



PRIMA INDUSTRIE

**INTERIM REPORT ON OPERATIONS
ENDING March 31, 2011**

May 12, 2011

MANAGEMENT AND CONTROL

Board of Directors

Chairman and C.E.O. Gianfranco Carbonato

Managing Directors Ezio G. Basso
Domenico Peiretti

Independent Directors Sandro D'Isidoro
Enrico Marchetti
Mario Mauri

Other Directors Rafic Y. Mansour
Michael R. Mansour
Yunfeng Gao

Secretary of the Board of Directors Massimo Ratti

General Director

Ezio G. Basso

Internal Control Committee

Chairman Sandro D'Isidoro
Components Enrico Marchetti
Mario Mauri

Remuneration Committee

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

Board of Auditors

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Regular Auditors Andrea Mosca
Roberto Petrignani
Alternate auditors Roberto Coda
Franco Nada

Auditing Company

Reconta Ernst & Young SpA

Expiry of mandates and Appointments

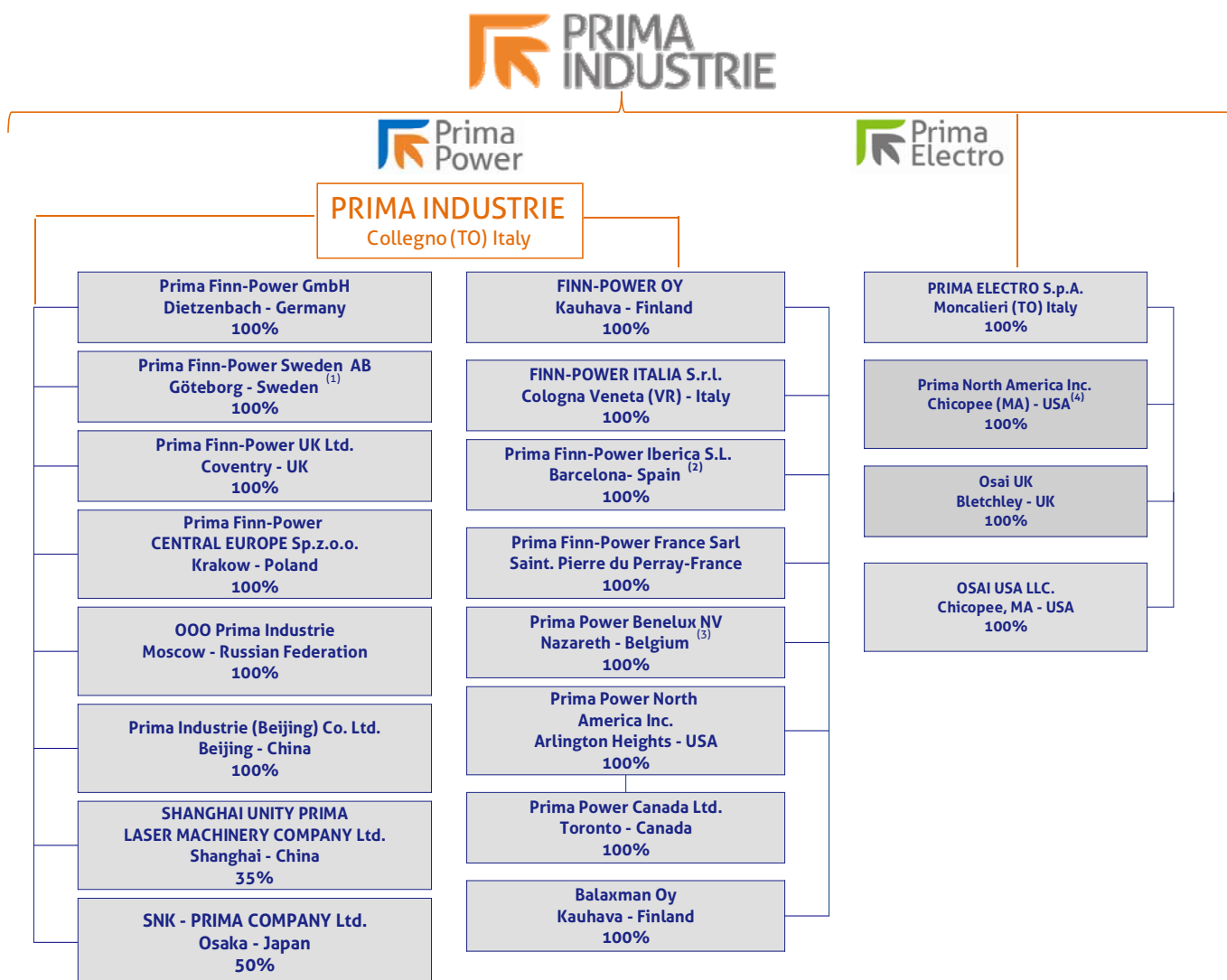
- ▶ The Board of Statutory Auditors was appointed by the shareholders' meeting on April 29, 2011, and will remain in office until the approval of the 2013 Financial Statements.
- ▶ The Board of Statutory Auditors will remain in office until the approval of the 2012 Financial Statements.

▶ The Auditing company was appointed by the shareholders' meeting held on April 29, 2008 for the period 2008 - 2016.

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Chapter 1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP AS OF 31.03.11



¹⁾PRIMA FINN-POWER SWEDEN AB: in liquidation

²⁾FINN-POWER OY holds 78% of PRIMA FINN-POWER IBERICA SL (the remaining 22% is held by PRIMA INDUSTRIE S.p.A.).

³⁾FINN-POWER OY holds 94% of Prima Power Benelux NV (the remaining 6% is held by BALAXMAN OY).

⁴⁾The equity investment in PRIMA North America Inc. is held by PRIMA ELECTRO SpA, but this company consists of two divisions. A Components division (Convergent) and a Machinery division (Lasergyne). The Convergent division is included in the data of the Components segment (also referred to as PRIMA ELECTRO), while the Lasergyne division, although legally owned by PRIMA ELECTRO SpA, is included in the Machinery segment (also referred to as PRIMA POWER). In this connection we remind you that on 30/04/2011 PRIMA NORTH AMERICA Inc. sold its Machinery division to the newco PRIMA POWER LASER-DYNE LLC (incorporated on 06/04/2011 and 100% owned by PRIMA POWER NORTH AMERICA Inc).

Following the introduction of the new trademark, the name of the companies in the Group is being changed. This Group chart takes account of the changes made up to the reference date of the financial statements.

Chapter 2. INTRODUCTION

FOREWORD

The Interim Report on Operations of the PRIMA INDUSTRIE Group at March 31, 2011 was prepared pursuant to section 154 ter of Legislative Decree 58/1998 as amended, and to the Issuers regulations issued by CONSOB.

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

During 2010, the Group gained a new organization structure, based on the concentration of its activities into two divisions: the MACHINERY division (hereinafter referred to also as PRIMA POWER) and the COMPONENTS division (hereinafter referred to also as PRIMA ELECTRO). The Group began reporting data with this new organization starting from the first quarter 2011. The Group does not dispose of the reclassified 2010 data according to the new organization structure (and they would be too costly to process), so it will not be possible in this document to provide uniform comparisons of data by segment. The only data for comparison at the disposal of the group, and that will therefore be used in the rest of the document, are revenues. For more details on the subject, see the paragraph entitled "Business trend by sector" and the explanatory note devoted to the information by sector.

This Interim Report was approved by the Board of Directors on May 12, 2011 and is not subject to audit.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the other conventional financial indicators prescribed in the IFRS this interim report contains other alternative performance indicators in order to provide a better assessment of the economic and financial management.

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

The Group uses as alternative performance indicators:

- the EBIT (which corresponds to the "Operating Profit"),
- the EBITDA ("Profit before interest, taxes and depreciation"), that is calculated by adding to the "Operating Profit" in the financial statements "Depreciation", "Impairment and Write-downs".

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", is also mentioned.

EXCHANGE RATES

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

CURRENCY	AVERAGE EXCHANGE RATE		SPOT EXCHANGE RATE	
	31/03/2011	31/03/2010	31/03/2011	31/12/2010
US DOLLAR	1,3669	1,3842	1,4207	1,3362
POUND STERLING	0,8533	0,8807	0,8837	0,8608
SWEDISH KRONA	8,8622	10,1128	8,9329	8,9655
CHINESE RENMINBI	8,9966	9,6112	9,3036	8,8220
JAPANESE YEN	112,5155	128,0447	117,6100	108,6500
POLISH ZLOTY	3,9435	4,0517	4,0106	3,9750
CANADIAN DOLLAR	1,3478	1,4408	1,3785	1,3322
RUSSIAN RUBLE	40,0029	41,3271	40,2850	40,8200

CONSOLIDATION AREA

In the past quarter there were no changes in the area of consolidation.

The under mentioned companies fell within the scope of consolidation indicated in the tables below as of 31.03.11.

SUBSIDIARY COMPANIES				
LASER SYSTEMS SEGMENT	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
PRIMA FINN-POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500'000	100%	Line-by-line method
PRIMA FINN-POWER SWEDEN AB	Mölnålsvägen 30 C, Göteborg, SWEDEN	SEK 100.000	100%	Line-by-line method
PRIMA FINN-POWER UK LTD.	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UNITED KINGDOM	GBP 1	100%	Line-by-line method
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	ul. Przemysłowa 25 - 32-083 Balice, POLSKA	PLN 350.000	100%	Line-by-line method
OOO Prima Industrie	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	100%	Line-by-line method
PRIMA INDUSTRIE (Beijing) Company Ltd.	Rm.1 M, no. 1 Zuo Jiazhuang. Guomen Building, Chaoyang District, Beijing, P.R. CHINA	RMB 2.038.778	100%	Line-by-line method
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 23'417'108	100%	Line-by-line method
FINN-POWER Italia S.r.l.	Viale Finlandia 2, 37044, Cologne Veneta (VR), ITALY	€ 1'500'000	100%	Line-by-line method
PRIMA FINN-POWER Iberica S.L.	C/Primero de Mayo 13-15, 08908 L'Hospitalet de Llobregat, Barcelona, SPAIN	€ 6'440'000	100%	Line-by-line method
PRIMA FINN-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
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 CANADA Ltd.	1040 Martingrove Road, Unit 11, Toronto, Ontario M9W 4W4, CANADA	CAD 200	100%	Line-by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2'522	100%	Line-by-line method

PRIMA ELECTRO	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
PRIMA ELECTRO S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6'000'000	100%	Line-by-line method
PRIMA North America Inc.	CONVERGENT LASERS DIVISION 711 East Main Street, Chicopee, MA 01020, U.S.A. LASERDYNE SYSTEMS DIVISION: 8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 24.000.000	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
OSAI USA LLC	711 East Main Street, Chicopee, MA 01020, U.S.A.	USD 39.985	100%	Line-by-line method
JOINT VENTURES				
	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
Shanghai Unity PRIMA Laser Machinery Co Ltd.	2019, Kunyang Rd., Shanghai 201111 - P.R. CHINA	Rmb 16.000.000	35%	Net equity Method
SNK PRIMA Company Ltd	Misaki Works 3513-1, Fuke Misaki-Cho, Sennan-Gun, Osaka, JAPAN	Yen 90.000.000	50%	Net equity Method

Chapter 3. GROUP INTERIM MANAGEMENT REPORT

MACROECONOMIC CONTEXT

The worldwide economic recovery is proceeding in line with the forecasts. The outlook for spring, according to the FMI is that the GDP will increase worldwide in 2011 by 4.4% and by 4.5% in 2012, which confirms the estimates made in January and excludes fears of a new recession. In particular, the advanced countries will grow by 2.4%, the United States by 2.8%, the euro area by 1.6%, Japan by 1.4%, Great Britain by 1.7% and Italy by 1.1% (0.1% more than the January forecast); among the countries in the euro area, Spain will grow by only 0.8% and is in last place, while Germany is expected to have the best results with growth at 2.5%. The situation relative to the developing countries is completely different: they will grow on average by 6.6%; the Russian GDP is expected to grow by 4.8%, that of China by 9.6%, that of India by 8.2% and that of Brazil by 4.5%.

In particular, as regards the machine tools sector, CECIMO (the European association of machine tool manufacturers) expects a major increase in production in 2011 (+20% over 2010, although that is still about 20% less than in 2008), also considering that the index of industrial production is steadily improving since the end of 2009 and that, historically, orders of machine tools exceed the trend of industrial production as a whole.

The latest report of OXFORD ECONOMICS (accredited research centre for the reference sector and markets) predicts growth rates for the *machine tools* sector of well over 10% in the period 2012-2014.

The Italian association of machine tool manufacturers (UCIMU) reports positive data as regards the trend of demand in the first quarter 2011, with an increase of about 19% compared to the first quarter 2010, driven by exports (which have returned almost to the record levels of 2007), in particular toward China (which now receives about 14% of the total investment goods).

In Germany, the VDW (the association of German machine tool manufacturers) expects growth in the sector in 2011 to increase by 30%, driven by exports, with China and the U.S. as the main reference markets.

SIGNIFICANT EVENTS IN THE PERIOD

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 3 years since the acquisition 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 activities and a common worldwide network for sales and service.

The rationalization of its sales, production and management took the form of dividing 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 combines the development, production and sale of electronic power and control parts and high power laser beams for industrial applications (designed to integrate the products of the Group and other OEM clients).

Rationalization of the organization structure terminated with the redesign of the brand and corporate identity, starting from the idea that two great industrial traditions have merged to create a powerful new organization oriented toward the future. Both the 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 towards the future and invested in innovation.

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, colors and electronic control of the PRIMA INDUSTRIE Group. The agreement also provides for cross-sourcing of the CNC and resonator lasers produced by the 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 very important entry point for reaching the market, in particular that of small and medium clients. This cooperation agreement should become fully effective in the latter part of this year.

INCOME AND PROFITABILITY

The consolidated revenues as of 31/03/2011 amounted to 60,616 thousand euro, up by 12,556 thousand euro compared to the same period in 2010 (48,060 thousand euro). The significant increase in revenues, all the more so in consideration of the seasonal characteristic of the business that tends to penalize the first quarter, confirms the positive trend of the Group and its reference market, which consolidates the good signs observed in the latter part of 2010.

The table below is a breakdown of the turnover by geographic location in the first quarter 2011, compared with the corresponding period of the previous year.

Revenues	March 31, 2011		March 31, 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
Italy	6.792	11,2	9.856	20,5
Europe	24.794	40,9	19.966	41,5
North America	13.590	22,4	5.944	12,4
Asia and rest of the World	15.440	25,5	12.294	25,6
TOTAL	60.616	100,0	48.060	100,0

Sales by geographical area reveal a shift of the Group's turnover from Europe to North America and the emerging markets of Asia and the Rest of the World (where sales by now exceed 25% of the consolidated total. In Italy, there was a significant decrease with respect to the previous year, both due to the persistence of a situation of limited growth, and because the first quarter 2010 was influenced in a positive manner by the effects of the so-called Tremonti-ter law. The North American market increased significantly with respect to the first quarter 2010, confirming the economic recovery of the U.S. market. In this way, the turnover attained outside of the European Community reached 48%, ten percentage points higher than in the same quarter 2010.

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

Revenues	March 31, 2011		March 31, 2010	
	<i>Euro thousand</i>	%	<i>Euro thousand</i>	%
PRIMA POWER	52.703	86,9	39.552	82,3
PRIMA ELECTRO	11.397	18,8	11.761	24,5
Inter sector revenues	(3.484)	(5,7)	(3.253)	(6,8)
TOTAL	60.616	100,0	48.060	100,0

The breakdown divided by sector reveals that the increased turnover was reported for the PRIMA POWER segment. This segment was affected to a greater extent by the economic crisis, and its recovery has been slower with respect to the business of PRIMA ELECTRO. The slight downward trend of business for the PRIMA ELECTRO segment is attributable exclusively to a delay in invoicing an important order.

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

Revenues by segment/area 1Q 2011	Italy	Europe	North America	Asia e Rest of the World	TOTAL
Euro thousand					
PRIMA POWER	3.553	21.875	13.061	14.210	52.699
PRIMA ELECTRO	3.239	2.919	529	1.230	7.917
TOTAL	6.792	24.794	13.590	15.440	60.616

Revenues by segment/area 1Q 2010	Italy	Europe	North America	Asia e Rest of the World	TOTAL
Euro thousand					
PRIMA POWER	5.829	17.488	5.479	11.254	40.050
PRIMA ELECTRO	4.027	2.478	465	1.040	8.010
TOTAL	9.856	19.966	5.944	12.294	48.060

The breakdown by geographical area of the PRIMA POWER segment reveals a decrease in sales in Italy compared with the first quarter 2010. 42% of the division's sales were in Europe, 25% in North America and 27% in Asia and the Rest of the World, where countries like China, Korea, India and Turkey showed strong gains.

The PRIMA ELECTRO segment had 41% of its sales in Italy, 37% in Europe, particularly Benelux and Spain, and 15% in Asia and the Rest of the World (mainly China). The parts segment also showed a decrease in sales on the Italian market.

The Group turnover does not include the earnings of the Chinese joint venture Shanghai Unity PRIMA (consolidated with the shareholders' equity method), amounting to 10.2 million euro first three months of 2011.

The **VALUE OF PRODUCTION** at 31/03/2011 was 70,531 thousand euro, up 33% compared to the corresponding period of the previous financial year (an increase of 17,551 thousand euro). This percentage is higher than the percentage of increase of the turnover by effect of the replacement of warehouse stocks, necessary to meet the increasing production volumes.

The value of production in the period also includes increases for internal work amounting to 1,520 thousand euro (1,581 thousand euro in the corresponding period of 2010); these costs mainly refer to investments in development activities.

Performance indicators	March 31, 2011		March 31, 2010	
	<i>Euro thousand</i>	<i>%</i>	<i>Euro thousand</i>	<i>%</i>
EBITDA	3.052	5,0	(1.713)	(3,6)
EBIT	638	1,1	(4.039)	(8,4)
EBT	(1.805)	(3,0)	(5.688)	(11,8)
NET RESULT	(2.173)	(3,6)	(4.629)	(9,6)

The Group **EBITDA** is 3,052 thousand euro (5% of turnover), significantly increased with respect to the corresponding period of 2010, when the Group reported a negative result for 1,713 thousand euro (an improvement of 4,765 thousand euro).

The division of EBITDA by segment is illustrated here below, inclusive of inter-segment items.

EBITDA	March 31, 2011	
	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	2.216	72,6
PRIMA ELECTRO	875	28,7
Intersegment items and elisions	(39)	(1,3)
TOTAL	3.052	100,0

The consolidated **EBIT** for the first three months of 2011 was 638 thousand euro and is a significant improvement over the figure reported for 31/03/2010 when it was negative for 4,039 thousand euro (+4,677 thousand euro). This result is affected by the depreciation of tangible fixed assets for 712 thousand euro and intangible fixed assets for 1,702 thousand euro; as regards the latter, 662,000 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 801 thousand euro refer to the amortization of development costs.

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

EBIT	March 31, 2011	
	<i>Euro thousand</i>	<i>%</i>
PRIMA POWER	138	21,6
PRIMA ELECTRO	537	84,2
Intersegment items and elisions	(37)	(5,8)
TOTAL	638	100,0

The consolidated **EBT** as of 31/03/2011 is -1,805 thousand euro, with an improvement of 3,883 thousand euro (it was -5,688,000 at 31/03/2010); it should be noted that this value discounts net costs deriving from financial management (including profits and losses on exchange rates) for 2,450 thousand euro (as compared with 1,661 thousand euro at 31/03/2010). The worsening of these costs was exclusively due to the result of transactions in foreign currency.

In particular, costs for the loan stipulated in 2008 for acquisition of the FINN-POWER Group (hereinafter referred to as the FINPOLAR Loan") for 1,180 thousand euro and net financial costs for derivative instruments (mainly linked to the FINPOLAR Loan) for 235 thousand euro.

The result of exchange rate management in the first three months of 2011 is negative for 615 thousand euro (positive for 424 thousand euro at 31/03/2010) due mainly to the weakening of the U.S. dollar against the euro, especially in this first quarter. It should be noted, however, that this result does not take account of the positive effect deriving from the adjustment of the fair value of certain financial derivative instruments for coverage of the currency exchange risk (+ 134 thousand euro), included in other financial income/costs.

The net result of joint ventures pertinent to the Group for the first three months of 2011 is positive for 7 thousand euro (12 thousand euro at 31/03/2010).

The **NET PROFIT** as of 31/03/2011 is -2,173 thousand euro (it was -4,629 thousand euro as of 31/03/2010). Income taxes in the first three months of 2011 indicate a positive net balance of 369 thousand euro (including IRAP for 235 thousand euro). The increased fiscal burden of the Group is attributable to the greater incidence of deferred taxes and the increased taxable revenues.

ORDER ACQUISITION AND PORTFOLIO

During the first quarter of the year the Group took part in the following important sector fairs:

- STEELFAB (Sharjah – Arab Emirates)
- SOUTHERN MANUFACTURING EXHIBITION (Farnborough – U.K.)
- HPBA (Salt Lake City – USA)
- BLECH RUSSIA (St. Petersburg – Russia)
- VERKTOY O MASKINER (Odense – Denmark)

In the first three months of 2011 the acquisition of orders confirmed the highly positive trend seen already in the last quarter 2010; the acquisition for the quarter totaled 80.5 million euro (compared with 62.3 million euro at 31/03/2010). The good performance of the North American and Chinese markets was particularly significant in the period, as the orders acquired on those markets accounted for 18.3% and 10.2% respectively (without considering the JV Shanghai Unity Prima) of the Group's total order acquisition in the quarter.

As a result, the **order portfolio** at 31/03/11 amounted to 100.2 million euro and has grown further to 110.1 million euro at 30/04/2011 (compared with 75.6 million euro at 31/03/10 and 82.3 million euro at 31/12/2010).

NET FINANCIAL POSITION

As of 31/03/2011 the net financial position of the Group shows a net debt of 141.5 million euro, which can be compared with 141.3 million euro as of 31/12/2010. This is particularly significant, especially in consideration of the good management of working capital, and in the presence of the strong increase in turnover reported in the period.

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

Value expressed in Euro thousand	31/03/2011	31/12/2010
CASH & CASH EQUIVALENTS	(15.942)	(14.838)
CURRENT FINANCIAL RECEIVABLES	(90)	(2)
CURRENT FINANCIAL LIABILITIES	53.721	45.310
NON CURRENT FINANCIAL LIABILITIES	103.856	110.798
NET FINANCIAL LIABILITIES	141.545	141.268

The indebtedness of the Group was substantially stable with respect to 31/12/2010 (up by 277 thousand euro).

The net financial position reveals the total exposure toward credit institutions and other lenders.

For better disclosure relating to the Consolidated Net Financial Position as of 31.03.11, the following should be borne in mind:

- the FINPOLAR loan amounts totally to 128,568 thousand euro and is subject to respect of certain covenants, measured on an annual basis (for a breakdown of the details see the financial statements at 31/12/2010);

- payables due to leasing companies (almost exclusively referring to real estate) amount to 2,259 thousand euro;
- bank payables include the negative fair value of several IRS for 5,675 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);

In view of the consolidated improvement, still in progress, and the encouraging signs of recovery coming from its reference market, the Group has undertaken to renegotiate the FINPOLAR loan (underwritten early in 2008 to finance the acquisition of the FINN-POWER Group) with the banking system, with particular reference to the covenants and terms of expiration for repayment of portions of the loan. In the meantime, the company has regularly paid the installments due in 2011. On 04/02/2011 PRIMA INDUSTRIE paid 6,093 thousand euro relative to the FINPOLAR debt (3,525 thousand euro for the capital portion of portion A, 490 thousand euro interest on portion A, 1,071 thousand euro interest on portion B, 92 thousand euro interest on portions C2 and D, and 915 thousand euro for the two IRS).

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

RESEARCH AND DEVELOPMENT

The activities of research and development performed by the Group in the first quarter of 2011 totaled approximately 3,857 thousand euro (6.4% of the turnover). The capitalized portion amounted to 1,443 thousand euro. Completing the part entered in the income statement was 2,414 thousand euro, testifying to the intention of the Group to continue investing in the future and strengthening its own competitiveness on the international markets.

For all the development assets capitalized, the technical feasibility and generation of probable future economic benefits was ascertained, and they were written down when they did not possess these requisites.

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

- completion of the first *Platino Evoluzione 1530* system equipped with fibre laser;
- receipt of approval and financing from the European Commission for the *ENEP-LAN* project of which Prima Industrie will be the coordinator, for the development of unique CAD/CAM software for the different types of machines of the PRIMA POWER segment;
- development of the new generation of Laserdyne 430 machines for precision cutting, microdrilling and welding, for sectors such as electronics, precision mechanics, aerospace, , production of filters and medical equipment;
- introduction on the market of the E6x bending press, for processing sheet metal in larger sizes than were possible with the E5x model;
- completion of development of the LPe6 Laser Combi with 3kW fibre laser.

The activities of research and development relative to the PRIMA ELECTRO division (lasers and electronic technologies) concerned:

- development and tests of the PrimaLogic software (for use on the Group's laser products);
- development of an updated series of 4Kw CO₂ lasers;
- release of the final version of OPEN20 (for 2D machines) including laser technology, volumetric compensation and management of the EtherCAT but;
- start of development of the OPEN30 (for 3D machines) which will include Splines (a dynamic connection logarithm for machine trajectories).
- completion of development of a low-cost hardware platform specially designed for the Chinese market.

PERSONNEL

In the third quarter 2010, the company halted the process of personnel reduction undertaken in 2008 (after the merger with the FINN-POWER Group, and also due to the start of the economic crisis); this reversal of trend is due both to completion of the process of reorganization and to meet the increased operating needs of the Group.

The employees of the Group went from 1,353 as of 31/12/2010 to 1,361 as of 31/03/2011.

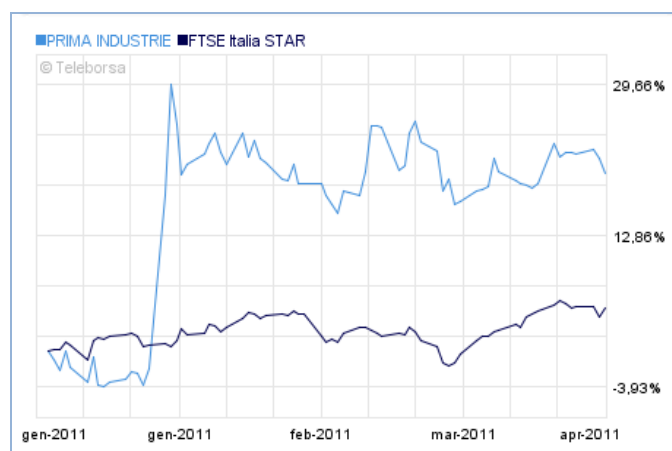
THE STOCK TREND AND TREASURY STOCK

During the first quarter of 2011, PRIMA INDUSTRIE stocks went from a unit value of 7.25 euro on 03/01/11 to a value of 8.56 euro per share on 31/03/2011.

The lowest value recorded was 6.965 Euro (on 13/01/2011) and the highest was 9.40 Euro (on 25/01/2011).

As can be seen from the graph, the stock rose sharply starting late in January 2011, exceeding the performance of the reference index (FTSE Italia STAR). In the next two months the stock repositioned itself stably around 8.50-9 euro per share.

The graph below illustrates these trends.

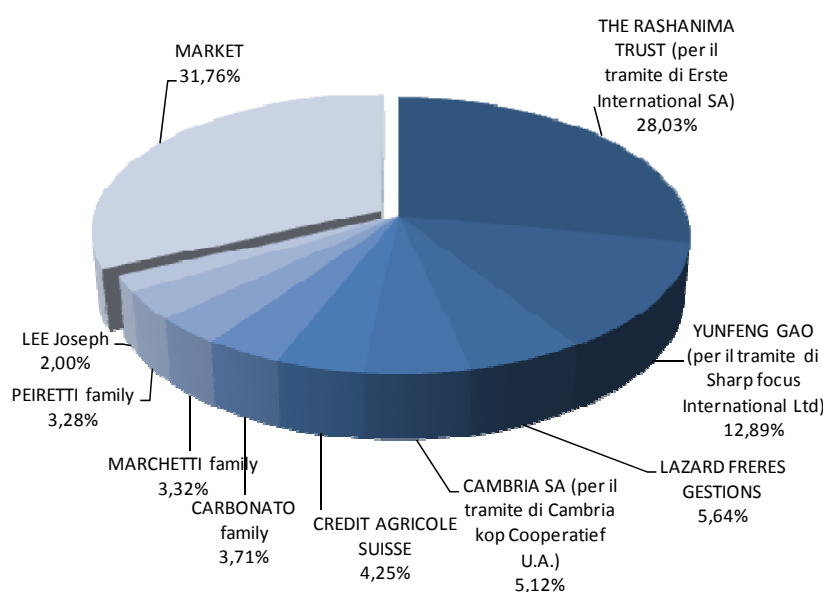


As of 31/03/2011 and as at the date of approval of this report, PRIMA INDUSTRIE S.p.A. did not and does not hold any treasury stock, and there has been no resolution of authorization for its acquisition.

SHAREHOLDING STRUCTURE

The capital of PRIMA INDUSTRIE S.p.A. at 31.03.11 amounts to 21,600,917.50 Euro divided into 8,640,367 ordinary shares with a par value of 2.5 Euro each. The Group has issued no bonds or securities other than ordinary shares. There are, however, 2,239,633 "Prima Industrie 2009-2013 warrants" in circulation.

In the light of the entries in the shareholders' ledger, updated on the basis of the capital increase mentioned and subsequent communications received by the company or monitoring authorities, the most updated shareholding structure is as follows:



STOCK OPTION PLANS

At the reference date of this Interim Report a stock option plan, approved by the Shareholders' Meeting on the 29/04/2008, is in existence. The plan is intended for the Executive Directors of PRIMA INDUSTRIE SpA., PRIMA ELECTRONICS SpA. and FINNPOWER OY, as well as the General Manager of PRIMA INDUSTRIE SpA. and the Chief Financial Officer of the Group.

In particular the beneficiaries at 31.03.11 were the following:

SURNAME NAME	FUNCTION
CARBONATO Gianfranco	Chairman and Managing Director of PRIMA INDUSTRIE SpA
BASSO Ezio	General Director and Executive Manager of PRIMA INDUSTRIE SpA
HEDENBORG Tomas	Managing Director of FINN POWER OY
PEIRETTI Domenico	Managing Director of PRIMA ELECTRONICS SpA and Executive Manager of PRIMA INDUSTRIE SpA
RATTI Massimo	CFO of PRIMA INDUSTRIE Group

In the first three months of the year the cost of the stock options, determined at the beginning of the plan on the basis of the pro-tempore value of the PRIMA INDUSTRIE shares, was 103 thousand euro. The vesting period of the stock option plan will end on 31/05/2011, so the Group will report costs for this plan for only two more months. It should be noted that Tomas Hedenborg left his position as managing director of FINN-POWER OY in April 2011 and following the termination of his relationship with the Group all the options assigned to him were automatically extinguished.

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

OPERATIONS WITH ASSOCIATES

For details on the subject of transactions by the Group with associates, see "Note 6.28 – INFORMATION ON ASSOCIATES".

ATYPICAL AND UNUSUAL TRANSACTIONS

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

EVENTS WHICH TOOK PLACE AFTER THE END OF THE QUARTER

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

The transaction is the final step in the process of reorganization undertaken with the sale of 100% of PRIMA NORTH AMERICA Inc. by PRIMA INDUSTRIE SpA to PRIMA ELECTRO SpA (formerly PRIMA ELECTRONICS SpA) on 31/12/2010, which has already been commented on in the Report on Operations as of 31/12/2010.

The transaction will provide 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 US\$11,250,000, 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 31/12/2010.

Payment of the price will take place by no later than June 30, 2013 and will bear interest from March 1, 2011, 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 favor of the buyer in case of violation by the vendor of the statements made.

INCORPORATION OF NEW BRANCH

On April 14, 2011, a new branch was incorporated for the sale of PRIMA ELECTRO products in China. The company is called PRIMA ELECTRO (CHINA) Co. Ltd. and is 100% owned by PRIMA ELECTRO SpA. At the moment it is not operational yet.

FORESEEABLE MANAGEMENT DEVELOPMENTS AND PROSPECTS FOR THE YEAR IN PROGRESS

During the first quarter of the year, the acquisition of orders (for 80.5 million euro) marked an increase of almost 29% over the corresponding period of 2010. In particular, the month of March 2011, with 33.2 million euro of orders acquired, reached levels that had not been seen since June 2008.

It is therefore reasonable to expect, during the year, a significant increase in revenues which, with the efficiency actions enacted in 2009-2010, should bring a more than proportional increase in gross operating marginality.

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.

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

The reorganization involved a far-reaching process of redistribution of managerial responsibilities, as well as the revision of the reporting instruments, so it will not be possible to perform a comparison between the results of the first quarter 2011 and those of the corresponding period of the previous year, as the information necessary for reclassification is not immediately available and 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.

Values in thousands of Euros	31/03/2011					31/03/2010
	REVENUES	EBITDA	% on Revenue	EBIT	% on Revenue	REVENUES
PRIMA POWER	52.703	2.216	4,2%	138	0,3%	39.552
PRIMA ELECTRO	11.397	875	7,7%	537	4,7%	11.761
ELISIONS	(3.484)	(39)	1,1%	(37)	1,1%	(3.253)
CONSOLIDATED	60.616	3.052	5,0%	638	1,1%	48.060

It should be noted that the values of EBIT and EBITDA presented here are not directly reconcilable with those presented in note 6.29 – Segment Data.

PRIMA POWER

First quarter 2011 revenues for the PRIMA POWER segment were higher by 33% than in the corresponding period of 2010. Both the companies in the segment had good results in the period. In particular, FINN-POWER OY achieved higher growth than the average for the segment (+33.2%) reaching +37.0% in the quarter.

In view of the high level of revenues, the EBITDA for the segment amounted to 2,216 thousand euro. In the first quarter 2011 the main companies in the segment attained better operating results than in the corresponding period of the previous year. In particular, all the production companies (PRIMA INDUSTRIE,

FINN-POWER OY, FINN-POWER Italia and the PRIMA NORTH AMERICA - LASER-DYNE division) reported significant improvements with respect to the corresponding period of the previous year. As regards the trading companies, the most significant improvements were seen in North America, Germany, Belgium and Spain. Highly satisfactory results were also achieved in Russia, with the new company incorporated in the second half of 2010.

PRIMA ELECTRO

First quarter 2011 revenues for the PRIMA ELECTRO were down by 3.1% compared to the corresponding period of 2010. The decrease, mainly due to delayed invoicing of an important order with high profitability, is reflected in the EBITDA for the segment, which was 875 thousand euro. It should be noted, however, that all the companies in the segment had positive results in the first quarter 2011.

Chapter 5. ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31/03/2011

ACCOUNTING TABLES

BALANCE SHEET – CONSOLIDATED FINANCING

Values in Euro	Notes	31/03/2011	31/12/2010
Property, plant and equipment	6.1	24'271'824	25'012'944
Intangible assets	6.2	153'290'220	153'754'370
Investments accounted for using the equity method	6.3	6'745'420	7'094'101
Other investments	6.4	972'449	938'670
Deferred tax assets	6.5	5'088'508	5'150'271
Other non current assets	6.8	26'586	68'785
NON CURRENT ASSETS		190'395'007	192'019'141
Inventories	6.6	80'341'228	70'151'228
Trade receivables	6.7	59'634'303	64'594'764
Other receivables	6.8	8'156'247	6'977'985
Current tax receivables	6.9	6'300'226	4'691'311
Derivatives	6.10	90'292	1'714
Cash and cash equivalents	6.10	15'941'953	14'837'872
CURRENT ASSETS		170'464'249	161'254'874
ASSETS HELD FOR SALE	6.11	1'299'900	-
TOTAL ASSETS		362'159'156	353'274'015
Capital stock	6.12	21'600'917	21'600'337
Legal reserve	6.12	2'733'635	2'733'635
Other capital reserves	6.12	53'891'490	52'226'002
Currency translation reserve	6.12	(1'764'745)	(347'660)
Retained earnings	6.12	32'423	5'997'695
Net result	6.12	(2'173'469)	(5'965'272)
Stockholders' equity of the Group		74'320'251	76'244'737
<i>Minority interest</i>		-	-
STOCKHOLDERS' EQUITY		74'320'251	76'244'737
Interest-bearing loans and borrowings	6.10	98'184'433	103'019'395
Employee benefit liabilities	6.13	6'985'266	7'019'791
Deferred tax liabilities	6.14	10'617'672	10'910'840
Provisions	6.15	59'691	67'091
Derivatives	6.10	5'672'096	7'778'856
NON CURRENT LIABILITIES		121'519'158	128'795'973
Trade payables	6.16	62'659'015	59'067'818
Advance payments	6.16	23'561'648	19'094'705
Other payables	6.16	15'474'793	14'130'459
Interest-bearing loans and borrowings	6.10	53'716'877	45'256'498
Current tax payables	6.17	3'661'528	2'461'577
Provisions	6.15	7'242'529	8'169'063
Derivatives	6.10	3'357	53'185
CURRENT LIABILITIES		166'319'747	148'233'305
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		362'159'156	353'274'015

CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/03/2011	31/03/2010
Net revenues	6.18	60'615'522	48'060'102
Other income	6.19	459'336	419'781
Change in inventories of finished goods and WIP		7'935'566	2'918'486
Increases in fixed assets for internal work	6.20	1'520'342	1'581'150
Use of raw materials, consumables, supplies and goods		(33'600'728)	(24'119'513)
Personnel cost	6.21	(20'059'229)	(18'849'375)
Depreciation	6.22	(2'413'604)	(2'326'022)
Amortization and impairment	6.22	-	-
Other operating expenses	6.23	(13'819'293)	(11'723'593)
OPERATING PROFIT		637'912	(4'038'984)
Financial income	6.24	62'110	47'958
Financial expenses	6.24	(1'896'910)	(2'132'981)
Net exchange differences	6.25	(615'062)	424'141
Net result of investments accounted for using the equity method		7'324	12'054
RESULT BEFORE TAXES		(1'804'626)	(5'687'812)
Income taxes	6.26	(368'843)	1'059'292
NET RESULT		(2'173'469)	(4'628'520)
- Attributable to Group shareholders		(2'173'469)	(4'628'520)
- Attributable to minority shareholders		-	-
RESULT PER SHARE - BASIC (in euro)	6.27	(0.25)	(0.62)
RESULT PER SHARE - DILUTED (in euro)	6.27	(0.25)	(0.62)

STATEMENT OF COMPREHENSIVE INCOME

Values in Euro	Notes	31/03/2011	31/03/2010
NET RESULT (A)		(2'173'469)	(4'628'520)
Gains/(Losses) on cash flow hedges	6.13	1'561'564	(980'124)
Gains/(Losses) on exchange differences on translating foreign operations	6.13	(1'417'085)	1'487'429
TOTAL OTHER GAIN/(LOSSES) (B)		144'479	507'305
TOTAL NET RESULT OF THE PERIOD (A) + (B)		(2'028'990)	(4'121'215)
- Attributable to Group shareholders		(2'028'990)	(4'121'215)
- Attributable to minority shareholders		-	-

TABLE OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

from January 1st to March 31st, 2010

Values in Euro	01/01/2010	Change of consolidation area	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	Currency translation reserve	31/03/2010
Capital stock	16'000'000	-	-	-	5'600'075	-	-	-	-	-	21'600'075
Additional paid-in capital	36'814'893	-	-	-	9'632'180	-	-	-	-	-	46'447'073
Legal reserve	2'733'635	-	-	-	-	-	-	-	-	-	2'733'635
Capital increase - expenses	(1'263'903)	-	-	-	(15'003)	-	-	-	-	-	(1'278'906)
Stock option reserve	728'494	-	-	-	-	-	-	-	102'532	-	831'026
Change in the FV of hedging derivatives	(5'214'268)	-	-	-	-	-	-	(980'124)	-	-	(6'194'392)
Other reserves	14'120'389	-	-	-	-	-	-	-	-	-	14'120'389
Currency translation reserve	(2'384'892)	-	-	-	-	-	-	1'487'429	-	-	(897'463)
Retained earnings	12'138'832	-	-	-	-	(8'695'527)	-	-	-	-	3'443'305
Net result	(8'695'527)	-	-	-	-	8'695'527	-	(4'628'520)	-	-	(4'628'520)
Stockholders' equity of the Group	64'977'653	-	-	-	15'217'252	-	-	(4'121'215)	102'532	-	76'176'222
Minority interest	-	-	-	-	-	-	-	-	-	-	-
STOCKHOLDERS' EQUITY	64'977'653	-	-	-	15'217'252	-	-	(4'121'215)	102'532	-	76'176'222

from January 1st to March 31st, 2011

Values in Euro	01/01/2010	Change of consolidation area	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Capital increase	Allocation of prior year profits	Distribution of dividends to stockholders	Net result	Other movements	Currency translation reserve	31/03/2011
Capital stock	21'600'337	-	-	-	580	-	-	-	-	-	21'600'917
Additional paid-in capital	46'447'703	-	-	-	1'392	-	-	-	-	-	46'449'095
Legal reserve	2'733'635	-	-	-	-	-	-	-	-	-	2'733'635
Capital increase - expenses	(1'284'466)	-	-	-	-	-	-	-	-	-	(1'284'466)
Stock option reserve	1'138'624	-	-	-	-	-	-	-	102'532	-	1'241'156
Change in the FV of hedging derivatives	(5'641'858)	-	-	-	-	-	-	1'561'564	-	-	(4'080'294)
Other reserves	11'565'999	-	-	-	-	-	-	-	-	-	11'565'999
Currency translation reserve	(347'660)	-	-	-	-	-	-	(1'417'085)	-	-	(1'764'745)
Retained earnings	5'997'695	-	-	-	-	(5'965'272)	-	-	-	-	32'423
Net result	(5'965'272)	-	-	-	-	5'965'272	-	(2'173'469)	-	-	(2'173'469)
Stockholders' equity of the Group	76'244'737	-	-	-	1'972	-	-	(2'028'990)	102'532	-	74'320'251
Minority interest	-	-	-	-	-	-	-	-	-	-	-
STOCKHOLDERS' EQUITY	76'244'737	-	-	-	1'972	-	-	(2'028'990)	102'532	-	74'320'251

CONSOLIDATED STATEMENT OF CASH FLOW

VALUES IN EURO	31/03/2011	31/03/2010
Net result	(2'173'469)	(4'628'520)
Adjustments (sub-total)	3'834'324	1'250'324
Depreciation and amortization	2'413'604	2'326'022
Net change in deferred tax assets and liabilities	(231'405)	(1'531'755)
Net result of investments accounted for using the equity method	(7'324)	(12'054)
Change in employee benefits	(34'525)	(326'527)
Change in inventories	(10'190'000)	(5'880'731)
Change in trade receivables	4'960'461	6'772'112
Change in trade payables	8'058'140	2'604'243
Net change in other receivables/payables and other assets/liabilities	(1'134'627)	(2'700'986)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	1'660'855	(3'378'196)
Cash flow from investments		
Acquisition of tangible fixed assets	(1'513'996)	(211'140)
Acquisition of intangible fixed assets	(58'864)	(25'780)
Capitalization of development costs	(1'442'896)	(1'544'335)
Disposal/(Purchase) investments accounted for using the equity method	-	(47'000)
Net disposal of fixed assets and investment properties	79'496	7'350
Change in other investments	(33'779)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(2'970'039)	(1'820'905)
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	(1'731'002)	257'298
Increases in loans and borrowings (including bank overdrafts)	9'164'764	1'275'396
Repayment of loans and borrowings (including bank overdrafts)	(5'275'574)	(18'658'987)
Increases/(repayments) in financial lease liabilities	6'094	(81'596)
Capital increase	1'972	15'217'252
Other changes	247'011	609'837
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	2'413'265	(1'380'800)
Net change in cash and equivalents (D=A+B+C)	1'104'081	(6'579'901)
Cash and equivalents beginning of period (E)	14'837'872	15'083'752
Cash and equivalents end of period (F=D+E)	15'941'953	8'503'851

Chapter 6. EXPLANATORY NOTES

COMPANY INFORMATION

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

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

In 2000, the company acquired Convergent Energy Inc. in the USA. Through this acquisition, the PRIMA Group integrated the knowledge required to internationalise its design and manufacture of CO₂ and solid-state source lasers, in addition to strengthening its own position on the US market.

In 2001, the company bought the Laserdyne division of GSI Lumonics. Laserdyne is the leading industrial company in the design, manufacture and sale of multi-axis laser systems, particularly in the field of precision micro-drilling, cutting and welding for the aerospace and energy industries. Thanks to this acquisition, the PRIMA Group has broadened its presence in North America and in the aerospace market.

Between 1999 and 2005, the company grew on the Asian market, where it established joint ventures in China and Japan.

Over the years, the company has further consolidated its sales and service structure in Europe, where it currently operates in all the most important countries.

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

During 2007, the PRIMA INDUSTRIE Group continued to grow, strengthening its position in the power electronics industry through the acquisition by PRIMA ELECTRO SpA of OSAI SpA, which merged with the company by incorporation on January 1, 2009.

In February 2008, the parent company PRIMA INDUSTRIE SpA acquired the FINN-POWER Group, one of the world’s major players in the field of sheetmetal processing machinery. The FINN-POWER Group’s products were the perfect complement to the PRIMA INDUSTRIE lineup.

The FINN-POWER Group consisted of two production companies, FINN-POWER OY (the parent company with registered office in Finland) and FINN-POWER ITALIA Srl (with registered office in Verona, Italy). The sales and technical service subsidiaries owned by the FINN-POWER Group in Europe, the U.S. and Canada, were reorganized after the acquisition, which led, among other things, to the merger of the PRIMA INDUSTRIA Group subsidiaries and those of the FINN-POWER Group, in those countries in which both were present.

Following this last acquisition, the PRIMA INDUSTRIE Group consolidated its leadership at the world level in the sector of sheet metal processing applications.

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

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

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

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

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

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

FORM AND CONTENT

The abridged consolidated financial statements of the PRIMA INDUSTRIE Group as of 31.03.11 were prepared in the perspective of an on-going concern (for more details see the note on "Accounting Standards") and in respect of the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (defined as "IFRS"), as well as the legislative provisions and regulations in force in Italy (with particular reference to Legislative Decree 58/1998 and subsequent amendments, and the emitter regulations published by the CONSOB). "IFRS" means the International Accounting Standards (IAS) still in force, as well as all the interpretational documents issued by the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC").

The abridged consolidated financial statements at 31/03/2011 were prepared, in summary form, in accordance with IAS 34 "Interim Financial Statements" and do not include all the information required in the annual Financial Statements and must be read together with the annual Financial Statements prepared for the year ending 31/12/2010, to which reference is made, for further details.

The abridged Consolidated Financial Statements at 31.03.11 of the PRIMA INDUSTRIE Group are expressed in Euro, which is also the applicable currency in the economies in which the Group mainly operates.

The foreign subsidiaries are included in the abridged Consolidated Financial Statements at 31/03/2011 in accordance with the principles described in the Note entitled "Accounting Principles" in the Consolidated Financial Statements as of 31/12/2010.

The Balance Sheet information as at 31/03/2010, the Income Statement information, as well as that relative to the cash-flow and the movements of shareholders' equity in the first three months of 2010, was presented for comparative purposes, in application of IAS 1 (Presentation of the Financial Statements).

ACCOUNTING PRINCIPLES

Ongoing concern

The abridged consolidated financial statements at 31/03/2011 were prepared in the perspective of an ongoing concern, as there are reasonable expectations that PRIMA INDUSTRIE will continue its operations in the foreseeable future.

Accounting criteria and principles of consolidation

The accounting criteria and principles of consolidation used for the preparation of the abridged consolidated financial statements at 31/03/2011 are the same as those used in preparing the annual consolidated financial statements at 31/12/2010, to which reference is made, save application of the new standards/interpretations applied by the Group after January 1, 2010, and any adaptations required by the nature of interim reporting.

Use of account estimates

The preparation of the interim Financial Statements requires management to make estimates and assumptions that have an effect on the revenue values, as well as on the costs and the assets and liabilities in the Financial Statements and on the report relating to the potential assets and liabilities at the date of the interim Financial Statements. In the future should these estimates and assumption that are based on management's best assessment, differ from the actual circumstances, they will be changed in an appropriate way in the period in which the circumstances themselves change. In particular and at the time of preparing the abridged consolidated financial statements as at 31.03.11, the income taxes for the period for the individual consolidated enterprises were determined on the basis of the best estimate possible in relation to the information available and on the reasonable estimate of the trend for the financial year until the end of the tax period.

FINANCIAL STATEMENT FORMAT

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

- a) as regards the 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. illiquid/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 both for the period underway as well as for the previous one;

- d) as regards the Cash Flow Statement the Company elected the so-called "indirect" method, in which one determines the financial flow net of operating activities adjusting the profit and loss for the effects of:
- non monetary elements such as depreciation, write-downs, profits and losses on associated unrealised items;
 - the changes in inventories, receivables and payables generated by the operating activities;
 - other elements where the financial flows are generated by investment activities and financing.

These Financial Statements were authorised for publication by the Board of Directors on 12.05.11.

EXPLANATORY NOTES

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

NOTE 6.1 – INTANGIBLE FIXED ASSETS

At 31/03/2011 the tangible fixed assets amount to 24,272,000 euro, down from 31/12/2010 by 741 thousand euro.

For more details, see the table here below.

Tangible fixed assets	Land and buildings	Plants and machinery	Industrial and trade equipment	Other goods	Fixed assets under construction	TOTAL
Values as of January 1, 2010						
Historic cost	23.670.894	16.633.227	5.699.690	13.727.615	665.927	60.397.353
Depreciation fund	(4.404.448)	(12.977.504)	(4.918.192)	(11.650.717)	-	(33.950.861)
Net value as of January 1, 2010	19.266.446	3.655.723	781.498	2.076.898	665.927	26.446.492
Year 2010						
Net value as of January 1, 2010	19.266.446	3.655.723	781.498	2.076.898	665.927	26.446.492
Variation in the area of consolidation	-	-	-	-	-	-
Variation in the area of consolidation on depr.fund	-	-	-	-	-	-
Increases	168.905	501.001	415.975	557.007	6.538	1.649.426
Disinvestments	(141.867)	(267.735)	(139.863)	(472.450)	-	(1.021.915)
Use of depreciation fund	8.519	254.224	136.546	463.549	-	862.838
Depreciation	(771.667)	(1.134.439)	(424.525)	(807.978)	-	(3.138.609)
Impairment	(28.000)	-	-	-	-	(28.000)
Reclassifications	-	-	-	151.237	(151.237)	-
Depreciation funds reclassified	-	-	-	-	-	-
Difference on exchange rates	177.880	224.707	4.027	197.899	-	604.513
Difference on exchange on depr.funds	(38.472)	(147.260)	(3.481)	(172.588)	-	(361.801)
Net value as of December 31, 2010	18.641.744	3.086.221	770.177	1.993.574	521.228	25.012.944
December 31, 2010						
Historic cost	23.847.812	17.091.200	5.979.829	14.161.308	521.228	61.601.377
Depreciation fund	(5.206.068)	(14.004.979)	(5.209.652)	(12.167.734)	-	(36.588.433)
Net value as of December 31, 2010	18.641.744	3.086.221	770.177	1.993.574	521.228	25.012.944
Values as of January 1, 2011						
Historic cost	23.847.812	17.091.200	5.979.829	14.161.308	521.228	61.601.377
Depreciation fund	(5.206.068)	(14.004.979)	(5.209.652)	(12.167.734)	-	(36.588.433)
Net value as of January 1, 2011	18.641.744	3.086.221	770.177	1.993.574	521.228	25.012.944
1st Quarter 2011						
Net value as of January 1, 2011	18.641.744	3.086.221	770.177	1.993.574	521.228	25.012.944
Variation in the area of consolidation	-	-	-	-	-	-
Variation in the area of consolidation on depr.fund	-	-	-	-	-	-
Increases	49.314	218.590	105.870	236.930	17.792	628.496
Disinvestments	(69.067)	-	-	(77.288)	-	(146.355)
Use of depreciation fund	-	-	-	66.859	-	66.859
Depreciation	(155.199)	(276.147)	(98.306)	(182.170)	-	(711.822)
Impairment	-	-	-	-	-	-
Reclassifications	(414.400)	-	-	-	-	(414.400)
Depreciation funds reclassified	-	-	-	-	-	-
Difference on exchange rates	(133.049)	(185.126)	(509)	(149.495)	-	(468.179)
Difference on exchange on depr.funds	28.781	132.112	593	142.795	-	304.281
Net value as of March 31, 2011	17.948.124	2.975.650	777.825	2.031.205	539.020	24.271.824
March 31, 2011						
Historic cost	23.280.610	17.124.664	6.085.190	14.171.455	539.020	61.200.939
Depreciation fund	(5.332.486)	(14.149.014)	(5.307.365)	(12.140.250)	-	(36.929.115)
Net value as of March 31, 2011	17.948.124	2.975.650	777.825	2.031.205	539.020	24.271.824

During the period, no significant investments and disinvestments took place. The reduction in net book value of tangible fixed assets mainly reflects depreciation in the period, against rather low net investments. There was, however, a reclassification of 414 thousand euro from the item "Land and Buildings" to the item "Non-current assets for disinvestment" (for more details see Note 6.11).

NOTE 6.2 – INTANGIBLE FIXED ASSETS

At 31/03/2011 the intangible fixed assets amount to 153,290 thousand euro, down with respect to 31/12/2010 by 464 thousand euro. Reference is made to the table below for more details regarding the movements in the intangible fixed assets during the first quarter of 2011.

Intangible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Year 2010				
Net value as of January 1, 2010	102.511.100	15.273.618	36.065.609	153.850.327
Variation in the area of consolidation	-	-	-	-
Increases/(decreases)	-	6.323.420	171.322	6.494.742
Reclassifications	-	-	-	-
Depreciation	-	(3.005.763)	(3.619.554)	(6.625.317)
Impairment	-	(224.798)	-	(224.798)
Difference on exchange rates	165.422	93.994	-	259.416
Net value as of December 31, 2010	102.676.522	18.460.471	32.617.377	153.754.370
1st Quarter 2011				
Net value as of January 1, 2011	102.676.522	18.460.471	32.617.377	153.754.370
Variation in the area of consolidation	-	-	-	-
Increases/(decreases)	-	1.442.896	58.864	1.501.760
Reclassifications	-	-	-	-
Depreciation	-	(801.439)	(900.343)	(1.701.782)
Impairment	-	-	-	-
Difference on exchange rates	(135.810)	(119.380)	(8.938)	(264.128)
Net value as of March 31, 2011	102.540.712	18.982.548	31.766.960	153.290.220

The most significant item is Goodwill, which as of 31/03/2011 amounts to 102,541 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 OF GOODWILL 31/03/2011	BOOK VALUE OF GOODWILL 31/12/2010
FINN-POWER GROUP	96.078	96.078
OSAI (Service)	4.125	4.125
PRIMA NORTH AMERICA	2.147	2.283
MLTA	154	154
OSAI UK	37	37
TOTAL	102.541	102.677

Goodwill is not subject to depreciation and is annually subject to the impairment test. The Group performed the impairment test as of 31/12/2010 on the value of the main goodwill items (FINN-POWER Group, OSAI-Service and PRIMA NORTH AMERICA), for which reference is made to the consolidated financial statements as of 31/12/2010. In consideration of the consolidated results of the first quarter 2011 it was not deemed necessary to repeat the test as of 31/03/2011.

NOTE 6.3 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of equity investments included in this item decreased with respect to the past year by 349 thousand euro.

Equity investments valued with PN method	SUP (1)	SNK	CARETEK	TOTAL
January 1, 2010	4.624.294	75.467	-	4.699.761
Portion of result	1.837.552	(1.115)	(36.185)	1.800.252
Increases	-	-	94.000	94.000
Reclassifications	-	-	(57.815)	(57.815)
Currency adjustment	542.071	15.832	-	557.903
December 31, 2010	7.003.917	90.184	-	7.094.101
Portion of result	7.324	-	-	7.324
Increases	-	-	-	-
Currency adjustment	(349.134)	(6.871)	-	(356.005)
March 31, 2011	6.662.107	83.313	-	6.745.420

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

The change is due both to the allocation of the share of the joint venture Shanghai Unity PRIMA Laser Machinery Co. Ltd. as well as to the adjustment of the value of the

both equity investments. The value entered in the consolidated financial statements as of 31/03/2011 refers to 6,662 thousand euro for the 35% shareholding in Shanghai Unity PRIMA Laser Machinery Co.Ltd and 83 thousand euro for the 50% stake in SNK Prima Company Ltd.

NOTE 6.4 - OTHER EQUITY INVESTMENTS

The value of Other Equity Investments at 31/03/2011 amounted to 972 thousand euro.

With respect to 31/12/2010, the only change concern the equity investment in Electro Power Systems, which increased by 34 thousand euro.

With the exception of this increase, the value of Other equity investments remained unchanged with respect to the previous year. As of 31/03/2011, this item consists of the following elements:

- Electro Power Systems (783 thousand euro);
- Caretek (58 thousand euro);
- Consorzio Sintesi (52 thousand euro).
- Fimecc OY (50 thousand euro);
- other lesser equity investments (29 thousand euro).

The equity investment in ELECTRO POWER SYSTEMS is held by the subsidiary PRIMA ELECTRONICS and amounts to 2,60%, 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%.

Among the Other equity investments is an equity investment, from the third quarter of 2009, in OSAI GmbH in liquidation, amounting to 1 Euro. During the third quarter 2009, OSAI GmbH was put in liquidation and has been excluded from the area of consolidation as considered irrelevant.

NOTE 6.5 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes amount to 5,089 thousand euro, up with respect to the previous year by 61 thousand euro.

The timing differences that generated this tax asset relate to unrealised margins on infragroup sales, off-balance sheet provisions, the provision for bad debts and for writedowns of inventories. Entry in the financial statements of the prepaid taxes was made, wherever there was a definite probability of recovering them.

On some companies of the FINN-POWER Group reports of prepaid taxes were made, while on the remainder no such reports were made, taking account of the losses historically reported and coherent with the policies adopted in previous years. With reference to the recoverability of these taxes, we point out that the parent company and PRIMA ELECTRONICS historically realized 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 on recoverability of prepaid taxes takes account of the profitability expected in future years and is also prompted by the fact that the prepaid taxes refer mainly to asset fund adjustments and funds for costs and risks, for which there is no expiration.

NOTE 6.6 - INVENTORIES

The following table illustrates the breakdown of inventories as of 31/03/2011 and 31/12/2010.

INVENTORIES	31/03/11	31/12/10
Raw materials	36.065.167	33.013.019
(Raw materials devaluation fund)	(2.912.093)	(3.198.469)
Unfinished goods	16.371.975	12.500.792
(Unfinished goods devaluation fund)	(175.489)	(175.489)
Finished products	33.230.648	30.360.897
(Finished products write-down fund)	(2.238.980)	(2.349.522)
TOTAL	80.341.228	70.151.228

At 31/03/2011 the inventories amounted to 80,341 thousand euro net of the provision for writedowns of inventories totalling 5,326 thousand euro. The value of inventories in stock on 31/03/2011 shows a net increase of 10,190 thousand euro.

The increase in the net value of inventories is the consequence of the higher production volumes and larger order portfolio.

NOTE 6.7 - TRADE RECEIVABLES

The trade receivables at 31/03/2011 amounted to 59,634 thousand euro and compared to the previous financial year the item showed an increase of 4,961 thousand euro.

TRADE RECEIVABLES	31/03/11	31/12/10
Receivables from clients	63.313.969	67.957.623
Receivable write-down fund	(4.185.367)	(4.186.721)
Net receivables from clients	59.128.602	63.770.902
Receivables from associates	505.701	823.862
Write-down fund for rec. from assoc.	-	-
TOTAL	59.634.303	64.594.764

The receivables from associates amount to 506 thousand euro and are commented on in note 6.28 - "Information about associates". The decrease in trade receivables between 31/12/2010 and 31/03/2011 was due to careful management of working capital. With reference to the receivables write-down fund, this does not show significant variations, since it was felt that the receivable risk was adequately covered by the fund allocated.

NOTE 6.8 - OTHER RECEIVABLES

The Other receivables in existence at 31/03/2011 amount to 8,156 thousand euro and increased compared to the previous period by 1,178 thousand euro. The value of the other receivables refers mainly to accruals and deferrals in assets, advances paid to suppliers, advances on travel expenses paid to employees, contributions for research & development to be received. Other non-current receivables amount to 27 thousand euro.

NOTE 6.9 - OTHER FISCAL ASSETS

This item amounts to 6,300 thousand euro compared with 4,691 thousand at the end of the previous year. Fiscal assets refer mainly to VAT receivables (5,745 thousand euro), receivables entered by the American subsidiaries and the German subsidiary on

infra-annual loses (331 thousand euro), as well as other receivables for minor fiscal assets (224 thousand euro).

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

NOTE 6.10 - NET FINANCIAL POSITION

As of 31/03/2011 the Group's net financial position showed an indebtedness amounting to 141,545 thousand euro, which was substantially stable with respect to 31/12/2010 when it was 141,268 thousand euro. For a better understanding of the changes in the net financial position during the first quarter of 2011, reference is made to the cash-flow statement for the period.

As required by Consob Communication no. DEM/6064293 of 28.07.06, the following table illustrates the net financial indebtedness as of 31/03/2011 and 31/12/2010, determined with the criteria indicated in the Recommendation of the CESR (Committee of European Securities Regulators) of 10.02.05 "Recommendations for uniform implementation of the European Commission in information prospectuses" and cited also by Consob.

FINANCIAL POSITION				
<i>Values in thousands of euro</i>				
	31/03/11	31/12/10	Variations	
A CASH	15.942	14.838	1.104	
B OTHER VALUABLES ON HAND	-	-	-	
C SECURITIES HELD FOR NEGOTIATION	-	-	-	
D CASH ON HAND (A+B+C)	15.942	14.838	1.104	
E CURRENT FINANCIAL RECEIVABLES	90	2	88	
F CURRENT BANK PAYABLES	15.886	12.068	3.818	
G CURRENT PART OF NON-CURRENT INDEBTEDNESS	36.371	31.761	4.610	
H OTHER CURRENT FINANCIAL PAYABLES	1.464	1.481	(17)	
I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)	53.721	45.310	8.411	
J NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)	37.689	30.470	7.219	
K NON-CURRENT CURRENT BANK PAYABLES	100.980	107.709	(6.729)	
L BONDS ISSUED	-	-	-	
M OTHER NON-CURRENT FINANCIAL PAYABLES	2.876	3.089	(213)	
N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)	103.856	110.798	(6.942)	
O NET FINANCIAL INDEBTEDNESS (J+N)	141.545	141.268	277	

LIQUIDITY

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

INDEBTEDNESS WITH BANKS

The main debt included in indebtedness with banks is the FINPOLAR loan. This loan, which as of 31/03/2011, amounted to a total of 128,568 thousand euro is divided as follows:

- Section A: medium/long-term loan of 27,960,000 (expiring in February 2015 with repayment in semi-annual installments of unvarying capital);
- Section B: medium/long-term loan of 63,525,000 (expiring in February 2016 with a "bullet" repayment at expiration);

- Section C1: medium/long-term loan of 12,638,000 (expiring in February 2015 with repayment in semi-annual installments of unvarying capital starting August 4, 2011);
- Section C2: revolving credit line of advances on invoices used until March 31, 2011 for 4,036 thousand euro;
- Section D: cash credit line for 19,834 thousand euro (for a maximum capital amount of 20 million euro).
- Accrued interest for all 5 sections amounting to 575 thousand euro.

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

The FINPOLAR loan is subject to the respect of certain *covenants* that are measured annually on a consolidated basis.

The FINPOLAR loan is for 93,992 thousand euro with expiration after 12 months.

Non-current bank indebtedness also includes bank payables for 1,316 thousand euro and the negative fair value of certain financial derivative instruments (IRS – Interest Rate Swap) which amount to a total of 5,672 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 31.03.11 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 assigning them to the income statement of the relative variations of *fair value*.

In current bank indebtedness (considering also the current part of the non-current indebtedness) we have included the FINPOLAR loan for 34,577 thousand euro, bank overdrafts for 13,291 thousand euro, other bank loans for 4,386 thousand euro and derivatives for 3 thousand euro.

OTHER FINANCIAL PAYABLES

The other financial payables amount in total to 4,340 thousand euro (of which 2,876 thousand euro are not current).

The other financial payables include:

- interest on the residual payable due to EQT (also relative to the acquisition of the FINN-POWER Group), which came due from July to November 2009, and entirely classified in the current portion of the payable, for 311 thousand euro;
- payables for financial leases amounting to 2,259 thousand euro (of which 250 thousand euro current);
- other financial payables for 1,283 thousand euro (of which 416 thousand euro current); these payables refer mainly to facilitated ministry loans.
- payables to factoring companies for 487 thousand euro.

Lastly, it should be noted that as of 31/03/2011, the PRIMA INDUSTRIE Group possesses derivative financial instruments for coverage of the exchange rate risk (Currency Rate Swaps) for a positive value of 90 thousand euro.

CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and the loans taken out by the PRIMA INDUSTRIE Group as of 31/03/2011 (not inclusive of the fair value of derivatives) amount to 151,901 thousand euro and in the first nine months of 2011 they changed as shown in the table here below.

PAYABLES TO BANKS AND LOANS	Euro/000
Payables to banks and loans - current portion (01/01/2011)	45.256
Payables to banks and loans - non-current portion (01/01/2011)	103.019
TOTAL PAYABLES TO BANKS AND LOANS AS OF 01/01/2011	148.275
Variation in the area of consolidation	-
Stipulation of mortgages and loans <i>(including bank overdrafts)</i>	9.165
Repayments of mortgages and loans <i>(including bank overdrafts)</i>	(5.276)
Stipulation/(repayments) of financial leases	6
Exchange effect	(269)
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/03/2011	151.901
of which:	
Payables to banks and loans - current portion (31/03/2011)	53.717
Payables to banks and loans - non-current portion (31/03/2011)	98.184
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/03/2011	151.901

NOTE 6.11 - OTHER NON-CURRENT ASSETS SCHEDULED FOR DISINVESTMENT

This item includes some real estate property owned by FINN-POWER Italia Srl. Part of the property was purchase in the first quarter 2011 and refers to some property units under construction at Rivalta sul Mincio –MN- (for 886 thousand euro) and part refers to several apartments, previously classified under fixed assets and now reclassified under this heading, located in Asola –MN- (414 thousand euro). The Group classified these properties under this heading because they are immediately available for sale and their sale is considered highly likely.

NOTE 6.12 - SHAREHOLDERS' EQUITY

During the first quarter 2011, 232 warrants were converted, for a further capital increase of 232 new shares corresponding to the warrants exercised, therefore as of 31/03/2011 the share capital amounts to Euro 21,600,917.50 (divided into 8,640,367 ordinary shares with a par value of Euro 2.50 each). For more details on this subject, see the table of changes in shareholders' equity.

NOTE 6.13 - EMPLOYEE BENEFITS

The item Employee benefits includes:

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

Below is a comparison of these items.

EMPLOYEE BENEFITS	31/03/11	31/12/10
Severance indemnity fund	5.735.717	5.821.918
Fidelity premium	1.249.549	1.197.873
TOTAL	6.985.266	7.019.791

NOTE 6.14 - FISCAL LIABILITIES FOR DEFERRED TAXES

The tax liabilities for deferred taxes amount to 10,618 thousand euro and reflect a decrease compared to the previous financial year which amounted to 293 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 8,335 thousand euro.

NOTE 6.15 - FUNDS FOR RISKS AND CHARGES

The provisions for risks and charges amount to 7,302 thousand euro, a decrease compared to 31/12/2010 of 934 thousand euro.

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

The provisions for non-current risks refer exclusively to the client indemnity fund for agents and amount to a total of 60 thousand euro. The current provision for risks refers mainly to product warranties (euro 5,966 thousand euro down from 584 thousand euro with respect to 31/12/2010).

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

NOTE 6.16 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

The value of these payables has increased compared to 31/12/2010 by a total of 9,402 thousand euro. Trade payables and advances from clients increased with respect to the previous year following the increased volume of sales. 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.

TRADE AND OTHER PAYABLES	31/03/11	31/12/10
Payables to suppliers	62.659.015	59.067.818
Trade payables	62.659.015	59.067.818
Advances from clients	23.561.648	19.094.705
Advances from clients	23.561.648	19.094.705
Tax and social security payables	2.035.591	2.806.865
Payables to employees	4.316.613	3.288.160
Other short-term payables	9.122.589	8.035.434
Other payables	15.474.793	14.130.459

NOTE 6.17 - FISCAL LIABILITIES FOR CURRENT TAXES

Fiscal liabilities for current taxes as of 31/03/2011 amounted to 3,662 thousand euro, up by 1,200 thousand euro compared to 31/12/2010.

NOTE 6.18 - NET REVENUES FROM SALES AND SERVICES

The income from sales and services has already been dealt with both in chapter 3 of this document: "INTERIM MANAGEMENT REPORT" in the paragraph entitled "REVENUES AND PROFITABILITY" and at note 6.29 – Segment report.

NOTE 6.19 - OTHER OPERATING REVENUES

The item Other revenues and income amounts to 459 thousand euro and is up with respect to the corresponding period of 2010 by 39 thousand euro. This item mainly refers to research grants, atypical earnings and some contingent assets.

NOTE 6.20 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of 31/03/2011 amount to 1,520 thousand euro and refer mainly to capitalization of assets for the development of new projects (1,443 thousand euro), for which the technical feasibility and generation of probable future economic benefits has been ascertained.

NOTE 6.21 - PERSONNEL COST

The cost of the personnel as of 31/03/2011 amounts to 20,059 thousand euro and is up from the corresponding period of the past year by 1,210 thousand euro. This increase was the consequence both of the interruption of the process of staff reduction and of the use of redundancy schemes, beginning in 2008, as the operations of reorganization are now complete, as well as of a slight increase in personnel to meet the growing operating needs of the Group.

NOTE 6.22 – DEPRECIATION – IMPAIRMENT AND WRITEDOWNS

Depreciation for the period amounts to 2,414 thousand euro, of which 1,702 thousand euro refer to intangible fixed assets. It should be noted that the depreciation of the trademark and relations with the clientele ("customer list") totalled 662 thousand euro.

NOTE 6.23 - OTHER OPERATING COSTS

The other operating costs for the first three months of 2011 amount to 13,819 thousand euro compared with 11,724 thousand euro as of 31/03/2010. The increase is the direct consequence of the increased volume of business.

NOTE 6.24 - FINANCIAL INCOME AND COSTS

The financial management of the first three months of 2011 was negative for 2,450 thousand euro.

FINANCIAL MANAGEMENT	31/03/11	31/03/10
Financial income	62.110	47.958
Financial costs	(1.896.910)	(2.132.981)
Net result deriving from transactions in foreign currency	(615.062)	424.141
TOTAL	(2.449.862)	(1.660.882)

The financial costs relative to the FINPOLAR loan incurred by PRIMA INDUSTRIE amount to 1,180 thousand euro, while net financial costs on derivatives stipulated by the Group amount to 235 thousand euro.

The result of exchange rate management in the first three months of 2011 is negative for 615 thousand euro (positive for 424 thousand euro at 31/03/2010) due mainly to the weakening of the U.S. dollar against the euro, especially in this first quarter. It should be noted, however, that this result does not take account of the positive effect deriving from the adjustment of the fair value of certain financial derivative instruments for coverage of the currency exchange risk (+ 134 thousand euro), included in other financial income/costs.

NOTE 6.25 - NET PROFIT OF AFFILIATED COMPANIES AND JOINT VENTURES

As of 31/03/2011, this item amounts to 7 thousand euro and is down with respect to the corresponding period of the previous year (at 31/03/2010 it was 12 thousand euro). The result recorded in the Income Statement refers to the revaluation of the Chinese JV Shanghai Unity PRIMA Laser Machinery Co Ltd (SUP).

NOTE 6.26- CURRENT AND DEFERRED TAXES

Income taxes in the first three months of 2011 indicate a positive net balance of 369 thousand euro (including IRAP for 235 thousand euro). The increased fiscal burden of the Group is attributable to the greater incidence of deferred taxes and the increased taxable revenues.

NOTE 6.28 – EARNING PER SHARE

(a) Basic profit per share

The basic result per share is determined by dividing the result due to the shareholders of the Parent Company by the average number of shares in circulation during the period, excluding the ordinary stock acquired by the Parent Company, held as treasury stock in portfolio.

In the first three months of 2011, an average of 8,640,238 shares were in circulation; therefore the profit per share relative to the first three months of 2011 amounts to a loss of 0.25 euro per share (against a loss of 0.62 euro per share relative to the first three months of 2010).

BASIC PROFIT PER SHARE	31/03/11	31/03/10
Profit due to shareholders (Euro/000)	(2.173)	(4.629)
Weighted average - number of ordinary shares	8.640.238	7.495.111
Basic profit per share (Euro)	(0,25)	(0,62)

(b) Diluted profit per share

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

DILUTED PROFIT PER SHARE	31/03/11	31/03/10
Profit due to shareholders (Euro/000)	(2.173)	(4.629)
Weighted average - number of ordinary shares	8.640.238	7.495.111
Corrected average number of ordinary shares	11.005.871	9.861.111
Diluted profit per share (Euro)	(0,20)	(0,47)

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

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

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

NOTE 6.28 - INFORMATION ON ASSOCIATES

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

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

OPERATIONS WITH ASSOCIATES	SHANGHAI UNITY PRIMA LASER MACHINERY	STRATEGIC MANAGEMENT	BOARD OF AUDITORS	TOTAL
RECEIVABLES AS OF 01/01/2011	823.862	-	-	823.862
RECEIVABLES AS OF 31/03/2011	505.701	-	-	505.701
PAYABLES AS OF 01/01/2011	-	160.034	129.609	289.643
PAYABLES AS OF 31/03/2011	88.750	93.592	155.859	338.201
REVENUES 01/01/11 - 31/03/2011	486.554	-	-	486.554
COSTS 01/01/2011 - 31/03/2011	-	393.009	26.250	419.259
CHANGES IN RECEIVABLES				
01/01/2011 - 31/03/2011	(318.161)	-	-	(318.161)
CHANGES IN PAYABLES				
01/01/2011 - 31/03/2011	88.750	(66.442)	26.250	48.558

NOTE 6.29 – SEGMENT REPORT

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

In addition, (as already reported in the Foreword to this document and in chapter 4 - "ECONOMIC TREND BY SEGMENT"), during 2010, the Group gained a new organiza-

tion 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 (and they would be too costly to process), so it will not be possible in this document to provide uniform comparisons of data by segment. The only data for comparison at the disposal of the group, and that have already been reported in this document, are revenues.

Information by segment 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 31/03/2011	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Total revenues for sector	52'703	11'397	-	64'100
<i>(Inter-sectorial revenues)</i>	<i>(4)</i>	<i>(3'480)</i>	-	<i>(3'484)</i>
Revenues	52'699	7'917	-	60'616
EBITDA	2'227	825	-	3'052
EBIT	151	487	-	638
Net financial costs/income	(2'183)	(267)	-	(2'450)
Income/costs from affiliates and joint ventures	7	-	-	7
Profit before taxes	-	-	-	(1'805)
Taxes	-	-	(368)	(368)
Net profit	-	-	-	(2'173)

Assets and liabilities for segment 31/03/2011	PRIMA POWER	PRIMA ELECTRO	Items not allocated	TOTAL
Assets	276'502	50'518	27'421	354'441
Affiliates, JV and other equity investments	6'876	842	-	7'718
Total Assets	283'378	51'360	27'421	362'159
Liabilities	99'169	16'814	171'856	287'839

Sales breakdown by geographical area

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

NOTE 6.30 - MANAGEMENT OF FINANCIAL RISKS

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

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

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

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

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

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

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

The following table illustrates the goals and policies of the Group for management of the risks indicated above.

Interest rate risk

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

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

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

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

- Interest rate \longrightarrow 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 toward the banking system and capital market, as well as toward the other creditors, can be expressed in the group's own reporting currency (euro), or in other reporting currencies.

In this case, the financial cost of the payable in 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 toward 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:

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

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

- Exchange rate \longrightarrow Management/Hedging

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

Relative 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 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.

Liquidity risk

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

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

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

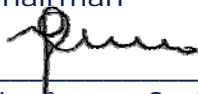
The current difficult market context in operational and financial terms means that particular attention must be paid to managing cash flow risk, and in that sense, particular attention is devoted to those items tending to generate financial resources through general operational management and maintenance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

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

NOTE 6.31 – EVENTS SUBSEQUENT TO THE PERIOD

No events have occurred since the reference date of this Interim Management Report that, if known previously, would have necessitated a correction of the values reported.

On behalf of the Board of Directors
The Chairman



Mr. Gianfranco Carbonato



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

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