



**INTERIM FINANCIAL REPORT AS AT MARCH 31, 2012**

Board of Directors on May 11, 2012

## **PRIMA INDUSTRIE S.p.A.**

*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**

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

### **Internal Control Committee**

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Chairman	Sandro d'Isidoro
Members	Enrico Marchetti Mario Mauri

### **Remuneration Committee**

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

### **Board of Auditors**

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

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

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

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

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

<sup>(1)</sup> Ezio G. Basso is also the General Manager of PRIMA INDUSTRIE SpA

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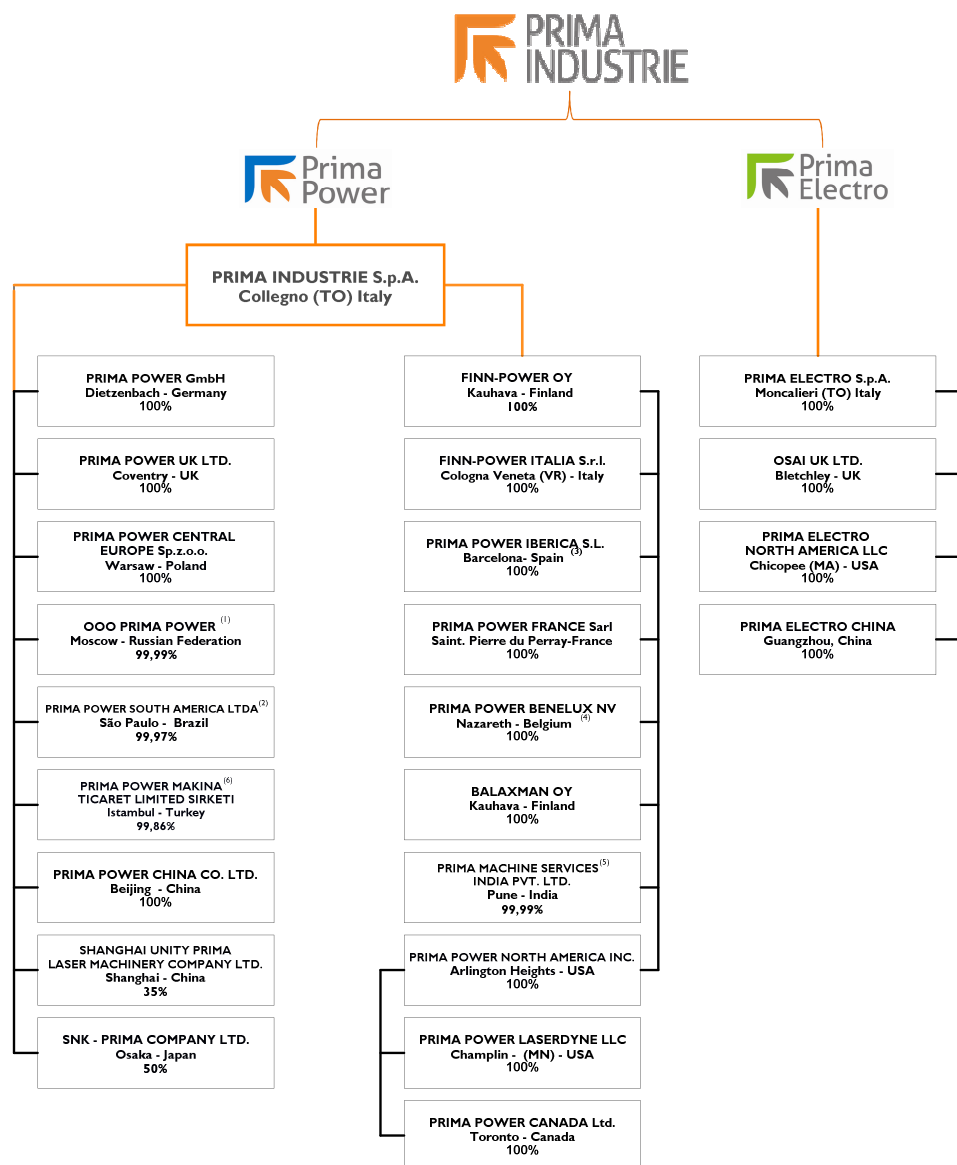
## CHAPTER 1.

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### STRUCTURE AND PROFILE OF THE PRIMA INDUSTRIE GROUP AS OF MARCH 31, 2012

## CHAPTER 1. STRUCTURE AND PROFILE OF THE PRIMA INDUSTRIE GROUP AS OF MARCH 31, 2012

### STRUCTURE OF PRIMA INDUSTRIE GROUP



The table on this page represents the organisational situation of PRIMA INDUSTRIE Group as of March 31, 2012.

- 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 LTDA, the remaining 0.03% is held by a local partner.
- 3) FINN-POWER OY holds 78% of PRIMA 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.
- 6) PRIMA INDUSTRIE SpA holds 99,86% of the company PRIMA POWER MAKINA TICARET LIMITED SİRKETİ; the remaining 0.14% is held by another partner.

## PROFILE OF PRIMA INDUSTRIE GROUP

PRIMA INDUSTRIE Group is leader in developing, manufacturing and marketing laser systems for industrial applications and machinery for sheet metal processing, as well as in the fields of industrial electronics and laser sources.

The parent company PRIMA INDUSTRIE SpA, founded in 1977 and listed on the Italian Stock Exchange since October 1999 (currently MTA - STAR segment), designs, manufactures and markets high-power laser systems for cutting, welding and surface treatment of three-dimensional (3D) and flat (2D) components.

The Group with 35 years experience boasts over 10,000 machines installed in more than 70 countries and is among the first manufacturers in the world in its target market.

Following the acquisition of FINN POWER Group, in February 2008, PRIMA INDUSTRIE Group is firmly placed at the forefront worldwide in the field of applications for sheet metal processing. In recent years the Group was reorganized to create a single and integrated entity. This process has materialized in 2011 with the division of business and the creation of a new corporate identity that reflects the new organizational structure and business:

- the PRIMA POWER division for laser machines and for sheet metal processing;
- the PRIMA ELECTRO division for industrial electronics and laser technology.

The **PRIMA POWER** division includes design, manufacture and marketing of:

- 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).

This division has production facilities in Italy (PRIMA INDUSTRIE SpA and FINN POWER ITALIA Srl), Finland (FINN POWER OY), United States of America (PRIMA POWER LASERDYNE LLC.) and China (Shanghai Unity Prima Ltd.) and a direct presence of sales and technical support in France, Spain, Germany, United Kingdom, Belgium, Poland, Czech Republic, Lithuania, Hungary, Russia, Turkey, USA, Canada, Brazil, China, India, Korea and Arab Emirates.

**PRIMA ELECTRO** division 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 division has production sites in Italy (PRIMA ELECTRO SpA) and United States of America (PRIMA ELECTRO NORTH AMERICA LLC.) as well as sales offices in the United Kingdom and in China.

Over thirty years after its foundation, the PRIMA INDUSTRIE Group's mission continues to be that of systematically expanding the range of its products and services, and continuously growing as a global supplier of laser systems, sheet metal processing systems and electronics for industrial applications, all high-tech markets where growth rates are good, despite cyclic pressure.



## CHAPTER 2.

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### INTRODUCTION

## CHAPTER 2. INTRODUCTION

### FOREWORD

The Interim Financial Report of PRIMA INDUSTRIE Group as of March 31, 2012 was prepared pursuant to section 154 ter of Legislative Decree 58/1998 and following amendments, and to the Issuing Companies regulations issued by CONSOB.

The Interim Financial Report was prepared in accordance with International Accounting Standards (the “IFRS”) issued by the International Accounting Standards Board (the “IASB”) and approved by the European Union and were prepared in accordance with IAS 34 - Interim Financial Statements.

This Interim Financial Report was approved by the Board of Directors on May 11, 2012 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 depreciation”), that is calculated by adding to the “Operating Profit” in the financial statements “Depreciation”, “Impairment and Write-downs”.

Also mentioned are:

- The “Value of production”, represented by the sum of the items “Net revenues from sales and services”, “Other operating revenues”, “Variation in inventories of unfinished and finished products” and “Increases for internal works”;
- the “Circulating Working Capital” represented by the algebraic summation of the “Inventories”, “Accounts Receivable”, “Accounts payable” and “Advances”.



## 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	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
US DOLLAR	1,3110	1,3669	1,3356	1,2939
POUND STERLING	0,8345	0,8533	0,8339	0,8353
CHINESE RENMINBI	8,2702	8,9966	8,4089	8,1588
JAPANESE YEN	103,9899	112,5155	109,5600	100,2000
POLISH ZLOTY	4,2322	3,9435	4,1522	4,4580
CANADIAN DOLLAR	1,3129	1,3478	1,3311	1,3215
RUSSIAN RUBLE	39,5477	40,0029	39,2950	41,7650
BRAZILIAN REAL	2,3162	2,2785	2,4323	2,4159
INDIAN RUPEE	65,8863	61,8943	68,0420	68,7130
TURKISH LIRA	2,3551	2,1577	2,3774	2,4432

## CONSOLIDATION AREA

The only variation which occurred in the area of consolidation in the first quarter of 2012, was the entrance in the perimeter of the newly incorporated Turkish branch PRIMA POWER MAKINA TICARET LIMITED SIRTEKI (99.86% owned by PRIMA INDUSTRIE SpA).

The subsidiary companies indicated in the tables below have been subject to line-by-line consolidation as of March 31, 2012. The joint ventures have been consolidated 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. Fabryczna 24 - 05 - 092 Łomianki Warsaw, POLSKA	PLN 350.000	100%	Line-by-line method
OOO PRIMA POWER	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	99,99%	Line-by-line method
PRIMA POWER SOUTH AMERICA Ltda	Av Fuad Lutfalla, 1,182 - Freguesia do O - 02968-00, Sao Paulo BRASIL	R\$ 350.000	99,97%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI <sup>(1)</sup>	Camlik Mahallesi Ikbal Caddesi Dinc Sokak No:31 Niyazibey Plaza, Istanbul - TURKEY	TRY 1.470.000	99,86%	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 Artigianato 9, 37044, Cologna Veneta (VR), ITALY	€ 1.500.000	100%	Line-by-line method
PRIMA POWER IBERICA S.L.	C/Primer 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.	Mezzanine Floor, Poonam Plaza G94/2B Market Yard Road, Pune INDIA	Rs. 7.000.000	99,99%	Line-by-line method
PRIMA POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA POWER LASERDYNE LLC	8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 200.000	100%	Line-by-line method
PRIMA POWER CANADA Ltd.	1040 Martingrove Rd, U.11, Toronto, Ontario M9W 4W4, CANADA	CAD 200	100%	Line-by-line method

(1) Please note that at the date of reference of these financial statements, the share capital of the company PRIMA POWER MAKINA TICARET LIMITED SIRTEKI has not yet been fully paid.

SUBSIDIARIES				
PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
PRIMA ELECTRO S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6.000.000	100%	Line-by-line method
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line-by-line method
PRIMA ELECTRO NORTH AMERICA LLC.	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 24.039.985	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
JOINT VENTURES				
	REGISTERED OFFICE	SHARE CAPITAL	OWNERSHIP	CONSOLIDATION METHOD
Shanghai Unity PRIMA Laser Machinery Co. Ltd.	2019, Kunyang Rd., Shanghai 201111 - P.R. CHINA	RMB 16.000.000	35%	Net equity Method
SNK PRIMA Company Ltd	Misaki Works 3513-1, Fuke Misaki-Cho, Sennan-Gun, Osaka, JAPAN	YEN 90.000.000	50%	Net equity Method



## CHAPTER 3.

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### GROUP INTERIM MANAGEMENT REPORT

## CHAPTER 3. GROUP INTERIM MANAGEMENT REPORT

### SIGNIFICANT EVENTS OF THE PERIOD

There have been no significant events in the quarter of reference.

### MACROECONOMIC CONTEXT

In these first three months of 2012 the economic scenario has experienced a setback in the improvement process. The recovery in the U.S. continues, but with less intensity, because the ongoing crisis in the labour market suppresses consumption. The development of emerging countries remains an important driver for the global economy, but its growth is still lower than expected and it fails to adequately support a global development. The most problematic area is the EU, where we witness the continuing economic crisis, which has mainly affected Spain and Italy as well as Greece and the risk of contagion also lapped core countries such as Holland and France.

According to the OECD, the gross domestic product of Italy will experience a decline of 1.6% in the first quarter of 2012 and then report an improvement in the second, which should close with a marginal loss of 0.1%. "The weakness of industrial production and consumer confidence - the OECD notes about Italy - indicate a recession in the first two quarters of the year. That said, the most recent indicators have been positive and this has resulted in a slightly better growth forecast for the second quarter". For the two other major European economies, those of Germany and France, the OECD instead forecasts respectively a 0.1% growth in the first quarter and 1.5% in the second and for the first and a 0.2% decrease in this quarter and a positive growth of 0.9% the next for France.

As regards non-European countries, as mentioned before, the U.S. economy has shown signs of improvement, but below expectations, and China has confirmed a stable growth with a GDP growth that should reach in the first quarter to 8, 4% over the corresponding period of 2011.

For the full year 2012, the IMF forecast estimate a global GDP growth of 3.3% (3.8% in 2011), distributed as follows: 1.8% in the U.S., 8.2% in China, 7% in India , 3.4% in Russia, 3% in Brazil, while in Europe the stagnation of Germany and France, will accompany the negative growth in Spain and, as mentioned above, in Italy.

For the Confindustria Research Centre (CSC) the contraction of the Italian industrial production will stop in March. The distance from the pre-crisis peak (April 2008) is -21.9%, while the recovery from the recession lows (March 2009) reaches 5.8%. In the first quarter of 2012, the CSC estimates a production reduction of -2.2% in the fourth quarter of 2011, which, in turn, had recorded a -2.1% on the previous quarter.

The information available outline a slowdown of the descent for the second quarter: the variation inherited from the first is essentially zero (-0.2%) and the ISTAT survey at the manufacturing firms report an improvement in expectations in March to three months on the level of production and orders (for both variables the balances of ratings have risen to +2, from 0 in February).

As for the machine tool sector, UCIMU (the Union of Italian Machine Tool Manufacturers) notes, in the first quarter of the year, an increase of 10.5% in orders for machine tools, however, only driven by foreign demand. Therefore, the growth of the sector continues, which, with the exception of the last survey relative to 2011, has eight consecutive quarters of growth, confirming the good trend of the Italian firms in the sector.

For the American associations of distributors and manufacturers of machine tools (AMTDA, the American Machine Tool Distributors' Association and AMT - The Association For Manufacturing Technology) the order acquisition of the sector has registered a 21.7% growth in the first two months of 2012 compared to the same period of 2011, confirming the upward trend in productivity and competitiveness through the use of increased levels of automation and innovative technologies.

The VDMA (German association of machine manufacturers and industrial equipment) recorded a decline in orders of 9% in the first three months of 2012 over the same period of last year, although the orders remained higher both for the long term trend calculated since 1995, and with respect to the expectations of the association.

## REVENUES AND PROFITABILITY

The consolidated revenues as of March 31, 2012 amounted to 69,868 thousand euro, up by 15.3% (equal to 9,252 thousand euro) compared to the same period in 2011 (60,616 thousand euro). Please note that the usual seasonality of the business penalizes the first quarter of the year in terms of revenues and therefore of profitability.

Below are reported the consolidated turnover on a geographic basis as of March 31, 2012 compared to the same period of the previous period.

Revenues	March 31, 2012		March 31, 2011	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
Italy	9.778	14,0	6.792	11,2
Europe	26.704	38,2	24.794	40,9
North America	17.330	24,8	13.590	22,4
Asia and rest of the world	16.056	23,0	15.440	25,5
<b>TOTAL</b>	<b>69.868</b>	<b>100,0</b>	<b>60.616</b>	<b>100,0</b>

Sales by geographic area show an increased turnover in all target markets. Particularly significant is the growth in North America, with revenues increasing by 3,740 thousand euro going from 22.4% to 24.8% of total sales. Even sales in Italy, which throughout the year 2011 had decreased, register an increase of 2,986 thousand euro, going from 11.2% to 14% of consolidated turnover.

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	March 31, 2012		March 31, 2011	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	59.635	85,4	52.703	86,9
PRIMA ELECTRO	14.407	20,6	11.397	18,8
Inter-sector revenues	(4.174)	(6,0)	(3.484)	(5,7)
<b>TOTALE</b>	<b>69.868</b>	<b>100,0</b>	<b>60.616</b>	<b>100,0</b>

For a clearer view of revenues, the following table shows the breakdown by both segment and geographical area, inclusive of inter-segment items, both for the first quarter 2012 and the first quarter 2011.

Revenues segment/area - 31 March 2012	Italy	Europe	North America	Asia and rest of the world	TOTAL
<i>€/000</i>					
PRIMA POWER	7.083	20.521	16.700	15.324	59.628
PRIMA ELECTRO	2.695	6.183	630	732	10.240
<b>TOTAL</b>	<b>9.778</b>	<b>26.704</b>	<b>17.330</b>	<b>16.056</b>	<b>69.868</b>

Revenues segment/area - 31 March 2011	Italy	Europe	North America	Asia and rest of the world	TOTAL
<i>€/000</i>					
PRIMA POWER	3.553	21.875	13.061	14.210	52.699
PRIMA ELECTRO	3.239	2.919	529	1.230	7.917
<b>TOTAL</b>	<b>6.792</b>	<b>24.794</b>	<b>13.590</b>	<b>15.440</b>	<b>60.616</b>

The breakdown by geographical area of PRIMA POWER segment shows a significant increase in sales in all areas compared to 2011, with the exception of Europe where a slight decrease is registered. The division's sales were in Europe 34.4%, in North America 28%, in Asia and the Rest of the World 25.7% (particularly in Russia, Brazil, Korea and China) and in Italy 11.9%.

The PRIMA ELECTRO segment had 26.3% of its sales in Italy, 60.4% in Europe (particularly Spain and Benelux), 7.1% in Asia and the Rest of the World (mainly China) and 6.2% in North America.

The Group's turnover does not include the revenues of the Chinese joint venture Shanghai Unity PRIMA (consolidated with the equity method), amounting to 7.9 million euro as of March 31, 2012.

The **Value of Production** as of March 31, 2012 was 84,087 thousand euro, up by 19% compared to the previous period of 2011 (an increase of 13,556 thousand euro).

The value of production in the period also includes increases for internal work amounting to 1,399 thousand euro (1,520 thousand euro as of March 31, 2011); these costs mainly refer to investments in development activities.

Performance indicators	March 31, 2012		March 31, 2011	
	<i>Euro thousand</i>	<i>% on sales</i>	<i>Euro thousand</i>	<i>% on sales</i>
EBITDA	4.113	5,9	3.052	5,0
EBIT	1.561	2,2	638	1,1
EBT	(893)	(1,3)	(1.805)	(3,0)
<b>NET RESULT</b>	<b>(1.752)</b>	<b>(2,5)</b>	<b>(2.173)</b>	<b>(3,6)</b>

The Group's **EBITDA** is 4,113 thousand euro (5.9% of turnover); with respect to the first three months of 2011 it showed a significant improvement, amounting to 1,061 thousand euro.

The Group's EBITDA as of March 31, 2012 and March 31, 2011, subdivided per segment, and inclusive of inter-segment items, is illustrated here below.

EBITDA	March 31, 2012		March 31, 2011	
	€/000	%	€/000	%
PRIMA POWER	1.925	46,8	2.216	72,6
PRIMA ELECTRO	2.350	57,1	875	28,7
Inter sector items and eliminations	(162)	(3,9)	(39)	(1,3)
<b>TOTAL</b>	<b>4.113</b>	<b>100,0</b>	<b>3.052</b>	<b>100,0</b>

The EBITDA of PRIMA POWER division in the first quarter 2012 was affected by the incidence of non-recurring restructuring costs and other costs primarily related to the improvement of new product lines, for a total of about 1 million euro.

The consolidated EBIT as of March 31, 2012 was 1,561 thousand and is improving by 923 thousand euro over the first three months of 2011. This result is affected by the depreciation of tangible fixed assets for 645 thousand euro and intangible fixed assets for 1,907 thousand euro; as regards the latter, 702 thousand refer to depreciation 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 944 thousand euro refer to the amortization of development costs.

The EBIT divided by segment, as of March 31, 2012 and March 31, 2011 is illustrated here below, inclusive of inter-segment items.

EBIT	March 31, 2012		March 31, 2011	
	€/000	%	€/000	%
PRIMA POWER	(203)	(13,0)	138	21,6
PRIMA ELECTRO	1.923	123,2	537	84,2
Inter sector items and eliminations	(159)	(10,2)	(37)	(5,8)
<b>TOTAL</b>	<b>1.561</b>	<b>100,0</b>	<b>638</b>	<b>100,0</b>

The consolidated EBT as of March 31, 2012 is -893 thousand euro, with an improvement of 912 thousand euro compared to the corresponding period of the previous year ( -1,805 thousand euro); it should be noted that this value discounts net costs deriving from financial management (including profits and losses on exchange rates) for 2,225 thousand euro (2,450 thousand euro at March 31, 2011).

Financial management (€/000)	March 31, 2012	March 31, 2011
Financial income	42	62
FINPOLAR loan costs	(1.223)	(1.180)
Derivative financial instruments costs (IRS)	(491)	(235)
Derivative financial instruments costs (CRS)	30	-
Net result from transactions in foreign currency	(318)	(615)
Other Financial costs	(265)	(482)
<b>TOTAL</b>	<b>(2.225)</b>	<b>(2.450)</b>

These include, in particular, costs relative to the loan stipulated in 2008 for acquisition of the FINN-POWER Group (hereinafter referred to as the “FINPOLAR Loan”) for 1,223 thousand euro and net financial costs for derivative instruments (mainly linked to the FINPOLAR Loan) for 461 thousand euro.



The result of exchange rate management during the first three months of 2012 is negative for 318 thousand euro (negative for 615 thousand euro as of March 31, 2011).

The net result of joint ventures pertinent to the Group for the first three months of 2012 is negative for 228 thousand euro (positive for 7 thousand euro at March 31, 2011).

The **NET PROFIT** as of March 31, 2012 is -1,752 thousand euro (-2,173 thousand euro as of March 31, 2011). Income taxes in the first three months of 2012 indicate a negative net balance of 860 thousand euro (including IRAP for 329 thousand euro). The increased fiscal burden of the Group is mainly attributable to the greater taxable revenues of some companies.

## NET FINANCIAL POSITION

As of March 31, 2012 the net financial position of the Group shows a net debt of 142 million euro, that is therefore unchanged with respect to the 141.5 million euro as of March 31, 2011. The decrease of 5,603 thousand euro compared to December 31, 2011 (negative for 136.4 million euro) is mainly due to the absorption of financial resources necessary for the management of operations and the need of working capital required to cope with the increasing turnover.

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

<i>Value expressed in Euro thousand</i>	<b>31/03/2012</b>	<b>31/12/2011</b>	<b>31/03/2011</b>
CASH & CASH EQUIVALENTS	(17.158)	(25.179)	(15.942)
CURRENT FINANCIAL RECEIVABLES	-	(529)	(90)
CURRENT FINANCIAL LIABILITIES	54.980	52.131	53.721
NON CURRENT FINANCIAL LIABILITIES	104.166	109.962	103.856
<b>NET FINANCIAL LIABILITIES</b>	<b>141.988</b>	<b>136.385</b>	<b>141.545</b>

The net financial position shows the overall exposure to credit institutions and other lenders. For better disclosure relating to the consolidated net financial position as of March 31, 2012, the following should be borne in mind:

- the FINPOLAR loan amounts totally to 133,508 thousand euro and is subject to respect of certain covenants measured on an annual and six-month basis (for a breakdown of the details see the financial statements as of December 31, 2011);
- payables due to leasing companies (almost exclusively referring to real estate) amount to 2,596 thousand euro;
- bank payables include the negative fair value of several IRS for 7,069 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 reminded that as of February 6, 2012 the company has regularly paid the debt to the pool of lending banks relative to the FINPOLAR Loan, amounting to a total of 3,292 thousand euro, divided as follows:

- C1 portion of share capital for 400 thousand euro;
- Interests on portions A, B, C2 and D for 2,021 thousand euro;
- Differentials on derivative for 871 thousand euro.

For more details about the Net Financial Position see the Explanatory Notes 6.10.

## TRADE ASSETS AND ORDER PORTFOLIO

During the first quarter of the year the Group took part in the following important trade fairs in their main markets:

- HPB in Atlanta (USA)
- IMTEX in Bangalore (India)
- INDIAWOOD in Bangalore (India)
- METAPRO in Kortrijk (Belgium)
- MTA in Hanoi (Vietnam)
- NORTEC in Hamburg (Germany)
- SAMUMETAL in Pordenone (Italy)
- SOUTHERN MANUFACTURING & ELECTRONICS in Farnborough (U.K.)
- STEELFAB in Sharjah (Arab Emirates)
- TECHNI SHOW in Utrecht (the Netherlands)

In the first three months of 2012 the order acquisition has confirmed the very positive trend of the recent quarters. The Group's **order acquisition** (inclusive of after-sale service) as of March 31, 2012 amounted to 86.2 million euro, with a growth of 7.1% compared to the first quarter of 2011.

The order acquisition of PRIMA POWER segment totaled 73.7 million euro, that of PRIMA ELECTRO segment, only by customers outside the Group, amounted to 12.5 million euro.

The geographical distribution of the orders acquisition in the first quarter confirms the good performance of the North American, Asian and Eastern Europe market.

The consolidated **order portfolio** (not including spare parts and after sales services) at March 31, 2012 amounted to 122.8 million euro, increased of above 22.5% compared to 100.2 million euro as of March 31, 2011.

This value includes 109.4 million euro related to the PRIMA POWER segment and 13.4 million euro related to the PRIMA ELECTRO segment.

The order portfolio as of April 30, 2012 amounted to 121.1 million euro, in line with the corresponding value of March 31, 2012.

## RESEARCH AND DEVELOPMENT

The activities of research and development performed by the Group during the first quarter of 2012 totaled 4,479 thousand euro (of which 3,108 thousand euro in the PRIMA POWER segment and 1,371 thousand euro in the PRIMA ELECTRO segment) which is 6.4% of the turnover.

The capitalised portion amounted to 1,326 thousand euro (of which 921 thousand euro in the PRIMA POWER segment and 405 thousand euro in the PRIMA ELECTRO segment).

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 quarter of 2012 the main activities involving the PRIMA POWER segment were as follows:

- delivery of the first Platino Fiber machines in single lens version to customers. This configuration allows to cut all materials provided, in various thicknesses, without changing the focusing lens: the machine is more reliable and saves the time of lens change;
- release for version 2.0.0 of the CAD/CAM Prima Power Maestro, with integrated bevel cutting features for Domino machine;
- support in the start of production in the U.S., at the plant in Champlin, of the Rapido machine to the North American market;
- introduction of a series of updates, functions and options of the new line of servo electric press bending machines (eP\_Brake) now available in the following series: eP\_0520 2.0, eP\_1030 2.0, eP\_1336 2.0;
- introduction of the new 3.0 series of servo electric panel shaping machines (FBe/EBE/Bce) now available for the FBe\_FastBend and EBe\_ExpressBender in the new maxi size 6;
- introduction of a series of 3D CAM updates for the line of servo electric panel shaping machines now available for the FBe\_FastBend model: Master Bend 1,015;
- introduction of an automatic bent profiles cutting system: Bending Cutting Profile;
- integration and qualification of rotary axes for the machine LASERDYNE 430, a three-axis (with a fourth optional) system for precision cutting, drilling and welding in a variety of sectors including electronics, precision engineering, filters, medical equipment and aerospace;
- creation of new features of the CNC used on LASERDYNE machines, primarily for welding applications with fiber laser;
- development of a new generation of punching machines (models E5, E6 and E8) with a speed of more than 1000 punches/minute. The first models were presented at the Finntec fair which was held in April in Helsinki (Finland) and are available with an extensive range of automation;
- development of a combined Punching-Laser machine that will be launched at a very competitive price in the market at the Lamiera fair in Bologna.

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

- extensive testing of a 4 kW CO2 laser version (CV family) characterized by low maintenance requirements by adopting a magnetic turbine and various expedients to

extend the life of the optics. It is expected that the product can be marketed starting from the second half of this year;

- completion of the beta testing at a pilot customer of the OPEN30 numerical control base version and production release;
- start up of the development of the "Pulse & Direction" communication protocol for use across the range of OPEN products. This development is primarily aimed at applications for the Chinese market where it is widespread;
- continuation of the development for the application of the OPEN control to automatic paneling machines of EBe family;
- realization of the engineered prototype of the high voltage power supply for CO2 laser;
- continuation of the project of a new generation laser, with the contribution of PPPLab (joint laboratory at the Polytechnic of Turin) who has been given a multi-year development contract.

## PERSONNEL

At March 31, 2012 the Group's employees are 1,489 rising of 47 units from December 31, 2011; this increase is due both to increased production volume, and to increased demand due to the opening of new sales initiatives and to launch of new production lines.

Here below is shown the personnel as of March 31, 2012 and December 31, 2011 split by segment.

	March 31, 2012	March 31, 2011
PRIMA POWER	1'225	1'175
PRIMA ELECTRO	264	267
<b>TOTAL COMPANY'S PERSONNEL</b>	<b>1'489</b>	<b>1'442</b>

## OPERATIONS WITH RELATED PARTIES

Pursuant to article 5, clause 8 of Consob Regulation no. 17221 enacted on March 12, 2010, containing provisions on the subject of related parties, no operations with related parties were concluded during the reporting period.

For further details on the subject of other operations of the Group with related parties, see "Note 6.28 - INFORMATION ON RELATED PARTIES".

## STOCK TREND AND TREASURY STOCK

During the first quarter of 2012 the PRIMA INDUSTRIE stock has gone from a unit value of 6.885 euro as of January 02, 2012 to a value of 10.43 euro per share as of March 30, 2012, with an increase of more than 51%; after achieving this performance, much better than the performance of the reference index (FTSE Italia STAR) that during the same period showed a rise of about 16%, the stock price has stabilized between 10 euro and 10.5 euro per share.

As of April 30, 2012 the stock has a value of 10.25 euro per share. The graph below illustrates these trends.

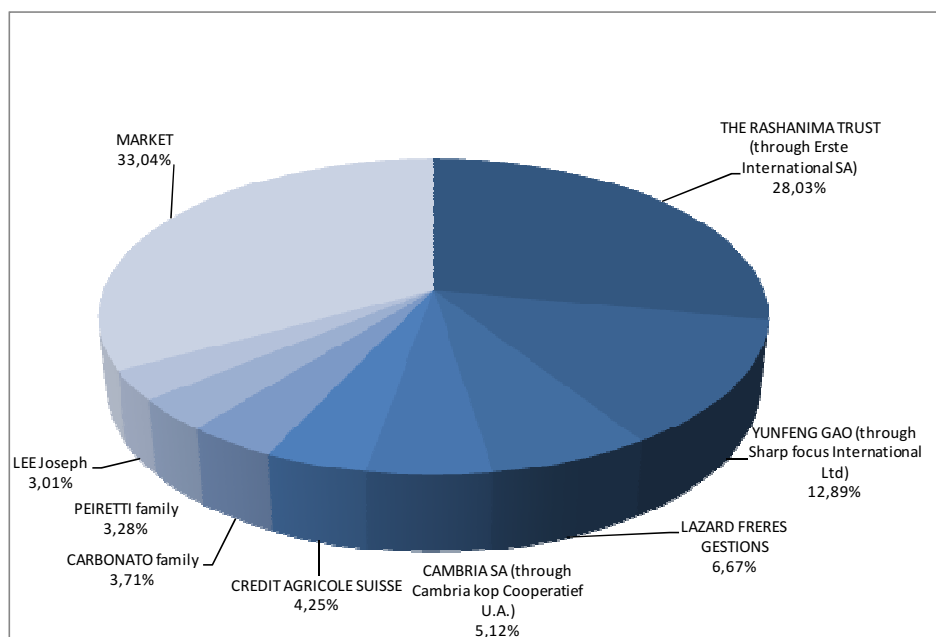


As of March 31, 2012 and as at the date of approval of this interim financial report, PRIMA INDUSTRIE S.p.A. did not and does not hold any treasury stock, and there has been no resolution of authorization of the purchase of treasury stock.

## SHAREHOLDING STRUCTURE

As of March 31, 2012 the share capital of PRIMA INDUSTRIE SpA 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 March 31, 2012 and at the date of approval of this report.

In the light of the entries in the shareholders' ledger 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 of FINN POWER OY, as well as the General Manager of PRIMA INDUSTRIE SpA and the financial Manager of the Group, ended.

The beneficiaries are thus entitled to exercise the options granted at a price determined today of 28.68 euro per share, from June 1, 2011 and no later than June 30, 2014 (the date on which the plan expires) during the following 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 & CEO
BASSO Ezio	PRIMA INDUSTRIE SpA General Manager and Managing Director
PEIRETTI Domenico	PRIMA ELECTRO SpA Managing Director and PRIMA INDUSTRIE SpA Managing Director
RATTI Massimo	PRIMA INDUSTRIE Group CFO

Further information about the *stock option* plan is published on the company's website: [www.primaindustrie.com](http://www.primaindustrie.com).

## FORESEENABLE DEVELOPMENTS OF MANAGEMENT

Despite an unfavourable economic situation in much of Europe, the positive trend in order intake and greater commercial presence of which the Group has, in the current year should allow the achievement of profitability growth.

## EVENTS WHICH TOOK PLACE AFTER THE END OF THE QUARTER

### BOARD OF AUDITORS INTEGRATION

The ordinary shareholders' meeting of April 20, 2012 provided for the integration of the Board of Auditors with the appointment of the Chairman of the Board itself in the person of Mr. Franco Nada and of an alternate auditor in the person of Mr. Alessandro Sabolo.

This integration was necessary after the death in December 2011, of Mr. Riccardo Formica, who in that time was Chairman of the Board, and its replacement with Mr. Franco Nada (alternate auditor in the same list submitted by the minority from which the Chairman had been selected), in office until the approval of the financial statement ad of December 31, 2011.

## 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.



## CHAPTER 4.

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### ECONOMIC PERFORMANCE BY SEGMENT

## CHAPTER 4. ECONOMIC PERFORMANCE BY SEGMENT

The Group operates with a new organization structure, based on the concentration of its activities into two divisions: the PRIMA POWER division and the PRIMA ELECTRO division.

The PRIMA POWER division includes design, manufacture and marketing of:

- machines for cutting, welding and drilling three-dimensional (3D) and two-dimensional (2D) metallic components and
- 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 division 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 division has production sites in Italy (PRIMA ELECTRO SpA) and United States of America (PRIMA ELECTRO NORTH AMERICA LLC.) as well as sales offices in the United Kingdom and in China.

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

	March 31, 2012				
Value in thousands of euros	REVENUES	EBITDA	% ON REVENUES	EBIT	% ON REVENUES
PRIMA POWER	59.635	1.925	3,2%	(203)	-0,3%
PRIMA ELECTRO	14.407	2.350	16,3%	1.923	13,3%
CONSOLIDATION	(4.174)	(162)	3,9%	(159)	3,8%
GROUP	69.868	4.113	5,9%	1.561	2,2%

*It should be noted that the values of EBIT and EBITDA presented here are not directly reconcilable with those presented in Chapter 6 - Note 6.29 INFORMATION BY SECTOR.*

	March 31, 2011				
Value in thousands of euros	REVENUES	EBITDA	% ON REVENUES	EBIT	% ON REVENUES
PRIMA POWER	52.703	2.216	4,2%	138	0,3%
PRIMA ELECTRO	11.397	875	7,7%	537	4,7%
CONSOLIDATION	(3.484)	(39)	1,1%	(37)	1,1%
GROUP	60.616	3.052	5,0%	638	1,1%

### PRIMA POWER

PRIMA POWER segment revenues for the first quarter of 2012 are higher by 13% over the previous year. All major companies in the segment, in the period in consideration, have obtained better financial statements results compared to the same period of 2011.

Due to the high level of revenues, the EBITDA of the segment amounted to 1,925 thousand euro; as noted in the previous chapter, the results for the quarter was affected the incidence of non-recurring restructuring costs and other costs primarily related to the improvement of new product lines, for a total of about 1 million euro. During the quarter, the best results compared to the previous year have been achieved by the Parent Company and by the companies of the segment operating in the North American and Russian markets.



## **PRIMA ELECTRO**

PRIMA ELECTRO segment revenues for the first quarter of 2012 are 26% higher compared to the previous year. The business of PRIMA ELECTRO segment continues showing a high ability to recover, thanks mainly to the excellent performance of PRIMA ELECTRO SpA.

With an EBITDA of 2,350 thousand euro, the level of profitability of the PRIMA ELECTRO segment is 16.3%, 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 March 31, 2012

## Accounting Tables

## CHAPTER 5. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF MARCH 31, 2012

### CONSOLIDATED FINANCIAL BALANCE SHEET

Values in Euro	31/03/2012	31/12/2011
Property, plant and equipment	24.602.157	24.472.946
Intangible assets	152.128.884	152.629.950
Investments accounted for using the equity method	8.472.502	8.961.044
Other investments	1.004.280	1.076.998
Deferred tax assets	6.751.215	6.570.203
Other non current assets	25.520	25.518
<b>NON CURRENT ASSETS</b>	<b>192.984.558</b>	<b>193.736.659</b>
Inventories	100.318.797	84.249.605
Trade receivables	74.215.629	88.282.812
Other receivables	8.017.922	6.406.214
Current tax receivables	4.116.855	5.592.470
Financial assets	-	528.637
Cash and cash equivalents	17.158.140	25.179.041
<b>CURRENT ASSETS</b>	<b>203.827.343</b>	<b>210.238.779</b>
<b>ASSETS HELD FOR SALE</b>	<b>1.012.201</b>	<b>1.012.201</b>
<b>TOTAL ASSETS</b>	<b>397.824.102</b>	<b>404.987.639</b>
Capital stock	21.601.740	21.601.740
Legal reserve	4.320.069	4.320.069
Other capital reserves	54.493.008	54.326.182
Currency translation reserve	274.697	1.331.310
Retained earnings	(1.458.006)	(3.390.665)
Net result	(1.752.497)	1.932.659
<b>Stockholders' equity of the Group</b>	<b>77.479.011</b>	<b>80.121.295</b>
<i>Minority interest</i>	-	-
<b>STOCKHOLDERS' EQUITY</b>	<b>77.479.011</b>	<b>80.121.295</b>
Interest-bearing loans and borrowings	97.101.609	102.350.641
Employee benefit liabilities	6.704.602	6.792.852
Deferred tax liabilities	9.492.105	9.737.709
Provisions	124.009	124.009
Derivatives	7.064.431	7.611.171
<b>NON CURRENT LIABILITIES</b>	<b>120.486.756</b>	<b>126.616.382</b>
Trade payables	78.117.010	79.797.117
Advance payments	32.934.288	32.355.143
Other payables	17.874.325	17.539.790
Interest-bearing loans and borrowings	54.975.322	52.031.067
Current tax payables	6.234.079	6.404.295
Provisions	9.718.904	10.022.786
Derivatives	4.407	99.764
<b>CURRENT LIABILITIES</b>	<b>199.858.335</b>	<b>198.249.962</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>397.824.102</b>	<b>404.987.639</b>

## CONSOLIDATED INCOME STATEMENT

Values in Euro	31/03/2012	31/03/2011
Net revenues	69.867.908	60.615.522
Other income	616.351	459.336
Change in inventories of finished goods and WIP	12.203.899	7.935.566
Increases in fixed assets for internal work	1.398.785	1.520.342
Use of raw materials, consumables, supplies and goods	(39.995.417)	(33.600.728)
Personnel cost	(22.561.561)	(20.059.229)
Depreciation	(2.551.972)	(2.413.604)
Other operating expenses	(17.417.225)	(13.819.293)
<b>OPERATING PROFIT</b>	<b>1.560.768</b>	<b>637.912</b>
Financial income	41.853	62.110
Financial expenses	(1.948.707)	(1.896.910)
Net exchange differences	(318.239)	(615.062)
Net result of investments accounted for using the equity method	(228.283)	7.324
<b>RESULT BEFORE TAXES</b>	<b>(892.608)</b>	<b>(1.804.626)</b>
Taxes	(859.889)	(368.843)
<b>NET RESULT</b>	<b>(1.752.497)</b>	<b>(2.173.469)</b>
- Attributable to Group shareholders	(1.752.497)	(2.173.469)
- Attributable to minority shareholders	-	-
<b>RESULT PER SHARE - BASIC (in euro)</b>	<b>(0,20)</b>	<b>(0,25)</b>
<b>RESULT PER SHARE - DILUTED (in euro)</b>	<b>(0,20)</b>	<b>(0,25)</b>

## TOTAL CONSOLIDATED INCOME STATEMENT

VALUES IN EURO	31/03/2012	31/03/2011
<b>NET RESULT (A)</b>	<b>(1.752.497)</b>	<b>(2.173.469)</b>
Profit/ (Losses) on cash flow hedges	166.826	1.561.564
Profit/ (Losses) deriving from foreign companies balance sheet	(1.056.613)	(1.417.085)
<b>TOTAL OTHER PROFIT / (LOSSES) (B)</b>	<b>(889.787)</b>	<b>144.479</b>
<b>NET RESULT OF THE PERIOD (A) + (B)</b>	<b>(2.642.284)</b>	<b>(2.028.990)</b>
- of which attributable to Group Shareholders	(2.642.284)	(2.028.990)
- of which attributable to the minority shareholders	-	-

## STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

from January 1st to March 31th, 2011

Values in Euro	01/01/2011	Change of consolidation area	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	31/03/2011
Capital stock	21.600.337	-	580	-	-	-	-	21.600.917
Additional paid-in capital	46.447.703	-	1.392	-	-	-	-	46.449.095
Legal reserve	2.733.635	-	-	-	-	-	-	2.733.635
Capital increase - expenses	(1.284.466)	-	-	-	-	-	-	(1.284.466)
Stock option reserve	1.138.624	-	-	-	-	-	102.532	1.241.156
Change in the FV of hedging derivatives	(5.641.858)	-	-	-	-	1.561.564	-	(4.080.294)
Other reserves	11.565.999	-	-	-	-	-	-	11.565.999
Currency translation reserve	(347.660)	-	-	-	-	(1.417.085)	-	(1.764.745)
Retained earnings	5.997.695	-	-	(5.965.272)	-	-	-	32.423
Net result	(5.965.272)	-	-	5.965.272	-	(2.173.469)	-	(2.173.469)
<b>Stockholders' equity of the Group</b>	<b>76.244.737</b>	<b>-</b>	<b>1.972</b>	<b>-</b>	<b>-</b>	<b>(2.028.990)</b>	<b>102.532</b>	<b>74.320.251</b>
Minority interest	-	-	-	-	-	-	-	-
<b>STOCKHOLDERS' EQUITY</b>	<b>76.244.737</b>	<b>-</b>	<b>1.972</b>	<b>-</b>	<b>-</b>	<b>(2.028.990)</b>	<b>102.532</b>	<b>74.320.251</b>

from January 1st to March 31th, 2012

Values in Euro	01/01/2012	Change of consolidation area	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	31/12/2012
Capital stock	21.601.740	-	-	-	-	-	-	21.601.740
Additional paid-in capital	46.451.069	-	-	-	-	-	-	46.451.069
Legal reserve	4.320.069	-	-	-	-	-	-	4.320.069
Capital increase - expenses	(1.286.154)	-	-	-	-	-	-	(1.286.154)
Stock option reserve	1.295.506	-	-	-	-	-	-	1.295.506
Change in the FV of hedging derivatives	(5.550.334)	-	-	-	-	166.826	-	(5.383.508)
Other reserves	13.416.095	-	-	-	-	-	-	13.416.095
Currency translation reserve	1.331.310	-	-	-	-	(1.056.613)	-	274.697
Retained earnings	(3.390.665)	-	-	1.932.659	-	-	-	(1.458.006)
Net result	1.932.659	-	-	(1.932.659)	-	(1.752.497)	-	(1.752.497)
<b>Stockholders' equity of the Group</b>	<b>80.121.295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.642.284)</b>	<b>-</b>	<b>77.479.011</b>
Minority interest	-	-	-	-	-	-	-	-
<b>STOCKHOLDERS' EQUITY</b>	<b>80.121.295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.642.284)</b>	<b>-</b>	<b>77.479.011</b>

## CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/03/2012	31/03/2011
<b>Net result</b>	<b>(1.752.497)</b>	<b>(2.173.469)</b>
<b>Adjustments (sub-total)</b>	<b>(1.113.240)</b>	<b>3.834.324</b>
Depreciation and impairment	2.551.972	2.413.604
Net change in deferred tax assets and liabilities	(426.616)	(231.405)
Net result of investments accounted for using the equity method	228.283	(7.324)
Change in employee benefits	(88.250)	(34.525)
Change in inventories	(16.069.192)	(10.190.000)
Change in trade receivables	14.067.183	4.960.461
Change in trade payables	(1.100.962)	8.058.140
Net change in other receivables/payables and other assets/liabilities	(275.658)	(1.134.627)
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)</b>	<b>(2.865.737)</b>	<b>1.660.855</b>
<b>Cash flow from investments</b>		
Acquisition of tangible fixed assets (*)	(952.764)	(1.513.996)
Acquisition of intangible fixed assets	(234.113)	(58.864)
Capitalization of development costs	(1.326.267)	(1.442.896)
Net disposal of fixed assets and investment properties (*)	102.186	79.496
Change in other investments	72.718	(33.779)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(2.338.240)</b>	<b>(2.970.039)</b>
<b>Cash flow from financing activities</b>		
Change in other non current financial liabilities and other minor items	330.288	(1.731.002)
Increases in loans and borrowings (including bank overdrafts)	666.953	9.164.764
Repayment of loans and borrowings (including bank overdrafts)	(2.879.336)	(5.275.574)
Increases/(repayments) in financial lease liabilities	(45.043)	6.094
Capital increase	-	1.972
Other changes	(889.786)	247.011
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)</b>	<b>(2.816.924)</b>	<b>2.413.265</b>
<b>Net change in cash and equivalents (D=A+B+C)</b>	<b>(8.020.901)</b>	<b>1.104.081</b>
<b>Cash and equivalents beginning of period (E)</b>	<b>25.179.041</b>	<b>14.837.872</b>
<b>Cash and equivalents end of period (F=D+E)</b>	<b>17.158.140</b>	<b>15.941.953</b>

Additional information to the Consolidated cash-flow statement	March 31, 2012	March 31, 2011
<i>Values in Euro</i>		
Income Taxes	(859.889)	(368.843)
Financial income	41.853	62.110
Financial costs	(1.948.707)	(1.896.910)

(\*) included assets held for sale



## CHAPTER 6.

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### Explanatory Notes



## CHAPTER 6. EXPLANATORY NOTES

### FORM AND CONTENT

The condensed consolidated financial statements of the PRIMA INDUSTRIE Group as of March 31, 2012 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 March 31, 2012 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, 2011, to which reference is made, for further details.

The condensed Consolidated Financial Statements at March 31, 2012 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 March 31, 2012 in accordance with the principles described in the Note entitled “Accounting Principles” in the Consolidated Financial Statements as of December 31, 2011.

For comparative purposes the Balance sheet information as of December 31, 2011 and the Income Statement and the Cash Flow Statement information as of March 31, 2012 have been presented, as well as the shareholders' equity movements for the first three months of 2012 in application of IAS 1 requirements (Presentation of the Financial Statements).

### ACCOUNTING PRINCIPLES

#### Ongoing concern

The abridged consolidated financial statements at March 31, 2012 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.

#### Accounting criteria and principles of consolidation

The accounting criteria and principles of consolidation used to prepare the condensed consolidated financial statements as of March 31, 2012 are in compliance with those used to prepare the consolidated financial statements as of December 31, 2011, to which reference is made except for the adoption by the Group of new principles/interpretations starting from January 1, 2012 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. If in the future these estimates and assumption, that are based on the management's best assessment, should 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 March 31, 2012, 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 concerned, the Group has elected to use the layout described here below:

- as regards the consolidated Balance Sheet, the Company has adopted the layout which reflects the assets and liabilities distinguishing between “current” (i.e. liquid/due within one year) and “non current” (i.e. liquid/ due beyond one year);
- 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;
- 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;
- 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.

These Financial Statements were authorised for publication by the Board of Directors on May 11, 2012.

## EXPLANATORY NOTES

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

### NOTE 6.1 - TANGIBLE FIXED ASSETS

The tangible fixed assets as of March 31, 2012 amounted to 24,602 thousand euro in increase compared to 129 thousand euro as of December 31, 2011.

For more details, see the table here below.

Tangible Fixed Assets	Land, Buildings and Constructions	Plants and Machinery	Industrial and Commercial Equipment	Other tangible fixed assets	Constructions in progress	TOTAL
Net Value as of December 31, 2011	17'723'679	2'277'975	1'723'223	2'202'881	545'187	24'472'946
<b>2012 1<sup>st</sup> Q's Movements</b>						
Increases	71'600	187'215	247'317	398'872	477'61	952'764
Disinvestments	-	(30'000)	-	(147'459)	-	(177'459)
Utilization of accumulated depreciation	-	30'000	-	45'273	-	75'273
Depreciation	(143'202)	(152'987)	(162'014)	(186'441)	-	(644'645)
Tangible fixed assets Reclassifications	9'400	-	(14'294)	14'294	(9'400)	-
Differences on exchange rates	(51'676)	(2'731)	(23'997)	1'683	-	(76'721)
Net Value as of March 31, 2012	17'609'800	2'309'472	1'770'234	2'329'102	583'548	24'602'157

The reduction in net book value of tangible fixed assets mainly reflects depreciation in the period, against net investments of the period for 851 thousand euro and a decrease of 77 thousand euro due to the exchange effect.

### NOTE 6.2 - INTANGIBLE FIXED ASSETS

At March 31, 2012 the intangible fixed assets amount to 152,129 thousand euro, down with respect to December 31, 2011 by 501 thousand euro. For more details regarding the movements in the intangible fixed assets during the first quarter of 2012, refer to the following table.

Intangible Assets	Goodwill	Development costs	Other intangible assets	TOTAL
Net Value as at December 31, 2011	102'751'160	20'360'910	29'517'880	152'629'950
<b>2012 1<sup>st</sup> Q's Movements</b>				
Increases / (Decreases)	-	1'326'267	234'112	1'560'379
Depreciation	-	(943'502)	(963'824)	(1'907'326)
Differences on exchange rates	(73'614)	(73'934)	(6'572)	(154'120)
Net Value as at March 31, 2012	102'677'546	20'669'742	28'781'595	152'128'883

The most significant item is Goodwill, which as of March 31, 2012 amounts to 102,678 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.

UNIT GENERATOR OF CASH FLOWS	BOOK VALUE GOODWILL March 31, 2011	BOOK VALUE GOODWILL March 31, 2010
PRIMA POWER (*)	97'498	97'543
OSAI (Service)	4'125	4'125
PRIMA ELECTRO NORTH AMERICA (*)	864	892
MLTA	154	154
OSAI UK	37	37
<b>TOTAL</b>	<b>102'678</b>	<b>102'751</b>

Goodwill (since it is an asset with definite useful life) is not subject to depreciation and is annually subject to the impairment test. The Group performed the impairment test as of December 31, 2011 on the value of the main goodwill items (FINN-POWER Group, OSAI-Service and PRIMA NORTH AMERICA), for which reference is made to the Consolidated Financial Statements as of December 31, 2011. In consideration of the consolidated results of the first three months of 2012 it was not deemed necessary to repeat the test as of March 31, 2012.

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

The value of equity investments included in this item decreased with respect to the past year by 489 thousand euro.

Investments accounted for using the equity method	SUP <sup>(1)</sup>	SNK	TOTAL
<b>Value as of March 31, 2012</b>	<b>8'864'572</b>	<b>96'472</b>	<b>8'961'044</b>
Portion of result	(227'735)	(548)	(228'283)
Increases	-	-	-
Currency adjustment	(252'046)	(8'213)	(260'259)
<b>Value as of March 31, 2012</b>	<b>8'384'791</b>	<b>87'711</b>	<b>8'472'502</b>

(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 December 31, 2012 refers to 8,385 thousand euro for the 35% shareholding in Shanghai Unity PRIMA Laser Machinery Co.Ltd and 88 thousand euro for the 50% shareholding in SNK Prima Company Ltd.

#### NOTE 6.4 - OTHER EQUITY INVESTMENTS

The value of Other Equity Investments at March 31, 2012 amounted to 1,004 thousand euro.

With respect to December 31, 2011 the variations concern:

- the decrease for 99 thousand euro of its stake in the parent company PRIMA POWER MAKINA TICARET LIMITED SIRTEKI because since the Turkish company became operational during the first quarter of 2012, this investment has been fully consolidated;
- net increase of value of the equity investment in Caretek for 2 thousand euro 100% held by PRIMA ELECTRO SpA;
- the increase of 25 thousand euro for the new equity investment held by Finn-Power OY in Härmämedi Oy, a company which provides medical services to employees of Finn-Power OY

As of March 31, 2012 this item consists of the following elements:

- Electro Power Systems (784 thousand euro);
- Caretek (64 thousand euro);
- Consorzio Sintesi (52 thousand euro);
- Fimecc OY (50 thousand euro);
- Härmämedi OY (25 thousand euro);
- other minor equity investments (29 thousand euro).

The equity investments in Electro Power Systems and Caretek are held by PRIMA ELECTRO SpA and amount to 2.48% and 15.5% respectively; the equity investment in Consorzio Sintesi is held by the Parent Company in the amount of 10%, while the equity investment in Fimecc OY and Härmämedi Oy is held by FINN POWER OY and amounts to 2.4% and 8.33% respectively.

#### NOTE 6.5 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes amount to 6,751 thousand euro, up with respect to the previous year by 181 thousand euro.

These activities were mainly generated from temporary differences on inventories, provisions for risks and charges and on trade receivables. Entry in the financial statements of the prepaid taxes was made, only where there was a definite probability of recovering them.

With reference to the recuperability of these taxes, we point out that the parent company and PRIMA ELECTRO historically realised positive taxable incomes, for both corporate and regional income tax purposes, and expect to reach positive taxable income values also in coming years. The assessment of recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that the prepaid taxes refer mainly to asset adjustment funds and funds for risks and costs, for which there is no expiration date. Prepaid taxes on fiscal losses which can be carried over have not been recognized in the measure to which it is likely that a future taxable income will be available against which they can be recovered.

In the light of the foregoing, there are no elements requiring amendment of the previous assessments made regarding the recoverability of prepaid taxes.

#### NOTE 6.6 - INVENTORIES

The following table illustrates the breakdown of inventories as of March 31, 2012 and December 31, 2011.

INVENTORIES	March 31, 2012	December 31, 2011
Raw materials	29'333'203	25'131'373
Semifinished goods	28'841'600	25'843'256
Finished goods	48'252'268	39'474'988
Inventories provision	(6'108'274)	(6'200'012)
<b>TOTAL</b>	<b>100'318'797</b>	<b>84'249'605</b>

At March 31, 2012 the inventories amounted to 100,319 thousand euro net of the provision for writedowns of inventories totaling 6,108 thousand euro. The net value of inventories in stock as of March 31, 2012 shows an increase of 16,069 thousand euro compared to December 31, 2011.

#### NOTE 6.7 - TRADE RECEIVABLES

The trade receivables at March 31, 2012 amounted to 74,216 thousand euro and compared to the previous financial year the item recorded an increase of 14,067 thousand euro.

TRADE RECEIVABLES	March 31, 2012	December 31, 2011
Trade receivables from customers	78'307'587	91'364'305
Provision for bad debts	(4'380'104)	(4'279'005)
<b>Trade receivables from customers (net)</b>	<b>73'927'483</b>	<b>87'085'300</b>
<b>Receivables from related parties</b>	<b>288'146</b>	<b>1'197'512</b>
<b>TOTAL</b>	<b>74'215'629</b>	<b>88'282'812</b>

The receivables from related parties amount to 288 thousand euro and are commented in note "6.28 - Information on related parties". The decrease in trade receivables between December 31, 2011 and March 31, 2012 was caused by the decrease in sales and therefore of collections. With reference to the receivables write-down fund, this does not show significant variations, since it was felt that the receivable risk was adequately covered by the fund allocated.

#### NOTE 6.8 - OTHER RECEIVABLES

The Other receivables in existence at March 31, 2012 amount to 8,018 thousand euro and increased compared to December 31, 2011 by 1,612 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

The item amounts to 4,117 thousand euro compared with 5,592 thousand euro as of 31 December, 2011. Fiscal assets refer mainly to VAT receivables (3,661 thousand euro), receivables entered by the American and German subsidiaries on losses incurred in the previous year (105 thousand euro), by direct tax advances paid to tax authorities (300 thousand euro) and by other receivables for minor fiscal assets (51 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 the 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 March 31, 2012, the net financial position of the Group showed a deficit of 141,988 thousand euro, in decrease of 5,603 thousand euro compared to December 31, 2011 (negative for 136,385 thousand euro). For a better understanding of the changes in the net financial position during the first quarter of 2012, reference is made to the cash-flow statement for the period.

As required by Consob Communication no. DEM/6064293 of 28/07/2006, the following table illustrates the net financial indebtedness as of March 31, 2012 and December 31, 2011, determined with the criteria indicated in the Recommendation of the CESR (Committee of

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

*Value expressed in Euro thousand*

	March 31, 2012	December 31, 2011	Variations
A CASH	17'158	25'179	(8'021)
B OTHER CASH EQUIVALENTS	-	-	-
C SECURITIES HELD FOR TRADING	-	-	-
<b>D CASH (A+B+C)</b>	<b>17'158</b>	<b>25'179</b>	<b>(8'021)</b>
E CURRENT FINANCIAL RECEIVABLES	-	529	(529)
F CURRENT BANK LOANS	13'783	14'004	(221)
G CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	40'377	35'896	4'481
H OTHER CURRENT FINANCIAL PAYABLE	820	2'231	(1'411)
<b>I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)</b>	<b>54'980</b>	<b>52'131</b>	<b>2'849</b>
<b>J CURRENT NET FINANCIAL INDEBTEDNESS (I-D-E)</b>	<b>37'822</b>	<b>26'423</b>	<b>11'399</b>
K NON-CURRENT BANK LOANS	101'480	107'200	(5'720)
L BOND ISSUED	-	-	-
M OTHE NON-CURRENT FINANCIAL PAYABLES	2'686	2'762	(76)
<b>N NON CURRENT FINANCIAL INDEBTEDNESS (K+L+M)</b>	<b>104'166</b>	<b>109'962</b>	<b>(5'796)</b>
<b>O NET FINANCIAL INDEBTEDNESS (J+N)</b>	<b>141'988</b>	<b>136'385</b>	<b>5'603</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 133,508 thousand euro on March 31, 2012 is divided as follows:

- Portion A: medium/long-term loan of 27,942 thousand euro (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- Portion B: medium/long-term loan of 63,376 thousand euro (expiring in February 2016 with a "bullet" repayment at expiry);
- Portion C1: medium/long-term loan of 12,245 thousand euro (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- Portion C2: revolving credit line for advanced payment on invoices, used at March 31, 2012, for 9,410 thousand euro (this credit line may be used for a total of 12,200 thousand euro for the Group's circulating capital needs);
- Portion D: cash credit line for 19,792 thousand euro (for a maximum capital amount of 20 million euro);
- at March 31, 2012, a total of 743 thousand euro of interest accrued but not yet paid remain on all portions of the FINPOLAR Loan.

The FINPOLAR Loan is for 93,382 thousand euro expiring after 12 months.



We remind that on February 4, 2012 the company has regularly paid the installment due, related to the capital share of portion C1 for 400 thousand euro, the interest portion of Portion A, B, C2 and D for 2,021 thousand euro and the differential on derivatives for 871 thousand euro. Non-current bank indebtedness also includes bank payables for 1,034 thousand euro and the negative fair values of certain financial derivative instruments (IRS Interest Rate Swap) which amount to a total of 7,064 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 March 31, 2012 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 40,126 thousand euro, bank overdrafts for 11,777 thousand euro, other bank loans for 2,253 thousand euro and derivative financial instruments for hedging the exchange rate risk (Currency Rate Swaps) for 4 thousand euro.

#### OTHER FINANCIAL PAYABLES

The other financial payables amount in total to 3,506 thousand euro (of which 2,686 thousand not current).

The other financial payables include:

- payables for financial leases amounting to 2,596 thousand euro (of which 402 thousand euro current);
- other financial payables for 910 thousand euro (of which 418 thousand euro current); these payables refer mainly to facilitated ministry loans.

#### CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and the loans taken out by the PRIMA INDUSTRIE Group as of March 31, 2012 (not inclusive of the fair value of derivatives) amount to 152,077 thousand euro and in the first three months of 2012 they changed as shown in the table here below.

<b>PAYABLES TO BANKS AND BORROWINGS</b>	<i>Euro thousand</i>
Payables to banks and borrowings - current portion (December 31, 2011)	52'031
Payables to banks and borrowings - non current portion (December 31, 2011)	102'351
<b>PAYABLES TO BANKS AND BORROWINGS as at December 31, 2011</b>	<b>154'382</b>
Change in consolidation area	-
Stipulation of loans and borrowings (including bank overdrafts)	667
Repayment of loans and borrowings (including bank overdrafts)	(2'879)
Issuance / (repayment) of financial leases	(45)
Exchange rate effect	(48)
<b>TOTAL DEBTS Vs. BANKS AND BORROWINGS as at March 31, 2012</b>	<b>152'077</b>
of which	
Payables to banks and borrowings - current portion (March 31, 2012)	54'975
Payables to banks and borrowings - non current portion (March 31, 2012)	97'102
<b>PAYABLES TO BANKS AND BORROWINGS as at March 31, 2012</b>	<b>152'077</b>



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

As of March 31, 2012 the value of non-current assets for disinvestment amounted to 1,012 thousand euro and is related to certain real property owned by the company FINN-POWER ITALY Srl, a part of these properties are related to certain property units in construction at Rivalta sul Mincio - MN (805 thousand euro) and a part are related to some apartments located at Asola-NM (207 thousand euro).

#### NOTE 6.12 - SHAREHOLDERS' EQUITY

The shareholders' equity of the PRIMA INDUSTRIE Group decreased with respect to the previous year of 2,642 thousand euro. This decrease is mainly due to the negative result of the period (amounting to -1,752 thousand euro). In addition to result, other events affected the shareholders' equity, such as the negative variation in the "Fund for adjustment of derivative fair value" (for 167 thousand euro) and the negative variation in the "Conversion fund" (for 1,057 thousand euro). 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 Sarl to their employees.

Below is a comparison of these items.

EMPLOYEE BENEFITS LIABILITIES	March 31, 2012	December 31, 2011
Italian Employee benefits Liabilities	5'591'634	5'706'828
Fidelity premium	1'112'968	1'086'024
<b>TOTALE</b>	<b>6'704'602</b>	<b>6'792'852</b>

#### NOTE 6.14 - DEFERRED TAXES LIABILITIES

The deferred taxes liabilities amount to 9,492 thousand euro and reflect a decrease compared to the previous financial year which amounted to 246 thousand euro.

It should be noted that this item also includes tax liabilities for deferred taxes on the trademark, on the relation with customers and on the real estate property in Cologna Veneta arising from the FINN-POWER Group business combination amounting to 7,109 thousand euro.

#### NOTE 6.15 - FUNDS FOR RISKS AND CHARGES

The provisions for risks and charges amount to 9,843 thousand euro, a decrease compared to December 31, 2011 of 304 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 124 thousand euro. The current provision for risks refers mainly to product warranties (6,967 thousand euro, down of 552 thousand euro with respect to December 31, 2011).

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 decreased compared to December 31, 2011 by 766 thousand euro. 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.

For more details, see the table here below.

TRADE PAYABLES AND OTHER PAYABLES	March 31, 2012	December 31, 2011
Trade payables	78'117'010	79'797'117
Advances	32'934'288	32'355'143
Other payables	17'874'325	17'539'790
<b>TOTAL</b>	<b>128'925'623</b>	<b>129'692'050</b>

#### NOTE 6.17 - CURRENT TAX PAYABLES

Fiscal liabilities for current taxes as of March 31, 2012 amounted to 6,234 thousand euro, down compared to December 31, 2011 by 170 thousand euro.

#### NOTE 6.18 - NET REVENUES FROM SALES AND SERVICES

The revenues from sales and services has already been dealt in chapter 3 of this document: "Interim Management Report" in the paragraph entitled "Revenues and Profitability".

#### NOTE 6.19 - OTHER OPERATING REVENUES

The item Other income amounts to 616 thousand euro and mainly refer to a license agreement, to research grants, proceeds for Research and Development, some contingent assets and atypical proceeds.

#### NOTE 6.20 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of March 31, 2012 amount to 1,399 thousand euro and refer mainly to capitalization of assets for the development of new projects (1,326 thousand euro), for which the technical feasibility and generation of probable future economic benefits has been ascertained. The capitalized development activities are carried out by the Parent Company,

PRIMA ELECTRO, by FINN-POWER OY, by FINN -POWER ITALIA and by PRIMA ELECTRO NORTH AMERICA.

#### NOTE 6.21 - PERSONNEL COST

The cost of the personnel as of December 31, 2012 amounts to 22,562 thousand euro and is up from the corresponding period of the past year by 2,503 thousand euro. This increase was the consequence of the increase in personnel to meet the growing operating needs of the Group. due to the opening of new sales initiatives and to the launch of new production lines.

#### NOTE 6.22 - DEPRECIATION

Depreciation for the period amounts to 2,552 thousand euro (of which 1,907 thousand euro refer to intangible fixed assets). It should be noted that amortization of the trademark and customer relations costs ("customer list") totalled 702 thousand euro, while development costs are of 944 thousand euro.

#### NOTE 6.23 - OTHER OPERATING COSTS

The item Other operating expenses for the first three months of 2012 amount to 17,417 thousand euro compared with 13,819 thousand euro as of March 31, 2011. 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 three months of 2012 was negative for 2,225 thousand euro.

FINANCIAL INCOME AND EXPENSES	March 31, 2012	March 31, 2011
Financial income	41'853	62'110
Financial expenses	(1'948'707)	(1'896'910)
Net result deriving from transactions in foreign currency	(318'239)	(615'062)
<b>TOTAL</b>	<b>(2'225'093)</b>	<b>(2'449'862)</b>

The financial expenses relative to the FINPOLAR Loan incurred by PRIMA INDUSTRIE amount to 1,223 thousand euro, while net financial expenses on derivatives stipulated by the Group amount to 461 thousand euro.

#### NOTE 6.25 - NET RESULT OF AFFILIATED COMPANIES AND JOINT VENTURES

This item as of March 31, 2012 was negative for 228 thousand euro (as of March 31, 2011 it was positive for 7 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 6.29- CURRENT AND DEFERRED TAXES

Income taxes in the first three months of 2012 indicate a negative net balance of 860 thousand euro (including IRAP for 329 thousand euro). The increased fiscal burden is mainly attributable to the greater taxable revenues of some companies of the Group.

#### 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 three months of 2012, an average of 8,640,696 shares were in circulation; therefore the profit per share relative to the first three months of 2012 amounts to a loss of 0.20 euro per share (against a loss of 0.25 euro per share relative to the first three months of 2011).

<b>BASIC EARNINGS PER SHARE</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Profit to shareholders (Euro/000)	(1'752)	(2'173)
Weighted average of number of ordinary shares	8'640'696	8'640'238
Basic earnings per share (Euro)	(0,20)	(0,25)

##### (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 EARNINGS PER SHARE</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Profit to shareholders (Euro/000)	(1'752)	(2'173)
Weighted average of number of ordinary shares	8'640'696	8'640'238
Adjusted average number of ordinary shares	10'982'000	11'005'871
Diluted earnings per share (Euro)	(0,16)	(0,20)

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

In relation to the stock option plan, refer 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 RELATED PARTIES

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

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

TRANSACTIONS WITH RELATED PARTIES	SHANGHAI UNITY PRIMA LASER MACHINERY	SNK - PRIMA COMPANY Ltd.	STRATEGIC MANAGEMENT BOARD OF STATUTORY AUDITORS	TOTAL
RECEIVABLES AS AT Jan 01, 2012	1'192'982	4'530	-	1'197'512
RECEIVABLES AS AT March 31, 2012	281'196	6'950	-	288'146
PAYABLES AS AT Jan 01, 2012	-	-	363'074	468'074
PAYABLES AS AT March 31, 2012	-	-	306'689	437'939
REVENUES Jan 1, 2012 - March 31, 2012	185'310	2'420	-	187'730
COSTS Jan 1, 2012 - March 31, 2012	-	-	316'574	342'824
CHANGE IN RECEIVABLES				
Jan 1, 2012 - March 31, 2012	(911'786)	2'420	-	(909'366)
CHANGE IN PAYABLES				
Jan 1, 2012 - March 31, 2012	-	-	(56'385)	(30'135)

## NOTE 6.29 - SEGMENT REPORTING

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.

### Information by sector of activity

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

The Group has the following two operating segments:

- PRIMA POWER
- PRIMA ELECTRO

The following table illustrates the main details of by sector.

Section result, March 31, 2012	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total Section Revenues	59'635	14'407	-	74'042
(Inter-company revenues)	(7)	(4'167)	-	(4'174)
<b>Revenues</b>	<b>59'628</b>	<b>10'240</b>	-	<b>69'868</b>
<b>EBITDA</b>	<b>1'921</b>	<b>2'192</b>	-	<b>4'113</b>
<b>EBIT</b>	<b>(204)</b>	<b>1'765</b>	-	<b>1'561</b>
Net financial expences / income	(1'843)	(382)	-	(2'225)
Gains / losses from associates and joint ventures	(228)	-	-	(228)
<b>Result before taxes</b>	-	-	-	<b>(892)</b>
Taxes	-	-	(860)	(860)
<b>Net result</b>	-	-	-	<b>(1'752)</b>

Section Assets and Liabilities	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	300'271	60'050	28'026	388'347
Associated companies, JV and other equity investments	8'629	848	-	9'477
<b>Total Assets</b>	<b>308'900</b>	<b>60'898</b>	<b>28'026</b>	<b>397'824</b>
<b>Liabilities</b>	<b>124'473</b>	<b>21'000</b>	<b>174'872</b>	<b>320'345</b>

Section result, March 31, 2011	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total Section Revenues	52'703	11'397	-	64'100
(Inter-company revenues)	(4)	(3'480)	-	(3'484)
<b>Revenues</b>	<b>52'699</b>	<b>7'917</b>	-	<b>60'616</b>
<b>EBITDA</b>	<b>2'227</b>	<b>825</b>	-	<b>3'052</b>
<b>EBIT</b>	<b>151</b>	<b>487</b>	-	<b>638</b>
Net financial expenses/income	(2'183)	(267)	-	(2'450)
Gains / losses from associates and joint ventures	7	-	-	7
<b>Result before taxes</b>	-	-	-	<b>(1'805)</b>
Taxes	-	-	(368)	(368)
<b>Net result</b>	-	-	-	<b>(2'173)</b>

Section Assets and Liabilities	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	276'502	50'518	27'421	354'441
Associated companies, JV and other equity investments	6'876	842	-	7'718
<b>Total Assets</b>	<b>283'378</b>	<b>51'360</b>	<b>27'421</b>	<b>362'159</b>
Liabilities	99'169	16'814	171'856	287'839

### Sales breakdown by geographical area

For details relating to the revenues subdivided by geographical area the reader shall refer to the contents of chapter 3 "Group Interim Management Report", 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 mainly exposed to the following 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 ELECTRO 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 receivables 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 notice 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



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Gianfranco Carbonato

## **CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31/03/2012**

**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.