

Interim Financial Report as of June 30, 2011



**BOARD
OF DIRECTORS**

August 29, 2011

MANAGEMENT AND CONTROL

Board of Directors

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

^(*) Ezio G. Basso is also the General Director of PRIMA INDUSTRIE SpA

Internal Control Committee

Chairman	Sandro d'Isidoro
Members	Enrico Marchetti Mario Mauri

Remuneration Committee

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

Board of Auditors

Chairman	Riccardo Formica
Regular Auditors	Andrea Mosca Roberto Petrignani
Alternate auditors	Roberto Coda Franco Nada

Auditing Company	Reconta Ernst & Young SpA
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Expiry of Mandates and Appointments

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

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

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

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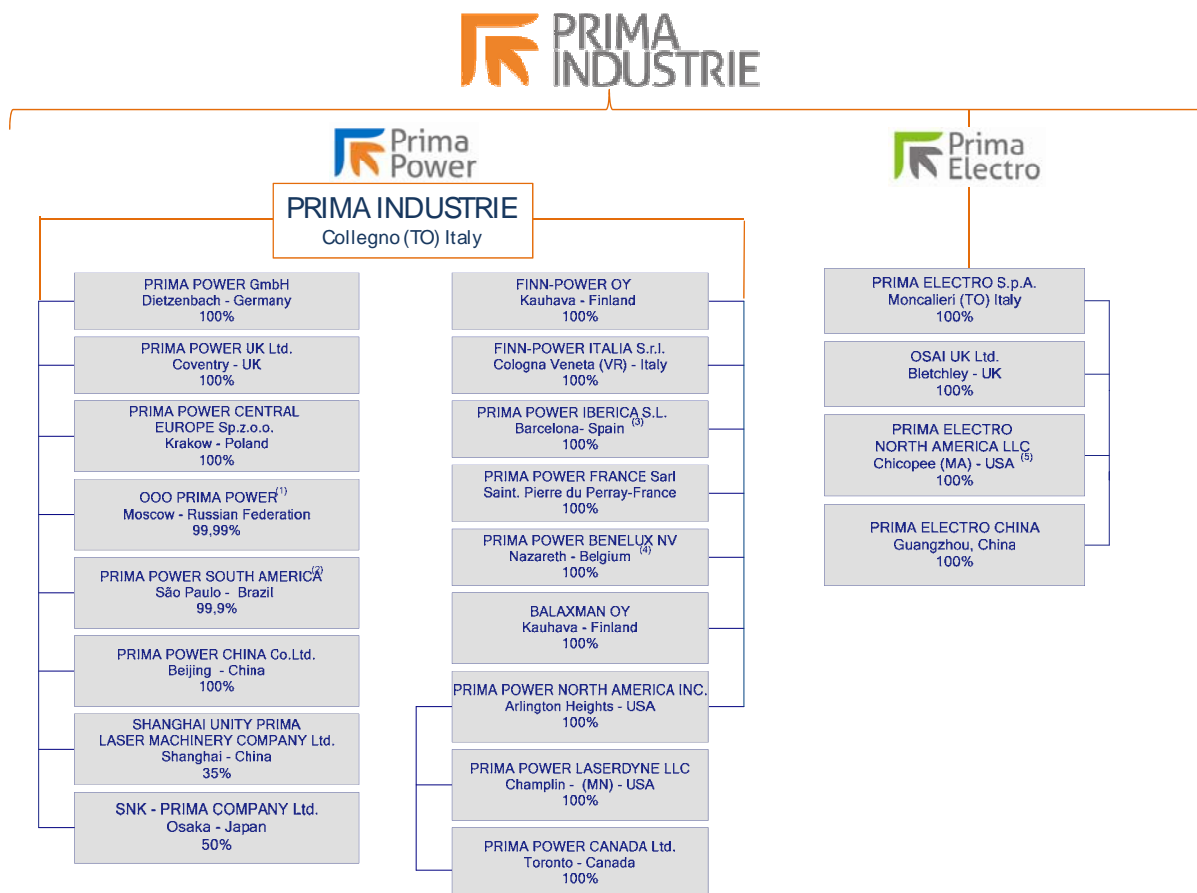
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Chapter 1.

Structure of Prima Industrie Group as of June 30, 2011

Chapter 1. Structure of Prima Industrie Group as of June 30, 2011



The table on this page represents the organizational situation of PRIMA INDUSTRIE Group as of June 30, 2011, with the following two exceptions:

- PRIMA FINN-POWER SWEDEN AB, company in liquidation.
- the table already includes PRIMA ELECTRO NORTH AMERICA, incorporated on July 1, 2011 from the merger of PRIMA NORTH AMERICA INC. and OSAI USA LLC; as of June 30, 2011 the two companies were included as separate legal entities in the consolidation area; to this regard see also the next note 5).

¹⁾ PRIMA INDUSTRIE SpA holds 99.99% of the company OOO PRIMA POWER; the remaining 0.01% is held by another partner.

²⁾ PRIMA INDUSTRIE SpA holds 99.9% of PRIMA POWER SOUTH AMERICA SISTEMAS INDUSTRIAIS LTDA, the remaining 0.1% is held by a local partner.

³⁾ FINN-POWER OY holds 78% of PRIMA FINN-POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE SpA).

⁴⁾ FINN-POWER OY holds 94% of PRIMA POWER BENELUX NV (the remaining 6% is held by BALAXMAN OY).

⁵⁾ It should be noted that the company PRIMA ELECTRO NORTH AMERICA LLC was incorporated on July 1, 2011 from the merger of the companies PRIMA NORTH AMERICA INC. and OSAI USA LLC. For more details on the subject refer to the paragraph "Events after semester closing" of the Report on Operations.



Chapter 2.

Introduction

Chapter 2. Introduction

FOREWORD

The Interim Financial Report on Operations of the PRIMA INDUSTRIE Group as of June 30, 2011 was prepared pursuant to section 154 ter of Legislative Decree 58/1998 and following amendments, and to the Issuing Companies regulations issued by CONSOB.

This Report was prepared in accordance with the International Accounting Standards (the “IFRS”) issued by the International Accounting Standards Board (the “IASB”) and approved by the European Union and in accordance with IAS 34 - Interim Financial Statements, applying the same accounting standards used in preparing the Consolidated financial statements as of December 31, 2010.

During 2010, the Group set up a new organization structure, operational as from 2011 and based on the concentration of its activities into two divisions: the MACHINERY division (hereinafter referred to also as PRIMA POWER) and the COMPONENTS division (hereinafter referred to also as PRIMA ELECTRO). The Group began reporting data with this new organization starting from year 2011. The Group does not dispose of the reclassified 2010 data according to the new organization structure (and which would be too costly to process), so it will not be possible in this document to provide uniform comparisons of data by segment. The only data for comparison at the disposal of the group, and that will therefore be used in the rest of the document, are revenues. For more details on the subject, see the paragraph “Revenues and profitability” (Chapter 3 - Report on Group operations), the Chapter 4 - Economic performance by segment and the explanatory note devoted to the sector information.

All data relating to Liabilities towards banks and loans reported by this Interim Financial Report reflect the situation at the financial statements reference date. It should be noted that on July 29, 2011 PRIMA INDUSTRIE SpA has signed a modification agreement for the loan stipulated in 2008 for the acquisition of the FINN POWER Group (hereinafter referred to as the “FINPOLAR Loan”); for more details on the subject refer to the paragraph “Events after Semester closing”. These changes (being considered in compliance with IAS 10 of the *Subsequent Events which do not require corrections*) are exclusively commented to provide a more complete disclosure, but the financial statements data show the situation prior to the renegotiation of the FINPOLAR Loan.

This Report was approved by the Board of Directors on August 29, 2011. The condensed consolidated interim financial statements, included in the Interim Financial Report, were subject to limited audit.

Alternative performance indicators

In addition to the other conventional financial indicators provided by the IFRS, this Report contains other alternative performance indicators, in order to allow a better assessment of the economic and financial management performance.

These indicators, that are also presented in the Report on Operations at the time of filing the other periodical reports, must not, however, be considered as replacements for the conventional ones foreseen by the IFRS.

The Group uses as alternative performance indicators:

- the EBIT (which corresponds to the “Operating Profit”),

- the EBITDA (“Profit before interest, taxes and depreciations”), which is calculated by adding to the “Operating Profit” in the financial statements both the “Depreciations” and “Impairment and Amortizations”.
- the normalized EBITDA, which corresponds to the aforementioned indicator net of non-recurrent items.

The “Value of production”, represented by the sum of the items “Net revenues from sales and services”, “Other operating revenues”, “Variation of inventories of unfinished and finished products” and “Increases for internal works”, is also mentioned.

Exchange rates

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

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	30/06/11	30/06/10	30/06/11	31/12/10
US DOLLAR	1,4031	1,3284	1,4453	1,3362
POUND STERLING	0,8680	0,8669	0,9026	0,8608
SWEDISH KRONA	8,9377	9,8727	9,1739	8,9655
CHINESE RENMINBI	9,1755	9,1480	9,3416	8,8220
JAPANESE YEN	115,0298	122,7135	116,2500	108,6500
POLISH ZLOTY	3,9518	4,0325	3,9903	3,9750
CANADIAN DOLLAR	1,3703	1,3737	1,3951	1,3322
RUSSIAN RUBLE	40,1449	39,9227	40,4000	40,8200

Consolidation area

Although it was set up a rationalization operation of the participations held in North America (which has led to the creation of a new company PRIMA POWER LASERDYNE LLC), it did not produce any change in the consolidation area, which therefore remained unchanged in the semester.

For complete information, it should also be noted that during the first six months of 2011, two new branches were set up, PRIMA POWER SOUTH AMERICA Ltda and PRIMA ELECTRO (CHINA) Co. Ltd., respectively located in Brazil and China.

The Brazilian branch is 99.9% owned by PRIMA INDUSTRIE SpA, while the second is 100% owned by PRIMA ELECTRO SpA. Both newly formed branches have not been consolidated, since they will become operational during the second half of the year and are therefore not relevant to the representation of the consolidated data. For more details on the subject see the following paragraph “Significant events in the period”.

The subsidiary companies indicated in the tables below have been subject to line-by-line consolidation as of June 30, 2011. The joint ventures have been valued using the net equity method.

SUBSIDIARY COMPANIES

PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500'000	100%	Line -by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line -bv-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	ul. Przemystowa 25 - 32-083 Balice, POLSKA	PLN 350.000	100%	Line -by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	99,99%	Line -by-line method
PRIMA POWER SOUTH AMERICA Ltda ⁽¹⁾	Av.Angelica 2632 c/74 - 01228-200, Sao Paulo BRASIL	R\$ 100'000	99,9%	Line -by-line method
PRIMA POWER CHINA Company Ltd.	Rm.1 M, no. 1 Zuo Jiazhuang. Guomen Building, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line -by-line method
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 23'417'108	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 POWER IBERICA S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6'440'000	100%	Line -bv-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 792'000	100%	Line -bv-line method
PRIMA POWER BENELUX NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 500'000	100%	Line -by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2'522	100%	Line -by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line -by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line -by-line method
PRIMA POWER CANADA Ltd.	1040 Martingrove Rd, U.11, Toronto, Ontario M9W 4W4, CANADA	CAD 200	100%	Line -by-line method
PRIMA FINN-POWER SWEDEN AB ⁽²⁾	Mölnadalsvägen 30 C, Göteborg, SWEDEN	SEK 100.000	100%	Line -by-line method

SUBSIDIARY COMPANIES				
PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
PRIMA ELECTRO SpA	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6'000'000	100%	Line -by-line method
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line -by-line method
PRIMA NORTH AMERICA INC. ⁽³⁾	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24.000.000	100%	Line -by-line method
OSAI USA LLC ⁽³⁾	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 39.985	100%	Line -by-line method
PRIMA ELECTRO (CHINA) Co.Ltd. ⁽¹⁾	23G East Tower, Fuxing Shangmao n.163, Huangpu Avenue Tianhe District 510620 Guangzhou P.R. CHINA	€ 100'000	100%	Line -by-line method
JOINT VENTURES				
	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
Shanghai Unity PRIMA Laser Machinery Co. Ltd.	2019, Kunyang Rd., Shanghai 201111 - P.R. CHINA	Rmb 16.000.000	35%	Net equity method
SNK PRIMA Company Ltd	Misaki Works 3513-1, Fuke Misaki-Cho, Sennan-Gun, Osaka, JAPAN	Yen 90.000.000	50%	Net equity method

- (1) *It should be noted that at this financial statements date, the share capital of the companies PRIMA POWER SOUTH AMERICA Ltda and PRIMA ELECTRO (CHINA) co. Ltd., has not yet been paid up.*
- (2) *Company in liquidation.*
- (3) *It should be noted that the merger of the companies PRIMA NORTH AMERICA INC. and OSAI USA LLC occurred on July 1, 2011, the company resulting from this merger is named PRIMA ELECTRO NORTH AMERICA. For more details on the subject refer to the paragraph "Events after semester closing" of the Report on Operations.*



Chapter 3.

Group Interim Report

Chapter 3. Group Interim Report

Macroeconomic context

During the first semester of 2011, the world economic recovery continued, supported by the expansion of the global interchange and by a still accommodating monetary policy. The rhythms and the composition of the growth, however, remained heterogeneous among the geographical areas reflecting, in part, the structural imbalances causing of instability.

From the second quarter some signs of a slowdown have been emerging, in part contingent (the effects of the Japanese earthquake and the rising prices of raw materials of the first quarter) and in part more structural (debt crisis). Financial markets reacted immediately to these signals by triggering a sharp correction of shares prices and raw materials, severely "punishing" those countries that are more at risk due to the size of their public debt, especially Italy.

The unsatisfactory conclusion of negotiations on the U.S. public debt limit raising (and the subsequent Standard & Poor's downgrade) and the persistent hesitation of the European policy makers in dealing in a structural way with the nodes of the Community economic governance have further complicated the picture, so that now appears very difficult to be understood.

While there are analysts who expect the relapse of the global economy into recession (the so-called "double dip"), the current situation can also be intended as a physiological break in the recovery cycle, comparable to what has already happened in similar stages in the past. Casting aside for the moment the possibility of relapse into recession, which would have implications that today are difficult to quantify, and instead assuming the scenario of a slowdown and a subsequent restart, for the second half of the year a growth re-acceleration is expected due to the overcome of the maximum impact phase of the transient restraining factors (Japan earthquake, U.S. tax settlement, etc.).

The global recovery, absolutely atypical, is not stopping and should continue to be characterized by:

- sluggish growth in Western economies, characterized by excessive borrowing in the private and public sectors;
- strong growth generated by productivity and revenues in emerging economies such as China, India and Brazil;
- endemic inflation caused by the profound asymmetry in the world monetary system.

Applying this scenario, the global growth for 2011 would be slightly above 4%, driven by economies of Asia (with average growth of over 7%), Latin America (with average growth of 4.5%), Eastern Europe (with foreseen average growth of 4.3%) and Africa (expected to increase by 4.8%).

Regarding in particular the field of machine tools and automation, all the sector associations have expressed positive expectations, which do not take into account the scenarios of relapse into recession of the last weeks. According to latest forecast of UCIMU (the Italian association that groups manufacturers together), in 2011 the machine tool industry should record a 18.1% increase over the previous year, thanks mainly to the performance of exports that should grow by 22.3% (driven by the demand of Germany and China). During the first half of 2011, UCIMU has also reported a 16.3% increase of orders over the same period of 2010, bringing the level of orders close to pre-crisis levels thanks to the excellent feedback expressed by foreign demand.

For the American associations of distributors and manufacturers of machine tools (AMTDA, the American Machine Tool Distributors' Association and AMT - The Association For Manufacturing Technology) the order acquisition of the sector has registered a 108% growth in the first 5 months of 2011 over the same period of last year.

In Germany, the VDW (the association of German machine tool manufacturers) expected a growth in the sector in 2011 by 30%, driven by exports, with China and the U.S. as the main reference markets. During the first six months of the year, orders in Germany have more than doubled over the same period of 2010 and sales have grown by about 50%.

Significant events in the period

APPOINTMENT OF THE NEW BOARD OF DIRECTORS AND RELATED COMMITTEES

The new Board of Directors was appointed by the Shareholders' Meeting of PRIMA INDUSTRIE on April 29, 2011, and will remain in office until the approval of the 2013 Financial Statements. It consists of: Gianfranco Carbonato (confirmed as Chairman of the Board of Directors and CEO by the Board of Directors on May 02, 2011), Ezio G.Basso and Domenico Peiretti (confirmed as Managing Directors by the Board of Directors on May 02, 2011), Sandro D'Isidoro, Yunfeng Gao, Michael R.Mansour, Rafic Y.Mansour, Enrico Marchetti and Mario Mauri.

The directors Sandro D'Isidoro, Mario Mauri and Enrico Marchetti are independent pursuant to Art. 148, paragraph 3 of the Consolidated Financial Act CFA (applicable pursuant to Art. 147-ter, paragraph 4 of the CFA) and the Corporate Governance Code adopted by the Italian Stock Exchange.

The Board of Directors on May 2, 2011 has also appointed a Remuneration Committee, composed by Sandro D'Isidoro, Rafic Y. Mansour and Mario Mauri, and the Internal Committee composed by Sandro D'Isidoro (appointed as President of the Committee), Enrico Marchetti and Mario Mauri.

The Board has also appointed the Committee for transactions with Associates, whose members match with those of the Internal Audit Committee with the task of expressing the relevant opinions required by the Consob Regulation.

The same Board also appointed as Lead Independent Director (pursuant to the Code of Conduct adopted by the Italian Stock Exchange) the independent director Sandro D'Isidoro.

STATUTORY AMENDMENTS

The Shareholders' Meeting, in extraordinary session, approved the amendments to Articles 12, 22, 26 and 28 of the By-laws in order to implement some changes introduced by Legislative Decree no. 27/01/2010 No. 27, which transposed the Directive 2007/36/EC of July 11, 2007 on the rights of shareholders, and to include in the Bylaws what is necessary to give full effect to the provisions contained in Articles 27 and 31 of the procedure for transactions with associates, adopted by the Company pursuant to the effects of the Consob Regulation under resolution n. 17221 / 2010 (the "Related Parties Regulation").

INTRAGROUP SALE OF THE LASER SYSTEM DIVISION OF PRIMA NORTH AMERICA

On April 30, 2011, PRIMA NORTH AMERICA Inc., a 100% subsidiary of PRIMA ELECTRO SpA (formerly PRIMA ELECTRONIC SpA), has sold the laser system division to PRIMA POWER LASERDYNE LLC, a newco (incorporated on 06/04/2011) with registered office in Minnesota (USA) 100% owned by PRIMA POWER NORTH AMERICA.

The transaction took place in the context of the process of reorganization undertaken with the sale of 100% of PRIMA NORTH AMERICA Inc. by PRIMA INDUSTRIE SpA to PRIMA ELECTRO SpA on December 31, 2010, which has already been commented in the Report on Operations as of December 31, 2010.

The transaction is intended to allow a clearer delimitation of the corporate perimeter of the two divisions, PRIMA POWER and PRIMA ELECTRO through which the Group currently operates.

The price of sale was US\$ 11,250,000, in line with the assets assessment relative to the laser system business prepared by an independent expert, used for the sale of PRIMA NORTH AMERICA on December 31, 2010. For the method used by the expert, reference is made to the information contained in the Report on Operations as of December 31, 2010. Payment of the price will take place not later than June 30, 2013 and will bear interests, in the measure of the Libor rate plus 200 basis points. The contract contains some "representations & warranties" clauses charged to the vendor and an indemnity clause in favour of the buyer in case of violation by the vendor of the statements made. The effects of such operations had no influence on the condensed consolidated interim financial statements of PRIMA INDUSTRIE Group.

INCORPORATION OF A NEW BRANCH OF PRIMA POWER DIVISION IN BRAZIL

In order to better serve the South American market and in particular Brazil, in June a new subsidiary of the Group has been set up in Brazil. The company, called PRIMA POWER SOUTH AMERICA SISTEMAS INDUSTRIAIS is owned 99.9% by PRIMA INDUSTRIE SpA (the remaining 0.1% is owned by a local businessman) and is based in Sao Paulo.

The Group, which already operates in Brazil through a distributor and own technicians for technical support to customers, has decided to invest in this area through a direct presence in order to better exploit the potential of these markets, whose expected growth rates are among the highest in the world. This company will become operational during the second half of the year. In the month of October it will be present at "Corte & Conformação de Metais 2011" that will take place in Sao Paulo, Brazil.

INCORPORATION OF A NEW BRANCH OF PRIMA ELECTRO DIVISION IN CHINA

On April 14, 2011, a new branch was incorporated for the sale of PRIMA ELECTRO products in China. The company is called PRIMA ELECTRO (CHINA) Co. Ltd. and is 100% owned by PRIMA ELECTRO SpA. This company will become operational during the second half of the year.

Revenues and Profitability

The consolidated revenues as of June 30, 2011 amounted to 127.679,000 euro, up by 11.5% (equal to 13,167,000 euro) compared to the same period in 2010 (114,512,000 euro).

The revenues increase confirms the positive trend of the Group and of its target market; the growth could have been significantly higher if it not influenced by a number of factors including:

- the negative trend of the Italian market,
- a shift in deliveries due to delays in the supply of components due to exogenous factors (e.g.: Japan earthquake),
- a number of machines delivered but not accepted (and therefore not recognized in revenue) higher than at June 30, 2010,
- the depreciation of the dollar which penalized the Group's turnover realized in North America.

The table below is a breakdown of the revenues turnover by geographical area in the first half 2011, compared with the corresponding period of the previous year.

Revenues	I Half 2011		I Half 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
Italy	18.440	14,4	26.106	22,8
Europe	48.517	38,0	38.729	33,8
North America	27.597	21,6	21.735	19,0
Asia and rest of the world	33.125	26,0	27.942	24,4
TOTAL	127.679	100,0	114.512	100,0

Sales by geographical area show an increasing turnover towards Europe (+9,788,000 euro), North America (+5,862,000 euro) and the emerging markets of Asia and the Rest of the World (+5,183,000 euro), where the turnover achieved 26% of the total consolidated (without taking account of the sales made by the Chinese joint venture Shanghai Unity PRIMA). In Italy, there was a significant decrease with respect to the previous year (-7,666,000 euro), both due to the persistence of a situation of limited growth, and because the first half 2010 was influenced in a positive manner by the effects of the so-called Tremonti-ter law.

The division of the revenues by segment, inclusive of inter-segment items, is set out below, (for more details with regard to the Group's operating segments reference is made to note 6.29 - Segment Report).

Revenues	I Half 2011		I Half 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	109.100	85,5	97.908	85,5
PRIMA ELECTRO	25.950	20,3	24.187	21,1
Inter-sector revenues	(7.371)	(5,8)	(7.583)	(6,6)
TOTAL	127.679	100,0	114.512	100,0

For a clearer view on revenues, the following table shows the breakdown both by segment and by geographical area (net of inter-segment items) for the first half 2011 and for the first half 2010.

Sector/area Revenues - 1st Half 2011	Italy	Europe	North America	Asia & Rest of World	TOTAL
<i>thousand euro</i>					
PRIMA POWER	11.634	40.894	26.542	29.995	109.065
PRIMA ELECTRO	6.806	7.623	1.055	3.130	18.614
TOTAL	18.440	48.517	27.597	33.125	127.679

Sector/area Revenues - 1st Half 2010	Italy	Europe	North America	Asia & Rest of World	TOTAL
<i>thousand euro</i>					
PRIMA POWER	19.294	33.044	20.807	24.585	97.730
PRIMA ELECTRO	6.812	5.685	928	3.357	16.782
TOTAL	26.106	38.729	21.735	27.942	114.512

The breakdown by geographical area of PRIMA POWER segment shows a significant increase in sales in all areas compared to the first half of 2010, with the exception of Italy. The division's sales were in Europe 37.5%, in North America 24.3%, in Asia and the Rest of the World 27.5%, where countries like China, Russia, Turkey and Korea showed strong gains.

The PRIMA ELECTRO segment had 37% of its sales in Italy, 41% in Europe (particularly Spain and Benelux), and 17% in Asia and the Rest of the World (mainly China).

As already mentioned, the Group turnover does not include the revenues of the Chinese joint venture Shanghai Unity PRIMA (consolidated with the equity method), amounting to 21.6 million euro in the first six months of 2011.

The VALUE OF PRODUCTION at June 30, 2011 was 143,736,000 euro, up 17% compared to the corresponding period of the previous financial year (an increase of 20,974,000 euro). This percentage is higher than the percentage of increase of the turnover because it takes into account both the greater number of machines already delivered but not yet included in the revenues, and the effect of the replacement of inventory stocks, necessary to meet the production volumes expected to increase in the second half of the year.

The value of production in the period also includes increases for internal work amounting to 3,075,000 Euro (3,300,000 euro in the corresponding period of 2010); these costs mainly refer to investments in development activities.

Performance indicators	June 30, 2011		June 30, 2010	
	<i>thousand euro</i>	%	<i>thousand euro</i>	%
EBITDA	7.302	5,7	2.358	2,1
EBIT	2.459	1,9	(2.677)	(2,3)
EBT	(2.421)	(1,9)	(5.317)	(4,6)
NET PROFIT (LOSS)	(3.421)	(2,7)	(5.047)	(4,4)

The Group's EBITDA is 7,302,000 euro (almost 6% of the turnover); compared with the first semester of 2010 the improvement is of 4,944,000 euro.

The positive results obtained by the Group in terms of EBITDA and EBIT are not completely reflecting, however, in terms of EBT and NET PROFIT since the Group was affected both by the stronger euro against the U.S. dollar, which has negatively affected transactions in this currency, and by the increased tax burden due to better results.

The EBITDA of the Group for the first half of 2011, broken down by segment, is illustrated here below (inclusive of inter-segment items).

EBITDA	June 30, 2011	
	<i>thousand euro</i>	%
PRIMA POWER	4.212	57,7
PRIMA ELECTRO	3.099	42,4
Inter-segment items and elisions	(9)	(0,1)
TOTAL	7.302	100,0

At Group level, the comparison with the first half of 2010 is even more significant if we analyse it net of the non-recurrent items.

Values expressed in €/000	1st Half 2011	1st Half 2010
EBITDA	7.302	2.358
Non-recurrent items	(116)	660
Normalized EBITDA	7.418	1.698

This comparison shows that net of the non-recurrent items, the EBITDA increase compared to first half of 2010 was 5,720,000 euro.

The consolidated EBIT for the first six months of 2011 was 2,459,000 euro and is a significant improvement over the figure reported for the first half of 2010 when it was negative for 2,677,000 euro (+5,136,000 euro). The EBIT of the first six months is affected by the depreciation of tangible fixed assets for 1,434,000 euro and intangible assets for 3,408,000 euro; as regards the latter, 1,324,000 refer to depreciations relative to assets with a definite useful life entered in the corporate aggregation of the FINN-POWER Group (brand and customer relations - "customer list") and 1,606,000 euro refer to the amortization of development costs.

The EBIT per segment is illustrated here below, inclusive of inter-segment items.

EBIT	June 30, 2011	
	<i>thousand euro</i>	%
PRIMA POWER	71	2,9
PRIMA ELECTRO	2.393	97,3
Inter-segment items and elisions	(5)	(0,2)
TOTAL	2.459	100,0

The consolidated EBT as of June 30, 2011 is -2,421,000 euro, with an improvement of 2,896,000 euro compared to the corresponding period of the previous financial year (it was -5,317,000 at June 30, 2010); it should be noted that this value discounts net costs deriving from financial management (including profits and losses on exchange rates) for 4,980,000 euro (as compared with 2,906,000 euro at June 30, 2010). The worsening of these costs is almost exclusively due to the result of transactions in foreign currency.

Financial management (€/000)	1st Semester 2011	1st Semester 2010
Financial income	88	80
FINPOLAR Loan Costs	(2.470)	(2.101)
Derivative financial instruments costs	(835)	(1.205)
Net result from transactions in foreign currency	(728)	1.307
Other financial costs	(1.035)	(987)
TOTAL	(4.980)	(2.906)

In particular, are evidenced costs for the FINPOLAR loan for 2,470,000 euro and net financial costs for derivative instruments (mainly linked to the FINPOLAR Loan) for 835,000 euro.

The result of exchange rate management in the first six months of 2011 is negative for 728,000 euro (positive for 1,307,000 euro at June 30, 2010) due mainly to the weakening of the U.S. dollar against the euro, revealed in this first semester (and especially in the first quarter, which contributed negatively to 615,000 euro) and that has worsened the result of the Group for the period.

The net result of joint ventures pertinent to the Group for the first six months of 2011 is positive for 99,000 euro (265,000 euro at June 30, 2010).

The NET PROFIT as of June 30, 2011 is -3,421,000 euro (it was -5,047,000 euro as of June 30, 2010). Income taxes in the first six months of 2011 indicate a negative net balance of

999,000 euro (including IRAP for 545,000 euro). The increased fiscal burden of the Group is attributable to the greater taxable revenues.

Financial situation

The reclassified equity situation of the PRIMA INDUSTRIE Group as of 30/06/2011 is shown below.

<i>Values in thousands of Euros</i>	<i>30/06/2011</i>	<i>31/12/2010</i>
Tangible and intangible fixed assets	75.053	76.091
Goodwill	102.504	102.677
Equity Investments and other non-current assets	7.782	8.102
Fiscal assets for prepaid taxes	5.742	5.150
NON-CURRENT ASSETS	191.081	192.020
Inventories	88.881	70.151
Accounts receivable	63.540	64.595
Trade payables	(69.507)	(59.068)
Advances	(29.927)	(19.095)
OPERATING WORKING CAPITAL	52.987	56.583
Other current assets and liabilities	(10.174)	(7.153)
Current fiscal assets and liabilities	2.907	2.230
Provisions for risks and benefits to employees	(14.154)	(15.256)
Fiscal liabilities for deferred taxes	(10.811)	(10.911)
Non-current assets intended for disinvestment	1.162	-
NET INVESTED CAPITAL	212.998	217.513
NET INDEBTEDNESS	140.770	141.268
SHAREHOLDERS' EQUITY	72.228	76.245
LOAN SOURCES	212.998	217.513

The value of the PRIMA INDUSTRIE Group's tangible and intangible assets decreased of 1,038,000 euro in comparison with the previous year. This decrease was substantially compensated by the item "Non-current assets for disinvestment" (+1,162,000 euro) relating to some real estate property owned by FINN-POWER Italia Srl. The rest of the financial year movements are relative to the normal activities of the Group.

A particularly significant portion of non-current assets consists of Goodwill: as illustrated in the explanatory notes, the directors checked that there has been no loss in the value of this *asset*. The variation for the year relative to goodwill is exclusively due to currency adjustment.

The Operating Working Capital decreased from last year (a reduction of 3,596,000 euro) as the increases in storage (needed in this phase of restart of orders and turnover) were more than compensated by the increases in advances from clients and payables to suppliers. This trend confirms the careful management of working capital despite the growth in turnover.

At June 30, 2011 the Group's Net indebtedness amounted to 140,770,000 euro; compared to the previous fiscal year there has been an improvement (for further comments on the Net Indebtedness, reference is made to the paragraph "Net financial position" hereafter).

The Shareholders' Equity decreased with respect to the past year of 4,017,000 euro. This decrease is mainly due to the negative result of the semester. In addition to the main element just mentioned, other movements affected the shareholders' equity, such as the negative variation in the "Currency translation reserve" (for 1,838,000 euro), the positive

variation in the “Reserve for adjustment of derivatives fair value” (for 1,082,000 euro), the positive variation in the “Stock option fund” (for 157,000 euro) and finally the capital increase due to conversion by certain shareholders of “PRIMA INDUSTRIE Warrants 2009-2013” (for only 3,000 euro).

Order Acquisition Portfolio

In addition to the fairs which the Group has attended part in the first quarter of the year (already mentioned in the Interim Management Report as of March 31, 2011), during the second quarter, the Group has also took part in the following fairs:

- BLECH INDIA (Mumbai - India)
- BLECHEXPO (Stuttgart - Germany)
- CIMT (Beijing - China)
- FABTECH MEXICO (Monterrey - Mexico)
- FORMA TOOL (Celje - Slovenia)
- INTERMOLD (Bangkok - Thailand)
- INTERNATIONAL ENGINEERING FAIR (Nitra - Slovakia)
- LE BOURGET AIR SHOW (Paris - France)
- MACH TOOL (Poznan - Poland)
- METALLOBRABOTKA (Moscow - Russia)
- MTA MALAYSIA (Kuala Lumpur - Malaysia)
- MTT EXPO INDONESIA (Jakarta - Indonesia)
- OUEST INDUSTRIE (Rennes - France)
- TECHNICAL FAIR BELGRADE (Belgrade - Serbia)
- VARNAMO INDUSTRIE EXPO (Varnamo - Sweden)

In the first six months of 2011 the order acquisition confirmed the highly positive trend which emerged from the last quarter of 2010; the acquisition for the semester totalled 166.3 million euro (+31% compared with 127.2 million euro as of June 30, 2010). It is noted in particular the good performance of the North American, Eastern Europe and China markets.

As a result, the order portfolio at June 30, 2011 amounted to 115.9 million euro and has grown further to 129.4 million euro at July 31, 2011 (compared with 74.5 million euro at June 30, 2010 and 100.2 million euro at March 31, 2011).

Net Financial Position

As of June 30, 2011 the net financial position of the Group shows a net debt of 140.8 million euro, value in improvement compared to 141.3 million euro as of December 31, 2010. This improvement, albeit slight, is considered satisfactory, especially considering the net profit of the period and was primarily due to the good management of working capital, also in the presence of the strong increase in turnover reported in the period.

The table here below shows the breakdown of the net financial position.

<i>Value expressed in Euro thousand</i>	30/06/2011	31/12/2010
CASH & CASH EQUIVALENTS	(16.737)	(14.838)
CURRENT FINANCIAL RECEIVABLES	(3)	(2)
CURRENT FINANCIAL LIABILITIES	52.751	45.310
NON CURRENT FINANCIAL LIABILITIES	104.759	110.798
NET FINANCIAL LIABILITIES	140.770	141.268

The net financial position shows the overall exposure to credit institutions and other lenders.

Before proceeding to a detailed analysis, please note that on July 29, 2011 an agreement amending the FINPOLAR Loan agreement was signed with the pool of lending banks. For more information on the subject refer to the paragraph "Events after the semester closing".

For better disclosure relating to the Consolidated Net Financial Position as of June 30, 2011, the following should be borne in mind:

- the FINPOLAR Loan amounts totally to 128,628,000 euro and is subject to respect certain *covenants* that have been redefined in the modification contract signed on July 29, 2011 (for more details on the subject refer to the paragraph "Events after the semester closing");
- payables due to leasing companies (almost exclusively referring to real estate) amount to 2,471,000 euro;
- bank payables include the negative fair value of some IRS for 6,528,000 euro; the main IRS were contracted by the parent company in partial coverage of the interest rate risk on the FINPOLAR Loan (underwriting these derivatives was foreseen by the underlying loan contract).

It should be noted that on February 4, 2011 the company has regularly paid the installment of 6,093,000 euro relative to the FINPOLAR debt (3,525,000 euro for the capital portion, 1,653,000 euro for the interest, and 915,000 euro for the two IRS). Moreover, on August 4, 2011, pursuant to the modification agreement signed on July 29, 2011, the company has paid the interest portion of the FINPOLAR loan and charges relating to derivatives (1,727,000 euro for the interest and 521,000 euro for the two IRS).

The breakdown of the net financial position is illustrated in the following Explanatory Note (see Note 6.10).

Research and Development

The activities of research and development performed by the Group in the first semester of 2011 totalled approximately 8,327,000 euro (of which 5,591,000 euro by PRIMA POWER segment and 2,736,000 by PRIMA ELECTRO segment) which is 6.5% of the turnover. In the first semester 2010 the total amount was 7,657,000 euro (6.7% of turnover).

The capitalised portion amounted to 2,940,000 euro (of which 1,783,000 euro in the PRIMA POWER segment and 1,157,000 euro in the PRIMA ELECTRO sector).

The level of costs incurred by the Group in research and development of new products, testifies its intention to continue investing in the future and strengthening its own competitiveness on the international markets.

Technical feasibility and generation of likely future economic benefits were investigated for all the capitalised development work.

During the first semester 2011 the main activities involving the PRIMA POWER segment were as follows:

- completion with positive results of the first Platino Evoluzione 1530 system equipped with fibre laser;

- receipt of approval and financing from the European Commission for the ENEPLAN project of which PRIMA INDUSTRIE will be the coordinator, for the development of an unique CAD/CAM software for the different types of machines of the PRIMA POWER segment;
- development of the new generation of LASERDYNE 430 machines for precision cutting, microdrilling and welding, for sectors such as electronics, precision mechanics, *aerospace*, production of filters and medical equipment;
- introduction on the market of the E6x electric punch machine, *entry level* for processing sheet metal in larger sizes than with the E5x model;
- completion of development and production start of an electric press-bending machine with 105 tons of bending force; it is the first realization of a press-bending machine owned by the Group that will be followed by other models with different bending forces;
- Bend Master software development for the offline programming of panel shapers;
- completion of the development of TULUS software version 3, enriched with important new features compared to the previous version.

It should finally be noted that, at the BlechExpo fair, held in Germany in early June, the Group has presented for the first time the Division Machinery related products under the new "PRIMA POWER" trademark.

The activities of research and development relative to the PRIMA ELECTRO division (industrial electronics and laser technologies) concerned:

- development and tests of the PrimaLogic software (for use on the Group's laser products);
- release of the final version of OPEN20 (for 2D machines) including laser technology, volumetric compensation and management of the EtherCAT busses;
- the completion of the control system development for electrical and hydraulic bending presses, which were successfully presented at the BlechExpo fair.
- the completion of the first prototype of an innovative high voltage power supply for CO₂, laser, whose industrialization phase is scheduled for the second half of 2011.

Personnel

In the first six months of 2011, the company halted the process of personnel reduction undertaken in 2008 (after the merger with the FINN-POWER Group, and also due to the start of the economic crisis); this reversal of trend is due both to completion of the process of reorganization and to meet the increased operating needs of the Group.

The employees of the Group have slightly increased going from 1,353 as of December 31, 2010 to 1,377 as of June 30, 2011.

Stock trend and Treasury stock

During the first six months of 2011, PRIMA INDUSTRIE stocks reached from a unit value of 7.25 euro on January 3, 2011 to a value of 7.825 euro per share on June 30, 2011.

The lowest value recorded in the period was 6.965 euro (on January 13, 2011) and the highest was 10.03 Euro (on May 18, 2011).

As can be seen from the graph, the stock rose sharply starting late in January 2011, from that moment on maintaining a consistently high trend both to the reference index, the FTSE Italia STAR, and the FTSE Italia All-Share Index.

After the end of the semester the stock has been influenced in the general Stock exchanges descent.

The graph below illustrates these trends.

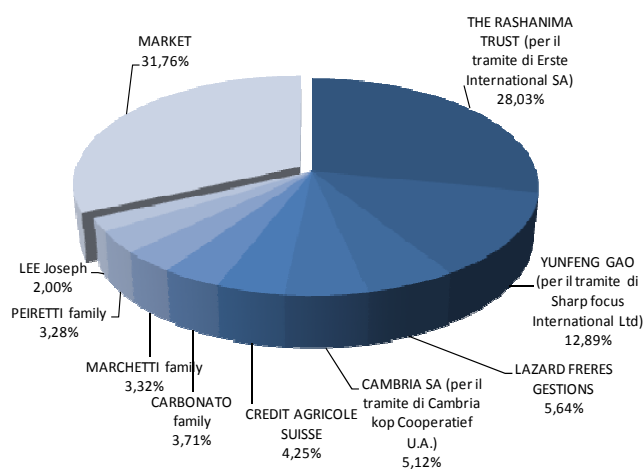


base 100 Prima Industrie vs Indici FTSE All Share e FTSE Star dal 3.01.11 al 30.06.11

As of June 30, 2011 and as at the date of approval of this report, PRIMA INDUSTRIE S.p.A. did not and does not hold any treasury stock, and there has been no resolution of authorization for its acquisition.

Shareholding structure

As of June 30, 2011 the share capital of PRIMA INDUSTRIE S.p.A. amounts to 21,601,215.00 Euro divided into 8,640,486 ordinary shares with a par value of 2.50 Euro each. The Group has issued no bonds or securities other than ordinary shares. There are, however, 2,239,514 “Prima Industrie 2009-2013 warrants” in circulation. As a consequence of a further conversion of the “PRIMA INDUSTRIE Warrants 2009-2013” as of the date of approval of this report, the share capital of PRIMA INDUSTRIE S.p.A. amounts to 21,601,740.00 euro divided into 8,640,696 ordinary shares. In the light of the entries in the shareholders' ledger, updated on the basis of the capital increase mentioned and subsequent communications received by the company or monitoring authorities, the most updated shareholding structure is as follows:



Stock option plans

The vesting period of the *stock option* plan ended in the course of the semester, approved by the PRIMA INDUSTRIE SpA Shareholders' Meeting on April 29, 2008, originally intended for the Executive Directors of the Parent Company, of PRIMA ELECTRO SpA and FINN-POWER OY, as well as the General Manager of PRIMA INDUSTRIE SpA and the financial Manager of the Group.

The beneficiaries are thus entitled to exercise the options granted at a price determined today at € 28.68 per share, from June 1, 2011 and no later than June 30, 2014 (the date on which the plan expires) during the under mentioned two periods of each year until the expiry of the plan:

- 1st June - 30th June
- 1st October - 30th October

The beneficiaries of the plan to the date of this Interim Financial Report are as follows:

SURNAME NAME	FUNCTION
Gianfranco CARBONATO	Chairman and CEO of PRIMA INDUSTRIE SpA
Ezio BASSO	General Manager and Managing Director of PRIMA INDUSTRIE SpA
Domenico PEIRETTI	Managing Director of PRIMA ELECTRO SpA and Managing Director of PRIMA INDUSTRIE SpA
Massimo RATTI	CFO of PRIMA INDUSTRIE Group

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

Operations with associates

For the information pursuant to article 5, clause 8 of Consob Regulation no. 17221 enacted on March 12, 2010, containing provisions on the subject of associates, it is advised that the two major operations with associates concluded during the reporting period were:

1. intragroup sale of the Laser System Division of Prima North America;
2. the allocation of compensation paid to directors and executives with strategic responsibilities.

Regarding the operation sub 1. refer to the explanations in the chapter "Significant Events in the Period" for the "INTRAGROUP SALE OF THE LASER SYSTEM DIVISION OF PRIMA NORTH AMERICA," which was the most important operation completed by the Group.

With regard to the operation of sub 2. the following should be noted:

- the Remuneration Committee met on May 3, 2011 to formulate a proposal regarding the remuneration of managing directors and executives with strategic responsibilities;
- as the remuneration proposals for these subjects exceed or may exceed, if granted, the threshold of 150,000 euro, established to identify transactions for smaller amounts, the Committee was asked to give a not binding preliminary opinion to the Board of Directors. The favourable opinion was given on May 3, 2011;
- the Board of Directors on May 12, 2011 has therefore approved, upon the proposal of the Remuneration Committee and with the positive opinion of the Related Party Committee, the following compensations:
 - for the Managing Director of PRIMA INDUSTRIE SpA and CEO of the Group,

Gianfranco Carbonato, a fixed annual compensation of 320,000 euro confirmed for the 2011-2013 period, gross of withholding taxes, and a variable compensation for the year 2011, at a maximum amount of 40% of the fixed compensation;

- for the Managing Director of PRIMA INDUSTRIE SpA (PRIMA ELECTRO Division), Domenico Peiretti, a fixed annual compensation (paid out by PRIMA ELECTRO SpA) of 240,000 euro confirmed for the 2011-2013 period, gross of withholding taxes, and a variable compensation for the year 2011, at a maximum amount of 40% of the fixed compensation;
- for the Managing Director of PRIMA INDUSTRIE SpA (PRIMA POWER Division), Ezio G.Basso, an increase of the annual gross remuneration of 220,000 euro, starting from June 1, 2011 and annual incentives are for the year 2011 at a maximum amount of 40% of the gross annual compensation increased to 220,000 euro.
- for the CFO of PRIMA INDUSTRIE Group, Massimo Ratti, an increase of the annual gross remuneration of 165,000 euro, with effect from June 1, 2011 and annual incentives are for the year 2011 at a maximum amount of 40% of the gross annual compensation increased to 165,000 euro.

For further details on the subject of operations of the Group with associates, see “Note 6.28 - INFORMATION ON ASSOCIATES”.

Atypical and Unusual Transactions

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

Events after the Semester closing

MERGER OF PRIMA NORTH AMERICA AND OSAI USA

To complete the reorganization process of the PRIMA ELECTRO Division, which began with the sale of 100% of PRIMA NORTH AMERICA Inc. from PRIMA INDUSTRIE SpA to PRIMA ELECTRO SpA and continued with the sale from PRIMA NORTH AMERICA Inc. of the laser systems division to PRIMA POWER LASERDYNE LLC, a newco (incorporated on April 6, 2011) with headquarters in Minnesota (USA) 100% subsidiary of PRIMA POWER NORTH AMERICA, Inc., the merger of PRIMA North America Inc. and OSAI USA LLC (100% owned by historically PRIMA ELECTRO SpA) has been completed on July 1, 2011.

After this merger the resulting company took the name of PRIMA ELECTRO NORTH AMERICA LLC, incorporating all the activities of the PRIMA ELECTRO Division in North America.

AMENDING AGREEMENT OF THE FINPOLAR LOAN CONTRACT

On July 29, 2011 PRIMA INDUSTRIE SpA has signed with the pool of lending banks a contract to amend the FINPOLAR Loan contract, originally signed on January 31, 2008 (and subsequently amended in 2009) for the acquisition of the FINN-POWER Group.

Under the new agreement PRIMA INDUSTRIE SpA has achieved:

- the payment postponement to February 2015 of the principal of the installment with original expiry date in August 2011 and almost all of the principal of the installment expiring in February 2012;
- the extension to 2014 of the *revolving* credit line of 12.2 million euro (originally expired in 2012);
- the definition of new *covenants* consistent with the Group's multi-year industrial plan reviewed by BAIN & Co.

Against the achievement of these changes to the loan contract, PRIMA INDUSTRIE has agreed to pay an increase in spread of 15 *basis point* (thus taking the *spread* to 195-230 *basis points*), in addition to a waiver fee of 618,000 euro (equal to 45 *basis points* on the residual debt).

INCORPORATION OF A NEW BRANCH OF PRIMA POWER DIVISION IN INDIA

In order to better serve the Asian market on August 2, 2011 a new subsidiary of the Group has been set up in India. The company, called PRIMA Machine Services India Private Limited is owned 99.99% by FINN-POWER OY and is based in Pune.

The Group, which already operated in this country through a distributor, has decided to invest in an area with high growth potential. With the opening of this subsidiary, the PRIMA INDUSTRIE Group is therefore directly present in all the BRIC Countries.

Expected management developments and prospects for the current year

The first semester of 2011 of PRIMA INDUSTRIE Group stood out for the high order acquisition and the recovery of all the reference markets (except Italy).

In this context, the Group has continued to work to expand its international coverage and at the equity level to improve its financial structure. In this sense, the modification agreement of the FINPOLAR loan has significantly increased the Group's financial flexibility.

It is therefore expected that the remaining part of the year 2011 will benefit from the high amount of the order portfolio, of the work carried out in recent years to optimize the industrial and financial structure, and the constant attention to cost and working capital control.

However, the recent disturbances at macroeconomic level, which are outside the control of the Group, could affect longer-term prospects, in the absence of adequate responses from the *policy makers* internationally agreed.



Chapter 4.

Economic Performance by Segment

Chapter 4. Economic Performance by Segment

During 2010, the Group gained a new organization structure, based on the concentration of its activities into two divisions: the PRIMA POWER division and the PRIMA ELECTRO division; in addition to a concentration of the assets, also implied the transfer of some of them between segments. This meant, in addition to the grouping of the “Laser systems” and “Sheet metal processing machinery” in the PRIMA POWER segment, the transfer of the activities relative to the production of laser beams to the PRIMA ELECTRO segment. Since these are transactions taking place between companies of the PRIMA INDUSTRIE Group, their effects are eliminated in consolidated financial statements.

The group started reporting data in accordance with this new organization starting from the first quarter 2011, as the requisites foreseen by IFRS 8 to identify an operating sector became effective only from that date. In 2010 the information was not yet available on the basis of the new segments.

The reorganization involved a far-reaching process of redistribution of managerial responsibilities, as well as the revision of the *reporting* instruments, so it will not be possible to perform a comparison between the results of the first semester 2011 and those of the corresponding period of the previous year, as the information necessary for reclassification is not immediately available and their *ad hoc* processing would be too costly for the Group to process at this time. The only data for comparison at the disposal of the group, and that will therefore be used in the rest of the document, are revenues.

For the above reasons, it is not possible to furnish information about the sector relative to 2011 even according to the previous division into three segments.

The following table summarizes the economic trend for the two sectors in which the Group currently operates.

<i>Values in thousands of Euros</i>	30/06/11					30/06/10
	REVENUES	EBITDA	% on Revenues	EBIT	% on Reven.	REVENUES
PRIMA POWER	109.100	4.212	3,9%	71	0,1%	97.908
PRIMA ELECTRO	25.950	3.099	11,9%	2.393	9,2%	24.187
ELIMINATIONS	(7.371)	(9)	0,1%	(5)	0,1%	(7.583)
GROUP	127.679	7.302	5,7%	2.459	1,9%	114.512

It should be noted that the values of EBIT and EBITDA here presented are not directly reconcilable with those presented in note 6.30 - SEGMENT REPORT.

PRIMA POWER

The revenues in the first six months of 2011 for the PRIMA POWER segment were 11% higher than in the corresponding period of 2010. Both the two main companies in the segment had good results in the period in consideration.

In view of the high level of revenues, the EBITDA for the segment amounted to 4,212,000 euro. In the first semester 2011 the main companies in the segment attained better operating results than in the corresponding period of the previous year. In particular, all the production companies (PRIMA INDUSTRIE, FINN-POWER OY, FINN-POWER Italia and PRIMA POWER LASERDYNE) reported significant improvements with respect to the corresponding period of the previous year. As regards the trading companies, the most significant improvements were reported in North America and Spain. Highly satisfactory results were also achieved in Russia, with the new company incorporated in the second half of 2010.

PRIMA ELECTRO

Revenues for the first six months of 2011 of the PRIMA ELECTRO segment increased by 7% compared to the same period of 2010. The business of the PRIMA ELECTRO segment had suffered to a lesser extent by the recent economic crisis and its recovery was more rapid than in the business of the PRIMA POWER, so now the growth rates of the components segment (+7% of revenues) are lower compared to that of the machines segment (+11% of revenues).

With an EBITDA of 3,099,000 euro, the level of profitability of the PRIMA ELECTRO segment is 11.9%, confirming the good profitability of this business.



Chapter 5.

Condensed Consolidated Interim Financial
Statements of the Prima Industrie Group as of
June 30, 2011

Accounting Tables

Chapter 5. Condensed Consolidated Interim Financial Statements of the Prima Industrie Group as of June 30, 2011

CONSOLIDATED BALANCE SHEET

Values in euro	Notes	30/06/2011	31/12/2010
Property, plant and equipment	6.1	24'464'875	25'012'944
Intangible assets	6.2	153'092'378	153'754'370
Investments accounted for using the equity method	6.3	6'784'628	7'094'101
Other investments	6.4	971'559	938'670
Deferred tax assets	6.5	5'741'965	5'150'271
Other non current assets	6.8	26'049	68'785
NON CURRENT ASSETS		191'081'454	192'019'141
Inventories	6.6	88'881'421	70'151'228
Trade receivables	6.7	63'539'702	64'594'764
Other receivables	6.8	6'831'284	6'977'985
Current tax receivables	6.9	6'566'301	4'691'311
Derivatives	6.10	2'775	1'714
Cash and cash equivalents	6.10	16'736'913	14'837'872
CURRENT ASSETS		182'558'396	161'254'874
ASSETS HELD FOR SALE	6.11	1'161'766	-
TOTAL ASSETS		374'801'616	353'274'015
Capital stock	6.12	21'601'215	21'600'337
Legal reserve	6.12	4'320'068	2'733'635
Other capital reserves	6.12	55'317'085	52'226'002
Currency translation reserve	6.12	(2'185'222)	(347'660)
Retained earnings	6.12	(3'404'106)	5'997'695
Net result	6.12	(3'420'576)	(5'965'272)
Stockholders' equity of the Group		72'228'464	76'244'737
<i>Minority interest</i>		-	-
STOCKHOLDERS' EQUITY		72'228'464	76'244'737
Interest-bearing loans and borrowings	6.10	98'231'323	103'019'395
Employee benefit liabilities	6.13	7'005'015	7'019'791
Deferred tax liabilities	6.14	10'810'987	10'910'840
Provisions	6.15	59'691	67'091
Derivatives	6.10	6'527'610	7'778'856
NON CURRENT LIABILITIES		122'634'626	128'795'973
Trade payables	6.16	69'506'720	59'067'818
Advance payments	6.16	29'926'896	19'094'705
Other payables	6.16	17'005'582	14'130'459
Interest-bearing loans and borrowings	6.10	52'750'769	45'256'498
Current tax payables	6.17	3'659'006	2'461'577
Provisions	6.15	7'089'553	8'169'063
Derivatives	6.10	-	53'185
CURRENT LIABILITIES		179'938'526	148'233'305
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		374'801'616	353'274'015

Consolidated Income Statement

Values in euro	Notes	30/06/2011	30/06/2010
Net revenues	6.18	127'679'419	114'512'419
Other income	6.19	861'851	2'475'251
Change in inventories of finished goods and WIP		12'119'004	2'473'892
Increases in fixed assets for internal work	6.20	3'075'304	3'299'943
Use of raw materials, consumables, supplies and goods		(66'266'208)	(56'119'741)
Personnel cost	6.21	(39'890'265)	(38'870'922)
Depreciation	6.22	(4'842'676)	(4'781'597)
Amortization and impairment	6.22	-	(252'798)
Other operating expenses	6.23	(30'277'168)	(25'413'190)
OPERATING PROFIT		2'459'261	(2'676'743)
Financial income	6.24	88'010	80'322
Financial expenses	6.24	(4'340'072)	(4'293'123)
Net exchange differences	6.24	(728'148)	1'307'238
Net result of investments accounted for using the equity method	6.25	99'483	265'484
RESULT BEFORE TAXES		(2'421'466)	(5'316'822)
Taxes	6.26	(999'110)	270'251
NET RESULT		(3'420'576)	(5'046'571)
- Attributable to Group shareholders		(3'420'576)	(5'046'571)
- Attributable to minority shareholders		-	-
RESULT PER SHARE - BASIC (in euro)	6.27	(0,40)	(0,63)
RESULT PER SHARE - DILUTED (in euro)	6.27	(0,40)	(0,63)

Consolidated Total Income Statement

Values in Euro	Notes	30/06/2011	30/06/2010
NET RESULT (A)		(3'420'576)	(5'046'571)
Gains / (Losses) on cash flow hedges	6.12	1'082'000	(1'562'574)
Gains / (Losses) on exchange differences on traslating foreign operations	6.12	(1'837'562)	3'927'346
TOTAL OTHER GAINS/(LOSSES) (B)		(755'562)	2'364'772
NET REUSLT OF THE PERIOD (A) + (B)		(4'176'138)	(2'681'799)
- of which attributable to Group shareholders		(4'176'138)	(2'681'799)
- of which attributable to the minority shareholders		-	-

Table of Changes in the Consolidated Shareholders' Equity

from January 1st to June 30th, 2010

Values in euro	01/01/2010	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	30/06/2010
Capital stock	16'000'000	5'600'302	-	-	-	-	21'600'302
Additional paid-in capital	36'814'893	9'632'726	-	-	-	-	46'447'619
Legal reserve	2'733'635	-	-	-	-	-	2'733'635
Capital increase - expenses	(1'263'903)	(20'563)	-	-	-	-	(1'284'466)
Stock option reserve	728'494	-	-	-	-	205'064	933'558
Change in the FV of hedging derivatives	(5'214'268)	-	-	-	(1'562'574)	-	(6'776'842)
Other reserves	14'120'389	-	-	-	-	-	14'120'389
Currency translation reserve	(2'384'892)	-	-	-	3'927'346	-	1'542'454
Retained earnings	12'138'832	-	(8'695'527)	-	-	-	3'443'305
Net result	(8'695'527)	-	8'695'527	-	(5'046'571)	-	(5'046'571)
Stockholders' equity of the Group	64'977'653	15'212'465	-	-	(2'681'799)	205'064	77'713'383
Minority interest	-	-	-	-	-	-	-
STOCKHOLDERS' EQUITY	64'977'653	15'212'465	-	-	(2'681'799)	205'064	77'713'383

from January 1st to June 30th, 2011

Values in euro	01/01/2011	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	30/06/2011
Capital stock	21'600'337	878	-	-	-	-	21'601'215
Additional paid-in capital	46'447'703	2'106	-	-	-	-	46'449'809
Legal reserve	2'733'635	-	1'586'433	-	-	-	4'320'068
Capital increase - expenses	(1'284'466)	-	-	-	-	-	(1'284'466)
Stock option reserve	1'138'624	-	-	-	-	156'881	1'295'505
Change in the FV of hedging derivatives	(5'641'858)	-	-	-	1'082'000	-	(4'559'858)
Other reserves	11'565'999	-	1'850'096	-	-	-	13'416'095
Currency translation reserve	(347'660)	-	-	-	(1'837'562)	-	(2'185'222)
Retained earnings	5'997'695	-	(9'401'801)	-	-	-	(3'404'106)
Net result	(5'965'272)	-	5'965'272	-	(3'420'576)	-	(3'420'576)
Stockholders' equity of the Group	76'244'737	2'984	-	-	(4'176'138)	156'881	72'228'464
Minority interest	-	-	-	-	-	-	-
STOCKHOLDERS' EQUITY	76'244'737	2'984	-	-	(4'176'138)	156'881	72'228'464

Consolidated Cash Flow Statement

VALUES IN EURO	30/06/2011	30/06/2010
Net result	(3'420'576)	(5'046'571)
Adjustments (sub-total)	8'932'921	(320'131)
Depreciation and amortization	4'842'676	5'034'395
Net change in deferred tax assets and liabilities	(691'547)	(1'337'998)
Net result of investments accounted for using the equity method	(99'483)	(265'484)
Change in employee benefits	(14'776)	(543'054)
Change in inventories	(18'730'193)	(8'381'186)
Change in trade receivables	1'055'062	(5'782'987)
Change in trade payables	21'271'093	12'963'404
Net change in other receivables/payables and other assets/liabilities	1'300'089	(2'007'221)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	5'512'345	(5'366'702)
<i>Cash flow from investments</i>		
Acquisition of tangible fixed assets (*)	(2'495'442)	(735'638)
Acquisition of intangible fixed assets	(139'094)	(43'605)
Capitalization of development costs	(2'939'986)	(3'050'311)
Disposal/(Purchase) investments accounted for using the equity method	-	(47'000)
Net disposal of fixed assets and investment properties (*)	236'905	168'081
Change in other investments	(32'889)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(5'370'506)	(3'708'473)
<i>Cash flow from financing activities</i>		
Change in other non current financial liabilities and other minor items	(695'584)	515'680
Increases in loans and borrowings (including bank overdrafts)	12'438'834	3'092'009
Repayment of loans and borrowings (including bank overdrafts)	(9'641'090)	(16'527'134)
Increases/(repayments) in financial lease liabilities	250'739	(140'658)
Capital increase	2'984	15'212'465
Other changes	(598'681)	2'569'836
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	1'757'202	4'722'198
Net change in cash and equivalents (D=A+B+C)	1'899'041	(4'352'977)
Cash and equivalents beginning of period (E)	14'837'872	15'083'752
Cash and equivalents end of period (F=D+E)	16'736'913	10'730'775

Additional information to the Consolidated cash-flow statement	30/06/2011	30/06/2010
<i>Values in euro</i>		
Income taxes	(999'110)	270'251
Financial income	88'010	80'322
Financial costs	(4'340'072)	(4'293'123)

Consolidated Balance Sheet in accordance with Consob resolution no. 15519 dated July 27, 2006

Values in euro	Notes	30/06/2011	of which related parties	31/12/2010	of which related parties
Property, plant and equipment	6.1	24'464'875	-	25'012'944	-
Intangible assets	6.2	153'092'378	-	153'754'370	-
Investments accounted for using the equity method	6.3	6'784'628	6'784'628	7'094'101	7'094'101
Other investments	6.4	971'559	-	938'670	-
Deferred tax assets	6.5	5'741'965	-	5'150'271	-
Other non current assets	6.8	26'049	-	68'785	-
NON CURRENT ASSETS		191'081'454		192'019'141	
Inventories	6.6	88'881'421	-	70'151'228	-
Trade receivables	6.7	63'539'702	884'033	64'594'764	823'862
Other receivables	6.8	6'831'284	-	6'977'985	-
Current tax receivables	6.9	6'566'301	-	4'691'311	-
Derivatives	6.10	2'775	-	1'714	-
Cash and cash equivalents	6.10	16'736'913	-	14'837'872	-
CURRENT ASSETS		182'558'396		161'254'874	
ASSETS HELD FOR SALE	6.11	1'161'766	-	-	-
TOTAL ASSETS		374'801'616		353'274'015	
Capital stock	6.12	21'601'215	-	21'600'337	-
Legal reserve	6.12	4'320'068	-	2'733'635	-
Other capital reserves	6.12	55'317'085	-	52'226'002	-
Currency translation reserve	6.12	(2'185'222)	-	(347'660)	-
Retained earnings	6.12	(3'404'106)	-	5'997'695	-
Net result	6.12	(3'420'576)	-	(5'965'272)	-
Stockholders' equity of the Group		72'228'464		76'244'737	
Minority interest		-		-	
STOCKHOLDERS' EQUITY		72'228'464		76'244'737	
Interest-bearing loans and borrowings	6.10	98'231'323	-	103'019'395	-
Employee benefit liabilities	6.13	7'005'015	-	7'019'791	-
Deferred tax liabilities	6.14	10'810'987	-	10'910'840	-
Provisions	6.15	59'691	-	67'091	-
Derivatives	6.10	6'527'610	-	7'778'856	-
NON CURRENT LIABILITIES		122'634'626		128'795'973	
Trade payables	6.16	69'506'720	-	59'067'818	-
Advance payments	6.16	29'926'896	-	19'094'705	-
Other payables	6.16	17'005'582	299'454	14'130'459	289'643
Interest-bearing loans and borrowings	6.10	52'750'769	-	45'256'498	-
Current tax payables	6.17	3'659'006	-	2'461'577	-
Provisions	6.15	7'089'553	-	8'169'063	-
Derivatives	6.10	-	-	53'185	-
CURRENT LIABILITIES		179'938'526		148'233'305	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		374'801'616		353'274'015	

Consolidated Income Statement in accordance with Consob resolution no. 15519 dated July 27, 2006

Values in euro	Notes	30/06/2011	of which related parties	30/06/2010	of which related parties
Net revenues	6.18	127'679'419	1'461'040	114'512'419	2'217'669
Other income	6.19	861'851	-	2'475'251	-
Change in inventories of finished goods and WIP		12'119'004	-	2'473'892	-
Increases in fixed assets for internal work	6.20	3'075'304	-	3'299'943	-
Use of raw materials, consumables, supplies and goods		(66'266'208)	-	(56'119'741)	-
Personnel cost	6.21	(39'890'265)	(447'917)	(38'870'922)	(373'004)
Depreciation	6.22	(4'842'676)	-	(4'781'597)	-
Amortization and impairment	6.22	-	-	(252'798)	-
Other operating expenses	6.23	(30'277'168)	(293'139)	(25'413'190)	(388'750)
OPERATING PROFIT		2'459'261		(2'676'743)	
Financial income	6.24	88'010	-	80'322	-
Financial expenses	6.24	(4'340'072)	-	(4'293'123)	-
Net exchange differences	6.24	(728'148)	-	1'307'238	-
Net result of investments accounted for using the equity method	6.25	99'483	99'483	265'484	265'484
RESULT BEFORE TAXES		(2'421'466)		(5'316'822)	
Taxes	6.26	(999'110)		270'251	
NET RESULT		(3'420'576)		(5'046'571)	
- Attributable to Group shareholders		(3'420'576)		(5'046'571)	
- Attributable to minority shareholders		-		-	
RESULT PER SHARE - BASIC (in euro)	6.27	(0,40)		(0,63)	
RESULT PER SHARE - DILUTED (in euro)	6.27	(0,40)		(0,63)	

Consolidated Cash-flow Statement in accordance with Consob resolution no. 15519 dated July 27, 2006

VALUES IN EURO	30/06/2011	of which related parties	30/06/2010	of which related parties
Net result	(3'420'576)	-	(5'046'571)	-
Adjustments (sub-total)	8'932'921	-	(320'131)	-
Depreciation and amortization	4'842'676	-	5'034'395	-
Net change in deferred tax assets and liabilities	(691'547)	-	(1'337'998)	-
Net result of investments accounted for using the equity method	(99'483)	(99'483)	(265'484)	(265'484)
Change in employee benefits	(14'776)	-	(543'054)	-
Change in inventories	(18'730'193)	-	(8'381'186)	-
Change in trade receivables	1'055'062	(60'171)	(5'782'987)	(262'680)
Change in trade payables	21'271'093	-	12'963'404	-
Net change in other receivables/payables and other assets/liabilities	1'300'089	9'811	(2'007'221)	(212'770)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	5'512'345		(5'366'702)	
<i>Cash flow from investments</i>				
Acquisition of tangible fixed assets (*)	(2'495'442)	-	(735'638)	-
Acquisition of intangible fixed assets	(139'094)	-	(43'605)	-
Capitalization of development costs	(2'939'986)	-	(3'050'311)	-
Disposal/(Purchase) investments accounted for using the equity method	-	-	(47'000)	(47'000)
Net disposal of fixed assets and investment properties (*)	236'905	-	168'081	-
Change in other investments	(32'889)	-	-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(5'370'506)		(3'708'473)	
<i>Cash flow from financing activities</i>				
Change in other non current financial liabilities and other minor items	(695'584)	-	515'680	-
Increases in loans and borrowings (including bank overdrafts)	12'438'834	-	3'092'009	-
Repayment of loans and borrowings (including bank overdrafts)	(9'641'090)	-	(16'527'134)	-
Increases/(repayments) in financial lease liabilities	250'739	-	(140'658)	-
Capital increase	2'984	-	15'212'465	-
Other changes	(598'681)	156'881	2'569'836	205'064
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	1'757'202		4'722'198	
Net change in cash and equivalents (D=A+B+C)	1'899'041		(4'352'977)	
Cash and equivalents beginning of period (E)	14'837'872		15'083'752	
Cash and equivalents end of period (F=D+E)	16'736'913		10'730'775	

Additional information to the Consolidated cash-flow statement	30/06/2011		30/06/2010	
<i>Values in euro</i>				
Income taxes	(999'110)	-	270'251	-
Financial income	88'010	-	80'322	-
Financial costs	(4'340'072)	-	(4'293'123)	-



Chapter 6.

Explanatory Notes

Chapter 6. Explanatory Notes

Company information

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

With its subsidiary company PRIMA ELECTRO SpA (formerly PRIMA ELECTRONICS SpA), the company operates in the field of industrial electronics, control technology and real-time software, success factors in the continuous innovation of the products necessary to maintain its leadership in a high-tech sector with highly developmental dynamics.

In 2000, the company acquired Convergent Energy Inc. in the USA (design and manufacture of CO₂ and solid-state laser sources).

In 2001, the company bought the Laserdyne division from GSI Lumonics (design, manufacture and sale of multi-axis laser systems, particularly for the aerospace and energy industries).

Between 1999 and 2006, the Group grew on the Asian market, where it established joint ventures in China and Japan; moreover the company has further consolidated its sales and service structures in Europe, where it currently operates in all the most important countries.

For the direct supervision of the high growth markets, since 2007 sales and service companies were opened in all the BRIC countries.

In February 2008, the parent company PRIMA INDUSTRIE SpA acquired the FINN-POWER Group, one of the world’s major players in the field of sheetmetal processing machinery. The FINN-POWER Group’s products are the perfect complement to the PRIMA INDUSTRIE lineup. Following this last acquisition, the PRIMA INDUSTRIE Group consolidated its leadership at the world level in the sector of sheet metal processing applications.

During 2010, the Group gained a new organization structure, based on the concentration of its activities into two divisions: the PRIMA POWER division and the PRIMA ELECTRO division. In addition to a concentration of the assets, this also led to the transfer of some of them between segments. This meant, in addition to the grouping of the “Laser systems” and “Sheet metal processing machinery” in the PRIMA POWER segment, the transfer of the activities relative to the production of laser sources to the PRIMA ELECTRO segment.

As of January 1, 2011, the PRIMA INDUSTRIE Group is thus active in two sectors of business:

PRIMA POWER: which includes design, production and sale of:

- Laser Machines for cutting, welding and drilling three-dimensional (3D) and two-dimensional (2D) metallic components;
- Machines for processing sheet metal using mechanical tools (punches, integrated punching and shearing systems, integrated punching and laser cutting systems, panel shapers, bending machines and automation systems).

PRIMA ELECTRO: which includes the development, production and sale of electronic power and control components and high power laser sources for industrial applications, for installation on the Group's own machines and those of its clients.

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

Form and content

The condensed consolidated financial statements of the PRIMA INDUSTRIE Group as of June 30, 2011 were prepared in the perspective of an on-going concern (for more details see the note on "Accounting Standards") and in respect of the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (defined as "IFRS"), as well as the legislative provisions and regulations in force in Italy (with particular reference to Legislative Decree 58/1998 and subsequent amendments, and the emitter regulations published by the CONSOB). "IFRS" means the International Accounting Standards (IAS) still in force, as well as all the interpretational documents issued by the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC").

The condensed consolidated financial statements as of June 30, 2011 were prepared, in summary form, in accordance with IAS 34 "Interim Financial Statements" and do not include all the information required in the annual Financial Statements and must be read together with the annual Financial Statements prepared for the year ending December 31, 2010, to which reference is made, for further details.

The condensed Consolidated Financial Statements at June 30, 2011 of the PRIMA INDUSTRIE Group are expressed in Euro, which is also the applicable currency in the economies in which the Group mainly operates.

The foreign subsidiaries are included in the condensed Consolidated Financial Statements at June 30, 2011 in accordance with the principles described in the Note entitled "Accounting Principles" in the Consolidated Financial Statements as of December 31, 2010.

For comparative purposes the Balance sheet information as of December 31, 2010 and the Income Statement and the Cash Flow Statement information as of June 30, 2010 have been presented, as well as the shareholders' equity movements for the first six months of 2010 in application of IAS 1 requirements (Presentation of the Financial Statements).

Accounting Principles

Ongoing concern

The condensed consolidated financial statements at 30/06/2011 were prepared in the perspective of an ongoing concern, as there are reasonable expectations that PRIMA INDUSTRIE will continue its operations in the foreseeable future. In particular, the improved operating profitability with respect to the previous semester, the increase in order acquisitions in recent months, and mentioned renegotiation operation of the FINPOLAR Loan, are the main factors taken into consideration to ascertain that, at this time, there are no significant doubts about the Group's prospects of remaining in business.

Accounting criteria and principles of consolidation

The accounting standards used to prepare the condensed consolidated financial statements are in compliance with those used to prepare the Consolidated Financial Statements as of December 31, 2010, except for adoption from January 1, 2011 of new standards and interpretations listed below:

IAS 24 - Information about the financial statements on operations with Related Party.

The amendment to IAS 24 introduced by the IASB simplifies the type of information required in the case of transactions with Related Party controlled by the state and clarifies the definition of Related Party.

IAS 34 - Interim Financial Statements

The amendment to IAS 34 introduced by the IASB includes clarifications about the additional information that must be presented in interim reports.

The following amendments, *improvements* and interpretations, effective from January 1, 2011, govern this case and cases not present in the Group at the date of this Interim Financial Report:

- Amendment to "IAS 32 - Financial instruments";
- Amendment to "IFRIC 14 - Advance payment against clauses of minimum contribution";
- IFRIC 19 - Extinction of a liability through issuance of capital instrument;
- Improvement to IAS/IFRS (2010).

Use of account estimates

The preparation of the interim Financial Statements requires management to make estimates and assumptions that have an effect on the revenue values, as well as on the costs and the assets and liabilities in the Financial Statements and on the report relating to the potential assets and liabilities at the date of the interim Financial Statements. In the future should these estimates and assumption that are based on management's best assessment, differ from the actual circumstances, they will be changed in an appropriate way in the period in which the circumstances themselves change. In particular and at the time of preparing the condensed consolidated financial statements as of June 30, 2011, the income taxes for the period for the individual consolidated enterprises were determined on the basis of the best estimate possible in relation to the information available and on the reasonable estimate of the trend for the financial year until the end of the tax period.

Financial Statements Format

As far as the layout of the Financial Statements is concerned, the Group has elected to use the layout described here below:

- a) as regards the consolidated Balance Sheet, the Company has adopted the layout which reflects the assets and liabilities distinguishing between "current" (i.e. liquid/due within one year) and "non current" (i.e. liquid/ due beyond one year);
- b) as regards the consolidated income statement, the layout used divides the costs by their nature; the total consolidated income statement includes, in addition to the profit for the period, the other changes in movements of the shareholders' equity different from those with the shareholders;
- c) as regards the table of changes in Stockholders' Equity, the Company adopted the layout that reconciles the opening and closing balances of each item of equity for the period under way as well as for the previous one;
- d) as regards the Cash Flow Statement the Company elected the so-called "indirect" method, which determines the financial flow net of operating activities adjusting the profit and loss for the effects of:
 - non monetary elements such as depreciation, write-downs, profits and losses on associated unrealised items;
 - the changes in inventories, receivables and payables generated by the operating activities;
 - other elements where the financial flows are generated by investment activities and financing.

This Report was authorised for publication by the Board of Directors on August 29, 2011.

Explanatory Notes

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

NOTE 6.1 - TANGIBLE FIXED ASSETS

At June 30, 2011 the tangible fixed assets amount to 24,465,000 euro, down of 548,000 euro as of December 31, 2010.

For more details, see the table here below.

Tangible fixed assets	Land and buildings	Plants and machinery	Equipment industrial and trade	Other goods	Fixed assets under construction	TOTAL
Net value as of December 31, 2010	18.641.744	3.086.221	770.177	1.993.574	521.228	25.012.944
<i>Movements of 1st Half 2011</i>						
Increases	74.813	562.220	353.963	561.390	57.555	1.609.941
Disinvestments	(69.066)	-	(30.046)	(103.234)	-	(202.346)
Use of depreciation fund	-	-	22.138	81.438	-	103.576
Depreciation	(307.516)	(385.410)	(355.795)	(385.607)	-	(1.434.328)
Tangible fixed assets Reclassifications	-	(946.228)	925.110	21.118	-	-
Riclassification with Non-current assets for disinvestment	(414.400)	-	-	-	-	(414.400)
Difference on exchange rates	(132.039)	(2.898)	(62.509)	(12.739)	(327)	(210.512)
Net value as of June 30, 2011	17.793.536	2.313.905	1.623.038	2.155.940	578.456	24.464.875
40.724						
Historic cost	23.228.896	13.302.753	11.546.795	13.455.295	578.456	62.112.195
Depreciation fund	(5.435.360)	(10.988.848)	(9.923.757)	(11.299.355)	-	(37.647.320)
Net value as of June 30, 2011	17.793.536	2.313.905	1.623.038	2.155.940	578.456	24.464.875

The reduction in net book value of tangible fixed assets mainly reflects depreciation in the period, against rather low net investments and a decrease of 211,000 euro due to the exchange effect.

There was, however, a reclassification of 414,000 euro from the item “Land and Buildings” to the item “Non-current assets for disinvestment” (for more details see Note 6.11).

NOTE 6.2 - INTANGIBLE FIXED ASSETS

At June 30, 2011 the intangible fixed assets amount to 153,092,000 euro, down with respect to December 31, 2010 of 662,000 euro. Reference is made to the table below for more details regarding the movements in the intangible fixed assets during the first six months of 2011.

Intangible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Net value as of December 31, 2010	102.676.522	18.460.471	32.617.377	153.754.370
<i>Movements of 1st Half 2011</i>				
Increases/(decreases)	-	2.939.986	139.094	3.079.080
Depreciation	-	(1.606.354)	(1.801.994)	(3.408.348)
Difference on exchange rates	(172.340)	(160.880)	496	(332.724)
Net value as of June 30, 2011	102.504.182	19.633.223	30.954.973	153.092.378

The most significant item is Goodwill, which as of June 30, 2011 amounts to 102,504,000 euro. All Goodwill recorded in the Financial Statements relates to the greater value paid compared to the fair value of the business acquired.

The goodwill is not subject to depreciation and is annually subject to the *impairment test*. For purposes of the annual impairment test, the individual goodwill items acquired through 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.

The table below sets out the book value of the goodwill allocated to each unit that generates financial flows.

UNIT GENERATOR OF CASH FLOWS	BOOK VALUE	
	GOODWILL June 30, 2011	GOODWILL December 31, 2010
PRIMA POWER	96.078	96.078
OSAI (Service)	4.125	4.125
PRIMA NORTH AMERICA (*)	2.110	2.283
MLTA	154	154
OSAI UK	37	37
TOTAL	102.504	102.677

(*) company now split into two new legal entities: PRIMA ELECTRO NORTH AMERICA and PRIMA-POWER LASERDYNE

PRIMA-POWER

Acquisition of the FINN-POWER Group in 2008 caused the inclusion of goodwill of 96,078,000 euro. The cash generating unit to which the goodwill has been originally allocated is represented by the FINN-POWER Group, consisting of the sheet metal processing machines production plants in Finland and Italy, and the European and U.S. distribution companies. This allocation was made in compliance with the maximum aggregation constraint, which may not exceed the operating segment under IFRS 8.

As described in "Economic Performance by segment," from January 1, 2011, the PRIMA INDUSTRIE Group adopted a new organizational structure which has resulted in the reorganization of activities in two main segments: PRIMA POWER (inclusive of laser machines and sheet metal working machines) and PRIMA ELECTRO (inclusive of components for the machines). The adoption of this new organization has resulted in the redistribution of management responsibilities, reorganization of certain legal entities and the review of the *reporting* tools. Consistent with the new segments organization, starting in 2011, the goodwill was evaluated on the basis of the new CGU PRIMA-POWER, representative of the minimum level at which goodwill is monitored for internal management control.

As of June 30, 2011 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) and the value of use, or rather the current value of future financial flows that should derive from their continued use and any removal from service of them at the end of their useful life.

The value in use was determined by discounting the cash flows contained in the economic and financial plan of the PRIMA-POWER segment approved by the Board of Directors of PRIMA INDUSTRIE SpA concerning the time period July 1, 2011 - June 30, 2016. This plan, consistent with the one approved in the previous year by the Board of Directors of PRIMA INDUSTRIE SpA for the years 2011 - 2014 and subject to *review* by an independent expert, has been extended until year 2016 to consider a period of 5 years. The extension of the plan has been made taking into account the Group's previous experience (particularly the cyclical trend in the machine tools sector) and by assessing the current situation in the reference markets. The assumptions made in forecasting cash flows over the explicit projection period were made on prudential assumptions.

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.

The discount rate applied to prospective cash flows was 9.68% (*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 is higher to the one used at the end of the previous year (as of December 31, 2010 the *pre-tax* rate was 8.81%).

For cash flows for the years subsequent to the explicit forecast period, a growth rate of 0.5% (in line with that used as of December 31, 2010) has been assumed, coherent 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 PRIMA-POWER segment.

With respect to the basic assumptions described above, an analysis of sensitivity was made of the results with respect to the WACC, the growth rates (g) and the forecast results. In particular, even with increases of 50 *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 (*pre-tax*) that would make the recoverable value of the CGU equal to its book value would be 12%.

A sensitivity test was also performed with forecast results lower than those reflected in the July 1, 2011-June 30, 2016 plan. If revenues forecast for 2011 were reduced by 5% (and likewise EBITDA) and the percentage growth rates were maintained for the following years, also in this case (even with a *pre-tax* WACC of 9.68% and growth rate of 0.5%) the values in use would not show impairment losses. Considering a growth rate (g) of 0.5% and a WACC of 9.49%, a 14.5% reduction in 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 are the revenue contractions, the higher the growth rates during the positive phase of the cycle. Hence a 14.5% reduction in revenues, with growth rates constant in the following years (i.e. 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 PRIMA-POWER segment. Neither of these events appears likely at the moment.

At the conclusion of the test at June 30, 2011, the value-in-use of the CGU PRIMA-POWER with a 9.49% WACC and a 0.5% growth rate (g) is higher than the book value of about 48 million; it is recalled that a 5% reduction in expected revenues for 2011 (and a consequent reduction of the relating EBITDA while maintaining unchanged the percentage growth rates for subsequent years) the excess of the recoverable amount would be reduced to about 32 million euro.

The other goodwills in the consolidated financial statements of PRIMA INDUSTRIE were not tested, as in the first semester there were no indicators of impairment, given that there was a positive trend of the results of the various CGUs and that at December 31, 2010 there was already a substantial positive difference between their book value and the corresponding recoverable value.

NOTE 6.3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of equity investments included in this item decreased with respect to the past year by 309,000 euro.

Equity investments valued with PN method	SUP ⁽¹⁾	SNK	TOTAL
Value on 31 December 2010	7.003.917	90.184	7.094.101
Portion of result	99.974	(491)	99.483
Increases	-	-	-
Currency adjustment	(403.065)	(5.891)	(408.956)
Value on 30 June 2011	6.700.826	83.802	6.784.628

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

The change is due to the implementation of the profit portion and the currency adjustment of both holdings. The value entered in the consolidated financial statements as of June 30, 2011 refers to 6,701,000 euro for the 35% shareholding in Shanghai Unity PRIMA Laser Machinery Co.Ltd and 84,000 euro for the 50% stake in SNK Prima Company Ltd.

NOTE 6.4 - OTHER EQUITY INVESTMENTS

The value of Other Equity Investments at June 30, 2011 amounted to 972,000 euro.

With respect to December 31, 2010 the variations concern:

- increase of value of the equity investment in Electro Power Systems for 34,000 euro (held by PRIMA ELECTRO SpA),
- the devaluation of the investment in Caretek for 2,000 euro (held by PRIMA ELECTRO SpA) and
- the increase for a 1,000 euro of a minor equity investment (Unionfidi) held by the Parent Company.

As of June 30, 2011 this item consists of the following elements:

- Electro Power Systems (784,000 euro);
- Caretek (56,000 euro);
- Consorzio Sintesi (52,000 euro).
- Fimecc OY (50,000 euro);
- other minor equity investments (30,000 euro).

The equity investments in Electro Power Systems and Caretek are held by PRIMA ELECTRO SpA and amount to 2.60% and 15.5% respectively; the equity investment in the Consorzio Sintesi is held by the Parent Company in the amount of 10%, while the equity investment in Fimecc OY is held by FINN-POWER OY and amounts to 2.4%.

NOTE 6.5 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes amount to 5,742,000 euro, up with respect to the previous year by 592,000 euro.

The temporary differences that generated these fiscal assets refer mainly to margins on intragroup sales not realized, funds for risks on warranties and write-down funds for receivables and inventories. Entry in the financial statements of the prepaid taxes was made, wherever there was a definite probability of recovering them.

On some companies of the FINN-POWER Group reports of prepaid taxes were made, while on the remainder no such reports were made, coherently with the policies adopted in previous years. With reference to the recuperability of these taxes, we point out that the parent company and PRIMA ELECTRO historically realised positive taxable incomes, for both corporate and regional income tax purposes, and expect to reach positive taxable income values also in coming years. The assessment of recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that the prepaid taxes refer mainly to asset adjustment funds and funds for risks and costs, for which there is no expiration date.

NOTE 6.6 - INVENTORIES

The following table illustrates the breakdown of inventories as of June 30, 2011 and December 31, 2010.

INVENTORIES	30/06/11	31/12/10
Raw materials	28.066.260	33.013.019
Unfinished goods	25.515.910	12.500.792
Finished products	41.246.907	30.360.897
(Inventories devaluation fund)	(5.947.656)	(5.723.480)
TOTAL	88.881.421	70.151.228

At June 30, 2011 the inventories amounted to 88,881,000 euro net of the provision for writedowns of inventories totalling 5,948,000 euro. The net value of inventories in stock at June 30, 2011 shows a net increase of 18,730,000 euro compared to December 31, 2010. The increase in the net value of inventories is the consequence of the excellent trend of the Group's orders acquisition.

NOTE 6.7 - TRADE RECEIVABLES

The trade receivables at June 30, 2011 amounted to 63,540,000 Euro and compared to the previous financial year the item recorded a decrease of 1,055,000 Euro.

TRADE RECEIVABLES	30/06/11	31/12/10
Receivables from clients	66.565.156	67.957.623
Receivable write-down fund	(3.909.487)	(4.186.721)
<i>Net receivables from clients</i>	<i>62.655.669</i>	<i>63.770.902</i>
<i>Receivables from associates</i>	<i>884.033</i>	<i>823.862</i>
TOTAL	63.539.702	64.594.764

The receivables from related parties amount to 884,000 euro and are commented in note 6.28 - Information on related parties". The decrease in trade receivables between December 31, 2010 and June 30, 2011 with a growing turnover points out the careful management of the working capital of all the companies in the Group. The receivables write-down fund reflects the management's estimate of the losses that the Group can expect.

NOTE 6.8 - OTHER RECEIVABLES

The Other receivables in existence at 30/06/2011 amount to 6.831 thousand Euro and have decreased compared to the previous period by 147 thousand euro. 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. Other non-current receivables amount to 26,000 Euro.

NOTE 6.9 - OTHER FISCAL ASSETS

This item amounts to 6,566,000 euro compared with 4,691,000 euro at the end of the previous year. Fiscal assets refer mainly to VAT receivables (6,075,000 euro), receivables entered by the American subsidiaries and the German subsidiary on losses incurred in the previous year (179,000 euro), as well as other receivables for minor fiscal assets (312,000 euro).

With reference to the receivable on fiscal losses accrued in the U.S. and Germany, it should be noted that the American and German fiscal laws foresee that a company, if it has a loss in the year, can request a total or partial refund of taxes paid in previous years (five for the American law). To make this request it is not necessary to have positive fiscal results in the future, it is only necessary to send the tax authorities an application for the refund. Therefore, this item was included under the "Other fiscal assets" heading.

NOTE 6.10 - NET FINANCIAL POSITION

As of June 30, 2011, the net financial position of the Group showed a deficit of 140,770,000 Euro, which was in improvement of 498,000 euro compared to December 31, 2010 (negative for 141,268,000 euro). For a better understanding of the changes in the net financial position during the six months of 2011, reference is made to the cash-flow statement for the period.

As required by Consob Communication no. DEM/6064293 of 28.07.06, the following table illustrates the net financial indebtedness as of June 30, 2011 and December 31, 2010, determined with the criteria indicated in the Recommendation of the CESR (Committee of European Securities Regulators) of February 10, 2005 "Recommendations for uniform implementation of the European Commission in information prospectuses" and cited also by Consob.

<i>Values in thousands of euro</i>				
	30/06/11	31/12/10	Variations	
A CASH	16.737	14.838	1.899	
B OTHER VALUABLES ON HAND	-	-	-	
C SECURITIES HELD FOR NEGOTIATION	-	-	-	
D CASH ON HAND (A+B+C)	16.737	14.838	1.899	
E CURRENT FINANCIAL RECEIVABLES	3	2	1	
F CURRENT BANK PAYABLES	15.452	12.068	3.384	
G CURRENT PART OF NON-CURRENT INDEBTEDNESS	35.288	31.761	3.527	
H OTHER CURRENT FINANCIAL PAYABLES	2.011	1.481	530	
T CURRENT FINANCIAL INDEBTEDNESS (F+G+H)	52.751	45.310	7.441	
J NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)	36.011	30.470	5.541	
K NON-CURRENT CURRENT BANK PAYABLES	101.877	107.709	(5.832)	
T BONDS ISSUED	-	-	-	
M OTHER NON-CURRENT FINANCIAL PAYABLES	2.882	3.089	(207)	
D NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)	104.759	110.798	(6.039)	
O NET FINANCIAL INDEBTEDNESS (J+N)	140.770	141.268	(498)	

All the comments set out below reflect the situation of financial debt at the financial statements reference date. It should, however, be pointed out that on July 29, 2011, PRIMA INDUSTRIE SpA has signed an agreement amending the FINPOLAR Loan; the changes required by the agreement (being considered in accordance with IAS 10 as Events after the financial statement that do not require corrections) are only rated to provide more complete information.

LIQUIDITY

The reader is referred to the Consolidated Cash-flow Statement for greater detail relative to liquidity

INDEBTEDNESS WITH BANKS

The main debt included in this item is the FINPOLAR loan. This loan that amounted to a total of 128,628,000 euro on June 30, 2011 is divided as follows:

- Section A: medium/long-term loan of 28,014,000 euro (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- Section B: medium/long-term loan of 63,619,000 euro (expiring in February 2016 with a "bullet" repayment at expiry);
- Section C1: medium/long-term loan of 12,664,000 euro (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- Section C2: revolving credit line of advances on invoices used until June 30, 2011 for 3,015,000 euro;
- Section D: cash credit line for 19,843,000 euro (for a maximum capital amount of 20 million euro).
- Accrued interest for all 5 sections amounting to 1,473,000 euro.

As regards the loan with repayment in semi-annual installments expiring in 2015 (Section A), the installment due in February 2011 was duly repaid (the capital amounted to 3,525,000 euro).

As already mentioned, on July 29, 2011 an agreement amending the FINPOLAR Loan was signed with the pool of lending banks that provided the postponement to February 2015 of the capital portion of the instalments related to Section A and C1 with original expiry in August 2011 and almost all of the capital portion of installments expiring in February 2012, with the extension to 2014 of the Section C2 (originally due in 2012); the establishment of new covenants consistent with the Group's multi-year industrial plan reviewed by BAIN & Co., to be verified as usual at December 31, 2011, and June 30 of each year starting in 2012 (clarifying that the calculation at June 30 will have as reference indexes those established for December 31 of the previous year). For more details on the subject refer to the paragraph "Events after the end of the Semester" in the Report on Operations of the Group.

The FINPOLAR loan is for 94,173,000 euro expiring after 12 months.

Non-current bank indebtedness also includes bank payables for 1,176,000 euro and the negative fair value of certain financial derivative instruments (IRS - Interest Rate Swap) which amount to a total of 6,528,000 euro. The main contracts are those stipulated by PRIMA INDUSTRIE SpA in partial coverage of the interest rate risk on the above-mentioned FINPOLAR loan. The tests of effectiveness made on the derivative hedge contracts were found to be substantially effective as of 30/06/2011 and have therefore been entered, as all the other requisites of IAS 39 were satisfied, using the criterion of "hedge accounting". The financial instruments, for which the test of effectiveness is not performed, in consideration of their characteristics, are accounted for by reporting the relative variations of fair value in the income statement.

In current payables to banks (considering also the current part of the non-current indebtedness) we have included the FINPOLAR loan for 34,455,000 euro, bank overdrafts for 13,066,000 euro, and other bank loans for 3,219,000 euro.

OTHER FINANCIAL PAYABLES

The other financial payables amount in total to 4,893,000 euro (of which 2,882,000 are not current).

The other financial payables include:

- interest on the residual payable due to EQT (also relative to the acquisition of the FINN-POWER Group), which came due from July to November 2009, and entirely classified in the current portion of the payable, for 311,000 euro;
- payables for financial leases amounting to 2,471,000 euro (of which 313,000 euro current);
- other financial payables for 1,109,000 euro (of which 385,000 euro current); these payables refer mainly to facilitated ministry loans;
- payables to factoring companies for 1,002,000 euro.

Lastly, it should be noted that as of June 30, 2011, the PRIMA INDUSTRIE Group possesses derivative financial instruments for coverage of the exchange rate risk (Currency Rate Swaps) for a positive value of 3,000 euro.

CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and the loans taken out by the PRIMA INDUSTRIE Group as of 30/06/2011 (not inclusive of the *fair value* of derivatives) amount to 150,982,000 euro and in the first six months of 2011 they changed as shown in the table here below.

PAYABLES TO BANKS AND LOANS	Euro/000
Payables to banks and loans - current portion (31/12/2010)	45.256
Payables to banks and loans - non-current portion (31/12/2010)	103.019
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2010	148.275
Variation in the area of consolidation	-
Stipulation of loans and borrowings(<i>including bank overdrafts</i>)	12.439
Repayment of loans and borrowings(<i>including bank overdrafts</i>)	(9.641)
Loans / (repayments) of financial leases	250
Exchange rate effect	(341)
TOTAL PAYABLES TO BANKS AND LOANS AS OF 30/06/2011	150.982
of which:	
Payables to banks and loans - current portion (30/06/2011)	52.751
Payables to banks and loans - non-current portion (30/06/2011)	98.231
TOTAL PAYABLES TO BANKS AND LOANS AS OF 30/06/2011	150.982

NOTE 6.11 - ASSETS HELD FOR SALE

This item includes some real estate property owned by FINN-POWER Italia Srl. Part of the property was purchased in the first quarter of 2011 and refers to some property units under construction at Rivalta sul Mincio -MN- (for 886,000 euro) and part refers to several apartments located in Asola -MN, previously classified for 414,000 euro under fixed assets and now reclassified under this heading. During the second quarter of 2011 part of the properties of Asola were alienated for a total of 138,000 euro. As of June 30, 2011 the value of non-current assets for disinvestment amounted to 1,162,000 euro.

NOTE 6.12 - SHAREHOLDERS' EQUITY

The shareholders' equity of the PRIMA INDUSTRIE Group decreased with respect to the past year of 4,017,000 euro. This decrease is mainly due to the negative result of the semester (amounting

to - 3,421,000 euro). In addition to the main event just mentioned, other movements affected the shareholders' equity, such as the negative variation in the "Currency translation reserve" (for 1,838,000 euro), the positive variation in the "Reserve for adjustment of derivatives fair value" (for 1,082,000 euro), the positive variation in the "Stock option fund" (for 157,000 euro) and finally the capital increase due to conversion by certain shareholders of "PRIMA INDUSTRIE Warrants 2009-2013" (for only 3,000 euro). During the first semester 2011, 351 warrants were converted, corresponding to the same amount of shares, therefore as of June 30, 2011 the share capital amounts to 21,601,215 euro (divided into 8,640,486 ordinary shares with a par value of 2.50 euro each). For more details on this subject, see the table of changes in shareholders' equity.

NOTE 6.13 - EMPLOYEE BENEFITS

- Severance Indemnity paid by Italian companies to their employees;
- a fidelity bonus granted by the Parent Company and PRIMA ELECTRO to their employees;
- a pension fund recognized by PRIMA POWER GMBH and by PRIMA POWER FRANCE Sarl to their employees.

Below is a comparison of these items.

EMPLOYEE BENEFITS	30/06/11	31/12/10
Severance indemnity fund	5.749.858	5.821.918
Fidelity premium	1.255.157	1.197.873
TOTAL	7.005.015	7.019.791

NOTE 6.14 - DEFERRED TAXES LIABILITIES

The deferred taxes liabilities amount to 10,811,000 euro and reflect a decrease compared to the previous financial year which amounted to 100,000 euro.

It should be noted that this item also includes tax liabilities for deferred taxes on the trademark, in relation to the customer list and on the real estate property in Cologne Veneta arising from the FINN-POWER business combination amounting to 8,161,000 euro.

NOTE 6.15 - PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges amount to 7,149,000 euro, a decrease compared to December 31, 2010 of 1,087,000 euro.

The most significant type is that relating to the Product Guarantee Reserve. The Product Guarantee Reserve relates to the provisions made for work undertaken in technical guarantee on Group products and is considered to be appropriate in relation to the guarantee costs that must be incurred.

The provisions for non-current risks refer exclusively to the client indemnity fund for agents and amount to a total of 60,000 euro. The current provision for risks refers mainly to product warranties (5,964,000 euro down from 586,000 euro with respect to December 31, 2010).

The other funds refer to lawsuits and other disputes; these funds represent the best estimate by the management of the liabilities that must be accounted for with reference to a lawsuit brought during the course of ordinary business against retailers, clients, suppliers or public authorities, and also legal procedures relative to disputes with former employees.

NOTE 6.16 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

The value of these payables has increased compared to December 31, 2010 by a total amount of 24,146,000 euro. The trade payables and advances are the types of payables that increased the most (the total increase amounted to 21,271,000 euro), above all due to the increased volumes of sales leading to an increase in the supplies of goods and services for production. It should be noted that the item Advances by customers includes both the advances on orders relative to machines not yet delivered, as well as those generated by the application of IAS 18 relative to machinery already delivered but not yet accepted by the end customer and thus not accountable as revenue.

The item 'Other Payables' includes Social security payables, payables to employees, accruals and deferrals and other minor payables.

TRADE AND OTHER PAYABLES	30/06/11	31/12/10
Payables to suppliers	69.506.720	59.067.818
Advances from clients	29.926.896	19.094.705
Other payables	17.005.582	14.130.459
TOTAL	116.439.198	92.292.982

NOTE 6.17 - CURRENT TAX PAYABLES

Fiscal liabilities for current taxes as of June 30, 2011 amounted to 3,659,000 euro, up with respect to December 31, 2010 of 1,197,000 euro.

NOTE 6.18 - NET REVENUES

The revenues from sales and services has already been dealt with both in chapter 3 of this document: "GROUP INTERIM MANAGEMENT REPORT" in the paragraph entitled "REVENUES AND PROFITABILITY".

NOTE 6.19 - OTHER INCOME

The item "Other Income" amounts to 862,000 euro and mainly refer to research grants, atypical proceeds and some contingent assets. Compared to the corresponding period of the previous year they suffer a considerable drop (1,613,000 euro), this because the first semester of 2010 benefited from non-recurring revenues (amounting to 1,701,000 euro).

NOTE 6.20 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of June 30, 2011 amount to 3,075,000 euro and refer mainly to capitalization of assets for the development of new projects (2,940,000 euro), for which the technical feasibility and generation of probable future economic benefits has been ascertained.

NOTE 6.21 - PERSONNEL COST

The cost of the personnel as of June 30, 2011 amounts to 39,890,000 euro and is up from the corresponding period of the past year by 1,019,000 euro. This increase was the consequence both of the interruption of the process of staff reduction and of the use of redundancy schemes, started in 2008, as the operations of reorganization are now complete, as well as of a slight increase in personnel to meet the growing operating needs of the Group.

NOTE 6.22 - DEPRECIATION - IMPAIRMENT AND AMORTIZATION

Depreciation for the period amounts to 4,843,000 euro (of which 3,408,000 euro refer to intangible fixed assets). It should be noted that amortization of the trademark and customer

relations costs (customer list) totalled 1,324,000 euro, while development costs are of 1,606,000 euro.

NOTE 6.23 - OTHER OPERATING EXPENSES

The item 'Other operating costs' for the first six months of 2011 amounts to 30,277,000 euro compared with 25,413,000 euro as of June 30, 2010. The increase is the direct consequence of the increased volume of business.

NOTE 6.24 - FINANCIAL INCOME AND EXPENSES

The financial management of the first six months of 2011 was negative for 4,980,000 euro.

FINANCIAL MANAGEMENT	30/06/11	30/06/10
Financial income	88.010	80.322
Financial expenses	(4.340.072)	(4.293.123)
Net result deriving from transactions in foreign currency	(728.148)	1.307.238
TOTAL	(4.980.210)	(2.905.563)

The financial expenses relative to the FINPOLAR Loan incurred by PRIMA INDUSTRIE amount to 2,470,000 euro, while net financial expenses on derivatives stipulated by the Group amount to 835,000 euro

The negative exchange rate management for 728,000 euro (positive for 1,307,000 euro as of June 30, 2010) due mainly to the weakening of the U.S. dollar against the euro, especially in this first semester. It should be noted that the exchange rate management as of March 31, 2011 reported a negative result of 615,000 euro.

NOTE 6.25 - NET RESULT OF ASSOCIATED COMPANIES AND JOINT VENTURES

As of June 30, 2011, this item amounts to 99,000 euro and is down with respect to the corresponding period of the previous year (at June 30, 2010 it was 265,000 euro). The amount recorded in the Income Statement refers to the portion of result of the Chinese JV Shanghai Unity PRIMA Laser Machinery Co Ltd (SUP) relative to the Group.

NOTE 6.26- CURRENT AND DEFERRED TAXES

Income taxes in the first six months of 2011 indicate a negative net balance of 999,000 euro (including IRAP for 545,000 euro). The increased fiscal burden of the Group is attributable to the greater taxable revenues.

NOTE 6.28 - RESULT PER SHARE

(a) Basic result per share

The basic result per share is determined by dividing the result due to the shareholders 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.

In the first six months of 2011, there was an average of 8,640,322 shares in circulation; therefore the profit per share relative to the first six months of 2011 amounts to a loss of 0.40 euro per share (against a loss of 0.63 euro per share relative to the first six months of 2010).

BASIC RESULT PER SHARE	30/06/11	30/06/10
Result due to shareholders (Euro/000)	(3.421)	(5.047)
Weighted average - number of ordinary shares	8.640.322	8.070.752
Basic result per share (Euro)	(0,40)	(0,63)

(b) *Result per share - diluted*

The diluted result per share is determined by dividing the result allocated to the shareholders of the Parent Company by the average number of shares in circulation during the period, corrected to take into account the effects of the potential ordinary shares with dilutive effect.

DILUTED RESULT PER SHARE	30/06/11	30/06/10
Result due to shareholders (Euro/000)	(3.421)	(5.047)
Weighted average - number of ordinary shares	8.640.322	8.070.752
Corrected average number of ordinary shares	10.981.836	10.436.631
Diluted result per share (Euro)	(0,31)	(0,48)

As potential ordinary shares with dilutive effect, we considered those linked to the *stock option* plan and the warrant that can be exercised until December 16, 2013.

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

The diluted result per share reported in the tables of the financial statements is equal to the basic result, as foreseen by the IAS/IFRS accounting standards in which a situation of anti-dilution recurs (i.e. the loss deriving from the dilutive calculation is lower than the base loss).

NOTE 6.28 - INFORMATION ON ASSOCIATES

In addition to the relations with strategic management and the Board of Auditors, transactions with related parties mainly refer to the supply of laser systems and components to the Joint Venture Shanghai Unity PRIMA Laser Machinery. The aforesaid supplies were made at market price.

A table that summarizes the equity and financial effects of the operations with related parties is set out hereunder.

OPERATIONS WITH RELATED PARTIES	SHANGHAI UNITY PRIMA LASER MACHINERY	STRATEGIC MANAGEMENT	BOARD OF STATUTORY AUDITORS	TOTAL
RECEIVABLES AS OF 01/01/2011	823.862	-	-	823.862
RECEIVABLES AS OF 30/06/2011	884.033	-	-	884.033
PAYABLES AS OF 01/01/2011	-	160.034	129.609	289.643
PAYABLES AS OF 30/06/2011	88.750	158.204	52.500	299.454
REVENUES 01/01/11 - 30/06/2011	1.461.040	-	-	1.461.040
COSTS 01/01/2011 - 30/06/2011	-	688.556	52.500	741.056
<i>CHANGES IN RECEIVABLES</i>				
01/01/2011 - 30/06/2011	60.171	-	-	60.171
<i>CHANGES IN PAYABLES</i>				
01/01/2011 - 30/06/2011	88.750	(1.830)	(77.109)	9.811

NOTE 6.29 - SIGNIFICANT NON-RECURRING ITEMS AND TRANSACTIONS

During the first semester 2011 the company performed several transactions that can be considered non-recurrent.

<i>Values expressed in thousands of euro</i>	EBITDA	Financial costs	Total
Activities of reorganization and restructuring	(94)	-	(94)
Other minor events	(22)	-	(22)
TOTAL	(116)	-	(116)

The reorganization and restructuring activities of the Group mainly refer to the reduction of personnel and production reorganization, 69,000 euro are related to the PRIMA POWER segment, while 47,000 euro are related to the PRIMA ELECTRO segment.

NOTE 6.30 - SEGMENT REPORT

It should be noted that not all the data set forth hereunder are directly related to those presented in Chapters “3 - GROUP INTERIM MANAGEMENT REPORT” and “4 - ECONOMIC PERFORMANCE BY SEGMENT”, since the latter are expressed inclusive of intersectorial items.

In addition, (as already reported in the Foreword to this document and in chapter 4 - "ECONOMIC TREND BY SEGMENT"), during 2010, the Group gained a new organization structure, based on the concentration of its activities into two divisions: the PRIMA POWER division and the PRIMA ELECTRO division. The Group started to report the data with this new organization starting from the first quarter 2011. The group does not dispose of the reclassified 2010 data according to the new organization structure (which would be too costly to process), so it will not be possible in this document to provide uniform comparisons of data by segment. The only data for comparison at the disposal of the Group, and that have already been reported in this document, are revenues.

Information by sector of activity

The infra-sector revenues were determined on the basis of the market price.

The Group has the following two operating segments:

- PRIMA POWER
- PRIMA ELECTRO

The following table illustrates the main details of by sector

Profits for sector as of June 30, 2011	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total revenues for sector	109.100	25.950	-	135.050
(Inter-sectorial revenues)	(34)	(7.337)	-	(7.371)
Revenues	109.066	18.613	-	127.679
EBITDA	4.337	2.965	-	7.302
EBIT	200	2.259	-	2.459
Net financial costs/income	(4.614)	(366)	-	(4.980)
Income/costs from affiliates and joint ventures	99	-	-	99
Profit before taxes	-	-	-	(2.422)
Taxes	-	-	(999)	(999)
Net profit	-	-	-	(3.421)

Assets and liabilities for sector as of June 30,	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	279.808	58.190	29.048	367.046
Affiliates, JV and other equity investments	6.916	840	-	7.756
Total Assets	286.724	59.030	29.048	374.802
Liabilities	110.171	20.422	171.980	302.573

Sales breakdown by geographical area

For details relating to the revenues subdivided by geographical area the reader is referred to the contents of chapter 3 "Report on Group Operations", in the paragraph entitled "Revenues and profitability"

NOTE 6.31 - MANAGEMENT OF FINANCIAL RISKS

The financial instruments of the Group which are allocated for the purposes of financing operations include bank loans, financial lease contracts and factoring, sight and short-term bank deposits. There are also other financial instruments, such as trade receivables and payables, deriving from operating activities.

The Group also performed operations in derivatives, such as "Interest Rate Swap - IRS" contracts. The purpose of these instruments is to manage interest rate risks generated by the Group's operations and its loan sources.

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

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

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

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

The Group has applied a specific policy to manage financial risks correctly, with the purpose of safeguarding its business and its ability to create value for the shareholders and all the Stakeholders. The following table illustrates the goals and policies of the Group for management of the risks indicated above.

Interest rate risk

The position of indebtedness toward the credit system and capital market can be negotiated at fixed or variable rates.

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

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

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

- Interest rate —————→ Management/Hedging

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

Consequently, the strategy identified, consisting of Management/Hedging consists of:

- Continuous monitoring of exposure to interest rate risk
- Activities of Hedging via derivative financial instruments.

Exchange rate risk

The position of indebtedness 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 payables in foreign currency is subject to the interest rate risk of a market that is not the euro market, but rather that of the chosen currency.

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

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

- "Avoid" strategy
- Acceptance
- Management/Hedging
- "Market Intelligence" (Speculation)

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

- Exchange rate —————→ Management/Hedging

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

Relatively to trade items, however, there is some exposure to exchange rate risk, as the flows of purchase in U.S. dollars (substantially the only currency of account different from the euro) of the parent company PRIMA INDUSTRIE SpA, FINN-POWER OY and PRIMA ELECTRO SpA are not sufficient to balance the sales flows in U.S. dollars.

The Group is therefore monitoring this to reduce the currency exchange risk through recourse to hedge instruments.

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 the 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 the exposure to losses is never great. For this purpose, PRIMA INDUSTRIE recently established a function of Group credit management.

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

There are no significant concentrations of receivable risk for the Group. Financial assets are reported in the financial statements net of the write-down calculated on the basis of the risk of non-performance by the other party, determined on the basis of the available information on the solvency of the client and possibly considering the history.

In compliance with CONSOB DEM/RM 11070007 of August 5, 2011, it is informed that the PRIMA INDUSTRIE Group does not hold any bond issued by central and local governments and not even by government agencies, nor has provided loans to these institutions.

Liquidity risk

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

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

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

The current difficult market context 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 they fall due, through the flows deriving from its operating management, available liquidity, use of credit lines, renewal of bank loans and if necessary, recourse to other forms of provision of an extraordinary nature.

Hierarchical levels for assessment of 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 the *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.

During the first semester of 2011 there were no transfers between the various levels.

The following table shows the assets and liabilities entered at fair value at 30/06/2011, according to hierarchical valuation of *fair value*.

<i>Values expressed in thousands of euro</i>	Level 1	Level 2	Level 3
Assets entered at fair value	-	3	-
Other assets	-	-	-
TOTAL ASSETS	-	3	-
Liabilities entered at fair value	-	6.528	-
Other liabilities	-	-	-
TOTAL LIABILITIES	-	6.528	-

NOTE 6.32 - EVENTS SUBSEQUENT TO THE PERIOD

No events have occurred since the reference date of this Interim Management Report that, if known previously, would have necessitated a correction of the values reported. It should also be noted at the conclusion of this document that, as widely illustrated in different sections of the report, the only significant subsequent event is related to the renegotiation of the FINPOLAR Loan; this event, in accordance with IAS 10, is considered a subsequent event that does not require correction.

On behalf of the Board of Directors
The Chairman




Mr. Gianfranco Carbonato.

Declaration of the condensed half-year Financial Statements pursuant to Section 81-ter of Consob Regulation no. 11971/1999 and subsequent amendments and integrations.

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (The Manager Responsible for preparing the Company's financial reports) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154-bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:
 - ▶ the adequacy in relation to the business characteristics and
 - ▶ effective application of the administrative and accounting procedures for the drafting of the abbreviated interim financial statements for the period January 1, 2011 - June 30, 2011;
2. No significant aspects have emerged in this regard.
3. We also certify that:
 - 3.1 the condensed 2011 half -year financial statements:
 - a) are drawn in accordance with the applicable accounting standards as adopted by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, dated July 19, 2002;
 - b) reflect the situation as described in accounting documentation;
 - c) provide a truthful and correct representation of the equity, economic and financial situation of the issuer and the group of companies included in the consolidation.
 - 3.2 the interim management report includes a reliable analysis of the reference to the important events that occurred during the first six months of the year and their effects on the condensed interim financial statements, as well as a description of the main risks and uncertainties for the remaining six months of the year. The interim management report also contains a reliable analysis of information of significant operations with associates.

Collegno, August 29, 2011

SIGNATURE OF THE MANAGING DIRECTOR
GIANFRANCO CARBONATO



SIGNATURE OF THE MANAGER RESPONSIBLE FOR
PREPARING THE COMPANY'S FINANCIAL REPORTS
MASSIMO RATTI

