

# Interim Financial Report as of September 30, 2011



**BOARD OF DIRECTORS**

November 10<sup>th</sup>, 2011

**PRIMA INDUSTRIE SpA**

Share capital 21.601.740,00 euro (fully paid)

Turin Companies' Register No. 03736080015 - Financial and Administrative Index (R.E.A.) No. 582421

Registered office in Collegno (Turin) Via Antonelli, 32

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**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 Petignani
Alternate auditors	Roberto Coda Franco Nada

**Auditing Company**

Reconta Ernst & Young SpA

**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.

## Index

<b>Chapter 1. Structure of PRIMA INDUSTRIE Group as of September 30, 2011</b>	<b>6</b>
<b>Chapter 2. Introduction</b>	<b>8</b>
Foreword	8
Alternative performance indicators	8
Exchange rates	9
Consolidation area	9
<b>Chapter 3. Group Interim Report</b>	<b>13</b>
Macroeconomic context	13
Significant Events in the Period	13
Revenues and Profitability	14
Order Acquisition and Portfolio	18
Net Financial Position	18
Research and Development	19
Personnel	21
Stock trend and Treasury stock	21
Shareholding structure	21
Stock option plans	22
Operations with associates	22
Atypical and Unusual Transactions	23
Events after the Semester closing	23
Expected management developments and prospects for the current year	23
<b>Chapter 4. Economic Performance by Segment</b>	<b>25</b>
PRIMA POWER	25
PRIMA ELECTRO	26
<b>Chapter 5. Condensed Consolidated Interim Financial Statements of the PRIMA INDUSTRIE Group as of September 30, 2011</b>	<b>28</b>
CONSOLIDATED BALANCE SHEET	28
Consolidated Income Statement	29
Consolidated Total Income Statement	30
Consolidated Statements of Changes in Shareholders' Equity	31
Consolidated Cash Flow Statement	32
<b>Chapter 6. Explanatory Notes</b>	<b>34</b>
Company information	34
Form and content	35
Accounting Principles	35

Financial Statements Format	36
Explanatory Notes	37

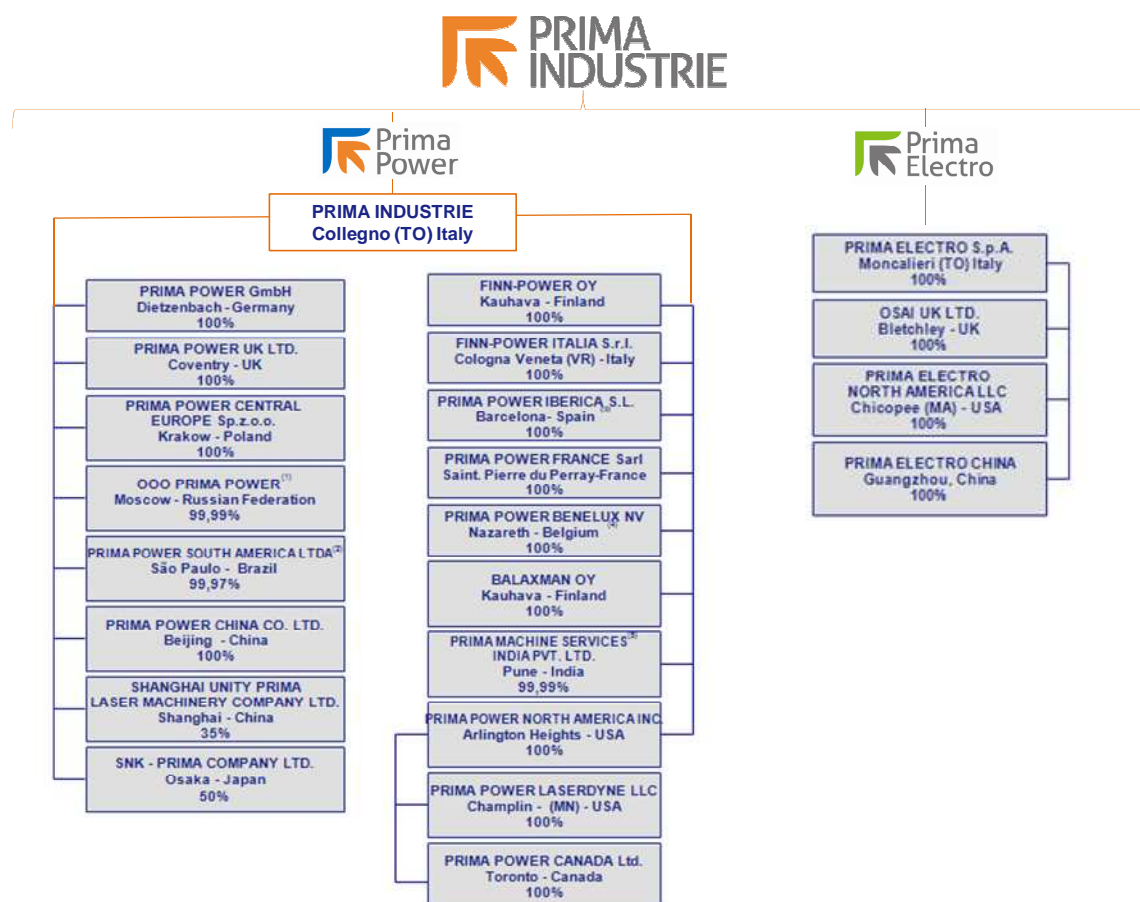


# Chapter 1.

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## Structure of Prima Industrie Group as of September 30, 2011

## Chapter 1. Structure of PRIMA INDUSTRIE Group as of September 30, 2011



The table on this page represents the organisational situation of PRIMA INDUSTRIE Group as of September 30, 2011, with the only exception of PRIMA FINN-POWER SWEDEN AB, company in liquidation.

- 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 99.97% of PRIMA POWER SOUTH AMERICA SISTEMAS INDUSTRIAIS LTDA, the remaining 0.03% 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) FINN-POWER OY holds 99.99% of PRIMA MACHINE SERVICES INDIA PVT. LTD, the remaining 0.01% is held by another partner.



# Chapter 2.

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## Introduction

## Chapter 2. Introduction

### Foreword

The Interim Financial Report on Operations of PRIMA INDUSTRIE Group as of September 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 “Chapter 3. Report on Group operations” (paragraph “Revenues and profitability), “Chapter 4. Economic performance by segment” and “Chapter 6. Explanatory notes” (note 6.29 - Sector information).

This Report was approved by the Board of Directors on November 10, 2011 and is not subject to 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 “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	
	30/09/11	30/09/10	30/09/11	31/12/10
US DOLLAR	1,4063	1,3160	1,3503	1,3362
POUND STERLING	0,8713	0,8556	0,8667	0,8608
SWEDISH KRONA	9,0067	9,7086	9,2580	8,9655
CHINESE RENMINBI	9,1389	9,0116	8,6207	8,8220
JAPANESE YEN	113,3313	118,7007	103,7900	108,6500
POLISH ZLOTY	4,0181	4,0246	4,4050	3,9750
CANADIAN DOLLAR	1,3747	1,3630	1,4105	1,3322
RUSSIAN RUBLE	40,4803	39,7905	43,3500	40,8200

**Consolidation area**

The only variation which occurred in the consolidation area during the first nine months of 2011, was the entrance in the perimeter of the newly incorporated Chinese branch PRIMA ELECTRO (CHINA) Co. Ltd. 100% owned by PRIMA INDUSTRIE SpA.

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) and the merger between PRIMA NORTH AMERICA Inc. and OSAI USA LLC (now PRIMA ELECTRO NORTH AMERICA 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 the two newly formed branches in Brazil and India, PRIMA POWER SOUTH AMERICA Ltda and PRIMA MACHINE SERVICES INDIA PVT. LTD., have not been consolidated, since they will become operational during the last quarter of 2011 and are therefore not relevant to the representation of the consolidated data.

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

SUBSIDIARIES				
PRIMA POWER	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500.000	100%	Line-by-line method
PRIMA POWER UK LTD	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	ul. Przemysłowa 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 <sup>(1)</sup>	Av.Angelica 2632 c/74 - 01228-200, Sao Paulo BRASIL	R\$ 350.000	99,97%	Non-Consolidated
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-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 792.000	100%	Line-by-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 MACHINE SERVICES INDIA PVT. LTD. <sup>(1)</sup>	Mezzanine Floor, Poonam Plaza G94/2B Market Yard Road, Pune INDIA	Rs. 3.000.000	99,99%	Non-Consolidated
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 <sup>(2)</sup>	Mölnadalsvägen 30 C, Göteborg, SWEDEN	SEK 100.000	100%	Line-by-line method

SUBSIDIARIES				
PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	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 ELECTRO NORTH AMERICA LLC.	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24.039.985	100%	Line-by-line method
PRIMA ELECTRO (CHINA) Co.Ltd. <sup>(1)</sup>	23G East Tower, Fuxing Shangmao n.163, Huangpu Avenue Tianhe District 510620 Guangzhou P.R. CHINA	€ 100.000	100%	Line-by-line method

(1) It should be noted that at this financial statements, the share capital of the companies PRIMA POWER SOUTH AMERICA Ltda., PRIMA MACHINE SERVICES INDIA PVT. LTD. and PRIMA ELECTRO (CHINA) Co. Ltd has not yet been paid up

(2) Company in liquidation



## Chapter 3.

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Group  
Interim Report

## Chapter 3. Group Interim Report

### Macroeconomic context

The third quarter of 2011 was characterized by the Eurozone sovereign debt crisis deepening and its consequences, even for speculative purposes, which have certainly slowed down the expectations of economic growth. There are still significant uncertainties associated with the crisis management strategy.

Outside Europe the recessionary risks appear modest; the trend of economic policies and corporate profitability should ensure positive growth rates, though not brilliant (with a 2012 average forecast of global GDP growth calculated by *Consensus Economics* that has dropped from 3.6% to 3.0% in the period from July to October). The revision is mainly due to the disruption of the forecast scenario for the Eurozone (the estimate of growth has fallen by one percentage point) and the United States, now seen to grow less than 2% in 2012. The causes of the slowdown in the economic activity appear to be attributable to the expected effects of the earthquake in Japan, to the rise in raw material prices, to the absence of fiscal stimulus (United States) or to the active fiscal restraint (Europe), as well as to the net deterioration of the climate of confidence in Europe as a result of the debt crisis.

In contrast, a support to the economic expansion should come from the accommodating tone of monetary policies (in many advanced countries central banks are already intervening with quantity stimulus measures), from the positive trend in corporate profitability and from recovery (common to many countries) of normal plant utilization rates, factors that fosters the growth of capital expenditure.

The balance results for the first nine months of the year, particularly as regards the target market of the Group, namely machine tools and capital goods, are however very positive.

According to UCIMU (the Italian association that groups machine tool manufacturers together), the positive trend started at the beginning of 2010, consolidates the recovery of Italian industry sector, that as emerged from the report, collects positive feedback both domestically and abroad. During the third quarter of 2011 the index of machine tool orders registered an increase of 58.2% over the same period of 2010, with an excellent performance of demand from foreign markets.

For the American associations of distributors and manufacturers of machine tools (AM-TDA, *the American Machine Tool Distributors' Association* and AMT - *The Association For Manufacturing Technology*) the order acquisition of the sector in has registered a 101% growth in the first 8 months of the year over the same period of 2010, although at a slower pace (-9.4%) in August compared to July.

### Significant Events in the Period

#### 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 loan contract for the acquisition of the FINN-POWER Group (hereinafter referred to as the "FINPOLAR Loan"), originally signed on January 31, 2008 (and subsequently amended in 2009).

Under the new agreement PRIMA INDUSTRIE SpA has achieved:

- the payment postponement to February 2015 of the principal of the instalment with original expiry date in August 2011 and almost all of the principal of the instalment expiring in February 2012;
- the extension to 2014 of the *revolving* credit line of 12.2 million euro (originally expiring 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 point*), in addition to a *waiver fee* of 618 thousand Euro (equal to 45 *basis point* 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.

#### **Revenues and Profitability**

The consolidated revenues as of September 30, 2011 amounted to 203,407 thousand Euro, up by 21% (equal to 34,742 thousand Euro) compared to the same period in 2010 (168,665 thousand Euro). The revenues increase confirms the positive trend of the Group and of its target market, although a number of factors have slightly slowed the growth; however the third quarter of 2011 confirmed the growth trend of the current year and has shown a further acceleration over the first six months of the year in terms of both revenues and operating profit.

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

Revenues	Sep. 30, 2011		Sep. 30, 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
Italy	29.490	14,5	38.052	22,6
Europe	77.891	38,3	59.420	35,2
North America	43.433	21,3	31.171	18,5
Asia and rest of the world	52.593	25,9	40.022	23,7
<b>TOTAL</b>	<b>203.407</b>	<b>100,0</b>	<b>168.665</b>	<b>100,0</b>

Sales by geographical area show an increasing turnover towards Europe (+18,471,000 euro), North America (+12,262 thousand Euro) and the emerging markets of Asia and the Rest of the World (+12,571thousand Euro), where the turnover achieved about 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 (-8,562 thousand Euro), due to the persistence of a substantial stagnation scenario.

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	Sep. 30, 2011		Sep. 30, 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	172.979	85,1	144.735	85,8
PRIMA ELECTRO	41.761	20,5	34.854	20,7
Inter-sector revenues	(11.333)	(5,6)	(10.924)	(6,5)
<b>TOTALE</b>	<b>203.407</b>	<b>100,0</b>	<b>168.665</b>	<b>100,0</b>

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

Sector/area Revenues - Sep. 30, 2011	Italy	Europe	North America	Asia & Rest of World	TOTAL
<i>Euro thousand</i>					
PRIMA POWER	19.442	64.977	41.753	46.730	172.902
PRIMA ELECTRO	10.048	12.914	1.680	5.863	30.505
<b>TOTALE</b>	<b>29.490</b>	<b>77.891</b>	<b>43.433</b>	<b>52.593</b>	<b>203.407</b>

Sector area Revenues - Sep. 30, 2010	Italy	Europe	North America	Asia & Rest of World	TOTAL
<i>Euro thousand</i>					
PRIMA POWER	28.332	50.990	29.742	35.746	144.810
PRIMA ELECTRO	9.720	8.430	1.429	4.276	23.855
<b>TOTALE</b>	<b>38.052</b>	<b>59.420</b>	<b>31.171</b>	<b>40.022</b>	<b>168.665</b>

The breakdown by geographical area of PRIMA POWER segment shows a significant increase in sales in all areas compared to 2010, with the exception of Italy. The division's sales were in Europe 37.6%, in North America 24.1%, in Asia and the Rest of the World 27.0%, where countries like China, Russia, Turkey and Korea showed strong gains.

The PRIMA ELECTRO segment had 33% of its sales in Italy, 42.3% in Europe (particularly Spain and Benelux), 19.2% in Asia and the Rest of the World (mainly China) and 5.5% in North America.

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 35.4 million Euro in the first nine months of 2011.

The **VALUE OF PRODUCTION** September 30, 2011 was 223,699 thousand Euro, up 21% compared to the corresponding period of the previous financial year (an increase of 39,309 thousand Euro).

The value of production in the period also includes increases for internal work amounting to 3,937 thousand Euro (4,931 thousand Euro in the corresponding period of 2010); these costs mainly refer to investments in development activities.

Performance indicators	Sep. 30, 2011		Sep. 30, 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
EBITDA	12.960	6,4	4.844	2,9
EBIT	5.599	2,8	(2.677)	(1,6)
EBT	(1.079)	(0,5)	(8.271)	(4,9)
NET RESULT	(3.133)	(1,5)	(8.301)	(4,9)

The profitability trend of the third quarter was the following:

Performance indicators	3Q11		3Q10	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
EBITDA	5.658	7,5	2.486	4,6
EBIT	3.140	4,1	0	0,0
EBT	1.343	1,8	(2.954)	(5,5)
NET RESULT	288	0,4	(3.254)	(6,0)

The Group **EBITDA** is -12,960 thousand Euro(6.4% of turnover); with respect to the first nine months of 2010 showed a significant improvement, amounting to 8,116 thousand Euro.

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

EBITDA	Sep. 30, 2011	
	<i>Euro thousand</i>	%
PRIMA POWER	7.534	58,1
PRIMA ELECTRO	5.580	43,1
Inter-segment items and elisions	(154)	(1,2)
<b>TOTAL</b>	<b>12.960</b>	<b>100,0</b>

The consolidated **EBIT** for the first nine months of 2011 was 5,599 thousand Euro and is a significant improvement with respect to the corresponding period of 2010 when it was negative for 2,677 thousand Euro (+8,276 thousand Euro). The EBIT of the first nine months is affected by the depreciation of tangible fixed assets for 2,127 thousand Euro

and intangible assets for 5,234 thousand Euro; as regards the latter, 1,986,000 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 2,509 thousand Euro refer to the amortization of development costs.

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

EBIT		
Sep. 30, 2011		
	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	1.210	21,6
PRIMA ELECTRO	4.536	81,0
Inter-segment items and elisions	(147)	(2,6)
<b>TOTAL</b>	<b>5.599</b>	<b>100,0</b>

The positive results obtained by the Group in terms of EBITDA and EBIT are not completely reflecting, however, in terms of NET PROFIT since the Group was affected by the increased tax burden due to better results.

It is observed, instead, that during the third quarter, the Group returned to generate a positive profitability in both pre-tax income and net income.

The consolidated **EBT** as of September 30, 2011 is -1,079 thousand Euro, with an improvement of 7,192 thousand Euro (it was -8,271,000 at September 30,2010); it should be noted that this value discounts net costs deriving from financial management (including profits and losses on exchange rates) for 7,051 thousand Euro (as compared with 6,246 thousand Euro at September 30, 2010).

Financial management (€/000)	Sep.30,2011	Sep.30, 2010
Financial income	109	113
FINPOLAR Loan costs	(3.870)	(3.214)
Derivative financial instruments costs (IRS)	(1.679)	(1.772)
Derivative financial instruments costs (CRS)	46	-
Net result from transactions in of foreign currency	(131)	144
Other financial costs	(1.526)	(1.517)
<b>TOTAL</b>	<b>(7.051)</b>	<b>(6.246)</b>

In particular, are evidenced costs for the FINPOLAR loan for 3,870,000 euro and net financial costs for derivative instruments (mainly linked to the FINPOLAR Loan) for 1,633 thousand Euro. These charges were higher than at September 30, 2010 because of EURIBOR and spread increase (+15**basis point** starting from the month of August 2011).

The result of exchange rate management in the first nine months of 2011 is negative for 131 thousand Euro (positive for 144 thousand Euro as of September 30, 2010) due mainly to the weakening of the U.S. dollar against the euro.

The net result of joint ventures pertinent to the Group for the first nine months of 2011 is positive for 374 thousand Euro (651 thousand Euro at September 30, 2010).

The **NET PROFIT** as of September 30, 2011 is -3,133 thousand Euro (-8,301 thousand Euro as of September 30, 2010). Income taxes in the first nine months of 2011 indicate

a negative net balance of 2,054 thousand Euro (including IRAP for 932 thousand Euro). The increased fiscal burden of the Group is mainly attributable to the greater taxable revenues.

#### Order Acquisition and Portfolio

In addition to the fairs which the Group has attended in the first half (already mentioned in the Interim Management Report as of June 30, 2011, in the third quarter, the Group has also took part in the following fairs:

- ALIHANKINTA (Tampere - Finland)
- EMO (Hannover - Germany)
- KOMAF (Seoul - Korea)

In the first nine months of 2011 the **order acquisition** confirmed the highly positive trend which emerged starting from the last quarter of 2010; the acquisition of the first nine months totalled 253.7 million Euro (+36% compared with 186.3 million Euro as of September 30, 2010). It is noted in particular the good performance of the North American and Eastern Europe markets as well as Asia and the Rest of the World markets.

As a result, the **order portfolio** at September 30, 2011 amounted to 126.7 million Euro and has grown further to 131.6 million Euro at October 31, 2011 (compared with 80 million Euro at September 30, 2010 and 115,9 million Euro at June 30, 2011).

#### Net Financial Position

As of September 30, 2011 the net financial position of the Group shows a net debt of 146.5 million Euro, compared to 141.3 million Euro as of December 31, 2010. This change is primarily due to the absorption of financial resources for the management of operational activities and investment in high-growth during the period. In any case, in the third quarter of the year is historically recorded a worsening in net financial position due to the need of working capital required to meet the high production rates of the last quarter of the year (as of September 30, 2010 the net financial position was 145.9 million Euro).

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

<i>Value expressed in Euro thousand</i>	30/09/2011	31/12/2010	30/09/2010
CASH & CASH EQUIVALENTS	(16.319)	(14.838)	(11.909)
CURRENT FINANCIAL RECEIVABLES	-	(2)	-
CURRENT FINANCIAL LIABILITIES	52.948	45.310	45.718
NON CURRENT FINANCIAL LIABILITIES	109.897	110.798	112.127
<b>NET FINANCIAL LIABILITIES</b>	<b>146.526</b>	<b>141.268</b>	<b>145.936</b>

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 details on the subject reference is made to the paragraph “Significant Events in the Period”.

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

- the FINPOLAR loan amounts totally to 131,752 thousand Euro and is subject to respect of certain *covenants* that have been redefined in the above mentioned amendment contract signed on July 29, 2011;
- payables due to leasing companies (almost exclusively referring to real estate) amount to 2,587 thousand Euro;
- bank payables include the negative *fair value* of several IRS for 7,339 thousand 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 instalment of 6,093 thousand Euro relative to the FINPOLAR debt (3,525 thousand Euro for the capital portion, 1,653 thousand Euro for the interest, and 915 thousand 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 thousand Euro for the interest and 521 thousand 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 nine months of 2011 totalled approximately 11,697 thousand Euro (of which 8,028 thousand Euro by PRIMA

POWER segment and 3,669,000 by PRIMA ELECTRO segment) which is 5.8% of the turnover. In the first nine months of 2010 the total amount was 11,122 thousand Euro (6.6% of turnover).

The capitalised portion amounted to 3,766 thousand Euro (of which 2,295 thousand Euro in the PRIMA POWER segment and 1,471 thousand 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 nine months of 2011 the main activities involving the PRIMA POWER segment were as follows:

- realization 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 devel-

- opment of unique CAD/CAM software for the different types of machines of the PRIMA POWER segment;
- realization of a system for loading round and square tubes on *Platino*, *Domino* and *Zaphiro* machines. The first unit was installed on a *Domino* machine of a client in Russia;
- engineering and improvement of 3D laser machines used in automotive and *aero-space* field;
- realization of CAM software, called *ROTO*, for cutting tubes on *Platino* and *Domino* machines;
- further 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; the first units should be delivered to clients during the fourth quarter of the year;
- introduction on the market of the E6x electric punch machine, *entry level* for processing sheet metal (in larger sizes than with the E5x model) and its presentation with the Compact Express automation system at EMO Fair in Hannover;
- development of two new servo electric Press-bending machines to be introduced on the market in the coming months;
- development of a panel shaper capable of bending sheet metal panels with length up to 3350 mm using the servo electrical technology for the axes movement;
- completion of development and start of production of an electric press bending machine with 105 tons of bending force;
- further development of the Master Bend software and release of a new TULUS software version.

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

- development of PrimaLogic application software (control and monitoring logical unit) to be used on CX, CP and CV laser sources starting from the fourth quarter 2011;
- expansion of the range of the new OPENcontrol hardware platform (OPEN-XS, OPEN-M, OPEN-L and OPEN-XL models);
- release of the complete software version of OPEN20 (for 2D machines) including laser technology, volumetric compensation and management of the EtherCAT bus;
- release of the first software version of OPEN30 (for 3D machines) with which the beta-testing was started at a pilot customer;
- the development of the control system for electrical and hydraulic bending presses, which were successfully presented at the BlechExpo fair;
- development of HVPS-MK2, an innovative high voltage power supply for CO<sub>2</sub> laser, whose first prototype is currently being tested. The industrialization phase started and is scheduled to be completed before the end of 2011;
- evolution of the P30L numerical control through the introduction of a Dual-Core CPU and the adoption of a new version of Linux operating system;
- development of the new 'CV4000' model, a version of the 4kW maintenance-free CO<sub>2</sub> laser (through the adoption of magnetic sustenance bearings), using less oil and equipped with devices that extend the length of the optics. The first prototype is expected by the end of this year.

### Personnel

In the first nine 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 increased of 58 units during 2011, going from 1,353 as of December 31, 2010 to 1,411 as of September 30, 2011.

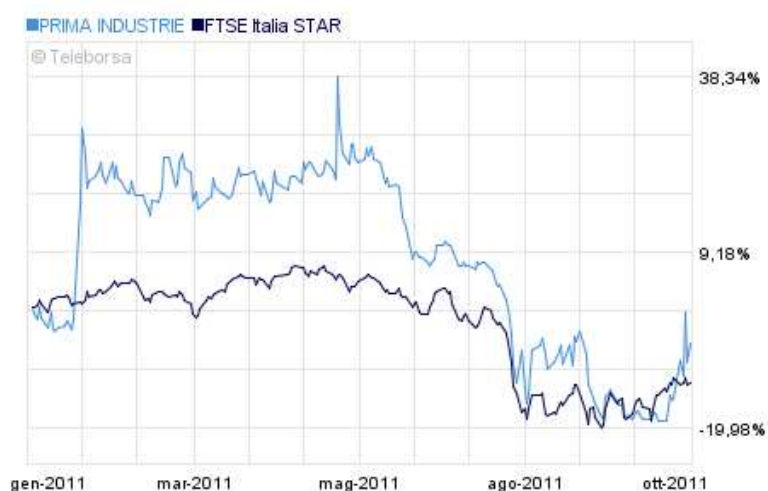
### Stock trend and Treasury stock

During the first nine months of 2011, PRIMA INDUSTRIE stocks reached, from a unit value of 7.25 euro on January 3, 2011 to a value of 5.915 euro per share on September 30, 2011, the title having been involved in the general stock market descent.

The lowest value recorded in the period was 5.91 Euro (on September 26, 2011) and the highest was 10.03 Euro (on May 18, 2011).

Following the end of the third quarter, the stock has undertaken a rising trend that has brought the share to 7.185 euro on October 19, 2011, then reaching an average around a value slightly higher than 7 euro per share.

The graph below illustrates these trends:

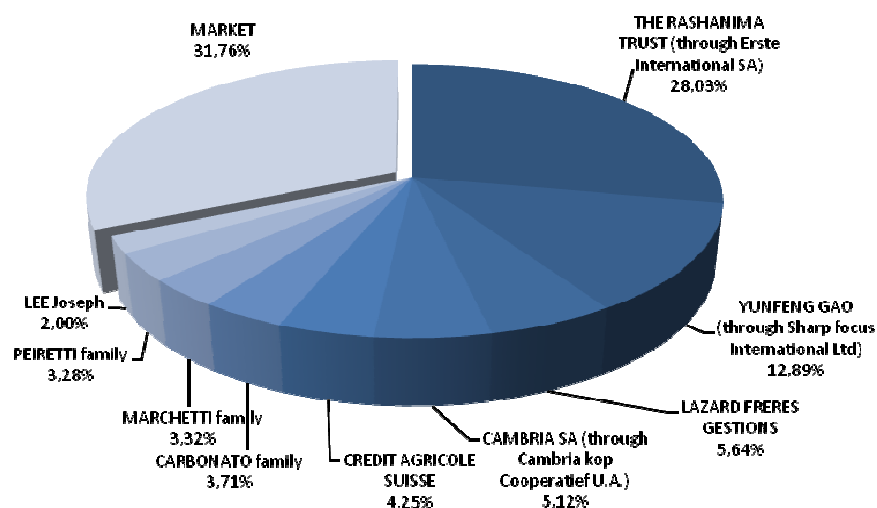


As of September 30, 2011 and as at the date of approval of this report, PRIMA INDUSTRIE S.p.A. did not and does not hold any treasury stock, and there has been no resolution of authorization of the purchase of treasury stock.

### Shareholding structure

As of September 30, 2011 the share capital of PRIMA INDUSTRIE S.p.A. amounts to 21,601,740.00 Euro divided into 8,640,696 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, 2,239,304 "Prima Industrie 2009-2013 warrants" in circulation as of September 30, 2011 and at the date of approval of this report.

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

In the month of may 2011, the *vesting period* of the *stock option* plan 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 FINNPOWER 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	POSITION
CARBONATO Gianfranco	PRIMA INDUSTRIE SpA Chairman and CEO
BASSO Ezio	PRIMA INDUSTRIE SpA General Manager and Managing Director
PEIRETTI Domenico	PRIMA ELECTRO SpA Managing Director and PRIMA INDUSTRIE SpA Managing Director
RATTI Massimo	PRIMA INDUSTRIE SpA CFO

Further information about the *stock option* plan is published on the company's website: [www.primaindustrie.com](http://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. Intra-group sale of the Laser System Division of Prima North America;
2. the allocation of compensation paid to directors and executives with strategic responsibilities.

Regarding further details about the two operations in question, see the Interim Financial Report as of June 30, 2011 approved by the Board of Directors on August 29, 2011.

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**

#### **PPP LAB OPENING**

On October 19, 2011 PRIMA INDUSTRIE has opened a Photonic laboratory for the study of next-generation lasers, in collaboration with the Polytechnic of Turin, giving rise to an important center for research in the field.

The Laboratory will develop research projects, training and transfer of knowledge in the field of next-generation laser technologies. It was called "PPP Lab", the three "P" are to indicate the collaboration between PRIMA INDUSTRIE (whose PRIMA POWER division is leader in the laser machines sector), PRIMA ELECTRO (the division of PRIMA INDUSTRIE Group which includes the activities related to the laser generators field) and Polytechnic of Turin.

PPP is also the acronym for "*Public-Private-Partnership*", which is the form of close collaboration between public entity and private enterprise, which in this agreement, based on the presence of research and training, combined with the business, is fully realized.

The PPP Lab, which represents a unique example in Italy, will employ a highly specialized team of technicians belonging to PRIMA ELECTRO, PRIMA POWER and Polytechnic of Turin.

PRIMA INDUSTRIE, which has always pursued a policy of research and innovation as a point of excellence and competitive advantage, will invest about 3 million euro in this project, the results of which should result in significant effects on the Group's products and applications.

### **Expected management developments and prospects for the current year**

Despite the current financial crisis, caused mainly by the Eurozone sovereign debt crisis, the Group continued its path of growth, with sales, orders and profitability in acceleration, also leveraging its international dimension and the consequent differentiation of its target markets. For the last half of the year is expected, therefore, a strengthening of that growth, even under the significant order backlog acquired.



## Chapter 4.

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### 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 the 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 nine months of 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.

	Sep. 30, 2011					Sep. 30, 2010
<i>Values in Euro thousand</i>	REVENUES	EBITDA	% on Revenues	EBIT	% on Revenues	REVENUES
PRIMA POWER	172.979	7.534	4,4%	1.210	0,7%	144.735
PRIMA ELECTRO	41.761	5.580	13,4%	4.536	10,9%	34.854
ELISIONS	(11.333)	(154)	1,4%	(147)	1,3%	(10.924)
<b>GROUP</b>	<b>203.407</b>	<b>12.960</b>	<b>6,4%</b>	<b>5.599</b>	<b>2,8%</b>	<b>168.665</b>

*It should be noted that the values of EBIT and EBITDA here presented are not directly reconcilable with those presented in note 6.29 - SEGMENT REPORT*

### PRIMA POWER

The revenues in the first nine months of 2011 for the PRIMA POWER segment were 20% 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 7,534 thousand Euro. In the first nine months of 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 compa-

nies, the most significant improvements were reported mainly in North America. 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 nine months of 2011 of the PRIMA ELECTRO segment increased by 20% 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, it continues to show a high ability to recover, so now the growth rates of the components segment are in line with those of the machines segment.

With an EBITDA of 5,580 thousand Euro, the level of profitability of the PRIMA ELECTRO segment is 13.4%, confirming the good profitability of this business.



## Chapter 5.

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

Accounting Tables

## Chapter 5. Condensed Consolidated Interim Financial Statements of the PRIMA INDUSTRIE Group as of September 30, 2011

### CONSOLIDATED BALANCE SHEET

Values in Euro	Notes	30/09/2011	31/12/2010
Property, plant and equipment	6.1	24.316.900	25.012.944
Intangible assets	6.2	152.473.245	153.754.370
Investments accounted for using the equity method	6.3	7.622.509	7.094.101
Other investments	6.4	1.055.618	938.670
Deferred tax assets	6.5	5.880.909	5.150.271
Other non current assets	6.8	26.381	68.785
<b>NON CURRENT ASSETS</b>		<b>191.375.562</b>	<b>192.019.141</b>
Inventories	6.6	93.563.739	70.151.228
Trade receivables	6.7	68.137.873	64.594.764
Other receivables	6.8	7.021.250	6.977.985
Current tax receivables	6.9	7.418.912	4.691.311
Derivatives	6.10	-	1.714
Cash and cash equivalents	6.10	16.318.991	14.837.872
<b>CURRENT ASSETS</b>		<b>192.460.765</b>	<b>161.254.874</b>
<b>ASSETS HELD FOR SALE</b>	<b>6.11</b>	<b>1.161.766</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>384.998.093</b>	<b>353.274.015</b>
Capital stock	6.12	21.601.740	21.600.337
Legal reserve	6.12	4.320.068	2.733.635
Other capital reserves	6.12	54.370.869	52.226.002
Currency translation reserve	6.12	(344.982)	(347.660)
Retained earnings	6.12	(3.404.106)	5.997.695
Net result	6.12	(3.132.797)	(5.965.272)
<b>Stockholders' equity of the Group</b>		<b>73.410.792</b>	<b>76.244.737</b>
<i>Minority interest</i>		-	-
<b>STOCKHOLDERS' EQUITY</b>		<b>73.410.792</b>	<b>76.244.737</b>
Interest-bearing loans and borrowings	6.10	102.668.726	103.019.395
Employee benefit liabilities	6.13	7.001.093	7.019.791
Deferred tax liabilities	6.14	10.458.567	10.910.840
Provisions	6.15	59.691	67.091
Derivatives	6.10	7.227.956	7.778.856
<b>NON CURRENT LIABILITIES</b>		<b>127.416.033</b>	<b>128.795.973</b>
Trade payables	6.16	69.486.632	59.067.818
Advance payments	6.16	33.987.865	19.094.705
Other payables	6.16	15.076.203	14.130.459
Interest-bearing loans and borrowings	6.10	52.836.837	45.256.498
Current tax payables	6.17	4.786.189	2.461.577
Provisions	6.15	7.886.385	8.169.063
Derivatives	6.10	111.157	53.185
<b>CURRENT LIABILITIES</b>		<b>184.171.268</b>	<b>148.233.305</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>		<b>384.998.093</b>	<b>353.274.015</b>

**Consolidated Income Statement**

Values in Euro	Notes	30/09/2011	30/09/2010
Net revenues	6.18	203.407.105	168.665.402
Other income	6.19	2.605.948	3.689.446
Change in inventories of finished goods and WIP		13.748.863	7.104.854
Increases in fixed assets for internal work	6.20	3.936.888	4.930.683
Use of raw materials, consumables, supplies and goods		(101.880.144)	(86.751.287)
Personnel cost	6.21	(58.289.757)	(56.030.914)
Depreciation	6.22	(7.361.371)	(7.268.117)
Amortization and impairment	6.22	-	(252.798)
Other operating expenses	6.23	(50.568.579)	(36.763.987)
<b>OPERATING PROFIT</b>		<b>5.598.953</b>	<b>(2.676.718)</b>
Financial income	6.24	108.762	113.043
Financial expenses	6.24	(7.028.547)	(6.502.703)
Net exchange differences	6.24	(131.221)	144.061
Net result of investments accounted for using the equity method	6.25	373.502	650.838
<b>RESULT BEFORE TAXES</b>		<b>(1.078.551)</b>	<b>(8.271.479)</b>
Taxes	6.26	(2.054.246)	(29.526)
<b>NET RESULT</b>		<b>(3.132.797)</b>	<b>(8.301.005)</b>
- Attributable to Group shareholders		(3.132.797)	(8.301.005)
- Attributable to minority shareholders		-	-
<b>RESULT PER SHARE - BASIC (in euro)</b>	<b>6.27</b>	<b>(0,36)</b>	<b>(1,01)</b>
<b>RESULT PER SHARE - DILUTED (in euro)</b>	<b>6.27</b>	<b>(0,36)</b>	<b>(1,01)</b>

**Consolidated Total Income Statement**

Values in Euro	Notes	30/09/2011	30/09/2010
<b>NET RESULT (A)</b>		<b>(3.132.797)</b>	<b>(8.301.005)</b>
Profit/ (Losses) on cash flow hedges	6.12	134.523	(1.874.804)
Profit/ (Losses) deriving from foreign companies balance sheet	6.12	2.678	1.452.591
<b>TOTAL OTHER PROFIT/(LOSSES) (B)</b>		<b>137.201</b>	<b>(422.213)</b>
<b>NET RESULT OF THE PERIOD (A) + (B)</b>		<b>(2.995.596)</b>	<b>(8.723.218)</b>
- of which attributable to Group shareholders		(2.995.596)	(8.723.218)
- of which attributable to the minority shareholders		-	-

**Consolidated Statements of Changes in Shareholders' Equity***from January 1st to September 30th, 2010*

Values in Euro	01/01/2010	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	30/09/2010
Capital stock	16.000.000	5.600.337	-	-	-	-	21.600.337
Additional paid-in capital	36.814.893	9.632.810	-	-	-	-	46.447.703
Legal reserve	2.733.635	-	-	-	-	-	2.733.635
Capital increase - expenses	(1.263.903)	(20.563)	-	-	-	-	(1.284.466)
Stock option reserve	728.494	-	-	-	-	307.596	1.036.090
Change in the FV of hedging derivatives	(5.214.268)	-	-	-	(1.874.804)	-	(7.089.072)
Other reserves	14.120.389	-	-	-	-	-	14.120.389
Currency translation reserve	(2.384.892)	-	-	-	1.452.591	-	(932.301)
Retained earnings	12.138.832	-	(8.695.527)	-	-	-	3.443.305
Net result	(8.695.527)	-	8.695.527	-	(8.301.005)	-	(8.301.005)
<b>Stockholders' equity of the Group</b>	<b>64.977.653</b>	<b>15.212.584</b>	<b>-</b>	<b>-</b>	<b>(8.723.218)</b>	<b>307.596</b>	<b>71.774.615</b>
Minority interest	-	-	-	-	-	-	-
<b>STOCKHOLDERS' EQUITY</b>	<b>64.977.653</b>	<b>15.212.584</b>	<b>-</b>	<b>-</b>	<b>(8.723.218)</b>	<b>307.596</b>	<b>71.774.615</b>

*from January 1st to September 30th, 2011*

Values in Euro	01/01/2011	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	30/09/2011
Capital stock	21.600.337	1.403	-	-	-	-	21.601.740
Additional paid-in capital	46.447.703	3.366	-	-	-	-	46.451.069
Legal reserve	2.733.635	-	1.586.433	-	-	-	4.320.068
Capital increase - expenses	(1.284.466)	-	-	-	-	-	(1.284.466)
Stock option reserve	1.138.624	-	-	-	-	156.882	1.295.506
Change in the FV of hedging derivatives	(5.641.858)	-	-	-	134.523	-	(5.507.335)
Other reserves	11.565.999	-	1.850.096	-	-	-	13.416.095
Currency translation reserve	(347.660)	-	-	-	2.678	-	(344.982)
Retained earnings	5.997.695	-	(9.401.801)	-	-	-	(3.404.106)
Net result	(5.965.272)	-	5.965.272	-	(3.132.797)	-	(3.132.797)
<b>Stockholders' equity of the Group</b>	<b>76.244.737</b>	<b>4.769</b>	<b>-</b>	<b>-</b>	<b>(2.995.596)</b>	<b>156.882</b>	<b>73.410.792</b>
Minority interest	-	-	-	-	-	-	-
<b>STOCKHOLDERS' EQUITY</b>	<b>76.244.737</b>	<b>4.769</b>	<b>-</b>	<b>-</b>	<b>(2.995.596)</b>	<b>156.882</b>	<b>73.410.792</b>

## Consolidated Cash Flow Statement

VALUES IN EURO	30/09/2011	30/09/2010
<b>Net result</b>	<b>(3.132.797)</b>	<b>(8.301.005)</b>
<b>Adjustments (sub-total)</b>	<b>4.664.859</b>	<b>3.670.752</b>
Depreciation and amortization	7.361.371	7.520.915
Net change in deferred tax assets and liabilities	(1.182.911)	(887.591)
Net result of investments accounted for using the equity method	(373.502)	(650.838)
Change in employee benefits	(18.698)	(534.208)
Change in inventories	(23.142.082)	(10.348.517)
Change in trade receivables	(3.543.109)	(1.282.554)
Change in trade payables	25.311.974	14.918.537
Net change in other receivables/payables and other assets/liabilities	251.816	(5.064.992)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)</b>	<b>1.532.062</b>	<b>(4.630.253)</b>
<b>Cash flow from investments</b>		
Acquisition of tangible fixed assets (*)	(3.144.435)	(1.235.347)
Acquisition of intangible fixed assets	(279.213)	(105.141)
Capitalization of development costs (**)	(3.694.172)	(4.551.342)
Disposal/(Purchase) investments accounted for using the equity method	-	(47.000)
Net disposal of fixed assets and investment properties (*)	236.810	318.850
Change in other investments	(116.948)	-
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(6.997.958)</b>	<b>(5.619.980)</b>
<b>Cash flow from financing activities</b>		
Change in other non current financial liabilities and other minor items	(675.238)	1.010.767
Increases in loans and borrowings (including bank overdrafts)	17.337.721	10.974.676
Repayment of loans and borrowings (including bank overdrafts)	(10.229.616)	(19.826.736)
Increases/(repayments) in financial lease liabilities	215.296	(181.399)
Capital increase	4.769	15.212.584
Other changes	294.083	(114.617)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)</b>	<b>6.947.015</b>	<b>7.075.275</b>
<b>Net change in cash and equivalents (D=A+B+C)</b>	<b>1.481.119</b>	<b>(3.174.958)</b>
<b>Cash and equivalents beginning of period (E)</b>	<b>14.837.872</b>	<b>15.083.752</b>
<b>Cash and equivalents end of period (F=D+E)</b>	<b>16.318.991</b>	<b>11.908.794</b>

Additional information to the Consolidated Cash Flow Statements	30/09/2011	30/09/2010
<i>Values in Euro</i>		
Income taxes	(2.054.246)	(29.526)
Financial Income	108.762	113.043
Financial costs	(7.028.547)	(6.502.703)

(\*) included assets held for sale

(\*\*) net of grants received by Finn-Power Oy



# Chapter 6.

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## 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 also 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 CO<sub>2</sub> 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 sheet-metal processing machinery. The FINN-POWER Group’s products were the perfect complement to the PRIMA INDUSTRIE line up. 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 beams 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 September 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 September 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 September 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 September 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 September 30, 2010 have been presented, as well as the shareholders' equity movements for the first nine months of 2010 in application of IAS 1 requirements (Presentation of the Financial Statements).

**Accounting Principles**Ongoing concern

The condensed consolidated financial statements at September 30, 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 corresponding period of 2010, the increase in order acquisitions, and the 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 criteria and principles of consolidation used to prepare the condensed consolidated financial statements as of September 30, 2011 are in compliance with those used to prepare the consolidated financial statements as of December 31, 2010, to which reference is made except for the adoption by the Group of new principles/interpretations starting from January 1, 2011 and any adaptations required by the nature of interim reporting.

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 September 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 "not 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 November 10, 2011.

## Explanatory Notes

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

### NOTE 6.1 - TANGIBLE FIXED ASSETS

At September 30, 2011 the tangible fixed assets amount to 24,317 thousand Euro, down of 696 thousand Euro as of December 31, 2010.

For more details, see the table here below.

Tangible fixed assets	Land and buildings	Plants and Machinery	Equipments	Other goods	Current fixed assets	TOTAL
Net value at December 31st, 2010	18.641.744	3.086.221	770.177	1.993.574	521.228	25.012.944
<i>Movements of Third Quarter 2011</i>						
Increase	74.814	685.894	515.746	851.550	130.929	2.258.934
Divestment	(69.066)	-	(48.922)	(233.773)	-	(351.760)
Depreciation fund use		-	41.030	212.056	-	253.086
Depreciation	(457.675)	(555.265)	(536.955)	(577.557)	-	(2.127.452)
Tangible fixed assets Reclassification	-	(946.228)	936.257	103.783	(93.812)	-
No-current assets for divestments reclassification	(414.400)	-	-	-	-	(414.400)
Inventory	-	-	-	(270.429)		(270.429)
Difference on Exchanges rate	(22.944)	(269)	(12.761)	(8.048)	-	(44.022)
Net value at September 30th, 2011	17.752.474	2.270.353	1.664.571	2.071.157	558.345	24.316.900

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 44 thousand Euro due to the exchange effect.

There was, however, a reclassification of 414 thousand Euro from the item "Land and Buildings" to the item "Non-current assets for disinvestment" (for more details see Note 6.11) and a reclassification of 270 thousand Euro from the item "Other goods" to the item "Inventories" following the change of classification criteria of certain corporate assets.

### NOTE 6.2 - INTANGIBLE FIXED ASSETS

At September 30, 2011 the intangible fixed assets amount to 152,473 thousand Euro, down with respect to December 31, 2010 of 1,281 thousand Euro. Reference is made to the table below for more details regarding the movements in the intangible fixed assets during the first nine months of 2011.

Intangible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Net value at December 31st, 2010	102.676.522	18.460.471	32.617.377	153.754.370
<i>Movements of Third Quarter 2011</i>				
Increase /(decrease)	-	3.694.172	279.213	3.973.385
Depreciation	-	(2.508.614)	(2.725.305)	(5.233.919)
Difference on Exchange rate	(23.840)	(10.759)	14.008	(20.591)
Net value at September 30th, 2011	102.652.682	19.635.270	30.185.293	152.473.245

It should be noted that the increases in the item Development costs are stated net of a contribution (equal to 72 thousand Euro) received by FINN-POWER OY.

The most significant item is Goodwill, which as of September 30, 2011 amounts to 102,653 thousand Euro. All Goodwill recorded in the Financial Statements relates to the greater value paid compared to the fair value of the business acquired.

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

CASH FLOWS REFERENCE COMPANY	BOOK VALUE GOODWILL 30/09/2011	BOOK VALUE GOODWILL 31/12/2010
PRIMA POWER	96.078	96.078
OSAI (Service)	4.125	4.125
PRIMA NORTH AMERICA (*)	2.259	2.283
MLTA	154	154
OSAI UK	37	37
<b>TOTAL</b>	<b>102.653</b>	<b>102.677</b>

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

Goodwill is not subject to depreciation and is annually subject to the *impairment test*. The Group performed the *impairment test* as of December 31, 2010 on the value of the main goodwill items (FINN-POWER Group, OSAI-Service and PRIMA NORTH AMERICA) and as of June 30, 2011 the Group repeated it on CGU PRIMA POWER (division in which FINN-POWER Group was incorporated; for more details about this refer to the Interim Financial Report as of June 30, 2011). In view of the consolidated results for the first nine months of 2011 it was not considered appropriate to repeat this test as of September 30, 2011.

#### NOTE 6.3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of equity investments included in this item increased with respect to the past year by 528 thousand Euro.

Equity investments valued with PN method	SUP <sup>(1)</sup>	SNK	TOTAL
Value at December 31, 2010	7.003.917	90.184	7.094.101
Portion of result	374.005	(503)	373.502
Increases	-	-	-
Currency adjustment	150.729	4.177	154.906
Value at September 30, 2011	7.528.651	93.858	7.622.509

(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 September 30, 2011 refers to 7,529 thousand Euro for the 35% shareholding in Shanghai Unity PRIMA Laser Machinery Co. Ltd. and 94 thousand Euro for the 50% shareholding in SNK Prima Company Ltd.

#### NOTE 6.4 - OTHER EQUITY INVESTMENTS

The value of Other Equity Investments at September 30, 2011 amounted to 1,056 thousand Euro.

With respect to December 31, 2010 the variations concern:

- the increase for the establishment by the Parent company of the new company PRIMA POWER SOUTH AMERICA Ltda. for 88 thousand Euro (100% subsidiary, but not yet consolidated, as will become operational in the fourth quarter of 2011),

- increase of value of the equity investment in Electro Power Systems for 34 thousand Euro (held by PRIMA ELECTRO SpA),
- the devaluation of the equity investment in Caretek for 5 thousand Euro (held by PRIMA ELECTRO SpA) and
- the increase for a 1 thousand Euro of a minor equity investment (Unionfidi) held by the Parent Company.

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

- Electro Power Systems (784 thousand Euro);
- PRIMA POWER SOUTH AMERICA Ltda. (88 thousand Euro);
- Caretek (52 thousand Euro);
- Consorzio Sintesi (52 thousand Euro).
- Fimecc OY (50 thousand Euro);
- other minor equity investments (30 thousand 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 5,881 thousand Euro, up with respect to the previous year by 731 thousand Euro.

The temporary differences that generated these fiscal assets refer mainly to margins on intra-group 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 recoverability 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 September 30, 2011 and December 31, 2010.

<b>INVENTORIES</b>	<b>30/09/11</b>	<b>31/12/10</b>
Raw materials	30.181.455	33.013.019
Unfinished goods	29.703.694	12.500.792
Finished goods	40.287.295	30.360.897
(Inventories devaluation fund)	(6.608.705)	(5.723.480)
<b>TOTAL</b>	<b>93.563.739</b>	<b>70.151.228</b>

At September 30, 2011 the inventories amounted to 93,564 thousand Euro, net of the provision for write downs of inventories totalling 6,609 thousand Euro. The net value of inventories in stock at September 30, 2011 shows an increase of 23,413 thousand Euro compared to De-

cember 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 September 30, 2011 amounted to 68,138 thousand Euro and compared to the previous financial year the item recorded an increase of 3,543 thousand Euro.

TRADE RECEIVABLES	30/09/11	31/12/10
Receivables from customers	70.862.353	67.957.623
Receivables write-down fund	(4.232.606)	(4.186.721)
<b>Net Receivables from customers</b>	<b>66.629.747</b>	<b>63.770.902</b>
<b>Receivables from associated parties</b>	<b>1.508.126</b>	<b>823.862</b>
<b>TOTAL</b>	<b>68.137.873</b>	<b>64.594.764</b>

The receivables from related parties amount to 1,508 thousand Euro and are commented in note "6.28 - Information on related parties". The increase in trade receivables between December 31, 2010 and September 30, 2011 is correlated to the growth of the Group's turnover. 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 September 30, 2011 amount to 7,021 thousand Euro and have increased compared to the previous period by 43 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 thousand Euro.

#### NOTE 6.9 - OTHER FISCAL ASSETS

This item amounts to 7,419 thousand Euro compared with 4,691,000 at the end of the previous year. Fiscal assets refer mainly to VAT receivables (7,125 thousand Euro), receivables entered by the American subsidiaries on losses incurred in the previous year (107 thousand Euro), as well as other receivables for minor fiscal assets (187 thousand 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 an application for the refund to the tax authorities. Therefore, this item was included under the "Other fiscal assets" heading.

#### NOTE 6.10 - NET FINANCIAL POSITION

As of September 30, 2011, the net financial position of the Group showed a deficit of 146,526 thousand Euro, in decrease of 5,258 thousand Euro compared to December 31, 2010 (negative for 141,268 thousand Euro). For a better understanding of the changes in the net financial position during the first nine 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 September 30, 2011 and December 31, 2010, determined with the criteria indicated in the Recommendation of the CESR (Committee of Euro-

pean Securities Regulators) of February 10, 2005 “Recommendations for uniform implementation of the European Commission in information prospectuses” and cited also by Consob.

*Values expressed in Euro thousand*

	30/09/11	31/12/10	Variations
A CASH	16.319	14.838	1.481
B OTHER CASH ON HAND	-	-	-
C SECURITIES HELD FOR NEGOTIATION	-	-	-
<b>D CASH ON HAND (A+B+C)</b>	<b>16.319</b>	<b>14.838</b>	<b>1.481</b>
E CURRENT FINANCIAL RECEIVABLES	-	2	(2)
F CURRENT BANK PAYABLES	17.319	12.068	5.251
G CURRENT PART OF NON-CURRENT INDEBTEDNESS	33.581	31.761	1.820
H OTHER CURRENT FINANCIAL PAYABLES	2.048	1.481	567
<b>I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)</b>	<b>52.948</b>	<b>45.310</b>	<b>7.638</b>
<b>J NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)</b>	<b>36.629</b>	<b>30.470</b>	<b>6.159</b>
K NON-CURRENT BANK PAYABLES	106.876	107.709	(833)
L BONDS ISSUED	-	-	-
M OTHER NON-CURRENT FINANCIAL PAYABLES	3.021	3.089	(68)
<b>N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)</b>	<b>109.897</b>	<b>110.798</b>	<b>(901)</b>
<b>O NET FINANCIAL INDEBTEDNESS (J+N)</b>	<b>146.526</b>	<b>141.268</b>	<b>5.258</b>

## LIQUIDITY

For more details relative to the increase of liquidity see the Consolidated Cash-flow Statement

## INDEBTEDNESS WITH BANKS

The main debt included in this item is the FINPOLAR loan. This loan that amounted to a total of 131,752 thousand Euro on September 30, 2011 is divided as follows:

- Section A: medium/long-term loan of 27,927 thousand Euro (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- Section B: medium/long-term loan of 63,398 thousand Euro (expiring in February 2016 with a "bullet" repayment at expiry);
- Section C1: medium/long-term loan of 12,628 thousand 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 September 30, 2010 for 7,099 thousand Euro;
- Section D: cash credit line for 19,765 thousand Euro (for a maximum capital amount of 20 million euro).
- Accrued interest for all 5 sections amounting to 935 thousand Euro.

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

The FINPOLAR loan is for 98,465 thousand Euro expiring after 12 months.

Non-current bank indebtedness also includes bank payables for 1,183 thousand Euro and the negative *fair value* of certain financial derivative instruments (IRS - Interest Rate Swap) which amount to a total of 7,228 thousand 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 September 30, 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 33,287 thousand Euro, *bank overdrafts* for 14,725 thousand Euro, other bank loans for 2,777 thousand Euro and derivative financial instruments for coverage of the exchange rate risk (Currency Rate Swaps) for 111 thousand Euro.

#### OTHER FINANCIAL PAYABLES

The other financial payables amount in total to 5,069 thousand Euro (of which 3,021,000 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 thousand Euro;
- payables for financial leases amounting to 2,587 thousand Euro (of which 326 thousand Euro current);
- other financial payables for 1,162 thousand Euro (of which 402 thousand Euro current); these payables refer mainly to facilitated ministry loans;
- payables to factoring companies for 1,009 thousand Euro.

#### CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and the loans taken out by the PRIMA INDUSTRIE Group as of September 30, 2011 (not inclusive of the *fair value* of derivatives) amount to 155,506 thousand Euro and in the first nine months of 2011 they changed as shown in the table here below.

PAYABLES TO BANKS AND LOANS	Euro thousand
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
<b>TOTAL PAYABLES TO BANKS AND LOANS AT 31/12/2010</b>	<b>148.275</b>
Variation in consolidation area	-
Stipulation of loans and borrowings ( <i>including bank overdrafts</i> )	17.338
Repayment of loans and borrowings ( <i>including bank overdrafts</i> )	(10.230)
Loans/ (reimbursement) of finance leases	215
Exchange rate effect	(92)
<b>TOTAL PAYABLES TO BANKS AND LOANS AT 30/09/2011</b>	<b>155.506</b>
of which :	
Payables to banks and loans - current portion (30/09/2011)	52.837
Payables to banks and loans - non-current portion (30/09/2011)	102.669
<b>TOTAL PAYABLES TO BANKS AND LOANS AT 30/09/2011</b>	<b>155.506</b>

**NOTE 6.11 - NON-CURRENT ASSETS INTENDED FOR DISINVESTMENT**

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 thousand Euro) and part refers to several apartments located in Asola -MN-, previously classified for 414 thousand Euro under fixed assets and now reclassified under this heading. During the first nine months of 2011 part of the properties of Asola were alienated for a total of 138 thousand Euro. As of September 30, 2011 the value of non-current assets for disinvestment amounted to 1,162 thousand Euro.

**NOTE 6.12 - SHAREHOLDERS' EQUITY**

The shareholders' equity of the PRIMA INDUSTRIE Group decreased with respect to the previous year of 2,834 thousand Euro. This decrease is mainly due to the negative result of the semester (amounting to -3,133 thousand Euro). In addition to the main event just mentioned, other movements affected the shareholders' equity, and precisely the positive variation the "Stock option fund" (for 157 thousand Euro), the positive variation in the "Reserve for adjustment of derivatives fair value" (for 135 thousand Euro), the positive variation in the "Currency translation reserve" (for 3 thousand Euro), and finally the capital increase due to conversion by certain shareholders of "PRIMA INDUSTRIE Warrants 2009-2013" (for only 5 thousand Euro). During the first nine months of 2011, 561 warrants were converted, corresponding to the same amount of shares, therefore as of September 30, 2011 the share capital amounts to 21,601,740 euro (divided into 8,640,696 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**

The item Employee benefits includes:

- 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 Srl to their employees.

Below is a comparison of these items.

<b>EMPLOYEES BENEFIT</b>	<b>30/09/11</b>	<b>31/12/10</b>
Severance indemnity fund	5.714.476	5.821.918
Fidelity premium	1.286.617	1.197.873
<b>TOTALE</b>	<b>7.001.093</b>	<b>7.019.791</b>

**NOTE 6.14 - DEFERRED TAXES LIABILITIES**

The deferred taxes liabilities amount to 10,459 thousand Euro and reflect a decrease compared to the previous financial year which amounted to 452 thousand 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 7,987 thousand Euro.

**NOTE 6.15 - PROVISIONS FOR RISKS AND CHARGES**

The provisions for risks and charges amount to 7,946 thousand Euro, a decrease compared to December 31, 2010 of 290 thousand 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 thousand Euro. The current provision for risks refers mainly to product warranties (6,507 thousand Euro, down of 43 thousand 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 26,258 thousand Euro. The trade payables and advances are the types of payables that increased the most (the total increase amounted to 25,312 thousand 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	30/09/11	31/12/10
Payables to suppliers	69.486.632	59.067.818
Advances from customers	33.987.865	19.094.705
Other payables	15.076.203	14.130.459
<b>TOTAL</b>	<b>118.550.699</b>	<b>92.292.982</b>

#### NOTE 6.17 - CURRENT TAX PAYABLES

Fiscal liabilities for current taxes as of September 30, 2011 amounted to 4,786 thousand Euro, up with respect to December 31, 2010 of 2,325 thousand 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 2,606 thousand Euro and mainly refer to a license agreement, to research grants, some contingent assets and atypical proceeds.

#### NOTE 6.20 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of September 30, 2011 amount to 3,937 thousand Euro and refer mainly to capitalization of assets for the development of new projects (3,766 thousand 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 September 30, 2011 amounts to 58,290 thousand Euro and is up from the corresponding period of the past year by 2,259 thousand 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 7,361 thousand Euro (of which 5,234 thousand Euro refer to intangible fixed assets). It should be noted that amortization of the trademark and customer relations costs ("customer list") totalled 1,986 thousand Euro, while development costs are of 2,509 thousand Euro.

**NOTE 6.23 - OTHER OPERATING EXPENSES**

The item Other operating expenses for the first nine months of 2011 amount to 50,569 thousand Euro compared with 36,764 thousand Euro as of September 30, 2010. The increase of expenses is the direct consequence of the increased volume of business.

**NOTE 6.24 - FINANCIAL INCOME AND EXPENSES**

The financial management of the first nine months of 2011 was negative for 7.051 thousand Euro.

<b>FINANCIAL MANAGEMENT</b>	<b>30/09/11</b>	<b>30/09/10</b>
Financial income	108.762	113.043
Financial expenses	(7.028.547)	(6.502.703)
Net result deriving from transactions in foreign currency	(131.221)	144.061
<b>TOTAL</b>	<b>(7.051.006)</b>	<b>(6.245.599)</b>

The financial expenses relative to the FINPOLAR Loan incurred by PRIMA INDUSTRIE amount to 3,870 thousand Euro, while net financial expenses on derivatives stipulated by the Group amount to 1,633 thousand Euro.

The negative exchange rate management for 131 thousand Euro (positive for 144 thousand Euro as of September 30, 2010) due mainly to the weakening of the U.S. dollar against the euro.

**NOTE 6.25 - NET RESULT OF ASSOCIATED COMPANIES AND JOINT VENTURES**

As of September 30, 2011, this item amounts to 374 thousand Euro and is down with respect to the corresponding period of the previous year (at September 30, 2010 it was 651 thousand 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 nine months of 2011 indicate a negative net balance of 2,054 thousand Euro (including IRAP for 932 thousand Euro). The increased fiscal burden of the Group is mainly attributable to the increased taxable revenues.

**NOTE 6.27 - 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 nine months of 2011, there was an average of 8,640,431 shares in circulation; therefore the profit per share relative to the first nine months of 2011 amounts to a loss of 0.36 euro per share (against a loss of 1.01 euro per share relative to the first nine months of 2010).

<b>BASIC RESULT PER SHARE</b>	<b>30/09/11</b>	<b>30/09/10</b>
Result due to shareholders (Euro/000)	(3.133)	(8.301)
Weighted average -number of ordinary shares	8.640.431	8.254.425
Basic result per share (Euro)	(0,36)	(1,01)

**(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.

<b>DILUTED RESULT PER SHARE</b>	<b>30/09/11</b>	<b>30/09/10</b>
Result due to shareholders (Euro/000)	(3.133)	(8.301)
Weighted average- number of ordinary shares	8.640.431	8.254.425
Corrected average number of ordinary shares	10.981.735	10.620.920
Diluted result per share (Euro)	(0,29)	(0,78)

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 antidilution 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 these transactions is set out hereunder.

OPERATIONS WITH ASSOCIATED PARTIES	SHANGHAI UNITY PRIMA LASER MACHINERY	STRATEGIC MANAGEMENT	BOARD OF STATUTORY AUDITORS	TOTAL
RECEIVABLES at 01/01/2011	823.862	-	-	823.862
RECEIVABLES at 30/09/2011	1.508.126	-	-	1.508.126
PAYABLES at 01/01/2011	-	160.034	129.609	289.643
PAYABLES at 30/09/2011	-	252.895	78.750	331.645
REVENUES 01/01/11 - 30/09/2011	3.332.204	-	-	3.332.204
COSTS 01/01/2011 - 30/09/2011	-	1.099.851	78.750	1.178.601
CHANGES IN RECEIVABLES				
01/01/2011 - 30/09/2011	684.264	-	-	684.264
CHANGES IN PAYABLES				
01/01/2011 - 30/09/2011	-	92.861	(50.859)	42.002

## NOTE 6.29 - 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 by sector.

Profits for Sector at Sept. 30, 2011	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total revenues for sector	172.979	41.761	-	214.740
(Inter-sectorial revenues)	(77)	(11.256)	-	(11.333)
<b>Revenues</b>	<b>172.902</b>	<b>30.505</b>	-	<b>203.407</b>
<b>EBITDA</b>	<b>7.689</b>	<b>5.271</b>	-	<b>12.960</b>
<b>EBIT</b>	<b>1.372</b>	<b>4.227</b>	-	<b>5.599</b>
Net Financial costs/income	(6.457)	(594)	-	(7.051)
Income/costs from affiliates and joint ventures	373	-	-	373
<b>Profit before taxes</b>	-	-	-	<b>(1.079)</b>
Taxes	-	-	(2.054)	(2.054)
<b>Net profit</b>	-	-	-	<b>(3.133)</b>

Assets and liabilities for sector at Sep. 30, 2011	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	288.076	58.625	29.619	376.320
Affiliatees, JV and other equity investments	7.842	836	-	8.678
<b>Total assets</b>	<b>295.918</b>	<b>59.461</b>	<b>29.619</b>	<b>384.998</b>
<b>Liabilities</b>	<b>113.431</b>	<b>20.066</b>	<b>178.090</b>	<b>311.587</b>

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 6.30 - 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 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 towards the credit system and capital market can be negotiated at fixed or variable rates.

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

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

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

- Interest rate                       Management/Hedging

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

**NOTE 6.31 - EVENTS SUBSEQUENT TO THE PERIOD**

No events have occurred since the reference date of this Interim Management Report that, if not known previously, would have necessitated a correction of the values reported.

On behalf of the Board of Directors  
The Chairman



Mr. Gianfranco Carbonato

**Declaration pursuant to art.154 bis clause 2-part IV, title III, item II, section V bis, of Legislative Decree no. 58 of February 24,1998: Unified text of provisions on financial brokerage pursuant to sections 8 and 21 of Law No. 52 dated February 6, 1996.**

Massimo Ratti, the director appointed to draw up the corporate accounting documents of the PRIMA INDUSTRIE Group, certifies in terms of the second paragraph of section 154 bis, part IV, title III, item II, section V bis, of Legislative Decree No. 58 dated 24th February 1998, that the accounting disclosure contained in this Interim Report on Operations corresponds with the documentary situation, as well as with the accounting books and entries.