16	152
Banca Popolare dell'Emilia Romagna	6,135%	25/12/11	47
Interest owed - Other bank loans	N/A	N/A	54
TOTAL			31.158
Other current financial payables			
Ministry of Industry	3,275%	10/03/13	91
Ministry of Industry	1,175%	08/06/14	36
MCC	0,920%	31/10/13	156
Sanpaolo-IMI	1,000%	01/01/13	57
La Caixa	N/A	Sight	14
Interest owed to EQT	N/A	Sight	311
Factoring			286
Leasing			286
TOTAL			1.237

Non-current financial payables

Values expressed in thousands of Euros	Effective interest rate	Due	31/12/2009
Non-current bank payables			
FINPOLAR - Quota A (Bank pool)	6m Euribor + 1.9%	03/02/15	31.428
FINPOLAR - Quota B (Bank pool)	6m Euribor + 2.15%	03/02/16	63.457
FINPOLAR - Quota C1 (Bank pool)	6m Euribor + 2.0%	04/02/15	12.616
	1,2,3 w Euribor +2.0% -		
FINPOLAR - Quota C2 (Bank pool)	1,2,3,6 m + 2.0%	12/11/12	(144)
FINPOLAR - Quota D (Bank pool)	1,3,6 m Euribor + 1.8%	31/01/16	(174)
Derivative - IRS Unicredit	N/A	30/09/11	3.019
Derivative - IRS Sanpaolo-IMI	N/A	04/02/16	3.019
Derivative - IRS Unicredit	N/A	04/02/16	31
Derivative - IRS Unicredit	N/A	07/05/17	1.447
Sanpaolo-IMI	3m Euribor + 0.72%	14/06/11	300
Unicredit Banca	3m Euribor + 0.75%	30/06/11	544
Banca Intesa	3m Euribor + 0.75%	30/09/11	631
Simest	1,360%	19/05/11	199
Unicredit	6m Euribor + 1%	30/06/16	1.012
Banca Popolare dell'Emilia Romagna	6,135%	25/12/11	166
TOTAL			117.551
Other non-current financial payables			
Ministry of Industry	3,275%	10/03/13	284
Ministry of Industry	1,175%	08/06/14	148
MCC	0,920%	31/10/13	815
Sanpaolo-IMI	1,000%	01/01/13	116
Leasing			2.098
TOTAL			3.461

DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2009 owns several derivative financial instruments to the overall value of 7,519 thousand Euros.

Values expressed in thousands of Euros

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/2009
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	26.964	3.019
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	26.964	3.019
IRS - Non hedge accounting	Prima Industrie	Unicredit	30/09/11	1.420	31
IRS - Non hedge accounting	Prima Industrie	Unicredit	01/06/10	500	3
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	10.000	1.447
				TOTAL	7.519

At the time of drafting the financial statements to 31 December 2009, a valuation of the financial derivatives held by the Group was made in order to ascertain their type and establish how they were to be recorded.

Some financial instruments fell under HEDGE ACCOUNTING, while others did not have all the requisites of IAS 39 to be classified in this category.

For those derivative instruments entering the HEDGE ACCOUNTING category in accordance with IAS 39, the Group drafted formal documentation of the hedge relationship between the hedging instrument and the hedged item, the objectives of risk management and the strategy pursued during hedging. The effectiveness of the hedge relationship was monitored by an independent company specialising in actuarial valuations.

In compliance with IAS 39 HEDGE-ACCOUNTING derivatives were recorded as follows: effective variations in fair value were initially disclosed as shareholders' equity; accumulated earnings and losses were later transferred from shareholders' equity and recorded in the income statement according to the economic effects of the hedged transaction. The fair value portion of derivative instruments qualified as non-effective is directly disclosed in the income statement under financial costs.

Variations in the fair value of NON-HEDGE ACCOUNTING derivatives are disclosed in the income statement under financial costs.

Finally, it is reminded that 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.

Total net financial costs recorded in 2009 for these derivatives were 1,557 thousand Euros (of which 710 thousand Euros for fair value adjustment and 847 thousand Euros as the differential between hedging flows).

○ NOTE 8.13 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

Share capital is 16 million Euros and is unchanged since 31 December 2008. It is reminded that at 31 December 2009, share capital was undergoing increase, and this operation terminated in February 2010. The increase in capital was fully paid up and amounts to 15,232 thousand Euros. For more information see the paragraph entitled Net financial position in the Report on Operations.

LEGAL RESERVE

This item amounts to 2,734 thousand Euros and did not change in 2009.

OTHER RESERVES

This item has a value of 45,186 thousand Euros and, compared to 31 December 2008, increased by 7,391 thousand euro.

The item consists of:

ADDITIONAL PAID-IN CAPITAL.

The additional paid-in capital (amounting to 36,815 thousand Euros) remained unchanged from 31 December 2008.

CAPITAL INCREASE EXPENSES

This reserve has a negative value of 1,264 thousand Euros and increased since the last financial year by 291 thousand Euros as a result of expenses incurred so far for the increase in share capital, still in progress at 31 December 2009.

STOCK OPTION RESERVE

This item totals 728 thousand Euros and, compared to the previous financial year, increased by 410 thousand Euros. For more details about the stock option plan in force, see the relevant section of the Report on Operations.

CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES

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. At 31 December 2009, this item had a negative value of 5,214 thousand Euros.

OTHER RESERVES

The additional paid-in capital (14,120 thousand Euros) increased by 8,239 thousand Euros from 31 December 2008.

CURRENCY TRANSLATION RESERVE

The currency translation reserve has a negative value of 2,385 thousand Euros and, decreased from the previous financial year by 608 thousand Euros.

RETAINED EARNINGS

This item, which totals 12,139 thousand Euros (15,293 thousand Euro on 31 December 2008) includes the results of previous years of consolidated companies as well as the change in the scope 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 IAS/IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

NET LOSS FOR THE YEAR

This item includes net losses of 8,696 thousand Euros (profits stood at 5,476 thousand Euros on 31 December).

RECONCILIATION BETWEEN RESULT AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND THE SAME VALUES FOR THE GROUP

Pursuant to CONSOB communication dated 28 July 2009, the following tables illustrate the reconciliation between the result for the year 2008 and the shareholders' equity at 31 December 2009 of the group and the same values for the parent company, PRIMA INDUSTRIE S.p.A.

Reconciliation between income and shareholders' equity of the parent company and related Group values (values expressed in thousands of Euros)	Shareholders' Equity at 31.12.2009	Income at 31.12.2009
Separate financial statements of PRIMA INDUSTRIE SpA	59.792	(2.554)
Accounting for shareholders' equity and income from subsidiaries	109.133	(7.706)
Elimination of values of consolidated shareholdings in the financial statements of PRIMA INDUSTRIE SpA	(106.000)	-
Elimination of intragroup income included in stock and fixed assets	(1.728)	1.163
Valuation of joint ventures	3.212	794
Other entries (including tax effect on consolidation adjustments)	569	(393)
Financial statements PRIMA INDUSTRIE Group	64.978	(8.696)

PROFITS (LOSSES) BOOKED IN SHAREHOLDERS' EQUITY

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

- Change in FV of hedging derivatives: € (967.160)
- Currency translation reserve: € (608.082)

○ NOTE 8.14 - EMPLOYEE BENEFIT LIABILITIES

Employee benefits include:

- Severance Indemnity paid by Italian companies to their employees;
- a fidelity bonus paid by the parent company, PRIMA ELECTRONICS, PRIMA GmbH and PRIMA FINN-POWER Sarl to their employees.

It should be noted that, until 31 December 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 27 December 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 1 January 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.

A fidelity bonus, however, matures on reaching a certain level of seniority within the company.

Below is a comparison of these items.

EMPLOYEE BENEFITS	31/12/09	31/12/08
Employees' Severance Fund	6.405.048	8.002.738
Fidelity premium	1.098.761	1.018.680
TOTAL	7.503.809	9.021.418

Below is a Severance Indemnity operation.

Employee severance <i>(Values expressed in thousands of Euros)</i>	01/07/05	30/06/05
SEVERANCE FUND AT START OF YEAR	8.003	6.881
Severance indemnities paid out during period	(1.964)	(749)
Other movements	(25)	65
Change to area of consolidation	-	1.365
Financial expenses	391	441
SEVERANCE FUND AT END OF YEAR	6.405	8.003

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

ACTUARIAL HYPOTHESES	31/12/09	31/12/08
Annual discount rate	5,1%	5,0%
Annual inflation rate	2,0%	2,0%
Annual severance fund increase rate	3% - 3,5%	3,0%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury RG48;
- probability of disability, according to sex, as defined by the INPS model for forecasts to 2010. These probabilities are calculated starting from the distribution by age and sex of pensions in force as of 1 January 1987, dating from 1984, 1985, 1986 for bank sector employees;
- the pension period for generic workers is based on workers reaching the first of the pension requisites of the General Compulsory Insurance Scheme;
- probability of leaving employment for reasons other than mortality considers an annual average of 5.00%;
- probability of advances considers a year-by-year value 3.00%.

○ NOTE 8.15 - TAX LIABILITIES FOR DEFERRED INCOME TAX

The tax liabilities for deferred taxes amount to 10,903 thousand Euros and reflect a decrease compared to the previous financial year which amounted to 724 thousand Euros.

The most significant components of this item are as follows:

- FINN-POWER trademark: 5,629 thousand Euros;
- customer list: 2,912 thousand Euros;
- revaluation of Cologne Veneta property: 655 thousand Euros.

○ **NOTE 8.16 - PROVISIONS FOR RISKS AND CHARGES**

Provision movements for 2009 are as follows.

Medium/long-term provisions for risks	Cust. agent. ind.provision	Restructuring / reorg. provisions	Other provisions	TOTAL
dec 31 2008	87.210	-	-	87.210
Allocations	7.595	-	-	7.595
Utilizations in the period	(27.051)	-	-	(27.051)
Change to area of consolidation	-	-	-	-
Exchange rate differences	-	-	-	-
dec 31 2009	67.754	-	-	67.754

Short-term provisions for risks	Guarantee fund	Restructuring / reorg. provisions	Other provisions	TOTAL
dec 31 2008	8.985.051	-	1.443.489	10.428.540
Allocations	4.027.369	738.542	633.235	5.399.146
Utilizations in the period	(6.130.177)	-	(384.535)	(6.514.712)
Change to area of consolidation	-	-	-	-
Exchange rate differences	(39.686)	-	4.110	(35.576)
dec 31 2009	6.842.557	738.542	1.696.299	9.277.398

Provisions for risks and charges refer mostly to product warranties (provisions for technical work on Group products while under warranty), and stand at 6,843 thousand Euros, down 2,142 thousand Euros from 31 December 2008. The drop in warranty provisions is a direct consequence in the fall in sales in 2009 and hence a reduction in the machine pool under warranty. Compared to 31 December 2008, the Group recorded provisions for business restructuring/reorganisation totalling 739 thousand Euros. These provisions refer mostly to action taken in FINN-POWER OY (closing of Vilppula plant and permanent lay-off of some employees at the Kauhava plant).

Other provisions refer to legal proceedings and other disputes. These provisions are based on the best estimate made by management of liabilities to accounted for to deal with legal proceedings that might arise during ordinary activities with retailers, customers, suppliers or the public authorities and any legal proceedings deriving from disputes with former employees.

○ **NOTE 8.17 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES**

The value of this item has decreased since 31 December 2008 by a total of 34,312 thousand Euros. The trade payables and advances decreased considerably, mainly due to a reduction in the volumes of sales.

In particular, a look at the reduction in trade receivables and payables, shows a more than proportionate reduction in the latter, mainly due to the reorganisation of payment terms arranged with FINN-POWER suppliers. It should be noted that the item "Advances from customers" includes advances on orders for machines not yet delivered, as well as those generated by application of IAS 18 regarding machinery already delivered but not yet accepted by the end customer and thus not accountable as revenue.

For more details, see the table below.

TRADE AND OTHER PAYABLES	31/12/09	31/12/08
Payables owed to suppliers	51.429.488	65.870.443
Trade payables	51.429.488	65.870.443
Advances from customers	19.664.435	32.217.942
Advances from customers	19.664.435	32.217.942
Tax and social security	3.581.415	4.305.511
Amounts due to employees	3.131.090	5.698.629
Other short-term payables	8.685.747	12.711.864
Other	15.398.252	22.716.004

○ NOTE 8.18 - TAX LIABILITIES FOR CURRENT TAXES

Fiscal liabilities for current taxes at 31 December 2009 amounted to 2,672 thousand Euros.

Liabilities are divided as follows:

- payable income taxes of 1,077 thousand Euros;
- payable VAT of 1,051 thousand Euros;
- payable withholding tax of 544 thousand Euros.

The reduction since 2008 (153 thousand Euros) is mainly due to repayment of deferred tax liabilities on the above-mentioned differences, owing to depreciation recorded during the year.

○ NOTE 8.19 - NET REVENUES FROM SALES AND SERVICES

Revenues from sales and services were extensively commented on in the Report on Operations, in the section entitled "REVENUES AND PROFITABILITY" and in Chapter 7 "SEGMENT REPORT".

○ NOTE 8.20 - OTHER OPERATING INCOME

The item Other operating income amounts to 6,621 thousand Euro and mainly includes research grants, gains on the disposal of fixed assets and certain casual profits. The most significant component of this item are capital gains of 2,652 thousand Euros on property transfers, deriving from negotiation of the lease on the FINN-POWER OY in Kauhava. The item also includes payments received by FINN-POWER Italia following a transaction agreement (475 thousand Euros). This item also includes 222 thousand Euros as part of the economic effect of the EQT transaction.

○ NOTE 8.21 - INCREASES IN FIXED ASSETS FOR INTERNAL WORKS

At 31 December 2009, increases for internal works stood at 7,141 thousand Euros and refer mainly to capitalization of assets for the development of new projects (6,501 thousand Euros), for which the technical feasibility and generation of probable future economic benefits have been ascertained. The capitalized development activities are carried out by the parent company, PRIMA ELECTRONICS, FINN-POWER OY, FINN-POWER Italia and PRIMA North America.

○ NOTE 8.22 - PERSONNEL COSTS

Personnel costs at 31 December 2009 stood at 77,950 thousand Euros, down from the the previous financial year which accounted for only five months of personnel costs for the FINN-POWER Group. This reduction is attributable to the effective cost reduction action undertaken by the Group, aimed at bringing the status of employees to statutory requirements, and also redundancy schemes such as the Italian *cassa integrazione ordinaria e straordinaria* and its equivalents in other countries (for further details see the paragraph entitled PERSONNEL in the Report on Operations). It should also be noted that this item includes restructuring costs of almost 2.3m Euros incurred as part of the Group's ongoing reorganisation project.

To provide a more complete picture, the table below shows the remuneration received by the Top Management of PRIMA INDUSTRIE and other Group companies.

Surname and Name	Department	Remuneration and salary	Stock Option theoretical value ⁽¹⁾	TOTAL
CARBONATO Gianfranco	Chairman and Chief Executive Officer of PRIMA INDUSTRIE SpA	396.250	97.650	493.900
BASSO Ezio	Gen. Man. and Director of PRIMA INDUSTRIE SpA	232.164	78.120	310.284
HEDENBORG Tomas	CEO FINN-POWER OY	325.284	78.120	403.404
PEIRETTI Domenico	CEO PRIMA ELECTRONICS SpA and Director PRIMA INDUSTRIE SpA	255.704	78.120	333.824
RATTI Massimo	Finance Director PRIMA INDUSTRIE Group	169.163	78.120	247.283
CANNA Franco	Chief Executive Officer of FINN-POWER ITALIA Srl	110.650	0	110.650

○ NOTA 8.23 – AMORTIZATION – IMPAIRMENT AND WRITEDOWNS

Amortization increased considerably by 1,404 thousand Euros compared to the previous year. This increase is mainly due to intangible fixed assets, following implementation of numerous development projects capitalized since in 2008 and in the current year.

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

Depreciation	31/12/09	31/12/08
Depreciation of tangible fixed assets	3.934.986	3.798.196
Depreciation of intangible fixed assets	5.997.160	4.729.843
TOTAL	9.932.146	8.528.039

It should be noted that amortisation of the trademark and customer relations costs (customer list) totalled 2,507 thousand Euros, while development costs stood at 2,341 thousand Euros.

During the year, the Group wrote down 174 thousand Euros of a previously capitalized development project. This was part of controls carried out by management to ascertain possible impairment.

○ NOTE 8.24 - OTHER OPERATING COSTS

The other operating expenses for 2009 amount to 41,955 thousand Euros. This item decreased by around 37,218 thousand Euros compared to the previous financial year. The reduction is attributable the 6,546 thousand Euro effects of payments received from EQT. The remaining portion of the reduction is partly related to a decrease in revenues (leading to a proportionate reduction in costs of diverse nature – outsourced processing, procurement, transport, etc), and is partly an effect of the cost-containment action taken by the Group's management.

This item of the financial statements contains several different types of operating costs, including the following main types (inclusive of the aforementioned income from the EQT transaction):

- commission processing at 9,824 thousand Euros;
- travel expenses of 9,070 thousand Euros;
- rentals and other rental costs of 5,544 thousand Euros;
- consultant fees of 5,332 thousand Euros;
- transport and delivery expenses of 3,563 thousand Euros;
- procurement at 2,949 thousand Euros;
- utilities at 2,641 thousand Euros;
- promotions expenses of 2,044 thousand Euros;
- insurance at 1,435 thousand Euros;

○ NOTE 8.25 - FINANCIAL INCOME AND COSTS

Financial management was negative for the year 2009 by 6,164 thousand Euros.

FINANCIAL MANAGEMENT	31/12/09	31/12/08
Financial income	335.781	805.331
Financial expenses	(6.400.837)	(13.036.179)
Net result of transactions in foreign currencies	(99.055)	(89.961)
TOTAL	(6.164.111)	(12.320.809)

The financial costs of the FINPOLAR loan incurred by PRIMA INDUSTRIE stand at 4,571 thousand Euros, while the net financial costs on derivatives taken out by the Group stand at

1,557 thousand Euro. It should be noted that the item Financial costs is entered net of the total income of 2,795 thousand Euros deriving from the EQT, 1,730 thousand of which refer to the cancellation of financial costs included in the payable amount and 1,065 thousand refer to sums received on interest liabilities due for late payment of suppliers. In addition to the one-off transaction with EQT, the reduction in financial expenses incurred by the Group is also due to the combined effect of the reduction in indebtedness and the reduction in interest rates. Furthermore, compared to the previous year, there was a drop in financial expenses due to suppliers.

○ NOTE 8.26 - NET EARNINGS FROM ASSOCIATED COMPANIES AND JOINT VENTURES

At 31 December 2009, this item amounted to 383 thousand Euros, up from the previous year's 435 thousand Euros, mainly due to financial expenses incurred by PRIMA INDUSTRIE for Shenyang.

The result recorded in the income statement refers to :

- revaluation of the Chinese JV Shanghai Unity PRIMA Laser Machinery Co Ltd (SUP) at 795 thousand Euros;
- loss of 411 thousand Euro borne by PRIMA INDUSTRIE SpA on behalf of the Chinese JV Shenyang Prima Laser Machine Co. Ltd;
- write-down of Japanese JV SNK for 1 thousand Euro.

○ NOTE 8.27 – INCOME TAXES

Income tax in 2009 showed a net balance of 948 thousand Euros; this effect is mainly due to tax credits on research (for Italian companies) and a tax credit on losses at PRIMA North America PRIMA FINN-POWER North America, OSAI USA and PRIMA INDUSTRIE GmbH.

INCOME TAX	2009
CURRENT INCOME TAX (<i>excluding regional trade tax IRAP</i>)	573
INCOME FROM CONSOLIDATED TAXATION	(498)
IRAP (Regional trade tax)	904
TAXES RELATING TO PREVIOUS YEARS	22
DEFERRED TAX	628
TAX CREDIT	(2.574)
US STATE TAX AND OTHER TAXES	(3)
TOTAL	(948)

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 TAX	2009
CURRENT TAX ON THEORETICAL INCOME <i>(excluding regional trade tax)</i>	393
PERMANENT CHANGES	120
TEMPORARY CHANGES	137
UTILIZATION OF LOSSES	(59)
OTHER	(18)
CURRENT INCOME TAX	573

○ 8.28 – EARNINGS AND DIVIDEND PER SHARE

(a) Basic earnings per share

The basic earnings 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 2009 stock in circulation totalled 6,400,000 shares; thus 2009 recorded losses of 1.36 Euros per share (compared to earnings per share of 1.02 Euros in 2008).

BASE EARNINGS PER SHARE	31/12/09	31/12/08
Earnings due to shareholders (thousands of Euros)	(8.696)	5.476
Weighted average number of ordinary shares	6.400.000	5.354.027
Basic earnings per share (Euro)	(1,36)	1,02

(b) Diluted earnings per share

Diluted earnings per share are determined by dividing the earnings allocated to the shareholders of the Parent Company by the weighted average of shares in circulation, corrected to take into account the effects of all potential ordinary shares with dilutive effect.

DILUTED EARNINGS PER SHARE	31/12/09	31/12/08
Earnings due to shareholders (thousands of Euros)	(8.696)	5.476
Weighted average number of ordinary shares	6.400.000	5.354.027
Average number of ordinary shares	11.006.000	5.504.027
Diluted earnings per share (Euro)	(0,79)	0,99

Included as ordinary shares with dilutive effect are those linked to stock options and those related to warrants that may be exercised by 16 December 2013 (for more information about these dilutive elements see the Report on Operations).

Shares in circulation for the whole of the 2009 financial year totalled 6,400,000.

○ NOTE 8.29 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

At 31 December 2009, the situation regarding guarantees granted, commitments and other potential liabilities of the group was as follows.

Values expressed in thousands of Euros	31/12/09	31/12/08 ⁽¹⁾
Guarantees granted	22.143	16.311
Other commitments and significant contract rights	19.542	15.662
Potential liabilities	-	-
TOTAL	41.685	31.973

(1) For greater comparison of the data, the values for 2008 have been reclassified

At 31 December 2009, the Group had granted guarantees to third parties amounting to 22,143 thousand Euros.

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 8.30 -TRANSACTIONS WITH RELATED RELATED PARTIES

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.

The table below summarises the equity and financial effects of these transactions.

TRANSACTIONS WITH JV	SHENYANG PRIMA LASER MACHINE CO. LTD	SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD	WUHAN OVL CONVERGENT	TOTAL TRANSACTIONS WITH JV
RECEIVABLES AT 01/01/2009	159.226	-	849.544	1.008.770
RECEIVABLES AT 31/12/2009	116.726	504.028	365.527	986.281
PAYABLES AT 01/01/2009	46.065	-	-	46.065
PAYABLES AT 31/12/2009	46.065	-	-	46.065
REVENUES 01/01/09 - 31/12/2009	24.884	2.446.989	563.361	3.035.234
COSTS 01/01/09 - 31/12/2009	-	-	-	-
CHANGES IN RECEIVABLES 01/01/09 - 31/12/2009	(42.500)	504.028	(484.017)	(22.489)
CHANGES IN PAYABLES 01/01/09 - 31/12/2009	-	-	-	-

TRANSACTIONS WITH OTHER RELATED PARTIES	STRATEGIC MANAGEMENT
RECEIVABLES AT 01/01/2009	-
RECEIVABLES AT 31/12/2009	-
PAYABLES AT 01/01/2009	329.209
PAYABLES AT 31/12/2009	284.482
REVENUES 01/01/09 - 31/12/2009	-
COSTS 01/01/09 - 31/12/2009	1.534.253
CHANGES IN RECEIVABLES 01/01/09 - 31/12/2009	-
CHANGES IN PAYABLES 01/01/09 - 31/12/2009	(44.727)

TRANSACTIONS WITH ASSOCIATED PARTIES	TOTAL
RECEIVABLES AT 01/01/2009	1.008.770
RECEIVABLES AT 31/12/2009	986.281
PAYABLES AT 01/01/2009	375.274
PAYABLES AT 31/12/2009	330.547
REVENUES 01/01/09 - 31/12/2009	3.035.234
COSTS 01/01/09 - 31/12/2009	1.534.253
CHANGES IN RECEIVABLES 01/01/09 - 31/12/2009	(22.489)
CHANGES IN PAYABLES 01/01/09 - 31/12/2009	(44.727)

○ NOTE 8.31 - MANAGEMENT OF FINANCIAL RISKS

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

The Group's financial instruments, which are allocated for the purposes of financing operations, include bank loans, financial leasing and factoring agreements, sight and short-term bank deposits. They also include 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 its shareholders and all Stakeholders.

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


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

The following table illustrates the objectives and policies of the Group for managing the above risks.

Interest rate risk

The position of indebtedness towards 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 financial counterparties.

Consequently, the Management/Hedging strategy involves:

- Continuous Monitoring of exposure to interest rate risk
- Hedging activities via derivative financial instruments

Exchange rate risk

The position of indebtedness towards the banking system and capital market, as well as towards 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 not subject to the interest rate risk of the Euro market, but rather to that of the chosen currency.

The attitude and strategies to pursue against 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 managing the separate risk factors:

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

The Group's strategies to deal with these risks are as follows:

- Exchange rate  Management/Hedging

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

For trade items, however, the exposure to exchange rate risk is relatively limited at Group level, as the trade flows in US 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 PRIMA ELECTRONICS (which 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 thanks 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 Group level.

In terms of reporting currencies other than the US dollar, almost exclusively used by only a few subsidiaries performing sales and after-sales service activities, the risk management strategy is generally one of acceptance, because the amounts are generally not large, and 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 exposure to losses is never great. For this purpose, PRIMA INDUSTRIE recently established a Group credit management system.

It should be noted that a portion of receivables due from customers is transferred to factoring companies.

There are no significant concentrations of credit 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 available information on the solvency of the customer and possibly considering history.

The maximum credit risk for the Group's financial assets is equivalent to the net book value of these assets in case of insolvency in the counterparty. For further details on this subject see "NOTE 9.9, TRADE RECEIVABLES".

Cash flow risk

Cash flow 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 cash flow risk to which the Group is subject may arise following payment delays and, more in general, from the difficulty in obtaining timely financing for operating activities. 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 financial resources.

The Group operates with a view to performing collection operations on different financial markets and using diverse technical means, in order to guarantee a proper level of current and future liquidity. 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 in operational and financial terms means that particular attention must be paid to managing cash flow risk, and in that sense, particular attention is

devoted to those items tending to generate financial resources through general operational management and maintenance of an adequate level of available liquidity.

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

It is particularly important to note that as of 31 December 2009 credit lines were available for 64,002 thousand Euros, of which 48,964 thousand Euros to the parent company (in particular, 38,015 thousand Euros at consolidated level for cash). At 31 December 2009, only 28,758 thousand Euros from these credit lines had been used at consolidated level. The table below lists, for the assets and liabilities at 31 December 2009 and on the basis of the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7.

Fair value by category - IAS 39 - 31 December 2009							
Amounts in thousands of Euros		Significant values as per IAS 39					
Assets	Category IAS 39	Financial value 31.12.2009	Amortized cost	FV in equity	FV in income statement	IAS 17	Fair value 31.12.2009
Cash and cash equivalents	NA	15.084	-	-	-	-	15.084
Assets owned to expiry	Held to Maturity	79	79	-	-	-	79
Assets valued as per IAS 17	NA	2.107	-	-	-	2.107	2.107
Total		17.270	79	-	-	2.107	17.270
Liabilities	Category IAS 39	Financial value 31.12.2009	Amortized cost	FV in equity	FV in income statement	IAS 17	Fair value 31.12.2009
Liabilities at amortized cost	Amortized Cost	154.986	154.986	-	-	-	156.886
Liabilities at fair value in income statement	Held for Trading	1.482	-	-	6	-	1.482
Hedge derivatives	NA	6.037	-	967	704	-	6.037
Liabilities valued as per IAS 17	NA	2.384	-	-	-	2.384	2.384
Other financial payables - factoring	NA	286	-	-	-	-	286
Total		165.175	154.986	967	710	2.384	167.075

Income by category - IAS 39 - 31 December 2009			
Amounts in thousands of Euros			
Assets	Category IAS 39	Net income	Interest
Cash and cash equivalents	NA	71	71
Assets held to expiry	Held to Maturity	8	8
Assets valued as per IAS 17	NA	-	-
Total		79	79
Liabilities	Category IAS 39	Net income	Interest
Liabilities at amortized cost	Amortized Cost	(6.092)	(5.770)
Liabilities at fair value in income statement	Held for Trading	(182)	(176)
Hedge derivatives	NA	(1.375)	(672)
Liabilities valued as per IAS 17	NA	(498)	(498)
Other financial payables - factoring	NA	(29)	(29)
Total		(8.176)	(7.145)

Hierarchical levels for evaluating fair value

In terms of financial instruments disclosed for fair value accounting purposes, IFRS 7 requires these values to be classified as a hierarchy of levels reflecting the weight of inputs used to determine fair value. The following levels are used:

- level 1 – quoted prices in active markets for assets or liabilities subject to valuation;
- level 2 – inputs other than quoted prices included in level one that are observable either directly (as prices) or indirectly (derived from prices) on the market;
- level 3 – inputs that are not based on observable market data.

The following table shows the assets and liabilities entered at fair value at 31 December 2009, according to hierarchical valuation of fair value.

Values expressed in thousands of Euros	Level 1	Level 2	Level 3
Assets valued at fair value	-	-	-
Other assets	-	-	-
TOTAL ASSETS	-	-	-
Liabilities valued at fair value	-	7.519	-
Other liabilities	-	-	-
TOTAL LIABILITIES	-	7.519	-

For more details on the subject of the liquidity risk, see "NOTE 8.12, NET FINANCIAL POSITION".

○ NOTE 8.32 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During 2009 the company carried out several non-current transactions.

Values expressed in thousands of Euros	EBITDA	Financial expenses	Total
EQT transaction	6.768	2.795	9.563
Amendment to Kauhava lease agreement	2.652	-	2.652
Reorganisation/restructuring	(2.966)	-	(2.966)
Additional expenses for sale of JV SPLMC	-	(411)	(411)
Other minor events	(428)	-	(428)
TOTAL	6.026	2.384	8.410

These transactions are commented on in the Report on Operations and under Group performance by segment, and are as follows:

1. Transaction with EQT, seller of FINN-POWER (overall net revenues 9,563 thousand Euros, of which 2,795 thousand Euros were financial in nature).
2. Agreed amendment to the lease on the FINN-POWER OY plant in Kauhava (revenues of 2,652 thousand Euros).
3. Reorganization and restructuring action taken by the Group (costs 2,966 thousand Euros). These refer mainly to:
 - closure of the FINN-POWER OY plant in Vilppula (c. 800 thousand Euros);
 - reduction in workforce at FINN-POWER OY's Kauhava plant (739 thousand Euros);
 - restructuring and reorganization in the Electronics segment (c. 650 thousand Euros);
 - reduction of workforce within the parent company (c. 320 thousand Euros);
 - integration of European branches (France, Spain, Germany) c. 350 thousand Euros.
4. Sale of stake in joint venture Shenyang Prima Laser Machine Co. Ltd. (expenses 411 thousand Euros).
5. Other minor events (overall net expenses 428 thousand Euros).

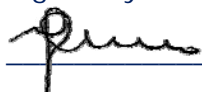
ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31/12/2009

PURSUANT TO ART. 81TER OF CONSOB REGULATION NO.11971 DATED 14 MAY 1999 AND
SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (the director appointed to draw up the corporate accounting documents) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:
 - the adequacy in relation to the business characteristics and
 - actual application of the administrative and accounting procedures for the drafting the consolidated financial statements for the year 2009.
2. No significant aspects have emerged in this regard
3. We also certify that:
 - 3.1. the consolidated financial statements:
 - a) are in line with the international accounting principles recognized by the European Union as per regulation (CE) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
 - b) reflect the book entries and accounting documentation;
 - c) 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.
 - 3.2 The report on operations includes a reliable analysis of performance and results of management, and of the situation of the issuing company and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Date: 11/03/2010

Signed by the appointed Administrative Executive



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



9. FINANCIAL STATEMENTS OF PRIMA INDUSTRIE AS OF 31/12/2009

ACCOUNTING TABLES

BALANCE SHEET

Values in Euro	Note	31/12/2009	31/12/2008
Property, plant and equipment	11.1	7.005.903	7.240.331
Intangible assets	11.2	3.676.161	1.833.158
Investment properties	11.3	105.554.984	103.857.439
Investments accounted for using the equity method	11.4	1.487.760	1.487.760
Other investments	11.5	51.832	51.832
Financial assets - loans to the subsidiaries	11.6	68.759.461	65.259.461
Other financial assets	11.7	14.035.206	14.324.446
Deferred tax assets	11.8	2.174.635	2.062.656
Other non current assets	11.9	9.704	1.669.247
NON CURRENT ASSETS		202.755.646	197.786.330
Inventories	11.10	14.307.982	26.532.042
Trade receivables	11.11	25.949.433	33.089.079
Other receivables	11.12	763.152	1.232.902
Current tax receivables	11.13	1.672.792	2.974.094
Other current financial assets	11.6	5.300.188	4.189.934
Cash and cash equivalents	11.14	1.332.089	2.403.808
CURRENT ASSETS		49.325.636	70.421.859
TOTAL ASSETS		252.081.282	268.208.189
Capital stock	11.15	16.000.000	16.000.000
Legal reserve	11.15	2.733.635	2.300.000
Other reserves	11.15	45.185.605	37.794.240
Retained earnings (losses)	11.15	(1.572.844)	(1.572.844)
Net result	11.15	(2.554.390)	8.672.710
STOCKHOLDERS' EQUITY		59.792.006	63.194.106
Interest-bearing loans and borrowings	11.17	109.223.537	31.684.150
Employee benefit liabilities	11.18	3.303.740	3.466.705
Deferred tax liabilities	11.19	552.888	800.746
Provisions	11.20	67.754	86.010
Derivatives	11.16	6.069.424	4.401.465
NON CURRENT LIABILITIES		119.217.343	40.439.076
Trade payables	11.21	19.040.651	29.091.976
Advance payments	11.21	2.715.746	8.552.361
Other payables	11.21	12.866.188	3.497.565
Interest-bearing loans and borrowings	11.17	35.100.246	119.596.718
Current tax payables	11.22	928.018	747.387
Provisions	11.20	2.418.000	3.089.000
Derivatives	11.16	3.084	-
CURRENT LIABILITIES		73.071.933	164.575.007
TOTAL LIABILITIES AND EQUITY		252.081.282	268.208.189

INCOME STATEMENT

Values in Euro	31/12/2009	31/12/2008
Net revenues	63.243.072	120.125.914
Other income	2.101.779	2.736.862
Change in inventories of finished goods and WIP	(7.597.184)	139.980
Increases in fixed assets for internal work	2.320.864	1.776.417
Use of raw materials, consumables, supplies and goods	(26.717.781)	(59.109.539)
Personnel cost	(16.189.973)	(19.740.074)
Depreciation	(1.162.199)	(1.013.738)
Amortization and impairment	-	-
Other operating expenses	(16.120.932)	(30.363.276)
OPERATING PROFIT	(122.354)	14.552.546
Financial income	2.887.548	7.913.166
Financial expenses	(5.896.270)	(9.931.569)
Net exchange differences	99.016	(199.824)
Net result of investments in associates and joint ventures	(411.479)	-
RESULT BEFORE TAXES	(3.443.539)	12.334.319
Income taxes	889.149	(3.661.609)
NET RESULT	(2.554.390)	8.672.710

STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	31/12/2009	31/12/2008
NET RESULT (A)		(2.554.390)	8.672.710
Gains/(Losses) on cash flow hedges	11.16	(967.160)	(4.247.108)
Gains/(Losses) on exchange differences on translating foreign		-	-
TOTAL OTHER GAIN/(LOSSES) (B)		(967.160)	(4.247.108)
TOTAL NET RESULT OF THE PERIOD (A) + (B)		(3.521.550)	4.425.602

STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY

from January 1st to December 31st, 2008

Values in Euro	01/01/2008	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	31/12/2008
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	a,b,c
Legal reserve	2.300.000	-	-	-	-	-	-	-	-	2.300.000	b
Other reserves	1.354.091	-	-	-	4.527.223	-	318.364	-	(4.247.108)	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)	318.364	24.676.777	4.425.602	63.194.106	

from January 1st to December 31st, 2009

VALORI IN EURO	01/01/2009	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	Note
Capital stock	16.000.000	-	-	-	-	-	-	-	-	16.000.000	
Treasury Stock	-	-	-	-	-	-	-	-	-	-	
Additional paid-in capital	36.814.893	-	-	-	-	-	-	-	-	36.814.893	a,b,c
Legal reserve	2.300.000	-	-	-	433.635	-	-	-	-	2.733.635	b
Other reserves	1.952.570	-	-	-	8.239.075	-	410.130	-	(967.160)	9.634.615	
Capital increase expenses	(973.223)	-	-	-	-	-	-	(290.680)	-	(1.263.903)	
Retained earnings	(1.572.844)	-	-	-	-	-	-	-	-	(1.572.844)	
Net result	8.672.710	-	-	-	(8.672.710)	-	-	-	(2.554.390)	(2.554.390)	
Stockholders' equity	63.194.106	-	-	-	-	-	410.130	(290.680)	(3.521.550)	59.792.006	

UTILIZABLE FOR THE FOLLOWING PURPOSES:

- A: SHARE CAPITAL INCREASE
- B: TO COVER LOSSES
- C: DISTRIBUTION TO SHAREHOLDERS

CASH FLOW STATEMENT

VALUES IN EURO	31/12/2009	31/12/2008
Net result	(2.554.390)	8.672.710
Adjustments (sub-total)	15.295.502	(88.220)
Depreciation and amortization	1.162.199	1.013.738
Net change in deferred tax assets and liabilities	(359.837)	374.968
Change in employee benefits	(162.965)	96.949
Change in inventories	12.224.060	(3.563.431)
Change in trade receivables	7.139.646	6.446.508
Change in trade payables and advance payments	(15.887.940)	833.643
Net change in other receivables/payables and other assets/liabilities	11.180.339	(5.290.595)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	12.741.112	8.584.490
Cash flow from investments		
Acquisition of tangible assets	(350.122)	(4.241.199)
Acquisition of intangible assets	(152.691)	(263.718)
Capitalization R&D costs	(2.267.961)	(1.698.561)
Acquisition of FINN-POWER Oy	-	(90.721.829)
Establishment/capital increase PRIMA (Beijing)	(100.000)	(100.000)
Increased investment in Shanghai Unity PRIMA	-	(823.625)
Acquisition of PRIMA FINN-POWER IBERICA	(1.441.304)	-
Change in investments for stock option	(156.241)	(101.876)
Change in financial receivables and other financial assets	(3.210.760)	(77.514.618)
Proceeds from sale of assets	-	18.707
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(7.679.079)	(175.446.719)
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	1.671.043	4.427.367
Net purchase of treasury stocks	-	87.880
Increases in loans and borrowings	36.106.917	169.432.118
Repayment of loans and borrowings	(42.878.160)	(34.433.264)
Net change in financial lease liabilities	(185.842)	(199.674)
Capital increase	-	24.676.777
Other change in equity	(847.710)	(3.924.064)
Dividends paid	-	(2.990.000)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(6.133.752)	157.077.140
Net change in cash and equivalents (D= A+B+C)	(1.071.719)	(9.785.089)
Cash and equivalents beginning of period (E)	2.403.808	12.188.897
Cash and equivalents and of period (F= D+E)	1.332.089	2.403.808

For better comparison of the data, some items have been reclassified

BALANCE SHEET ACCORDING TO CONSOB RESOLUTION N.15519 OF 27/07/2006

Values in Euro	Note	31/12/2009	OF WHICH RELATED PARTIES	31/12/2008	OF WHICH RELATED PARTIES
Property, plant and equipment	11.1	7.005.903	-	7.240.331	-
Intangible assets	11.2	3.676.161	-	1.833.158	-
Investment properties	11.3	105.554.984	105.554.984	103.857.439	103.857.439
Investments accounted for using the equity method	11.4	1.487.760	1.487.760	1.487.760	1.487.760
Other investments	11.5	51.832	-	51.832	-
Financial assets - loans to the subsidiaries	11.6	68.759.461	68.759.461	65.259.461	65.259.461
Other financial assets	11.7	14.035.206	14.035.206	14.324.446	14.035.206
Deferred tax assets	11.8	2.174.635	-	2.062.656	-
Other non current assets	11.9	9.704	-	1.669.247	-
NON CURRENT ASSETS		202.755.646		197.786.330	
Inventories	11.10	14.307.982	-	26.532.042	-
Trade receivables	11.11	25.949.433	8.283.730	33.089.079	9.274.405
Other receivables	11.12	763.152	-	1.232.902	-
Current tax receivables	11.13	1.672.792	-	2.974.094	-
Other current financial assets	11.6	5.300.188	5.300.188	4.189.934	4.189.934
Cash and cash equivalents	11.14	1.332.089	-	2.403.808	-
CURRENT ASSETS		49.325.636		70.421.859	
TOTAL ASSETS		252.081.282		268.208.189	
Capital stock	11.15	16.000.000	-	16.000.000	-
Legal reserve	11.15	2.733.635	-	2.300.000	-
Other reserves	11.15	45.185.605	-	37.794.240	-
Retained earnings (losses)	11.15	(1.572.844)	-	(1.572.844)	-
Net result	11.15	(2.554.390)	-	8.672.710	-
STOCKHOLDERS' EQUITY		59.792.006		63.194.106	
Interest-bearing loans and borrowings	11.17	109.223.537	-	31.684.150	-
Employee benefit liabilities	11.18	3.303.740	-	3.466.705	-
Deferred tax liabilities	11.19	552.888	-	800.746	-
Provisions	11.20	67.754	-	86.010	-
Derivatives	11.16	6.069.424	-	4.401.465	-
NON CURRENT LIABILITIES		119.217.343		40.439.076	
Trade payables	11.21	19.040.651	2.622.418	29.091.976	5.551.536
Advance payments	11.21	2.715.746	46.065	8.552.361	46.065
Other payables	11.21	12.866.188	10.138.802	3.497.565	274.480
Interest-bearing loans and borrowings	11.17	35.100.246	-	119.596.718	-
Current tax payables	11.22	928.018	-	747.387	-
Provisions	11.20	2.418.000	-	3.089.000	-
Derivatives	11.16	3.084	-	-	-
CURRENT LIABILITIES		73.071.933		164.575.007	
TOTAL LIABILITIES AND EQUITY		252.081.282		268.208.189	

INCOME STATEMENT ACCORDING TO CONSOB RESOLUTION N.15519 OF 27/07/2006

Values in Euro	Note	31/12/2009	of which related parties	31/12/2008	of which related parties
Net revenues	11.23	63.243.072	16.802.996	120.125.914	29.372.015
Other income	11.23	2.101.779	1.175.818	2.736.862	1.099.321
Change in inventories of finished goods and WIP		(7.597.184)	-	139.980	-
Increases in fixed assets for internal work	11.24	2.320.864	-	1.776.417	-
Use of raw materials, consumables, supplies and goods		(26.717.781)	(5.727.428)	(59.109.539)	(16.939.580)
Personnel cost	11.25	(16.189.973)	(690.045)	(19.740.074)	(819.995)
Depreciation	11.26	(1.162.199)	-	(1.013.738)	-
Amortization and impairment		-	-	-	-
Other operating expenses	11.27	(16.120.932)	(2.580.970)	(30.363.276)	(2.628.274)
OPERATING PROFIT		(122.354)		14.552.546	
Financial income	11.28	2.887.548	2.704.597	7.913.166	4.406.952
Financial expenses	11.28	(5.896.270)	-	(9.931.569)	-
Net exchange differences	11.28	99.016	-	(199.824)	-
Net result of investments in associates and joint ventures	11.29	(411.479)	(411.479)	-	-
RESULT BEFORE TAXES		(3.443.539)		12.334.319	-
Income taxes	11.30	889.149		(3.661.609)	
NET RESULT		(2.554.390)		8.672.710	

CASH FLOW STATEMENT ACCORDING TO CONSOB RESOLUTION N.15519 OF 27/07/2006

VALUES IN EURO	31/12/2009	of which related parties	31/12/2008	of which related parties
Net result	(2.554.390)		8.672.710	
Adjustments (sub-total)	15.295.502		(88.220)	
Depreciation and amortization	1.162.199	-	1.013.738	-
Net change in deferred tax assets and liabilities	(359.837)	-	374.968	-
Change in employee benefits	(162.965)	-	96.949	-
Change in inventories	12.224.060	-	(3.563.431)	-
Change in trade receivables	7.139.646	990.675	6.446.508	2.048.883
Change in trade payables and advance payments	(15.887.940)	(2.929.118)	833.643	667.627
Net change in other receivables/payables and other assets/liabilities	11.180.339	8.754.068	(5.290.595)	(4.154.858)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	12.741.112		8.584.490	
Cash flow from investments				
Acquisition of tangible assets	(350.122)	-	(4.241.199)	-
Acquisition of intangible assets	(152.691)	-	(263.718)	-
Capitalization R&D costs	(2.267.961)	-	(1.698.561)	-
Acquisition of FINN-POWER Oy	-	-	(90.721.829)	(90.721.829)
Establishment/capital increase PRIMA (Beijing)	(100.000)	(100.000)	(100.000)	(100.000)
Increased investment in Shanghai Unity PRIMA	-	-	(823.625)	(823.625)
Acquisition of PRIMA FINN-POWER IBERICA	(1.441.304)	(1.441.304)	-	-
Change in investments for stock option	(156.241)	(156.241)	(101.876)	(101.876)
Change in financial receivables and other financial assets	(3.210.760)	(3.500.000)	(77.514.618)	(84.420.667)
Proceeds from sale of assets	-	-	18.707	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(7.679.079)		(175.446.719)	
Cash flow from financing activities				
Change in other non current financial liabilities and other minor items	1.671.043	-	4.427.367	-
Net purchase of treasury stocks	-	-	87.880	-
Increases in loans and borrowings	36.106.917	-	169.432.118	-
Repayment of loans and borrowings	(42.878.160)	-	(34.433.264)	-
Net change in financial lease liabilities	(185.842)	-	(199.674)	-
Capital increase	-	-	24.676.777	-
Other change in equity	(847.710)	-	(3.924.064)	-
Dividends paid	-	-	(2.990.000)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	(6.133.752)		157.077.140	
Net change in cash and equivalents (D= A+B+C)	(1.071.719)		(9.785.089)	
Cash and equivalents beginning of period (E)	2.403.808		12.188.897	
Cash and equivalents and of period (F= D+E)	1.332.089		2.403.808	

For better comparison of the data, some items have been reclassified

10. DESCRIPTION OF ACCOUNTING PRINCIPLES

→ 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 mission of PRIMA INDUSTRIE S.p.A. involves the planning, manufacturing and marketing of devices, instruments, machinery as well as mechanical, electrical and electronic systems and related 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 capital 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 December 2009 of the PRIMA Group.

→ VALUATION CRITERIA

The 2009 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 Financial 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 regulations 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 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 the reader is 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 regarding the loan contract, the increase in share capital completed in February 2010 and expected profitability for 2010. For more on this topic, please read the comment in the paragraph entitled "Accounting standards applied" in chapter 6 of the consolidated financial statements "Description of Accounting Principles".

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 application of more complex

estimates and greater use of evaluations on the part of the company's Directors are specified below.

→ ACCOUNTING STATEMENT FORMAT

The Company presents its income statement by nature of expenditure. Assets and liabilities are presented in the balance sheet as current and non-current, as allowed by IAS 1. Information on the expiry of liabilities is provided as notes. The financial cash-flow statement was prepared using the indirect method.

→ CHANGES IN ACCOUNTING STANDARDS

See Chapter 6 of the consolidated financial statements entitled "DESCRIPTION OF ACCOUNTING PRINCIPLES" for details of changes in accounting standards during 2009.

→ TRANSLATION OF ITEMS IN FOREIGN CURRENCY

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

Transactions in currencies other than the Euro are initially recorded at the exchange rate effective on the date of the operation.

Monetary assets and liabilities denominated in currencies other than the Euro are converted at the exchange rate effective on the date of closing of the financial statements. All exchange differences are reflected in the Income Statement.

Non-monetary items recorded at historical cost are converted into Euros using the exchange rate in force at the starting date of the disclosure of the transaction. 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, minus any depreciation and impairment—with the exception of land, which is entered at the historical cost and reduced by the impairment value, where applicable. 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 entered separately, but only if it is likely 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 their economic-technical lifespan, 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 to the subsequent maintenance operation.

The residual value and the useful life of tangible fixed assets are reviewed and modified, if necessary, at the closing date of the Financial Statements.

Impairment: *the book value of tangible fixed assets is immediately written down to the recoverable value, whenever the former value exceeds the latter.*

Capital gains and losses from the transfer of tangible fixed assets are entered in the income statement are determined by comparing their book value with their sale price.

Financial expenses incurred for the construction of fixed assets are entered in the income statement for the applicable year.

Assets held in financial lease contracts, whereby all risks and benefits related to ownership are transferred to the company, are entered as Group assets at their fair value or, if lower, at the current value of the minimum payments due on the lease. The capital quota and the interest quota (determined by applying a constant interest rate to the residual debt) of the leasing fee are shown separately.

The current portion of financial payables due to the leasing company is entered under short-term liabilities, whereas the quota due for repayment after the end of the financial year is entered under long-term liabilities. 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 lifespan of the asset.

Rentals where practically all risks and benefits linked to ownership of the property are retained by the lessor are classified as operating leases. Costs for operating leases are reported in the income statement throughout the duration of the lease contract.

Real estate investments owned for rental purposes are valued at cost net of depreciation 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 depreciated 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 for the financial the year and are therefore entered within the income statement for that year.

(b) Research and development costs

R&D costs are booked within 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.

Development costs having a definite useful life are depreciated 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 which do not retain these characteristics are booked within the income statement of the year in which they are sustained.

(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 initial determination, intangible fixed assets with a definite useful life are recorded at cost reduced by amortization and impairment; 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. Other intangible assets are annually subject to impairment tests. This analysis may be implemented on the individual intangible asset or on the unit generating 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

These are entered at 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.

In the event of indicators showing loss in value, stakes in subsidiaries and associated companies are subject to an 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 share 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 is 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.

→ IMPAIRMENT

Assets with indefinite 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.

Total write-downs due to impairment are calculated as the difference between the book value of the asset and its recoverable value, which is considered the greater between the sale price 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 lower than the book value. When impairment on assets other than goodwill is reduced or eliminated at a later date, the book value of the asset or cash flow generator is increased to the new estimate for its recoverable value and cannot exceed the value that it would have had if an impairment had not been reported for reduction in 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 "Shareholdings and other non-current financial assets" include equity investments in other enterprises, shareholdings in enterprises with joint control and other non-current financial assets (capitalization policies held in portfolio until their expiry, and loans and receivables originating during main business activities). Current financial assets include trade receivables and cash and cash equivalents. Cash and cash equivalents includes bank deposits. Financial liabilities refer to financial payables, including payables for advances on the transfer of receivables, and other financial liabilities (including the negative fair value of derivative financial instruments), trade payables and other payables.

Valuation

Shareholdings in subsidiaries, associated companies and joint ventures, and any other enterprises included as non-current financial assets are booked as described below.

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

Loans and receivables not held for negotiation, assets held in portfolio for maturity, are valued at the depreciated cost, using the method of effective interest. When financial assets have no fixed expiry, they are valued at the purchase cost. Valuations are made regularly to ascertain whether there is any objective evidence that a financial asset may have undergone impairment. In the event of objective evidence pointing to this, the impairment must be reported in the income statement for the period. With the exception of derivative financial instruments, 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 formal indication and documentation of the hedge relationship, the hedge is presumed to be highly effective, the effectiveness can be reliably measured and the hedge is highly effective during the different accounting periods for which it is indicated.

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

Where financial instruments are reported under *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 is 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) is entered in the income statement as soon as they become ineffective. If a hedge or hedge relation is closed, and the hedged transaction has not been realized yet, the accumulated profits and losses, reported up to that time in the shareholders' equity, are reported in the income statement in relation to the disclosure of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed likely, the profits or losses still not realized, suspended in shareholders' equity, are reported immediately in the income statement.

FINANCIAL LIABILITIES

Financial liabilities include financial payables including payables for advances on the transfer of receivables, and other financial liabilities, including derivative financial instruments and liabilities for assets entered under lease agreements.

In accordance with IAS 39, these include trade receivables and liabilities of diverse nature.

Financial liabilities other than derivative financial instruments are initially entered at fair value and subsequently valued at depreciated cost, and hence at their initial value, net of refund instalments already paid, adjusted (increase or decrease) for amortization (on the basis of effective interest) of any differences between the initial value and the value on expiry.

→ INVENTORIES

Warehouse inventories are booked at the lower of the cost and the net estimated realizable value, the latter being represented by the normal sale 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.

Writedown provisions 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 writedowns in order to take account of their dubious recoverability. The debt is written off if there exists objective evidence that the Company is not able to collect the entire amount due on the date agreed with the customer.

The written 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 writedown 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 related to their ownership have been effectively transferred to the transferee. 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 current account overdrafts and other liquid investments maturing within three months. Overdrafts on the bank accounts are recorded under short-term loans.

→ ASSETS HELD FOR SALE

The item Assets held for sale includes non-current assets (or groups of assets for disposal) 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 may 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 as 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 31 December 2006, employee severance indemnities were considered a fixed-benefit plan.

Regulation of these funds was modified by Law no. 296 of 27 December 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 1 January 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 termination 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 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 for 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 social security costs for 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 related 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 who adhere to the plan.

The employee benefit costs 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 costs for past services are 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 level of 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 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 related 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 with respect to the date of attainment of the level of seniority pre-determined for employees who 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 for the employee to choose 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 top management and employees through stock option plans.

As established by IFRS 2 – Payments based on stocks, these plans are a source of retribution for 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

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.

→ REVENUES RECOGNITION

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, PRIMA INDUSTRIE is free from all liability relating to transportation.

Following a misalignment between the invoicing date and the date of recognition of the revenue, the countervalue 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 "advances" under liabilities. The Company has chosen this presentation, instead of reducing the "trade receivables" account, because this option ensures correct portrayal of underlying contractual 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 expected future 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 1 June 2007, 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.

On 21 May 2009 the Italian Inland Revenue service was informed of the Group's intention to include FINN-POWER ITALIA S.r.l. (acquired with the FINN-POWER Group in February 2008) in the national consolidated taxation regime. 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 for 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 (receipt of 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 instruments quoted on an active market is determined on the basis of the market price at the date of closure of the Financial Statements. The reference market price for financial assets held by the company is the current sale 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 IRS fair value is determined by discounting their financial flows estimated at the date of the financial statements. With regards to receivables, it is hypothesized that the nominal value, net of any potential adjustments which are implemented in order to take their payable nature into account, approximates 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.

→ FINANCIAL RISK FACTORS

See our commentary in the corresponding note of the consolidated financial statements for details on financial risk management.

→ SIGNIFICANT VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

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

Application of these estimates and assumptions influences the amounts 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 require

correction, even to a great extent but obviously not foreseeable in the present time, of the book value of the related items. The items of the financial statement mainly affected by this situation of uncertainty are the receivable and inventory bad debt provisions, 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 state

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 financial statement to 31 December 2009, and more in particular, in performing the impairment test of the equity investment, expected performance for 2010 was taken into consideration. Moreover, for subsequent years of the plan, the required modifications were made to the respective original plans in order to make precautionary consideration for the profound alterations caused by the current crisis on the economic-financial and market situation. On the basis of the amended plan data, there was no need for impairment. The recoverable value depends significantly on the discount rate used in the discounted cashflow models, and on the expected future cashflows and the growth rate used for determination. Details of the key hypothesis used to determine the recoverable value of various cashflow generating units, including a sensitivity analysis, can be found in Note 8.2.

Tax liabilities and deferred taxes

The deferred tax assets and liabilities recorded in the Financial Statements are determined by applying to the differences between the value attributed to an asset or a liability according to Statutory criteria and the value attributed to that asset or liability for tax purposes, the tax rates presumed to be applicable in the different countries in the year in which the timing difference is expected to cease. The deferred taxes relating to fiscal losses that can be carried forward to future financial years are recorded in the Financial Statements only if and to the extent that management believes that in future financial years the company concerned will achieve a positive tax result that will allow the deferred tax loss to be absorbed. If after the estimate was made, circumstances intervene that result in a change to the estimates or the rate used for the calculation of the deferred taxes changes, the items recorded in the Financial Statements will be adjusted.

Provision for stock writedowns

In determining the provision for stock obsolescence the Company carries out a series of estimates regarding future demand for the various types of products and materials in stock, on the basis of the production plan and past experience of customer demand.

If these estimates are found to be inappropriate, this will be translated into an adjustment to the provision for obsolescence with the related impact in the Income Statement.

Provision for doubtful accounts

The provisions raised to the allowance for doubtful accounts are determined on the basis of an analysis of the individual debt positions in accordance with the relationships with the individual customers. If there is an unexpected worsening of the financial situation of an important customer, this could result in the need to adjust the allowance for doubtful accounts, with the consequent negative effects on the Income Statement.

Employee benefits

Determination of the amount to be recorded in the Financial Statements requires actuarial estimates to be made that take into account a series of presumptions relating to parameters

such as the annual rate of inflation, the growth in wages, the annual rate of staff turn-over and other variables. Any change in these parameters requires a re-adjustment of the actuarial estimates and consequently an adjustment of the amounts disclosed in the Financial Statements.

11. NOTES TO THE STATUTORY FINANCIAL STATEMENTS to 31 DECEMBER 2009

○ NOTA 11.1 - TANGIBLE FIXED ASSETS

Tangible fixed assets	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	TOTAL
Values at 1 January 2008					
Historical cost	2.685.637	1.979.420	2.400.028	2.814.748	9.879.833
Accumulated depreciation	(570.972)	(1.515.501)	(1.937.780)	(2.268.401)	(6.292.654)
Net value at 1 January 2008	2.114.665	463.919	462.248	546.347	3.587.179
Year 2008					
Net value at 1 January 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
Disposals	-	(7.875)	(13.412)	(60.239)	(81.526)
Depreciation	(76.966)	(107.856)	(197.479)	(187.039)	(569.340)
Utilization of accumulated depreciation	-	3.776	9.056	52.086	64.918
Net value at 31 December 2008	5.827.289	399.512	471.900	541.630	7.240.331
Values at 1 January 2009					
Historical cost	6.475.227	2.019.093	2.598.103	2.944.984	14.037.407
Accumulated depreciation	(647.938)	(1.619.581)	(2.126.203)	(2.403.354)	(6.797.076)
Net value at 1 January 2009	5.827.289	399.512	471.900	541.630	7.240.331
Fiscal 2009					
Net value at 1 January 2009	5.827.289	399.512	471.900	541.630	7.240.331
Increases	101.277	9.854	235.100	4.264	350.495
Depreciation	(78.975)	(106.027)	(232.756)	(166.792)	(584.550)
Disposals	-	(5.933)	-	(23.592)	(29.525)
Utilization of accumulated depreciation	-	5.043	-	24.109	29.152
Net value at 31 December 2009	5.849.591	302.449	474.244	379.619	7.005.903
40.178					
Historical cost	6.576.504	2.023.014	2.833.203	2.925.656	14.358.377
Accumulated depreciation	(726.913)	(1.720.565)	(2.358.959)	(2.546.037)	(7.352.474)
Net value at 31 December 2009	5.849.591	302.449	474.244	379.619	7.005.903

The item *Land and buildings* includes:

- *Land* with a total value unchanged since the previous year of 4,108 thousand Euros.
- *Buildings* with a total value of 1,637 thousand Euros. This item includes the building rented to PRIMA FINN-POWER UK (180 thousand Euros), the company plant leased in Via Antonelli, 28 (938 thousand Euros) and tangible fixed assets in progress (519 thousand Euros). During 2009 the lease expired for the plant in Via Antonelli, 28, and was later redeemed with an increase in value of 30 thousand Euros for notarial deed expenses.
- *Light constructions* with a value of 104 thousand Euros.

The item *Land and buildings* includes:

- *Plants* with a total value of 249 thousand Euros;
- *Machinery* with a net book value of 53 thousand Euros.

This item decreased by 97 thousand Euros during 2009, with the increase attributable to 106 thousand Euros in depreciation, balanced by acquisitions of 10 thousand Euros (item *Plants*). There was also a net decrease of 1 thousand Euros.

Industrial and Commercial Equipment includes 263 thousand Euros of equipment and *Metal Dies* with a value of 211 thousand Euros. 53 thousand Euros of equipment were constructed internally during the year. During 2009 the item *Metal Dies* increased by 167 thousand Euros.

The other tangible fixed assets are:

- Electronic office equipment worth 316 thousand Euros;
- Office furniture, furnishings and equipment with a value 51 thousand Euros;
- Vehicles for internal transport with a value of 13 thousand Euros.

All the above figures to 31 December 2009 are net of depreciation, with the exception of assets with an indefinite useful life.

In accordance with IAS 16, paragraph 74, there are no restrictions on the ownership of property, plants and machinery.

○ NOTE 11.2 – INTANGIBLE FIXED ASSETS

Intangible fixed assets	Software	STIMA Rights	Development expenses	Other	TOTAL
Year 2008					
Net value at 1 January 2008	246.617	48.660	-	20.000	315.277
increases/decreases	263.718	-	1.698.561	-	1.962.279
Depreciation	(227.213)	(16.220)	(195.965)	(5.000)	(444.398)
Net value at 31 December 2008	283.122	32.440	1.502.596	15.000	1.833.158
Year 2009					
Net value at 1 January 2009	283.122	32.440	1.502.596	15.000	1.833.158
increases/decreases	152.691	-	2.267.961	-	2.420.652
Depreciation	(242.559)	(16.220)	(313.870)	(5.000)	(577.649)
Net value at 31 December 2009	193.254	16.220	3.456.687	10.000	3.676.161

The main component of intangible fixed assets at 31 December 2009 is capitalized *Development costs* (3,457 thousand Euros). The item also includes *Software* worth 193 thousand Euros and *STIMA Rights* at 16 thousand Euros and *Other intangible fixed assets* at 10 thousand Euros (for concession of a patent in accordance with the cooperation and license agreement with the Fiat Research Centre).

Stima Rights refers to the agreement with Stima Engineering S.r.l. whose object is non-exclusive transfer to PRIMA INDUSTRIE of 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 2009 *Development costs* of 2,268 thousand Euros were capitalized. In detail:

- 1,386 thousand Euros for projects implemented in 2009; these costs, together with capitalizations from previous years, were amortized (net value of amortization 1,305 thousand Euros);
- 882 thousand Euros for activities to be completed in the future, for which there were no benefits during the year and consequently no amortization was calculated.

Further *Development costs* were amortized:

- 520 thousand Euros for expenses capitalized in 2008, but whose revenues were seen in the current year (net value of amortization 485 thousand Euros),
- 980 thousand Euros for expenses capitalized and amortized in the previous year (net value of amortization 785 thousand Euros).

○ NOTE 11.3 - SHAREHOLDINGS IN SUBSIDIARIES

Shareholdings in subsidiaries	Value of stake	Provisions for writedowns	Net value at 01/01/09	Increases	Other movements in SE	Net value at 31/12/2009
PRIMA ELECTRONICS S.p.A	1.756.144	-	1.756.144	-	78.120	1.834.264
PRIMA INDUSTRIE GmbH	474.435	(149.238)	325.197	-	-	325.197
PRIMA North America Inc.	24.205.796	(13.408.731)	10.797.065	-	-	10.797.065
PRIMA FINN-POWER SWEDEN AB	248.516	(235.072)	13.444	-	-	13.444
PRIMA FINN-POWER UK LTD	1	-	1	-	-	1
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	92.821	-	92.821	-	-	92.821
PRIMA INDUSTRIE (BEIJING) CO. LTD.	100.000	-	100.000	100.000	-	200.000
FINN-POWER OY	90.772.767	-	90.772.767	-	78.121	90.850.888
PRIMA FINN-POWER IBERICA S.L.	-	-	-	1.441.304	-	1.441.304
TOTAL	117.650.480	(13.793.041)	103.857.439	1.541.304	156.241	105.554.984

At 31 December 2009 this item totals 105,555 thousand Euros and, compared to the previous financial year, increased by 1,698 thousand Euros.

The most significant increase concerns the acquisition of a minority stake in PRIMA FINN-POWER IBERICA. In order to optimise the commercial structure of the PRIMA INDUSTRIE Group, it was decided to relocate all Group activities in Spain to a single site (in Barcelona), hence PRIMA INDUSTRIE S.p.A. assigned its Spanish branch office to FINN-POWER IBERICA,

in exchange for approximately 22% of the company's shares. The net book value of the assigned branch (mainly consisting of receivables and stock) is 1,441 thousand Euros. The new entity changed its name to PRIMA FINN-POWER IBERICA. The table below shows the value of the net assets transferred to the Spanish company by PRIMA INDUSTRIE.

Description	Values in euro
Trade receivables	945.716
Inventories	550.671
Trade payables	(55.082)
Net transferred assets	1.441.305

2009 also saw the 100 thousand Euro increase in the share capital of the Chinese subsidiary PRIMA (INDUSTRIE) Beijing Co. Ltd.

The equity investments in FINN-POWER OY and PRIMA ELECTRONICS both increased during 2009 by 156 thousand Euros corresponding to the fair value of the options assigned to the company management.

Details of the stakes, compared with the shareholders' equity per share resulting from the economic-financial situation of the companies involved, in compliance with IAS/IFRS principles, is as follows:

Shareholdings in subsidiaries	Net value at 31/12/2009	SE at 31/12/09 (*)	Stake	SE per share	Difference
PRIMA ELECTRONICS S.p.A	1.834.264	12.317.448	100%	12.317.448	10.483.184
PRIMA INDUSTRIE GmbH	325.197	762.291	100%	762.291	437.094
PRIMA North America Inc.	10.797.065	15.085.291	100%	15.085.291	4.288.226
PRIMA FINN-POWER SWEDEN AB	13.444	441.057	100%	441.057	427.613
PRIMA FINN-POWER UK LTD	1	27.640	100%	27.640	27.639
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	92.821	20.199	100%	20.199	(72.622)
PRIMA INDUSTRIE (BEIJING) CO. LTD.	200.000	331.910	100%	331.910	131.910
FINN-POWER OY	90.850.888	35.648.583	100%	35.648.583	(55.202.305)
PRIMA FINN-POWER IBERICA S.L.	1.441.304	5.177.186	22,0%	1.138.981	(302.323)
TOTAL	105.554.984	69.811.605		65.773.400	

(*) Values expressed in Euros and determined as per IAS/IFRS

For information on the difference for FINN-POWER OY, please see the details of the impairment test described in the consolidated financial statements (Note 8.2). It is to be noted that in order to value the shareholding in FINN-POWER OY in the separate financial statements, a comparison was made of the cost of the stake and the recoverable value of the CGU net of the net financial payables of the FINN-POWER Group at 31 December 2009, from which no impairment indicators emerged.

The difference for PRIMA FINN-POWER IBERICA is mainly due to losses sustained by the subsidiary in previous financial years and not considered representative of a structural reduction in the value of the shareholding. In 2009, despite the difficult current economic situation, the Spanish company made profits of 66 thousand Euros.

It should be noted that all the Companies listed above fall within the area of consolidation of the PRIMA INDUSTRIE Group.

○ NOTE 11.4 – INVESTMENTS IN JOINT VENTURES

Stakes in joint ventures	SNK	SUP ⁽¹⁾	TOTAL
Value of stake	389.827	1.272.852	1.662.679
Provisions for writedowns	(174.919)		(174.919)
Net value at 1 January 2009	214.908	1.272.852	1.487.760
Share of earnings	-	-	-
Increases	-	-	-
Other shareholders' equity movements	-	-	-
Net value at 31 December 2009	214.908	1.272.852	1.487.760

⁽¹⁾ SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD.

Investments joint ventures did not change with respect to the previous year.

This value refers to three joint ventures established in China and Japan; in addition to the two illustrated in the table above, PRIMA INDUSTRIE S.p.A. also owns 50% of the joint venture Shenyang-PRIMA Laser Machinery Co. Ltd., the cost of which was entirely zeroed in previous financial years.

In September 2009, the due expiry date of 26 September 2009 for the Chinese joint venture Shenyang Prima Laser Machine Co. Ltd was postponed a further 12 months, in order to facilitate the passage of ownership of the shareholding held by PRIMA INDUSTRIE SpA to the Chinese partner Shenyang Machine Tool Company, which subsequently took place in January 2010.

In 2009 PRIMA INDUSTRIE S.p.A. incurred losses of 411 thousand Euros on behalf of the Chinese JV Shenyang Prima Laser Machine Co. Ltd. This loss derives from the fact that PRIMA INDUSTRIE S.p.A. acted as guarantor for a loan granted to the JV. This loss is entered in the income statement under the item "Income from equity investments".

○ NOTE 11.5 - OTHER INVESTMENTS

Other Shareholdings	Consorzio Sintesi	Unionfidi	Fidindustria	TOTAL
Value of stake	51.600	129	103	51.832
Provisions for writedowns	-	-	-	-
Net value at 1 January 2009	51.600	129	103	51.832
Increases	-	-	-	-
Decreases	-	-	-	-
Net value at 31 December 2009	51.600	129	103	51.832

The other equity investments did not change with respect to the previous year.

This item refers mainly to the stake held in Consorzio Sintesi (a 10% stake of the company capital). This consortium, with private and public organizations numbering among its partners, led by CNR (Consiglio Nazionale delle Ricerche), 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.

In addition to the above shareholdings, PRIMA INDUSTRIE S.p.A. holds other shareholdings whose book value at 31 December 2009 was. The book value of these equity investments 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.

- Macro Meccanica S.p.A.;
- Rambaudi Industriale S.p.A..

○ NOTE 11.6 - FINANCIAL ASSETS - LOANS ISSUED TO SUBSIDIARIES

Financial assets - loans issued to subsidiaries	PRIMA ELECTRONICS	PRIMA FINN-POWER UK	FINN-POWER OY	TOTAL
01/01/2008	4.500.000	626.000	-	5.126.000
Increases	-	-	61.633.461	61.633.461
Decreases	(1.500.000)	-	-	(1.500.000)
Exchange rate adjustments	-	-	-	-
01/01/2009	3.000.000	626.000	61.633.461	65.259.461
Increases	-	-	5.000.000	5.000.000
Decreases	(1.500.000)	-	-	(1.500.000)
Exchange rate adjustments	-	-	-	-
31/12/2009	1.500.000	626.000	66.633.461	68.759.461

Loans to subsidiaries increased by 3,500 thousand Euros, following two operations:

- issue of a further loan of 5,000 thousand Euros to FINN-POWER OY;
- repayment 1,500 thousand Euros by 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 11.7 - OTHER FINANCIAL ASSETS").

○ NOTE 11.7 - OTHER FINANCIAL ASSETS

At 14,035 thousand Euros, this item decreased by 289 thousand Euros in 2009. This decrease is due to the expiry repayment of a capitalization policy with single premium and a duration of five years, undersigned on 8 September 2004.

At 31 December 2009, this item refers exclusively to a loan made to the subsidiary FINN-POWER OY; this asset refers to a class E share (E-share) without the right to vote and paid for through an annual Euribor parameterised dividend plus spread.

○ NOTE 11.8 – TAX ASSETS FOR PREPAID TAXES

TAX ASSETS FOR PREPAID TAXES	31/12/09	31/12/08
Initial balance	2.062.656	2.730.129
Allocations made for the year	421.245	274.025
Utilizations during the year	(309.266)	(941.498)
TOTAL	2.174.635	2.062.656

The main items for fiscal assets deriving from prepaid taxes can be summed up as follows:

Tax assets for prepaid taxes	<i>Values expressed in thousands of Euros</i>	
	Deferred taxability	Prepaid taxes
Non-deductible provisions	5.603	1.544
Consolidated taxation losses	658	181
Interest	571	157
Other minor items	1.060	293
TOTAL	7.892	2.175

In terms of the recoverability of these taxes, the parent company and PRIMA ELECTRONICS S.p.A. have achieved historical positive taxable incomes, with reference to both IRES and

IRAP (the 2009 tax losses were due to the effects of the current economic situation) and are expected to achieve positive taxable incomes in the coming years. Evaluation of the recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that prepaid taxes refer mainly to asset adjustment provisions for risks and charges, which have no expiry.

As the table shows, at 31 December 2009 181 thousand Euros were entered as prepaid tax assets on fiscal losses.

○ NOTE 11.9 - OTHER RECEIVABLES

Other non-current receivables in 2009 decreased by 1,659 thousand Euros. This considerable reduction is mainly due to the settlement of the EQT loan (1,271 thousand Euros) entered in accordance with a contract clause and repaid as part of the already mentioned transaction.

At the end of the year the item discloses 10 thousand Euros and refers to withholding tax advances on severance indemnities and minor receivables.

○ NOTE 11.10 - INVENTORIES

INVENTORIES	31/12/09	31/12/08
Raw materials	9.269.272	13.896.148
(Provision for writedown of raw materials)	(1.473.165)	(1.473.165)
Semi-finished products	2.533.906	4.067.561
Finished products	4.152.969	10.231.498
(Provision for writedown of finished products)	(175.000)	(190.000)
TOTAL	14.307.982	26.532.042

At 31 December 2009 inventories amounted to 14,308 thousand Euros net of the provision for stock writedowns.

During 2009 a decrease of 12,224 thousand Euros was recorded which reflects PRIMA INDUSTRIE's capacity to adapt stock to lower levels of production. In addition to the drop in production as a response to the reduction in sale volumes, this decrease also reflects the already cited strategy of destocking activated by the Group's companies. This strategy, together with the high level of attention paid to completing installations on schedule, also enabled a drastic reduction in finished product stock of both machines delivered but not accepted and finished demo-machine or machines for research and development that have been optimised.

There now follow highlights of the movements of provisions for writedown of raw materials and finished products during the year:

Provisions for writedowns	Raw materials	Finished products
Balance at 1 January 2009	1.473.165	190.000
Utilizations	-	(120.000)
Allocations	-	105.000
Balance at 12 December 2009	1.473.165	175.000

Utilizations of provisions for writedown of finished product refer to machines sold in 2009 and written down in previous financial years.

○ NOTE 11.11 - TRADE RECEIVABLES

TRADE RECEIVABLES	31/12/09	31/12/08
Trade receivables	19.586.499	25.785.497
Provision for doubtful debts	(1.920.800)	(1.970.823)
Net trade receivables	17.665.699	23.814.674
Receivables from subsidiaries	8.165.008	9.115.179
Receivables from associates and joint ventures	118.726	159.226
TOTAL	25.949.433	33.089.079

This item amounts to 25,949 thousand Euros at 31 December 2009 and decreased since the previous year by 7,140 thousand Euros.

The decrease referred to receivables from clients, of 6,149 thousand euro is mainly linked to the drop in sales during 2009 increasingly careful management of circulating assets. Receivables due from subsidiaries and associates also decreased by 991 thousand Euros, confirming the drop in volumes in other Group companies.

As regards receivables in foreign currency, it should be noted that these concern the US dollar and the British pound and refer mainly to invoices issued to subsidiaries PRIMA North America, PRIMA FINN-POWER North America and PRIMA FINN-POWER UK.

Receivables from associated companies refer to those due from joint ventures.

Exchanges rates were correctly accounted for the positions open at 31 December 2009. Assets in currencies other than the 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 and are disclosed on the same date by the financial markets.

Movements in bad debt provision during the period are as follows:

Provision for doubtful debts at 01/01/2009	1.970.823
Utilizations	(153.483)
Allocations	103.460
Provision for doubtful debts at 31/12/2009	1.920.800

A net decrease of 50 thousand euro was reported for bad debt provisions. It consists of utilizations of 153 thousand Euros and new provisions of 103 thousand Euros for a Spanish customer on which legal procedures have been undertaken.

Receivables due beyond one year

Trade receivables due after one year amount to 133 thousand Euros and refer to:

- 36 thousand Euros from a Spanish customer to which extended terms in monthly instalments were granted, the last payment of which is due on 15 April 2011;
- 97 thousand Euros from a Serbian customer to which extended terms in monthly instalments were granted, the last payment of which is due on 31 October 2012.

Below is a breakdown of trade receivables (including those of subsidiaries and associates and net of the receivable bad) divided according to expiry.

<i>Receivables by due date</i>	<i>Amounts in thousands of Euros</i>
Due for expiry	14.923
Expired 0 - 60 days	5.232
Expired 61 - 90 days	629
Expired 91 - 120 days	350
Expired over 120 days	6.736
TOTAL	27.870

○ NOTE 11.12 - OTHER SHORT-TERM RECEIVABLES

This item stands at 763 thousand Euros, a decrease of 470 thousand Euros compared to the previous year (1,233 thousand Euros at 31 December 2008) and includes:

- advances to suppliers (322 thousand euro) paid on orders for future deliveries; the advances also include commissions paid on machines that were not accepted (10 thousand Euros);
- security deposits (153 thousand Euros);
- grant 138 thousand Euros due for receipt (MYCAR and DIFAC project). These grants for European projects were received in part in 2009 and are for research and development activities;
- receivables from employees (58 thousand Euros) for advances on travel expenses granted to employees;
- accruals and deferrals (57 thousand Euros)
- grants for employee training, 27 thousand Euros;
- other minor receivables (8 thousand Euros).

○ NOTE 11.13 - OTHER FISCAL ASSETS

Other fiscal assets are down by 1,301 thousand Euros from 2008, from 2,974 thousand Euros in the previous year to 1,673 thousand Euros at 31 December 2009.

Fiscal assets include a Group corporation tax (IRES) credit of 724 thousand Euros, VAT receivables of 661 thousand Euros, tax credits of 282 thousand Euros and other tax receivables (6 thousand Euros).

○ NOTE 11.14 - CASH AND CASH EQUIVALENTS

Cash	31/12/09	31/12/08
Cash and cheques	23.295	31.223
Bank accounts	1.308.794	2.372.585
TOTAL	1.332.089	2.403.808

This item accounts for 1,332 thousand Euros 2,2404 thousand at 31 December 2008 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.

○ NOTE 11.15 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

Share capital at 31 December 2009, fully paid in and subscribed, consists of 6,400,000 ordinary shares with a face value of €2.5 each, totalling 16,000,000 Euros. It is reminded that at 31 December 2009, share capital was undergoing increase, and this operation terminated in February 2010. The increase in capital was fully paid up and amounts to 15,232 thousand Euros. For more information see the paragraph entitled Net financial position in the Report on Operations.

LEGAL RESERVE

This item discloses 2,734 thousand Euros, increased by 434 thousand Euros from 31 December 2008 following allocation of the previous year's income.

OTHER RESERVES

The item "Others" containing 45,186 thousand Euros has the following breakdown:

- Extraordinary reserve: 14,120 thousand Euros, increased by 8,239 thousand Euros from 31 December 2008 following allocation of the previous year's income.
- Additional paid in capital: 36,815 thousand Euros and did not change in 2009.
- Change in FV of hedging derivatives: discloses a negative value of 5,214 thousand euro and represents the losses entered directly to shareholders' equity at the market value of the hedge contracts on the risks of interest rate variability.
- Stock option reserve: 729 thousand Euros and increased by 410 thousand Euros.
- Capital increase reserve: discloses a negative value of 1,264 thousand Euros and represents the costs incurred for the capital increases (such as bank fees, legal and administrative consultant fees, etc) which took place in 2008 and resolved in 2009 and concluded at the start of 2010.

EARNINGS (LOSSES) CARRIED FORWARD

This item shows a negative value of c. 1,573 thousand Euros and remains unvaried. The amounts concerning 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.

NET INCOME (LOSS) FOR THE YEAR

This item includes net losses for the year, totalling 2,554 thousand Euros (income of 8,673 Euros at 31 December 2008).

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 discloses a negative value of 967 thousand Euros (see the Statement of Comprehensive Income).

For more information on the subject of :

- stock option plans, see the relevant section of the Report on Operations;
- derivative financial instruments, see note 8.12 of the consolidated financial statements.
- share capital increase, see note 8.13 in the consolidated financial statements;

○ NOTE 11.16 - DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2009 PRIMA INDUSTRIE S.p.A. owns several derivative financial instruments to the overall value of 6,072 thousand Euros (of which 6,069 are non-current).

Values expressed in thousands of Euros

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/2009
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	26.964	3.019
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	26.964	3.019
IRS - Non hedge accounting	Prima Industrie	Unicredit	30/09/11	1.420	31
IRS - Non hedge accounting	Prima Industrie	Unicredit	01/06/10	500	3
TOTAL					6.072

At the time of drafting the financial statements to 31 December 2009, a valuation of the financial derivatives held by the company was made in order to ascertain their type and establish how they were to be recorded.

Some financial instruments fell under HEDGE ACCOUNTING, while others did not have all the requisites of IAS 39 to be classified in this category.

For those derivative instruments entering the HEDGE ACCOUNTING category in accordance with IAS 39, the company drafted formal documentation of the hedge relationship between the hedging instrument and the hedged item, the objectives of risk management and the strategy pursued during hedging. The effectiveness of the hedge relationship was monitored by an independent company specialising in actuarial valuations.

In compliance with IAS 39 HEDGE-ACCOUNTING derivatives were recorded as follows: effective variations in fair value were initially disclosed as shareholders' equity; accumulated earnings and losses were later transferred from shareholders' equity and recorded in the income statement according to the economic effects of the hedged transaction. The fair value portion of derivative instruments qualified as non-effective is directly disclosed in the income statement under financial costs.

Variations in the fair value of NON-HEDGE ACCOUNTING derivatives are disclosed in the income statement under financial costs.

For more information on the subject of the two new IRS see note 8.12 "NET FINANCIAL POSITION".

○ NOTA 11.17 - LOANS

For greater comparison with the previous year's data, it must be noted that at 31 December 2008 the FINPOLAR loan was totally classified amongst the current financial liabilities (as required by IAS 1), since (at the reference date of the financial statements) the process of redefining the covenants, was in progress. This process was completed successfully (after receiving a formal communication on 12 March 2009 from the financing banks of the redetermination of the covenants originally defined in the FINPOLAR loan agreement), hence the above loan was newly distributed among current and non-current quotas as established by contract.

Payables due to banks and other loans	31/12/09	31/12/08
Current		
Bank overdrafts	970.847	65
Short-term factoring transactions	286.403	1.471.000
Financial leasing	-	268.842
Short-term payables for bank loans	31.270.474	117.768.249
Short-term payables for other loans	91.486	88.562
Short-term payables for advances on invoices	2.481.036	
TOTAL	35.100.246	119.596.718
Non-current		
Financial leasing	-	-
Payables for operational leasing	83.000	-
Long-term payables for bank loans	108.856.993	4.947.395
Long-term payables to EQT	-	26.360.274
Long-term payables for other loans	283.544	376.481
TOTAL	109.223.537	31.684.150

PRIMA INDUSTRIE S.p.A. loan movements during 2009 are as follows.

Payables due to banks and other loans <i>Movements</i>	Balance 31/12/08	Increases	Decreases	Ascertained financial costs	Reclassifications	Balance 31/12/09
Current						
Bank overdrafts	65	970.782	-	-	-	970.847
Short-term factoring transactions	1.471.000	-	(1.184.597)	-	-	286.403
Financial leasing	268.842	-	(268.842)	-	-	-
Short-term payables for bank loans	117.768.249	18.000.000	(15.243.276)	1.870.419	(91.124.918)	31.270.474
Short-term payables to EQT	-	-	-	-	-	-
Short-term payables for other loans	88.562	-	(90.013)	-	92.937	91.486
Short-term payables for advances on invoices	-	2.481.036	-	-	-	2.481.036
TOTAL CURRENT LIABILITIES	119.596.718	21.451.818	(16.786.728)	1.870.419	(91.031.981)	35.100.246
Non-current						
Payables for operational leasing	-	83.000	-	-	-	83.000
Long-term payables for bank loans	4.947.395	12.784.680	-	-	91.124.918	108.856.993
Long-term payables to EQT	26.360.274	-	(26.360.274)	-	-	-
Long-term payables for other loans	376.481	-	-	-	(92.937)	283.544
TOTAL NON-CURRENT LIABILITIES	31.684.150	12.867.680	(26.360.274)	-	91.031.981	109.223.537
TOTAL LOANS	151.280.868	34.319.498	(43.147.002)	1.870.419	-	144.323.783

During 2009 loans decreased by a total of 6,957 thousand Euros.

Some of the more significant variations include:

- 18 million euro utilization of quota D of the FINPOLAR loan;
- 13 million euro utilization of quota C1 of the FINPOLAR loan;
- elimination of principal owed to EQT.

For more information on these operations see note 8.12 in the Report on Operations.

The table that follows lists, for the assets and liabilities as of 31 December 2009 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 December 2009).

Fair value by category - IAS 39 - 31 December 2009						
Amounts in thousands of Euros		Significant values as per IAS 39				
Assets	Category IAS 39	Financial value 31.12.2009	Amortized cost	FV in equity	FV in income statement	IAS 17
Cash and cash equivalents	NA	1.332	-	-	-	-
Loans issued to subsidiaries	Loan and receivable	72.620	72.620	-	-	-
Other financial assets - "class E" shares	Loan and receivable	15.475	15.475	-	-	-
Assets owned to expiry	Held to Maturity	-	-	-	-	-
Assets valued as per IAS 17	NA	-	-	-	-	-
Total		89.427	88.095	-	-	-
Liabilities	Category IAS 39	Financial value 31.12.2009	Amortized cost	FV in equity	FV in income statement	IAS 17
Liabilities at amortized cost	Amortized Cost	143.955	143.955	-	-	-
Liabilities at fair value in income statement	Held for Trading	35	-	-	-	-
Hedge derivatives	NA	6.037	-	967	704	-
Liabilities valued as per IAS 17	NA	83	-	-	-	83
Other financial payables - factoring	NA	286	-	-	-	-
Total		150.396	143.955	967	704	83

Income by category - IAS 39 - 31 December 2009			
Amounts in thousands of Euros			
Assets	Category IAS 39	Net income	Interest
Cash and cash equivalents	NA	23	23
Loans issued to subsidiaries	Loan and receivable	1.625	1.625
Other financial assets - "class E" shares	Loan and receivable	665	665
Assets held to expiry	Held to Maturity	8	8
Assets valued as per IAS 17	NA	-	-
Total		2.321	2.321
Liabilities	Category IAS 39	Net income	Interest
Liabilities at amortized cost	Amortized Cost	(5.674)	(5.352)
Liabilities at fair value in income statement	Held for Trading	-	-
Hedge derivatives	NA	(1.375)	(672)
Liabilities valued as per IAS 17	NA	-	-
Other financial payables - factoring	NA	(29)	(29)
Total		(7.078)	(6.053)

○

NOTE 11.18 - EMPLOYEE BENEFITS

EMPLOYEE BENEFITS	31/12/09	31/12/08
Employees' Severance Fund	2.535.626	2.753.654
Fidelity premium	768.114	713.051
TOTAL	3.303.740	3.466.705

The Italian Employees' Severance Indemnity Fund (TFR) 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 within the company, and therefore subject to the regulations in force, the severance indemnity yet to mature starting from 1 January 2007, was paid into the Treasury Fund managed by INPS. This fund, based on art. 1, paragraph 5, of the 2007 Finance Law ensures that private employees qualify for the payments made portion of TFR as per art. 2120 of the Civil Code.

Illustrated below are the change for Severance Indemnities and Fidelity Premium.

SEVERANCE PAY	31/12/09	31/12/08
Opening liabilities	2.753.654	2.839.476
Severance indemnities paid out during period	(327.409)	(234.467)
Other movements	(23.911)	1.456
Financial expenses	133.292	147.189
Total recorded in income statement	133.292	147.189
SEVERANCE at 31 December 2009	2.535.626	2.753.654

FIDELITY PREMIUM	31/12/09	31/12/08
Opening liabilities	713.051	530.280
Decreases	-	-
Allocations	55.063	182.771
Total recorded in income statement	55.063	182.771
Fidelity Premium at 31 December 2009	768.114	713.051

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	31/12/09	31/12/08
Annual discount rate	5,1%	5,0%
Annual inflation rate	2,0%	2,0%
Annual severance fund increase rate	3,0%	3,0%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury RG48;
- 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 11.19 – DEFERRED TAX LIABILITIES**

Deferred tax liabilities decreased from the previous year by around 248 thousand Euros.

DEFERRED TAX LIABILITIES	31/12/09	31/12/08
Initial balance	800.746	1.093.251
Utilizations during the year	(320.839)	(327.394)
Allocations made for the year	72.981	34.889
TOTAL	552.888	800.746

The main items for tax liabilities deriving from deferred taxes can be summed up as follows:

<i>Values expressed in thousands of Euros</i>		
Deferred tax liabilities	Deferred taxability	Deferred tax liabilities
Grants	1.265	383
Other minor items	617	170
TOTAL	1.882	553

○ **NOTA 11.20 - PROVISIONS FOR RISKS AND CHARGES**

Provisions for risks and charges decreased in 2009 by a total of 689 thousand Euros. Changes in current and non-current provisions are shown below.

Provisions for non-current risks	Cust. agent. ind.provision	TOTAL
01/01/2008	42.735	42.735
Allocations	43.275	43.275
Utilizations in the period	-	-
01/01/2009	86.010	86.010
Allocations	7.595	7.595
Utilizations in the period	(25.851)	(25.851)
31/12/2009	67.754	67.754

Provisions for current risks	Guarantee fund	Provision for litigation risks	TOTAL
01/01/2008	2.714.000	100.000	2.814.000
Allocations	3.089.000	-	3.089.000
Utilizations in the period	(2.714.000)	(100.000)	(2.814.000)
01/01/2009	3.089.000	-	3.089.000
- Allocations	2.080.000	-	2.080.000
Utilizations in the period	(2.751.000)	-	(2.751.000)
31/12/2009	2.418.000	-	2.418.000

Guarantee provision

This refers to provisions for work on Company products under warranty and is proportionate to the warranty costs that will be incurred. The reduction in product warranty provisions is the direct consequence in the fall in sales in 2009 and the reduction in the size of the machine pool under warranty.

Provisions for legal and other proceedings

This represents the indemnity payables matured at year-end towards agents due for interruption to the agency relationship, in accordance with current legislation.

○ NOTE 11.21 - TRADE PAYABLES

TRADE AND OTHER PAYABLES	31/12/09	31/12/08
Payables owed to suppliers	16.167.125	23.539.096
Amounts due to subsidiaries	2.873.525	5.552.880
Trade payables	19.040.650	29.091.976
Advances from customers	2.715.746	8.552.361
Advances from customers	2.715.746	8.552.361
Other payables due to subsidiaries	9.854.320	-
Social security payables	1.008.778	1.145.438
Amounts due to employees	1.241.324	1.581.631
Other short-term payables	318.966	528.682
Accruals and deferrals	442.799	241.814
Other	12.866.188	3.497.565

The trade payables at 31 December 2009 amounted to 19,041 thousand Euros and, compared to the previous financial year, the item recorded a significant decrease of 10 thousand Euros, attributable to the drop in production.

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 decreased by 5,837 thousand Euros compared to 31 December 2008, reflecting the negative sales trend in 2009.

Other payables to subsidiaries consist of 9,854 thousand Euros entirely attributable to the EQT transaction. By the terms of the FINN-POWER acquisition agreement, settlements were made to some subsidiaries. As a result of the sums received by EQT from PRIMA INDUSTRIE, the latter disclosed payables of the same value due to subsidiaries. For more information see the paragraph entitled Net financial position in the Report on Operations.

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 11.22 - FISCAL LIABILITIES FOR CURRENT TAXES

This item totals 928 thousand Euros (747 thousand Euros at 31 December 2008) and includes:

DEFERRED CURRENT TAX LIABILITIES	31/12/09	31/12/08
VAT to foreign branches	4.570	151.310
Corporate tax (IRES)	-	165.587
Regional Trade Tax (IRAP)	399.585	-
Income tax deductions (IRPEF)	469.653	428.414
Other tax payables	54.210	2.076
TOTAL	928.018	747.387

○ NOTE 11.23 - NET REVENUES FROM SALES AND SERVICES AND OTHER REVENUES

Net revenues from sales and services consist of:

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	49.068	77,6%	14.951	23,6%	16.001	25,3%	15.774	24,9%	2.342	3,7%
Customer and other services	14.175	22,4%	6.131	9,7%	5.078	8,0%	1.300	2,1%	1.666	2,6%
TOTAL	63.243	100,0%	21.082	33,3%	21.079	33,3%	17.074	27,0%	4.008	6,3%

Revenues during the year 2009 increased by about 47% compared to the previous year (at 31 December 2008 their value stood at 120,126 thousand Euros). The significant drop in sales is attributable to the global crisis which has particularly affected the capital goods market. For more details on revenue trends, see the Report on Operations. *Other revenues* consist of:

Other operating income	31/12/09	31/12/08
Grants for research projects	203.042	158.585
Revenue for Research & Development	60.240	705.000
Extraordinary income	441.682	548.635
Services rendered and costs recharged to PRIMA ELECTRONICS	164.000	297.000
Services rendered and costs recharged to PRIMA FINN-POWER UK	30.000	32.469
Services rendered and costs recharged to PRIMA INDUSTRIE GmbH	30.000	55.000
Services rendered and costs recharged to PRIMA FINN-POWER SWEDEN	30.000	33.000
Services rendered and costs recharged to Prima North America	286.018	264.489
Services rendered and costs recharged to FINN-POWER OY	212.342	56.106
Services rendered and costs recharged to FINN-POWER Italia	92.741	33.000
Services rendered and costs recharged to PRIMA FINN-POWER France	43.000	85.711
Services rendered and costs recharged to PRIMA FINN-POWER Iberica	43.000	48.158
Services rendered and costs recharged to PRIMA FINN-POWER NV	43.000	-
Services rendered and costs recharged to PRIMA FINN-POWER GmbH	43.000	-
Services rendered and costs recharged to PRIMA FINN-POWER Canada	43.000	-
Services rendered and costs recharged to PRIMA FINN-POWER North America	43.000	-
Insurance refunds	9.293	2.756
Other	284.421	416.953
TOTAL	2.101.779	2.736.862

Extraordinary income mainly refers to adjustments to accruals made in the previous year.

The grants entered in the income statement for 2009, refer to facilitations on an unsecured basis for research and development amounting to 203 thousand Euros.

Revenues from research and develop activities stand at 60 thousand Euros and refer to the 3-year Hipernano project, in association with the Polytechnic University of Turin.

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.

○ NOTE 11.24 - INCREASES IN FIXED ASSETS FOR INTERNAL WORKS

Capitalization for increases for internal work was 2,321 thousand Euros in 2009 against 1,776 thousand in the previous year.

The amount entered in the income statement for the year refers to 53 thousand Euros for costs incurred for the construction of production equipment and 2,268 thousand Euros for development costs relating to research projects. Technical feasibility and generation of likely future economic benefits were investigated for all capitalized projects.

The former category of costs is classified under tangible assets, and the latter under intangibles.

○ NOTE 11.25 - PERSONNEL COSTS

Personnel costs	31/12/09	31/12/08
Salaries and wages	11.366.524	13.889.494
Social security contributions	3.472.886	4.332.629
Employee severance indemnities	-	14.067
Fidelity Premium	55.063	182.771
Severance indemnities paid into complementary pension fund:	738.585	722.670
Other costs	556.916	598.443
TOTAL	16.189.973	19.740.074

Personnel costs went down from 19,740 thousand Euros in 2008 to 16,190 thousand Euros in 2009. The reduction of 3,550 thousand Euros is the result of cost containment action taken by the company to overcome the crisis that characterised 2009, and particularly, use of redundancy schemes and interruption of all temporary and short-term employment contracts in force at 31 December 2008.

Changes during the year in the number of employees are detailed by category:

Personnel movements	31/12/08	Hired	Ceased employment	Promotions	31/12/09	Year average
Executives	13	-	2	-	11	12
Front-line managers	15	-	1	1	15	15
Managers	11	-	-	(1)	10	11
Office staff	202	-	13	-	189	192
Office juniors	1	-	1	-	-	-
Intermediate	2	-	-	-	2	2
Production workers	77	-	13	-	64	69
TOTALE Italy	321	-	30	-	291	300
Foreign Branch office - Spain	22	-	22	-	-	-
Foreign Branch office - Switzerland	3	-	-	-	3	-
TOTAL PRIMA INDUSTRIE (foreign branches included)	346	-	52	-	294	

The overall workforce at PRIMA INDUSTRIE went down from 346 units (at 31 December 2008) to 294 units (at 31 December 2009).

It should be noted that, since the Company operates in a high-tech sector, employees are, on average, more specialized and thus labour costs are higher than the average industry standard.

The number of employees at branches remained unvaried in Switzerland (3 units), while the Spanish employees (22 units at 31 December 2008) were transferred to the new Group company PRIMA FINN- POWER IBERICA.

○ NOTE 11.26 - DEPRECIATION

Amortization increased by 148 thousand Euros compared to the previous year. This increase is mainly due to intangible fixed assets, following implementation of numerous development projects capitalized since in 2008 and in the current year.

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

Depreciation	31/12/09	31/12/08
Intangible fixed assets	577.649	444.398
Tangible fixed assets	584.550	569.340
TOTAL	1.162.199	1.013.738

○ NOTE 11.27 - OTHER OPERATING COSTS

Other operating costs	31/12/09	31/12/08
Work by third parties	5.378.091	11.737.214
Travel expenses	2.009.904	3.318.696
Transport and custom duties	1.054.463	2.740.037
Commissions	1.278.684	1.993.723
Temporary work	68.309	437.229
Technical, legal, fiscal and administrative consultation fees	1.921.109	2.256.750
Advertising and promotion	348.867	759.695
Third-party maintenance	439.248	647.961
Electricity, telephone, etc.	815.338	1.126.186
Insurance	351.581	408.389
Directors' remuneration	504.027	946.688
Statutory auditors' remuneration	138.044	110.382
Other service expenses	527.350	1.097.413
Rent	450.836	495.860
Hire and other third-party costs	785.259	979.673
Appropriations to the provision for contractual risks and charges	2.080.000	375.000
Utilization provision for contractual risks and charges	(2.751.000)	-
Provision for doubtful debts	103.460	99.805
Provision for litigation risks	-	-
Extraordinary liabilities	342.092	370.977
Taxes and duties	120.341	226.948
Other operating costs	154.929	234.650
TOTAL	16.120.932	30.363.276

This item amounts to 16,121 thousand Euros at 31 December 2009 and decreased since the previous year by 14,242 thousand Euros (30,363 thousand Euros at 31 December 2008). This reduction mainly refers to costs for outsourced processing, travelling expenses, transport and other miscellaneous costs (the reduction reflects the decrease in revenues for the year), as well as a drop in indirect costs (consultants, general expenses, advertising) confirming the cost containment policy adopted by PRIMA INDUSTRIE. In particular, the reduction in outsourced processing to 6,359 thousand Euros is due to the insourcing of a series of activities which had been outsourced in previous years.

The most significant Other service costs include:

- entertainment expenses of 41 thousand Euros;
- royalties of 10 thousand Euros;
- translation costs of 37 thousand Euros;
- trademark and patent costs totalling 17 thousand Euros.

Other operating costs include subscriptions to books, journals and associations.

○ NOTE 11.28 - FINANCIAL INCOME AND COSTS

Financial management was negative for the year 2009 by 2,910 thousand Euros.

Financial income and expenses	31/12/09	31/12/08
Interest on short-term bank loans (current/non-current)	(3.617.772)	(8.685.668)
Interest and trade allowances	(63.721)	(174.221)
Interest on leasing agreements	-	(22.925)
Interest paid on Employee Severance	(133.292)	(147.189)
FV adjustment derivative instruments	(1.473.436)	(180.259)
Other	(608.049)	(721.307)
Financial expenses	(5.896.270)	(9.931.569)
PRIMA ELECTRONICS dividend	-	600.000
PRIMA North America dividend	-	2.546.279
Financial income from subsidiaries	2.704.603	4.406.958
Interest on bank accounts	22.576	211.007
Interest income from customers	54.751	118.016
Active differential on derivatives	98.044	20.373
Other	7.574	10.533
Financial income	2.887.548	7.913.166
Negative foreign exchange differences	(134.585)	(910.400)
Positive exchange differences	233.601	710.576
Exchange rate differences	99.016	(199.824)
FINANCIAL INCOME AND EXPENSES (NET)	(2.909.706)	(2.218.227)

The financial costs of the FINPOLAR loan incurred by PRIMA INDUSTRIE stand at 4,571 thousand Euros, while the net financial costs on derivatives taken out by the Group stand at 1,375 thousand Euro. It is important to stress that the financial costs were netted by the 1,730 thousand Euro effect of the income from the transaction with EQT, for cancellation of financial costs on the payable. The reduction interest on bank payables is attributable to the EQT transaction and to the reduction in interest rates.

In addition to the effect of dividends unreceived in 2009, the reduction in financial revenues includes minor interest on loans granted to subsidiaries (following the aforementioned drop in variable rates).

○ NOTA 11.29 – INCOME FROM SHAREHOLDINGS IN ASSOCIATED COMPANIES AND JOINT VENTURES

This item refers exclusively to losses borne by PRIMA INDUSTRIE S.p.A. during 2009 on behalf of the Chinese JV Shenyang Prima Laser Machine Co. Ltd (411 thousand Euros).

○ NOTE 11.30 – INCOME TAXES

Current tax liabilities and deferred taxes	31/12/09	31/12/08
IRAP (Regional trade tax)	(399.585)	(968.085)
IRES (Corporation tax)	-	(2.424.536)
Group corporation tax (IRES)	-	(936.428)
Taxes relating to previous years	(44.333)	(357.733)
Prepaid	111.979	(667.473)
Deferred	247.858	292.505
Income from IRES consolidated taxation	498.350	936.428
Costs for IRES consolidated taxation	(251.108)	-
Tax credit for research & development costs	725.988	463.713
TOTAL	889.149	(3.661.609)

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 in euro/000)

Reconciliation between ordinary and actual tax rates	Taxable amount	Income tax	Rate %
EARNINGS BEFORE TAX	(3.444)	(947)	27,50
LOSSES IN SHAREHOLDINGS	-	-	-
DIVIDENDS	-	-	-
PERMANENT INCREASE	1.302	358	(10,40)
PERMANENT DECREASE	(93)	(26)	0,74
TEMPORARY CHANGES FOR UTILIZATION/ALLOCATION OF PROVISIONS	(869)	(239)	6,94
TEMPORARY CHANGES FOR INCOMING GRANTS	1.036	285	(8,27)
TEMPORARY INCREASES FOR SHAREHOLDING LOSSES IN PREV. YEAR	-	-	-
OTHER TEMPORARY CHANGES	(60)	(17)	0,48
TAXABLE IRES FIGURE (CORPORATE TAX)	(2.128)	-	-
UTILIZATION OF PREVIOUS LOSSES	-	-	-
GRATUITIES	-	-	-
CORPORATION TAX (IRES)	-	-	-

	Taxable amount	Rate %	IRAP (Regional trade tax)
VALUE OF PRODUCTION	55.977		
PERMANENT INCREASES/DECREASES	980		
TOTAL POSITIVE	56.957		
COST OF PRODUCTION	(40.610)		
(EXCLUDING LABOUR COSTS)			
PERMANENT INCREASES/DECREASES	408		
TOTAL NEGATIVE	(40.202)		
TOTAL NET VALUE OF PRODUCTION	16.755		
DEDUCTION OF PERSONNEL COSTS, R&D, ETC.	(6.325)		
TAXABLE AMOUNT	10.430		
DEDUCTION FOR FOREIGN COMPENSATION	(184)		
TAXES	10.246	3,90	400
TOTAL REGIONAL TRADE TAX (IRAP)			400

○ NOTE 11.31 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

At 31 December 2009, the situation for guarantees granted, commitments and other potential liabilities of the company was as follows:

Values expressed in thousands of Euros	31/12/2009	31/12/2008 ⁽¹⁾
Guarantees granted	15.132	6.930
Commitments for buy-back agreements	1.283	1.132
Other commitments and significant contract rig	3.132	3.687
Potential liabilities	-	-
TOTAL	19.547	11.749

(1) For greater comparison of the data, the values for 2008 have been reclassified

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 11.32 - TRANSACTIONS WITH RELATED PARTIES

Relations with related 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 2009 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 summarised in the following table:

Related parties – financial items

(transactions in thousands of euros)

Counterparty	Financial receivables	Trade receivables	Trade payables and advances	Other
PRIMA ELECTRONICS	1.500	167	882	-
PRIMA INDUSTRIE GmbH	-	3.325	45	-
PRIMA NORTH AMERICA	-	842	1.021	-
PRIMA FINN-POWER UK	626	1.255	34	-
PRIMA FINN-POWER SWEDEN AB	-	54	14	-
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	-	169	76	-
PRIMA INDUSTRIE (BEIJING) CO. LTD.	-	157	313	-
FINN POWER GROUP	85.969	2.196	237	9.854
SHENYANG PRIMA LASER MACHINE CO. Ltd.	-	117	46	-
SHANGHAI UNITY PRIMA LASER MACHINERY CO.LTD	-	2	-	-
STRATEGIC MANAGEMENT	-	-	-	285
TOTAL	88.095	8.284	2.668	10.139

Related parties – economic items

(transactions in thousands of euros)

Counterparty	Revenues	Other operating income	Financial income	Purchases	Personnel costs	Other operating costs	Net income from JV
PRIMA ELECTRONICS	51	164	76	1.498	-	370	-
PRIMA INDUSTRIE GmbH	5.245	81	-	200	-	30	-
PRIMA NORTH AMERICA	3.108	274	-	3.915	-	73	-
PRIMA FINN-POWER UK	1.452	54	19	2	-	45	-
PRIMA FINN-POWER SWEDEN AB	739	30	-	2	-	102	-
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	238	-	-	24	-	200	-
PRIMA INDUSTRIE (BEIJING) CO.LTD.	145	-	-	-	-	299	-
FINN POWER GROUP	5.431	573	2.610	86	-	658	-
SHENYANG PRIMA LASER MACHINE CO. LTD	21	-	-	-	-	-	411
SHANGHAI UNITY PRIMA LASER MACHINERY CO.LTD	373	-	-	-	-	-	-
STRATEGIC MANAGEMENT	-	-	-	-	690	804	-
TOTAL	16.803	1.176	2.705	5.727	690	2.581	411

In terms of the impact on the financial flows of relationships with related 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 (payables of 251 thousand Euros to FINN-POWER Italia).

See the explanatory table below illustrating “compensation paid to directors, statutory auditors, general managers and executives with strategic responsibilities”.

○ NOTE 11.33 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During 2009 the company carried out several non-current transactions.

These transactions are commented on in the Report on Operations and are as follows:

- Transaction with EQT, seller of FINN-POWER (overall net revenues 1,930 thousand Euros, of which 1,730 thousand Euros were financial in nature);
- Reorganization and restructuring action taken by the Group (costs 334 thousand Euros).
- Costs relating to the stake in joint venture Shenyang Prima Laser Machine Co. Ltd., subsequently transferred in January 2010 (expenses 411 thousand Euros).

- NOTE 11.34 - TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS
In accordance with CONSOB Communication dated 28 July 2006, during 2009 the company performed no atypical and/or unusual transaction, as defined by the Communication, which states that atypical and/or unusual transactions are those operations whose size/importance, nature of the counterparties, 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 11.35 - NET FINANCIAL POSITION

FINANCIAL POSITION		
Values expressed in thousands of euros	31/12/09	31/12/08
A CASH	1.332	2.404
B OTHER CASH EQUIVALENTS	-	-
C SECURITIES HELD FOR TRADING	-	-
D CASH (A+B+C)	1.332	2.404
E CURRENT FINANCIAL RECEIVABLES	5.300	4.190
F CURRENT BANK LOANS	-	-
G CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	31.270	117.769
H OTHER CURRENT FINANCIAL PAYABLES	3.833	1.828
I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)	35.103	119.597
J CURRENT NET FINANCIAL INDEBTEDNESS (I-D-E)	28.471	113.003
K NON-CURRENT BANK LOANS	108.857	4.947
L BONDS ISSUED	-	-
M OTHER NON-CURRENT FINANCIAL PAYABLES	6.436	31.138
N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)	115.293	36.085
O NET FINANCIAL INDEBTEDNESS (J+N)	143.764	149.088

For more details about the Net Financial Position see the following notes:

- 11.15 - Cash and cash equivalents
- 11.17 – Interest-bearing loans and borrowings

COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

As required by article 78 of Consob regulation No. 11971 approved on 14 May 1999 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 2009, is provided below (from 1 January to 31 December 2009).

(information expressed in thousands of Euro)

SURNAME	POSITION	PERIOD DURING WHICH POSITION WAS COVERED	DATE ON WHICH THE APPOINTMENT TERMINATES	REMUNERATION FOR THE COMPANY WHICH PREPARES THE FINANCIAL STATEMENTS ⁽¹⁾	NON-MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES	STOCK OPTION
CARBONATO Gianfranco	Chairman and Chief Executive Officer of PRIMA INDUSTRIE SpA	01/01/09 - 31/12/09	r. Financial Statements 2010	340.000	3.327	14.080	97.650
D'ISIDORO Sandro	Director PRIMA INDUSTRIE	01/01/09 - 31/12/09	r. Financial Statements 2010	20.000	-	-	-
MAURI Mario	Director PRIMA INDUSTRIE	01/01/09 - 31/12/09	r. Financial Statements 2010	20.000	-	-	-
MANSOUR Rafic	Director PRIMA INDUSTRIE	01/01/09 - 31/12/09	r. Financial Statements 2010	20.000	-	-	-
MANSOUR Michael	Director PRIMA INDUSTRIE	01/01/09 - 31/12/09	r. Financial Statements 2010	20.000	-	-	-
PEIRETTI Domenico	Director PRIMA INDUSTRIE	01/01/09 - 31/12/09	r. Financial Statements 2010	20.000	-	-	78.120
BASSO Ezio	General Manager PRIMA INDUSTRIE	01/01/09 - 31/12/09	NA	200.400	3.045	-	78.120
	Director PRIMA INDUSTRIE	13/03/09 - 31/12/09	Approv. Financial	15.000			
FORMICA Riccardo	Chairman of the Board of Statutory Auditors	01/01/09 - 31/12/09	r. Financial Statements 2009	52.784	-	-	-
MOSCA Andrea	Statutory Auditor	01/01/09 - 31/12/09	r. Financial Statements 2009	43.150	-	-	-
PETRIGNANI Roberto	Statutory Auditor	01/01/09 - 31/12/09	r. Financial Statements 2009	42.110	-	-	-
RATTI Massimo	Finance Director PRIMA INDUSTRIE Group	01/01/09 - 31/12/09	NA	148.823	2.840	-	78.120

(1) - Determined on the accrual basis

TABLE OF ESSENTIAL DATA FROM LAST FINANCIAL STATEMENTS OF THE SUBSIDIARIES

Values expressed in thousands of Euros	PRIMA ELECTRONICS S.p.A.	PRIMA INDUSTRIE GmbH	PRIMA NORTH AMERICA	PRIMA FINN- POWER SWEDEN AB	PRIMA FINN- POWER UK LTD	PRIMA FINN- POWER CENTRAL EUROPE SP.Z.o.o.	PRIMA BEIJING	OSAI UK	OSAI USA
NON-CURRENT ASSETS	13.836	197	5.016	5	336	12	1	44	108
CURRENT ASSETS	17.974	5.051	18.811	735	2.900	321	588	1.396	684
TOTAL ASSETS	31.810	5.248	23.827	740	3.236	333	589	1.440	792
SHAREHOLDERS' EQUITY	12.317	762	15.085	441	27	20	332	1.218	(73)
NON-CURRENT LIABILITIES	4.589	80	400	-	627	-	-	6	-
CURRENT LIABILITIES	14.904	4.406	8.342	299	2.582	313	257	216	865
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31.810	5.248	23.827	740	3.236	333	589	1.440	792

Values expressed in thousands of Euros	PRIMA ELECTRONICS S.p.A.	PRIMA INDUSTRIE GmbH	PRIMA NORTH AMERICA	PRIMA FINN- POWER SWEDEN AB	PRIMA FINN- POWER UK LTD	PRIMA FINN- POWER CENTRAL EUROPE SP.Z.o.o.	PRIMA BEIJING	OSAI UK	OSAI USA
REVENUES	27.113	9.641	27.904	1.805	3.260	658	542	979	705
EBIT	1.612	(731)	(604)	(98)	57	(30)	193	(29)	(465)
EARNINGS BEFORE TAX	1.083	(725)	(710)	24	135	(40)	166	(25)	(479)
NET INCOME	1.052	(635)	(387)	19	135	(48)	124	(15)	(302)

It should be noted that:

- all the financial statements listed above were prepared and reclassified in accordance with the international IAS/IFRS accounting standards;
- FINN-POWER data represent the sub consolidated of the Finnish Group.

INFORMATION PURSUANT TO ART. 149k OF ISSUER REGULATION CONSOB - PRIMA INDUSTRIE GROUP

The following table, prepared in accordance with art. 149 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	1/7/05
Audit, parent company	87
Audit, subsidiaries	103
Other services	125
Total auditing costs	315

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS TO 31/12/2009

PURSUANT TO ART. 81ter OF CONSOB REGULATION No.11971 DATED 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (the director appointed to draw up the corporate accounting documents) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:

- the adequacy in relation to the business characteristics and
- the actual implementation

of the administrative and accounting procedures for the drafting the financial statements for the year 2009.

2. No significant aspects have emerged in this regard

3. We also certify that:

3.1 the Financial Statements:

- a) are in line with the international accounting principles recognized by the European Union as per regulation (CE) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
- b) reflect the book entries and accounting documentation;
- c) provide an accurate and truthful representation of the issuing company's financial and economic situation.

3.2 The report on operations includes a reliable analysis of performance and results of management, and of the situation of the issuing company and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Date: 11/03/2010

Signed by the appointed Administrative Executive



Signature of executive in charge of drafting
the company accounting documents



PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli 32, 10097 Collegno (Turin)
Fully paid-up Share capital: 21,600,075 Euros
Registered in the Turin Company Register under No. 03736080015

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONVENED TO APPROVE THE FINANCIAL STATEMENT TO 31/12/2009

(in accordance with section 153 of Legislative Decree No. 58 dated 24 February 1998)

Shareholders,

Article 153 of Legislative Decree 98 of 24 February 1998 requires that the board of statutory auditors reports the results of its auditing activities to the shareholders' meeting, called to approve the financial statements, indicating any omissions or improper transactions it discovered and empowers it to put forth motions regarding the financial statements, their approval and other matters under its jurisdiction.

This report is provided in compliance with the abovementioned provisions and in accordance with paragraph 2 of section 2429 of the Italian civil code.

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 24 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 of Accountants and Bookkeepers and the recommendations of the National Commission for Companies and the Stock Exchange.

We hereby summarise the contents and the results of the monitoring activities carried out during the course of the financial year to 31 December 2009.

We examined the draft financial statements at 31 December 2009, 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 11 March 2010.

The annual financial statements and report on operations, which also relates to the consolidated financial statements, reflect a net profit of €2,554,390.

As regards the control of accounting records and the financial statements, we record that, in accordance with section 159 of Legislative Decree No. 58 of 24 February 1998, pursuant to the motivated proposals advanced by the Board of Statutory Auditors, the Shareholders' Meeting appointed Reconta Ernst & Young S.p.A. to perform the audit of the annual and consolidated financial statements for the period 2008-2016.

In terms of Legislative Decree No. 58/1998, during the 2009 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 underwent a limited audit by Reconta Ernst & Young S.p.A. Quarterly data were not audited, as this is not compulsory.

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 audit report from the auditing company, issued on this day for the 2009 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 took part in the meetings of shareholders and of the board of directors, verifying observance of the statutory norms and articles of association that govern the management of company bodies; and, in accordance with the time limits prescribed by law and by the company Articles, we obtained information from the Directors concerning their activities and the major economic and financial transactions, including extraordinary operations, performed by the company, its subsidiaries or with related parties. Acting both collectively and individually, the statutory auditors ascertained that transactions that were resolved and put into effect conformed to legislative requirements, to the articles of association, and that they were not performed carelessly or recklessly, that there were no contrasts with resolutions made by the Meeting of Shareholders or conflicts of interest, and that there were no irregularities such as to jeopardise the integrity of the shareholders' equity, and that operations were based on principles of proper administration.
- in the course of our duties, we ascertained the suitability of the company's organisational structure and adherence to principles of proper administration, by direct observation through information gathered by the heads of departments and during meetings, with officials from the Independent Auditors in which relevant information

was exchanged;

- we assessed and monitored the system of internal control and the company's administrative and accounting system, as well as verifying how accurately the accounts system represents management details, by examining information provided by the heads of these systems and analysing company documentation, the results of the work carried out by the independent auditors and contributions made at meetings of the Committee for Internal Control; They particularly examined the methods and functions of the committees and, considering the Group's ongoing expansion, believes that procedures for internal control and the information system need to be implemented. The company is currently working on these procedures;
- 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 requirements 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;
- we independently monitored the actual independence of the auditors and confirm that the requisites of independence for each member of the board of statutory auditors have been observed since the date of their appointment;
- we carried out five regular controls and took part in thirteen meetings of the board of directors, one Ordinary Shareholders' Meeting and one Ordinary and Extraordinary Shareholders' Meeting. The committees set up by the Board of Directors, the Committee for Internal Control and the Remuneration Committee, the former met three times during the year, while the latter held no meetings. A representative of the Board of Statutory Auditors took part in the meetings of the Committee for Internal Control; The Supervisory Body met twice;
- we monitored the flow of information between Prima Industrie S.p.A. and its subsidiaries in compliance with paragraph 2 of article 114 of Legislative Decree no. 58/1998, backed up by the instructions issued by company management and to the advantage of the entire Group. A further assurance of the mutual exchange of information is provided by the fact that the institutional bodies of subsidiary companies are attended by several members of the Board of Directors and top management of the parent company. We also oversaw an exchange of information board of auditors of the subsidiary company Prima Electronics S.p.A., which contained no significant or improper events.
- we ascertained observance of statutory regulations and international accounting standards, regarding the preparation and presentation of the financial statements and the Report on Operations, by making direct checks and controlling information provided by Directors, company managers and the Independent Auditors, and the executive 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;

- in the meeting held 14.05.2009, the board of directors approved a new “Model for organisation, management and control, in accordance with Legislative Decree no. 231 of 8 June 2001”. The new company Code of Ethics was also drawn;
- 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.

Prima Industrie S.p.A. is not under the control of other companies. In accordance with the section 122 of Legislative Decree no. 58/1998, we hereby give notice of a shareholders' agreement entered into on 12.12.2008 between Guido Carlo Marchetti San Martino di Muriaglio, Enrico Marchetti San Martino di Muriaglio and Carlo Alberto San Martino di Muriaglio. The duration of the agreement is three years from the date of its signing.

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 2009, within the specified period. These were published within the time limits requirements of the regulations issued by Consob and Borsa Italiana.

In particular, the financial report on Group consolidated information at 30 June 2009 - drafted in compliance with the International Financial Reporting Standards and accompanied by the accounting statements and explanatory notes of the parent company - were carefully examined by the Board of Statutory Auditors; the relevant considerations have been set out in the special report.

We can confirm the following:

- The Board of Statutory Auditors, in compliance with the Consolidated Act on Finance (Legislative Decree No. 58/1998), has been constantly informed of matters within its sphere of competence.
- the regular checks and audits that we have made of the company revealed no atypical and/or unusual transactions during the period, including intragroup operations and those with related parties;
- intangible fixed assets with long-term utility have been recorded as balance sheet assets with the consent of the independent 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.
- with reference to intragroup transactions, in their Report on Operations, the Directors report and illustrate the existence of transactions between your company and other companies in the group, which were conducted on normal market terms.

The Board of Auditors confirms that the above reports, whether commercial in nature, or involving loans extended to subsidiaries, conform to the interests of the company;

- The Report on Operations 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.
- we declare, therefore, that the documents that have been presented to you provide a clear and complete picture, in keeping with the obligations imposed by 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 to 31 December 2009, in fulfilment of the obligations imposed by sections 25 and 27 of Legislative Decree no. 127/1991, in accordance with International Financial Reporting Standards. The financial statements have been duly and properly drafted to provide shareholders with a "true and accurate" picture of the financial position and operating result of the Group, and will be deposited with the Register of Companies; the Board of Auditors has drafted its own report based on the statements;
- the accounting audit was performed by Reconta Ernst & Young S.p.A. who certify the annual financial statements and the consolidated financial statements at 31 December 2009, without raising any significant matters.
- other than the appointment conferred on the auditing company, Reconta Ernst & Young S.p.A., in accordance with section 155 of Legislative Decree no. 58/1998, the following appointment was also made:
 - preparation of the disclosure statement as per section 71 of Consob regulations relating to the capital increase of €75,000 of Prima Industrie S.p.A.
- as regards section 2408 of the Italian Civil Code, we have not received any complaints from shareholders relating to any potentially censurable deeds.
- no petitions were presented by shareholders and/or third parties;
- during the year the Board provided the opinions required in relation to the allocation of remuneration, bonuses and incentives.

Significant transactions

The Board of Auditors was regularly kept up to date by the Directors, and in particular,

monitored all major economic and financial transactions, including extraordinary operations, performed by Prima Industrie S.p.A. and its subsidiaries. These transactions included:

- *Transaction with EQT III Private Equity Fund*

Owing to the greater management costs and expenses incurred before acquisition of Finn-Power, a transaction was made on 30 June 2009 with the EQT III private equity fund (former owners of the Finn Power Group) to reduce the portion of the price due on the sale of the Finnish company (€25m). As a result of this agreement, Prima Industrie only paid the vendors €12,785,000, and the latter forewent the interest due on the remaining balance and calculated as far as 30.06.2009.

The payment thus created a positive effect of €9,049,000 on the net results and a reduction in net borrowings of €13,946,000.

- *Amendment to the Finpolar loan agreement*

On 12 November 2009 an amendment to the loan agreement signed in 2008 for acquisition of the Finn-Power was arranged with the pool of financing banks (Banca IMI, Unicredit Banca di Impresa and Intesa San Paolo). As a result of the new agreement, the obligation to observe covenants in the consolidated financial statements to 31 December 2009 was suspended, €25,000,000 for the C) quota of the original quota was granted in advance to Prima Industrie S.p.A. and partly used to settle the residual debt to the EQT III fund (€12,785,000), with the remaining part used as a revolving line of credit for the Group. Furthermore, the net income from the capital increase resolved in December 2009 can be allocated to the financial needs of the company rather than repayment of the Finpolar loan.

The renegotiation involved payment of an additional waiver fee of €250,000 to the credit institutes. The previous renegotiation in March 2009 enabled redetermination of covenant application in the consolidated 2008 financial statements. This agreement led to an increase in the agreed spread by an additional 90 basis points, as well as payment of a waiver fee of €500,000.

- *Impairment Test*

Considering the consolidated results of 2009, the group performed an impairment test on the value of the main goodwill transactions in the balance sheet (Finn-Power Group, OSAI-Service and Prima North America). This analysis was prudential in terms of the growth rates and WACC rates selected, and its results did not point to the need for write-downs.

- *Treasury shares*

At 31 December 2009 Prima Industrie S.p.A. held no treasury stock.

- *Stock options plan*

The Ordinary Shareholders' Meeting held 29 April 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., for their role as managers who take strategic decisions.

The plan is to develop over a period of three years from the date of allocation of the option after the lapse of a suitable period of time to check the results of integration between the Prima Industrie and the Finn Power Groups.

Based on the proposal from the Remuneration Committee at the meeting of the 7 May 2008, the board of directors, with the approval of the Board of Statutory Auditors, allocated the 150,000 options envisaged in the plan.

- *Resignation of Directors/New Managing Directors*

During the Meeting of the Board of Directors held on 13 of March 2009, the Board expressed its approval to co-opt Dr. Ezio Basso to replace Marco Pincioli.

At the same meeting held to implement cost saving plans at Group level, the Board gave specific mandates for this area to Dr. Ezio Basso for the Laser Division and to Mr. Domenico Peiretti, for the Electronics Division.

- *Reduction in Personnel*

Owing to the worsening economic situation and the cost reduction policy, the Italian companies in the Prima Industrie Group implemented “*Cassa integrazione Guadagni Ordinaria e Straordinaria*” national redundancy schemes and workforce reduction. The workforce of Prima Industrie S.p.A. decreased from 346 units at 31 December 2008 to 294 units at 31 December 2009; employees at Prima Electronics S.p.A. went from 224 units at 31 December 2008 to 183 units at 31 December 2009 and employees of Finn Power Italia S.r.l. from 207 units at 31 December 2008 to 191 units at 31 December 2009. On the whole, the Group workforce decreased by 200 units compared to 31 December 2008 and today stands at 1,463 units.

- *Investments in workplace safety*

Prima Industrie S.p.A. invested €5,000 in workplace safety. Of this amount €48,000 was expended to improve thermal comfort, to purchase laser radiation protection equipment and audiovisual systems for information on safety measures.

- *Consob requests in relation to section 115 of the Finance Act (TUF)*

On 17 August 2009 the board of directors and the independent auditors of Prima Industrie S.p.A. received a request from CONSOB, in relation to section 115, paragraph 1b) of Legislative Decree no. 58/1998 regarding the annual and consolidated financial reports to 31 December 2008 and the half-year financial report to 30 June 2009.

All documentation and the detailed reply with clarifications were promptly sent to Consob following approval by the company's board of directors. No further communication was received from Consob at the date of this report.

- *Appointment of Executive Officer and bonuses*

In the meeting held 28 April 2009 the board of directors appointed Ezio Giovanni Basso executive officer.

With the approval of the Board of Statutory Auditors, the board of directors resolved to accept the request of Mr Carbonato, in consideration of the current crisis, to reduce the remuneration due to Executive Officer Carbonato for 2009, bringing the fixed portion established by the Remuneration Committee at 15/30% to 12.4%.

- *Shareholders' Meetings*

The Ordinary Shareholders' Meeting held on 28.04.2009 approved the financial statements for the year ending 31.12.2008 and appointed Ezio Giovanni Bassi as a new company director, already co-opted by the board of directors on 13.03.2009, to replace Marco Pincioli.

The Extraordinary Meeting of Shareholders held on 08.06.2009 resolved to assign the faculty to the board of directors to increase the paid-in share capital, in accordance with sections 2441 and 2443 of the Italian civil code, over a single or several campaigns, and a maximum of five years from the date of the resolution and a maximum increase of €50m inclusive of premium.

- *Capital increase*

In the meeting held on 12 October 2009, the board of directors used the faculty unanimously delegated to it by the extraordinary shareholders' meeting held on 8 June 2009 to resolve:

- 1) to increase share capital in several campaigns by a maximum of

€15,500,000.00, inclusive of the face value and premium, by issuing new ordinary shares with a face value of €2.50 each, to be offered as an option to those enjoying rights, with expiry of the capital increase on 30 June 2010;

- 2) to further increase share capital in split payments, to exercise Prima Industrie 2009-2013 warrants, combined with the ordinary shares issued for the capital increase resolved by the board of directors for a maximum of €22,500,000.00, inclusive of the face value and the premium, by issuing new ordinary shares with a face value of €2.50 each, in the ratio of one share for every Prima Industrie 2009-2013 warrant, with the capital increase expiring on 28 February 2014;
- 3) to determine by resolution to establish all the terms and conditions of the resolved capital increases in the immediate run-up to the start of the share option offering, as set out in the final paragraph of section 2443 of the Italian civil code;

During the same meeting, the board approved the prospectus and authorised the chairman to present it to Consob.

During the meeting held on 4 November 2009 the board of directors appointed Banca Akros as Advisor for the capital increase.

Following Consob's authorisation, the board of directors resolved, in the meeting held on 18 December 2009, all the terms and conditions of the capital increases.

▪ *Net financial position*

At year-end, the net financial position of Prima Industrie S.p.A. stood at €143,764,000, compared to €149,088,000 at the end of the previous year. The Group's net financial position stood at €150,091,000 against the €161,645,000 of the previous financial year. The net financial position does not take into account the positive effect deriving from the €15,232,000 increase in share capital effective from February 2010.

▪ *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.

- *Half-year 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.

- *Organisational structure*

The acquisition of the Finn Power Group increased the size of the Group which employs 1,463 people worldwide, operates in 50 countries and has a total of 10 factories in Italy, Finland, the USA and China.

The Board noted the continuing activity of a committee set up in 2008 to integrate the Prima Industrie and Finn Power Groups.

Significant events occurring subsequent to closure at 31 December 2009

As part of our duties, we have taken note of the following significant events occurring after the close of the financial year:

- *Conclusion of capital increase operation*

The operation to increase share capital which began 28 December 2009 concluded on 11 February 2010, with full underwriting of the new share options, and collections for the issuer of €15,232,000.

The new composition of share capital (fully underwritten and paid in) of Prima Industrie S.p.A. at 1 February 2010, as a result of exercise of Prima Industrie 2009-2013 warrants during February 2010 is €21,600,075, consisting of 8,640,030 ordinary shares with a face value of €2.50 each.

- *Sale of share holding in J.V. SPLMC LTD*

On 13 January 2010, Prima Industrie S.p.A. assigned its 50% stake in the joint venture Shenyang Prima Laser Machine Co. Ltd to its partner Shenyang Machine Tool Company. The transfer fee was €80,000 with assumption of a financial debt of €411,000.

- *Merger of German subsidiaries*

As part of the action within the sales network and technical assistance,

on 19 February 2010 the two Group companies operating in Germany merged: Prima Industrie GmbH and Finn-Power GmbH entirely controlled by Prima Industrie S.p.A. and Finn-Power respectively. The operation has no economic effects.

- *Disclosure Statement on the "Corporate Governance" System*

In compliance with section 124a of the Consolidated Finance Act, section 89a 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.

- *Organisational structure*

In the meeting held on 11 March 2010 the board of directors resolved to create the role "Head of Internal Control" to deal with implementation and standardisation of the procedures that are currently in place. Other initiatives are also under way to reinforce and adapt the information system for the increased demands of the company and to facilitate integration for the entire Group.

- *Changes to shareholder appointed to audit*

Pietro Carena, responsible for the audit of Prima Industrie S.p.A. assigned to Reconta Ernst & Young S.p.A. by the Shareholders' Meeting of 29 April 2008 for 2008-2016 period, informed Consob and the company on 8 February 2010 that as from that date Stefania Boschetti had been appointed to replace him as shareholder in charge of the company audit.

- *Outlook for 2010*

The board of directors' report points to recovery being steady in the emerging markets and limited on the mature markets. In economic terms, attention will be focused on cost containment and recovering margins. In financial terms, further strategies will be sought to reduce financial indebtedness.

The new agreement with the pool of financing banks, the full underwriting of the capital increase, punctual payment of Finpolar loan instalments, the economic benefits of the cost containment activities and the positive outcome of the impairment test are all elements which guarantee the continuity of the company.

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 31 of December, 2009 and the proposal formulated by the Board of Directors regarding coverage of losses for the year.

Shareholders,

The mandate of the Board of Statutory Auditors expires with the Shareholders' Meeting.

We would like to take this opportunity to thank you for the confidence you have placed in us during our time in office, and duly invite you to appoint a new executive body.

Collegno, 31 March, 2010

Board of Statutory Auditors

(Riccardo Formica) - Chairman

(Andrea Mosca) - Statutory Auditor

(Roberto Petrignani) - Statutory Auditor

Below is the list of administration and control appointments held by members of the Board of Statutory Auditors in other companies at the time of publication of this report (annexed in accordance with section 144 quinquies of Consob Issuer's Regulations) – the financial year in which the mandate terminates is shown in brackets?

- Riccardo Formica: Chairman of the Board of Statutory Auditors of PRIMA INDUSTRIE S.P.A. (31.12.2009), Chairman of the Board of Statutory Auditors of FIDIA S.P.A. (31.12.2010), Statutory Auditor of L'ALLEANZA S.P.A. (30.06.2010), Chairman of the Board of Directors of AUTOSTRADA TORINI MILANO S.P.A. (31.12.2009), Chairman of the Board of Directors of EDILROVACCIO 2 S.R.L. (until revocation), Executive Director of ICEM – Industria Compensati e Mobili (until revocation – non-active company), Director of ATIVA S.P.A. – Autostrada Torino Ivrea Valle D'Aosta (31.12.2011), Director of SATAP S.P.A. – Società Autostrada Torino Alessandria Piacenza (31.12.2011), Director of ZEGNA BARUFFA LANE BORGOSIESIA S.P.A. (31.12.2010), Director of SINA S.p.A. (31.12.2011), Director of CIV – Collegamenti Integrati Veloci S.P.A. (31.12.2010), Director of PIEMONTE AGRICOLO S.P.A. (31.12.2009)

- Andrea Mosca: Statutory Auditor of PRIMA INDUSTRIE S.P.A. (31.12.2009), Statutory Auditor of FOSTER S.P.A.. (30.04.2011), Chairman of the Board of Statutory Auditors of A.S.M.I.U – Azienda Speciale Municipalizzata Di Igiene Urbana (01.08.2011), Statutory Auditor of C.O.M.P.A.S.S. (Cooperativa Mutua Promozione Attività Socio Sanitarie) (30.04.2012) – Statutory Auditor of CONSORZIO EUREK@ - social cooperative (30.04.2010), Chairman of the Board of Statutory Auditors of A.I. SHIPPING S.R.L. under liquidation (30.04.2010), Statutory Auditor of COOPERATIVA FRA CAVATORI DI GIOIA – cooperative (30.04.211), Chairman of the Board of Statutory Auditors of MASSAROSA GOLF S.R.L. (30.04.2012)

- Roberto Petrignani: Statutory Auditor of PRIMA INDUSTRIE S.P.A. (31.12.2009), Statutory Auditor of JUVENTUS FOOTBALL CLUB S.P.A. (30.06.2012), Statutory Auditor of ZEGNA BARUFFA LANE BORGOSIESIA S.P.A. (31.12.2010), Statutory Auditor of GLOBAL COSTRUZIONI S.R.L. (31.12.2010), Statutory Auditor of I.N.P.A.R. – Infrastrutture Parcheggi S.p.A. under liquidation (31.12.2010), Statutory Auditor of PIANETA S.R.L. (31.12.2011), Statutory Auditor of CYANINE TECHNOLOGIES S.P.A. (31.12.2012), Sole Administrator of EXPERIENCE CONSULTING S.R.L. (until revocation or resignation)

PRIMA INDUSTRIE GROUP

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2009

Shareholders,

The Board of Directors of Prima Industrie S.p.A. drafted and approved the consolidated financial statements for the year ended 31 December 2009, in compliance with Legislative Decree No. 127 of 9 April 1991 and European Regulation no. 1606 of 19 July 2002 and the provisions issued in implementation of article 9 of Legislative Decree no. 38 of 2005; the Financial Statements were presented to the board meeting on 11 March 2010.

The consolidated financial statements of the Prima Industrie Group - which are presented to you - show a Net Result of €10,270,769 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.

In the course of its duties, and as prescribed by law, the Board of Statutory Auditors carried out monitoring activities, and was regularly informed by the parent company's board of directors of major economic and financial transactions, including extraordinary operations, performed as part of Group relations.

We ascertained that transactions that were resolved and put into effect, conformed to legislative requirements and to the articles of association, that they did not diverge from the resolutions of the shareholders' meetings, showed no potential conflict of interest and were based on principles of proper administration.

Among the main overseas operations, the board draws attention to the amendment agreement for the lease contract on the Finn-Power OY premises in Kauhava, with a reduction from 15 to 11 years, and hence its classification as an operating lease. The building which houses the Headquarters of Finn-Power and the production site was transferred to the Varma Mutual Pension Insurance Company, which subsequently leased it back to Finn-Power for 15 years (expiring 31 December 2012). In the financial statements to 31 December 2009, the building underwent *derecognition of its value* by €5,855,000, and the difference was absorbed into the income statement. As a result, deferred tax liabilities were reduced by €2,317,000 owing to the capital gains due from the sale of the property.

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 subsidiaries and associated data officially communicated by them.

Balance sheets and IAS/IFRS reconciliation tables, drawn up by the competent company departments and transmitted by the subsidiaries to the parent company for the purpose of completing the consolidated financial statement, were examined by the bodies and organisations designated to monitor individual companies and by Ernst & Young S.p.A., during procedures for auditing the consolidated financial statement.

The Board of Statutory Auditors therefore did not review these Financial Statements, in accordance with the provisions of section 41 no. 3 of Legislative Decree No. 127 dated 9 April 1991.

It should be noted that the financial statements of subsidiaries Prima Electronics S.p.A., Finn Power Italia S.r.l. are audited separately by Reconta Ernst & Young S.p.A., who certifies the financial statements of the parent company. Osai S.p.A. was merged into Prima Electronics S.p.A. as from 1 January 2009.

We record that we obtained 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 show the consolidated financial and economic situation in the Consolidated Income Statement, the Overall Consolidated Income Statement, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement, the Consolidated Balance Sheet in accordance with Consob resolution no. 15519 of 27.07.2006, the Consolidated Income Statement in accordance with Consob resolution no. 15519 of 27.07.2006, the Consolidated Cash Flow Statement in accordance with Consob resolution no. 15519 of 27.07.2006 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.

The report illustrates the economic and financial position of all consolidated companies, their operating performance during 2009 and expected developments for 2010.

Having examined this report, we confirm that it corresponds to the Group's consolidated statement.

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 include the corresponding previous-year data for comparative purposes. The directors draw attention to the main variation in the area of consolidation taking place during 2008, with acquisition of the Finn-Power Group on 04 February 2008. For this reason, the economic data for the year to 31 December do not correspond directly to those of the previous year, since 2008 includes only 11 months of Finn-Power Group results.

The area of consolidation, the principles for equity consolidation and relevant procedures were all determined in accordance with Legislative Decree no. 127 of 9 April 1991 and International Financial Reporting Standards (IAS/IFRS). Preparation of the consolidated financial statements can therefore be considered technically correct and fully conformant to specific legislative regulations.

The Board of Statutory Auditors affirms 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 consolidated 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) rather than disclosing all the detailed items of the assets, liabilities and positive or negative income;

- The consolidated varied since the financial statements to 31 December 2008 due to the exclusion of the Osai GmBh, which is undergoing liquidation and non-operative, and due to the merger of Osai S.p.A. into Prima Electronics S.p.A. as from 01.01.2009.

The subsidiaries consolidated using the line-by-line method in addition to the parent company include:

Subsidiary companies	Holding	Share Capital
LASER SYSTEMS SEGMENT		
Prima North America Inc.	100%	USD 24,000,000
Prima Industrie GmbH	100%	€ 500.000
Prima Finn-Power Sweden AB.	100%	SEK 100,000
Prima Finn-Power UK Ltd	100%	GBP 1
Prima Finn-Power Central Europe z.o.o.	100%	PLN 350,000
Prima Industrie (Beijing) Company Ltd.	100%	RMB 2,038,284
ELECTRONIC SEGMENT		
Prima Electronics S.p.A.	100%	€ 6.000.000
Osai Usa Llc	100%	USD 39,985
Osai UK Ltd.	100%	GBP 160,000
PLATE PROCESS. MACHINE SEGMENT		
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%	€ 6.440.000
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
Prima 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
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 control techniques used during preparation of the financial statements placed at your disposal adequately ensure that the data transmitted by investee companies have been correctly utilised;
- the consolidation adjustments take into account the applicable deferred tax effect;

- the deferred taxes liabilities amount to 10,903 thousand euro, down from the previous year by 724 thousand euro (€1,627,000). The most significant entries refer to: deferred taxes on the Finn-Power trademark (€5,629,000), deferred taxes on customer relations (€2,912,000) and deferred taxes on revaluation of the Cologne Veneta property (€555,000);
- the net financial position of the Group showed a deficit of €150,091,000.
- The balance sheet discloses a consolidated shareholders' equity of €64,977,653 against the parent company net shareholders' equity of €59,792,006.

Shareholders,

Based on its investigations, the Board of Statutory Auditors agrees with the content and form of the Group Consolidated Financial Statements to 31 December 2009.

Collegno, 31 March, 2010

Board of Statutory Auditors

(Riccardo Formica) - Chairman

(Andrea Mosca) - Statutory Auditor

(Roberto Petrignani) - Statutory Auditor

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, 2009, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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.

With respect to the financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated April 7, 2009.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at December 31, 2009 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. The income statement includes non recurring income of Euro 1.9 million, related to the indemnification settled with the investment fund EQT III Limited, from which Finn-Power Group was purchased in the previous financial year.

5. The management of Prima Industrie S.p.A. is responsible for the preparation of the Report on Operations and the Report on Corporate Governance and on the company's ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n.° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and on the company's ownership structure, with the financial statements, as required by law. 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 and the information reported in compliance with art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) presented in the Report on Corporate Governance and on the company's ownership structure, are consistent with the financial statements of Prima Industrie S.p.A. as of December 31, 2009.

Turin, March 31 2010

Reconta Ernst & Young S.p.A.
signed by: Stefania Boschetti, partner

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, 2009, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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.

With respect to the consolidated financial statements of the prior year, presented for comparative purposes, which have been restated to apply IAS 1, reference should be made to our report dated April 7, 2009.

3. In our opinion, the consolidated financial statements of the Prima Industrie Group at December 31, 2009 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. The consolidated income statement includes non recurring net income of Euro 9.5 million, related to the indemnification settled with the investment fund EQT III Limited, from which Finn-Power Group was purchased in the previous financial year.

5. The management of Prima Industrie S.p.A. is responsible for the preparation of the Report on Operations and the Report on Corporate Governance and on the company's ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n.° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and on the company's ownership structure, with the financial statements, as required by law. 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 and the information reported in compliance with art. 123-bis of Italian Legislative Decree n° 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) presented in the Report on Corporate Governance and on the company's ownership structure, are consistent with the consolidated financial statements of the Prima Industrie Group as of December 31, 2009.

Turin, March 31 2010

Reconta Ernst & Young S.p.A.

signed by: Stefania Boschetti, partner