Annual Financial Report for 2011

ANNUAL FINANCIAL REPORT FOR 2011

CONVOCATION OF SHAREHOLDERS MEETINGS

Those entitled to attend and exercise voting rights are hereby convened to the ordinary Shareholders meeting at the Conference Hall of Blu Hotel, Via Torino n. 154/156, Collegno (TO) on the day April 19, 2012 at 9:30 am on first call, and possibly in the second call, on April 20, 2012, at 3:00 pm at the same place, to discuss the following

AGENDA

1. 2011 Financial Statements and related reports: subsequent resolutions. Audit of the 2011 consolidated financial statements;
2. Remuneration report in accordance with Article 123-ter of the T.U.F. (Unified Finance Law);
3. Appointment of Chairman of the Board of Auditors and one alternate auditor.

It is envisaged as of now, given the shareholding structure of the Company, that the Board may be constituted and deliberate on April 20, 2012.

Entitlement to attend

Those entitled to attend the meeting are the holders of voting rights at the end of the accounting day of April 10, 2012 and for which the Company has received notification by the qualified intermediary, according to the evidence of their accounting records.
Those who will be holders of shares after April 10, 2012 will not be entitled to attend and vote at the Meeting.
Each entitled to intervene can appoint a representative for the Meeting pursuant to the law with the faculty to use, for this purpose, the proxy form available on the Company's website (www.primaindustrie.com, Investors section, Information for the Shareholders).
Procedures and terms for granting the proxy are shown in the Company's website www.primaindustrie.com.
As provided by art. 12 of the by-laws, the representative is not designated for this Meeting pursuant to art.135-undecies of Legislative Decree N. 58/1998.
Other Rights of Shareholders
Shareholders, pursuant to art. 127-ter of Legislative Decree no. N. 58/1998, can ask questions on the matters on the agenda even before the Meeting with terms and procedures set out in the Company's website www.primaindustrie.com.
Shareholders who jointly represent at least one fortieth of the share capital may request, within 10 days from the publication of this notice, the integration of the matters to be discussed, indicating in the application the other subjects proposed. Procedures and terms for the exercise of this right can be found in the Company's website www.primaindustrie.com.
Documentation
The documentation on the matters and proposals on the agenda, and the annual report on corporate governance, will be made available to the public under the terms of the applicable regulations at the registered office, Borsa Italiana S.p.A (Italian Stock Exchange) and in the Company's website www.primaindustrie.com.
The holders of voting rights are entitled to view and request copies.

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
Website: www.primaindustrie.com e-mail: ir@primaindustrie.com

MANAGEMENT AND CONTROL

Board of Directors

Chairman and C.E.O.	Gianfranco Carbonato
Managing Directors	Ezio G. Basso [1] 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

Chairman	Sandro d'Isidoro
Members	Enrico Marchetti Mario Mauri

Remuneration Committee

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

Board of Auditors

Chairman [2]	Franco Nada
Regular Auditors	Andrea Mosca Roberto Petrignani
Alternate auditors	Roberto Coda

Auditing Company	Reconta Ernst & Young SpA

Expiry of Mandates and Appoinments

The Board of Directors was appointed by the 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's Meeting held on April 29th, 2008 for the period 2008 - 2016.

[1] *Ezio G.Basso is also the General Manager of PRIMA INDUSTRIE SpA*

[2] *The Alternate Auditor Franco Nada has succeded the Chairman Riccardo Formica disappeared on December 14th, 2011*

Message to stockholders and other stakeholders

Ladies and Gentlemen,

we are pleased to inform you that PRIMA INDUSTRIE Group returned to positive results for the year 2011, after the financial crisis in 2009 and the partial recovery throughout 2010.

The world economic scenario in 2011 was generally positive, especially before the summer slowdown due to the sovereign debt crisis of some European countries. World GDP grew by 3.8% during 2011 and the vast majority of markets has also recorded a significant growth in demand for investment goods.
The GDP has grown by 1.8% in the U.S., by 9.2% in China and all other emerging markets (Brazil, India, Russia, Turkey, etc..) continued to grow with significant values.
In Europe, the economic situation was different in the various countries, positive in Germany and other countries of Northern and Eastern Europe, while other countries, notably Italy and Spain, have recorded a slow growth and to then fall into recession at the end of the year.
In view of the above, there have been political changes within these nations of southern Europe, particularly in Italy, where the difficult task of leading the country towards a new phase of growth is now led by a "technical government" supported by a bipartisan consensus among the main political parties.

The Group's consolidated turnover in 2011 reached 309.7 million euro, an increase of 24% compared to 250.0 million euro in 2010.
53.8% of revenues were generated in Europe while North America, Asia and the rest of the world have continued to increase reaching 46.2%. Net of the turnover relative to the *after-sales*, made for about two-thirds in Europe where the number of machines installed is particularly significant, more than 51% of the revenues of 2011 derived from non-European markets, therefore its importance, for the first time, was higher than continental revenues. Here are not included the revenues from the JV Shanghai Unity Prima, amounting to 47.8 million euro, whose 35% share is consolidated in the financial statements using the shareholders' equity method.
A strong growth was recorded in Eastern Europe and Russia, where the subsidiaries established in 2007 and in 2010 worked very well.
EBITDA for the year is more than doubled to 22.4 million euro (7.2% of sales) and EBIT increased to 12.5 million euro from 0.4 million euro of the previous year.
Profit before tax amounted to 4.5 million euro. Following the tax burden, the Group returned to a net profit of 1.9 million euro compared with the loss of 6.0 million euro in 2010.

From a financial standpoint, year 2011 reported, even without extraordinary operations, an improvement of the Net Financial indebtedness from -141.3 million euro to -136.4 million euro. This result is positive, even considering the strong increase (+24%) in revenues with consequent impact on the circulating capital needs. It is still important to remember that these values include derivatives and leasing for about 10 million euro.
As anticipated last year, the loan from the pool of banks for the acquisition of FINN POWER has been renegotiated and the new agreement, signed in July 2011, provides:

- a portion of 63.4 million euro to be paid in a lump sum in 2016;
- two depreciable portions for a total of 40.6 million euro to be repaid in semiannual instalments through 2015;
- credit lines, standby (or self-liquidating), of approximately 30 million euro;
- *spread* around 195÷230 basis points over *Euribor*;
- new *covenants* consistent with the company's 2011-2015 business plan.

Commercial activities were very intense in 2011, with the primary goal of improving the direct presence of the Group on a variety of emerging markets.
During the year the Group has invested in a new direct presence in Brazil, India and Turkey to better follow its customers in those countries. A similar operation is underway in early 2012 in South Korea and other markets.
The marketing has been particularly significant with participation in the major international exhibitions such as the EMO in Hannover and FabTech in Chicago, but also in many other local exhibitions both in traditional and emerging markets.
The combination of improved market and investments has generated a significant increase in orders acquisition which stood at 341.7 million euro, with an increase of 26% compared to 2010.
We want to emphasize the acquisition of orders recorded during the month of December 2011 (38 million euro), whose value turns out to be the highest ever recorded in the 35-year history of the Group.
The order portfolio at the end of 2011 amounted to 105.9 million euro, an increase of 29% over the previous year, and represents a satisfactory starting point for the evolution of the current year and the relative estimated turnover.
At the end of the integration process between PRIMA INDUSTRIE and FINN-POWER, well represented by the launch of the new PRIMA POWER brand in March 2011, during the year new TTC (Technology and Training Centers) were inaugurated respectively in Kauhava (Finland) in September and in Cologna Veneta (Verona, Italy) in November. The new Centers, located in the current facilities of the Group, will allow customers from different European countries and the world to see, evaluate and test the wide range of products of our PRIMA POWER Division.

The year 2011 was also very good for PRIMA ELECTRO, which has contributed to the achievement of the consolidated results of the Group with a turnover of 57.4 million euro, +18% compared to 2010, of which 42.2 million euro (+27%) aimed at customers outside the Group.
EBITDA stood at 7.2 million euro (+33%) and EBIT at 5.8 million euro (+41%)[1].
Following the integration of Convergent Laser division in 2010, PRIMA ELECTRO was reconfirmed as a profitable, highly technological, and strategic division for all future developments of the Group.

The Group has continued to invest a portion over 5% of its revenues in research and development. In October a laboratory was opened at the Polytechnic of Turin, in which advanced research activities will be carried out both by our researchers and by university researchers in the field of laser sources of new generation.
Among the new products launched in 2011 it is important to remember:

- a new version of Platino equipped with fiber laser, exhibited at the fair in Chicago last November and produced in Italy; this development follows the great success obtained the previous year with the Rapido machine (even it equipped with fiber laser) whose assembly has been recently launched also in the USA at the headquarters of the Laserdyne division in Champlin (Minnesota);
- a version with enhanced strokes (E6x) of the electric line of punching machines produced in Finland;

[1] The data for the 2010 results, reclassified according to the *segment reporting* adopted in 2011, are the result of estimates

- a new generation of bending presses (eP series) equipped with OPEN numerical control of PRIMA ELECTRO and produced in the plant of Cologne Veneta (Verona), specializing in the technology of bending; the eP line and P hydraulic line, which is produced for the Group by Adira company in Portugal using the same numerical control, represent a broad new range of products in the bend pressing segment, after the termination of the cooperation with the previous supplier in late 2010.

On December 31, 2011 the total number of Group employees was equal to 1,442 units, with an increase of 89 units compared to the lowest level recorded in the previous year. This increase can be traced back mainly to the after sales service, which generated more than 70 million euro revenues in 2011, and to the new companies opened in the emerging markets.
Approximately one third of new hires occurred in Italy and involved young new university graduates or new high school graduates.
A further growth of the turnover, generated by after sales services, is expected, thanks to the more than 10,000 machines installed worldwide. A more effective customer service remains a top priority of the Group even for the current year.

As always, the above number of employees does not include those in force in our joint-venture Shanghai Unity Prima (equal to 310 units at the end of 2011) included in the financial statements with the shareholders' equity method.

Looking at the year 2012, we expect a further moderate growth, reassured to achieve this goal by the significant order portfolio, by the good orders acquisition during the first weeks of the year and by the strong contribution deriving from the after-sales activities.
Even more significant is the situation that remains quite good in almost all markets (except Italy and Spain), which therefore prove to be confident that the euro crisis will end positively, without particular influences from Greece towards other European countries and of the global economy.

Given the main objective of reducing the financial pressure of the Group, which remains our priority, we propose not to distribute the dividends, certain that our Shareholders will share our proposal.

To our Shareholders, employees and all the friends of our company, our sincere thanks for the continued support to our activities.

Chairman
Gianfranco Carbonato

ANNUAL FINANCIAL REPORT FOR 2011

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Chapter 1.

STRUCTURE AND PROFILE OF THE PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2011

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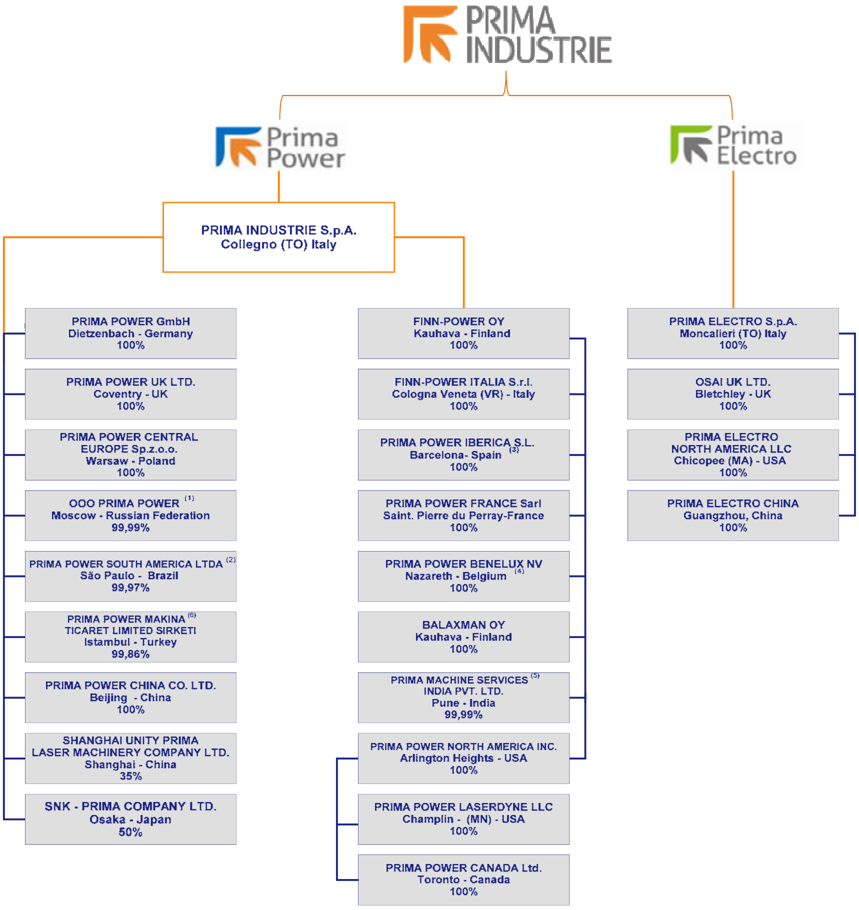
STRUCTURE OF PRIMA INDUSTRIE GROUP



The table on this page represents the organisational situation of PRIMA INDUSTRIE Group as of December 31, 2011.

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 SIRKETI; 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 60 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 and business structure:

- 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, 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.

These draft financial statements were approved by the Board of Directors on March 14, 2012.

Chapter 2.

INTRODUCTION

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LEGISLATIVE FRAMEWORK

In application of EC Regulations No. 1606 dated 19 July 2002, the PRIMA INDUSTRIE Group prepared the consolidated financial statements of 31/12/2011 in accordance with the International Accounting Principles approved by the European Commission (hereinafter referred to individually as the IAS/IFRS or together, as IFRS).

The consolidated financial statements include the Management Report prepared by the directors.

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

ALTERNATIVE PERFORMANCE INDICATORS

In this Management Report, in the consolidated financial statements of the PRIMA INDUSTRIE Group and in the separate financial statements of the parent company PRIMA INDUSTRIE SpA for the years ending December 31, 2011 and 2010, in addition to the conventional financial indicators foreseen by the IFRS, we have included several alternative performance indicators to facilitate a better evaluation of the economic and financial management performance.
These indicators, that are also presented in the 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 Amortizations”.

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.

	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
CURRENCY	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
US DOLLAR	1,3917	1,3268	1,2939	1,3362
POUND STERLING	0,8678	0,8567	0,8353	0,8608
SWEDISH KRONA	9,0276	9,5858	8,9120	8,9655
CHINESE REMIMBI	8,9961	9,0207	8,1588	8,8220
JAPANESE YEN	111,0508	117,0644	100,2000	108,6500
POLISH ZLOTY	4,1187	4,0099	4,4580	3,9750
CANADIAN DOLLAR	1,3756	1,3665	1,3215	1,3322
RUSSIAN ROUBLE	40,8797	40,2780	41,7650	40,8200
BRASILIAN REAL	2,3259	2,3344	2,4159	2,2177
INDIAN RUPEE	64,8669	60,6818	68,7130	59,7580
TURKISH LIRA	2,3351	1,9973	2,4432	2,0694

CONSOLIDATION AREA

The changes that occurred in 2011 in the consolidation area were the exit from the company perimeter of the Swedish company PRIMA FINN POWER SWEDEN AB whose liquidation process was completed in December 2011 and the entry of newly set up subsidiaries in Brazil PRIMA POWER SOUTH AMERICA LTDA (99.97% owned by PRIMA INDUSTRIE SpA), the Indian branch PRIMA POWER SERVICES INDIA PVT. LTD. (99.99% owned by FINN POWER OY) and the Chinese branch PRIMA ELECTRO (CHINA) Co. Ltd. (100% owned by PRIMA ELECTRO SpA).

Although a rationalization operation of the equity investments held was set up in North America, which has led to the creation of a new company PRIMA POWER LASERDYNE LLC) and the merger between PRIMA NORTH AMERICA Inc. and OSAI USA LLC (now PRIMA ELECTRO NORTH AMERICA LLC), it did not produce any change in the consolidation area, which therefore remained unchanged in the period in question.

For complete information, it is reported that the newly-formed company in Turkey PRIMA POWER MAKINA TICARET LIMITED SIRKETI (99.86% owned by PRIMA INDUSTRIE SpA) has not been consolidated, since it will become operational at the beginning of 2012 and is therefore irrelevant to the representation of the consolidated data.

The subsidiary companies indicated in the tables below have been subject to line-by-line consolidation as of December 31, 2011. 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 Ó - 02968-00, Sao Paulo BRASIL	R$ 350.000	99,97%	Line-by-line method
PRIMA POWER MAKINA TICARET LIMITED SIRKETI (1)	Camlik Mahallesi Ikbal Caddesi Dinc Sokak No:31 Niyazibey Plaza,Instanbul - 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/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6.440.000	100%	Line-by-line method
PRIMA POWER FRANCE Sarl	Espace Green Parc , Route de Villepècle, 91280 St. Pierre du Perray, FRANCE	€ 792.000	100%	Line-by-line method
PRIMA POWER BENELUX NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 500.000	100%	Line-by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2.522	100%	Line-by-line method
PRIMA MACHINE SERVICES INDIA PVT. LTD.	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

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. (1)	23G East Tower, Fuxing Shangmao n.163, Huangpu Avenue Tianhe District 510620 Guangzhou P.R. CHINA	€ 100.000	100%	Line-by-line method

JOINT VENTURES				
	REGISTERED OFFICE	SHARE CAPITAL	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

(1) Please note that at the date of reference of these financial statements, the share capital of the companies PRIMA POWER MAKINA TICARET LIMITED SIRKETI e PRIMA ELECTRO (CHINA) Co. Ltd has not yet been fully paid.

Chapter 3.

REPORT ON GROUP OPERATIONS

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SIGNIFICANT EVENTS IN 2011

INTRODUCTION OF THE NEW LOGO AND NEW CORPORATE IDENTITY

On February 4, 2011 the PRIMA INDUSTRIE Group celebrated the third anniversary of its acquisition of FINN-POWER. During the last three years the Group, which has become one of the four main players in the world in the sector, was extensively reorganized to create a single well-organized business, according to a master plan of specialized *operations* and a common worldwide sales and service network.

The rationalization of its sales, production and management took the form of subdividing the business into two separate divisions:

- PRIMA POWER which combines the activities of development, production and sale of laser machines for cutting, welding and microdrilling of 3D and 2D metallic parts, and machines for sheet metal processing (punching, integrated punching and shearing systems, panel making equipment, bending machines and systems of automation), that were formerly marketed with the PRIMA INDUSTRIE and FINN-POWER brands.

- PRIMA ELECTRO which includes the development, production and sale of electronic power and control parts and high power laser sources for industrial applications (designed to integrate the products of the Group and other OEM clients).

The rationalization of the organization structure terminated with the redesign of the *brand* and of the *corporate identity* starting from the idea that two great industrial traditions have merged to create a powerful new organization oriented toward the future. Both *business units* have a new logo that distinguishes them and that is a sign of innovation, but also a clear reference to the tradition and industrial history of the Group. In accordance with the same logic, the logo of the parent company, PRIMA INDUSTRIE, has also been renewed in its style, testifying to the fact that the company has always looked toward the future and invested in innovation.

AMENDING AGREEMENT OF THE FINPOLAR LOAN CONTRACT

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

Under the new agreement PRIMA INDUSTRIE SpA has achieved:

- the payment postponement to February 2015 of the principal of the installment with original expiry date in August 2011 and almost all of the principal of the installment expiring in February 2012;
- the extension to 2014 of the revolving credit line of 12.2 million euro (originally expiring in 2012);
- the definition of new *covenants* consistent with the Group's multi-year industrial plan reviewed by BAIN & Co. It should be noted that the *covenants* redefined, measured on the consolidated financial statements as of December 31, 2011, have been met.

Against the achievement of these changes to the loan contract, PRIMA INDUSTRIE has agreed to pay an increase in *spread* of 15 *basis points* (thus taking the *spread* to 195-230 *basis points*), in addition to a *waiver* *fee*) of 618,000 euro (equal to 45 *basis points* on the residual debt). For more information, see Note 8.10 of this document.

INTRAGROUP SALE OF THE LASER SYSTEM DIVISION OF PRIMA NORTH AMERICA

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

The transaction was made within the process of reorganization undertaken with the sale of 100% of PRIMA NORTH AMERICA Inc. by PRIMA INDUSTRIE SpA to PRIMA ELECTRO SpA on 31/12/2010, which has already been commented on in the Report on Operations as of 31/12/2010.

The transaction provided a clearer delineation of the corporate perimeter of the two divisions, PRIMA POWER and PRIMA ELECTRO with which the Group currently operates.

The price of sale was 11,250,000, US$ in line with the appraisal of assets relative to the laser system business, prepared by an independent expert, used for the sale of PRIMA NORTH AMERICA on 31/12/2010. For the method used by the expert, reference is made to the information contained in the Report on Operations as of 30/06/2013. Payment of the price will take place by no later than June 30, 2013 and will bear interest, in the measure of the Libor rate plus 200 *basis points*. The contract contains the clauses relative to "representations & warranties" for the account of the vendor and an indemnity in favour of the buyer in case of violation by the vendor of the statements made.

The effects of such operations had no impact on the consolidated financial statements of PRIMA INDUSTRIE Group.

MERGER OF PRIMA NORTH AMERICA AND OSAI USA

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

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

INCORPORATION OF NEW COMPANIES OF THE GROUP

During the year 2011 three new companies of the PRIMA POWER segment were formed:

- PRIMA POWER SOUTH AMERICA Ltda, based in Sao Paulo, Brazil 99.97% held by PRIMA INDUSTRIE SpA;
- PRIMA MACHINE SERVICES INDIA PVT. Ltd based in Pune, India 99.99% held by FINN POWER OY;
- PRIMA POWER MAKINA TICARET LIMITED SIRKETI based in Istanbul, Turkey 99.86% held by PRIMA INDUSTRIE SpA.

The Group, which already operated in these countries through local distributors and own technicians for technical assistance to customers, has decided to invest in these areas through a direct presence in order to better exploit the potential of these markets, whose expected growth rates are among the highest in the world.

In order to sell PRIMA ELECTRO products in China, also the PRIMA ELECTRO segment has formed a new company PRIMA ELECTRO (CHINA) Co. Ltd. 100% owned by PRIMA ELECTRO SpA.

APPOINTMENT NEW BOARD OF DIRECTORS AND ITS COMMITTEES

On April 29, 2011 the Shareholders' Meeting of PRIMA INDUSTRIE has appointed a new Board of Directors, which shall remain in office until the approval of the 2013 Financial Statements. It consists of: Gianfranco Carbonato (confirmed as Chairman of the Board of Directors and CEO by the Board of Directors on May 2, 2011), Ezio G. Basso and Domenico Peiretti (confirmed as Chief Executive Officers by the Board of Directors on May 2, 2011) Sandro D'Isidoro, Yunfeng Gao, Michael R. Mansour, Rafic Y. Mansour, Enrico Marchetti and Mario Mauri.
The directors Sandro D'Isidoro, Mario Mauri and Enrico Marchetti are independent pursuant to art. 148, paragraph 3 of the CFA (applicable pursuant to art. 147-ter, paragraph 4 of the CFA) and the Corporate Governance Code adopted by Borsa Italiana SpA.
The Board of May 02, 2011 has also appointed a Remuneration Committee, in the persons of Sandro D'Isidoro, Rafic Y. Mansour and Mario Mauri, and the Internal Control Committee in the persons of Sandro D'Isidoro (appointed as chairman of this Committee), Enrico Marchetti and Mario Mauri.
The Board has also appointed the Committee for transactions with the Related parties, whose members shall coincide with those of the Internal Control Committee with the task of expressing the opinions required by the Consob Regulation.
The same Council also appointed the independent director Sandro D'Isidoro as Lead Independent Director (pursuant to the Code of self-discipline adopted by Borsa Italiana SpA).

STATUTORY AMENDMENTS

The extraordinary Shareholders' Meeting approved amendments to articles 12, 22, 26 and 28 of the By-laws in order to implement some changes introduced by Legislative Decree n. 27 dated January 27,2010 which has implemented the directive 2007/36/EC dated July 11, 2007 regarding the rights of shareholders, and to include in the by-laws everything necessary to give full effect to the provisions contained in articles 27 and 31 of the procedure for transactions with related parties, adopted by the Company pursuant to and for the effects of Consob Regulation provided for in resolution No. 17221/2010 (the "Related Parties Regulation").

COOPERATION FRAME AGREEMENT FOR THE DISTRIBUTION OF BENDING PRESSES PRODUCED BY THE PORTUGUESE COMPANY ADIRA

In February 2011 PRIMA INDUSTRIE signed a frame agreement for long-term collaboration with the Portuguese company Adira, a world-level producer of bending presses and machines for processing sheet metal.
This agreement will enable PRIMA INDUSTRIE to market, not on an exclusive basis, the complete range of bending presses manufactured by Adira everywhere in the world, also through its subsidiary sales companies and other distribution channels (*dealers* and agents). In this way, the PRIMA INDUSTRIE Group will be able to offer its clients a complete range of products, as well as technical servicing and spare parts.
The machines that are the subject of this agreement will be produced in accordance with the highest technical and quality standards that have always distinguished the Group's offering, and they will be marketed and sold with the *brand*, colours and electronic control of PRIMA INDUSTRIE Group. The agreement also provides for *cross-sourcing* of CNC and resonator lasers produced by PRIMA INDUSTRIE Group.

This agreement will enable the Group to expand its potential market to all the main countries in the world, taking account of the fact that the bending press is a *entry point* for reaching the market, in particular that of small and medium clients.

MACROECONOMIC CONTEXT

2011, started as a year of consolidation of the recovery of the international economy after the great recession of 2008-2009, it was marked, particularly in the second part, by the sovereign debt crisis in many countries of the euro zone. This crisis has been the source of most of the developments in the world financial markets since August 2011.
The consequent sharp rise in yields of government debt has imposed several interventions to Europe, but despite two bailouts of Greece and other loans to peripheral economies, even Italy has come under the scrutiny of global speculation and had to launch two financial manoeuvres in quick succession to try to clear the deficit by 2013 and curb the weight of a public debt now around 120% of GDP.
Today, the uncertainty of the economic framework remains high and the market turmoil continues to weigh on the growth and, while the first signs of stabilization are arriving, on the other hand there is a new drastic cut by the operators to the world growth forecast, due in part to the worst expectations on the European economy performance and in part to a less favourable scenario for raw materials.
With regard to the European scenario, the review is due to the disappointing management of the debt crisis. The acceleration of the fiscal correction enhances the contraction of GDP, while the persistent shortage of safeguard mechanisms creates restrictive financial conditions in many countries of the Eurozone.
Conversely, the U.S. economy, despite the tightening of some fiscal measures, is recovering and the expectations are of a macroeconomic framework better than expected.
If the international framework will maintain its expansion process thanks to the U.S. and emerging countries economic performance, the largest economy of the European and German areas, should continue to benefit from the strong impulse resulting from monetary policy, thereby allowing the entire Eurozone to avoid a severe recession.
The expectations of growth among the European countries are highlighted in Poland (+2.5% according to the OECD), Russia (+3%, according to Goldman Sachs) but also for England (1%, Goldman Sachs estimates). For Italy, instead it speaks of a decline in GDP for 2012 (-0.5%) and an economic recovery expected only for 2013, with an increase of 0.5%.
Internationally, OECD estimates foresee a 2% growth of U.S. and Japanese economy in 2012. Always positive, albeit declining, the forecast for Chinese economic performance in 2012 that should reach around 8.5%. According to forecasts by the International Monetary Fund, already from next year the Gross domestic product of emerging countries may exceed that of the more advanced countries. In fact the GDP of developing countries in 2012 will grow by 6.1%, while that of rich countries only 1.9%. This difference most likely will lead to almost a break even (50.1% of world GDP for developed countries and 49.9% for emerging markets), but depending on the performance of the economies of the Eurozone, of USA, China, Russia, Brazil and India in 2012 the historical overtaking will occur.

In this context, the capital goods sector ended 2011 with a strongly positive performance. UCIMU (the Italian association that brings together machine tool manufacturers) notes that the average index of orders received by Italian manufacturers in 2011 was increased by 12.8% compared to 2010, recording, in absolute terms, the highest value in the last three years. This trend, however, reveals that the growth was actually achieved only with regard to foreign orders (+20.9%), while orders in the Italian market have even registered a decrease (-11.9%).

In the United States, the researches of the specialist magazine *Industrial Laser Solutions For Manufacturing* provide extremely positive forecasts for the market of laser systems for industrial applications and related laser sources, with a 2012 that should be
a record year in terms of turnover in the sector, with growth concentrated in particular in the first half of the year and more moderate in the second half.

For the American associations of machine tool distributors and manufacturers (AMTDA, t*he American Machine Tool Distributors Association and AMT - The Association For Manufacturing Technology*) the orders acquisition of the sector in 2011 grew by 66.4% compared to same period of 2010, ending the best year in over a decade.

REVENUES AND PROFITABILITY

The consolidated revenues as of December 31,2011 amounted to 309,699,000 euro, up by 24% (equal to 59,692,000 euro) compared to year 2010 (250,007,000 euro). The increase in revenues confirms the positive trend of the Group and of its target market. This increase was mainly outlined in the last six months of the year in which the Group has confirmed the growth trend and showed a further acceleration over the first six months of the year both in terms of revenues and operating profit.

Below is reported the consolidated revenues on a geographic basis as of December 31,2011 compared to the year 2010.

Revenues	Dec. 31, 2011		Dec. 31, 2010	
	Euro thousand	%	*Euro thousand*	%
Italy	48.222	15,6	54.196	21,7
Europe	118.394	38,2	84.226	33,6
North America	63.059	20,4	46.911	18,8
Asia and rest of the world	80.024	25,8	64.674	25,9
TOTAL	**309.699**	**100,0**	**250.007**	**100,0**

Sales by geographical area show an increasing turnover towards Europe (+34,168,000 euro), North America (+16,148,000 euro) and the emerging markets of Asia and the Rest of the World (+15,350,000 euro), where the turnover achieved about 26% of the total consolidated (without taking account of the sales made by the Chinese joint venture Shanghai Unity PRIMA). In Italy, there was a significant decrease with respect to the previous year (equal to -5,974 thousand euro), due to the persistence of a difficult economic situation.

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 Chapter 7 – SEGMENT INFORMATION).

Revenues	Dec. 31, 2011		Dec. 31, 2010	
	Euro thousand	%	*Euro thousand*	%
PRIMA POWER	267.570	86,4	216.774	86,7
PRIMA ELECTRO	57.365	18,5	48.473	19,4
Inter-sector revenues	(15.236)	(4,9)	(15.240)	(6,1)
TOTALE	**309.699**	**100,0**	**250.007**	**100,0**

For a clearer view of revenues, the following table shows the breakdown by both segment and geographical area, net of intercompany amounts, for year 2011 and for year 2010.

Revenues segment/area - 31 December 2011	Italy	Europe	North America	Asia and rest of the world	TOTAL
€/000					
PRIMA POWER	35.158	99.489	60.734	72.090	267.471
PRIMA ELECTRO	13.064	18.905	2.325	7.934	42.228
TOTAL	**48.222**	**118.394**	**63.059**	**80.024**	**309.699**

Revenues segment/area - 31 December 2010	Italy	Europe	North America	Asia and rest of the world	TOTAL
€/000					
PRIMA POWER	44.306	72.131	42.136	58.201	216.774
PRIMA ELECTRO	9.890	12.095	4.775	6.473	33.233
TOTAL	**54.196**	**84.226**	**46.911**	**64.674**	**250.007**

The breakdown by geographical area of PRIMA POWER segment shows a significant increase in sales in all areas compared to 2010, with the exception of Italy. The division's sales were in Europe 37.2%, in North America 22.7%, in Asia and the Rest of the World 27.0%, where countries like China, Russia, Turkey and Korea showed strong gains.

The PRIMA ELECTRO segment had 30.9% of its sales in Italy, 44.8% in Europe (particularly Spain and Benelux), 18.8% in Asia and the Rest of the World (mainly China) and 5.5% in North America.

As already mentioned, the Group turnover does not include the revenues of the Chinese joint venture Shanghai Unity PRIMA (consolidated with the equity method), amounting to 47.8 million euro as of December 31,2011.

The **Production value at** as of December 31, 2011 amounted to 327,535 thousand euro, up by 27% compared to the year 2010 (increase of 69,537 thousand euro).

The value of production in the period also includes increases for internal work amounting to 5,727 thousand euro (6,905 thousand euro as of December 31, 2010); these costs mainly refer to investments in development activities.

Performance indicators	Dec. 31, 2011		Dec. 31, 2010	
	Euro thousand	*%*	*Euro thousand*	*%*
EBITDA	22.440	7,2	10.369	4,1
EBIT	12.496	4,0	352	0,1
EBT	4.543	1,5	(5.123)	(2,0)
NET RESULT	1.933	0,6	(5.965)	(2,4)

The Group's **EBITDA** amounted to 22,440 thousand euro (7.2% of turnover); compared to year 2010 there was a significant improvement, amounting to 12,071 thousand euro, confirming the excellent results achieved by the Group during the course of year 2011. The increase in revenues, combined with the careful management of costs, has been a driving force for the recovery of the Group's profitability.

The Group's EBITDA subdivided per segment is illustrated here below, inclusive of inter-segment items.

EBITDA	31 December 2011	
	€/000	*%*
PRIMA POWER	15.121	67,4
PRIMA ELECTRO	7.234	32,2
Inter sector items and eliminations	85	0,4
TOTAL	**22.440**	**100,0**

The consolidated **EBIT** for year 2011 amounted to 12,496 thousand euro and is a significant improvement (+12,144 thousand) with respect to year 2010 when it amounted to 352 thousand euro. This result is affected by the depreciation of tangible fixed assets for 2,867 thousand euro and intangible fixed assets for 6,996 thousand euro; as regards the latter, 2,648 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 3,355 thousand euro refer to the amortization of development costs.

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

EBIT	31 December 2011	
	€/000	*%*
PRIMA POWER	6.579	52,6
PRIMA ELECTRO	5.824	46,6
Inter sector items and eliminations	93	0,8
TOTAL	**12.496**	**100,0**

The consolidated **EBT** as of December 31, 2011 is 4,543 thousand euro, with an improvement of 9,666 thousand euro compared with the year 2010 (it was -5,123 thousand as of December 31, 2010); it should be noted that this value discounts net costs deriving from financial management (including profits and losses on exchange rates) for 9,170 euro (it was 7,275 thousand euro as of December 31, 2010).

Financial management (€/000)	December 31, 2011	December 31, 2010
Financial income	147	775
FINPOLAR Loan costs	(5.265)	(4.379)
Derivative financial instruments costs (IRS)	(2.157)	(2.153)
Derivative financial instruments costs(CRS)	(54)	-
Net result from transactions in foreign currency	229	367
Other Financial costs	(2.070)	(1.885)
TOTAL	**(9.170)**	**(7.275)**

Costs are evidenced for the FINPOLAR loan for 5,265 thousand euro and net financial costs for derivative instruments (mainly linked to the FINPOLAR Loan) for 2,211 thousand euro. In particular the costs relative to the FINPOLAR Loan were higher than at December 31, 2010 because of Euribor and *spread* increase (+15*basis points* starting from the month of August 2011).

The result of exchange rate management during the year 2011 is positive for 229 thousand euro (positive for 367 thousand euro as of December 31, 2010).

The net result of the joint venture pertaining to the Group, for the year 2011 is positive for 1,217 thousand euro (1,800 thousand euro as of December 31, 2010).

After two years of loss the **NET PROFIT** returned positive for 1,933 thousand euro at December 31, 2011, improving of 7,898 thousand compared to December 31, 2010 which showed a loss of 5,965 thousand euro. Income taxes for the year 2011 indicate a negative net balance of 2,611 thousand euro (including IRAP for 1,322 thousand euro). The increased fiscal burden of the Group is mainly attributable to the greater taxable revenues.

BALANCE SHEET

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

Values in Thousands Euros	*December 31, 2011*	*December 31, 2010*
Tangible and intangible fixed assets	74.352	76.091
Goodwill	102.751	102.677
Equity investments and other non-current assets	10.064	8.102
Fiscal assets for prepaid taxes	6.570	5.150
NON-CURRENT ASSETS	*193.737*	*192.020*
Inventories	84.250	70.151
Accounts receivable	88.283	64.595
Trade payables	(79.797)	(59.068)
Advances	(32.355)	(19.095)
OPERATING WORKING CAPITAL	*60.381*	*56.583*
Other current assets and liabilities	(11.134)	(7.153)
Current fiscal assets and liabilities	(812)	2.230
Provisions for risks and benefit to benefits to employees	(16.940)	(15.256)
Fiscal liabilities for deferred taxes	(9.738)	(10.911)
Non- current assets intended for disinvestment	1.012	-
NET INVESTED CAPITAL	*216.506*	*217.513*
NET INDEBTEDNESS	*136.385*	*141.268*
SHAREHOLDER'S EQUITY	*80.121*	*76.245*
LOAN SOURCES	*216.506*	*217.513*

It is underlined that the Group Equity Situation, respect to the previous year, has been hereby more detailed.

The value of PRIMA INDUSTRIE Group's tangible and intangible assets (other than Goodwill) decreased by 1,739 thousand euro in comparison with the previous year. This decrease was largely offset by the item "Non-current assets for disinvestment" (+1,012 thousand euro) on certain real estate owned by FINN POWER Italia Srl. The rest of the year's movements are relative to the normal activity of the Group.
A particularly significant item of non-current assets consists of Goodwill; as illustrated in the following explanatory notes the directors verified that here has been no loss in the value of this *asset*. The variation for the year relative to goodwill is exclusively due to currency adjustment.
Circulating Working Capital has increased from last year (increase of 3,798 thousand euro) due to the increased turnover of the Group.

At December 31, 2011 the Group's Net Indebtedness amounted to 136,385 thousand euro; compared with the previous year there was an improvement of 4,883 thousand euro (for further comments on the Net Indebtedness, see the next paragraph "Net financial position").
The Shareholders' equity increased with respect to the past year by 3,877 thousand euro. This increase is primarily attributable to the positive result (1,933 thousand euro), to the positive change in the Currency translation reserve (for 1,679 thousand euro), to the positive change in the "Reserve for adjustment of derivatives *fair value*" (for 92 thousand euro), the positive change in the "Stock option reserve" (for 157 thousand euro).

GOODWILL IMPAIRMENT TEST

In the current economic situation, checking for any loss of value in the Group's assets is of fundamental importance. Consequently, an essential part of drafting the PRIMA INDUSTRIE Group's financial statements consists of performing *impairment tests*of the goodwill items shown in the statements, and in particular of those included following the acquisition of the FINN POWER Group.
In order to enable the users of the financial statements to understand properly the whole assets valuation process (the underlying assumptions, the estimation methods, the parameters used, etc.) an extensive explanation of the methods employed by the directors for this purpose is given in the notes appended to the financial statements (see Note 8.2 – Intangible assets). The methods and basic assumptions used in performing the *impairment test* of goodwill by the directors of PRIMA INDUSTRIE occurred independently and prior to the approval of these financial statements.

No problems came to light in the *impairment* test.

NET FINANCIAL POSITION

As of December 31, 2011 the net financial position of the Group was of -136,385 thousand euro, which was an improvement by 4,833 thousand euro over the previous year (-141,268 thousand euro at December 31, 2010).

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

Value expressed in Euro thousand	31/12/2011	31/12/2010
CASH & CASH EQUIVALENTS	(25.179)	(14.838)
CURRENT FINANCIAL RECEIVABLES	(529)	(2)
CURRENT FINANCIAL LIABILITIES	52.131	45.310
NON CURRENT FINANCIAL LIABILITIES	109.962	110.798
NET FINANCIAL LIABILITIES	**136.385**	**141.268**

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

Before proceeding to a detailed analysis, please note that on July 29, 2011 an agreement amending the FINPOLAR Loan agreement was signed with the pool of lending banks. For more information refer to the above paragraph "Significant events of 2011" and Note 8.10 of the consolidated financial statements.

For better disclosure relating to the consolidated net financial position as of December 31, 2011, the following should be borne in mind:

- the FINPOLAR loan amounts totally to 134,171 thousand euro and is subject to respect of certain *covenants* that have been redefined in the above mentioned amendment contract signed on July 29, 2011 that, at December 31, 2011, are respected;
- payables due to leasing companies (almost exclusively referring to real estate) amount to 2,639 thousand euro;
- bank payables include the negative *fair value* of several IRS for 7,711 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).

We remind that on February 4, 2011 the company has regularly paid the installment due for 6,093 thousand euro relating to the FINPOLAR debt (3,525 thousand euro in share capital, 1,653 thousand euro in interest and finally 915 thousand euro for the two IRS) and on August 4, 2011 pursuant to the amendment contract signed on July 29, 2011, the company has paid the interest portion of the FINPOLAR Loan and charges relating to derivatives (1,727 thousand euro of interests, and 521 thousand euro for the two IRS). At the date of this report, the installment due at February 4, 2012 relative to the share capital of the Portion C1, the interest portion of Portions A, B, C2 and D and the differential on derivatives, as defined in the FINPOLAR Loan amendment contract are regularly repaid.

MANAGEMENT OF FINANCIAL RISKS

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

The financial instruments of the Group which are allocated for the purposes of financing operations include bank loans, financial lease contracts 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 and “Currency Rate Swap – CRS”. The purpose of these instruments is to manage interest rate risks and the exchange rate risks generated by the Group's operations and by its loan sources.

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

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

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

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

Note 8.30 - "Management of financial risks" - lists the goals and policies of the Group for management of the risks indicated above.

TRADE ASSETS AND ORDER PORTFOLIO

The **order acquisition** (inclusive of the *after-sale service*) as of December 31, 2011 amounted to 341.7 million euro, with a growth of 25.7% compared to 2010.

The order acquisition of PRIMA POWER segment was equal to 297.4 million euro, that of PRIMA ELECTRO segment, only by customers outside the Group, amounted to 44.3 million euro.
About the quarter, the order acquisition in the fourth quarter was equal to 88.0 million euro, with 2.8% increase compared to the already substantial acquisition of the corresponding period of 2010, while in December 2011, the consolidated order acquisition reached 37.9 million euro, the highest result achieved by the Group during its history. This value, 13% higher than the value reached in December 2010, also exceeds by more than 4% the highest value previously recorded by the Group in April 2008, before the outbreak of the severe economic crisis.
In particular, the geographical distribution of the order acquisition in the last months of 2011 shows the increasingly important weight of the Eastern European countries (Russia and Poland in the lead), the strong performance of the North American market (Canada, USA and Mexico), in addition to the now well-established importance of the Chinese, Korean and general Asian markets.

The consolidated **order portfolio** (not including spare parts and after sales services) at December 31, 2011 amounted to 105.9 million euro, increased of almost 29% compared to 82.3 million euro as of December 31, 2010.
This value includes 94.7 million euro related to the PRIMA POWER segment and 11.2 million euro related to the PRIMA ELECTRO segment.
As of February 29, 2012, the order portfolio further increased to 120.5 million euro (about +14%) compared to the end of the year 2011.

RESEARCH AND DEVELOPMENT

The activities of research and development performed by the Group during year 2011 totaled 15,719 thousand euro (of which 10,821 thousand euro in the PRIMA POWER segment and 4,898 thousand euro in the PRIMA ELECTRO segment) which is 5.1% of the turnover. During 2010 the total amount was 14,296 thousand euro (5,7% of turnover).

The capitalised portion amounted to 5,435 thousand euro (of which 3,265 thousand euro in the PRIMA POWER segment and 2,170 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 year the main activities involving the PRIMA POWER segment were as follows:

- realization of the Platino 1530 Fiber, two-dimensional cutting machine equipped with fiber laser and 2 and 3 KW power. This development is derived from the Platino model sold over 1500 units but completely revised and updated to be equipped with this new type of laser;
- Syncrono Fiber engineering with base derived from Platino, P30L control and other important improvements, aimed at increasing the reliability and performance of the machine by reducing its costs;
- realization of an automatic system for loading round and square tubes on Platino, Domino and Zaphiro machines.
- important engineering and development activities on 3D laser products lines increasingly sold for intensive production (7/24) of automotive components;
- development and introduction on the market of the electric punching machine E6x with 1500x3000 workspace, greater than the previous model that it joins. The product was presented at the BlechExpo fair in Germany in early June equipped with a new and efficient integrated automation system;

- as regards the range of laser-combi products, a safety system was developed for products with fiber laser that avoids the need for a complex and completely closed structure;
- development and commercialization of a new line of servo electric press bending machines (eP_Brake) available in three sizes: eP_0520, eP_1030, eP_1336;
- introduction of the new 3.0 series of servo electric panel shaping machines (FBe/EBe/Bce) now available for the FBe_FastBend in the new maxi size 6
- standardization of connections for Night Train systems. This development also allows to connect also the laser machines to lines equipped with automatic storage (Night Train);
- new 3D CAM for programming the line of servo electric panel shaping machines now available for the FBe_FastBend model: Master Bend 1.0;
- development of new software features for Maestro (Prima Power CAD/CAM system for laser machines) for bevel cutting and for cutting tubes;
- release of new features for Tulus software. Among the most important and interesting features there is the possibility to monitor the status of the machines in production and to manage their programming;
- beginning of the European ENEPLAN project of which Prima Industrie will be the coordinator. A new and modern version of CAD/CAM software, which will cover all the different types of machines produced, will be developed within the project;
- development of software simulator of the PSBB lines and, in general, of storage/production systems to use, mainly as a support to sales.

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

- extending the range of the new hardware platform OPENcontrol (models OPEN-XS, OPEN-M, OPEN-L e OPEN-XL) and its family of I/O analog modules and various peripherals;
- the development and release to sales of the complete OPEN20 software version including the management of laser technology, volumetric compensation and communication protocols of the main commercial bus (CANopen, EtherCAT SoE, EtherCAT CoE, Mechatrolink II and Mechatrolink III);
- development of OPEN30 basic software version with which the beta-test was started at a pilot customer;
- the development and release to sales of the off-line simulation system of the entire OPEN control;
- development of control system for electrical and hydraulic bending presses, which led to the design of a drive with Safety Integrated functionality, now in serial production;
- the development of HVPS-MK2, modular system of high voltage generation for CO2 laser; the industrialization phase, nearing completion, will be completed in the first quarter of 2012;
- the evolution of numerical control P30L through the introduction of a dual-core CPU and the adoption of a new version of the Linux operating system, in addition to the development of new functions such as Seam Tracking, Dual Drive for Maximo, automatic tip change, etc;
- the development and introduction into production of PrimaLogic logical control and monitoring unit and of its I/O-Laser expansion on laser sources CX, CP and CV from the fourth quarter of 2011;
- the development of the new model ‘CV4000', a version of the 4 kW CO2 laser , which requires no maintenance thanks to the adoption of bearings with magnetic sustentation, equipped with various devices that extend the life of the optics;
- the design and improvement of the CL series products, including a new lamp with longer life and a new metal cavity;

- completing the preparation of the joint laboratory with the Polytechnic (PPP Lab), operational from September 2011 as part of new generation lasers development activities.

PERSONNEL

During 2011, the company halted the process of personnel reduction undertaken in 2008 (after the merger with the FINN POWER Group, and also due to the economic crisis); this reversal of trend is due both to completion of the process of reorganization and to meet the increased operating needs of the Group.
As of December 31, 2010, the Group had 1,353 employees while as of December 31, 2011 they are 1,442, increased of 89 units.

	December 31, 2011	December 31, 2010
PRIMA POWER	1.175	1.099
PRIMA ELECTRO	267	254
TOTAL GROUP PERSONNEL	**1.442**	**1.353**

OPERATIONS WITH ASSOCIATES

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

1. intra-group sale of the Laser System division of Prima North America;
2. the allocation of compensation paid to directors and executives with strategic responsibilities.

With regard to the operation "INTRA-GROUP SALE OF LASER SYSTEMS DIVISION OF PRIMA NORTH AMERICA." refer to the explanations in the chapter "Significant events of 2011".
As regards the operation sub 2. the following is recalled:

- the Remuneration Committee met on May 3, 2011 to formulate a proposal regarding the compensation paid to chief executive officers and executives with strategic responsibilities;
- since the proposed remuneration for these subjects exceed or may exceed, if provided, the threshold of 150,000 euro, established to identify transactions for smaller amounts, the Committee was called to give to the Board of Directors a preliminary not binding decision. This opinion was given on May 3, 2011, with favourable results;
- the Board of Directors on May 12, 2011 has therefore approved, upon proposal of the Remuneration Committee and with the positive opinion of the Associated Parties Committee, the following salaries:
  - for the Chief Executive Officer of PRIMA INDUSTRIE SpA and Group's CEO, Gianfranco Carbonato, a fixed annual fee confirmed to 320,000 euro for the 2011-2013 period, before deduction of withholding tax, and a variable fee for the year 2011 in a maximum amount of 40% of the fixed fee;
  - for the Chief Executive Officer of PRIMA INDUSTRIE SpA (PRIMA ELECTRO Division), Domenico Peiretti, a fixed annual fee (paid by PRIMA ELECTRO SpA) confirmed to 240,000 euro for the 2011-2013 three-year period, before deduction of withholding tax, and a variable fee for the year 2011 in a maximum amount of 40% of the fixed fee;
  - for the Chief Executive Officer of PRIMA INDUSTRIE SpA (PRIMA POWER division), Ezio G. Basso, an increase of the annual gross salary to 220,000 euro, starting from June 1, 2011 and an annual incentive for the year 2011 in a maximum amount of 40% of annual gross earnings increased to 220,000 euro.

- for the CFO of PRIMA INDUSTRIE Group, Massimo Ratti, an increase of the annual gross salary to 165,000 euro, with effect from June 1, 2011 and annual incentives are for the year 2011 in a maximum amount of 40% of annual gross earnings increased to 165,000 euro.

For further details on the subject of operations of the Group with associates, see “Note 8.29 – INFORMATION ON ASSOCIATES”.

STOCK TREND AND TREASURY STOCK

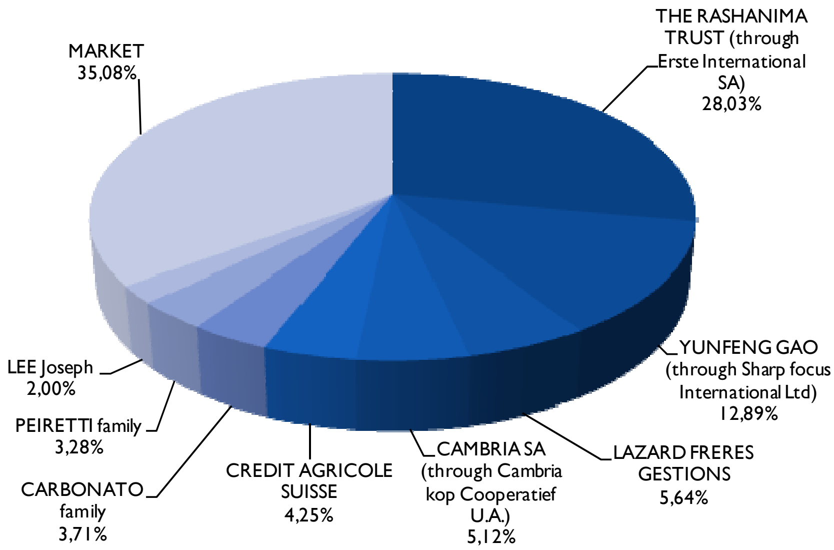
During year 2011 the PRIMA INDUSTRIE stock has gone from a unit value of 7.25 euro as of January 3, 2011 to a value of 6.65 euro per share as of December 30, 2011, the sharp contraction in the course of the stock shall be entered in a more generalized phenomenon of European stock exchange lists descent. The lowest value recorded in the period was 5.88 euro (on October 10, 2011) and the highest was 10.03 euro (on May 18, 2011).
Following the closure of the year the stock has started an upward trend that has led the stock up to 9.265 euro on March 9, 2012.

The graph below illustrates these trends.

As of December 31, 2011 and as at the date of approval of this report, PRIMA INDUSTRIE SpA did not and does not hold any treasury stock, and there has been no resolution of authorization for its acquisition.

SHAREHOLDING STRUCTURE

As of December 31, 2011 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 December 31, 2011 and at the date of approval of this report.
In the light of the entries in the shareholders' ledger, updated on the basis of the mentioned capital increase 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 under mentioned two periods of each year until the expiry of the plan:

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

The beneficiaries of the plan at the date of this Annual Financial Report are as follows.

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

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

CORPORATE GOVERNANCE

The overall "*corporate governance*" of PRIMA INDUSTRIE, meaning the system of rules and procedures to which the governing bodies refer to inspire their own course of action and fulfil the various responsibilities towards its stakeholders, has been defined taking into account the current regulations and recommendations contained in the Code of Self-discipline promoted by Borsa Italian SpA.
Pursuant to article 123-bis of Legislative Decree no. N. 58/1998, (the "CFA" -Consolidated Finance Act) and articles 89-bis and 144-decies of the Consob Issuers Regulation, the Company

shall draw up the annual "Report on corporate governance and ownership structure" (based on the *comply or explain* principle) with which it provides appropriate information on its Corporate Governance system.
The report serves mainly to provide information about the corporate offices of the company, their composition, term of office, functions, powers attributed and all other elements that describe the corporate governance organization. In addition, it includes information about the company's executives, with a personal and professional profile of each.
The same report also furnishes information about the system of remuneration of the Directors and Executives with strategic responsibilities, about the rules to apply on the subject of confidential information use and operations of significant economic, financial and equity relevance, with the associates, specifying whether they are atypical or unusual.
Pursuant to Legislative Decree 173/2008, which transposed Directive 2006/46 into national law in Italy, the report contains specific information about:

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

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

INTERNAL CONTROL SYSTEM AND APPLICATION OF LEGISLATIVE DECREE 231/2001.

The company has created an Internal Control System for the purpose of monitoring respect of the company strategies and attainment of the following aims:

- effectiveness and efficiency of company processes;
- quality and reliability of economic and financial information;
- respect of laws and regulations, standards and company procedures;
- protection of the value of company assets and protecting the company from losses.

The Company has appointed, as from 2010, an Internal Control Manager, responsible for verifying that the system of internal control is adequate, and fully operational.

The Issuer has adopted a model of organization, management and control, pursuant to Legislative Decree n. 231/2001. During the year 2011, the Issuer has carried out a review of the same model.
This revision is characterized, as compared to the previous version of the Model, mainly by:

- a precise formalization of reference documents (encoding of the document, review, standardization of formats, etc.);
- a mapping of the reference documents, for each of which are identified the persons in charge:
    - drafting and updating it
    - approval
    - checks to verify the effectiveness of the Model
    - the relative frequency of the checks
- a more organic and more extensive Mapping of Risks, performed, as well as with the contribution of various heads of the departments, under the supervision of outside lawyers.

The Model, which is the supporting document for the requirements of the Decree, meets today with the following essential requirements:

- adoption of a company Code of Ethics, sensitizing all recipients to its strict observance;
- list of Predicate Offenses, evaluating (Risk Assessment), the probability of commission in various activities, processes, functions and corporate procedures and the magnitude of the possible consequences (defined by the sanctions provided for in the Decree);
- identification of periodic audits relating to the operation and effectiveness of the Model (task of the Monitoring Organization);
- coordination of control activities between the various persons in charge;
- adoption of a System of Sanctions for non-compliant behaviour to the Model;
- establishing appropriate procedures for reporting alleged violations of the Model;
- definition of training and communication necessary for the correct knowledge of the Model and documents linked to it by all recipients of the same.

Revision of the Model also enabled the company to contemplate new types of predicate offenses and identify the relative sensitive processes. The duty of monitoring the correct operation and compliance of the Organization Model and attending to its updates is assigned to the Monitoring Organization, which reports to the Board of Directors and Board of Auditors.

INVESTMENT AND EXPENDITURE MADE ON SAFETY IN THE WORKPLACE

A total of 126 thousand euro was spent by PRIMA INDUSTRIE SpA in 2011 for safety. The cost items refer to documentation, consultant services and training for safety, devices for vision protection from laser beams, personal protective equipment, signs, the creation of safe conditions in work zones and actions to improve workstation ergonomics.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The situation of Prima Industrie Group reference markets, despite the turbulences registered in the second half of 2011, has maintained generally good (except Italy and Spain). This resulted, for the Group, in excellent order acquisition of the last quarter of 2011, returned to the pre-crisis level of 2008.
The significant order portfolio at December 31, 2011, the good acquisition of the first two months of 2012, and the strong contribution of the expected after sales activity therefore allow the Group to look at 2012 as another year of growth.

At the equity level, the Group intends to continue the action of financial "develeraging", due to higher operating profitability, greater efficiency of circulating working capital and asset optimization initiatives, if the opportunity arises.

In conclusion, the expected consolidation of the recovery, together with the development of new markets and the net indebtedness reduction, make reasonable the forecast of a further improvement in the financial year 2012 compared to 2011, both in terms of turnover and profitability.

EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENTS

There has been no significant events after the reference date of these financial statements.

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.

MANAGEMENT AND COORDINATION ACTIVITIES

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

CODE FOR THE PROTECTION OF PERSONAL DATA

In reference to the requirement of the update by March 31 of each year of the Security Policy Document (PSD), it is indicated that the legislative decree n.5 of February 9, 2012 amended certain provisions of the Code regarding the protection of personal data by removing in particular precisely the above mentioned Security Policy Document.
Therefore, unless changes occur by the Parliament, it is no longer mandatory to prepare and periodically update said Security Policy Document.

Chapter 4.

ECONOMIC PERFORMANCE BY SEGMENT

CHAPTER 4. ECONOMIC PERFORMANCE BY SEGMENT

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

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

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

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

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

	December 31st, 2011					Dec. 31,2010
Values in thousand Euro	**REVENUES**	**EBITDA**	**% on Revenues**	**EBIT**	**% on Revenues**	**REVENUES**
PRIMA POWER	267.570	15.121	5,7%	6.579	2,5%	216.774
PRIMA ELECTRO	57.365	7.234	12,6%	5.824	10,2%	48.473
ELISIONS	(15.236)	85	-0,6%	93	-0,6%	(15.240)
GROUP	**309.699**	**22.440**	**7,2%**	**12.496**	**4,0%**	**250.007**

It should be noted that the values of EBIT and EBITDA presented here are not directly reconcilable with those presented in Chapter 7 – INFORMATION BY SECTOR.

PRIMA POWER

PRIMA POWER segment revenues for the year 2011 are higher by 23% over the previous year. All major companies in the segment, in the period in consideration, have obtained better financial statements results than the previous year.

In view of the high level of revenues, the EBITDA for the segment amounted to 15,121 thousand euro. In 2011 all production entities of the segment (PRIMA INDUSTRIE, FINN POWER OY, FINN POWER Italia and PRIMA POWER LASERDYNE) have improved over the corresponding period of the previous year in terms of both revenues and profitability. As for commercial companies, excellent results were achieved in terms of sales to North American and Russian markets; even commercial companies operating in Western Europe, despite the crisis, have made an overall increase in sales compared to 2010.

PRIMA ELECTRO

PRIMA ELECTRO segment revenues for year 2011 are higher by 18% over the previous year. The PRIMA ELECTRO segment business despite having been affected to a lesser extent by the recent economic crisis, continues to exhibit a high ability to recover, so the growth rates of the components segment are in line with those of the machine segment.

With an EBITDA of 7,234 thousand euro, the level of profitability of the PRIMA ELECTRO segment is 12.6%, confirming the good profitability of this business.

PROPOSAL TO COVER OPERATING LOSSES

Ladies and Gentlemen,

Inviting you to approve the financial statements of your company at December 31, 2011, we aim to fully cover the loss for the parent company Prima Industrie S.p.A., equal to 1,482,668 euro, through the use of the extraordinary reserve.

On behalf of the Board of Directors
Chairman
Gianfranco Carbonato

Chapter 5.

CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2011

ACCOUNTING TABLES

CHAPTER 5. CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF DECEMBER 31, 2011

CONSOLIDATED FINANCIAL BALANCE SHEET

Values in Euro	*Notes*	December 31, 2011	December 31, 2010
Property, plant and equipment	*8.1*	24.472.946	25.012.944
Intangible assets	*8.2*	152.629.950	153.754.370
Investments accounted for using the equity method	*8.3*	8.961.044	7.094.101
Other investments	*8.4*	1.076.998	938.670
Deferred tax assets	*8.5*	6.570.203	5.150.271
Other non current assets	*8.8*	25.518	68.785
NON CURRENT ASSETS		**193.736.659**	**192.019.141**
Inventories	*8.6*	84.249.605	70.151.228
Trade receivables	*8.7*	88.282.812	64.594.764
Other receivables	*8.8*	6.406.214	6.977.985
Current tax receivables	*8.9*	5.592.470	4.691.311
Derivatives	*8.10*	-	1.714
Financial assets	*8.10*	528.637	-
Cash and cash equivalents	*8.10*	25.179.041	14.837.872
CURRENT ASSETS		**210.238.779**	**161.254.874**
ASSETS HELD FOR SALE	*8.11*	*1.012.201*	-
TOTAL ASSETS		**404.987.639**	**353.274.015**
Capital stock	*8.12*	21.601.740	21.600.337
Legal reserve	*8.12*	4.320.069	2.733.635
Other capital reserves	*8.12*	54.326.182	52.226.002
Currency translation reserve	*8.12*	1.331.310	(347.660)
Retained earnings	*8.12*	(3.390.665)	5.997.695
Net result	*8.12*	1.932.659	(5.965.272)
Stockholders' equity of the Group		**80.121.295**	**76.244.737**
Minority interest		-	-
STOCKHOLDERS' EQUITY		**80.121.295**	**76.244.737**
Interest-bearing loans and borrowings	*8.10*	102.350.641	103.019.395
Employee benefit liabilities	*8.13*	6.792.852	7.019.791
Deferred tax liabilities	*8.14*	9.737.709	10.910.840
Provisions	*8.15*	124.009	67.091
Derivatives	*8.10*	7.611.171	7.778.856
NON CURRENT LIABILITIES		**126.616.382**	**128.795.973**
Trade payables	*8.16*	79.797.117	59.067.818
Advance payments	*8.16*	32.355.143	19.094.705
Other payables	*8.16*	17.539.790	14.130.459
Interest-bearing loans and borrowings	*8.10*	52.031.067	45.256.498
Current tax payables	*8.17*	6.404.295	2.461.577
Provisions	*8.15*	10.022.786	8.169.063
Derivatives	*8.10*	99.764	53.185
CURRENT LIABILITIES		**198.249.962**	**148.233.305**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**404.987.639**	**353.274.015**

CONSOLIDATED INCOME STATEMENT

VALUES IN EURO	Notes	December 31, 2011	December 31, 2010
Net revenues	8.18	309.699.281	250.006.768
Other income	8.19	3.321.203	4.549.822
Change in inventories of finished goods and WIP		8.787.712	(3.463.583)
Increases in fixed assets for internal work	8.20	5.726.512	6.904.774
Use of raw materials, consumables, supplies and goods		(150.767.253)	(118.023.115)
Personnel cost	8.21	(81.620.205)	(76.207.574)
Depreciation	8.22	(9.863.050)	(9.763.926)
Amortization and Impairment	8.22	(80.500)	(252.798)
Other operating expenses	8.23	(72.707.229)	(53.398.543)
OPERATING PROFIT		**12.496.471**	**351.825**
		579.806	*660.023*
Financial income	8.24	146.761	775.434
Financial expenses	8.24	(9.546.302)	(8.417.153)
Net exchanges differences	8.24	229.098	366.897
Net result of investments accounted for using the equity method	8.25	1.217.341	1.800.252
RESULT BEFORE TAXES		**4.543.369**	**(5.122.745)**
		579.806	*660.023*
Taxes	8.26	(2.610.710)	(842.527)
NET RESULT		**1.932.659**	**(5.965.272)**
- of which attributable to Group shareholders		*1.932.659*	*(5.965.272)*
- of which attributable tominority shareholders		-	-
RESULT PER SHARE-BASIC (in euro)	8.27	**0,22**	**(0,71)**
RESULT PER SHARE - DILUTED (in euro)	8.27	**0,18**	**(0,71)**

TOTAL CONSOLIDATED INCOME STATEMENT

Values in Euro	*Notes*	December 31, 2011	December 31, 2010
NET RESULT (A)		**1.932.659**	**(5.965.272)**
Profit/(Losses) on cash flow hedges	*8.12*	91.524	(427.590)
Profit/(Losses) deriving from foreign companies balance sheet	*8.12*	1.678.970	2.037.232
TOTAL OTHER PROFIT/(LOSSES) (B)		**1.770.494**	**1.609.642**
NET RESULT OF THE PERIOD (A) + (B)		**3.703.153**	**(4.355.630)**
- of which attributable to Group shareholders		*3.703.153*	*(4.355.630)*
- of which attributable to the minority shareholders		-	-

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1st to Dember 31th, 2010

Values in Euro	01/01/2010	Change of consolidation area	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	31/12/2010
Capital stock	16.000.000	-	5.600.337	-	-	-	-	21.600.337
Additional paid-in capital	36.814.893	-	9.632.810	-	-	-	-	46.447.703
Legal reserve	2.733.635	-	-	-	-	-	-	2.733.635
Capital increase - expenses	(1.263.903)	-	(20.563)	-	-	-	-	(1.284.466)
Stock option reserve	728.494	-	-	-	-	-	410.130	1.138.624
Change in the FV of hedging derivatives	(5.214.268)	-	-	-	-	(427.590)	-	(5.641.858)
Other reserves	14.120.389	-	-	(2.554.390)	-	-	-	11.565.999
Currency translation reserve	(2.384.892)	-	-	-	-	2.037.232	-	(347.660)
Retained earnings	12.138.832	-	-	(6.141.137)	-	-	-	5.997.695
Net result	(8.695.527)	-	-	8.695.527	-	(5.965.272)	-	(5.965.272)
Stockholders' equity of the Group	**64.977.653**	**-**	**15.212.584**	**-**	**-**	**(4.355.630)**	**410.130**	**76.244.737**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**64.977.653**	**-**	**15.212.584**	**-**	**-**	**(4.355.630)**	**410.130**	**76.244.737**

from January 1st to December 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	31/12/2011
Capital stock	21.600.337	-	1.403	-	-	-	-	21.601.740
Additional paid-in capital	46.447.703	-	3.366	-	-	-	-	46.451.069
Legal reserve	2.733.635	-	-	1.586.434	-	-	-	4.320.069
Capital increase - expenses	(1.284.466)	-	(1.688)	-	-	-	-	(1.286.154)
Stock option reserve	1.138.624	-	-	-	-	-	156.882	1.295.506
Change in the FV of hedging derivatives	(5.641.858)	-	-	-	-	91.524	-	(5.550.334)
Other reserves	11.565.999	-	-	1.850.096	-	-	-	13.416.093
Currency translation reserve	(347.660)	-	-	-	-	1.678.970	-	1.331.310
Retained earnings	5.997.695	13.444	-	(9.401.802)	-	-	-	(3.390.663)
Net result	(5.965.272)	-	-	5.965.272	-	1.932.659	-	1.932.659
Stockholders' equity of the Group	**76.244.737**	**13.444**	**3.081**	**-**	**-**	**3.703.153**	**156.882**	**80.121.295**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**76.244.737**	**13.444**	**3.081**	**-**	**-**	**3.703.153**	**156.882**	**80.121.295**

CONSOLIDATED CASH FLOW STATEMENT

VALUES IN EURO	31/12/2011	31/12/2010
Net result	**1.932.659**	**(5.965.272)**
Adjustments (sub-total)	*11.482.334*	*6.537.033*
Depreciation and impairment	9.943.550	10.016.724
Net change in deferred tax assets and liabilities	(2.593.063)	(225.972)
Net result of investments accounted for using the equity method	(1.217.341)	(1.800.252)
Change in employee benefits	(226.939)	(484.018)
Change in inventories	(13.702.131)	1.656.425
Change in trade receivables	(23.688.048)	(5.771.592)
Change in trade payables	33.989.737	7.068.600
Net change in other receivables/payables and other assets/liabilities	8.976.569	(3.922.882)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**13.414.993**	**571.761**
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(3.934.126)	(1.649.426)
Acquisition of intangible fixed assets	(541.392)	(171.322)
Capitalization of development costs (**)	(5.363.185)	(6.323.420)
Disposal/(Purchase) investments accounted for using the equity method	-	(94.000)
Net disposal of fixed assets and investment properties (*)	397.040	317.077
Change in other investments	(138.328)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(9.579.991)**	**(7.921.091)**
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	(1.571.169)	(467.951)
Increases in loans and borrowings (including bank overdrafts)	16.853.630	11.737.418
Repayment of loans and borrowings (including bank overdrafts)	(10.987.388)	(21.208.316)
Increases/(repayments) in financial lease liabilities	267.193	(190.057)
Capital increase	3.081	15.212.584
Other changes	1.940.820	2.019.772
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**6.506.167**	**7.103.450**
Net change in cash and equivalents (D=A+B+C)	**10.341.169**	**(245.880)**
Cash and equivalents beginning of period (E)	**14.837.872**	**15.083.752**
Cash and equivalents end of period (F=D+E)	**25.179.041**	**14.837.872**

Additional information to the Consolidated cash-flow statement	December 31, 2011		December 31, 2010	
Values in euro				
Income taxes	(2.610.710)	-	(842.527)	-
Financial income	146.761	-	775.434	-
Financial costs	(9.546.302)	-	(8.417.153)	-

(*) included assets held for sale

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

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION 15519 OF JULY 27, 2006

VALUES IN EURO	*Notes*	December 31, 2011	*of which related parties*	December 31, 2010	*of which related parties*
Property, plant and equipment	*8.1*	24.472.946	-	25.012.944	-
Intangible assets	*8.2*	152.629.950	-	153.754.370	-
Investments accounted for using the equity method	*8.3*	8.961.044	*8.961.044*	7.094.101	*7.094.101*
Other investments	*8.4*	1.076.998	*99.860*	938.670	-
Deferred tax assets	*8.5*	6.570.203	-	5.150.271	-
Other non current assets	*8.8*	25.518	-	68.785	-
NON CURRENT ASSETS		**193.736.659**		**192.019.141**	
Inventories	*8.6*	84.249.605	-	70.151.228	-
Trade receivables	*8.7*	88.282.812	*1.197.512*	64.594.764	*823.862*
Other receivables	*8.8*	6.406.214	-	6.977.985	-
Current tax receivables	*8.9*	5.592.470	-	4.691.311	-
Derivatives	*8.10*	-	-	1.714	-
Current financial activities	*8.10*	528.637	-	-	-
Cash and cash equivalents	*8.10*	25.179.041	-	14.837.872	-
CURRENT ASSETS		**210.238.779**		**161.254.874**	
ASSETS HELD FOR SALE	*8.11*	*1.012.201*	-	-	-
TOTAL ASSETS		**404.987.639**		**353.274.015**	
Capital stock	*8.12*	21.601.740	-	21.600.337	-
Legal reserve	*8.12*	4.320.069	-	2.733.635	-
Other capital reserves	*8.12*	54.326.182	-	52.226.002	-
Currency translation reserve	*8.12*	1.331.310	-	(347.660)	-
Retained earnings	*8.12*	(3.390.665)	-	5.997.695	-
Net results	*8.12*	1.932.659	-	(5.965.272)	-
Sotckholders' equity of the Group		**80.121.295**		**76.244.737**	
Minority interest		-		-	
STOCKHOLDERS' EQUITY		**80.121.295**		**76.244.737**	
Interest-bearing loans and borrowings	*8.10*	102.350.641	-	103.019.395	-
Employee benefit liabilities	*8.13*	6.792.852	-	7.019.791	-
Deferred tax liabilities	*8.14*	9.737.709	-	10.910.840	-
Provisions	*8.15*	124.009	-	67.091	-
Derivatives	*8.10*	7.611.171	-	7.778.856	-
NON CURRENT LIABILITIES		**126.616.382**		**128.795.973**	
Trade payabales	*8.16*	79.797.117	-	59.067.818	-
Advance payments	*8.16*	32.355.143	-	19.094.705	-
Other payables	*8.16*	17.539.790	*468.074*	14.130.459	*289.643*
Interest- bearing loans and borrowings	*8.10*	52.031.067	-	45.256.498	-
Current tax payables	*8.17*	6.404.295	-	2.461.577	-
Provisions	*8.15*	10.022.786	-	8.169.063	-
Derivatives	*8.10*	99.764	-	53.185	-
CURRENT LIABILITIES		**198.249.962**		**148.233.305**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**404.987.639**		**353.274.015**	

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION 15519 OF JULY 27, 2006

VALUES IN EURO	*Notes*	December 31, 2011	*of which related parties*	December 31, 2010	*of which related parties*
Net revenues	*8.18*	309.699.281	*4.231.246*	250.006.768	*4.610.431*
Other income	*8.19*	3.321.203	-	4.549.822	-
Change in inventories of finished goods and WIP		8.787.712	-	(3.463.583)	-
Increases in fixed assets for internal work	*8.20*	5.726.512	-	6.904.774	-
Use of raw materials, consumables, supplies and goods		(150.767.253)	-	(118.023.115)	-
Personnel cost	*8.21*	(81.620.205)	*(659.408)*	(76.207.574)	*(776.946)*
Depreciation	*8.22*	(9.863.050)	-	(9.763.926)	-
Amortization and Impairment	*8.22*	(80.500)	-	(252.798)	-
Other operating expenses	*8.23*	(72.707.229)	*(1.040.883)*	(53.398.543)	*(907.109)*
OPERATING PROFIT		**12.496.471**		**351.825**	
Financial income	*8.24*	146.761	-	775.434	-
Financial expenses	*8.24*	(9.546.302)	-	(8.417.153)	-
Net exchanges differences	*8.24*	229.098	-	366.897	-
Net result of investments accounted for using the equity method	*8.25*	1.217.341	*1.217.341*	1.800.252	*1.800.252*
RESULT BEFORE TAXES		**4.543.369**		**(5.122.745)**	
Taxes	*8.26*	(2.610.710)		(842.527)	
NET RESULT		**1.932.659**		**(5.965.272)**	
- of which attributable to Group shareholders		*1.932.659*		*(5.965.272)*	
- of which attributable tominority shareholders		-		-	
RESULT PER SHARE-BASIC (in euro)	*8.27*	**0,22**		**(0,71)**	
RESULT PER SHARE - DILUTED (in euro)	*8.27*	**0,18**		**(0,71)**	

CONSOLIDATED CASH FLOW STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION 15519 OF JULY 27, 2006

VALUES IN EURO	December 31, 2011	*of which related parties*	December 31, 2010	*of which related parties*
Net Result	**1.932.659**	**-**	**(5.965.272)**	**-**
Adjustments (sub-total)	*11.482.334*	-	*6.537.033*	-
Depreciation and amortization	9.943.550	-	10.016.724	-
Net change in deferred tax assets and liabilities	(2.593.063)	-	(225.972)	-
Net result of investments accounted for using he equity method	(1.217.341)	(1.217.341)	(1.800.252)	(1.800.252)
Change in employees benefits	(226.939)	-	(484.018)	-
Changes in inventories	(13.702.131)	-	1.656.425	-
Change in trade receivables	(23.688.048)	(373.650)	(5.771.592)	162.419
Change in trade payables	33.989.737	-	7.068.600	-
Net change in other recivables/payables and other assets/liabilities	8.976.569	178.431	(3.922.882)	(178.948)
Cash Flow from (Used in) Operating activities (A)	**13.414.993**		**571.761**	
Cash flow from investments				
Acquisition of tangible fixed assets (*)	(3.934.126)	-	(1.649.426)	-
Acquisition of intagible fixed assets	(541.392)	-	(171.322)	-
Capitalization of development cost	(5.363.185)	-	(6.323.420)	-
Disposal/(Purchase) investments accounted for using the equity method	-	-	(94.000)	(94.000)
Net disposal of fixed assets and investment properties (*)	397.040	-	317.077	-
Change in other investments	(138.328)	(99.860)	-	-
Cash flow from (Used in) Investing activities (B)	**(9.579.991)**		**(7.921.091)**	
Cash flow from financing activities				
Variation in other non current financial liabilities and other minor items	(1.571.169)	-	(467.951)	-
Increases in loans and borrowings *(including bank overdrafts)*	16.853.630	-	11.737.418	-
Repayment of loans and borrowings *(including bank overdrafts)*	(10.987.388)	-	(21.208.316)	-
Increases /(repayments) in financial lease liabilities	267.193	-	(190.057)	-
Capital increase	3.081	-	15.212.584	-
Other variations	1.940.820	156.882	2.019.772	410.130
Cash flow from (Used in) Financing activities (C)	**6.506.167**		**7.103.450**	
Net change in cash and equivalents (D=A+B+C)	**10.341.169**		**(245.880)**	
Cash and equivalents beginning of period (E)	**14.837.872**		**15.083.752**	
Cash and equivalents end of period (F=D+E)	**25.179.041**		**14.837.872**	

Chapter 6.

DESCRIPTION OF ACCOUNTING PRINCIPLES

CHAPTER 6. DESCRIPTION OF ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS APPLIED

Standards for the Preparation of the Consolidated Financial Statements
The consolidated financial statements for 2011 were prepared in respect of the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, and provisions enacted with implementation of art. 9 of Legislative Decree no. 38/2005.
IFRS refers to all reviewed International Accounting Standards ("IAS") and all interpretations of the International Financing Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").
The financial statements were prepared applying the standard of historical cost, with the exception of financial assets held for sale, financial assets held for trading and derivatives, which are recorded at *fair value*. The accounting principles applied by the Group in 2011 were consistent with those used in previous years.

Ongoing concern
The consolidated financial statements at December 31, 2011 were prepared on the basis of the going concern principle, as it is reasonable to expect that PRIMA INDUSTRIE will continue its business in the foreseeable future. In particular, the improved operating profitability of 2011 with respect to the previous year, the increase of turnover and order acquisitions, and the availability of credit lines sufficient for the working cash needs, are the main factors taken into consideration to ascertain that, at the current time, there are no significant doubts about the Group's prospects of remaining in business.

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

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

It should be noted, also, that with reference to Consob resolution no. 15519 of July 27, 2006 regarding the layout of financial statements, specific additional formats for the financial statements and equity-financial situation have been included, highlighting the significant relationships with associates and non-recurrent transactions, in order to ensure greater overall legibility of the financial statements.

BUSINESS COMBINATIONS AND GOODWILL

Corporate aggregations (from January 1, 2010)

Business combinations are reported using the purchase method. The amount of an acquisition is valued as the sum of the amount transferred, measured at fair value as of the date of acquisition and of the amount of any minority equity investments in the purchase already held. For every corporate aggregation, the purchaser has to value any equity investments at the fair value or in proportion to the minority equity investment in the identifiable net assets of the purchase. The costs of acquisition are charged and classified among administrative costs.

Every potential payment has to be reported by the purchaser at the fair value as of the purchase date, and classified in accordance with the provisions of IAS 32 and IAS 39.

The goodwill is initially entered at the cost emerging as the surplus between the sum of the amount paid and the amount considered for the minority shares with respect to the identifiable net assets purchased and liabilities taken over by the Group. If the amount paid is less than the fair value of the net assets of the subsidiary acquired, the difference is reported in the income statement.

After the initial entry, goodwill is not subject to amortisation and is decreased by any accumulated impairments of value, calculated in the manner described hereafter. The goodwill relative to equity investments in affiliates and joint ventures is included in the value attributed to these companies.

The goodwill is subject to an annual analysis of recoverability or more frequently if events or changes of circumstances occur that could lead to the development of possible impairments of value. To check for impairments, the goodwill acquired in a business combination is allocated at the acquisition date to the Group's cash-generating units, or combinations of units, which are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquired unit are assigned to these units or groups of units.

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

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

Any impairment of value is identified by comparison between the book value of the cash generating unit and its recoverable value, determined with the methods indicated in the paragraph "Asset impairment". If the value recoverable by the unit generating the flows is lower than the original value attributed, the relative impairment of value is reported. This impairment of value is not restored if the reasons that caused it should later be overcome.

If the goodwill was allocated to a unit generating financial flows and the entity disinvests part of the assets of that unit, the goodwill associated with the disinvested assets must be included in the book value of the asset when calculating the profit or loss deriving from the disinvestment. The goodwill associated with the disinvested asset must be determined on the basis of the relative values of the assets disinvested and the part maintained by the unit generating the financial flows.

If the initial corporate aggregation values are incomplete as of the date of closure of the financial statements to which the corporate aggregation refers, the Group reports in its consolidated financial statements the provisional values of the elements for which reporting cannot be concluded. These provisional values are corrected in the period of measurement to take account of the new information obtained on facts and circumstances existing as of the date of acquisition that, if known, would have affected the value of the assets and liabilities recognized as of that date.

The transactions in which the parent company acquires or sells further minority shares without altering the control exercised on the subsidiary are transactions with shareholders and therefore the relative effects must be entered in shareholders' equity: there will be no corrections to the value of goodwill and profits or losses reported in the income statement.

Corporate aggregations (prior to - January 1, 2010)
Corporate aggregations before January 1, 2010 were reported according to the previous version of IFRS 3.

LOSS OF VALUE OF ASSETS ("IMPAIRMENT")
Assets with undefined useful lives that are not subject to amortization are subject to *impairment* tests every year and any time there is an indication that their book value cannot be recovered.
Assets subject to amortization are only subject to *impairment* tests if there is an indication that their book value cannot be recovered.
Goodwill acquired and allocated in the course of the year is tested for impairment at the end of the year in which acquisition and allocation took place.
To test for impairment, goodwill is allocated at the acquisition date to the cash-generating unit or combinations of units which are expected to benefit from the acquisition.
The amount of the write-down for *impairment* is calculated as the difference between the book value of the asset and its recoverable value, which is considered the greater between the price of sale net of transaction costs and its value in use, i.e. the current value of the estimated financial flows, inclusive of taxes, applying a discount rate that reflects the current market evaluations of the temporal value of money and the risks specific to the asset. The impairment is first used to reduce the book value of any goodwill allocated to the cash-generating unit (or group of units), and only subsequently to reduce the other assets of the unit in proportion to the recoverable amount of the assets with definite useful lives. Impairment is entered if the recoverable value is less than the book value. When an impairment on assets other than goodwill are reduced or eliminated at a later date, the book value of the asset or generator of financial flows is increased up to the new estimate of the value recoverable and cannot exceed the value that it would have had if an impairment had not been reported for reduction of value. Restoration of value impairment is entered immediately in the income statement.
The value in use of an asset is the present value of the estimated future cash flows discounted at a rate that reflects the current market assessments of the temporal value of the money and risks specific to the asset.

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

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

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

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

- Motor vehicles: 3 - 5 years

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

The residual value and the useful life of the tangible fixed assets are reviewed and modified, if necessary, at the closing date of the Financial Statements.

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

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

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

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

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

<u>INTANGIBLE FIXED ASSETS</u>

(a) Goodwill

Goodwill for corporate aggregations is initially entered in the financial statements at their cost at the acquirement date, as previously defined.

Goodwill which is generated from the acquisition of a shareholding quota in subsidiaries is booked under intangible assets. Goodwill which is generated from the acquisition of a shareholding quota in affiliated companies and Joint Ventures is booked in the shareholding value.

Goodwill is not depreciated but is subject to checks to identify any impairment, annually or more frequently if events or changes in circumstances indicate that it suffered a loss of value. After initial recognition, goodwill is evaluated at cost less any accumulated impairment losses. At the time of the transfer of control of the previously acquired company, the gain or loss on the transfer takes into account the corresponding residual value of goodwill previously booked.

(b) Software

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

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

(c) Research and development costs
R&D costs are booked within the income statement of the year in which they are sustained.
Development costs incurred in relation to a specific project are capitalized under the following conditions:
- the costs can be reliably ascertained;
- the technical feasibility of the projects, expected volumes and prices indicate that the costs incurred in the development stage will generate future economic benefits.

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

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

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

FINANCIAL INSTRUMENTS
Presentation
The financial instruments held by the Group are included in the items of the financial statements described hereafter.
The item Equity Investments and the other non-current financial assets include equity investments in other enterprises, equity investments in enterprises with joint control and other non-current financial assets.
Current financial assets include trade receivables and the availability of equivalent means. In particular, the item Availability of equivalent means includes bank deposits.
The financial liabilities refer to financial payables, including payables for advances on the transfer of receivables, and other financial liabilities (that include the negative fair value of derivative financial instruments), trade payables and other payables.

Valuation

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

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

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

Derivative financial instruments

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

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

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

- *Cash flow hedge*. If a derivative financial instrument is designated as a hedge for exposure to the variability of future cash flows of an asset or liability entered in the financial statement or of a transaction this is highly likely to have effects on the income statement, the effective portion of the profit or loss of the derivative financial instrument, it is reported in Other comprehensive profits/(losses). The accumulated profit or loss are cancelled from the Other comprehensive profits/(losses) and reported in the income statement in the same period in which the relative economic effect of the hedged transaction is reported. The profit or loss associated with a hedge (or portion of a hedge) are entered in the income statement immediately when they become ineffective. If a hedge or hedge relation are closed, but the hedged transaction has not been realized yet, the accumulated profits and losses, reported until then in the Other comprehensive profits/(losses), are reported in the income statement in relation to the report of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed probable, the profits or losses still not realized, suspended in the Other comprehensive profits/(losses), are reported immediately in the income statement.
- *Fair value hedge.* If a derivative is designated as a hedge exposure to changes in the fair value of an asset or liability that is attributable to a particular risk and could effects on the income statement, the profit or loss arising from re-measurement of the fair value of the hedging instrument are recognized in the income statement. The profit or loss on the hedged item, attributable to the hedged risk, adjusts the carrying value of the hedged item are reported in the income statement.
- *Hedge of a net Investment* - If a derivative financial instrument is designated as a hedge of a net investment in foreign management, the effective portion of profits or losses on the derivative financial instrument is reported in Other comprehensive profits/(losses). The accumulated profit or loss is cancelled from the shareholders' equity and recognized in the income statement at the end of the foreign business.

Financial liabilities
Financial liabilities comprise financial payables, including amounts owed for advances on orders or on sales of receivables and other liabilities such as derivative financial instruments and liabilities for assets leased under finance lease agreements.
Under IAS 39, they also include trade and other payables.
Financial liabilities other than derivative financial instruments are initially recognized at fair value. After initial recognition, they are carried at amortized cost, i.e., the initial value net of any capital repayments, adjusted upwards or downwards using the effective interest method for amortization on any differences between the initial value and the value at expiry.

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

INVENTORIES
Warehouse inventories are booked at the lower of the cost and the net estimated realizable value, the latter being represented by the normal sales value during ordinary activities, net of variable sales expenses. The cost is determined using the average weighted cost method. The cost of finished and semi-finished products includes planning costs, raw materials, direct labour costs, other direct and indirect costs which may be allocated to production activities on the basis of a normal production capacity and the state of work progress. This cost configuration does not include financial expenses.
Write-down funds are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow moving, taking account of the expected future utility and their sale value.

TRADE AND OTHER RECEIVABLES
Trade receivables are initially booked at fair value and subsequently measured at their amortized costs by using the effective interest rate method, net of write-downs in order to take account of their dubious recovery. The write-down of a receivable is booked if there is objective evidence that the Group is not capable of collecting the full due amounts according to the deadlines stipulated with the customer.
The write-down amount is determined as the difference between the book value of the receivable and the present value of future collections, discounted on the basis of the effective interest rate. The write-down of receivables is recorded in the Income Statement.

TRANSFER OF RECEIVABLES
All sales of receivables through factoring transactions that do not meet the IAS 39 criteria for elimination remain in the Group’s financial statements, even though they have been legally transferred; a financial liability of an equal amount is recognized on the consolidated financial statements as payables for advances on sales of receivables. Profits and losses relative to the sale of these assets are reported only when the assets have been removed from the balance sheet of the Group. The receivables transferred after factoring transactions are eliminated from the assets of the balance sheet if and only if the risks and benefits relative to their ownership have been substantially transferred to the buyer.

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

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

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

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

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

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

Receivables for prepaid taxes are recorded in the Financial Statements only if, at the time of the reversal of the temporary difference, the likelihood exists of sufficient taxable income for them to be set off. Receivables for advance taxes are reviewed at the closing of each year and are potentially reduced in order to ensure that it is no longer probable that sufficient taxable income may become available in the future so as to allow all or part of these receivables to be utilized.

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

EMPLOYEE BENEFITS
(a) Pension plans
Until December 31, 2006, employee severance indemnities were considered a fixed-benefit plan. Regulation of these funds was modified by Law n.
296 of December 27, 2006 (2007 Financial Act) and subsequent Decrees and Regulations issued in the first months of 2007. In light of these modifications and, in particular, with reference to companies with at least 50 employees, this scheme must now only be considered a fixed—benefit

plan for quotas accrued before January 1, 2007 (and not yet liquidated within the financial statements) while the quotas which accrued subsequently to this date are comparable to a fixed-contribution plan.

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

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

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

The liability booked within the financial statements in connection with fixed—benefit plans is the present value of the obligation due on the closing date of the financial statements, net of the fair value of the assets serving the plan (if existent), both of which are adjusted for the total actuarial earnings and losses and for the social security cost relative to past services. The obligation is determined on an annual basis by an independent actuary by means of the Projected Unit Credit Method.
The present value of the obligation is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated retirement liabilities. The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan (if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years expected from employees which adhere to the plan. The employee benefit cost relating to past services is immediately recorded in the income statement, unless the changes to the pension plan are variable based on seniority. In this case the employee benefit cost for past services is amortized on a straight-line basis in the period in which it accrued.

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

(b) Benefits granted on achieving a certain level of seniority in the company
Certain companies of the Group grant benefits to their employees when they reach a certain seniority of service in the company.
The liability booked within the financial statements in connection with these benefits plans is the present value of the obligation on the closing date of the financial statements, net of the fair value of the assets serving the plan (if existent), both of which are adjusted for the total actuarial earnings and losses and the relative accrued benefits. The obligation is determined on an annual basis by an independent actuary by means of the Projected Unit Credit Method. The present value of the obligation is determined by discounting the estimate of future disbursements at the interest rate of

primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated liabilities.
The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan (if existent) and

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

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

(d) Incentives, bonuses and profit-sharing schemes
The Group records a cost and a debt to meet the liabilities that arise for bonuses, employee incentives and profit-sharing schemes, determined using a formula that considers profits attributable to shareholders after certain adjustments are made. The Group books a liability to a fund only if it is likely to occur, if it is contractually required or if there exists a custom that would practically amount to an implicit obligation.

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

PROVISIONS FOR RISKS AND CHARGES
Provisions are allocated to risks and charges when:
- a legal or implicit obligation arises for the Group as a result of past events;
- it is probable that resources will be utilized in order to meet the obligation and it amount;
- can be reliably determined.

Restructuring funds include both liabilities deriving from company exiting incentives as well as from penalties linked to the cancellation of leasing contracts. Provisions cannot be allocated to risks and charges to meet future operating losses.
Allocations are booked by discounting the best estimates made by management to identify the amount of costs which the Group can be expected to incur as of the closing date of the financial statements, in order to redeem the obligation.

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

(a) Sale of goods

Revenues from the sale of goods (laser systems, sheet metal processing equipment and components) are reported when they satisfy the following conditions:

- the Group has transferred all significant risks and benefits connected with ownership to the buyer;
- the Group no longer exercises effective control over the goods sold;
- the value of the revenues can be reliably determined;
- it is likely that the economic benefits deriving from the transaction will accrue to the Group;
- any costs incurred or to be incurred relative to the transaction can be reliably determined.

(b) Services

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

(c) Interest

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

(d) Royalties

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

(e) Dividends

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

CURRENT TAXES

The income tax burden for the year is determined according to the legislation in force. Income tax is reflected in the income statement. In particular as regards Italian companies, on March 10, 2010, PRIMA INDUSTRIE SpA notified the Italian Internal Revenue Service of its renewal of the national consolidated taxation regime for the three-year period 2010-2012, in accordance with article 117/129 of the Consolidation Act on Income Tax (T.U.I.R.), in conjunction with its subsidiaries PRIMA ELECTRO SpA and FINN POWER ITALIA Srl.

DISTRIBUTION OF DIVIDENDS

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

EARNINGS PER SHARE

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

STATE GRANTS

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

CONVERSION OF ITEMS IN FOREIGN CURRENCY

(a) Functional currency and reporting currency

The financial statements of the subsidiaries, affiliated companies and joint ventures are prepared using the applicable functional currency, i.e. the currency used in their primary economic environment. The reporting currency adopted by the PRIMA INDUSTRIE Group is the euro.

(b) Assets, liabilities and transactions in currencies other than the Euro

Transactions in currencies other than euro are initially recorded at the exchange rate effective on the date of the operation.

Monetary assets and liabilities denominated in currencies other than euro are converted at the exchange rate effective on the date of closing of the financial statements. All the exchange differences are reflected in the Income Statement.

(c) Companies of the Group

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

ESTIMATE OF FAIR VALUE

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

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

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows deriving from them as of the date of the financial statements. With regards to receivables, it is hypothesized that the nominal value, net of any potential adjustments which are implemented in order to take their payable nature into account, approximates the fair value. For the purposes of informational disclosure, the fair value of financial liabilities is determined by discounting the contractual financial flows at an interest rate which approximates the market rate at which the Group finances itself.

DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNT ESTIMATES

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

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

In particular, given the uncertainty that remains in certain markets and in the financial-economic context in which the Group operates it can not be excluded, in the coming year, the possibility of different results from those estimated and that could required correction, even to a great extent but obviously not foreseeable in the present time, of the book value of the relative items. The items of the financial statement mainly affected by this situation of uncertainty are the receivable and inventory write-down funds, non-current assets (both tangible and intangible), pension funds and other benefits subsequent to employment, deferred asset taxes.

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

Recoverable Value of Goodwill
Analysis of the book value of this asset was made using the expected cash flows deriving from its use and adequate discount rates for calculation of its current value. In this context, in preparing the consolidated financial statement as of December 31, 2011, and more in particular, in performing the impairment test, expected performance for 2012 was taken into consideration.

Moreover, for the subsequent years of the plan, the necessary changes were made in the original plans to take account, in the prudential sense, of the economic-financial and market context. On the basis of the amended plan data, there was no need for impairment.
The recoverable value depends significantly on the discount rate used in the discounted cash flow models, and on the expected future cash flows and the growth rate used for determination. The key assumptions used to determine the recoverable amount for the different cash-generating units, which included a sensitivity analysis, are discussed in detail in Note 8.2 - "Intangible fixed assets".

Prepaid and Deferred taxes
The deferred tax assets and liabilities recorded in the financial statements are determined by applying to the differences between the value attributed to an asset or a liability according to statutory criteria and the value attributed to that asset or liability for tax purpose, the tax rates that are presumed to be applicable in the different countries in the year in which the temporary differences are expected to cease. The deferred taxes relating to fiscal losses that can be carried forward to future financial years are recorded in the Financial Statements only if and to the extent that management believes that in future financial years the company concerned will achieve a positive tax result that will allow them to be absorbed.
If after the estimate was made, circumstances intervene that result in a change to the estimates or the rate used for the calculation of the deferred taxes changes, the items recorded in the Financial Statements will be adjusted.

Provision for Inventory Writedowns
In determining the provision for inventory writedowns the Group companies perform a series of estimates relative to the future demand for the various types of products and materials in stock, on the basis of the production plan and past experience of customer demand. If these estimates are found to be inappropriate, this will be translated into an adjustment to the provision for obsolescence with the related impact in the Income Statement.

Receivable Write-down Fund
The provisions for receivable write-downs are determined on the basis of an analysis of the individual credit positions in the light of past experience in terms of recovery of receivables and the relationships with the individual customers. If there is an unexpected worsening of the financial situation of an important customer, this could result in the need to adjust the allowance for doubtful accounts, with the consequent negative effects on the Income Statement.

Employee Benefits
In many companies of the Group (particularly in Italy, Germany and France) benefit programs are in existence, prescribed by labour agreements or by law. Benefits are received on the termination of the working relationship. The determination of the amount to be recorded in the Financial Statements requires actuarial estimates to be made that take into account a series of

presumptions relating to parameters such as the annual rate of inflation, the growth in wages, the annual rate of staff turn-over and other variables. Any change in these parameters requires a re-adjustment of the actuarial estimates and consequently an adjustment of the amounts disclosed in the Financial Statements.

CHANGES IN ACCOUNTING PRINCIPLES

Accounting standards, amendments and interpretations effective from 1 January 2011

On November 4, 2009 the IASB issued a revised version of IAS 24 – Information about the financial statements or related parties which simplifies the type of information required in case of transactions with related parties controlled by the State, and clarifies the definition of related parties. The adoption of this standard did not produce any effect on the valuation of Financial Statement items and has had very limited disclosures of transactions with related parties included in this Annual Financial Report.

Accounting standards, amendments and interpretations effective from January 1, 2011, not relevant for the Group

The following amendments, *improvements* and interpretations, effective January 1, 2011, governing situations and issues that do not exist within the Group at the date of this Annual Report, but which may have accounting effects for future transactions or agreements:

- Financial instruments: Presentation: Classification of rights issued: amendment to IAS 32;
- Prepayments for clauses of minimum funding requirements: amendment to IFRIC 14;
- IFRIC 19 - Termination of a liability by issuing equity instruments;
- *Improvements* to IAS / IFRS (2010).

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

At the date of this Annual Financial Report the European Union authorities have not yet completed the process necessary for the adoption of the following accounting standards and amendments, except for the amendments of October 7, 2010 IFRS 7 - Financial Instruments: Additional information, which is mentioned below:

- On November 12, 2009 the IASB published the standard IFRS 9 - Financial Instruments, the same standard has been subsequently amended. The principle, applicable from January 1, 2015 retrospectively, is the first part of a phased process that aims to replace IAS 39 and introduces new criteria for the classification and valuation of financial assets and liabilities. In particular, with regard to financial assets, the new standard uses a unified approach based on the mode of management of the financial instruments and on the characteristics of the contractual cash flows of those same financial assets in order to determine the criterion of evaluation, replacing the diverse rules foreseen by IAS 39. For financial liabilities, however, the main change concerns the book entry of the variations of *fair value* of financial liabilities designated as financial liabilities valued at the *fair value* through the income statement, in this case these are concerned with the variation of the receivable worth of the liability. According to the new standard, these variations must be reported as totals in Other comprehensive profits/(losses) without transiting in the income statement.
- On December 20, 2010 the IASB issued a minor amendment to IAS 12 - Income Taxes, which clarifies the determination of deferred tax on real estate investments valued at *fair value*. The amendment creates the presumption that deferred taxes related to investment property measured using the *fair value* according to IAS 40 must be determined on the basis that the value will be recovered through the sale. Consequent to this amendment, SIC-21 –

Income taxes – Recoverability of a non-depreciable re-valued asset - will no longer be applicable. The amendment is effective retrospectively from January 1, 2012.

- On May 12, 2011, the IASB issued the standard IFRS 10 - Consolidated Financial Statements, which will replace the SIC-12 Consolidation - Special Purpose Company (Vehicle) and parts of IAS 27 - Consolidated and Separate Financial Statements which will be renamed Separate financial statements and govern the accounting treatment of investments in the separate financial statements. The new policy moves by existing standards, identifying in the concept of controlling the determining factor for the consolidation of a company in the consolidated financial statements of the parent. It also provides a guide to determine the existence of the control where it is difficult to ascertain. The standard should be applied retrospectively from January 1, 2013.
- On May 12, 2011, the IASB issued the standard IFRS 11 - Sharing Agreements, which will replace IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly Controlled Entities - Monetary contributions by venturers. The new standard provides criteria for identifying partnership agreements based on the rights and obligations arising from agreements rather than their legal form, and establishes the equity method as the sole method of accounting the investments in joint ventures in consolidated financial statements. The principle should be applied retrospectively from January 1, 2013. Following the enactment of the principle, IAS 28 - Investments in associated companies was amended to include in its scope, from the effective date of the standard, even investments in joint ventures.
- On May 12, 2011, the IASB issued the standard IFRS 12 - Additional Information on shareholdings in other companies, which is a completely new standard to provide additional information on each type of equity investment, including those of subsidiaries, the joint venture agreements, associates, special purpose entities and other special purpose vehicles not consolidated. The standard should be applied retrospectively from January 1, 2013.
- On May 12, 2011, the IASB issued standard IFRS 13 - *Fair value* measurement, which clarifies how to determine the *fair value* for financial reporting purposes and applies to all IFRS that require or permit *fair value* measurements or the presentation of information based on *fair value*. The principle should be applied prospectively from January 1, 2013.
- On June 16, 2011, the IASB issued amendments to IAS 1 - Presentation of Financial Statements, to require companies to group together all the components presented in Other comprehensive profits/(losses) depending on whether or not they may subsequently be reclassified to the income statement. The amendment is applicable to financial years beginning after or on July 1, 2012.
- On June 16, 2011, the IASB issued an amendment to IAS 19 - Employee Benefits, which eliminates the option of deferring the recognition of profits and losses with the corridor method, requiring the presentation in the financial position of the deficit or surplus of the fund and the recognition in the income statement of the cost components related to work performance and net financial expense and the inclusion of actuarial profits and losses arising from re-measurement of the liabilities and assets among the Other comprehensive profits/(losses). Moreover, return on assets included in the net financial costs will be calculated on the basis of the liability discount rate and no more on the expected return of the assets. The amendment finally introduces new additional information to be provided in the financial statements notes. It must be applied retrospectively from the year beginning January 1, 2013.
- On December 16, 2011 the IASB issued an amendment to IAS 32 - Financial Instruments: disclosure in the financial statements, to clarify the application of some criteria for offsetting financial assets and financial liabilities present in IAS 32. The amendments must be applied retrospectively for the years beginning after January 1, 2014.
- On December 16, 2011 the IASB issued some amendments to IAS 7 - Financial Instruments: additional information. The amendment requires information on the effects or potential effects of offsetting contracts for financial assets and financial liabilities on the financial-equity position. The amendments must be applied for the years beginning from or after

January 1, 2013 and intermediate periods after said date. The information must be provided retrospectively.

Lastly, on October 7, 2010 the IASB published several amendments to standard IFRS 7 – Financial Instruments. Additional information applicable to the accounting periods that will have starting on or after July 1, 2011. The amendments were issued with the intent of improving the comprehension of transactions of transfer (*derecognition*) of financial assets, including possible effects deriving from any risk remaining for the company that has transferred the asset. The amendments also require more information in the event that a disproportionate amount of these transactions exist near the end of an accounting period. The change will not have any effect from the standpoint of assessment of the items in the financial statements.

CONSOLIDATION PRINCIPLES

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

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

(a) Subsidiaries

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

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

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

(b) Affiliates and joint ventures
Affiliated companies are those in which the Group exercises significant influence but no form of control. Significant influence is presumed in the case that 20-50% of voting rights are held. Affiliated companies are initially recorded at cost and then accounted for, using the equity method.

Joint Ventures are companies subject to joint control. They are booked in accordance with IAS 31, paragraph 38, which provides for the recording of the shareholding by means of the equity method.
Group equity investment in affiliated companies and joint ventures includes goodwill, as recorded at the time of acquisition and net of any potentially accumulated value losses.
The Group's Income Statement reflects the applicable share of the affiliated company and joint venture's result. If the affiliated company or the Joint Venture records an adjustment with a direct effect on shareholders' equity, the Group determines the portion that applies to it, reflecting such change in the Statement of Changes in Shareholders' Equity.
Booking the quota of a loss from an affiliated company or joint venture within the accounts of the Group includes a limit relative to the zeroing out of the investment value; additional loss quotas are only booked under liabilities if the Group has assumed obligations or has implemented payments on behalf of the affiliated company or joint venture.

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

Chapter 7.

SECTOR REPORT

CHAPTER 7. SEGMENT REPORT

PRIMA INDUSTRIE Group, as cited in Chapter 4, "Economic Performance by Segment", in the year 2010 has adopted a new organizational structure, based on the concentration of its activities into two divisions: the PRIMA POWER division and the PRIMA ELECTRO division.

The Group started to report the data with this new organization starting from the first quarter 2011. The group does not dispose of the reclassified 2010 data according to the new organization structure (which would be too costly to process), so it will not be possible even in this chapter to provide uniform comparisons of data by segment. The only data for comparison at the disposal of the group, and that have already been reported in this document, are revenues.

INFORMATION BY SECTOR OF ACTIVITY

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

The Group has the following two operating segments:

- PRIMA POWER
- PRIMA ELECTRO

The following table illustrates the main details of by sector.

Profits for segment Dec. 31, 2011	PRIMA POWER	PRIMA ELECTRO	Not allocated items	TOTAL
Total revenues for segment	267.570	57.365	-	**324.935**
(Inter-sectorial revenues)	(99)	(15.137)	-	**(15.236)**
Revenues	**267.471**	**42.228**	**-**	**309.699**
EBITDA	**15.631**	**6.809**	**-**	**22.440**
EBIT	**7.097**	**5.399**	**-**	**12.496**
Net financial costs/income	(8.374)	(796)	-	(9.170)
Income/costs from affiliates and joint ventures	1.217	-	-	1.217
Profit before taxes	-	-	-	**4.543**
Taxes	-	-	(2.610)	(2.610)
Net Profit	**-**	**-**	**-**	**1.933**

Assets ad liabilities for segment Dec. 31,2011	PRIMA POWER	PRIMA ELECTRO	Not allocated items	TOTAL
Assets	298.120	58.959	37.871	**394.950**
Affiliates, JV and other equity investments	9.192	846	-	**10.038**
Total Assets	**307.312**	**59.805**	**37.871**	**404.988**
Liabilities	**126.159**	**20.472**	**178.235**	**324.866**

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 "Report on Group Operations", in the paragraph entitled “Revenues and profitability”.

Not -current Assets *(Thousand Euro)*	31/12/11	31/12/10
Italy	35.240	32.893
Europe	135.093	138.764
North America	7.592	7.106
Rest of the World	190	2
TOTAL	**178.115**	**178.765**

Chapter 8.

NOTES ILLUSTRATING THE CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2011

CHAPTER 8. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The data provided in the explanatory notes are in euro, unless specified otherwise. In order to provide better comparability of the data of year 2011 with data of the previous year, some 2010 data was explained in a different manner.

NOTE 8.1 – TANGIBLE FIXED ASSETS

At December 31, 2011 the tangible fixed assets amount to 24,473 thousand euro, down of 540 thousand euro at December 31, 2010.

For more details, see the table here below.

Tangible fixed assets	Land and buildings	Plants and machinery	Industrial Equipment and trade	Other goods	Fixed assets under construction	TOTAL
Net Value as of December 31, 2010	**18.641.744**	**3.086.221**	**770.177**	**1.993.574**	**521.228**	**25.012.944**
Movements of 2011						
Increases	135.974	946.493	741.891	1.117.644	106.624	3.048.625
Disinvestments	(69.065)	(498.342)	(343.955)	(660.948)	-	(1.572.309)
Use of depreciation fund		413.831	330.691	637.947	-	1.382.469
Depreciation	(617.814)	(726.077)	(724.958)	(798.459)	-	(2.867.308)
Tangible fixed assets Reclassifications	-	(946.203)	930.016	98.851	(82.665)	-
Riclassification with not-current assets for disinvestments	(414.400)	-	-	-	-	(414.400)
Riclassification on Inventory	-	-	-	(189.742)		(189.742)
Differences on exchange rates	47.240	2.051	19.361	4.015	-	72.667
Net Value as of December 31, 2010	**17.723.679**	**2.277.975**	**1.723.223**	**2.202.881**	**545.187**	**24.472.946**

The reduction of the net book value of tangible assets primarily reflects the reclassification of some real estate among the assets held for sale, compared with net investments in line with depreciation. It also shows a positive variation of 73 thousand euro due to differences in exchange rate.

The reclassification of 414 thousand euro from the "Land and Buildings" item under the "Non-current assets for disinvestment" item is detailed in Note 8.11 "Non-current assets for disinvestment".

NOTE 8.2 – INTANGIBLE FIXED ASSETS

At December 31, 2011 the intangible fixed assets amount to 152,630 euro, down with respect to December 31, 2010 by 1,124 thousand euro. For more details on the changes in intangible assets during the year 2011, see the table here below.

Intagible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Net Value as of December 31, 2010	**102.676.522**	**18.460.471**	**32.617.377**	**153.754.370**
Movements of 2011				
Increases/(decreases)	-	5.363.185	541.392	5.904.577
Riclassification on Inventory	-	(206.504)	-	(206.504)
Depreciation	-	(3.354.525)	(3.641.217)	(6.995.742)
Differences on exchange rates	74.638	98.282	328	173.248
Net Value as of December 31, 2010	**102.751.160**	**20.360.910**	**29.517.880**	**152.629.950**

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

The most significant item is Goodwill, which as of December 31, 2011 amounts to 102,751 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 December 31, 2011	BOOK VALUE GOODWILL December 31, 2010
PRIMA POWER (*)	97.543	97.497
OSAI (Service)	4.125	4.125
PRIMA ELECTRO NORTH AMERICA (*)	892	864
MLTA	154	154
OSAI UK	37	37
TOTALE	**102.751**	**102.677**

(*) After Group Prima Industrie re-organization, previously presented, the goodwill registered on CGU PRIMA NORTH AMERICA (equal to 2,3 Euro million) has been consistently re-allocated with the new organization. In particular the portion of goodwill related to the Laser systems transferred from PRIMA ELECTRO NORTH AMERICA (ex PRIMA NORTH AMERICA) a PRIMA POWER LASERDYNE LLC has been allocated on CGU PRMA POWER. The 2010 data has been reclassified according to the new Group structure with the purpose to make the data comparable.

PRIMA-POWER

Acquisition of the FINN-POWER Group in 2008 caused the inclusion of goodwill for 96,078 thousand euro. The cash generating unit to which this goodwill has been allocated is represented by the FINN POWER Group, consisting of the sheet metal processing machines production plants in Finland and Italy, and the European and U.S. distribution companies. This allocation has been made on the maximum aggregate constraint, which may not exceed the operating segments according to IFRS 8.

As outlined in the "Economic Performance by Segment" chapter, from January 1, 2011, the PRIMA INDUSTRIE Group has adopted a new organizational structure which has resulted in the reorganization of activities into two main segments: PRIMA POWER (inclusive of laser machines and sheet metal processing machines) and PRIMA ELECTRO (inclusive of parts for the machines). The adoption of this new organization has resulted in the redistribution of management responsibilities, reorganization of certain legal entities and revision of *reporting* tools. Consistent with the new organization of the segments, starting in 2011, we proceeded to evaluate the goodwill on the basis of the new CGU PRIMA-POWER, representative of the minimum level at which goodwill is monitored for the internal management control . In view of the fact that an *impairment test* is carried out for the entire PRIMA POWER division, in the value of this start-up was included also the value resulting from PRIMA POWER LASERDYNE equal to 1,897 thousands dollars (such goodwill with that of the PRIMA ELECTRO NORTH AMERICA was previously called PRIMA NORTH AMERICA; for more details on the reorganization activities of the Group, see the management report paragraph "Significant events of 2011").

As of December 31, 2011 the recoverable value from the cash flow generating unit was subjected to the *impairment* test to determine the existence of any impairment through comparison between the book value of the unit (inclusive of goodwill) and the value of use, or rather the current value of future financial flows that should derive from their continued use and any divestment of them at the end of their useful life.

The value of use was determined by discounting the cash flows contained in the economic and financial plan of PRIMA-POWER segment approved by the Board of Directors of PRIMA INDUSTRIE SpA concerning the time period January 1, 2012 - December 31, 2016.This plan is consistent with that approved in the previous year by the Board of Directors of PRIMA INDUSTRIE SpA for the years 2011 - 2014 and subject to *review* by an independent expert, it was extended until the year 2016 to consider a period of 5 years. This plan extension was applied taking into account the Group's previous experience (particularly the cyclical trend in the machine tools sector) and by assessing the current situation in the reference markets. The assumptions made in forecasting cash flows over the explicit projection period were made on prudential assumptions. In order to determine the value-in-use of the CGU, cash flows are considered discounted for the 5 years of the explicit forecast, and are then summed to a terminal value determined by discounting the perpetual yield. The discount rate applied to prospective cash flows was 10,23% (*pre-tax*), calculated taking account of the sector in which the Group operates, the countries in which the Group intends to achieve planned results, the structure of indebtedness at full capacity and the current economic situation. This rate is higher than that used at the end of last year (at December 31, 2010 the *pre-tax* rate was 8.81%), taking into account the effects on the cost of capital induced by shocks in financial markets registered in the second half of 2011.

For cash flows for the years subsequent to the explicit forecast period, a growth rate of 0.5% (in line with that used as of December 31, 2010) has been hypothesized, coherent with recent market evaluations, to take account of the current economic situation.
Determination of the value-in-use using the process illustrated led to a recoverable value above the book value of the cash flow generating unit, making it possible to avoid any reductions in the value of goodwill allocated to the PRIMA-POWER segment.

With respect to the basic assumptions described above, an analysis of sensitivity was made of the results with respect to the WACC, the growth rates (g) and the forecast results. In particular, even with increases of 30 *basis points* (hundredths of percentage points) on the cost of capital and zero-setting the perpetuity growth rate (g), the values of use show no impairment losses. Considering a growth rate (g) of zero, the WACC (*pre-tax*) that would make the recoverable value of the CGU equal to its book value would be 11.93%.

A sensitivity test was also performed with forecast results lower than those reflected in the 2012 - 2016 plan. If revenues forecasted for 2012 were reduced by 4% (and likewise EBITDA) and the percentage growth rates were maintained for the following years, hence even (with a *pre-tax* WACC of 10.23% and growth rate of 0.5%) the values of use would not show *impairment* losses. This reduction would make the recoverable value of the CGU equal to its book value.
It should be emphasised that the data for this sensitivity study refer to a theoretical year and this presents limitations. Indeed, in the reference *industry*, the greater the revenue contractions, the higher the growth rates during the positive phase of the cycle. Hence a 4% reduction in revenues, with growth rates constant in the following years (i.e. no recovery of the percentage loss of revenues during the five-year period), would mean either a contraction in the machines tools market during the next cycle or a loss in market share for the PRIMA-POWER segment. Neither of these events appear likely at the moment.

At the conclusion of the test as of December 31, 2011, the use value of CGU PRIMA-POWER is greater than the book value of approximately 33 million euro. It should be mentioned that with a reduction in expected revenues for 2011 of 5% (and a consequent reduction in its EBITDA and keeping the growth rates unchanged for the subsequent years) the excess of the recoverable amount would be reduced to about 33 milion euro.

WACC	*10,23%*
Growth rate (g)	*0,50%*
Surplus of recoverable value of CGU over book value	*Euro 33 milion*

OSAI (Service)
The acquisition of the OSAI Group during 2007 reflects the strategy of penetration and development of the service market, in which the Group acquired has a consolidated position. The goodwill remaining at the end of the process of allocation of the price paid is therefore entirely allocated to the service segment and represents the entire value of the capital invested in that segment.
The value recoverable from this cash flow generator at December 31, 2011 was calculated on the basis of the value-in-use, determined by discounting the cash flows contained in the economic and financial plan for the period 2012-2016 (approved by the management of PRIMA ELECTRO) and considering the current value of the operating assets of the company at the end of the explicit forecast period (residual value, calculated by basing the expected perpetuity on the cash flow generated in the last year of the plan).
The discount rate applied to prospective cash flows was 15.96% pre-tax (an increase on the 13.89% rate used in the impairment test at December 31, 2010), calculated taking account of the sector in which the OSAI Group operates and its structure of indebtedness. Determination of the value of use according to the process illustrated, made it possible not to make any reductions in the value of goodwill allocated in the service sector of the OSAI Group. The increase of the WACC substantially reflects an increase in the weight of treasury capital in the financial burden, taking account of the relative self-financing component produced by the CGU. The impact on the recoverable value was in any case offset by the improving performance in terms of EBITDA, up for the year 2011 with respect to the previous year.

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

WACC	*15,96%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*Euro 3,7 milion*

PRIMA ELECTRO NORTH AMERICA
The goodwill in the financial statements relates to the U.S. subsidiary which is part of the PRIMA ELECTRO division (this goodwill along with that of PRIMA POWER LASERDYNE was formerly called PRIMA NORTH AMERICA; for more details on the activities of the Group's reorganization, see the SIGNIFICANT EVENTS IN 2011).

The recoverable amount of the cash flow generating unit was calculated on the basis of the value of use. To calculate the relative value, we used the cash-flow forecast from the financial plan for 2012-2014 (approved by the Board of Directors of PRIMA ELECTRO NORTH AMERICA), while the cash flows beyond 2014 and for an unlimited time frame were determined by assuming flows equal to those of the last year of the financial plan with zero growth (g).
The discount rate applied to prospective cash flows was 8.04% (an increase of 9.10% on the WACC used in the *impairment* test on December 31, 2010), calculated taking account of the countries in which company operates and its structure of indebtedness.

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

WACC	*8,04%*
Growth rate (g)	*0,00%*
Surplus of recoverable value of CGU over book value	*US$ 3,0 milion*

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

OTHER INTANGIBLE FIXED ASSETS

As can be seen from the year's progression, most increases in 2011 were due to the capitalization of development costs.
Since the activities of PRIMA INDUSTRIE SpA. (and all other Group companies) have a high technological content, constant investment in research and development activities is absolutely vital. Despite the difficult economic situation, the Group continued to invest significantly in the development of its products, in order to retain a competitive advantage and be ready in this stage of recovery of the reference market.

The PRIMA INDUSTRIE Group capitalized costs in those areas where the conditions set out in IAS 38 applied. Technical feasibility and generation of likely future economic benefits were investigated for all development activities for newly capitalized projects. The costs capitalized on development projects are monitored individually and measured in terms of the expected economic benefits from the time of their implementation. The costs capitalized on projects where the technical feasibility is uncertain or no longer strategic are assigned to the income statement. The rate applied for the number of hours of internal development reflects the cost of man-hours.

It is to be noted that the “Other assets” category contains the trademark and customer relations ("customer list") deriving form the Purchase Price Allocation of FINN POWER OY in 2008. The net values of the FINN POWER trademark and the customer list at December 31, 2011 are 19,272 thousand euro and 8,400 thousand euro, respectively.

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

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

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

NOTE 8.3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of equity investments included in this item increased with respect to the past year by 1,867 thousand euro.

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, 2011 refers to 8,865 thousand euro for the 35% shareholding in Shanghai Unity PRIMA Laser Machinery Co. Ltd and 96 thousand euro for the 50% shareholding in SNK Prima Company Ltd.

Equity investments valued with PN method	SUP (1)	SNK	TOTAL
Value on December 31, 2010	**7.003.917**	**90.184**	**7.094.101**
Portion of result	1.218.530	(1.189)	1.217.341
Increases	-	-	-
Currency adjustment	642.125	7.477	649.602
Value on December 31, 2011	**8.864.572**	**96.472**	**8.961.044**

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

It set out below a comparison of the carrying value of equity investments in joint venture with its shareholders' equity pro-quota.

Values in Euro thousand	Equity investments value	Pro-quota PN	Difference
SUP	8.865	8.644	221
SNK	96	96	-

With regard to the Chinese JV SUP emerges a higher value of 221 thousand euro which refers to:

- 264 thousand euro of goodwill included in the value of the equity investment and recognized in the acquisition of a share of 7.5% occurred in 2008 and
- for 43 thousand euro in write-downs of intercompany profits margins not realized.

NOTE 8.4 - OTHER EQUITY INVESTMENTS

The value of Other Equity Investments at December 31, 2011 amounted to 1,077 thousand euro. With respect to December 31, 2010 the variations concern:

- the increase for the establishment by the Parent company of the new company PRIMA POWER MAKINA TICARET LIMITED SIRTEKI for 99 thousand euro (99.86% subsidiary of PRIMA INDUSTRIE SpA but not yet consolidated because irrelevant, in fact it will become operational in the first half of 2012);
- increase of value of the equity investment in Electro Power Systems for 34 thousand euro (held by PRIMA ELECTRO SpA);
- net increase of value of the equity investment in Caretek for 4 thousand euro 100% held by PRIMA ELECTRO SpA;
- the increase for a 1 thousand euro of a minor equity investment (Unionfidi) held by the Parent Company.

As of December 31, 2011 this item consists of the following elements:

- Electro Power Systems (784 thousand euro);
- PRIMA POWER MAKINA TICARET LIMITED SIRTEKI (99 thousand euro);
- Caretek (62 thousand euro);
- Consorzio Sintesi (52 thousand euro);
- Fimecc OY (50 thousand euro);
- other minor equity investments (30 thousand euro).

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

Electro Power Systems has made in the month of February 2011 two capital increases. The first produced by conversion of convertible bonds granted by some shareholders for a total of 1,038 thousand euro; the second through a capital increase with reserved fee, fully underwritten by the investment fund Ersel Asset Management SGR SpA, of 5 million euro. Given the implicit valuation of the company resulting from this capital increase (by which the pro-quota value of the shares of PRIMA ELECTRO approximates the value of the investment) and in consideration of the prospects of the subsidiary company, it not was considered necessary to make any write-down, though the value at which it shall be shown in the financial statements of PRIMA ELECTRO exceeds 608 thousand euro after the capital increase (757 thousand euro before capital increase) compared to the fraction of net assets attributable . This assessment takes into account the elements of discontinuity implicit in the strategic management of business at the new shareholder entry and forecasts provided by the management of the subsidiary company, to consolidate in medium term, a level of revenues adequate to support the economic-financial autonomy of the company.

NOTE 8.5 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes amount to 6,570 thousand euro, up with respect to the previous year by 1,420 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.

The temporary differences in this item as of December 31, 2011 are illustrated in the table below.

TAX ASSETS FOR PREPAID TAXES	December 31, 2011	December 31, 2010
Inventories	2.955.174	1.962.570
Taxes reserves for risks and charges	2.028.781	1.375.910
Trade receivables	484.098	430.939
Tax losses carried forward	362.101	568.019
Not-current tangible/intangible assest / Financial leases	333.095	176.247
Employees benefits	278.073	339.062
Other	128.882	297.524
TOTAL	**6.570.203**	**5.150.271**

Entry in the financial statements of the prepaid taxes was made, only whereas there was a definite probability of recovering them. With reference to the recoverability of these taxes, we point out that the parent company and PRIMA ELECTRO historically realised positive taxable incomes, for both corporate and regional income tax purposes, and expect to reach positive taxable income values also in coming years. The assessment of recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that the prepaid taxes refer mainly to asset adjustment funds and funds for risks and costs, for which there is no expiration date. 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 8.6 - INVENTORIES

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

INVENTORIES	December 31, 2011	December 31, 2010
Raw materials	25.131.373	33.013.019
Unfinished goods	25.843.256	12.500.792
Finished products	39.474.988	30.360.897
(Inventories devaluation fund)	(6.200.012)	(5.723.480)
TOTAL	**84.249.605**	**70.151.228**

At December 31, 2011 the inventories amounted to 84,250 thousand euro net of the provision for write-downs of inventories for a total of 6,200 thousand euro. The net value of inventories in stock at December 31, 2011 shows an increase of 14,098 thousand euro compared to December 31, 2010. The increase in the net value of inventories is the consequence of the greater production volumes and of the excellent trend of the Group's orders acquisition.

NOTE 8.7 - TRADE RECEIVABLES

The trade receivables at December 31, 2011 amounted to 88,283 thousand Euro and compared to the previous financial year the item recorded an increase of 23,688 thousand euro.

TRADE RECEIVABLES	December 31, 2011	December 31, 2010
Receivables from clients	91.364.305	67.957.623
Receivables write-down fund	(4.279.005)	(4.186.721)
Net receivables from clients	*87.085.300*	*63.770.902*
Receivables from associates	*1.197.512*	*823.862*
TOTAL	**88.282.812**	**64.594.764**

The receivables from related parties amount to 1,198 thousand euro and are commented in note "8.29 - Information on related parties".

The increase in trade receivables over the previous year is attributable to the growth of the Group's turnover.

The receivable write-down fund during 2011 has undergone the following changes.

Values expressed in Euro thousand	December 31, 2010	Allocation	Utilization	Exchange result	Dec. 31, 2011
Receivables write-down fund	(4.187)	(837)	757	(13)	(4.279)

The fund reflects the management's estimate about the losses that the Group can expect. The uses of the same fund cover certain losses resulting from opening of insolvency proceedings.

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

Receivable by due date	Amount in Thousand Euro
Due for expiry	52.464
Expired 0 - 60 days	25.287
Expired 61 - 90 days	2.035
Expired 91 - 120 days	3.285
Expired over 120 days	9.491
TOTAL	**92.562**

The book value of Trade receivables is considered to be equal to its *fair value*.

NOTE 8.8 - OTHER RECEIVABLES

Other current receivables as at December 31, 2011 amounted to 6,406 thousand euro and were down from last year of 572 thousand euro and are divided as shown in the table below.

OTHER RECEIVABLES	Dec. 31, 2011	Dec. 31, 2010
Accruals and deferred charges	3.219.657	3.396.786
Other receivables	2.278.231	2.365.190
Advance payments to suppliers	732.579	1.094.773
Advances to employees	175.747	121.235
TOTAL	**6.406.214**	**6.977.985**

Among the various Receivables there is a research and development contribution to be received by the Ministry of Economic Development related to a program of technological innovation of 1.1 million euro.
The Other non-current receivables amounted to 26 thousand euro (69 thousand euro at December 31, 2010).

NOTE 8.9 - OTHER FISCAL ASSETS

This item amounts to 5,592 thousand euro compared with 4,691 thousand of the previous year. Fiscal assets refer mainly to VAT receivables (5,274 thousand euro), receivables entered by the American and German subsidiaries on losses incurred in the previous year (108 thousand euro), by direct tax advances paid to tax authorities (181 thousand euro) and by other receivables for minor fiscal assets (29 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 8.10 - NET FINANCIAL POSITION

As of December 31, 2011, the net financial position of the Group showed a deficit of 136,385 thousand euro, in increase of 4,883 thousand euro compared to December 31, 2010 (negative for 141,268 thousand euro). For a better understanding of the changes in the net financial position during the year 2011, the reader shall refer to the cash-flow statement for the period.

As required by Consob Communication no. DEM/6064293 of 28/07/06, the following table illustrates the net financial indebtedness as of December 31, 2011 and December 31, 2010, determined with the criteria indicated in the Recommendation of the CESR (Committee of European Securities Regulators) of February 10, 2005 “Recommendations for uniform implementation of the European Commission in information prospectuses” and cited also by Consob.

Values expressed in thousand Euro

		Dec.31, 2011	Dec. 31, 2010	Variations
A	CASH	25.179	14.838	10.341
B	OTHER CASH ON HAND	-	-	-
C	SECURITIES HELD FOR NEGOTIATION	-	-	-
D	**CASH ON HAND (A+B+C)**	**25.179**	**14.838**	**10.341**
E	**CURRENT FINANCIAL RECEIVABLES**	**529**	**2**	**527**
F	CURRENT BANK PAYABLES	14.004	12.068	1.936
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	35.896	31.761	4.135
H	OTHER CURRENT FINANCIAL PAYABLES	2.231	1.481	750
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**52.131**	**45.310**	**6.821**
J	**NET CURRENT FINANCIAL INDEBTEDNESS(I-D-E)**	**26.423**	**30.470**	**(4.047)**
K	NON-CURRENT BANK PAYABLES	107.200	107.709	(509)
L	BOND ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	2.762	3.089	(327)
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**109.962**	**110.798**	**(836)**
O	**NET FINANCIAL INDEBTEDNESS (J+N)**	**136.385**	**141.268**	**(4.883)**

LIQUIDITY

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

CURRENT FINANCIAL RECEIVABLES

The only receivable entered on this item is to the liquidator of the Swedish company PRIMA FINN POWER SWEDEN AB. This receivable was collected in January 2012.

INDEBTEDNESS WITH BANKS

The main debt included in this item is the FINPOLAR loan. This loan, which amounted to a total of 134,171 thousand euro on December 31, 2011 is divided as follows:

- Portion A: medium/long-term loan of 27,941 thousand euro (expiring in February 2015 with repayment in semi-annual instalments of unvarying capital);
- Portion B: medium/long-term loan of 63,406 thousand euro (expiring in February 2016 with a "bullet" repayment at expiry);
- Portion C1: medium/long-term loan of 12,645 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 December 31, 2011, for 8,727 thousand euro. This credit line includes accessory charges on the depreciating loan of 135 thousand euro (a total of 12,200 thousand euro of the credit line may be used for the Group's circulating capital needs);
- Portion D: cash credit line for 19,779 thousand euro (for a maximum capital amount of 20 million euro).
- at December 31, 2011, a total of 1,673 thousand euro of interest accrued but not yet paid remain on all sections of the FINPOLAR Loan.

The FINPOLAR Loan is for 98,541 thousand euro expiring after 12 months.

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

It should be reminded that on February 4, 2011 the company has regularly paid the installment due for 6,093 thousand euro (3,525 thousand euro in share capital, 1,653 thousand euro in interest and finally 915 thousand for the two IRS) and on August 4, 2011, in compliance with the above agreement, the company has paid the interest and charges relating to derivatives (1,727 thousand euro of interest and 521 thousand euro for the two IRS). At the date of these financial statements, the instalment due at February 4, 2012 relative to the share capital of portion C1, the interest portion of portions A, B, C2 and D and the differential derivatives was regularly repaid (for an amount of 3,292 thousand euro). The *covenants* measured on the consolidated financial statements at December 31, 2011 are met.

Non-current bank indebtedness also includes bank payables for 1,048 thousand euro and the negative *fair values* of certain financial derivative instruments (IRS – Interest Rate Swap) which amount to a total of 7,611 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 December 31, 2011 and have therefore been entered, as all the other requisites of IAS 39 were satisfied, using the criterion of "*hedge accounting*". The financial instruments, for which the test of effectiveness is not performed, in consideration of their characteristics, are accounted for by reporting the relative variations of *fair value* in the income statement.
For more details on *covenants* and contract clauses, see the paragraph below entitled “FINANCIAL INDICATORS ("*COVENANTS*") AND OTHER CONTRACT CLAUSES”.

In current payables to banks (considering also the current part of the non-current indebtedness) we have included the FINPOLAR loan for 35,630 thousand euro, *bank overdrafts* for 11,855 thousand euro, other bank loans for 2,315 thousand euro and derivative financial instruments for hedging the exchange rate risk (Currency Rate Swaps) for 100 thousand euro.

OTHER FINANCIAL PAYABLES
The other financial payables amount in total to 4,993 thousand euro (of which 2,762 thousand not current).
The other financial payables include:

- interest on the residual payable due to EQT (also relative to the acquisition of the FINN POWER Group), which came due from July to November 2009, and entirely classified in the current portion of the payable, for 311 thousand euro;
- payables for financial leases amounting to 2,641 thousand euro (of which 469 thousand euro current);
- other financial payables for 1,005 thousand euro (of which 415 thousand euro current); these payables refer mainly to facilitated ministry loans;
- payables to factoring companies for 1,036 thousand euro.

FINANCIAL INDICATORS (“*COVENANTS*”) AND OTHER CONTRACT CLAUSES
The FINPOLAR loan agreement includes a series of economic and financial parameters (covenants) to be observed throughout its duration (until 2016), with variable values for different measuring periods.
On the occasion of the above amending agreement of the FINPOLAR Loan signed on July 29, 2011 new *covenants* were defined consistent with the Group's multi-year business plan reviewed by Bain & Co.
Below is set out a table showing the *covenants* currently in force for December 31, 2011 and the following measurement periods.

EBITDA/Consolidated Net Financial costs ratio not less than:	*2,0x at December 31, 2011 and June 30th, 2012* *2,5x at December 31, 2012 and June 30, 2013* *3,0x at December 31, 2013 and June 30 , 2014* *4,0x at December 31, 2014 and June 30, 2015* *4,5x at December 31, 2015*
Net Financial Borrowings/consolidated EBITDA ratio not more than:	*7,9x at December 31, 2011 and June 30, 2012* *5,5x at December 31 , 2012 and June 30, 2013* *4,1x at December 31, 2013 and June 30, 2014* *3,0x at December 31, 2014 and June 30, 2015* *2,75x at December 31, 2015*
Net Financial Borrowings/ consolidated Shareholders's Equity ratio not more than :	*2,0x at December 31, 2011 and June 30, 2012* *1,8x at December 31, 2012 and June 30, 2013* *1,6x at December 31, 2013 and June 30, 2014* *1,4x at December 31, 2014 and June 30, 2015* *1,2x at December 31, 2015*

The FINPOLAR loan also contains a series of further commitments undertaken by PRIMA INDUSTRIE and which may be departed from only with the express consent of the financing banks. These include:

- transmission, by PRIMA INDUSTRIE, with access rights for the agent bank, of financial and accounting documentation and documentation concerning any disputes involving the parent company and other companies in the group;
- transmission of information regarding circumstances that may lead to a decisive event or shareholders' meeting;
- completion and maintenance of guarantees required by the FINPOLAR loan agreement and non-surrender of guarantees for any parties other than the financing banks;
- undertaking not to operate outside of the core business, except within defined limits, and not to sell assets or shareholdings of any kind, beyond a defined value, barring the allowance to transfer specific shareholdings and non-instrumental assets for the purposes of the core business;
- undertaking not to exceed certain levels of financial indebtedness beyond the level deriving from the FINPOLAR loan agreement;
- undertaking not to grant loans or issue guarantees to parties other than the Group, barring those guarantees arising during ordinary business activity;
- undertaking not to modify its business object and articles of association, not to carry out transactions on shareholders' capital (including the creation of assets or the financing of specific business, barring a few exceptions that do not prejudice the rights of the financing banks), not to modify the accounting standards and the closing date of the financial year;
- undertaking to observe statutory or regulatory provisions or obtain permission and authorizations applicable to PRIMA INDUSTRIE and the Group's companies, including with reference to environmental and fiscal regulations;
- undertaking to suitably protect its intellectual property rights and take out suitable insurance coverage on the assets and property of PRIMA INDUSTRIE and the Group's companies;
- undertaking to subordinate receivables due to shareholders over payment obligations deriving from the FINPOLAR loan agreement and to ensure that the latter does not defer on any obligations made by the company towards its unsecured creditors.

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

- non-observance of *covenants*,
- non-observance of the main obligations and commitments set out in the FINPOLAR loan agreement,
- substantial worsening of the situation outlined in the documentation provided to the financing banks,
- existence of disputes which might potentially be prejudicial to the company's situation,
- existence of executive or insolvency procedures within the parent company or Group companies,
- non-payment of loans by the parent company or the Group companies exceeding 500,000 euro.

The following rates are currently in force:

- Portion A: 6-month Euribor + a *205 basis point* spread.
- Portion B: 6-month Euribor + a *230 basis point* spread.
- Portion C: 6-month Euribor + *215 basis point* spread (subportion C1); 1-, 2-, 3-week Euribor, 1-, 2-, 3-, 6-month Euribor + a *215 basis point* spread (subportion C2).
- Portion D: 1-, 3-, 6-month Euribor (as drawn) + a *195* basis point *spread*.

CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and the loans taken out by the PRIMA INDUSTRIE Group as of December 31, 2011 (not inclusive of the fair value of derivatives) amount to 154,382 thousand euro and in the year 2011 they changed as shown in the table here below.

PAYABLES TO BANKS AND LOANS	*Euro /000*
Payables to banks and loans - current portion (31/12/2010)	45.256
Payables to banks and loans - not-current portion (31/12/2010)	103.019
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2010	**148.275**
Variation in the area of consolidation	-
Stipulation of loans and borrowings *(including bank overdrafts)*	16.854
Repayment of loansd and borrowings (including *bank overdrafts)*	(10.987)
Loans/(repayments) of financial leases	267
Exchange rate effect	(27)
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2011	**154.382**
of which:	
Payables to banks and loans - current portion (31/12/2011)	52.031
Payables to banks and loans - not- current portion (31/12/2011)	102.351
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2011	**154.382**

DIVISION OF FINANCIAL PAYABLES BY EXPIRATION AND INTEREST RATE

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

Current financial payables

Values expressed in Euro thousand	Effective interest rate	Due	31/12/11
Current bank payables			
Bank overdrafts	N/A	Sight	11.855
MPS	Libor 3m + 1,5%	Sight	1.546
Banca del Piemonte	Euribor 3m + 1,9%	30/06/12	500
Derivative - CRS MPS	N/A	30/04/12	100
Interest owed	N/A	N/A	3
TOTAL			**14.004**
Current Portion of non-current indebtedness			
FINPOLAR - Quota A (Bank Pool)	Euribor 6m + 2,05%	04/02/15	3.417
FINPOLAR - Quota B (Bank Pool)	Euribor 6m + 2,30%	04/02/16	(160)
FINPOLAR - Quota C1 (Bank Pool)	Euribor 6m + 2,15%	04/02/15	1.939
FINPOLAR - Quota C2 (Bank Pool)	Euribor 1,2,3 w +2,15% - 1,2,3,6 m + 2,15%	12/11/14	8.815
FINPOLAR - Quota D (Bank Pool)	Euribor 1,3,6 m + 1,95%	31/01/16	19.946
FINPOLAR - Interest owed	N/A	N/A	1.673
Unicredit	Euribor 6m + 1%	30/06/16	171
Monte dei Paschi di Siena	Euribor 3m + 1,5%	01/01/21	37
Interest owed- Other bank loans	N/A	N/A	58
TOTAL			**35.896**
Other current financial payables			
Ministry of Industry	3,275%	10/03/13	94
Ministry of Industry	1,175%	08/06/14	37
MCC	0,920%	31/10/13	214
Sanpaolo-IMI	1,000%	01/01/13	59
Nordea	5,950%	31/08/16	9
Interest owed to EQT	N/A	Sight	311
Interest owed	N/A	N/A	2
Factoring			1.036
Leasing			469
TOTAL			**2.231**

Non-current financial payables

Values expressed in Euro thousand	Effective interest rate	Due	31/12/11
Non-current bank payables			
FINPOLAR - Quota A (Bank Pool)	Euribor 6m + 2,05%	04/02/15	24.524
FINPOLAR - Quota B (Bank Pool)	Euribor 6m + 2,30%	04/02/16	63.567
FINPOLAR - Quota C1 (Bank Pool)	Euribor 6m + 2,15%	04/02/15	10.705
FINPOLAR - Quota C2 (Bank Pool)	Euribor 1,2,3 w +2,15% - 1,2,3,6 m + 2,15%	12/11/14	(88)
FINPOLAR - Quota D (Bank Pool)	Euribor 1,3,6 m + 1,95%	31/01/16	(167)
Derivative - IRS Unicredit	N/A	04/02/16	3.121
Derivative - IRS Sanpaolo-IMI	N/A	04/02/16	3.121
Derivative - IRS Unicredit	N/A	07/05/17	1.369
Unicredit	Euribor 6m + 1%	30/06/16	680
Monte dei Paschi di Siena	Euribor 3m + 1,5%	01/01/21	368
TOTAL			**107.200**

Other non-current financial payables	Effective interest rate	Due	31/12/11
Ministry or Industry	3,275%	10/03/13	96
Ministry of Industry	1,175%	08/06/14	75
MCC	0,920%	31/10/13	387
Nordea	5,950%	31/08/16	34
Leasing			2.170
TOTAL			**2.762**

The following table shows the temporal distribution of payments of financial payables.

Values expressed in Euro thousand	2012	2013	2014	2015	2016 onwards	Total
CURRENT BANK PAYABLES(*)	13.904	-	-	-	-	13.904
CURRENT PORTIONS OF NON-CURRENT PAYABLES	35.896	-	-	-	-	35.896
OTHER CURRENT FINANCIAL PAYABLES (*)	2.231	-	-	-	-	2.231
NON-CURRENT BANK PAYABLES	-	9.897	10.202	15.011	64.479	99.589
OTHER NON-CURRENT FINANCIAL PAYABLES	-	591	408	219	1.544	2.762
TOTAL	**52.031**	**10.488**	**10.610**	**15.230**	**66.023**	**154.382**

(*) excluding the value of derivatives

With regard to the total amount of 52,031 thousand euro payable in 2012:

- 11,855 thousand euro refer to *bank overdrafts* and
- 28,761 thousand euro to portion D (19,946 thousand euro) and portion C2 (8,815 thousand euro), which are *revolving* credit lines, that have therefore been considered short-term, but will formally become due respectively on January 31, 2016 and November 12, 2012.

DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2011 the Group holds several derivative financial instruments for a negative value of 7,711 thousand euro.

Notional values are indicated in the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/2011
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	€ 29.964.286	€ 3.121.172
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	€ 29.964.286	€ 3.121.172
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	€ 10.000.000	€ 1.368.827
CRS - Non hedge accounting	Prima Industrie	MPS	30/01/12	$350.000	€ 20.708
CRS - Non hedge accounting	Prima Industrie	MPS	31/01/12	$1.100.000	€ 44.105
CRS - Non hedge accounting	Prima Industrie	MPS	16/01/12	$275.000	€ 10.922
CRS - Non hedge accounting	Prima Industrie	MPS	29/02/12	$330.000	€ 13.107
CRS - Non hedge accounting	Prima Industrie	MPS	30/04/12	$275.000	€ 10.922
				TOTAL	**€ 7.710.935**

At the time of drafting the financial statements as of December 31, 2011, a valuation of the financial derivatives held by the Group was made in order to ascertain their type and establish how they were to be recorded.

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

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

Finally, it should be noted that the Group has applied a specific policy to manage financial risks correctly, with the purpose of safeguarding its business and its ability to create value for the shareholders and all the Stakeholders. The total net financial charges on the derivatives stipulated by the Group during the 2011 financial year, amounted to 2,211 thousand euro.

NOTE 8.11 - NON-CURRENT ASSETS INTENDED FOR DISINVESTMENT

This item includes some real estate property owned by FINN POWER Italia Srl. Part of the property was purchased in the first quarter of 2011 and refers to some property units under construction at Rivalta sul Mincio –MN- (for 886 thousand euro) and part refers to several apartments located in Asola –MN, previously classified for 414 thousand euro under fixed assets and now reclassified under this heading. Part of the property of Asola was alienated during year 2011 for an overall value of 207 thousand euro and there has been an *impairment* of the property units under construction at Rivalta sul Mincio for an amount of 81 thousand euro. As of December 31 2011 the value of non-current assets for disinvestment amounted to 1,012 thousand euro.

NOTE 8.12 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

The share capital amounts to 21,602 thousand euro, in increase compared to December 31, 2010 for 2 thousand euro. This increase was due to the acquisition of the conversion of the "PRIMA INDUSTRIE Warrants 2009-2013" by some shareholders. During the year 2011, 561 warrants were converted, corresponding to the same amount of shares, therefore as of December 31, 2011 the share capital amounts to 21,601,740 euro (divided into 8,640,696 ordinary shares with a par value of 2.50 euro each). For more details on this subject, see the table of changes in shareholders' equity.

LEGAL RESERVE

This item amounts to 4,320 thousand euro (against the 2,734 thousand euro on December 31, 2010) and in increase of 1,586 thousand euro following the allocation of profit of the previous year.

OTHER RESERVES

This item has a value of 52,326 thousand euro and, compared to December 31, 2010, it increased by 2,100 thousand euro.

The item consists of:

Share Premium Reserve

The Share Premium Reserve (amounting to 46,451 thousand euro) increased with respect to December 31, 2010 by 3 thousand euro following the aforementioned Warrant conversion.

Costs for Share Capital Increase

This item is negative for 1,286 thousand euro and in increase of 2 thousand euro compared to the previous financial year.

Stock Option Reserve

This reserve totals 1,295 thousand euro and, compared to the previous financial year, increased by 157 thousand euro. For more details about the *stock option* plan in force, see the relative section of the Management Report.

Reserve for *fair value* adjustment of derivatives

This reserve consists of profits and losses entered directly in the shareholders' equity deriving from the adjustment to *fair value* of hedges underwritten by the Group. At December 31, 2011, this item had a negative value of 5,550 thousand euro.

Other Reserves

This reserve amounting to 13,416 thousand euro increased by 1,850 thousand euro compared with December 31, 2010

CONVERSION RESERVE

The currency translation reserve has a negative value of 1,331 thousand euro and has improved over the previous financial year by 348 thousand euro.

PROFITS CARRIED OVER

This amount is negative for 3,391 thousand euro (positive for 5,998 thousand euro as of December 31, 2010) includes the results of previous years of consolidated companies as well as the change in the area of consolidation and the capital losses and gains generated as a result of the acquisition or transfer of treasury shares. In addition, the amounts relative to differences in accounting methods on the date of IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

PROFIT FOR THE YEAR

This item includes net income of the year, equal to 1,933 thousand euro (loss of 5,965 thousand euro on December 31, 2010).

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

Pursuant to the Consob communication dated July 28, 2006, the following tables illustrate the connection between the result for the year 2011 and the group shareholders' equity as of December 31, 2011 with the same values of the parent company, PRIMA INDUSTRIE SpA.

Reconciliation between inconme and shareholders' equity of the parent company and related Group values (values expresses in Thousand Euro)	Shareholders' Equity at 31/12/2011	Income at 31/12/2011	Shareholders' Equity at 31/12/2010	Income at 31/12/2010
Separe financial statements of PRIMA INDUSTRIE SpA	**77.192**	**(1.483)**	**78.424**	**3.437**
Accounting for shareholders' equity and income from subsidiaries	101.530	5.935	80.286	(6.183)
Accounting Goodwill including share allocated on Trade Mark and Customer List	35.664	(2.860)	38.547	(2.531)
Elimination of values of consolidated shareholdings in the financial statements of PRIMA INDUSTRIE SpA	(137.468)	-	(128.050)	(6.346)
Valuation of Joint Ventures	7.473	1.217	5.606	1.836
Elimination of intragroup income included in stock and fixed assets	(5.305)	(243)	(4.981)	(307)
Tax effect on consolidation adjustments	(4.575)	1.518	3.826	4.037
Other consolidate entries	5.610	(2.151)	2.586	91
Financial statements of PRIMA INDUSTRIE Group	**80.121**	**1.933**	**76.244**	**(5.966)**

PROFITS(LOSSES) BOOKED IN SHAREHOLDERS' EQUITY

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

- Reserve for *fair value* adjustment of derivatives: 92 thousand euro;
- Conversion reserve: 1,679 thousand euro

NOTE 8.13 - 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.

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

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

Below is a comparison of these items.

EMPLOYEE BENEFITS	31/12/11	31/12/10
Severance indemnity fund	5.706.828	5.821.918
Fidelity premium	1.086.024	1.197.873
TOTAL	**6.792.852**	**7.019.791**

Below is a Severance Indemnity operation.

EMPLOYEE SEVERANCE	2011	2010
Thousand Euro		
Severance fund at the beginning of the year	**5.822**	**6.405**
Severance indemnity paid out during the period	(371)	(932)
Other movements	-	30
Financial expenses	256	319
Severance fund at the end of the year	**5.707**	**5.822**

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

ACTUARIAL HYPOTHESES	31/12/11	31/12/10
Annual discount rate	4,0%	4,5%
Annual Inflation rate	2,0%	2,0%
Annual Severance fund increase rate	3,0%	3,0%

The demographic hypotheses used for actuarial valuation include:
- probability of death as defined by the Italian State Treasury RG48, divided by gender;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with frequency of 5% depending on the company.

NOTE 8.14 - FISCAL LIABILITIES FOR DEFERRED TAXES

The deferred taxes liabilities amount to 9,738 thousand euro and reflect a decrease compared to the previous financial year which amounted to 1,173 thousand euro.
It should be noted that this item also includes tax liabilities for deferred taxes on the trademark, in relation to the customer list and on the real estate property in Cologna Veneta arising from the FINN POWER business combination amounting to 7,286 thousand euro.

NOTE 8.15 - FUNDS FOR RISKS AND CHARGES

The funds for risks and charge changes as follows in 2011.

Medium/long-term provisions for risks	Cust. Agent. Ind. Provision	Other provisions	TOTAL
December 31, 2010	**67.091**	**-**	**67.091**
Allocations	5.436	-	5.436
Utilizations in the period	(4.988)	-	(4.988)
Reclassification	56.470	-	56.470
Exchange rate differences	-	-	0
December 31, 2011	**124.009**	**-**	**124.009**

Short-term provisions for risks	Guaratee fund	Other provisions	TOTAL
December 31, 2010	**6.549.994**	**1.619.069**	**8.169.063**
Allocations	5.170.836	1.691.696	6.862.533
Utilizations in the period	(4.335.707)	(810.831)	(5.146.537)
Variation to area of consolidation	-	-	-
Exchange rate differences	133.993	3.735	137.727
December 31, 2011	**7.519.116**	**2.503.670**	**10.022.786**

The current risk funds relate mostly to the product warranty. 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. This fund is equal to 7,519 thousand euro.

Other funds relate to legal proceedings and other disputes; this provision represents the management's best estimate of liabilities that must be accounted for with reference to legal proceedings arising in the ordinary course of business against
retailers, customers, suppliers or public authorities and even legal proceedings relating to disputes with former employees.

NOTE 8.16 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

The value of these payables has increased compared to December 31,2010 by a total amount of 37,399 thousand euro. The trade payables and advances are the types of payables that increased the most (the total increase amounted to 33,990 thousand euro), above all due to the increased volumes of sales leading to an increase in the supplies of goods and services for production. It should be noted that the item Advances by customers includes both the advances on orders relative to machines not yet delivered, as well as those generated by the application of IAS 18 relative to machinery already delivered but not yet accepted by the end customer and thus not accountable as revenue.

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

For more details, see the table here below.

TRADE AND OTHER PAYABLES	December 31, 2011	December 31, 2010
Trade payables	79.797.117	59.067.818
Advances	32.355.143	19.094.705
Other payables	17.539.790	14.130.459
TOTAL	**129.692.050**	**92.292.982**

NOTE 8.17 - FISCAL LIABILITIES FOR CURRENT TAXES

Fiscal liabilities for current taxes as of December 31, 2011 amount to 6,404 thousand euro, in increase compared to December 31, 2010 by 3,943 thousand euro.
Liabilities are divides as follows:

- payables for income taxes amounting to 4,278 thousand euro;
- payables for VAT amounting to 1,274 thousand euro;
- payables for withholding taxes and other lesser payables for 850 thousand euro.

NOTE 8.18 - NET REVENUES FROM SALES AND SERVICES

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

NOTE 8.19- OTHER OPERATING REVENUES

The item Other income amounts to 3,321 thousand euro and mainly refer to a license agreement, to research grants, proceeds for Research and Development, some contingent assets and atypical proceeds.

NOTE 8.20 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of December 31, 2011 amount to 5,727 thousand euro and refer mainly to capitalization of assets for the development of new projects (5,435 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 8.21 - PERSONNEL COST

The cost of the personnel as of December 31, 2011 amounts to 81,620 thousand euro and is up from the corresponding period of the past year by 5,413 thousand euro. This increase was the consequence both of the interruption of the process of staff reduction and of the use of redundancy schemes, started in 2008, as the operations of reorganization are now complete, as well as of a slight increase in personnel to meet the growing operating needs of the Group.

NOTE 8.22 - DEPRECIATION- IMPAIRMENTS

Depreciation was substantially in line with last year's totals.
The following table contains the division of depreciation allotments between tangible and intangible assets, and a comparison with the previous year.

DEPRECIATION	December 31, 2011	December 31, 2010
Depreciation of tangible fixed assets	2.867.308	3.138.609
Depreciaton of intagible fixed assets	6.995.742	6.625.317
TOTAL	**9.863.050**	**9.763.926**

It should be noted that amortization of the trademark and customer relations costs ("customer list") totalled 2,648 thousand euro, while development costs are of 3,355 thousand euro.

During the year the Group recognized an impairment loss of 81 thousand euro on a business classified among the "NON-CURRENT ASSETS FOR DISINVESTMENT".

NOTE 8.23 - OTHER OPERATING REVENUES

The Other operating costs for year 2011 amounted to 72,707 thousand euro against 53,399 thousand euro on December 31,2010.
This item increased by around 19,309 thousand euro compared to the previous financial year. The increase is the direct consequence of the increased volume of business.
This item contains several different types of operating costs, including the following main types:

- commission processing for 14,605 thousand euro;
- travel expenses for 11,668 thousand euro;
- transport and delivery expenses of 7,721 thousand euro;
- rentals and other rental costs for 6,124 thousand euro;
- commissions for 4,584 thousand euro;
- consultants for 3,497 thousand euro;
- promotional expenses of 2,669 thousand euro.

NOTE 8.24 - FINANCIAL INCOME AND COSTS

Financial management was negative for the year 2011 for 9,170 thousand euro.

FINANCIAL MANAGEMENT	December 31, 2011	December 31, 2010
Financial income	146.761	775.434
Financial costs	(9.546.302)	(8.417.153)
Net result deriving from transactions in foreign currency	229.098	366.897
TOTAL	**(9.170.443)**	**(7.274.822)**

The financial expenses relative to the FINPOLAR Loan incurred by PRIMA INDUSTRIE amount to 5,265 thousand euro, while net financial expenses on derivatives stipulated by the Group amount to 2,211 thousand euro.

NOTE 8.25 - NET PROFIT OF AFFILIATED COMPANIES AND JOINT VENTURES

As of December 31,2011, this item amounts to 1,217 thousand euro and is down with respect to the corresponding period of the previous year (at December 31, 2010 it was 1,800 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 8.26- CURRENT AND DEFERRED TAXES

Income taxes for the year 2011 indicate a negative net balance of 2,611 thousand euro (including IRAP for 1,322 thousand euro). The increased fiscal burden of the Group is mainly attributable to the increased taxable revenues.

Values expressed in Euro Thousand

INCOME TAX	2011	2010
Current income tax (excluding regional trade tax IRAP)	(3.860)	(240)
IRAP (Regional trade tax)	(1.322)	(1.052)
Taxes relating to previous years	(4)	4
Tax Credit	71	-
Deferred tax	2.504	166
Other taxes	-	279
TOTAL	**(2.611)**	**(843)**

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

Values expressed in Euro Thousand

INCOME TAX	2011	2010
Current tax on theoretical income (excluding regional trade tax IRAP)	(2.761)	(117)
Permanent changes	(460)	(264)
Temporary changes	(824)	787
Utilization/Surplus losses	220	(638)
Other	(35)	(8)
CURRENT INCOME TAX	**(3.860)**	**(240)**

NOTE 8.27 – EARNING 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.

During 2010 the average stock in circulation was 8,640,498 shares; therefore the result per share for 2011 amounts to a profit of 0.22 euro per share (compared to a loss of 0,71 euro per share in 2010).

BASIC PROFIT PER SHARE	December 31, 2011	December 31, 2010
Profit due to shareholders (Euro/000)	1.933	(5.965)
Weighted average - number of ordinary shares	8.640.498	8.351.645
Basic profit per share (Euro)	0,22	(0,71)

(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.

RISULTATO DILUITO PER AZIONE	December 31, 2011	December 31, 2010
Profit due to shareholders (Euro/000)	1.933	(5.965)
Weighted average - number of ordinary shares	8.640.498	8.351.645
Corrected average number of ordinary shares	10.981.802	10.717.510
Diluted profit per share (Euro)	0,18	(0,56)

As potential ordinary shares with dilutive effect, we considered those linked to the *stock option* plan and the warrant, that can be exercised until December 16, 2013.
In relation to the *stock option* plan the reader is referred to the specific paragraph dedicated to this subject in this document.

NOTE 8.28 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

As of December 31,2011, the situation relative to guarantees granted, commitments and other potential liabilities of the group was as follows.

	December 31, 2011	December 31, 2010
Values expressed in Euro thousand		
Guarantees granted	21.812	23.466
Other commitments and significant contracts rights	11.303	16.817
Potential liabilities	-	-
TOTAL	**33.115**	**40.283**

NOTE 8.29 - INFORMATION ON ASSOCIATES

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

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

OPERATIONS WITH ASSOCIATES	SHANGHAI UNITY PRIMA LASER MACHINERY	SNK - PRIMA COMPANY Ltd.	STRATEGIC MANAGEMENT	BOARD OF AUDITORS	TOTAL
RECEIVABLES AS OF 01/01/2011	823.862	-	-	-	**823.862**
RECEIVABLES AS OF 31/12/2011	1.192.982	4.530	-	-	**1.197.512**
PAYABLES AS OF 01/01/2011	-	-	160.034	129.609	**289.643**
PAYABLES AS OF 31/12/2011	-	-	363.074	105.000	**468.074**
REVENUES 01/01/11 - 31/12/2011	4.231.246	-	-	-	**4.231.246**
COSTS 01/01/2011 - 31/12/2011	-	-	1.595.291	105.000	**1.700.291**
VARIATIONS IN RECEIVABLES					
01/01/2011 - 31/12/2011	369.120	4.530	-	-	**373.650**
VARIATIONS IN PAYABLES					
01/01/2011 - 31/12/2011	-	-	*203.040*	*(24.609)*	*178.431*

NOTE 8.30 - MANAGEMENT OF FINANCIAL RISKS

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

The 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 *credit management*.

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

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

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

Liquidity risk

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

The liquidity risk to which the Group is subject may arise following delayed payments and, more in general, to the difficulty in obtaining financing to support operating activities

in the necessary time. The cash flows, financing needs and liquidity of the companies in the Group are monitored or managed centrally, under the control of the Group treasury, with the goal of ensuring effective and efficient management of the financial resources.

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

The current difficult market context in operational and financial terms means that particular attention must be paid to managing cash flow risk, and in that sense, particular attention is devoted to those items tending to generate financial resources through general operational management and maintenance of an adequate level of available liquidity.

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

The table below lists, for the assets and liabilities as of December 31, 2010 and on the basis of the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7.

Fair value by category - IAS 39 - December 31, 2011							
Values in Euro thousand	Significant values as per IAS 39						
Assets	**Category IAS 39**	**Financial value 31.12.2011**	**Amortized cost**	**FV in equity**	**FV in income statement**	**IAS 17**	**Fair Value 31.12.11**
Cash and cash equivalents	NA	25.179	-	-	-	-	25.179
Assets owned to expiry	Held to Maturity	529	-	-	-	-	529
Assets at fair value reported in the Income statement	Held for Trading	-	-	-	-	-	-
Assets valuated as per IAS 17	NA	2.272	-	-	-	2.272	2.272
TOTAL		**27.980**	**-**	**-**	**-**	**2.272**	**27.980**
Liabilities	**Category IAS 39**	**Financial value 31.12.2011**	**Amortized cost**	**FV in equity**	**FV in income statement**	**IAS 17**	**Fair Value 31.12.11**
Liabilities at amortized cost	Amortised Cost	150.707	150.707	-	-	-	152.207
Liabilities at fair value in income statement	Held for Trading	1.469	-	-	(327)	-	1.469
Hedge derivatives	NA	6.242	-	92	(1.884)	-	6.242
Liabilities valuated as per IAS 17	NA	2.639	-	-	-	2.639	2.639
Other financial payables - factoring	NA	1.036	-	-	-	-	1.036
TOTAL		**162.093**	**150.707**	**92**	**(2.211)**	**2.639**	**163.593**

Profits and losses by category - IAS 39 - December 31, 2011			
Amounts in Euro Thousand			
Assets	**Category IAS 39**	**Net profit and loss**	**interest**
Cash and cash equivalents	NA	17	17
Assets held to expiry	Held to Maturity	-	-
Assets valuated as per IAS 17	NA	-	-
TOTAL		**17**	**17**
Liabilities	**Category IAS 39**	**Financial value 31.12.2011**	**Amortized costs**
Liabilities at amortized cost	Amortised Cost	(6.130)	(5.003)
Liabilities at fair value in income statement	Held for Trading	(327)	2
Hedge derivatives	NA	(1.884)	(1.964)
Liabilities valuated as per IAS 17	NA	(177)	(177)
Other financial payables - factoring	NA	(112)	(112)
TOTAL		**(8.630)**	**(7.254)**

Hierarchical levels for assessment of fair value

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

- level 1 – quoted prices in active markets for assets or liabilities subject to valuation;

- level 2 – inputs other than quoted prices included in level one that are observable either directly (as prices) or indirectly (derived from prices) on the market;
- level 3 – inputs that are not based on observable market data.

The following table shows the assets and liabilities entered at fair value at 31/12/2011, according to hierarchical valuation of fair value.

Amounts expressed in Euro Thousand	Level 1	Level 2	Level 3
Assets valuate at fair value	-	-	-
Other Assets	-	-	-
TOTAL ASSETS	-	-	-
Liabilities valued at fair value	-	7.711	-
Other liabilities	-	-	-
TOTAL LIABILITITIES	-	**7.711**	-

NOTE 8.31 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During 2011 the company carried out several non-current transactions.

Values expressed in Euro Thousand	EBITDA	Financial expenses	Total
Ministry contribution	1.000	-	1.000
Actions of reorganization/Restructuring	(382)	-	(382)
Other minor events	(38)	-	(38)
TOTAL	**580**	**-**	**580**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENT TO DECEMBER 31, 2011

PURSUANT TO ART. 81B OF CONSOB REGULATION No.11971 DATED MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (the director appointed to draw up the corporate accounting documents) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154-bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:
   - the adequacy in relation to the business characteristics and
   - effective application of the administrative and accounting procedures for drafting the consolidated financial statements for the year 2011.

2. No significant aspects have emerged in this regard

3. We also certify that:

   3.1. the consolidated financial statements:
   a) are drafted in compliance with the applicable accounting standards as adopted by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, dated July 19, 2002;
   b) reflect the book entries and accounting documentation;
   c) provide a truthful and correct representation of the equity, economic and financial situation of the issuer and the group of enterprises included in the consolidation.

   3.2 the report on operations includes a reliable analysis of performance and results of management, and of the situation of the issuing company and the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Date: March 14, 2012

Signed by the appointed Administrative Executive

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

Chapter 9.

FINANCIAL STATEMENTS OF PRIMA INDUSTRIE as of December 31, 2011

ACCOUNTING TABLES

CHAPTER 9. FINANCIAL STATEMENTS OF PRIMA INDUSTRIE AS OF DECEMBER 31, 2011

EQUITY AND FINANCIAL SITUATION

Values in Euro	Notes	31/12/2011	31/12/2010
Property, plant and equipment	11.1	6.606.181	6.729.443
Intangible assets	11.2	4.073.758	4.316.362
Investment properties	11.3	95.561.094	95.278.464
Investments accounted for equity method	11.4	1.487.760	1.487.760
Other investments	11.5	52.606	51.832
Financial Assets - loans to the subsidiaries	11.6	87.636.197	89.336.197
Other financial assets	11.7	16.438.199	15.942.506
Deferred tax assets	11.8	1.758.865	1.802.439
Other non current assets	11.11	-	10.222
TOTAL NON CURRENT ASSETS		**213.614.660**	**214.955.225**
Inventories	11.9	19.233.275	17.174.151
Trade receivables	11.10	39.459.312	32.615.423
Other receivables	11.11	2.113.263	1.808.925
Current tax receivables	11.12	1.776.093	1.771.619
Derivatives	11.15	-	1.714
Other current financial assets	11.6	6.821.573	400.679
Cash and cash equivalents	11.13	2.471.994	458.034
CURRENT ASSETS		**71.875.510**	**54.230.545**
TOTAL ASSETS		**285.490.170**	**269.185.770**
Capital stock	11.14	21.601.740	21.600.337
Legal reserve	11.14	4.320.069	2.733.635
Other reserves	11.14	54.326.181	52.226.002
Retained earnings (losses)	11.14	(1.572.844)	(1.572.844)
Net result	11.14	(1.482.668)	3.436.529
TOTALE STOCKHOLDERS' EQUITY		**77.192.478**	**78.423.659**
Interest-bearing loans and borrowings	11.16	98.719.935	99.277.643
Employee benefit liabilities	11.17	3.145.465	3.204.590
Deferred tax liabilities	11.18	654.300	695.426
Provisions	11.19	4.672.898	4.675.085
Derivatives	11.15	6.242.344	6.406.560
TOTAL NON CURRENT LIABILITIES		**113.434.942**	**114.259.304**
Trade payables	11.20	36.666.634	26.876.790
Advance payments	11.20	4.121.401	2.869.487
Other payables	11.20	9.040.503	8.083.519
Interest-bearing loans and borrowings	11.16	41.068.490	35.306.947
Current tax payables	11.21	1.155.958	682.879
Provisions	11.19	2.710.000	2.630.000
Derivatives	11.15	99.764	53.185
TOTALE CURRENT LIABILITIES		**94.862.750**	**76.502.807**
TOTAL LIABILITIES AND EQUITY		**285.490.170**	**269.185.770**

INCOME STATEMENT

Values in Euro	Notes	*December 31, 2011*	*December 31, 2010*
Net revenues	*11.22*	90.393.868	75.453.690
Other income	*11.23*	2.118.460	2.915.025
Variationd in inventories of finished good and WIP		2.394.753	694.990
Increases in fixed assets for internal work	*11.24*	891.543	1.717.940
Use of raw materials, consumables, supplies and goods		(48.179.268)	(39.459.646)
Personnel cost	*11.25*	(18.866.452)	(17.797.515)
Depreciation	*11.26*	(1.596.658)	(1.582.901)
Amortization and impairment	*11.26*	-	-
Other operating expenses	*11.27*	(24.371.041)	(19.604.623)
OPERATING PROFIT		**2.785.205**	**2.336.960**
Financial income	*11.28*	4.211.621	13.517.740
Financial expenses	*11.28*	(7.993.785)	(11.795.321)
Net result exchange differences	*11.28*	150.437	(168.221)
RESULT BEFORE TAXES		**(846.522)**	**3.891.158**
Income taxes	*11.29*	(636.146)	(454.629)
NET RESULT		**(1.482.668)**	**3.436.529**

GENERAL INCOME STATEMENT

VALUES IN EURO	Notes	*December 31, 2011*	*December 31, 2010*
NET RESULT (A)		**(1.482.668)**	**3.436.529**
Gain/(Losses) on cash flow hedges	*11.14*	91.524	(427.590)
TOTAL OTHER GAIN/ (LOSSES) (B)		**91.524**	**(427.590)**
NET RESULT OVERALL PERIOD (A) + (B)		**(1.391.144)**	**3.008.939**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

from January 1st to December 31st, 2010

Values in Euro	01/01/2010	Capital increase	Allocation of prior year profits	*Distribution of dividends to stockholders*	*Other movements*	*Net result*	31/12/2010
Capital stock	16.000.000	5.600.337	-	-	-	-	21.600.337
Additional paid-in capital	36.814.893	9.632.810	-	-	-	-	46.447.703
Legal reserve	2.733.635	-	-	-	-	-	2.733.635
Capital increase - expenses	(1.263.903)	(20.563)	-	-	-	-	(1.284.466)
Other reserves	9.634.615	-	(2.554.390)	-	410.130	(427.590)	7.062.765
Retained earnings	(1.572.844)	-	-	-	-	-	(1.572.844)
Net result	(2.554.390)	-	2.554.390	-	-	3.436.529	3.436.529
Stockholders' equity of the Group	**59.792.006**	**15.212.584**	**-**	**-**	**410.130**	**3.008.939**	**78.423.659**

from January 1st to December 31st, 2011

Values in Euro	01/01/2011	Capital increase	Allocation of prior year profits	*Distribution of dividends to stockholders*	*Other movements*	*Net result*	31/12/2011
Capital stock	21.600.337	1.403	-	-	-	-	21.601.740
Additional paid-in capital	46.447.703	3.366	-	-	-	-	46.451.069
Legal reserve	2.733.635	-	1.586.434	-	-	-	4.320.069
Capital increase - expenses	(1.284.466)	(1.688)	-	-	-	-	(1.286.154)
Other reserves	7.062.765	-	1.850.095	-	156.882	91.524	9.161.266
Retained earnings	(1.572.844)	-	-	-	-	-	(1.572.844)
Net result	3.436.529	-	(3.436.529)	-	-	(1.482.668)	(1.482.668)
Stockholders' equity of the Group	**78.423.659**	**3.081**	**-**	**-**	**156.882**	**(1.391.144)**	**77.192.478**

CASH FLOW STATEMENT

VALUES IN EURO	31/12/2011	*31/12/2010*
Net result	**(1.482.668)**	**3.436.529**
Adjustments (sub-total)	*4.888.012*	*(6.952.353)*
Depreciation and amortization	1.596.658	1.582.901
Re-establishment of PRIMA North America value	-	(11.279.671)
Devaluation of PRIMA FINN-POWER GMBH	-	325.198
Net change in deferred tax assets and liabilities	2.448	514.734
Change in employee benefits	(59.125)	(99.150)
Change in inventories	(2.059.124)	(2.866.169)
Change in trade receivables	(6.843.889)	(6.665.990)
Change in trade payables	11.041.758	7.989.880
Net change in other receivables/payables and other assets/liabilities	1.209.286	3.545.914
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**3.405.344**	**(3.515.824)**
Cash flow from investments		
Acquisition of tangible fixed assets (*)	(373.693)	(275.564)
Acquisition of intangible fixed assets	(94.506)	(105.824)
Capitalization of development costs	(762.781)	(1.565.670)
Establishment/capital increase PRIMA (Beijing)	-	(566.765)
Establishment of OOO Prima Industrie	-	(122.737)
Establishment of PRIMA POWER SOUTH AMERICA Ltda	(144.366)	-
Establishment of PRIMA POWER MAKINA TICARET LIMITED SIRKETI	(99.860)	-
Liquidation PRIMA FINN-POWER SWEDEN	13.444	-
Change in investments for stock option	(51.848)	(156.241)
Change in financial receivables and other financial assets	(5.216.587)	(407.300)
Change in other investments	(774)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(6.730.783)**	**(3.199.685)**
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	(115.923)	385.523
Increases in loans and borrowings (including bank overdrafts)	11.879.730	7.596.111
Repayment of loans and borrowings (including bank overdrafts)	(6.675.895)	(17.335.304)
Increases/(repayments) in financial lease liabilities	-	-
Capital increase	1.403	5.600.337
Other changes	250.084	9.594.787
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**5.339.399**	**5.841.454**
Net change in cash and equivalents (D=A+B+C)	**2.013.960**	**(874.055)**
Cash and equivalents beginning of period (E)	**458.034**	**1.332.089**
Cash and equivalents end of period (F=D+E)	**2.471.994**	**458.034**

Additional informtion on the consolidated statement of cashflows	31/12/2011	31/12/2010
Values in Euro		
Income tax	(636.146)	(454.629)
Financial Income	4.211.621	13.517.740
Financial Expenses	(7.993.785)	(11.795.321)

EQUITY AND FINANCIAL SITUATION PURSUANT TO CONSOB RESOLUTION NO.15519 OF 27/07/2006

Values in Euro	Notes	*31/12/2011*	of which related parts	*31/12/2010*	of which related parts
Property, plant and equipment	*11.1*	6.606.181	-	6.729.443	-
Intangible assets	*11.2*	4.073.758	-	4.316.362	-
Investment properties	*11.3*	95.561.094	*95.561.094*	95.278.464	*95.278.464*
Investments accounted for equity method	*11.4*	1.487.760	*1.487.760*	1.487.760	*1.487.760*
Other investments	*11.5*	52.606	-	51.832	-
Financial Assets - loans to the subsidiaries	*11.6*	87.636.197	*87.636.197*	89.336.197	*89.336.197*
Other financial assets	*11.7*	16.438.199	*16.438.199*	15.942.506	*15.942.506*
Deferred tax assets	*11.8*	1.758.865	-	1.802.439	-
Other non current assets	*11.11*	-	-	10.222	-
TOTAL NON CURRENT ASSETS		**213.614.660**		**214.955.225**	
Inventories	*11.9*	19.233.275	-	17.174.151	-
Trade receivables	*11.10*	39.459.312	*18.219.595*	32.615.423	*14.216.373*
Other receivables	*11.11*	2.113.263	*179.402*	1.808.925	-
Current tax receivables	*11.12*	1.776.093	-	1.771.619	-
Derivatives	*11.15*	-	-	1.714	-
Other current financial assets	*11.6*	6.821.573	*6.292.937*	400.679	*400.679*
Cash and cash equivalents	*11.13*	2.471.994	-	458.034	-
CURRENT ASSETS		**71.875.510**		**54.230.545**	
TOTAL ASSETS		**285.490.170**		**269.185.770**	
Capital stock	*11.14*	21.601.740	-	21.600.337	-
Legal reserve	*11.14*	4.320.069	-	2.733.635	-
Other reserves	*11.14*	54.326.181	-	52.226.002	-
Retained earnings (losses)	*11.14*	(1.572.844)	-	(1.572.844)	-
Net result	*11.14*	(1.482.668)	-	3.436.529	-
TOTALE STOCKHOLDERS' EQUITY		**77.192.478**		**78.423.659**	
Interest-bearing loans and borrowings	*11.16*	98.719.935	-	99.277.643	-
Employee benefit liabilities	*11.17*	3.145.465	-	3.204.590	-
Deferred tax liabilities	*11.18*	654.300	-	695.426	-
Provisions	*11.19*	4.672.898	-	4.675.085	-
Derivatives	*11.15*	6.242.344	-	6.406.560	-
TOTAL NON CURRENT LIABILITIES		**113.434.942**		**114.259.304**	
Trade payables	*11.20*	36.666.634	*11.405.865*	26.876.790	*6.604.783*
Advance payments	*11.20*	4.121.401	-	2.869.487	-
Other payables	*11.20*	9.040.503	*5.411.197*	8.083.519	*4.992.264*
Interest-bearing loans and borrowings	*11.16*	41.068.490	-	35.306.947	-
Current tax payables	*11.21*	1.155.958	-	682.879	-
Provisions	*11.19*	2.710.000	-	2.630.000	-
Derivatives	*11.15*	99.764	-	53.185	-
TOTALE CURRENT LIABILITIES		**94.862.750**		**76.502.807**	
TOTAL LIABILITIES AND EQUITY		**285.490.170**		**269.185.770**	

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO.15519 OF 27/07/2006

Values in Euro	Notes	December 31, 2011	of which related parts	December 31, 2010	of which related parts
Net revenues	*11.22*	90.393.868	*37.171.477*	75.453.690	*25.536.171*
Other income	*11.23*	2.118.460	*1.092.726*	2.915.025	*833.861*
Variationd in inventories of finished good and WIP		2.394.753	-	694.990	-
Increases in fixed assets for internal work	*11.24*	891.543	-	1.717.940	-
Use of raw materials, consumables, supplies and goods		(48.179.268)	*(9.605.057)*	(39.459.646)	*(11.999.307)*
Personnel cost	*11.25*	(18.866.452)	*(745.219)*	(17.797.515)	*(667.334)*
Depreciation	*11.26*	(1.596.658)	-	(1.582.901)	-
Amortization and impairment	*11.26*	-	-	-	-
Other operating expenses	*11.27*	(24.371.041)	*(3.116.540)*	(19.604.623)	*2.346.708*
OPERATING PROFIT		**2.785.205**		**2.336.960**	
Financial income	*11.28*	4.211.621	*3.526.706*	13.517.740	*2.138.784*
Financial expenses	*11.28*	(7.993.785)	-	(11.795.321)	-
Net result exchange differences	*11.28*	150.437	-	(168.221)	-
RESULT BEFORE TAXES		**(846.522)**		**3.891.158**	
Income taxes	*11.29*	(636.146)		(454.629)	
NET RESULT		**(1.482.668)**		**3.436.529**	

CASH FLOW STATEMENT PURSUANT TO CONSOB RESOLUTION NO.15519 OF 27/07/2006

VALUES IN EURO	31/12/2011	*of which related parts*	31/12/2010	*of which related parts*
Net result	**(1.482.668)**	-	**3.436.529**	-
Adjustments (sub-total)	*4.888.012*	-	*(6.952.353)*	-
Depreciation and amortization	1.596.658	-	1.582.901	-
Re-establishment of PRIMA North America value	-	-	(11.279.671)	*(11.279.671)*
Devaluation of PRIMA FINN-POWER GMBH	-	-	325.198	*325.198*
Net change in deferred tax assets and liabilities	2.448	-	514.734	-
Change in employee benefits	(59.125)	-	(99.150)	-
Change in inventories	(2.059.124)	-	(2.866.169)	-
Change in trade receivables	(6.843.889)	*(4.003.222)*	(6.665.990)	*(5.932.643)*
Change in trade payables	11.041.758	*4.801.082*	7.989.880	*(3.798.256)*
Net change in other receivables/payables and other assets/liabilities	1.209.286	*418.933*	3.545.914	*(247.029)*
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**3.405.344**		**(3.515.824)**	
Cash flow from investments				
Acquisition of tangible fixed assets (*)	(373.693)	-	(275.564)	-
Acquisition of intangible fixed assets	(94.506)	-	(105.824)	-
Capitalization of development costs	(762.781)	-	(1.565.670)	-
Establishment/capital increase PRIMA (Beijing)	188	-	(566.765)	*(566.765)*
Establishment of OOO Prima Industrie	-	-	(122.737)	*(122.737)*
Establishment of PRIMA POWER SOUTH AMERICA Ltda	-	-		
Establishment of PRIMA POWER MAKINA TICARET LIMITED SIRKETI	(144.366)	*(144.366)*		
Liquidation PRIMA FINN-POWER SWEDEN	(99.860)	*(99.860)*	(156.241)	*(156.241)*
Change in investments for stock option	13.444	*13.444*		-
Change in financial receivables and other financial assets	(51.848)	*(51.848)*	(407.300)	*1.500.000*
Net disposal of fixed assets and investment properties (*)	(5.216.587)	*(4.687.951)*	416	-
Change in other investments	(774)	-	-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(6.730.783)**		**(3.199.685)**	
Cash flow from financing activities				
Change in other non current financial liabilities and other minor items	(115.923)	-	385.523	-
Increases in loans and borrowings (including bank overdrafts)	11.879.730	-	7.596.111	-
Repayment of loans and borrowings (including bank overdrafts)	(6.675.895)	-	(17.335.304)	-
Increases/(repayments) in financial lease liabilities	-	-	-	-
Capital increase	1.403	-	5.600.337	-
Other changes	250.084	-	9.594.787	*205.064*
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**5.339.399**		**5.841.454**	
Net change in cash and equivalents (D=A+B+C)	**2.013.960**		**(874.055)**	
Cash and equivalents beginning of period (E)	**458.034**		**1.332.089**	
Cash and equivalents end of period (F=D+E)	**2.471.994**		**458.034**	

PRIMA INDUSTRIE

Chapter 10.

DESCRIPTION OF ACCOUNTING PRINCIPLES

CHAPTER 10. DESCRIPTION OF ACCOUNTING STANDARDS

COMPANY INFORMATION

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

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

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

As parent company, PRIMA INDUSTRIE S.p.A. has also prepared the consolidated financial statements as of December 31, 2011 of the PRIMA Group.

VALUATION CRITERIA

The 2011 financial statements represent the separate statements of the parent company PRIMA INDUSTRIE S.p.A. and were prepared according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. IFRS refers to all reviewed International Accounting Standards (“IAS”) and all interpretations of the International Financing Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”).

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

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

The financial statements have been drafted on the basis of the principle of historical cost, with the exception of the financial assets and liabilities (derivative instruments included) of the category at the fair value with changes of value reported in the income statement, and on the presumption of a going concern. The Group has effectively ascertained that there are no significant uncertainties (as defined in par. 25 of Standard IAS 1) on the going concern.
For more on this topic, please read the comment in the “Accounting standards applied” paragraph in chapter 6 “DESCRIPTION OF THE ACCOUNTING PRINCIPLES” of the consolidated financial statements.
Preparation of the financial statements in accordance with IFRS Statements" inevitably involves use of accounting estimates and the opinions expressed by the Directors of the company. The areas of the financial statements which require the application of more complex estimates and a greater use of evaluations on the part of the company's Directors are specified below.

ACCOUNTING STATEMENT FORMAT

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

COMPARABLE 'STATEMENT

In order to provide better comparability of the year 2011, some 2010 data published in the budget of last year have been reclassified.

CHANGES IN ACCOUNTING STANDARDS

See Chapter 6 of the consolidated financial statements entitled “DESCRIPTION OF ACCOUNTING PRINCIPLES” for details of changes in accounting standards during 2011.

TRANSLATION OF ITEMS IN FOREIGN CURRENCY

The financial statements were drawn up in euro, the functional and presentation currency.
Transactions in currencies other than euro are initially recorded at the exchange rate effective on the date of the operation. Monetary assets and liabilities denominated in currencies other than Euro are converted at the exchange rate effective on the date of closing of the financial statements. All the exchange differences are reflected in the Income Statement, except the accounting principles that include the revaluation in the shareholders' equity.

TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

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

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

<u>INTANGIBLE FIXED ASSETS</u>

(a) Software

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

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

(b) Research and development costs

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

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

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

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

The development costs having a definite useful life are amortized from the date of marketing the product, on the basis of the period over which it is estimated that they will produce a financial benefit and in any event over a period not exceeding five years. Development costs which do not retain these characteristics are booked within the income statement of the year in which they are sustained.

(c) Other intangible assets

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

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

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

SHAREHOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES
They are entered at the cost adjusted, if necessary, by impairment. The positive difference, emerging from the purchase agreement, between the cost of acquisition and the current value of shareholders' equity in the subsidiary is hence included in the book value of the shareholding. In the event of indicators showing loss in value, stakes in subsidiaries and associated companies are subject to an *impairment* test. If there is evidence that these shareholdings have undergone a loss in value, this fact is posted as a write down in the income statement. If the portion of losses in the subsidiary exceeds the book value of the shareholding, and the company is obliged to answer for this, the value of the stake is cleared and the share of further losses are entered under liability provisions. If, later, the impairment is overcome or reduced, a recovery of the value is reported in the income statement, within the limits of the cost.

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

LOSS OF VALUE OF THE ASSET (IMPAIRMENT)
Assets with undefined useful lives that are not subject to amortization are subject to *impairment tests* every year and any time there is an indication that their book value cannot be recovered. Assets subject to amortization are subject to *impairment* tests only if there is an indication that their book value cannot be recovered.
The amount of the write-down for *impairment* is calculated as the difference between the book value of the asset and its recoverable value, which is considered the greater between the price of sale net of transaction costs and its value in use, i.e. the current value of the estimated financial flows, inclusive of taxes, applying a discount rate that reflects the current market evaluations of the temporal value of money and the risks specific to the asset. Impairment is entered if the recoverable value is less than the book value. When an impairment on assets other than goodwill are reduced or eliminated at a later date, the book value of the asset or generator of financial flows is increased up to the new estimate of the value recoverable and cannot exceed the value that it would have had if an impairment had not been reported for reduction of value. Restoration of value impairment is entered immediately in the income statement.

FINANCIAL INSTRUMENTS
Presentation
The financial instruments held by the company are included in the items of the financial statements described hereafter. The item Equity Investments and other non-current financial assets includes equity investments in subsidiaries, and joint ventures and other non-current financial assets. Current financial assets include trade receivables and the availability of equivalent means. In particular, the item Availability of equivalent means includes bank deposits. The financial liabilities refer to financial payables, including payables for advances on the transfer of receivables, and other financial liabilities (that include the negative *fair value* of derivative financial instruments), trade payables and other payables.

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

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

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

Derivative financial instruments

Coherently with the terms of IAS 39, derivative financial instruments can be reported according to the methods established for *hedge accounting* only when, at the start of coverage, there is a formal designation and documentation of the hedge relation, the hedge is presumed to be highly effective, the effectiveness can be reliably measured and the hedge is highly effective during the different accounting period for which it is designated.
All derivative financial instruments are measured at *fair value*, as established by IAS 39.
When the financial instruments have the characteristics to be reported in *hedge accounting*, the following accounting methods are used:

- *Cash flow hedge*. If a derivative financial instrument is designated as a hedge for exposure to the variability of future cash flows of an asset or liability entered in the financial statement or of a transaction this is highly likely to have effects on the income statement, the effective portion of the profit or loss of the derivative financial instrument, it is reported in Other comprehensive profits/(losses). The accumulated profit or loss are cancelled from the Other comprehensive profits/(losses) and reported in the income statement in the same period in which the relative economic effect of the hedged transaction is reported. The profit or loss associated with a hedge (or portion of a hedge) are entered in the income statement immediately when they become ineffective. If a hedge or hedge relation are closed, but the hedged transaction has not been realized yet, the accumulated profits and losses, reported until then in the Other comprehensive profits/(losses), are reported in the income statement in relation to the report of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed probable, the profits or losses still not realized, suspended in the Other comprehensive profits/(losses), are reported immediately in the income statement.
- *Fair value hedge.* If a derivative is designated as a hedge exposure to changes in the fair value of an asset or liability that is attributable to a particular risk and could effects on the income statement, the profit or loss arising from remeasurement of the fair value of the hedging instrument are recognized in the income statement. The profit or loss on the hedged item, attributable to the hedged risk, adjusts the carrying value of the hedged item are reported in the income statement.
- *Hedge of a net Investment* - If a derivative financial instrument is designated as a hedge of a net investment in foreign management, the effective portion of profits or losses on the derivative financial instrument is reported in Other comprehensive profits/(losses). The accumulated profit or loss is cancelled from the shareholders' equity and recognized in the income statement at the end of the foreign business.

Financial liabilities

Financial liabilities comprise financial payables, including amounts owed for advances on orders or on sales of receivables and other liabilities such as derivative financial instruments and liabilities for assets entered in the sphere of finance lease agreements. Under IAS 39, they also include trade and other payables.

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

Loans

Loans are initially booked within the financial statements at their *fair value*, net of any potential accessory charges. After their first disclosure, they are accounted for as amortized costs. Any difference between the collection net of any potential accessory charges and the reimbursement value is recorded within the income statement on an accruals basis by using the effective interest rate method.

Loans are recorded among short-term liabilities, provided that the Company has no unconditional rights to defer the loan beyond 12 months of the closure of the financial statements.

INVENTORIES

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

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

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

TRADE AND OTHER RECEIVABLES

Trade receivables are initially booked at fair value and subsequently measured at their amortized costs by using the effective interest rate method, net of write-downs in order to take account of their dubious recuperability. The debt is written off if there is objective evidence that the company will not be able to collect the entire amount due on the date agreed with the customer.

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

TRANSFER OF RECEIVABLES

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

CASH AND CASH EQUIVALENTS

The entry for Cash and cash equivalents includes cash, bank accounts, deposits repayable on demand and other financial investments in the short term highly liquid investments that are readily convertible into cash and are subject to an insignificant risk of changes in value.

ASSETS HELD FOR SALE

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

SHARE CAPITAL

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

EMPLOYEE BENEFITS

(a) Pension plans

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

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

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

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

The present value of the obligation is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated retirement liabilities.

The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the the fair value of the assets serving the plan (if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years expected from employees which adhere to the plan.

The employee benefit cost relating to past services is immediately recorded in the income statement, unless the changes to the pension plan are variable based on seniority. In this case the employee benefit cost for past services is amortized on a straight-line basis in the period in which it accrued.

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

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

(c) Benefits granted on termination of the employment relationship
Workers are entitled to receive these benefits on early termination of the employment relationship, prior to the retirement date or in the case of termination due to a corporate restructuring plan. The Company records a liability in the financial statements to meet such benefits when:

A. there is a formal, detailed plan of incentives to leave without the possibility that the employee chooses otherwise;
B. an offer is made to employees to encourage voluntary resignations. The amounts payable beyond 12 months of the closure of the financial statements are discounted back.

(d) Incentives, bonuses and profit-sharing schemes
The Company records a cost and a debt to meet the liabilities that arise for bonuses, employee incentives and profit-sharing schemes, determined using a formula that considers profits attributable to shareholders after certain adjustments are made. The Group books a liability to a fund only if it is likely that the event to which the incentive is connected will occur, if it is contractually required or if there exists a custom that would practically amount to an implicit obligation.

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

PROVISIONS FOR RISKS AND CHARGES
Provisions are allocated to risks and charges when:
- a legal or implied obligation arises for the company as a result of past events;
- it is probable that resources will be utilized in order to meet the obligation and it amount;
- can be reliably determined.

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

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

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

(a) Sale of goods
Revenues from the sale of goods (laser systems, sheet metal processing equipment and components) are reported when they satisfy the following conditions:
- the Group has transferred all significant risks and benefits connected with ownership to the buyer;
- the Group no longer exercises effective control over the goods sold;
- the value of the revenues can be reliably determined;
- it is likely that the economic benefits deriving from the transaction will accrue to the Group;
- any costs incurred or to be incurred relative to the transaction can be reliably determined.

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

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

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

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

TAXES
a) current: the income tax burden for the year is determined according to the legislation in force. Income tax is reflected in the income statement. In particular as regards Italian companies, on March 10, 2010, PRIMA INDUSTRIE SpA notified the Italian Internal Revenue Service of its renewal of the national consolidated taxation regime for the three-year period 2010-2012, in accordance with article 117/129 of the Consolidation Act on Income Tax (TUIR), in conjunction with its subsidiaries PRIMA ELECTRO SpA and FINN POWER ITALIA Srl.

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

These are calculated using the tax rates and laws that are in force at the date of closure of the financial statements, or using ones that are effectively in place and that are expected to be applicable at the time of the reversal of the temporary differences that gave rise to the recording of the deferred taxes.
Receivables for prepaid taxes are recorded in the financial statements only if, at the time of the reversal of the temporary difference, the likelihood exists of sufficient taxable income to offset them. Assets for prepaid taxes are reviewed at the close of each financial year and may be reduced if it is no longer likely that sufficient taxable income will become available in the future for full or partial utilization of the receivable. Deferred taxes relative to items that are directly booked under shareholders' equity are also directly booked under shareholders' equity.

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

STATE GRANTS
State grants are recorded in the Financial Statements at their fair value, only if there exists a reasonable certainty that they will be granted and the company has satisfied all the conditions required to obtain them. Revenues from state grants are recorded in the Income Statement if the costs for which they were granted are actually incurred.

ESTIMATE OF *FAIR VALUE*
The fair value of financial interests quoted on an active market is determined on the basis of the market price at the date of closure of the Financial Statements. The market price of reference for financial assets held by the company is the current sales price (acquisition price for financial liabilities).
The *fair value* of financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions depending on the market conditions existing at the time of closure of the Financial Statements. Medium/long-term liabilities are compared with the prices of similar listed financial instruments, for other categories of financial instruments the financial flows are discounted.
The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows deriving from them as of the date of the financial statements. With regards to receivables, it is hypothesized that the nominal value, net of any potential adjustments which are implemented in order to take their payable nature into account, approximates the fair value. For reporting purposes, the fair value of financial liabilities is determined by discounting the financial flows from the contract at an interest rate that approximates the market rate at which the Company obtains financing.

THE FINANCIAL RISK FACTORS

As regards management of financial risks, see our commentary in the corresponding note of the consolidated financial statements.

DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNT ESTIMATES

The preparation of the Financial Statements requires Management to make a series of subjective assumptions and estimates based on past experience.
The application of these estimates and assumptions influences the amount of the assets and liabilities recorded in the Balance Sheet, as well as the costs and income disclosed in the Income Statement. The actual results can differ significantly from the estimate made, in view of the natural uncertainty that surrounds the assumptions and conditions on which the estimates are based.

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

Hereafter we summarize the main processes of evaluation and the key assumptions used in the process, that could have significant effects on the values reported in the annual financial statements or for which there is a risk of possible corrections of book value of the assets and liabilities in the year after the one to which the financial statements refer.

Recoverable value of goodwill included in the FINN POWER OY equity investment

The recoverable amount of goodwill included in the FINN POWER OY equity investment was evaluated in the context of the *impairment test* prepared for the CGU PRIMA POWER. The key assumptions used to determine the recoverable amount of the CGU, including a sensitivity analysis, are expressed in detail in the Note 8.2 - INTANGIBLE ASSETS.

Prepaid and deferred taxes

The deferred tax assets and liabilities recorded in the financial statements are determined by applying to the differences between the value attributed to an asset or a liability according to fiscal criteria and the tax rates presumed applicable in the year in which the timing difference is expected to cease. The deferred taxes relating to fiscal losses that can be carried forward to future financial years are recorded in the Financial Statements only if and to the extent that *management* believes that in future financial years the company will achieve a positive tax result that will allow the deferred tax loss to be absorbed. If after the estimate was made, circumstances intervene that result in a change to the estimates or the rate used for the calculation of the deferred taxes changes, the items recorded in the Financial Statements will be adjusted.

Provision for inventory write-downs

In determining the provision for inventory obsolescence the company carries out a series of estimates regarding future demand for the various types of products and materials in stock, on the basis of the production plan and past experience of customer demand. If these estimates are found to be inappropriate, this will be translated into an adjustment to the provision for obsolescence with the related impact in the Income Statement.

Receivable write-down fund

The provisions for receivable write-downs are determined on the basis of an analysis of the individual credit positions in the light of past experience in terms of recovery of receivables and the relationships with the individual customers. If there is an unexpected worsening of the financial situation of an important customer, this could result in the need to adjust the allowance for doubtful accounts, with the consequent negative effects on the Income Statement.

Employee benefits

The determination of the amount to be recorded in the Financial Statements requires actuarial estimates to be made that take into account a series of presumptions relating to parameters such as the annual rate of inflation, the growth in wages, the annual rate of staff *turn-over* and other variables. Any change in these parameters requires a re-adjustment of the actuarial estimates and consequently an adjustment of the amounts disclosed in the Financial Statements.

Chapter 11.

NOTES ILLUSTRATING THE ANNUAL FINANCIAL STATEMENT AS OF DECEMBER 31, 2011

CHAPTER 11. NOTES ILLUSTRATING THE ANNUAL FINANCIAL STATEMENT AS OF DECEMBER 31, 2011

NOTE 11.1 – TANGIBLE FIXED ASSETS

Tangible fixed assets	Land, Buildings and Constructions	Plants and Machinery	Industrial and Commercial Equipment	Other Assets	Fixed assets under construction	TOTAL
Value as at December 31, 2009						
Historical cost	6.057.597	2.023.014	2.833.203	2.925.654	518.907	14.358.375
Depreciation fund	(726.913)	(1.720.565)	(2.358.959)	(2.546.035)	-	(7.352.472)
Net value as at December 31, 2009	**5.330.684**	**302.449**	**474.244**	**379.619**	**518.907**	**7.005.903**
Year 2010						
Net value as at December 31, 2009	5.330.684	302.449	474.244	379.619	518.907	7.005.903
Increases	1.832	-	221.854	49.557	2.321	275.564
Disinvestments	-	-	-	(12.929)	-	(12.929)
Use of depreciation fund	-	-	-	12.513	-	12.513
Accumulated depreciation	(72.644)	(86.674)	(242.429)	(149.861)	-	(551.608)
Net value as at December 31, 2009	**5.259.872**	**215.775**	**453.669**	**278.899**	**521.228**	**6.729.443**
Value as at January 1, 2009						
Historical cost	6.059.429	2.023.014	3.055.057	2.962.282	521.228	14.621.010
Depreciation fund	(799.557)	(1.807.239)	(2.601.388)	(2.683.383)	-	(7.891.567)
Net value as at December 31, 2010	**5.259.872**	**215.775**	**453.669**	**278.899**	**521.228**	**6.729.443**
Year 2010						
Net value as at December 31, 2010	5.259.872	215.775	453.669	278.899	521.228	6.729.443
Increases	17.860	20.045	242.838	78.390	14.560	373.693
Disposals	-	-	-	(1.880)	-	(1.880)
Utilization of accumulated depreciation	-	-	-	1.692	-	1.692
Depreciation fund	(66.288)	(63.898)	(230.768)	(135.813)	-	(496.767)
Net value as at December 31, 2010	**5.211.444**	**171.922**	**465.739**	**221.288**	**535.788**	**6.606.181**
December 31,2010						
Historical cost	6.077.289	2.043.059	3.297.895	3.038.792	535.788	14.992.823
Accumulated depreciation	(865.845)	(1.871.137)	(2.832.156)	(2.817.504)	-	(8.386.642)
Net value as at December 31, 2010	**5.211.444**	**171.922**	**465.739**	**221.288**	**535.788**	**6.606.181**

Land and buildings amounting to 5,211 thousand euro includes:

- Land with a total value unchanged since the previous year of 4,108 thousand euro.
- Buildings for a total value of 1,028 thousand euro. This item includes the property leased to the PRIMA POWER UK LTD (167 thousand euro) and the company plant at via Antonelli No. 28 (861 thousand euro).
- Light constructions for 75 thousand euro.

Plants and machinery amounting to 172 thousand euro has decreased during the year to 44 thousand euro (increase by 20 thousand euro and depreciation for 64 thousand euro).

Industrial and trade equipment item equal to 466 thousand euro has increased during the year to 12 thousand euro and includes equipment for 386 thousand euro and Dies for 80 thousand euro. The value of the equipment has increased during the year of 243 thousand euro (of which 129 thousand euro generated internally) and is decremented for depreciation amounting to 231 thousand euro.

The Other tangible fixed assets are:

- Electronic office equipment with a value of 176 thousand euro;
- Office furniture, furnishings and equipment with a value of 31 thousand euro;
- Vehicles for 14 thousand euro.

The item Fixed assets in progress relates to costs incurred for preliminary analysis and design activities related to the construction of the new plant in Collegno (TO).

All above mentioned values at December 31, 2011 are net of accumulated depreciation except for land and fixed assets in progress that are not depreciated.

NOTE 11.2 – INTANGIBLE FIXED ASSETS

The following table illustrates the composition of intangible fixed assets at December 31, 2011 and at December 31, 2010, and the changes during the year.

Intangible fixed assets	Software	STIMA Rights	Development costs	Other intangible assets	TOTAL
Year 2010					
Net value as at December 31, 2009	**193.254**	**16.220**	**3.456.687**	**10.000**	**3.676.161**
Increases/(Decreases)	105.824	-	1.565.670	-	1.671.494
Depreciation	(162.643)	(16.220)	(847.430)	(5.000)	(1.031.293)
Net value as at December 31, 2010	**136.435**	**-**	**4.174.927**	**5.000**	**4.316.362**
Year 2011					
Net value as at December 31, 2010	**136.435**	**-**	**4.174.927**	**5.000**	**4.316.362**
Increases/(Decreases)	90.087	-	762.781	4.419	857.287
Depreciation	(104.413)	-	(989.594)	(5.884)	(1.099.891)
Net value as at December 31, 2011	**122.109**	**-**	**3.948.114**	**3.535**	**4.073.758**

The main components of intangible assets as of December 31, 2011 is the *Development costs*, which amounted to 3,948 thousand euro; during the year, this item has decreased by 227 thousand euro. All capitalized development costs relate to internal capitalization.

During 2011 *Development costs* for 763 thousand euro were capitalized:

- 295 thousand euro relating to projects that became operational during the year 2011;
- 468 thousand euro relating to activities not yet completed and therefore not yet in operation.

NOTE 11.3 - EQUITY INVESTMENTS IN SUBSIDIARIES

Shareholdings in subsidiaries	Investment value	Investment provisions	Net value as at Dec. 31, 2010	Establishment of new companies	Liquidations	Impairments	Other movements in PN	Net value as at Dec. 31, 2011
PRIMA ELECTRO SpA	1.912.384	-	1.912.384	-	-	-	32.318	1.944.702
PRIMA POWER GmbH	474.436	(474.436)	-	-	-	-	-	-
PRIMA FINN-POWER SWEDEN AB	248.516	(235.072)	13.444	-	(13.444)	-	-	-
PRIMA POWER UK LTD	1	-	1	-	-	-	-	1
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	-	92.821	-	-	-	-	92.821
PRIMA POWER CHINA Company Ltd	766.765	-	766.765	-	-	-	-	766.765
FINN POWER OY	90.929.008	-	90.929.008	-	-	-	19.530	90.948.538
PRIMA POWER IBERICA SL	1.441.304	-	1.441.304	-	-	-	-	1.441.304
OOO PRIMA POWER	122.737	-	122.737	-	-	-	-	122.737
PRIMA POWER SOUTH AMERICA Ltda	-	-	-	144.366	-	-	-	144.366
PRIMA POWER MAKINA TICARET LIMITED SIRKETI	-	-	-	99.860	-	-	-	99.860
TOTAL	**95.987.972**	**(709.508)**	**95.278.464**	**244.226**	**(13.444)**	**-**	**51.848**	**95.561.094**

The value of equity investments as of December 31, 2011 amounts to 95,561 thousand euro and is in increase compared to the previous financial year by 283 thousand euro.

The main events that contributed to this change in 2011 are illustrated below:

- PRIMA POWER SOUTH AMERICA Ltda. It is a new company based in St. Paul under Brazilian law, that became operational in the last quarter of 2011.

- PRIMA POWER MAKINE TICARET LTD SIRTEKI. It is a new company based in Istanbul under Turkish law. This company will become operational during the first half of 2012.

The constitution of these two companies in Brazil and Turkey reflects the company's desire to be more present in markets with high growth rate.

Also during the year 2011 it is clear that investments in FINN POWER ELECTRO OY and PRIMA SpA have increased a total of 52 thousand euro relating to the *fair value* of options granted to management companies and for society PRIMA FINN-POWER SWEDEN has completed the liquidation began in the second half of 2010.

Details of the cost of the equity investments compared with the shareholders' equity per share resulting from the economic-financial situation of the companies involved, in compliance with IAS/IFRS principles, is as follows:

Equity investment in subsidiaries	Net value as at Dec. 31, 2011	Equity as at Dec. 31, 2011	Stake	Equity pro-quota	Difference
PRIMA ELECTRO SpA	1.944.702	16.137.167	100,00%	16.137.167	14.192.465
PRIMA POWER GmbH	-	(5.540.236)	100,00%	(5.540.236)	(5.540.236)
PRIMA POWER UK LTD	1	391.063	100,00%	391.063	391.062
PRIMA POWER CENTRAL EUROPE Spzoo	92.821	19.813	100,00%	19.813	(73.008)
PRIMA POWER CHINA Company Ltd	766.765	878.597	100,00%	878.597	111.832
FINN POWER OY	90.948.538	52.085.009	100,00%	52.085.009	(38.863.529)
PRIMA POWER IBERICA SL	1.441.304	5.354.989	22,00%	1.178.098	(263.206)
OOO PRIMA POWER	122.737	619.477	99,99%	619.415	496.678
PRIMA POWER SOUTH AMERICA Ltda	144.366	58.517	99,97%	58.499	(85.867)

For information on the difference relative to FINN POWER OY , please see the details of the *impairment* test described in the consolidated financial statements (Note 8.2). It is to be noted that in order to valuate the shareholding in FINN-POWER OY in the separate financial statements, a comparison was made of the cost of the stake and the recoverable value of the CGU net of the financial payables of the FINN POWER Group at December 31, 2011, from which no impairment indicators emerged.

The resulting difference for the equity investment of PRIMA POWER GmbH is partially offset by a risk fund amounting to 4,608 thousand euro (see Note 11.19); the difference not covered by the fund mentioned amounting to 932 thousand euro is due entirely to the loss obtained by the subsidiary during the year 2011, mainly characterized by non-recurring events and therefore deemed recoverable in future years.

Regarding PRIMA POWER IBERICA SL, the difference is mainly due to losses sustained by the subsidiary in previous financial years and not considered representative of a structural reduction in the value of the shareholding; in the three period 2009-2011, despite the difficult economic situation, the Spanish company obtained positive results. All the companies listed above fall within the area of consolidation of the PRIMA INDUSTRIE Group.

The PRIMA POWER CENTRAL EUROPE Spzoo shows a difference between the value of equity investment and shareholders' equity per share of 73 thousand euro. The results of this company are improving and are expected to recover this difference over the next years.

PRIMA SOUTH AMERICA Ltda is a company in *start-up* and the first months of life has gained physiological losses for a newly formed company. In view of the market with

high rate of growth in which the company works, it is expected to recover this difference over the next years.

NOTE 11.4 - EQUITY INVESTMENTS IN JOINT VENTURES

The value of equity investments in joint ventures was unchanged with respect to the previous year, and refers for 1,273 thousand euro to the shareholding in SHANGHAI UNITY PRIMA LASER MACHINERY Co.Ltd (a Chinese company) and for 215 thousand euro to the equity investment in SNK - SHIN NIPPON KOKI Co.Ltd (a Japanese company).

For more details, refer to note 8.3 "INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD".

NOTE 11.5 - OTHER EQUITY INVESTMENTS

Other investment	Consorzio Sintesi	Unionfidi	Fidindustria	TOTAL
December 31, 2009	**51.600**	**129**	**103**	**51.832**
Increases	-	-	-	-
Decreases	-	-	-	-
December 31, 2010	**51.600**	**129**	**103**	**51.832**
Increases	-	774	-	774
Decreases	-	-	-	-
December 31, 2011	**51.600**	**903**	**103**	**52.606**

The Other Equity investments have increased over the previous year of 774 euro. The change is related to the increase of equity interest in the guarantee consortium Unionfidi.

As can be seen from the table above, the most important equity investment is in the Consorzio Sintesi (10% of the share capital). This consortium, with private and public organizations numbering among its partners, led by CNR (Consiglio Nazionale delle Ricerche), carries out research and development studies and technological industrialization for the manufacturing sector.

Other investments are related to two guarantee consortiums (Unionfidi and Fidindustria) to which the company has adhered. In addition to the above shareholdings, PRIMA INDUSTRIE SpA holds other shareholdings whose book value at 31/12/2011 was zero. The book value of these equity investments was zeroed in previous years due to the insolvency procedures to which they were subject; no costs to the company are expected to derive from completion of these procedures.

NOTE 11.6 - FINANCIAL ASSETS - LOANS TO SUBSIDIARIES

Financial assets - Loans to subsidiaries	PRIMA ELECTRO SpA	PRIMA POWER UK LTD	FINN POWER OY	TOTAL
December 31, 2009	**1.500.000**	**626.000**	**66.633.461**	**68.759.461**
Increases	22.076.736	-	-	22.076.736
Decreases	(1.500.000)	-	-	(1.500.000)
December 31, 2010	**22.076.736**	**626.000**	**66.633.461**	**89.336.197**
Increases	-	-	-	-
Decreases	(1.700.000)	-	-	(1.700.000)
December 31, 2011	**20.376.736**	**626.000**	**66.633.461**	**87.636.197**

As shown in the table above, the loans granted to subsidiaries (classified as non-current assets) amounted to 87,636 thousand euro and decreased during the year 2011 of 1,700 thousand euro, as a result of repayments made by PRIMA ELECTRO SpA. This financing was provided in the previous year, as part of the sale to PRIMA ELECTRO SpA of the PRIMA NORTH AMERICA (now PRIMA ELECTRO NORTH AMERICA LLC) equity investment.

The item "Current financial assets" amounted to 6,822 thousand euro and is as follows:

- loans to the FINN POWER OY and FINN POWER Italia subsidiaries arising from intergroup factoring contracts (4,537 thousand euro);
- interest earned on loans to subsidiaries (classified as "Financial assets - loans made to subsidiaries"), which amounted to 1,756 thousand euro.
- credit to the liquidator of PFP Sweden (529 thousand).This receivable was collected in January 2012.

NOTE 11.7 - OTHER FINANCIAL ASSETS

This item amounts to 16,438 thousand euro and refers exclusively to a loan made to the subsidiary FINN POWER OY; this asset refers to a class E share (so-called E-share) without the right to vote and paid for through an annual Euribor parameterized dividend plus spread. Compared to December 31, 2010, there was an increase of 496 thousand euro relating to interest accrued during 2011.

NOTE 11.8 - FISCAL ASSETS FOR PREPAID TAXES

The following table shows the movement of deferred tax assets during the year 2011.

Deferred tax assets	Dec. 31, 2011	Dec. 31, 2010
Initial balance	**1.802.439**	**2.174.635**
Provisions	135.234	338.298
Utilizations	(178.808)	(710.494)
Closing balance	**1.758.865**	**1.802.439**

The items that originate fiscal assets deriving from prepaid taxes can be summed up as follows:

Deferred tax assets	Deferred taxability	Deferred tax assets
Employees benefits	819.555	225.377
Inventories	1.783.166	490.371
Tangible fixed assets	2.648	831
Provisions for risks, charges and other debts	2.996.664	826.614
Current credits and debits	389.889	107.219
Other assets / liabilities	345.394	108.453
Total	**6.337.316**	**1.758.865**

With reference to the recoverability of these taxes, we point out that PRIMA INDUSTRIE SpA historically realised positive taxable incomes, for both corporate and regional income tax purposes, and expects to reach positive taxable income values also in coming years.

The assessment of the recoverability of deferred taxes takes into account the expected profitability in future years and is supported by the fact that the tax assets relate to adjusting items for which there is no time limit.

NOTE 11.9 - INVENTORIES

INVENTORIES	Dec. 31, 2011	Dec. 31, 2010
Raw materials	11.294.823	11.440.452
(Provision for raw materials)	(1.663.165)	(1.473.165)
Semifinished goods	5.282.128	4.209.867
(Provision for semifinished goods)	-	-
Finished goods	4.439.489	3.196.997
(Provision for finished goods)	(120.000)	(200.000)
Total	**19.233.275**	**17.174.151**

At December 31, 2011 inventories amounted to 19,233 thousand euro net of the provision for stock writedowns. During 2011 an increase of 2,059 thousand euro was recorded, this is in line with the higher volumes of production and reflects the strong increase in the order portfolio.

The following are movements of provisions for write-down of raw materials and finished products during the year.

Depreciation Fund	Raw materials	Finished goods
Balance as of December 31, 2010	**(1.473.165)**	**(200.000)**
Utilizations	-	80.000
Provisions	(190.000)	-
Balance as of December 31, 2011	**(1.663.165)**	**(120.000)**

Concerning utilizations of provisions for write-down of finished products refer to machines sold during the year and written down in previous financial years. All the provisions were made to adjust inventories to the market value.

NOTE 11.10 - TRADE RECEIVABLES

TRADE RECEIVABLES	Dec. 31, 2011	Dec. 31, 2010
Receivables from customers	21.480.623	17.951.913
Provision for bad debts	(240.906)	(379.242)
Receivables from other customers (net)	**21.239.717**	**17.572.671**
Receivables from related parties	18.219.595	15.042.752
TOTAL	**39.459.312**	**32.615.423**
	39.700.218	32.994.665

The trade receivables at December 31, 2011 amounted to 39,459 thousand euro and compared to the previous financial year the item recorded an increase of 6,844 thousand euro.

Compared to the previous year a positive change was identified both in terms of the gross receivables from third party customers, which have obtained a greater increase of 3,529 thousand euro, and with regard to receivables from related parties, amounting to 3,177 thousand euro, thanks to the good performance of the sales made to third party customers and to companies of the Group.

Trade receivables are included in receivables in foreign currency which relate to items denominated in U.S. dollars and British pounds and relate mostly to invoices issued to American and British subsidiaries.

Given the open positions as of December 31, 2011, adjustments to the exchange rate were entered correctly. Receivables denominated in currencies other than Euro are converted at the exchange rate effective on the date of closing of the financial statements. All the exchange differences are reflected in the Income Statement.

Movements in the write-down fund during the period considered are as follows:

Provision for doubtful credits	
Provision for doubtful credits as of January 1, 2011	**379.242**
Utilization	(228.676)
Provisions	90.339
Provision for doubtful credits as of December 31, 2011	**240.906**

The receivables write-down fund showed a decrease, largely due to the use of the same fund to cover losses on certain positions identified. The fund reflects the management's estimate of the losses that the Group can expect.

Below is a breakdown of trade receivables (including those of subsidiaries and associates and net of the receivable write-down fund) divided according to expiry.

Receivables by due date	Dec. 31, 2011	Dec. 31, 2010
Values in Euro thousand		
Not due	21.122	17.967
Expired 0 - 60 days	8.647	7.384
Expired 61 - 120 days	3.881	1.600
Expired over 120 days	6.050	6.043
Total	**39.700**	**32.994**

NOTE 11.11 - OTHER RECEIVABLES

This other current receivables amount to 2,113 thousand euro, in increase of 304 thousand euro compared to the previous year (1,809 thousand euro at December 31, 2010) and includes:

- contributions to be received for 1,223 thousand euro (it refers almost exclusively to a capital contribution on a program of technological innovation to be disbursed by the Ministry of Economic Development of approximately 1.1 million euro);
- advances to suppliers (for 636 thousand euro) paid on orders for future deliveries;
- security deposits (for 126 thousand euro);
- receivables from employees (45 thousand euro) for advances on travel expenses granted to employees;
- accruals and deferrals (for 80 thousand euro);
- other minor receivables (for 3 thousand euro).

PRIMA INDUSTRIE SpA as of December 31, 2011 has not entered in the financial statements other non-current receivables; the amount present in the financial statements as of December 31, 2010 in non-current assets (10 thousand euro) has been completely received.

NOTE 11.12 - OTHER FISCAL ASSETS

At December 31, 2011 the fiscal assets amounted to 1,776 thousand euro, basically in line with last year. Fiscal assets are represented by VAT receivables (for 1,748 thousand euro) and other tax receivables (for 28 thousand euro).

NOTE 11.13 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents	Dec. 31, 2011	Dec 31, 2010
Cash and checks	70.190	15.117
Bank accounts	2.401.804	442.917
Total	**2.471.994**	**458.034**

These amount to 2,472 thousand euro, against 458 thousand euro as of December 31, 2011 and is composed of cash (including foreign currency), checks and sight bank loans.

NOTE 11.14 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

Share capital as of December 31, 2011, fully underwritten and paid up, is composed of 8,640,696 ordinary shares with a nominal value of 2.5 euro each, equal to 21,601,740 euro.

LEGAL RESERVE

These amount to 4,320 thousand euro and was increased for 1,586 thousand euro in the year 2011, after the partial allocation of the net profit of the year 2010.

OTHER RESERVES

The item "Other reserves" for 54,326 thousand euro has the following breakdown.

- Extraordinary reserve: for 12,737 thousand euro, increased by 1,850 thousand euro with respect to December 31, 2010 due to the partial allocation of the profit of year 2010.
- Share premium reserve: amounts to 46,451 thousand euro and increased by 3 thousand euro following the capital increase occurred during 2011. This item is generated by the premium on the issue of new shares with respect to the nominal value.
- Reserve for adjustment to *fair value* adjustment of derivatives: it is negative for 5,550 thousand euro, representing the part entered directly to shareholders' equity at the market value of the hedge contracts on the risks of interest rate variability.

- *Stock option* reserve: amounting to 1,295 thousand euro, up by 157 thousand euro.
- Costs for share capital increase: negative for 1,286 thousand euro, representing costs incurred for the capital increases (such as bank fees, legal and administrative consultant fees, etc) which took place one early in 2008 and another resolved in 2009 and concluded at the start of 2010, in addition to an increase of 2 thousand euro occurred in 2011.
- Subsidiaries value recovery reserve: amounting to 679 thousand euro and has remained unchanged compared with December 31, 2010.

EARNINGS (LOSSES) CARRIED FORWARD

This item shows a negative value of about 1,573 thousand euro and remains unvaried. The item also includes amounts relative to differences in accounting methods on the date of IFRS transition; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

PROFIT (LOSS) FOR THE YEAR

The profit for the year is negative for 1,482 thousand euro.

The Profits/(Losses) entered directly in shareholders' equity refer entirely to the “Reserve for adjustment of hedges to *fair value*”, which benefited a profit of 92 thousand euro (see also the Comprehensive Income Statement).

For more information on the subject of :

- stock option plans, see the relative section in the Management Report;
- derivative financial instruments, see note 8.11 of the consolidated financial statements.
- share capital increase, see note 8.12 in the consolidated financial statements;

NOTE 11.15 - DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2011 PRIMA INDUSTRIE S.p.A. holds several derivative financial instruments for an overall net negative value of 6,342 thousand euro (of which 6,242 are non-current).

Company	Counterparty	Expiry date	Notional reference	MTM Dec. 31, 2011
Prima Industrie SpA	Unicredit	04/02/16	€ 29.964.286	€ 3.121.172
Prima Industrie SpA	Intesa-Sanpaolo	04/02/16	€ 29.964.286	€ 3.121.172
Prima Industrie SpA	MPS	30/01/12	$350.000	€ 20.708
Prima Industrie SpA	MPS	31/01/12	$1.100.000	€ 44.105
Prima Industrie SpA	MPS	16/01/12	$275.000	€ 10.922
Prima Industrie SpA	MPS	29/02/12	$330.000	€ 13.107
Prima Industrie SpA	MPS	30/04/12	$275.000	€ 10.922
			TOTAL	**€ 6.342.108**

At the time of drafting the financial statements as of December 31, 2011, a valuation of the financial derivatives held by the company was made in order to ascertain their type and establish how they were to be recorded.

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

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

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

Variations in the *fair value* of NON-HEDGE ACCOUNTING derivatives are disclosed in the income statement under financial costs. For more information on the subject of the IRS see note 8.10 “NET FINANCIAL POSITION”.

NOTE 11.16 - LOANS

The following is a breakdown of PRIMA INDUSTRIE SpA's loan status on December 31, 2011 (in comparison with December 31, 2010).

Bank borrowings and other financing	Dec. 31, 2011	Dec. 31, 2010
Current		
Bank overdrafts	803.450	1.031.098
Short-term factoring operations	1.035.532	513.774
Short-term payable for bank loans	35.688.819	31.878.531
Short-term payable for other finincing	405.543	92.984
Short-term payable for advances on invoices	3.135.146	1.790.560
Total current	**41.068.490**	**35.306.947**
Non current		
Payable for operational leasings	83.000	83.000
Long-term payable for bank loans	98.540.881	99.004.083
Long-term payable for other financing	96.054	190.560
Total Non current	**98.719.935**	**99.277.643**
TOTAL	**139.788.425**	**134.584.590**

On July 29, 2011 an agreement amending the FINPOLAR Loan was signed with the pool of lending banks that provided the postponement to February 2015 of the capital portion of the instalments related to Section A and C1 with original expiry in August 2011 and almost all of the capital portion of installments expiring in February 2012, with the extension to 2014 of the Section C2 (originally due in 2012); the establishment of new covenants consistent with the Group's multi-year industrial plan reviewed by BAIN & Co., to be verified as usual at December 31, 2011, and June 30 of each year starting in 2012 (clarifying that the calculation at June 30 will have as reference indexes those established for December 31 of the previous year). For more information refer to the consolidated financial statements in Note 8.10 - NET FINANCIAL POSITION.

The Financial payables of PRIMA INDUSTRIE SpA underwent the following movements during 2011.

Bank borrowings and other financing	Dec. 31.2010	Increases	Decreases	Reclassifications	Dec. 31.2011
Current					
Bank overdrafts	1.031.098	-	(227.648)	-	803.450
Short-term factoring transactions	513.774	521.758	-	-	1.035.532
Short-term payable for bank loans	31.878.531	10.013.386	(6.355.263)	152.165	35.688.819
Short-term payable for other finincing	92.984	-	(92.984)	405.543	405.543
Short-term payable for advances on invoices	1.790.560	1.344.586	-	-	3.135.146
Total current	**35.306.947**	**11.879.730**	**(6.675.895)**	**557.708**	**41.068.490**
Non current					
Payable for operational leasings	83.000	-	-	-	83.000
Long-term payable for bank loans	99.004.083	-	-	(463.202)	98.540.881
Long-term payable for other financing	190.560	-	-	(94.506)	96.054
Total Non current	**99.277.643**	**-**	**-**	**(557.708)**	**98.719.935**
TOTAL	**134.584.589**	**11.879.730**	**(6.675.895)**	**-**	**139.788.425**

During 2011 loans increased by a total of 5,204 thousand euro.

Some of the more significant variations include:
- Further use of the portion C2 of the FINPOLAR Loan for 5,401 thousand euro.
- Further use for 4 million euro of the portion D of FINPOLAR Loan.
- Further use for 1,345 thousand euro of lines of advances on invoices.
- Further use of factoring operations for 522 thousand euro of lines of advances on invoices.
- Repayment of the installment of the portion A of FINPOLAR loan at the expiry date(February 4, 2011) for 3,525 thousand euro.
- Full refund of certain smaller bank loans for 2,425 thousand euro.
- Repayment of other loans for 93 thousand euro.

At the date of the financial statements drafting the debt is regularly paid to the pool of lending banks relative to the FINPOLAR Loan, expiring on February 6, 2012 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.

The table below lists, for the assets and liabilities as of December 31, 2011 to third parties and on the basis of the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7.

Fair value by category - IAS 39 - December 31, 2011 Movements							
Values in euro thousand	Relevant values on balance according to IAS 39						
Assets	Category IAS 39	Financial value as of Dec. 31, 2011	Amortised cost	FV rilevato a patrimonio	FV in equity	IAS 17	Fair value as of Dec. 31, 2011
Cash and cash equivalents	NA	2.472	-	-	-	-	2.472
Assets held to maturity	Held to Maturity	6.822	-	-	-	-	6.822
Assets at fair value in profit or loss	Held for Trading	-	-	-	-	-	-
Assets valuated under IAS 17	NA	-	-	-	-	-	-
Total		**9.294**	**-**	**-**	**-**	**-**	**9.294**
Liabilities	Category IAS 39	Financial value as of Dec. 31, 2011	Amortised cost	FV rilevato a patrimonio	FV in equity	IAS 17	Fair value as of Dec. 31, 2011
Liabilities at amortized cost	Amortised Cost	138.670	138.670	-	-	-	140.170
Liabilities at fair value in profit or loss	Held for Trading	100	-	-	(54)	-	100
Hedging derivatives	NA	6.242	-	92	(1.884)	-	6.242
Liabilitis valuated under IAS 17	NA	83	-	-	-	83	83
Other financial liabilities - factoring	NA	1.036	-	-	-	-	1.036
Total		**146.131**	**138.670**	**92**	**(1.938)**	**83**	**147.631**

Gains and losses by category - IAS 39 - December 31, 2011			
Values in euro thousand			
Assets	Category IAS 39	Net gains and losses	of which interest
Cash and cash equivalents	NA	9	9
Assets held to maturity	Held to Maturity	47	47
Assets valued under IAS 17	NA	-	-
Total		**56**	**56**
Liabilities	Category IAS 39	Net gains and losses	of which interest
Liabilities at amortized cost	Amortised Cost	(5.509)	(4.944)
Liabilities at fair value in profit or loss	Held for Trading	(54)	2
Hedging derivatives	NA	(1.884)	(1.964)
Liabilitis valued under IAS 17	NA	-	-
Other financial liabilities - factoring	NA	(49)	(49)
Total		**(7.496)**	**(6.955)**

For more details about the Loans of PRIMA INDUSTRIE SpA, see the Management Report and the consolidated financial statements in Note 8.10 - NET FINANCIAL POSITION.

NOTE 11.17 - EMPLOYEE BENEFITS

The following table shows the composition of liabilities for employee benefits as of December 31, 2011 at the closing of the previous year.

EMPLOYEE BENEFITS	Dec. 31, 2011	Dec. 31, 2010
Italian employee's benefit liabilities	2.325.910	2.381.069
Fidelity premium	819.555	823.521
TOTAL	**3.145.465**	**3.204.590**

The Employees' Severance Indemnity Fund refers to mandatory indemnities due to employees during their working life and paid on termination of their employment. This indemnity is considered a defined benefit fund, subject to actuarial valuation with regard to future benefits and to benefits already paid.

Following the changes to the Employees' Severance Indemnity Fund as per Law 27 December 2006 (Finance Act 2007) and subsequent Decrees and Regulations issued in early 2007, for the purpose of IAS we have considered only the liability concerning the Employees' Severance Indemnity Fund matured and held by the company, as the amount not yet matured was credited to a separate account (complementary pension fund or FONDINPS). As a consequence of these payments the company will have no other liabilities in connection with future employee activity. Also for those who have explicitly decided to keep the severance indemnity in the company, and therefore subject to the regulations in force, the severance indemnity yet to mature starting from January 1, 2007, was paid into the Treasury Fund managed by INPS. This fund, based on art. 1, clause 5, of Budget 2007 ensures that private employees qualify for severance indemnity as per art. 2120 of the Civil Code, for the part equivalent to payments made.

Below are shown the changes of the Employees' Severance Indemnity Fund and of the Fidelity Premium during the year 2011.

Italian employee's benefit	Dec. 31, 2011	Dec. 31, 2010
Opening balance	**2.381.069**	**2.535.626**
Italian employee's benefit indemnities paid out during the period	(157.960)	(307.465)
Provision	11.253	4.800
Financial cost	102.801	123.111
Other movements	(11.253)	24.997
Closing balance	**2.325.910**	**2.381.069**

FIDELITY PREMIUM	Dec. 31, 2011	Dec. 31, 2010
Opening balance	**823.521**	**768.114**
Fidelity Premium paid during the period	(22.113)	-
Provision	(18.414)	55.407
Financial cost	36.561	-
Other movements	-	-
Closing balance	**819.555**	**823.521**

The fidelity premium refers to the seniority premium for employees of the Company paid at the end of 20, 30 and 35 years of service, corresponding to two gross monthly salaries. The main hypotheses used to estimate liabilities from employee benefits are as follows:

ACTUARIAL ASSUMPTIONS	Dec. 31, 2011	Dec. 31, 2010
Annual discount rate	4,00%	4,50%
Annual inflation rate	2,00%	2,00%
Annual Italian employee's benefit increase rate	3,00%	3,00%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury RG48, divided by sex;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with annual frequency of 5% depending on the company.

NOTE 11.18 - FISCAL LIABILITIES FOR DEFERRED TAXES

The following table shows the changes of deferred tax liabilities during the year 2011.

Deferred tax liabilities	Dec. 31, 2011	Dec. 31, 2010
Opening balance	**695.426**	**552.888**
Provisions	67.647	335.529
Utilizations	(108.773)	(192.991)
Closing balance	**654.300**	**695.426**

The main items for tax liabilities deriving from deferred taxes can be summed up as follows:

Deferred tax liabilities	Deferred taxability	Deferred tax liabilities
Tangible fixed assets	616.863	169.637
Current debits and credits	1.721.339	477.552
Other assets/liabilities	25.859	7.111
Total	**2.364.061**	**654.300**

NOTE 11.19 - FUNDS FOR RISKS AND CHARGES

The provisions for risks and charges as at December 31, 2011 amounted to 7,383 thousand euro (4,673 thousand non-current). During the year 2011 they decreased of 78 thousand euro.

Changes in current and non-current provisions are shown below.

Provisions for non-current risks	Cust. agent. ind. provision	Equity investment loss fund	TOTAL
December 31, 2009	**67.754**	**-**	**67.754**
Provisions	12.441	4.607.994	4.620.435
Utilizations	(13.104)	-	(13.104)
December 31, 2010	**67.091**	**4.607.994**	**4.675.085**
Provisions	5.436	-	5.436
Utilizations	(7.623)	-	(7.623)
December 31, 2011	**64.904**	**4.607.994**	**4.672.898**

Provisions for current risks	Guarantee fund	TOTAL
December 31, 2009	**2.418.000**	**2.418.000**
Provisions	2.645.000	2.645.000
Utilizations	(2.433.000)	(2.433.000)
December 31, 2010	**2.630.000**	**2.630.000**
Provisions	2.710.000	2.710.000
Utilizations	(2.630.000)	(2.630.000)
December 31, 2011	**2.710.000**	**2.710.000**

Provision for equity investment losses

This fund refers to the subsidiary company PRIMA POWER GmbH. For further details on this subject see “Note 11.3 - EQUITY INVESTMENTS IN SUBSIDIARIES”.

Guarantee Fund

This refers to provisions for work on Company products under warranty and is proportionate to the warranty costs that will be incurred. The guarantee fund increased with respect to year 2011 by 80 thousand euro.

Provision for agents’ customer indemnity

This represents the indemnity payables matured at year-end towards agents due for interruption to the agency relationship, in accordance with current legislation.

NOTE 11.20 - TRADE PAYABLES

Trade and other payables	Dec. 31, 2011	Dec. 31, 2010
Payable owed to suppliers	25.260.769	19.845.737
Amounts due to subsidiaries	11.405.865	7.031.053
Trade payables	**36.666.634**	**26.876.790**
Advances from customers	4.121.401	2.869.487
Advances from customers	**4.121.401**	**2.869.487**
Other payable due to subsidiaries	5.411.197	4.832.230
Social security payables	1.419.307	1.190.908
Amounts due to employees	1.823.612	1.361.830
Accrued expenses and deferred income	346.351	470.370
Other payables	40.036	228.181
TOTAL	**9.040.503**	**8.083.519**

Trade payables at December 31, 2011 amounted to 36,667 thousand euro, of which 25,261 thousand euro to third party suppliers and 11,406 thousand euro to related parties. Trade payables increased during the year 2011 of 9,790 thousand euro. This increase is primarily attributable to increased purchases of materials and services to support the increased volume of sales made during the year.

Advances from customers has increased over the previous year of 1,252 thousand euro; at December 31, 2011 it amounted to 4,121 thousand euro against 2,869 thousand euro in December 2010. This item contains the advances of orders for machines not yet delivered (1,943 thousand euro), and those generated by the application of accounting standard IAS18 relating to machines that have been delivered but not yet accepted by the end user and therefore not registrable among the revenues (2,178 thousand euro).

Other payables to related parties amount to 5,411 thousand euro and relate to debts arising from trade transactions occurred with subsidiaries or other related parties (strategic management and board of auditors). A significant portion of this debt, amounting to 4,832 thousand euro is due from the subsidiary FINN POWER OY and derives from the transaction reached in 2009 with EQT.

The debts related to security and welfare are payables to social security and welfare (especially INPS and other forms of assistance).

Payables to employees refers to salaries not yet paid, and compensation matured but not yet paid for leave not taken, for production bonus and incentives matured by managers and sales personnel and for travel expenses paid by the company for employees out for work.

NOTE 11.21 - FISCAL LIABILITIES FOR CURRENT TAXES

This item amount to 1,156 thousand euro (683 thousand euro at December 31, 2010) and is composed as shown in the following table.

Current tax liabilities	Dec. 31, 2011	Dec. 31, 2010
Income tax deductions (IRPEF)	504.860	488.001
Regional trade tax (IRAP)	645.456	161.649
Other tax payable	5.642	33.229
TOTAL	**1.155.958**	**682.879**

NOTE 11.22 - NET REVENUES FROM SALES AND SERVICES AND OTHER REVENUES

The *Net Revenues from sales and services* are exposed below subdivided by product/activity and by geographic area (values expressed in thousand euro).

Revenues from sales and services	Italy	%	Europe	%	North America	%	Rest of the world	%	Total
Machines	12.001	16,64%	22.921	31,78%	11.640	16,14%	25.562	35,44%	72.124
Services	5.674	77,22%	1.167	15,88%	160	2,18%	347	4,72%	7.348
Spare parts	751	8,77%	4.147	48,44%	1.365	15,94%	2.298	26,84%	8.561
Other sales - Miscellaneous	388	16,43%	379	16,05%	719	30,45%	875	37,06%	2.361
Total	**18.814**		**28.614**		**13.884**		**29.082**		**90.394**

Revenues as of December 31, 2011 amounted to 90,394 thousand euro and compared with 2010, they increased by 14,940 thousand euro (at December 31, 2010 their value amounted to 75,454 thousand euro). For more details about the trend in revenues, see the Management Report.

NOTE 11.23 - OTHER OPERATING REVENUES

Below is a summary report of the *Other operating revenues*.

Other operating income	Dec. 31, 2011	Dec. 31, 2010
Services provided and costs charged back to subsidiaries	1.092.726	787.123
Research and development projects income	380.560	80.560
Government grants	458.978	1.169.570
Extraordinary income	161.113	309.375
Insurance refunds	10.314	11.442
Collection of security deposits	-	432.707
Other	14.769	124.248
Total	**2.118.460**	**2.915.025**

Services and cost charge backs with respect to the various companies of the Group are ascribable to services provided by the parent company to subsidiaries in relation to accounting, finance, IT and managerial assistance.

The contributions entered in the income statement refer to facilitations on an unsecured basis for research and development accrued in the period of competence.

The income for research and development, refer to 300 thousand euro in a project to develop a new numerical control for use on PRIMA POWER machines and 81 thousand euro relating to the project called Hipernano, in collaboration with the Polytechnic of Turin.

The contingent assets mainly refer to adjustments of commitments made in the previous year.

NOTE 11.24 - INCREASES FOR INTERNAL WORKS

Capitalization for increases for internal work amounted to 892 thousand euro in 2011 against 1,718 thousand euro of the previous year.

The amount entered in the income statement for the year refers to 763 thousand euro for development costs relative to research projects and 129 thousand euro for costs incurred for the construction of production equipment. Technical feasibility and generation of likely future economic benefits were investigated for all capitalized projects.

The former category of costs is classified among intangible assets, and the latter among tangible assets.

NOTE 11.25 - PERSONNEL COST

Personnel costs	Dec. 31, 2011	Dec. 31, 2010
Salaries and wages	13.429.769	12.526.197
Social security contributions	4.135.651	3.799.140
Severance indemnities paid into complementary	763.969	728.714
Fidelity Premium	(40.527)	55.407
Ohter costs	577.590	688.057
TOTAL	**18.866.452**	**17.797.515**

Personnel costs amounted to 18,866 thousand euro, and are in increase over the previous year of 1,069 thousand euro. This increase is due to the increased number of employees needed to meet increased production needs.

It should be noted, here, the number of employees at December 31, 2011 compared to the end of the previous year.

Personnel movements	Dec. 31, 2011	Dec. 31, 2010
Executives	15	12
Front-line managers	16	14
Managers	16	15
Office staff	181	183
Intermediate	5	4
Production workers	76	58
Total ITALY	**309**	**286**
Foreign Branch office - Switzerland	2	3
Total PRIMA INDUSTRIE SpA	**311**	**289**

The overall workforce at PRIMA INDUSTRIE went from 289 units (at December 31, 2010) to 311 units (at December 31, 2011). It should be noted that, since the Company operates in a high-tech sector, employees are, on average, more specialized and thus labour costs are higher than the average industry *standards*.

NOTE 11.26 - DEPRECIATION

Depreciation increased by 14 thousand euro compared to the previous year. This increase is mainly due to intangible fixed assets, following implementation of numerous development projects capitalized in the previous years.

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

Depreciation	Dec. 31, 2011	Dec. 31, 2010
Intangible fixed assets	1.099.891	1.031.293
Tangible fixed assets	496.767	551.608
TOTAL	**1.596.658**	**1.582.901**

NOTE 11.27 - OTHER OPERATING COSTS

Operating costs amounts to 124,371 thousand euro at December 31,2011 and increased of 4,766 thousand euro compared to the previous year (it was 19,605 thousand euro at December 31,2010). The increase refers mainly to costs for commission work, travel expenses, shipping costs, temporary employment and other variable costs the increase of which reflects the growing volume of business achieved by the company during 2011.

OTHER OPERATING COSTS	Dec. 31, 2011	Dec. 31, 2010
External services	9.412.686	7.003.694
Travel expenses	2.845.630	2.304.985
Transport and custom duties	2.053.050	2.014.326
Technical, legal, fiscal and administrative consultation fees	1.748.773	1.408.148
Commissions	1.544.712	1.150.925
Temporary work	895.736	181.670
Rentals and other costs for leases	855.019	708.742
Utility	816.657	855.658
Other costs for services	797.858	567.909
Advertising and promotion	605.151	635.497
External maintenance	559.393	454.475
Administrators' fee	542.385	460.000
Rent	478.803	467.971
Insurances	408.522	344.711
Extraordinary liabilities	222.438	272.364
Statutory auditors' fee	105.000	129.609
Taxes	61.706	76.017
Other operating costs	245.983	216.903
Provision for risk	2.710.000	2.645.000
Utilization of provision for risk	(2.630.000)	(2.433.000)
Provision for doubtful debts	91.539	139.020
Total	**24.371.041**	**19.604.623**

The most significant *Other service costs* include:

- cleaning costs for 157 thousand euro;
- translation costs for 93 thousand euro;
- entertainment expenses for 80 thousand euro;
- royalties for 57 thousand euro;
- recruitment of personnel for 36 thousand euro;
- trademark and patent costs equal to 17 thousand euro.
- costs of manuals and documentation for 9 thousand euro;

NOTE 11.28 - FINANCIAL INCOME AND COSTS

Financial income and expences	Dec. 31, 2011	Dec. 31, 2010
Writedowns of equity investments in subsidiaries	-	(4.933.192)
Interest on short term loans (current/non current)	(5.044.003)	(4.045.409)
FV adjustment derivative instruments	(1.938.264)	(1.951.600)
Interest paid on Employee Italian tax benefits	(139.362)	(123.111)
Interest on trade allowances	(8.039)	(21.893)
Interest on leasing agreements	-	-
Bank charges (including amortized costs)	(864.117)	(720.116)
Financial expences	**(7.993.785)**	**(11.795.321)**
Recovery of value of equity investments in subsidiaries	-	11.279.671
Financial income from subsidiaries	3.526.706	2.138.784
Financial income from other companies	667.328	60.000
Interest income from customers	8.426	21.033
Interest in bank accounts	9.161	18.252
Financial income	**4.211.621**	**13.517.740**
Negative foreign exchanges differences	(745.282)	(631.575)
Positive exchange differences	895.719	463.353
Exchange rate differences	**150.437**	**(168.221)**
FINANCIAL INCOME AND EXPENSES (NET)	**(3.631.727)**	**1.554.198**

Financial management was negative for the year 2011 for 3,632 thousand euro.

The financial costs relative to the FINPOLAR loan amounted to 5,265 thousand euro and net financial costs on derivatives stipulated amount to 1,938 thousand euro. As shown in the table above, trade payables to credit institutions increased of about 1 million euro. This increase in mainly due to the increase of *spread* on the FINPOLAR Loan due to the modification of the contract as well as the increased use of credit lines. For more information refer to the consolidated financial statements in Note 8.10 - NET FINANCIAL POSITION.

NOTE 11.29- CURRENT AND DEFERRED TAXES

Current tax liabilities and deferred taxes	Dec. 31, 2011	Dec. 31, 2010
IRAP (Regional trade tax)	(610.167)	(556.143)
IRES *(included the effect derived from consolidated taxation)*	(47.401)	523.002
Taxes relating to previous years	(3.834)	93.246
Deferred tax assets	(43.574)	(372.196)
Deferred tax liabilities	41.126	(142.538)
Tax credit	27.704	-
TOTAL	**(636.146)**	**(454.629)**

The reconciliation between the fiscal costs entered in the financial statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows.

Reconciliation between ordinary and actuarial tax rates	2011
EARNINGS BEFORE TAX	**(846.522)**
IRES rate	*27,50%*
THEORICAL IRES ON INCOME	**(232.794)**
PERMANENT INCREASE	1.078.033
TEMPORARY INCREASE	3.338.182
PERMANENT DECREASE	(150.064)
TEMPORARY DECREASE	(4.455.648)
NON-DEDUCTABLE INTEREST	2.523.179
ROL SURPLUS RECOVERED FROM ITALIAN FISCAL CONSOLIDATED	(873.442)
ROL SURPLUS RECOVERED FROM SUBSIDIARIES	(441.349)
INCREASE/DECREASE	**1.018.891**
EFFECTIVE FISCAL RESULT	**172.369**
IRES rate	*27,50%*
EFFECTIVE IRES ON INCOME	**47.401**

NOTE 11.30 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

As of December 31, 2011, the situation relative to guarantees granted, commitments and other potential liabilities of the company was as follows.

Values in euro thousand

Potential guarantees, commitments and liabilities	Dec. 31, 2011	Dec. 31, 2010
Guarantees granted	20.368	21.660
Commitments towards leasing companies	1.432	894
Other commitments and significant contract	2.564	2.709
TOTAL	**24.364**	**25.263**

Commitments for buy-back agreements refer to sales made through leasing companies. Other commitments and significant contract rights refer mainly to rentals, operating leases and rents on buildings. There are no potential liabilities other than those already reported in the financial statements.

NOTE 11.31 - TRANSACTIONS WITH ASSOCIATED PARTIES

Relations with associated parties are generally represented by transactions with companies controlled directly or indirectly by the Company or with joint ventures regulated at market conditions considered normal in the reference market, in view of the characteristics of the assets and the services rendered.

The impact of these transactions on individual items in the 2011 financial statements, already highlighted in the supplementary tables of the balance sheet and income statement, drawn up in accordance with CONSOB Resolution no. 15519 of 27 July 2006, is summarize in the following table:

Associated parties – financial items

Counterparty	Financial receivables	Trade receivables	Other receivables	Trade payables and advances	Other debts
FINN-POWER ITALIA Srl	2.823.000	1.195.130	45.000	3.384.401	-
PRIMA ELECTRO SpA	21.052.122	238.220	45.000	2.019.504	-
PRIMA POWER GmbH	85.861.091	2.263.890	-	2.246.587	4.832.230
PRIMA POWER BENELUX NV	-	361.966	-	-	-
PRIMA POWER CENTRAL EUROPE Spzoo	-	1.031.894	-	68.951	-
PRIMA POWER FRANCE Sarl	-	1.677.946	-	5.033	-
PRIMA POWER GmbH	-	4.874.920	-	17.799	-
PRIMA POWER UK LTD	-	95.641	2.852	80.963	-
OOO PRIMA POWER	631.120	1.029.381	-	187.994	2.786
PRIMA POWER CENTRAL EUROPE Spzoo	-	111.413	-	19.645	-
PRIMA ELECTRO NORTH AMERICA LLC	-	97.221	-	2.522.139	151.787
PRIMA ELECTRO SpA	-	135.453	-	736.172	-
PRIMA POWER LASERDYNE LLC	-	1.998.302	-	185	-
PRIMA POWER NORTH AMERICA Inc	-	3.102.544	-	20.270	-
PRIMA POWER CHINA Company Ltd	-	1.144	86.550	96.222	-
SHANGHAI UNITY PRIMA LASER MACHINERY Co.Ltd	-	-	-	-	-
SNK - SHIN NIPPON KOKI Co.Ltd	-	4.530	-	-	
STRTEGIC MANAGEMENT	-	-	-	-	319.394
BOARD OF AUDITORS	-	-	-	-	105.000
TOTAL	*110.367.333*	*18.219.595*	*179.402*	*11.405.865*	*5.411.197*

Associated parties – economic items

Counterparty	Revenues	Other operating revenues	Financial income	Purchases	Personnel costs	Other operating costs
FINN-POWER ITALIA Srl	1.116.947	111.890	15.190	3.865	-	207.902
PRIMA ELECTRO SpA	22.713	224.883	675.386	3.597.080	-	524.448
PRIMA POWER GmbH	1.609.872	182.105	2.818.109	140.755	57.985	131.160
PRIMA POWER BENELUX NV	1.263.599	26.741	-	-	-	10.400
PRIMA POWER CENTRAL EUROPE Spzoo	1.701.525	23.867	-	59.353	-	122.575
PRIMA POWER FRANCE Sarl	2.100.648	31.138	-	37.289	-	44.486
PRIMA POWER GmbH	8.966.865	87.034	-	471.555	93.646	373.022
PRIMA POWER UK LTD	2.600.259	30.661	-	13.593	-	202.553
OOO PRIMA POWER	1.831.596	33.921	18.021	4.737	-	187.127
PRIMA POWER CENTRAL EUROPE Spzoo	1.863.523	155.266	-	-	-	108.815
PRIMA ELECTRO NORTH AMERICA LLC	24.699	126.013	-	5.228.129	-	52.129
PRIMA ELECTRO SpA	208.057	10.536	-	12.700	-	424.440
PRIMA POWER LASERDYNE LLC	8.262.507	7.251	-	36.001	-	8.264
PRIMA POWER NORTH AMERICA Inc	5.593.618	41.276	-	-	-	18.362
PRIMA POWER CHINA Company Ltd	1.000	144	-	-	-	53.472
SHANGHAI UNITY PRIMA LASER MACHINERY Co.Ltd	4.049	-	-	-	-	-
SNK - SHIN NIPPON KOKI Co.Ltd	-	-	-	-	-	-
STRTEGIC MANAGEMENT	-	-	-	-	593.588	542.385
BOARD OF AUDITORS	-	-	-	-	-	105.000
TOTAL	*37.171.477*	*1.092.726*	*3.526.706*	*9.605.057*	*745.219*	*3.116.540*

In terms of the impact on the financial flows of relationships with associated parties, these were not represented in a table, since they are almost entirely linked to transactions with companies that are directly or indirectly controlled by the Company, as illustrated previously. The above table does not contain items deriving from national consolidated taxation, since they do not represent actual exchanges, but rather only those originating from the financial procedures provided for in national taxation legislation (receivables from PRIMA ELECTRO for 1,078 thousand euro and payables to FINN-POWER ITALIA of 664 thousand euro).

NOTE 11.32 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

2011During 2011 the company carried out several non-current transactions related to actions for reorganization and restructuring (expenses amounted to 39 thousand euro).

NOTE 11.33 - TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with CONSOB Communication dated 28 July 2007, during 2011 the company performed no atypical and/or unusual transactions, as defined by the Communication, which states that atypical and/or unusual transactions are those operations whose size/importance, nature of the counter parties, object, price transfer determination method and timing (proximity to close of the financial year) can give rise to doubts regarding: the correctness/completeness of the information in the financial statements, conflict of interests, safeguard of company assets, protection of minority shareholders.

NOTE 11.34 - NET FINANCIAL POSITION

	FINANCIAL POSITION	Dec. 31, 2011	Dec. 31, 2010	Variations
	Values in euro thousand			
A	CASH	2.472	458	2.014
B	OTHER CASH EQUIVALENTS	-	-	-
C	SECURITIES HELD FOR TRADING	-	-	-
D	**CASH (A+B+C)**	**2.472**	**458**	**2.014**
E	**CURRENT FINANCIAL RECEIVABLES**	**6.822**	**402**	**6.420**
F	CURRENT BANK LOANS	4.037	2.874	1.163
G	CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	35.689	31.878	3.811
H	OTHER CURRENT FINANCIAL PAYABLE	1.441	607	834
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**41.167**	**35.359**	**5.808**
J	**CURRENT NET FINANCIAL INDEBTEDNESS (I-D-E)**	**31.873**	**34.499**	**(2.626)**
K	NON-CURRENT BANK LOANS	104.783	105.410	(627)
L	BOND ISSUED	-	-	-
M	OTHE NON-CURRENT FINANCIAL PAYABLES	179	274	(95)
N	**NON CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**104.962**	**105.684**	**(722)**
O	**NET FINANCIAL INDEBTEDNESS (J+N)**	**136.835**	**140.183**	**(3.348)**

In accordance with Consob notice no. DEM/6064293 of July 28, 2006, the table of the Net Financial Position shown above does not indicate non-current financial receivables which as of December 31, 2011 amount to 104,074 thousand euro (as of December 31, 2010 they amounted to 105,278 thousand euro). These receivables refer to loans granted to the subsidiaries FINN-POWER OY (including the E-share financial receivable), PRIMA ELECTRO SpA and PRIMA POWER UK LTD.

For more details about the Net Financial Position see the following notes:

- 11.6 - Financial assets - Loans to subsidiaries

- 11.13 - Cash and cash equivalents
- 11.16 – Loans

TABLE OF ESSENTIAL DATA FROM LAST FINANCIAL STATEMENTS OF THE SUBSIDIARIES

Hereinafter is shown a summary report of essential data of the Financial Statements of subsidiaries by segment as of December 12, 2011.

PRIMA POWER

Values expressed in Euro thousand	PRIMA POWER GMBH	PRIMA POWER UK LTD.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	FINN-POWER OY	FINN-POWER ITALIA S.r.l.	PRIMA POWER IBERICA S.L.	PRIMA POWER FRANCE Sarl	PRIMA POWER BENELUX	BALAXMAN OY	PRIMA MACHINE SERVICES INDIA PVT.LTD.	PRIMA POWER NORTH AMERICA INC.	PRIMA POWER CANADA Ltd.	PRIMA POWER LASERDYNE LLC
NON-CURRENT ASSETS	178	20	18	327	50	6	117.005	9.821	673	57	51	59	24	2.938	-	2.896
CURRENT ASSETS	11.176	5.349	1.632	2.521	236	1.740	78.773	38.730	5.736	3.646	1.663	39	65	20.615	594	18.525
NON-CURRENT ASSETS DESTINATED TO DISINVESTMENT	-	-	-	-	-	-	-	1.012	-	-	-	-	-	-	-	-
TOTAL ASSETS	**11.354**	**5.369**	**1.650**	**2.848**	**286**	**1.746**	**195.778**	**49.563**	**6.409**	**3.703**	**1.714**	**98**	**89**	**23.553**	**594**	**21.421**
SHAREHOLDERS' EQUITY	(5.540)	391	20	619	59	879	52.085	6.751	5.355	(2.145)	(2.479)	88	83	7.760	399	1.263
NON-CURRENT LIABILITIES	54	629	-	129	-	3	83.244	3.939	-	67	24	-	-	1.866	-	-
CURRENT LIABILITIES	16.840	4.349	1.630	2.100	227	864	60.449	38.873	1.054	5.781	4.169	10	6	13.927	195	20.158
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY	**11.354**	**5.369**	**1.650**	**2.848**	**286**	**1.746**	**195.778**	**49.563**	**6.409**	**3.703**	**1.714**	**98**	**89**	**23.553**	**594**	**21.421**

Values expressed in Euro thousand	PRIMA POWER GMBH	PRIMA POWER UK LTD.	PRIMA POWER CENTRAL EUROPE Sp.z.o.o.	OOO PRIMA POWER	PRIMA POWER SOUTH AMERICA LTDA	PRIMA POWER CHINA CO.LTD.	FINN-POWER OY	FINN-POWER ITALIA S.r.l.	PRIMA POWER IBERICA S.L.	PRIMA POWER FRANCE Sarl	PRIMA POWER BENELUX	BALAXMAN OY	PRIMA MACHINE SERVICES INDIA PVT.LTD.	PRIMA POWER NORTH AMERICA INC.	PRIMA POWER CANADA Ltd.	PRIMA POWER LASERDYNE LLC	PRIMA FINN-POWER SWEDEN
REVENUES	24.661	6.667	3.344	11.493	76	815	103.934	36.863	10.578	9.343	8.048	45	-	39.331	885	25.137	-
EBIT	(905)	63	73	755	(108)	74	4.129	417	81	(334)	(288)	(2)	(20)	847	67	2.125	(51)
PROFIT BEFORE TAX	(922)	107	47	725	(111)	12	2.390	(59)	128	(335)	(285)	(2)	(20)	619	67	1.970	(47)
NET INCOME	**(932)**	**106**	**4**	**561**	**(90)**	**(2)**	**2.346**	**(267)**	**89**	**(335)**	**(285)**	**(2)**	**(20)**	**512**	**53**	**1.124**	**(47)**

PRIMA ELECTRO

Values expressed in Euro thousand	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA
NON-CURRENT ASSETS	38.699	9	4.563	-
CURRENT ASSETS	24.660	1.492	23.213	37
NON-CURRENT ASSETS DESINATED TO DISINVESTMENTS	-	-	-	-
TOTAL ASSETS	**63.359**	**1.501**	**27.776**	**37**
SHAREHOLDERS' EQUITY	16.137	1.326	18.488	(8)
NON-CURRENT LIABILITIES	4.084	1	1.947	-
CURRENT LIABILITIES	43.138	174	7.341	45
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY	**63.359**	**1.501**	**27.776**	**37**

valori espressi in migliaia di euro	PRIMA ELECTRO S.p.A.	OSAI UK LTD.	PRIMA ELECTRO NORTH AMERICA LLC	PRIMA ELECTRO CHINA	OSAI USA
REVENUES	38.480	1.016	19.542	8	1.069
EBIT	4.726	30	1.268	(45)	(37)
PROFIT BEFORE TAXES	3.686	37	1.514	(47)	(46)
NET INCOME	**2.200**	**27**	**976**	**(47)**	**(38)**

It should be noted that all the financial statements listed above refer to December 31, 2011 and were prepared and reclassified in accordance with the international IAS/IFRS accounting standards.

INFORMATION PURSUANT TO ART. 149-DUODECIES OF ISSUER REGULATION CONSOB - PRIMA INDUSTRIE GROUP

The following table, prepared in accordance with art. 149-duodecies of the Consob Issuer Rules indicates the auditing fees for the year 2011 for auditing services and services other than auditing performed by the same auditing company and by companies in its network.

Audit costs (expressed in euro thousand)	2011
Parent company audit	101
Subsidiary audit	151
Other services	22
TOTAL	**274**

CERTIFICATION OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011

PURSUANT TO ART. 81B OF CONSOB REGULATION No.11971 DATED MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (the director appointed to draw up the corporate accounting documents) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154-bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:
   - the adequacy in relation to the business characteristics and
   - effective application of the administrative and accounting procedures for the drafting of the financial statements for the year 2011.

2. No significant aspects have emerged in this regard.

3. We also certify that:

3.1 the Financial Statements:
   a) are drafted in compliance with the applicable accounting standards as adopted by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, dated July 19, 2002;
   b) reflect the book entries and accounting documentation;
   c) provide an accurate and truthful representation of the issuing company's equity, financial and economic situation.

3.2 The report on operations includes a reliable analysis of performance and results of management, and of the situation of the issuing company, together with a description of the main risks and uncertainties to which it is exposed.

Date: 14/03/2012

Signed by the appointed Administrative Executive

____

Signature of executive in charge of drafting
the company accounting documents

____

ERNST & YOUNG

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the financial statements of Prima Industrie S.p.A. as of and for the year ended December 31, 2011, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 25, 2011.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Prima Industrie S.p.A. for the year then ended.

4. The management of Prima Industrie S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure , as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Prima Industrie S.p.A. as of December 31, 2011.

Turin, March 23 2012

Reconta Ernst & Young S.p.A.

signed by: Stefania Boschetti, partner

Reconta Ernst & Young S.p.A.
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Capitale Sociale € 1.402.500,00 i.v.
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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the consolidated financial statements of Prima Industrie S.p.A. and its subsidiaries, (the "Prima Industrie Group") as of and for the year ended December 31, 2011, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 25, 2011.

3. In our opinion, the consolidated financial statements of the Prima Industrie Group at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Prima Industrie Group for the year then ended.

4. The management of Prima Industrie S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Company's Ownership Structure , are consistent with the consolidated financial statements of the Prima Industrie Group as of December 31, 2011.

Turin, March 23 2012

Reconta Ernst & Young S.p.A.

signed by: Stefania Boschetti, partner

Reconta Ernst & Young S.p.A.
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PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli, 32 10097 Collegno (Turin)
Share capital: 21,601,740.00 Euro, fully paid-in
Registered in the Turin Business Registry under No. 03736080015
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BOARD OF AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING CONVENED FOR APPROVAL OF THE FINANCIAL STATEMENTS AS OF 31/12/2011

(in accordance with art. 153 of Legislative Decree No. 58 dated February 24, 1998)

Ladies and Gentlemen,

First, we want to turn a respectful heartfelt thought to the memory of Riccardo Formica, Chairman of the Company's Board of Statutory Auditors since 1995, recently and suddenly died, recalling his humanity, intelligence, professionalism and competence.

In accordance with article 28 of the by-laws, the role of Mr. Formica as Chairman of the Board of Statutory Auditors is replaced by Mr. Franco Nada who was appointed alternate auditor in the list submitted by the minority in the Meeting held on April 27, 2010, who will remain in office, pursuant to art. 2401 of the Civil Code, up to the Shareholders' Meeting convened to approve the financial statements of the year ended December 31, 2011.

With this report we fulfil the obligations under article 153 of Legislative Decree no. 58 dated February 24, 1998, also in accordance with article 2429, clause 2, of the Civil Code, having waived the term provided by article 154-ter clause 1-ter of Legislative Decree no. 58 dated February 24, 1998.

In the past year we fulfilled our duties as specified in art. 149 of Legislative Decree no. 58 of dated 24, February 1998, which allows us to report you on the following topics.

Oversight and information received

During the year, the Statutory Auditors:

- held 5 board meetings, always attended by all the members of the board;
- attended 7 meetings of the Board of Directors;
- attended 4 meetings of the Internal Control Committee;
- attended one Shareholders' Meeting;

- maintained a constant informative channel and held regular meetings with the auditing company, for timely exchanges of data and information relative to the performance of their respective duties;
- met with the person assigned to the system of internal control;
- met with the Monitoring Organization appointed pursuant to Legislative Decree no. 231 dated June 8, 2001;
- gathered documents and information deemed relevant by the executive directors, the executive assigned to draft the company's accounting documents and other company functions;
- exchanged information with the Board of Auditors of Prima Electro S.p.A. pursuant to art. 151, clauses 1 and 2, of Legislative Decree No. 24 dated February 24, 1998.

During the Board meetings, we were informed about the activities performed and the most significant transactions from the economic, financial and equity viewpoint, which were made or are in progress and we acquired information relative to their compliance with the law, the by-laws, the resolutions passed by shareholders' meetings and the absence of any conflicts of interest.

With particular reference to the functions acquired pursuant to art. 19 of Legislative Decree no.39 dated January 27, 2010, we held joint meetings and coordinated with the Internal Control Committee, proceeding in particular to monitor:
- the process relative to financial information;
- the effectiveness of the systems of internal control and risk management;
- on the legal auditing of the annual accounts and consolidated accounts;
- on the aspects relative to the independence of the auditing company.

In the sphere of the meetings with the legal auditing company and the internal control committee, we examined the work program adopted by them, received information about the accounting standards used, the book representation of the most significant transactions that took place during the year under consideration, and the outcome of the auditing activities.

We acknowledge that the legal auditing company Reconta Ernst & Young S.p.A., on the independence of which we have no reservations, presented us today with its report in which, pursuant to art. 19, third clause, of Legislative Decree no. 39 dated January 27, 2010, we observe that no fundamental objections were raised and no any significant shortcomings were found in the system of internal control, with reference to the process of financial reporting.

We assessed and verified the adequacy of internal auditing and administrative-accounting systems and the reliability of the latter in correctly representing the management information. This was done by collecting information from the managers of the respective functions, analysing the corporate documents, analysing the report of the Internal Control Manager, analysing the results of the work performed by the legal auditing company and by taking part in the meetings of the Internal Auditing Committee established under the Board of Directors of the company and consisting of three independent members of the

Board.

We monitored the method of actual implementation of the rules of corporate governance specified by the Code of Self-discipline adopted by Prima Industrie S.p.A.. In particular, we checked, on an annual basis the existence of the requirement of independence in relation to the independent members of the Board of Directors.

On the basis of the activities of oversight performed by us, we can express an evaluation of adequacy of the organization structure to the size and activities performed by the company, the system of internal control as a whole, and the ability of the account management to correctly represent the events of management.

The Board of Directors sent us the financial report relating to the first six months of the previous financial year, as well as the quarterly reports for the first and third quarter of 2011, within the specified period. These were published within the periods and as required by the regulations issued by Consob and the Italian Stock Exchange.

The half-yearly report on consolidated information on Prima Industrie Group was subject to a limited audit by Reconta Ernst & Young S.p.A. The quarterly data and information were not audited as this was not a mandatory requirement.

We examined the draft Financial Statements at December 31, 2011, prepared by the Directors as required by the law and communicated by them to the Board of Statutory Auditors during the board meeting held on March 14, 2012. The certification of the Chairman-Managing Director and of the manager assigned to draft the company's accounting documents pursuant to art. 154-bis of Legislative Decree no. 58 dated February 24, 1998 is enclosed with the financial statements.

In particular, we ascertained that no exceptions were applied in terms of section 2423, clause 4, of the Italian Civil Code.

In addition, we acquired from the legal auditing company Reconta Ernst & Young S.p.A. the report that was issued today to the 2011 Financial Statements, in accordance with section 156 of Legislative Decree no. 58 dated February 24, 1998. In this regard no criticisms were raised by the auditors.

We have audited the Remuneration Report prepared in accordance with Art. 123-ter of Legislative Decree no. 58 dated February 24, 1998. 58 and transmitted by the Board of Directors during the Board meeting of March 14, 2012 on which the Board is called to decide in favour or against with a non-binding vote.

With reference to Consob communication no. 1025564 of April 6, 2001, for the aspects which pertain to our duties, we can state the following:

- The information provided by the Directors in the Management Report was found to be thorough and complete.
- in compliance with the Consolidated Law on Finance (Legislative Decree no. 58 dated

February 24, 1998), the Board of Statutory Auditors has been constantly informed on all matters within its sphere of competence.

- the periodical reviews and audits made on the company have not brought to light the existence of atypical and/or unusual operations with others, associated parties or within the group.
- The instructions given by Prima Industrie S.p.A. to its subsidiaries, in accordance with section 114, paragraph 2 of Legislative Decree No. 58 dated February 24, 1998 are believed to be adequate. The presence of corporate bodies of the Parent Company's Board of Directors in the subsidiary companies' control bodies is a further guarantee for adequate exchange of information;
- as regards intra-group operations, the Directors, in their Report on Operations, highlight and illustrate the existence of relations between the company and the other companies of the group to which it belongs, as well as associated companies, specifying that these relations were entertained at market conditions deemed normal on the respective reference markets, taking account of the characteristics of the goods and services provided and/or loans granted to the subsidiaries. In this regard we note that with effect from
January 1, 2011 have been implemented the "Procedures for Related Party Transactions", in accordance with CONSOB Regulation no. 17221 of 12 March 2010 and the Consob Communication of 24 September 2010, whose guidelines were adopted by the Board of Directors voted on November 10, 2010;
- from the exchange of information with the auditors of the subsidiary Prima Electro S.p.A., there were no aspects to report;
- we examined and obtained information on the activities of an organizational and procedural nature carried out pursuant to and by the effects of Legislative Decree no. 231 dated June 8, 2001 and subsequent additions, on the administrative liability of organizations for the crimes foreseen by those laws. The Monitoring Organization in its report exposes the activities carried out during 2011, noting the positive assessment of the operation and effectiveness of the model used;
- no critical aspects arose during the meetings held with the auditors pursuant to art. 150 of Legislative Decree No. 58 dated February 24, 1998;
- No other appointments were conferred to the legal auditing company, Reconta Ernst & Young S.p.A. by the Prima Industrie S.p.A, aside from those foreseen by art. 155 of Legislative Decree no. 58 dated February 24, 1998, from additional charges related to the stamp of approval affixed to the VAT return for 3,000 euro and from the personnel management of the branch office in Switzerland for 6,350 euro. The activities required by the auditing company, and relative fees, are indicated in the explanatory notes of the financial statements and were summarized for us by the auditors;
- the legal auditing company's report, issued today, does not contain any objections, informative observations or proposals and considers the Management Report consistent;

- in accordance with art. 149, clause 1 letter c) bis of Legislative Decree no. 58 dated February 24, 1998 we acknowledge that the management in its report on Corporate Governance and Ownership annexed to the financial statements specify the following:

  "*The Issuer complies with the Self-discipline Code promoted by the Italian Stock Exchange except in certain specific points. Where the company has deviated from the Code, this report indicates and explains the reasons*".

  In the aforementioned Annual Report, the directors furnish detailed information about the mode of implementation of the principles of corporate governance approved by the Italian stock exchange.

  This report is consistent with the provisions of art. 123-bis of the Unified Text of the Law and the auditing company has expressed its finding of consistence of the information cited in clause 4 of this legislation;

- pursuant to art. 2408 of the Italian Civil Code, we have not received any complaints from shareholders relating to any potentially censurable deeds, and no claims have been filed by shareholders and/or others;.
- during the year we provided the advice provided in relation to the award of compensation, bonuses and incentives.

We acknowledge that Prima Industrie S.p.A. is not in a situation of dependence or subsidiarity to other companies.

We observe, pursuant to art. 122 of Legislative Decree no. 58 dated February 24, 1998, that there is a corporate agreement stipulated on December 12, 2008, between Mr. Guido Carlo Marchetti San Martino di Muriaglio, Enrico Marchetti San Martino di Muriaglio and Carlo Alberto Marchetti San Martino di Muriaglio.

We inform you that a stock option plan intended for the executive directors of Prima Industrie S.p.A., Prima Electro S.p.A., the corporate financial director and the general manager of Prima Industrie S.p.A., as managers who take strategic decisions, is still in progress following its approval by the regular shareholders' meeting held on April 29, 2008. In its Report on Business Operations, the managers furnish detailed and exhaustive information about the plan, which is also available on the company website.

Prima Industrie S.p.A. does not hold any treasury stock.

In concluding our report, we acknowledge that the Board of Directors has provided during the year to check the effective independence of the independent directors, and we confirm the correct application of the criteria and procedures for ascertaining this pursuant to art. 3.cl.5 of the Code of Self-Discipline while, for our part, we verified the continuation of our own independence as required by art. 8.c.1 (art. 10.c.2). of the same Code.

As regards the financial statements for the year ending December 31, 2011, showing a loss of 1,482,668 euro, we verified respect of the laws regulating its composition and format, through the controls performed by us, within the limits of our competence, in accordance with art.149 of Legislative Decree no. 58 dated February 24, 1998, taking account of the information furnished to us by the auditing company.

The shareholders' meeting convened for approval of the financial statements is also called upon to resolve on the subject of other matters in the sphere of its competence. We recall that fact must be, among other things, appointed Chairman of the Board of Auditors and one alternate Auditor.

In light of the above and given the legal audit performed by the legal auditing company Reconta Ernst & Young S.p.A., which has expressed an opinion without observations on the annual Financial Statements, in our opinion we can recommend your approval of the company's Financial Statements as of 31st of December, 201 and the proposal formulated by the Board of Directors as regards coverage of operating losses for the year.

Collegno, March 23, 2012

The Board of Statutory Auditors

(Franco Nada) - Chairman

(Andrea Mosca) - Regular Auditor

(Roberto Petrignani) – Regular Auditor

PRIMA INDUSTRIE GROUP

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BOARD OF AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2011

Ladies and Gentlemen,

The Board of Directors of Prima Industrie S.p.A. drafted and approved the Consolidated Financial Statements for the year ending December 31, 2011, in compliance with Legislative Decree No. 127 dated April 9, 1991 and the provisions enacted to implement art. 9 of Legislative Decree no. 38 dated February 28, 2005; the Financial Statements were presented to us at the Board Meeting on March 14, 2012.

The consolidated financial statements of the group include certification by the Chairman-Managing Director and Manager appointed to prepare the accounting and corporate documents pursuant to art. 154-bis of Legislative Decree no. 58 dated February 24, 1998.

We acknowledge that we have prepared this report waiving the term foreseen by art. 154-ter clause 1-ter of legislative decree no. 58 dated February 24, 1998:

The Consolidated Financial Statements of the Prima Industrie Group - which are presented to you - show a Net Result of 1,932,659 €euro and are drafted in compliance with the International Financial Reporting Standards (IAS/IFRS).

During the course of the year, the Board of Statutory Auditors performed the activities of oversight required by the law and was regularly informed by the parent company's Board of Directors about significant economic and financial operations, both ordinary and extraordinary, undertaken within the scope of the group.

We verified that the operations resolved and implemented were in accordance with the law and Articles of Association, were not in conflict with the resolutions of the meetings, or in potential conflict of interest and that compliance with the principles of proper management was assured.

We paid particular attention to reviewing intra-group operations taking place during the year, observing the regularity of transactions, both where these operations were of a commercial nature and also where they related to the loans extended by the parent company to the subsidiaries.

The checks carried out by Reconta Ernst & Young S.p.A., who was appointed to perform the legal audit, verified that the information of the consolidated financial statements corresponded to the accounting entries of the parent company, as well as to the financial statements of the subsidiaries and associated data officially communicated by them.
The Board of Statutory Auditors therefore did not review these Financial Statements, in

accordance with the provisions of article 41 no. 3 of Legislative Decree No. 127 dated April 9, 1991.
We inform you that we obtained from the legal auditing company copy of the report on the consolidated financial statements which were issued in accordance with article 156 of Legislative Decree No. 58 dated February 24, 1998 as amended, and have no observations to report. The auditing company confirmed that the Report on Operations was coherent with the consolidated financial statements of Prima Industrie S.p.A. and the information provided pursuant to art. 123-bis of Legislative Decree no. 58 dated February 24, 1998 in the report on corporate governance and ownership structures.

The determination of the area of consolidation, and the choice of consolidation standards for equity investments and procedures adopted, comply with the provisions of the IFRS. The Consolidated Financial Statements structure is therefore to be considered technically correct and, as a whole, in accordance with the applicable regulations.

As in previous financial years the Board of Directors drafted a single Report on Operations, which provides all information required in relation to the Parent Company and individual Subsidiaries.
We make reference to this report, which adequately illustrates the economic, equity and financial performance of the company in 2011, to the main risks to which the company is exposed and the foreseeable developments relative to 2012 for all the companies included in the area of consolidation.
The examination conducted by us confirmed congruence with the Group Consolidated Financial Statements.

The Explanatory Notes to the Consolidated Financial Statements highlight the general criteria used in the preparation of the financial statements, as well as the criteria applied in the evaluation of each item.

For purposes of comparison, the consolidated financial statements present the data corresponding to the previous year.

On the basis of the checks performed, the Board of Statutory Auditors agrees with the content and the form of the Consolidated Financial Statements of the Group for the year ending December 31, 2011.

Collegno, March 23, 2012

The Board of Statutory Auditors

(Franco Nada) - Chairman

(Andrea Mosca) - Statutory Auditor

(Roberto Petrignani) -- Statutory Auditor