PRIMA INDUSTRIE

ANNUAL FINANCIAL REPORT FOR 2010

Share capital Euro 21,600,917.50
Registry of Business Enterprises of Turin
no. 03736080015 Turin R.E.A. no. 582421
Registered office in Collegno, Via Antonelli, 32 (Turin)

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

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS (B.o.D.)

Chairman and Managing Director	Gianfranco Carbonato
Non-independent Directors	Michael Mansour, Rafic Y. Mansour
Independent Directors	Sandro d'Isidoro, Mario Mauri
Other Executive Directors	Domenico Peiretti, Ezio G. Basso (1)
Secretary of the Board of Directors	Massimo Ratti
General Director	Ezio G. Basso

Internal Control Committee

Chairman	Sandro D'Isidoro
Components	Mario Mauri, Michael Mansour

Remuneration Committee

Chairman	Mario Mauri
Components	Sandro d'Isidoro, Rafic Y. Mansour

Board of Auditors

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

Auditing Company	Reconta Ernst & Young SpA

(1) *Appointed by the Stockholders' Meeting of April 28, 2009 to replace resigning director Marco Pinciroli.*

EXPIRATION OF TERMS AND APPOINTMENTS

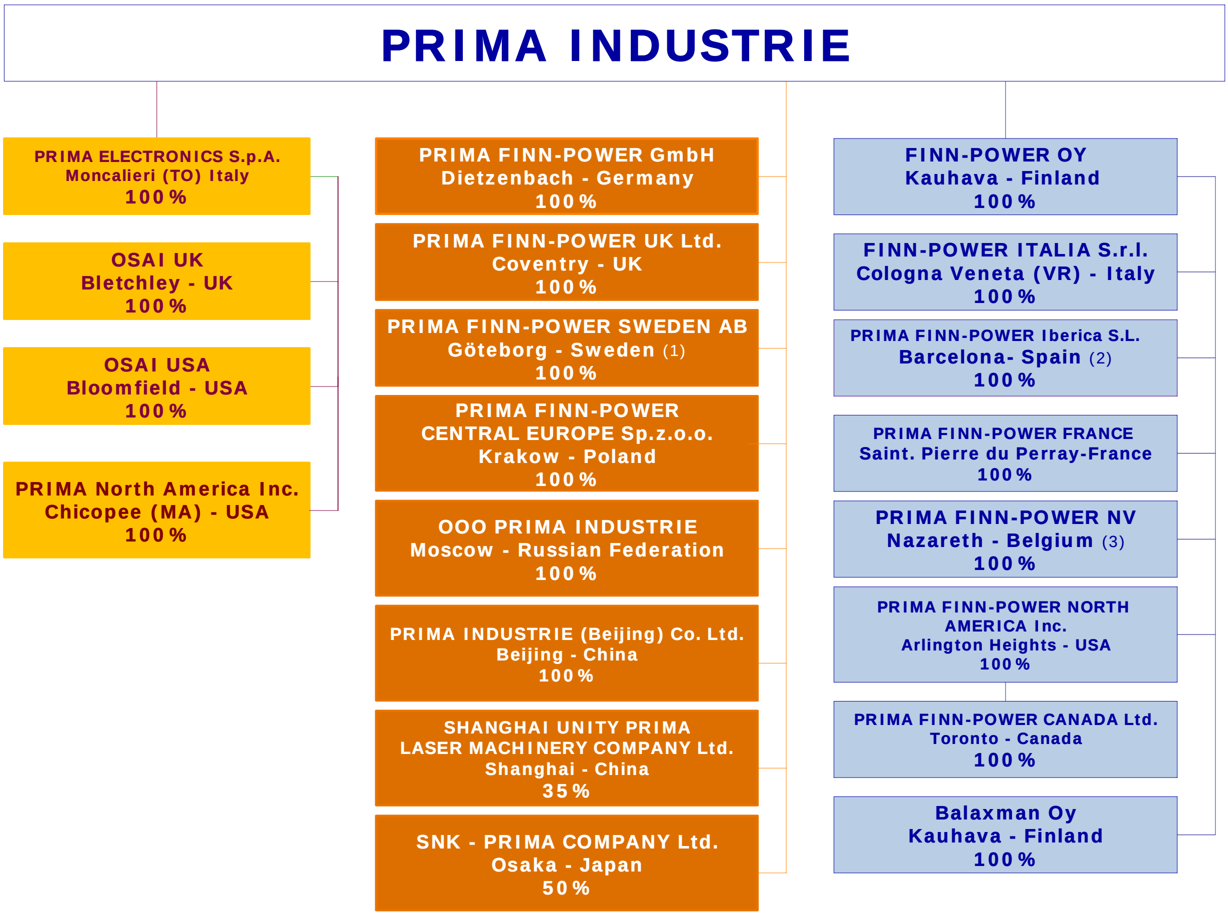
The B.o.D. was appointed at the Stockholders' Meeting held on April 29, 2008, for the three-year period 2008-2010.
At the meeting held on May 7, 2008, the Board of Directors appointed Mr. Gianfranco Carbonato as the Chief Executive Officer and determined his powers. At the meeting held on March 13, 2009, the Board of Directors appointed Ezio Basso and Domenico Peiretti as Chief Executive Officers of the Laser unit and Electronic unit, respectively, and determined their powers.

In terms of clause 25 of the Company By-Laws, the Chairman and Managing Director is the legal representative of the Company.

The Board of Auditors was appointed at the Stockholders' Meeting held on April 27, 2010, for the three-year period 2010 - 2012.
The Auditing company was appointed by the Stockholder's Meeting held on April 29, 2008 for the period 2008 - 2016.

INDEX

1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP AS OF 31/12/2010



(1) 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 SpA).

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

2. INTRODUCTION

LEGISLATIVE FRAMEWORK

In application of EC Regulations No. 1606 dated 19 July 2002, the PRIMA INDUSTRIE Group prepared the consolidated financial statements of 31.12.10 in accordance with the International Accounting Standards approved by the European Commission (hereinafter referred to individually as the IAS/IFRS or jointly IFRS).

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

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

CONSOLIDATION AREA

The only variation which occurred in the area of consolidation during the 2010 financial period, was the entrance in the perimeter of the newly incorporated Russian branch OOO PRIMA INDUSTRIE; this company is wholly owned by PRIMA INDUSTRIE SpA.

It should be noted that the equity investment in JV WUHAN OVL was sold in 2010. For more details on the subject reference is made to the paragraph “SIGNIFICANT EVENTS IN 2010”.

It should also be noted that PRIMA ELECTRONICS SpA incorporated, in February 2010, Caretek S.r.l. and held 47% of the shares at that time. During the last quarter of the year, following certain extraordinary transactions on the company's share capital, PRIMA ELECTRONICS' shares decreased to 15.5%; for this reason the company is accounted at cost in these financial statements.

On February 19, 2010 the two German subsidiaries of the company were merged: PRIMA INDUSTRIE GmbH and FINN-POWER GmbH, previously 100% owned respectively by PRIMA INDUSTRIE S.p.A. and FINN-POWER OY.

The under mentioned companies fell within the scope of consolidation indicated in the tables below as of 31.12.10.

LASER SYSTEMS SEGMENT	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
PRIMA North America, Inc. [1]	CONVERGENT LASERS DIVISION & PRIMA LASER SYSTEMS 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
PRIMA FINN-POWER GmbH	Lise-Meitner Strasse 5, Dietzenbach, GERMANY	€ 500'000	100%	Line-by-line method
PRIMA FINN-POWER SWEDEN AB [2]	Mölndalsvägen 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
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
OOO Prima Industrie	Ordzhonikidze str., 11/A - 115419, Moscow - RUSSIAN FEDERATION	RUB 4.800.000	100%	Line-by-line method
ELECTRONICS SEGMENT				
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, (TO) ITALY	€ 6'000'000	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
OSAI UK Ltd.	Mount House - Bond Avenue, Bletchley, MK1 1SF Milton Keynes, UNITED KINGDOM	GBP 160.000	100%	Line-by-line method

(1) - On 12/31/2010 PRIMA North America has been sold to PRIMA ELECTRONICS. The American subsidiary, has been indicated in the Financial Statement 2010, as still belonging to the Laser Systems Segment, for a better representation of the *segment reporting.*

(2) - in liquidation as from 30/09/2010

SUBSIDIARY COMPANIES				
METAL SHEET MACHINES SEGMENT	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
FINN POWER Oy	Metallite 4, FI - 62200 Kauhava, FINLAND	€ 23'417'108	100%	Line-by-line method
BALAXMAN Oy	Metallite 4, FI-62200 Kauhava, FINLAND	€ 2'522	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
FINN-POWER Italia S.r.l.	Viale Finlandia 2, 37044, Cologna Veneta (VR), ITALY	€ 1'500'000	100%	Line-by-line method
PRIMA FINN-POWER NV	Leenstraat 5, B-9810 Nazareth, BELGIUM	€ 500'000	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 FINN-POWER NORTH AMERICA Inc.	555W Algonquin Rd., Arlington Heights, IL 60005, U.S.A.	USD 10.000	100%	Line-by-line method
PRIMA FINN-POWER CANADA Ltd.	1040 Martingrove Road, Unit 11, Toronto, Ontario M9W 4W4, CANADA	CAD 200	100%	Line-by-line method

JOINT VENTURES				
	REGISTERED OFFICE	SHARE CAPITAL	STAKE	CONSOLIDATION METHOD
SNK PRIMA Company Ltd	Misaki Works 3513-1, Fuke Misaki-Cho, Sennan-Gun, Osaka, JAPAN	Yen 90,000,000	50%	Net equity method
Shanghai Unity PRIMA Laser Machinery Co Ltd.	2019, Kunyang Rd., Shanghai 201111 - P.R. CHINA	Rmb 16,000,000	35%	Net equity method
Wuhan OVL Convergent Laser Co., Ltd.	Building No.1, Great Wall Technology Industry Park,no.1,Townson Lake Road, Wuhan East Lake High-Tech Development Zone Wuhan, 430223, Hubei, P.R. CHINA	Rmb 62,364,091	25.7%	Net equity method
CARETEK S.r.l.	Via Pio VII, 127 10127 Torino, ITALIA	€ 100'000	47%	Net equity method

PROFILE OF PRIMA INDUSTRIE GROUP

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.

After focusing its strategic business on laser systems for industrial applications, the company repeatedly reported double-digit growth, at the same time becoming one of the leaders on the market of laser systems. More recently, maintaining its own leadership in three-dimensional applications, PRIMA INDUSTRIE has also become an important manufacturer on the market relating to the laser cutting of flat surfaces, thanks to its strong commitment to product innovation and its extensive sales and customer service network.

With its subsidiary company PRIMA ELECTRONICS SpA, the company has accumulated significant skill and know-how in the industrial electronics field, as well as in 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 CO_2 and solid-state source lasers, in addition to strengthening its own position on the US market.

In 2001, the company bought the Laserdyne division from 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.

In 2002, the U.S. activities were combined and consolidated into a single legal entity – PRIMA NORTH AMERICA Inc. – with two production plants: one in Chicopee, Massachusetts (CONVERGENT LASERS) and the other in Champlin, Minnesota (LASERDYNE SYSTEMS).

Between 1999 and 2005, the company grew on the Asian market, where it established four joint ventures: three in China (two of which were sold in 2010) and one in 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 ELECTRONICS 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 are 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 is firmly established at the highest levels worldwide 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 Laser Equipment division for sheet metal processing (MACHINERY) and the opto-electronic components division (COMPONENTS).
The MACHINERY division, in turn, has been structured into two main functional units, *Operations* and *Sales Marketing & Service*, each of which under the control of Group manager.
This new structure is designed to enable the Group to focus each business more on its reference market with adequate resources for the volumes and margins that distinguish them, and thereby generate greater efficiency, also in terms of circulating capital invested.

Completing this reorganization, in December 2010, PRIMA INDUSTRIE SPA sold its subsidiary PRIMA NORTH AMERICA (including the source laser and laser systems business) to PRIMA ELECTRONICS SpA. The transaction, which will concentrate the component activities in a single segment of the business, should include the sale by PRIMA ELECTRONICS SpA of its activities relative to LASERDYNE/PRIMA LASER SYSTEMS to the MACHINERY division, maintaining control of the optical components.

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

<u>Laser Machines and Sheet Metal Processing Machines</u>: which includes design, production and sale of:

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

<u>Opto-Electronic Components</u>: 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.

For reasons of coherence and greater clarity, we inform the reader, however, that the chapter "Economic Performance by Segment" relative to the year 2010 contains information relative to the three business segments (Laser Systems, Sheet Metal Processing Machines and Electronics) into which the Group was structured until 31/12/2010.

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

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).

These draft financial statements were approved by the Board of Directors on March 14, 2011.

SIGNIFICANT EVENTS OF 2010

CLOSURE OF THE CAPITAL INCREASE OPERATION

On February 11, 2010, the capital increase operation resolved by the Board of Directors on December 18, 2009, was concluded, in accordance with the proxies assigned to the Board pursuant to art. 2443 of the Italian civil code by the extraordinary shareholders' meeting held on June 8, 2009, and integrating the resolution passed by the Board on October 12, 2009. The increase consisted of 2,240 thousand ordinary shares (having a face value of 2.50 each), for a total face value of euro 5,600 thousand, which were offered on option in the ratio of 7 new shares every 20 ordinary shares owned, at a price of Euro 6.80 each, and thus for a total value, inclusive of the surcharge, of Euro 15,232 thousand. The shares offered on option were combined free of charge with "PRIMA INDUSTRIE 2009-2013" warrants in the ratio of 1 Warrant every new share underwritten. The warrants give the right to underwrite new shares, in the ratio of 1 new share for every warrant held, at the price of Euro 8.50 each; during the first semester 2010; 135 warrants were exercised, for a further capital increase corresponding to 135 shares. Therefore as of 31.12.10, the capital of PRIMA INDUSTRIE SpA amounts to 21,600,337.50 Euro divided into 8,640,135 ordinary shares. On that date, the "PRIMA INDUSTRIE 2009-2013" warrants (convertible until 16/12/2013) still on the market totalled 2,239,865.

SALE OF THE COMPANY DIVISION IN SWEDEN

In the sphere of reorganization of the Group's sales sector, its representation on the Scandinavian market was trimmed, during the third quarter, in a view of greater efficiency. PRIMA FINN-POWER SWEDEN AB sold its historical distributor, Din Maskin, the company division for distribution and after-sales service of its 3D laser systems in Sweden and Norway (including 4 employees).

The sale, for about 0.3 million euro, is part of a program of long-term cooperation between the PRIMA INDUSTRIE Group and Din Maskin, which already distributes and provides service in Scandinavia on the other PRIMA INDUSTRIE and FINN-POWER products, in the Group's strategy of adjustment of its presence on the European markets to the effective size of the business, deriving resources to reinvest on emerging markets with higher growth rates.

INCORPORATION OF A BRANCH IN THE RUSSIAN FEDERATION

On 08/07/2010 OOO PRIMA INDUSTRIE was incorporated, with headquarters in Moscow. The company, a direct 100% subsidiary of PRIMA INDUSTRIE SpA, became operational in the third quarter of the year, and will handle the promotion, sale and technical service of the Group's machines in Russia. The incorporation of a company under Russian law corresponds to the intention of the Group to be more and more directly present on markets with a higher rate of expected growth.

SETTLEMENT WITH OSAI VENDORS

During the third quarter 2010, PRIMA ELECTRONICS SpA concluded positively with the vendors of OSAI SpA (the company acquired in July 2007 and subsequently merged by incorporation into PRIMA ELECTRONICS) a settlement agreement relative to the controversies caused by the violation of the guarantee statements foreseen in the purchase contract. In particular, in July 2010, PRIMA ELECTRONICS and the vendors of the OSAI Group initialled an agreement recognizing an indemnity of 0.6 million euro, reported as non-recurrent income for the year.

SALE OF THE INVESTMENT IN THE WUHAN OVL JV

On 21.12.10, PRIMA NORTH AMERICA sold its entire holding in the Chinese joint venture Wuhan OVL Convergent Laser Technology Co. Ltd. to Wuhan Haidawei Technology Co. Ltd. The price of sale agreed was 4,640 thousand renminbi (collected in February 2011). The entire selling price was reported as capital gain, as the investment was entered in the financial statements at zero.

SALE OF THE SUBSIDIARY PRIMA NORTH AMERICA BY PRIMA INDUSTRIE TO PRIMA ELECTRONICS

For the description of this transaction, see the chapter "Relations with associated parties".

MERGER OF THE TWO GERMAN SUBSIDIARIES

For the description of this transaction, see the chapter "Relations with associated parties".

ALTERNATIVE PERFORMANCE INDICATORS

In this Management Report, in the consolidated financial statements of the PRIMA INDUSTRIE Group and in the separate financial statements of the parent company PRIMA INDUSTRIE SpA for the years ending December 31, 2010 and 2009, in addition to the conventional financial indicators foreseen by the IFRS, we have included several alternative performance indicators to facilitate a better evaluation of the economic and financial management performance.

These indicators, that are also presented in the 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 normalized EBIT and EBITDA, which correspond to the aforementioned indicators net of non-recurrent items.

The "Value of production", represented by the sum of the items "Net revenues from sales and services", "Other operating revenues", "Variation 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.

	AVERAGE EXCHANGE		SPOT EXCHANGE	
CURRENCY	31/12/2010	31/12/2009	31/12/2010	31/12/2009
US DOLLAR	1,3268	1,3948	1,3362	1,4406
POUND STERLING	0,8567	0,8909	0,8608	0,8881
SWEDISH KRONA	9,5858	10,6191	8,9655	10,2520
CHINESE RENMINBI	9,0207	9,5277	8,8220	9,8350
JAPANESE YEN	117,0644	130,3370	108,6500	133,1600
POLISH ZLOTY	4,0099	4,3276	3,9750	4,1045
CANADIAN DOLLAR	1,3665	1,5850	1,3322	1,5128
RUSSIAN RUBLE	40,2780	44,1391	40,8200	43,1540

3. MANAGEMENT REPORT

MESSAGE TO THE STOCKHOLDERS AND OTHER STAKEHOLDERS

Ladies and Gentlemen,

The profits for the year 2010 that we present here indicate clear signs of recovery after the profound crisis on all our reference markets experienced in 2009.

The world economy has resumed its course at the record level of 5%, which should, however, be considered as the mean among very different growth rates in different parts of the world. China, India and Brazil, for example, reported GDP indices higher than 5% (in China's case it was over 10%), while the U.S., Russia and Germany reported 3% and most of the European markets are still experiencing very slow growth on the order of only 1%.

A recent study by Bain & Co. confirmed the strong correlation between the GDP and orders of instrumental goods on emerging markets, and an even stronger relationship between the growth rate of the GDP and orders of instrumental goods on the mature economies.

On the average, the world market of instrumental goods saw a modest recovery in 2010 with a significant geographical shift from the traditional countries toward the emerging ones.
This situation is well represented in our profits for 2010, which should not be surprising, considering that our Group holds a share of about 10% of the global reference market and that the data reported by our competitors confirm this trend.

Consolidated revenues for 2010 amount to 250 million Euro, +7.8% compared to the previous year 55.3% of the revenues were earned in Europe (64.4% in 2009) while sales in America, Asia and the Rest of the World increased considerably from 35.6% to 44.7% in 2010.

The EBITDA for the year increased to 10.4 million euro (4.1% of sales), which is still clearly unsatisfactory, although the increase from 6.2 million euro in 2009 is all the more significant if we consider that in the previous year the EBITDA was affected by positive non-recurrent items for 6.0 million euro.

The EBIT once again shows a positive value (0.4 million euro) with respect to the negative value of 3.9 million euro in 2009.
The final result still shows a loss of less than 6.0 million Euro, as compared to 8.7 million euro the previous year.

The loss for the year was, however, largely generated in the first quarter, when sales were very low due to the poor performance of orders in 2009, while as the year went on the Group reached the break-even point and even returned to generate profits in the last quarter.

The most positive indications for the year are those relative to orders, which amounted to 271.8 million euros, +28% compared with 2009, with a peak of almost 50% increase in the last quarter.
Consequently, the orders backlog as of 31/12/2010 was 82.3 million euro, +26% from the previous year, despite the high turnover 81.3 million euro in the last quarter.

The capital increase operation for 15.2 million euro, successfully concluded in February, brought the net financial position at the end of the year down to -141.3 million euro (inclusive of 10.7 million euro for leases, factoring and negative fair value of the IRS), compared with -150.1 million euro in 2009.

Reducing the financial burden consequent to the acquisition of FINN-POWER remains the priority of the management, in addition to the possible exercise of the existing warrants (currently “in-the-money”) for an amount in circulation of 19.0 million euro. Also in the financial sphere, the Group is renegotiating the terms and conditions of the corresponding loan contract with the pool of banks that financed the acquisition.

At the end of the year, employees totalled 1,353, with a reduction of 110 units compared to the previous year, consequent to the reorganization of the Group which was also implemented in 2010 after the main restructuring that took place in 2009. The process of building a leaner company is now complete and, starting from early in 2011, the Group has resumed hiring to a moderate extent, to cover a few key positions that were still vacant, and to adapt the structure to the production programs foreseen for the year 2011.

Among the activities of the year 2010, it is important to mention further rationalizations of the Group's international activity:

- Sale of the business in Sweden to the local distributor, where all the activities of sales and service are concentrated.
- Incorporation and strong growth of a sales and service company in Russia.
- Disinvestment of the minority share in the JV of Wuhan and concentration of the Chinese activities in the JV of Shanghai, WOFE in Beijing and the Hong Kong distributor.

As in the past, there was considerable activity of Research and Development in 2010, with total investments of 14.3 million euro (5.7% of revenues) of which 6.3 million were capitalized and 8.0 million euro were charged to the Income statement in accordance with the IAS/IFRS accounting standards.
Other activities included:

- The new line of SGe electric punching-shearing systems;
- The new 3D Rapido EVO II system equipped with the laser in fiber;
- The startup of the new OPEN line of CNC controls.

All the new products are in line with our philosophy of environmental sustainability and energy savings, and were presented to the market during the main international fairs held during the year, such as Euroblech 2010 in Hannover (Germany) and Fabtech 2010 in Atlanta, Georgia (USA).

Among the most significant results obtained during the year was the excellent activity of our Chinese JV, Shanghai Unity PRIMA. It earned the record level of RMB 474 million in sales, with a net profit of RMB 47.4 million (10% of sales). Our equity investment of 35% in this company is consolidated at shareholders' equity with consequent impact only at the level of financial income.

On February 4, 2011, during our annual trade meeting, we celebrated the third anniversary of the acquisition of FINN-POWER. In the 3 years since the acquisition, we have worked hard to integrate the PRIMA and FINN-POWER Groups into a single well-organized business, according to a master plan of specialized activities and a worldwide network for sales and service.
This work, which was undertaken in a very difficult period due to the crisis, has now been completed, and two of the three segments of which we report the results (lasers and sheet metal processing) have completely merged.
For this reason, starting from January 1, 2011, we will report on only two segments, so as to reflect the positive completion of the process of integration.

In order to achieve better rationalization of the Group structure, we transferred the ownership of PRIMA North America – Convergent Laser Division to PRIMA ELECTRONICS effective from 31/12/2010. The logic behind this decision was as follows:

i) Laser generators and electronic/numerical control systems are all "parts", produced for OEM clients and not for end users, and
ii) Lasers have become more and more “solid state”, and consequently so have the electronic devices.

The new division deriving from the operation described above will be called PRIMA ELECTRO and had revenues in 2010, proforma, on the order of 50 million euro.

In conclusion, the new divisional organization of the Group will introduce new brands and trademarks starting March 22, 2011.
In addition to PRIMA ELECTRO, the new Machinery Division, created after the merger of PRIMA INDUSTRIE and FINN-POWER, will be called PRIMA POWER, so as to evoke its origin readily in the minds of our clients, also thanks to the “orange Prima” and “blue FINN-POWER” contained in the logo colors.

All the trademarks of the Group (PRIMA INDUSTRIE, as the holding company, PRIMA POWER and PRIMA ELECTRO) have been revised and modernized, however always maintaining a clear reference to the earlier original graphics.

Through a stronger, integrated organization, we are confident of a new era of success and development for our Group.
The good news is that all the financial analysts forecast a double-digit recovery of the markets in 2011, the year that should be the first of a positive new cycle for our industry, with a CAGR forecast on the order of 10% for the coming years.

Of course, the financial and political upheavals are not over, as can be seen from the recent crisis in North Africa and its impact on the prices of raw materials. Debts and deficits are also a source of great worry in many companies, as is the increase of inflation in Europe, though it has been limited so far.
The storm is probably over and the wind is in our sails, but the sea is far from calm.

We would like to express our sincere thanks to our shareholders, all our employees and managers and our clients, suppliers, and all the stakeholders and friends of the Group.

MACROECONOMIC CONTEXT

2010 was a year of transition after the effects of the violent economic crisis that broke out in 2008-2009.

Today, the world economy is distinguished by a two-speed performance. The U.S. and many of the European countries are slowly coming out of the crisis that began in the fall of 2008, with a high rate of unemployment, slow economic growth and persistent problems in the banking sector. On the contrary, the emerging markets have largely overcome the crisis. 2009 was a difficult year for the entire global economy, but the emerging markets recovered vigorously in 2010, unlike the more developed countries.

The recent data published in the *World Economic Outlook* of the International Monetary Fund are very clear. The estimate for 2010 for high-income countries indicates a moderate annual growth of the GDP of 2.7%, while for the developing countries in the G20, and the rest of the developing world, growth was a vigorous 7.1%. The developing Asian economies lead the pack with a growth of 9.4% (in particular, the GDP of China increased in 2010 by 10.3%, exceeding all expectations). For Latin America growth is estimated at 5.7%. Even sub-Saharan Africa had an estimated growth rate of 5% in 2010, according to the IMF.

As regards growth forecasts for the future, according to the IMF global growth will be around 4.4% in 2011 and 4.5% in 2012, a little slower than the 5% achieved in 2010. More in general, the two-speed recovery will continue.

The emerging and developing economies will be the engines of growth, with rates of 6.5% in 2011 and 2012. China is confirmed as the engine of the world economy, with a GDP that will expand in 2011 by 9.6% and in 2012 by 9.5%. The Indian economy will grow this year by 8.4% and next year by 8%.

In the more advanced economies, where the GDP will rise by 2.5% both years, economic growth will remain moderate. The U.S. economy is expected to have the best performance, according to the IMF, and increase by 3% in 2011 and by 2.7% in 2012. The GDP of the Euro area will only increase by 1.5% next year and 1.7% the year after. The role of locomotive belongs to Germany, where the economy is expected to improve by 2.2% (+0.2%) and 2% (unchanged) in the two years, and Great Britain will also do well, with growth forecasts of 2% in 2011 and 2.3% in 2012. Growth in France will be a little slower, respectively 1.6% and 1.8% in the two years, while the Italian GDP will increase by 1% in 2011 and 1.3% in 2012.

Against this backdrop, the entire machine tool and capital goods industry, which experienced one of its worst years ever in 2009, made a good recovery in 2010. In 2010, for example, the UCIMU (the Italian Association of Machine Tool Producers) reported orders up by 36% over the previous year with, in particular, a fourth quarter 2010 in which orders acquired in the sector increased by 45% with respect to the same period in 2009. The situation appears confirmed in other markets as well: in Germany, the VDW (German Association of Machine Tool Producers) reported a 85% increase in orders in 2010 with respect to 2009, for German machine tool producers; in the U.S. the acquisition of orders for high technology machine tools in 2010 increased by about 85% over 2009 (source: AMT - The Association For Manufacturing Technology) laying the foundations for strong growth in 2011.

Moreover, according to the UCIMU reports, at the worldwide level, the market for machine tools should increase in 2011 by 19.6% and by 7.1% in 2012.

INCOME AND PROFITABILITY

Consolidated revenues as of 31/12/2010 amount to 250,007 thousand euro, up by 18,121 thousand euro compared with 2009 (231,886 thousand euro). This increase started from the second quarter, after a first quarter that on the one hand reflected the weak order acquisition in 2009 and on the other was compared to a positive first quarter in 2009, in consideration of orders acquired in 2008, before the start of the crisis.

Therefore, starting from the second quarter 2010, there was a reversal of the trend and Group revenues increase on an average by over 20% with respect to the corresponding period of the previous year. This positive trend was a consequence of the signs of recovery of orders (see paragraph "ACQUISITION OF ORDERS AND PORTFOLIO").

For more details, see the table here below.

Revenues (€/000)	*I Quarter*	*II Quarter*	*III Quarter*	*IV Quarter*	*12 months*
Year 2010	48.060	66.452	54.153	81.342	**250.007**
Year 2009	66.675	51.410	46.343	67.458	**231.886**
Change	**(18.615)**	**15.042**	**7.810**	**13.884**	**18.121**
Change %	**-28%**	**29%**	**17%**	**21%**	**8%**

The geographical breakdown of consolidated revenues at 31.12.10, compared with 2009, is shown below.

Revenues	December 31, 2010		December 31, 2009	
	Euro thousand	*%*	*Euro thousand*	*%*
Italy	54.196	21,7	51.862	22,4
Europe	84.226	33,6	97.388	42,0
North America	46.911	18,8	38.207	16,5
Asia and Rest of the World	64.674	25,9	44.429	19,1
TOTAL	**250.007**	**100,0**	**231.886**	**100**

Sales by geographical area reveal a shift of the Group's turnovers from Europe to the emerging markets of Asia and the Rest of the World (where sales exceeded 25% of the consolidated total. In Italy there was a significant improvement (in absolute value) thanks to the effects in the first semester of the so-called Tremonti-ter law. Following the recovery of the U.S. market (see the paragraph entitled "MACROECONOMIC CONTEXT") the North American area grew from 16.5% to18.8%.

The breakdown of revenues by business area is shown below (for details of the Group's business units, see Chapter 7, "INFORMATION BY SECTOR").

Revenues	December 31, 2010		December 31, 2009	
	Euro thousand	*%*	*Euro thousand*	*%*
Laser Systems	105.508	42,2	91.123	39,3
Electronics	31.573	12,6	28.218	12,2
Sheet metal machinery	137.666	55,1	127.104	54,8
Inter-sector revenues	(24.740)	(9,9)	(14.559)	(6,3)
TOTAL	**250.007**	**100,0**	**231.886**	**100,0**

The breakdown by sector reveals that all sectors showed improvement with respect to 2009. The higher intersectorial revenues testify to the increasing level of integration of the Group.

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

Revenues	Italy	Europe	North America	Asia and Rest of the World	TOTAL
euro thousand					
Laser Systems	22.378	29.043	12.108	29.065	92.594
Electronics	13.014	11.806	1.009	1.665	27.494
Sheet metal machinery	18.804	43.377	33.794	33.944	129.919
TOTAL	**54.196**	**84.226**	**46.911**	**64.674**	**250.007**

The Laser systems segment had 31% of its sales in Europe, 24% in Italy, and shows strong performance also in Asia and the Rest of the World (31% of the total), where it obtained appreciable results in China (14,645 thousand euro). The Electronic segment shows good performance above all in Italy and Europe (particularly Benelux where sales amounted to 6,330 thousand euro and Spain, with sales for 2,427 thousand euro). The sheet metal processing machines are a very important factor in North America, Italy, northern Europe and China. The Group's turnover does not include revenues earned by the Chinese joint ventures, (consolidated with the shareholders' equity method), amounting to 59.3 million euro in 2010 (value almost twice that earned in 2009); in particular we can report that the JV Shanghai Unity PRIMA (35% owned) contributed to this result for 52.5 million euro.

The **VALUE OF PRODUCTION** at 31.12.10 was 257,998 thousand euro, up 16% compared to the previous financial year (an increase of 35,805 thousand euro). The value of production also includes increases for internal work amounting to 6,905 thousand Euro (7,141 thousand euro in 2009); these costs mainly refer to investments in development activities.

Performance indicators	December 31, 2010		December 31, 2009	
	Euro thousand	*%*	*Euro thousand*	*%*
EBITDA	10.369	4,1	6.243	2,7
EBIT	352	0,1	(3.863)	(1,7)
EBT	(5.123)	(2,0)	(9.644)	(4,2)
NET RESULT	(5.965)	(2,4)	(8.696)	(3,8)

The Group **EBITDA** amounted to 10,369 thousand Euro (4.1% of sales) compared to the 6,243 thousand Euro at 31.12.09 (2.7% of sales).

In this regard it must also be considered that EBITDA for 2009 benefited from significant income of a non-recurrent character (mainly connected with the EQT settlement).

As can be seen in the tables below, starting from the second quarter 2010 the Group returned to generate a positive operating margin, reporting better results than in 2009 and steadily improving, to reach an EBITDA in the last quarter 2010 of 5.5 million euro.

EBITDA (€/000)	***I Quarter***	***II Quarter***	***III Quarter***	***IV Quarter***	***12 months***
Year 2010	(1.713)	4.071	2.486	5.525	**10.369**
Year 2009	1.852	3.200	(473)	1.664	**6.243**
Change	**(3.565)**	**871**	**2.959**	**3.861**	**4.126**

The comparison with 2009 is even more significant if we analyse it net of the non-recurrent items.

Year 2010 (€/000)	***I Quarter***	***II Quarter***	***III Quarter***	***IV Quarter***	***12 months***
EBITDA	(1.713)	4.071	2.486	5.525	**10.369**
Non recurring items	(144)	804	811	(204)	**1.267**
EBITDA norm. (€/000)	**(1.569)**	**3.267**	**1.675**	**5.729**	**9.102**

Year 2009 (€/000)	***I Quarter***	***II Quarter***	***III Quarter***	***IV Quarter***	***12 months***
EBITDA	1.852	3.200	(473)	1.664	**6.243**
Non recurring items	(763)	5.625	(729)	1.893	**6.026**
EBITDA norm. (€/000)	**2.615**	**(2.425)**	**256**	**(229)**	**217**

EBITDA norm. (€/000)	***I Quarter***	***II Quarter***	***III Quarter***	***IV Quarter***	***12 months***
Year 2010	(1.569)	3.267	1.675	5.729	**9.102**
Year 2009	2.615	(2.425)	256	(229)	**217**
Change	**(4.184)**	**5.692**	**1.419**	**5.958**	**8.885**

As can be seen from the above tables, starting from the second quarter of the year, the Group showed sustained growth in terms of profitability, reaching an EBITDA of 5,525 thousand euro in the last quarter. In normalized terms the EBITDA for 2010 was higher by 8.9 million euro than that of the previous year.

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

EBITDA	December 31, 2010		December 31, 2009	
	Euro thousand	*%*	*Euro thousand*	*%*
Laser Systems	3.267	31,5	1.484	23,7
Electronics	3.882	37,4	2.129	34,1
Sheet metal machinery	3.781	36,5	2.831	45,4
Inter-sector eliminations	(561)	(5,4)	(201)	(3,2)
TOTAL	**10.369**	**100,0**	**6.243**	**100,0**

The consolidated **EBIT** for 2010 amounted to 352 thousand euro (it was negative for 3,863 thousand euro at 31/12/2009). This result is affected by the depreciation of tangible fixed assets for 3,139 thousand euro and intangible fixed assets for 6,625 thousand euro; as regards the latter, 2,531 thousand euro 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”) in 2008 and 3,006 thousand euro refer to the amortization of development costs.

The consolidated **EBT** at 31.12.10 is negative for 5,123 thousand Euro; it should be remembered that this figure takes into account expenses arising from financial management (including profits and losses on exchange rates) for 7,275 thousand Euro.

In particular, costs for the loan stipulated in 2008 for acquisition of the FINN-POWER Group (hereinafter referred to as the FINPOLAR Loan”) for 4,379 thousand euro and net financial costs for derivative instruments (mainly linked to the FINPOLAR Loan) for 2,153 thousand euro. We have to point out that the financial management in 2010 was favourably influenced by the sale of the joint venture OVL, which generated a capital gain of 528 thousand euro (for more details about this transaction see the section entitled “SIGNIFICANT EVENTS IN 2010”).

The result before taxes of the Group is positively influenced by the extremely good performance in 2010 of the Chinese joint venture Shanghai Unity PRIMA for 1,838 thousand euro.

The **NET PROFIT** as of 31.12.10 is negative for 5,965 thousand euro, up from last year by 2,731 thousand euro (it was negative for 8,696 thousand euro as of 31.12.09). Income taxes for the year 2010 amount to 843 thousand euro. It should be noted that the three Italian companies of the Group participated in national consolidated taxation.

EQUITY SITUATION

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

VALUES IN THOUSANDS OF EURO	31/12/2010	31/12/2009
Tangible and intangible fixed assets	76.091	77.944
Goodwill	102.677	102.511
Equity investments and other non-current a	8.102	5.599
Fiscal assets for prepaid taxes	5.150	4.916
NON-CURRENT ASSETS	**192.020**	**190.970**
Inventories	70.151	71.808
Trade receivables	64.595	58.823
Trade payables and advances	(78.163)	(71.094)
WORKING CAPITAL IN CIRCULATION	**56.583**	**59.537**
Other current assets and liabilities	(13.092)	(16.964)
Other non-current liabilities	(7.087)	(7.571)
Fiscal liabilities for deferred taxes	(10.911)	(10.903)
NET CAPITAL INVESTED	**217.513**	**215.069**
NET DEBT	**141.268**	**150.091**
SHAREHOLDERS' EQUITY	**76.245**	**64.978**
LOAN SOURCES	**217.513**	**215.069**

The value of the PRIMA INDUSTRIE Group’s tangible and intangible assets dropped by 1,853 thousand in comparison with the previous year. Changes during the year were relative to the Group's normal activity (net increases for 7,827 thousand euro, depreciation for 9,764 thousand, impairment for 253 thousand and currency adjustment for 337 thousand). A particularly significant portion of non-current assets consists of goodwill: as illustrated in the section entitled “Impairment test of goodwill”, management checked that there has been no loss in the value of this asset. The variation for the year (166 thousand euro) relative to goodwill is exclusively due to currency adjustment. Circulating Working Capital fell slightly compared to the previous year (2,954 thousand euro).
At 31.12.10 the Group's net borrowings amounted to 141,268 thousand euro, an increase of 8,823 thousand euro over the previous year; this improvement was largely due to the capital increase concluded in the month of February 2010 (see the paragraph entitled "SIGNIFICANT EVENTS IN 2010"). For more information on the subject of Net Indebtedness, see the next paragraph, “NET FINANCIAL POSITION”.
The shareholders' equity increased with respect to the past year by 11,267 thousand euro. The improvement is mainly due to the capital increase, which we have already mentioned, which had a net effect of 15,213 thousand euro; this positive effect was mitigated by the result for the hear (negative for 5,965 thousand euro). In addition to the two main important events mentioned, other events affected the shareholders' equity, such as the negative variation in the “Fund for adjustment of derivative fair value ” (for 428 thousand euro), the positive variation in the “Conversion fund” (for 2,037 thousand euro) and the positive valuation in the “Stock option fund” (for 410 thousand euro).

IMPAIRMENT TEST OF GOODWILL

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

No problems came to light in the impairment test.

ORDER ACQUISITION AND PORTFOLIO

The **acquisition of orders** (inclusive of after-sale service) as of 31/12/2010 amounted to 271.8 million euro, with a growth of 28% compared to 2009.
The acquisition of orders (net of after-sale service) for the Laser Systems segment amounted to 84.3 million euro, and that of the Machinery for sheet metal processing amounted to 103.5 million euro, while orders in the Electronics segment amounted to 27.6 million euro. Orders relative to after-sale service amounted to 56.4 million euro.
In the fourth quarter of the year the acquisition of orders (for 85.6 million euro) marked an increase of almost 50% over the corresponding period of 2009. With a monthly average of 28.5 million euro of orders acquired, this was the best result for a quarter since the middle of 2008, before the worldwide economic crisis came to a head.
In the last quarter of the year, from the geographical breakdown of orders, we can see the significant weight of China, which accounted for about 11% of the total, and the strong recovery of the North American market (about 26% of the orders acquired).

The **consolidated order portfolio** (which does not include spare parts and after-sale service) amounted as of 31/12/2010 to 82.3 million euro, up by over 26% compared to 65.1 million euro at 31/12/2009. This value includes 35.1 million euro relative to the Laser System segment, 39.3 million euro relative to the Machinery for sheet metal processing segment, and 7.9 million euro relative to the Electronics segment.
As of 28/2/2011, the order portfolio further increased to 100.7 million euro (about +22% compared to the end of the year 2010).

NET FINANCIAL POSITION

As of 31/12/2010, the net financial position of the Group showed a deficit of 141,268 thousand Euro, which was an improvement by 8,823 thousand euro over the previous year (150,091 thousand at 31/12/2009).

In addition to the information given below, further details are provided in Note 8.11 of this document.

Value expressed in Euro thousand	31/12/2010	31/12/2009
CASH & CASH EQUIVALENTS	(14.838)	(15.084)
CURRENT FINANCIAL RECEIVABLES	(2)	-
CURRENT FINANCIAL LIABILITIES	45.310	44.163
NON CURRENT FINANCIAL LIABILITIES	110.798	121.012
NET FINANCIAL LIABILITIES	**141.268**	**150.091**

Analysis of the net financial position

The net financial position highlights the overall exposure to credit institutions and other lenders (including payables to leasing companies and factoring houses).

For better disclosure relating to the Consolidated Net Financial Position as of 31.12.10, the following should be borne in mind:

- payables due to leasing companies amount to 2,373 thousand Euro;
- bank payables include the negative fair value of several IRS for 7,830 thousand euro; the main IRS were contracted by the parent company in partial coverage of the interest rate risk on the loan for acquisition of FINN-POWER (underwriting these derivatives was foreseen by the underlying loan contract);
- payables due to factoring companies amount to 514 thousand euro.

The main events that influenced the Group's indebtedness in 2010 are illustrated below.

CAPITAL INCREASE

For more details on the subject reference is made to the preceding paragraph "SIGNIFICANT EVENTS IN 2010".

FINPOLAR RENEGOTIATION – OBTAINMENT OF THE WAIVER ON COVENANTS

The main element of the Prima Industrie Group's net financial position as of 31/12/2010 was the FINPOLAR loan, with final expiration in February 2016.

The residual debt relative to this loan as of 31/12/2010 amounts to 128,048 thousand euro (including the interest portion and not including the fair value of the derivative stipulated in partial coverage).

The contract agreements include a number of obligations on the part of PRIMA INDUSTRIE SpA and, in particular, respect of certain financial indices (covenants) to verify on the data of the consolidated financial statements starting from 2008 (for additional details, see Note 8.11).

Although it was always able to honour its commitments with the banks during the worst recessive stage that began shortly after stipulation of the FINPOLAR loan, PRIMA INDUSTRIE deemed it necessary to request a remodulation by the banks, in order to make the loan compatible with the economic and financial structure of the Group immediately after the acute stage of the crisis, also taking account of the reasonable forecasts relative to the general economic cycle and reference markets.

This renegotiation, undertaken in the final months of 2010, concerned in particular remodulation of due dates and instalments, as well as the covenants, and should be satisfactorily completed in the first half of 2011.

For this purpose, PRIMA INDUSTRIE has formally appointed BAIN & COMPANY to make an *Independent Business Review* of the Group's industrial plan covering several years, with forecasts that will be used as reference data for the aforementioned loan remodulation negotiations.

Until the renegotiation is concluded, also in consideration of the fact that the covenants, as of 31/12/2010 had not been adjusted previously, the company made a request to suspend their application; this request was granted by the pool and officially communicated to the company on 23/12/2010; therefore the FINPOLAR financial payable has been classified in the financial statements according to the due dates defined in the contract.

In the meantime, the company has regularly paid the instalments 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).

FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

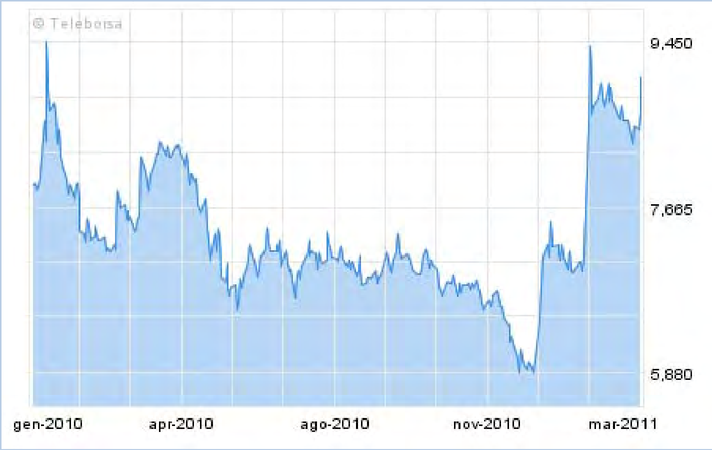
Note 8.30 - "Management of financial risks" - lists the goals and policies of the Group for management of the risks indicated above.

THE STOCK TREND AND TREASURY STOCK

During the first semester of 2010, PRIMA INDUSTRIE stocks went from a unit value of 7.90 euro on January 4, 2010, (first business day) to a value of 7.245 euro per share on December 30, 2010 (last business day in 2010). The month of March 2011 opened at 9.065 per share (on March 2, 2011). The lowest value recorded in the period was 5.880 Euro (on December 7, 2010) and the highest was 9.45 Euro (on January 13, 2010).

As can be seen from the graph, the stock rose sharply during the period of the option to shareholders of the new shares relative to the capital increase. Starting from March 2010, the stock followed the performance of the stock exchange and the reference index, which remained on an upward trend until the middle of April, and then dropped sharply in the second part of the month, also due to the events linked to the Greek situation and fear of possible default by other countries. Following a period of relative stability (average of about 7 euro per share), in November/December 2010 the stock first fell abruptly then recovered just as quickly, returning to slightly over 7 euro per share. Finally, in the early weeks of 2011, the share rose to over 9 euro, repositioning itself around 8.50-9 euro.

The graph below illustrates these trends.



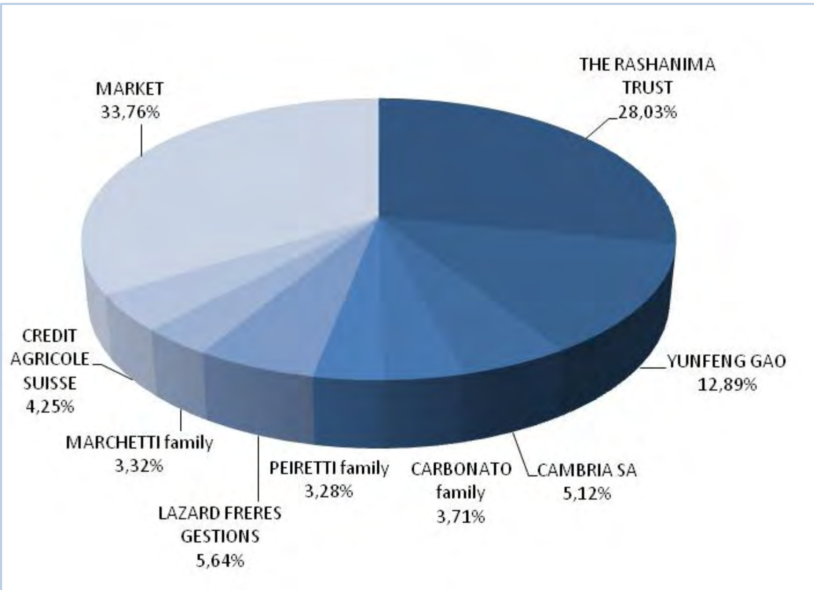
As of December 31, 2010, PRIMA INDUSTRIES SpA did not and does not hold any treasury stock, and there has been no resolution of authorization for its acquisition.

SHAREHOLDING STRUCTURE

The capital of PRIMA INDUSTRIE S.p.A. at 31.12.10 amounts to 21,600,337.50 Euro divided into 8,640,135 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, 2,239,865 "Prima Industrie 2009-2013 warrants" in circulation.

After the year end closure, and in particular during the months of January and February 2011, 232 warrants were converted; this again changed the share capital, with the issue of 232 new shares corresponding to the warrants exercised, and bring the amount of the share capital to Euro 21,600,917.50 (divided into 8,640,367 ordinary shares with a par value of Euro 2.50 each).

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:



RESEARCH AND DEVELOPMENT

The Group's research and development costs in 2010 totalled 14,296 thousand euros or 5.7% of revenues. Of this total, capitalized expenses amounted to 6,323 thousand euros, including 2,371 thousand euros for the Laser Systems unit, 2,990 thousand euros for the Sheetmetal Fabricating Machinery unit, and 962 thousand euros for the Electronics unit.

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 2010 the **LASER SYSTEMS** segment was engaged in the concluding stages of validation of the new generation of RAPIDO, which will be used for applications in intensive production, particularly in the automotive sector (processing hot stamped metals). The performance of the system is exalted with the use of the new laser beams in fibre-optics. In 2010, a load/unload system was introduced on the Rapido with fibre laser, consisting of two independent motor-driven shuttles that enable the client to optimise processing times. The basic version of OPEN was used as electronics for this product, and this was the first application of the future common hardware and software platform of the Group.

The development of a new version of the Zaphiro was perfected, and it was presented at the EuroBlech fair in Hannover at the end of October. A number of new developments were completed for Maestro, the CAD/CAM programming software for the 2D machines, in particular regarding the new version of Maestro (also presented at the fair in Hannover), which includes some new production management and cost calculation modules.
A system of connection of the 2D laser machines with the Night Train sheet metal magazine was developed; during the year two systems were successfully installed in Italian clients' plants. In 2010 the first SYNCRONO was delivered, equipped with the laser in fiber; Lastly, a new 2D laser machine was designed and will be the Groups "*entry level*" 2D machine, equipped with the new CX laser and a new "low cost" cab integrated with the apron.
The LASERDYNE Division of PRIMA North America concentrated on designing the new generation of the LASERDYNE 430 machine, a work platform with 3 axes (optional fourth axis) for precision cutting, drilling and welding. The first model of this machine was presented, equipped with laser in fiber, at the AERODAYS *open house* event organized in Turin for clients in the aerospace sector in November 2010.
The CONVERGENT division of PRIMA NORTH AMERICA concentrated entirely on development of the laser model CX2500 and CX3000, a new line of CO2 lasers operating at 2.5 and 3 kW, derived from the family of lasers already present in its portfolio. As regards solid state lasers (Nd:YAG) design of the CL-R laser was completed and tests were carried out; the first model was delivered to a client during the last quarter. A new version of the CL control unit for drilling systems with the P50 laser was created and installed on the premises of a number of important clients in the aerospace sector.

The main innovations of the **ELECTRONICS** segment concerned:

- completion and release for production of the OPEN10 (the first functional level of the new OPEN family of numerical control equipment) also used on the Tower Server automation system of PRIMA INDUSTRIE and in the basic version of OPEN20 for flat processing. During 2010, laser technology was also integrated on the OPEN20 to permit its use on PRIMA INDUSTRIE 2D machines. Also with regard to the OPEN project, during the second half of the year a system of control was developed for manual bending. The first prototype system was applied on the machine for the tests of performance and validation.
- Activities relative to fuel cell generators continued, also in an innovative version that calls for the use of an electrolyser for local production of hydrogen.

As regards the sector of **SHEET METAL PROCESSING MACHINES**, the most recent innovations developed were:

- the development of the new BLUE-TECH series of hydraulic punches, with the following features: optimization of energy consumption, higher punching speed, optimization of pressure levels, intelligent load control and minimization of heat generation.
- a new combined laser-punch machine
- a new generation of FBe5 panelling machines with larger dimensions and 3D masterBend CAM software;
- development of a new “entry level” machine, called E6x, for applications on large sheet metal parts.

Confirming the importance of the activities of research and development for the PRIMA INDUSTRIE Group, it was significant that in January 2011 PRIMA INDUSTRIE SpA and Politecnico di Torino signed a five-year cooperation agreement to develop projects of research, training and technology transfer in the field of the new generation of laser technologies.

PERSONNEL

During 2010, the plan to reduce personnel continued, undertaken in 2009; this reduction is part of an overall policy of cost reduction and greater flexibility of the use of the workforce, so as to reduce its incidence on company costs. As of 31.12.2010, the Group employed 1,353 people, 110 less than the 1,463 employed on 31.12.09. The reduction was concentrated mainly in the Sheet Metal Processing Machines segment.

SEGMENT	31/12/2010	31/12/2009
LASER SYSTEMS	471	471
ELECTRONICS	193	194
SHEETMETAL PROCESSING MACHINES	689	798
TOTAL PERSONNEL OF GROUP	**1.353**	**1.463**

It should be noted that as of 31/12/2009 the personnel of FINN-POWER GmbH were classified in the Sheetmetal Processing Machines segment, while in 2010, following the merger by incorporation in PRIMA GmbH (now PRIMA FINN-POWER GmbH), the were transferred to the Laser System segment.

The breakdown of employees by department is as follows:

DEPARTMENT	31/12/2010	31/12/2009
Production	439	555
After sales service	431	431
Research and development	185	164
G&A	139	156
Marketing and sales	140	143
Quality	19	14
TOTAL	**1.353**	**1.463**

STOCK OPTION PLANS

At the reference date of these consolidated financial statements, a stock option plan is in existence, which was approved by the Shareholders' Meeting on the 29/04/2008. 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 financial manager of the Group.

In particular the beneficiaries at 31.12.2010 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

The main features of the plan are as follows:

- The issue price of the shares was determined as the arithmetic mean of the official prices (as defined by the Borsa Italiana SpA rules) recorded by the Stock in the MTA market (or in the market in which the shares are to be quoted pro tempore) in the period that runs from the date of allocation of the Options to the same date in the preceding calendar month, increased by 20%. As this price, which was initially 34.96 euros per share, was adjusted using the correction factor established by AIAF, the Italian Association of Financial Analysts following the two subsequent capital increases, the current option exercise price is now 28.68 euros.
- the options give the right to subscribe to an equal number of newly issued shares in PRIMA INDUSTRIE S.p.A.;
- the plan is a medium/long-term plan, envisaging a "vesting period" of three years from the date of the allocation of the Options. This aspect takes into consideration the time period necessary to establish positive progress in relation to the process of integration of the PRIMA INDUSTRIE and the FINN-POWER Groups;
- the Options allocated to each Beneficiary can be exercised after a period of three years has elapsed from the allocation date, from June 1, 2011 and by June 30, 2014 (the date on which the Plan expires) during the under mentioned two periods of each year until the expiry of the Plan:
- 1st June – 30th June
- 1st October - 30th October
- The individual beneficiaries can exercise, in each of the two monthly periods prescribed in each year, up to a maximum of one third of the total of the Options allocated to them.

This plan is configured as an operation with payment based on regulated shares with instruments that represent the capital and was the object of an assessment entrusted to an independent expert, who proceeded to perform the valuation of the fair value of the instruments allocated.
In view of the nature of the option, for valuation purposes the numeric procedure of the binomial trees was adopted, which incorporates the windows for the exercise of the option in accordance with the provisions of the rules of the stock option plan.

The following assumptions were made for the purposes of the valuation:
- volatility: 42,66%
- free risk rate: 4,16%
- expected dividends: 0.65 Euro in 2008 and 0.47 Euro for the subsequent years.

Applying this model on the basis of the parameters in existence at the valuation date (April-May 2008) yielded the following results:
- value of the option: 9,979 Euro
- number of options: 150.000
- equivalent value: 1,496,850 Euro

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

The Plan aims at further developing, in the management of the PRIMA INDUSTRIE Group, a culture which is strongly orientated toward the creation of value for the Company, the Group and the members of the Company.

- in this regard the aims of the Plan are:
- to create a variable incentives mechanism in line with the directions contained in the Code of Self-regulation promoted by Borsa Italiana S.p.A.;
- to align the interests of the beneficiaries with the interests of the stockholders in the logic of value creation;
- to insure the motivation of the beneficiaries towards strategic success factors in the medium-term;
- to promote the beneficiaries' loyalty towards the Group.

CORPORATE GOVERNANCE

Prima Industrie has adopted the self-discipline code promoted by Borsa Italiana in March 2006, with the additions and adaptations appropriate to the specific characteristics of the company.

Complying with its legislative requirements, the company publishes information annually on its system of Corporate Governance and on its compliance with the code of self-governance, in a special Report on Corporate Governance and Management Systems.

The report serves mainly to provide information about the corporate offices of the company, their composition, term of office, functions, powers attributed and all other elements that describe the organization of corporate governance. In addition, it includes information about the company's executives, with a personal and professional profile of each.

The same report also furnishes information about the system of remuneration of the management and directors with strategic responsibilities, about the rules to apply on the subject of use of confidential information and operations of significant economic, financial and equity relevance, with the parties involved, specifying whether they are atypical or unusual.

Pursuant to Legislative Decree 173/2008, which transposed Directive 2006/46 into national law in Italy, the report contains specific information about:

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

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

APPLICATION OF CONSOB RESOLUTION No. 17221 ON THE SUBJECT OF TRANSACTIONS WITH ASSOCIATED PARTIES

Complying with the ruling envisaged by Consob resolution no. 17221, the Board of Directors has adopted a new "Procedure for transactions with associated parties" and established a "Committee for transactions with associated parties" (whose members coincide with the members of the Committee for Internal Control).

APPLICATION OF LEGISLATIVE DECREE No. 27/2010 ON THE SUBJECT OF SHAREHOLDERS' RIGHTS

The Board of Directors amended articles 10, 12, 16, 27 and 28 of the company by-laws to adjust them to the compulsory legislative provisions of Legislative Decree no. 27/2010.

The most significant variations concern: terms for filing lists of candidates for company offices, convocation of shareholders' meetings and the right to participate and vote in shareholders' meetings.

INTERNAL CONTROL SYSTEM, APPLICATION OF LEG.DECR. 231/2001

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

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

In order to improve the management of its Internal Control System, the company appointed an Internal Control Manager, effective April 1, 2010, whose duties include ascertaining the suitability of the internal procedures to ensure adequate risk containment.
On December 21, 2010, the Board of Directors approved the guidelines for the internal control system prepared by the Internal Control Committee with the approval of the Internal Control Manager.
During the year, the company appointed an outside consultant to revise the Organization, Management and Control Model pursuant to Legislative Decree no. 231/2001, in order to simplify and integrate it, based on company practices and existing documents, as well as to develop a new documentary structure for the Model.
Revision of the Model also enabled the company to contemplate new types of potential crimes and identify the relative sensitive processes.
The duty of monitoring the correct function of the Organization Model and attending to its updates was assigned to the Monitoring Organization, which reports to the Board of Directors and Board of Auditors.

INVESTMENTS MADE FOR SAFETY IN THE WORKPLACES

A total of 115 thousand euro was spent by PRIMA INDUSTRIE S.p.A. in 2010 for safety. The cost items refer to documentation, consultant services and training for safety, devices for vision protection from laser beams, individual safety gear, signs, the creation of safe conditions in work zones and actions to improve workstation ergonomics.

FORESEEABLE DEVELOPMENTS OF MANAGEMENT

The last quarter of 2010 confirmed and consolidated the signs of recovery on the reference markets in which the Prima Industrie group operates. In particular, the performance of orders, which increased by almost 50% compared to the corresponding period of 2009 thanks to the growth of importance of markets outside of Europe, enabled the Group to start 2011 with a portfolio of about 82 million euro (+26% than on 1/1/2010), without taking account of after sales activities. The favourable trend of order acquisition has continued through the early months of 2011.
Expectations in 2011 relative to the market for machine tools, of which Sheet Metal Working is a part, are for double-digit growth of sales, following the double-digit growth of orders that benefited all the main operators in 2010. As we saw in the past year, this increase will be driven by the emerging economies (China, Korea, Russia, Turkey), though improvements are also expected in the developed countries.
During 2011 the Group will also be able to take advantage of the management and production reorganization made in 2009-2010.
Among the main actions were the closure of a production plant in Finland and the reduction of the number of employees (now almost 300 less than on 31/12/2008), relocation of several distribution branches and unification of the sales and after-sales networks, as well as the new functional organization of the Machinery Business Unit.

At the equity level, after two capital increases in 2008 and 2010, the company has undertaken an activity of remodulation of its FINPOLAR loan, making it compatible with the Group's financial structure, economic prospects and the relative expectations of generation of liquidity forecast in the economic and financial plan; renegotiation of this aspect should conclude satisfactorily in the first half of 2011.
Alongside these activities, the management will continue to pursue all opportunities to reduce financial pressure, which should decrease in coming years also by effect of underwriting the "Prima Industrie 2009-2013" warrants, currently in circulation for a value in excess of 19 million euro.
Forecasts for consolidation of the recovery, signs of which were seen starting in the second half of last year, combined with opportunities for the development of new markets and actions implemented on the level of the equity and financial structure, enable the company to believe that there is no significant uncertainty relative to its continuity and make it reasonable to predict that 2011 will be significantly better than 2010 in terms of both sales and profitability.

EVENTS OCCURRING AFTER THE REFERENCE DATE OF THE FINANCIAL STATEMENT

COOPERATION AGREEMENT WITH THE PORTUGUESE COMPANY ADIRA

In February 2011 the Group 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). The agreement also provides for cross-sourcing of the CNC and resonator lasers produced by the PRIMA INDUSTRIE Group.
With this agreement, the PRIMA INDUSTRIE Group will expand the market it is able to reach in all the main countries of the world, including important areas in which the previous agreement with another producer prevented it from operating. In spite of the aforementioned geographical limitations, over 2 thousand bending presses are operating throughout the world with the FINN-POWER brand, with a strong concentration in Northern Europe, North America, Russia and China. The bending press is a very important entry point for reaching the market, in particular that of small and medium clients. The collaboration, which will go into full effect in the first half of 2011, will enable the two companies to increase their revenues and obtain significant economies of scale.

TRANSACTIONS WITH RELATED PARTIES

For details on the subject of transactions by the Group with associates, see Note 8.30, while for those engaged in by the parent company see note 11.31 - Transactions with related parties".

Pursuant to article 5, clause 8 of Consob Regulation no. 17221, containing provisions on the subject of transactions with related parties and enacted on March 12, 2010, the following is the information relative to the year 2010:

SALE TO PRIMA ELECTRONICS SpA OF THE EQUITY INVESTMENT HELD BY PRIMA INDUSTRIE SpA. IN PRIMA NORTH AMERICA Inc.

On December 31, 2010, PRIMA INDUSTRIE SpA sold its entire holding in the subsidiary PRIMA NORTH AMERICA Inc., to PRIMA ELECTRONICS SpA, in which it also holds 100% of the stock.
The transaction was previously authorized by the Boards of Directors of PRIMA INDUSTRIE SpA and PRIMA ELECTRONICS SpA, with the abstention of Board members Gianfranco Carbonato and Domenico Peiretti who are on the Boards of both companies.
The economic reasons for the transaction were that it would be functional to the reorganization of the corporate structure of the PRIMA INDUSTRIE Group into two separate business units: MACHINERY and COMPONENTS; the reorganization will make it possible to

grasp the increasing synergisms (R&D, production, purchases, etc.) existing between electronic components and laser beams, as well as to facilitate the possible entrance of minority shareholders in PRIMA ELECTRONICS SpA. Since the transaction was carried out with a 100% subsidiary, from the standpoint of the consolidated financial statements it is absolutely neutral in accounting and financial terms. It is possible, however, that in addition to the synergisms described above (not quantified to date) there may be an appreciation of the PRIMA INDUSTRIE stocks, which will clearly demonstrate the value of the COMPONENTS division.
To determine the value of the transaction, the company resorted to an independent expert who operated on a joint assignment make by the parties. The expert appraised the value of the equity investments at US$ 29 thousand thousand, inclusive of the value of the net financial position as of 30/09/2010 (US$ 3,222 thousand). A price adjustment mechanism was foreseen, to be completed by March 31, 2011, mainly to take account of the differences in the Net Financial Position (NFP) of PRIMA NORTH AMERICA with respect to the value mentioned above. With an additional deed stipulated on 15/02/2011, the parties regulated this aspect; the price adjustment was zero euro, considering that the unquestionable improvement of the NPF of PRIMA NORTH AMERICA was attributable to non-recurrent elements. The method used by the expert to determine the equivalent value of the transaction derives from the mean of valuations using the method of the Discounted Cash Flow (applied to a Business Plan 2010-2013 approved by the management of PRIMA NORTH AMERICA) and the method of multiples applied to companies operating in the same sector and quoted on the Stock Exchange.
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 Euribor rate plus 200 basis points. PRIMA ELECTRONICS may pay advances on the price, in the measure of unit amounts of not less than euro 1 thousand thousand. Clauses relative to "*representations & warranties*" are included in the contract, for the account of the vendor, and an indemnity in favor of the buyer in case of violation by the vendor of the statements make. In this case, the indemnity may not exceed 3,750 thousand euro.

MERGER OF THE TWO GERMAN SUBSIDIARIES
On February 19, 2010 the two German subsidiaries of the company were merged: PRIMA INDUSTRIE GmbH and FINN-POWER GmbH, previously 100% owned respectively by PRIMA INDUSTRIE S.p.A. and FINN-POWER OY.

The operation was made according to the following procedure:
- Acquisition of 100% of FINN-POWER GmbH from FINN-POWER OY by PRIMA INDUSTRIE SpA
- Merger of FINN-POWER GmbH and PRIMA INDUSTRIE GmbH. The accounting effects of the transaction are retroactive to July 1, 2009.

The transaction, between subsidiaries of the same company (PRIMA INDUSTRIE S.p.A.) has no effects on the consolidated financial statements, determining the acquisition of the assets and liabilities of FINN-POWER GmbH by PRIMA INDUSTRIE GMBH.

The merger of the two companies in the Group operating in Germany is part of a process of rationalization of the sales and technical assistance network following the acquisition of the FINN-POWER Group.

The new company, called PRIMA FINN-POWER GmbH, has its registered office in Dietzenbach (Frankfurt), where the former PRIMA INDUSTRIE GmbH was located. The FINN-POWER GmbH facility in Hallbergmoos, which consists entirely of offices, will handle installation and after-sales activities for FINN-POWER products.

It should be noted that, following the persistent losses of the German branch, PRIMA INDUSTRIE SpA decided in 2010 to write down the equity investment in full and also to set up a risk fund. For more details on this subject, see Note 11.3 - "Equity investments in subsidiaries".

OTHER INFORMATION

ATYPICAL AND UNUSUAL TRANSACTIONS

Pursuant to CONSOB Communication DEM/6064296 of July 28, 2006, it should be noted that the Group engaged in no unusual and/or atypical transactions during 2010, as defined in said Communication.

MANAGEMENT AND COORDINATION ACTIVITIES

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

CODE ON THE SUBJECT OF SAFEGUARDING PERSONAL DATA

PRIMA INDUSTRIE, user of the data, reports that the Security Policy Document has been updated and that regulations for disciplining the use of the company's information devices was approved, also by the labor unions, and the company has activated registration of the logic accesses by the System Administrator. By March 31, 2011, the Data Processor will have completed updating of the Security Policy Document.

EQUITY INVESTMENTS held directly and indirectly by the members of the offices of administration and control, by the general directors and executives with strategic responsibilities in PRIMA INDUSTRIE S.p.A. and in its subsidiaries (art.79 of CONSOB Regulation no. 11971/1999)

	No. of shares			
SURNAME First name	Owned as of Jan.1, 2010	Acquired in 2010	Sold in 2010	Owned at Dec. 31, 2010
BASSO Ezio Giovanni	2.884	1.008	-	3.892
CARBONATO Gianfranco	234.000	46.900	-	280.900
GAGLIARDI Franca (i)	39.000	1.001	-	40.001
D'ISIDORO Sandro	-	-	-	-
FORMICA Riccardo	2.008	700	-	2.708
MANSOUR Michael	-	-	-	-
MANSOUR Rafic	19.117	6.685	-	25.802
MAURI Mario	-	-	-	-
MOSCA Andrea	-	-	-	-
PEIRETTI Domenico	170.400	59.647	-	230.047
MONTICONE Emilia (ii)	51.583	21.000	(19.583)	53.000
PETRIGNANI Roberto	-	-	-	-
RATTI Massimo	1.250	484	(1.734)	-

(i) = wife of Gianfranco Carbonato

(ii) = wife of Domenico Peiretti

4.ECONOMIC PERFORMANCE BY SEGMENTO

The following data refer to the results for the year 2010 of the three operating segments of the PRIMA INDUSTRIE Group (inclusive of intersectorial items).

	December 31, 2010					December 31, 2009				
Amounts in thousands of Euros	REVENUES	EBITDA	% of Revenues	EBIT	% of Revenues	REVENUES	EBITDA	% of Revenues	EBIT	% of Revenues
LASER SYSTEMS	105.508	3.267	3,1%	1.293	1,2%	91.123	1.484	1,6%	39	0,0%
ELECTRONICS	31.573	3.882	12,3%	2.871	9,1%	28.218	2.129	7,5%	1.127	4,0%
PLATE PROCESSING MACHINERY	137.666	3.781	2,7%	(3.259)	-2,4%	127.104	2.831	2,2%	(4.836)	-3,8%
ELIMINATIONS	(24.740)	(561)	2,3%	(553)	2,2%	(14.559)	(201)	1,4%	(193)	1,3%
CONSOLIDATION	**250.007**	**10.369**	4,1%	**352**	0,1%	**231.886**	**6.243**	2,7%	**(3.863)**	-1,7%

During 2010, the Group gained a new organization structure, based on the concentration of its activities into two divisions: the Laser Equipment division for sheet metal processing (MACHINERY) and the opto-electronic components division (COMPONENTS).

The MACHINERY division, in turn, has been structured into two main functional units, Operations and Sales Marketing & Service.

This new structure is designed to enable the Group to focus each business more on its own reference market with adequate resources for the volumes and margins that distinguish them, and thereby generate greater efficiency, also in terms of the necessary circulating capital invested.

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

- MACHINERY
- COMPONENTS

For more details on the subject reference is made to the "INTRODUCTION" section, in the paragraph entitled "PROFILE OF THE PRIMA INDUSTRIE GROUP".

In any case, for reasons of coherence and greater clarity, in this chapter relative to the year 2010, we report information relative to the three business segments (Laser Systems, Sheet Metal Processing Machines and Electronics) into which the Group was structured until 31/12/2010.

LASER SYSTEMS

Company	December 31, 2010			December 31, 2009		
Amounts in thousands of Euros	*REVENUES*	*EBITDA*	*EBIT*	*REVENUES*	*EBITDA*	*EBIT*
PRIMA INDUSTRIE SpA	75.454	3.920	2.337	63.243	1.040	(122)
PRIMA NORTH AMERICA	28.712	1.062	743	27.904	(384)	(604)
PRIMA FINN-POWER GmbH	18.642	(1.379)	(1.435)	9.641	(685)	(731)
PRIMA FINN-POWER UK	3.653	227	222	3.260	61	57
PRIMA FINN-POWER C.EUROPE	1.442	25	22	658	(21)	(30)
PRIMA FINN-POWER SWEDEN	1.269	263	261	1.805	(95)	(98)
PRIMA INDUSTRIE BEIJING	513	50	49	542	193	193
OOO PRIMA INDUSTRIE	359	(52)	(58)	-	-	-
Eliminations	(24.536)	(849)	(848)	(15.930)	1.375	1.374
LASER SYSTEMS	**105.508**	**3.267**	**1.293**	**91.123**	**1.484**	**39**

The LASER SYSTEMS segment had an increase in sales in 2010 for 14,385 thousand euro (16%). EBITDA for 2010 was 3,267 thousand euro (up by 1,783 thousand euro compared with 2009) and EBIT stood at 1,293 thousand euro (up by 1,250 thousand euro compared with 2009). In 2010 the LASER SYSTEMS segment benefited from net non-recurrent income on the EBITDA for 1,707 thousand euro (of which 1,368 thousand euro was relative to the parent company) compared with a net deficit of 266 thousand in 2009.

PRIMA INDUSTRIE

We set out in detail the operating results for 2010 of the parent company PRIMA INDUSTRIE SpA, from which a strong recovery can be seen, in comparison with the previous year.

Performance indicators	Year 2010		Year 2009	
	thousands of euro	*%*	*thousands of euro*	*%*
REVENUES	75.454	100,0	63.243	100,0
EBITDA	3.920	5,2	1.040	1,6
EBIT	2.337	3,1	(122)	(0,2)
EBT	3.891	5,2	(3.444)	(5,5)
NET RESULT	3.437	4,6	(2.554)	(4,0)

The parent company's sales turnover in 2010 reflected the improvement of the markets for capital goods, and in particular, for 3D laser systems. Turnover thus totalled 75,454 thousand euro up by about 19% from 63,243 thousand euro in 2009. This increase was caused mainly by the increase in the number of machines sold. PRIMA INDUSTRIE SpA continued its actions to reduce costs. It should be noted that, thanks to the increased productivity level of the company, PRIMA INDUSTRIE SpA was able to avoid resorting to the Ordinary Redundancy Find.

With all of these cost containment and reduction measures, as well as the recovery of sales, EBITDA was 3,920 thousand euro or 5,2% of turnover. EBIT stood at over 2.3 million euro, rising sharply with respect to the previous year, when it was negative for 122 thousand euro.

The financial management of PRIMA INDUSTRIE SpA was positive for 1,554 thousand euro (including the net result of foreign currency transactions). It was burdened by the financial costs of the FINPOLAR loan, but these costs were offset by the generally positive effect deriving from the valuations of the equity investments made at the time of the year-end closure, for a positive amount of 6,346 thousand euro. Taxes for 2010 are negative for 455 thousand euro, discounting an IRAP of 556 thousand euro. It should be noted PRIMA INDUSTRIE SpA participated with FINN-POWER ITALIA and PRIMA ELECTRONIC in national consolidated taxation. For further details on the subject of the parent company, reference is made to the separate financial statements included later in this document.

OTHER COMPANIES IN THE LASER SYSTEMS SEGMENT

As can be seen from the summary table of the LASER SYSTEMS segment, almost all the other companies in the PRIMA INDUSTRIE Group achieved positive operating results, certainly better, in general, than the previous year.

PRIMA NORTH AMERICA achieved a growth in profitability despite substantially stable sales. This result was achieved by improving the marginality and reducing the cost structure, as well as accounting non-recurrent income for US$199 thousand.

The German subsidiary showed strong growth of its sales thanks to the merger of PRIMA GmbH with FINN-POWER GmbH and consequent creation of PRIMA FINN-POWER GmbH. Despite the increased sales, however, the company's EBITDA was worse. This persistence of the losses of the German branch induced PRIMA INDUSTRIE SpA to write down the equity investment in full and also to set up a risk fund. For more details on this subject, see Note 11.3 - "Equity investments in subsidiaries".

The other companies in the LASER SYSTEMS segment totalled revenues for 7,236 thousand euro, up by 971 thousand euro from the previous year (6,265 thousand euro in 2009). The improvement of PRIMA FINN-POWER CENTRAL EUROPE was particularly significant: it doubled its turnover with respect to 2009; the incorporation of the Russian branch in the 3rd quarter 2010 was also an important event. The total EBITDA of these companies was positive for 513 thousand euro, up by 375 thousand euro from the previous year (138 thousand euro in 2009). This result was due, beyond the good performance of the British and Polish subsidiaries, to the non-recurrent income from the Swedish branch (now in liquidation) of 271 thousand euro; this income came from the sale of a company division to the local dealer (for more information on this subject see the paragraph entitled "SIGNIFICANT EVENTS IN 2010").

ELECTRONICS

Company	December 31, 2010			December 31, 2009		
Values in thousands of Euros	*REVENUES*	*EBITDA*	*EBIT*	*REVENUES*	*EBITDA*	*EBIT*
PRIMA ELECTRONICS SpA	30.493	3.891	2.913	27.113	2.576	1.612
OSAI UK	1.045	26	3	979	(11)	(29)
OSAI USA	1.286	(193)	(201)	705	(445)	(465)
OSAI GmbH	-	-	-	-	(1)	(1)
Eliminations	(1.251)	158	156	(579)	10	10
ELECTRONICS	**31.573**	**3.882**	**2.871**	**28.218**	**2.129**	**1.127**

The ELECTRONICS segment had a 12% increase in sales in 2010.
In a market that is still highly unstable, characterized by very volatile demand and considerable difficulty in procurement of electronic components, the ELECTRONICS segment, thanks also to the structural actions of cost reduction implemented in 2009, obtained an EBITDA of 3,882 thousand euro equivalent to 12.3% of turnover, and an EBIT of 2,871 thousand euro, equivalent to 9.1% of turnover, compared with 2,129 thousand euro (7.5%) and 1,127 thousand euro (4.0%), respectively, in 2009.

In 2010 the ELECTRONICS segment benefited from net non-recurrent income of 341 thousand euro against net non-recurrent costs of 649 thousand euro in 2009.

In 2010, with a view to increasing overall efficiency, a project was undertaken to rationalize the activities performed in the two Italian plants owned by PRIMA ELECTRONICS (Moncalieri and Barone C.se, both located in the province of Turin). The project concerned, on the one hand, a series of actions on the buildings, to use them for new functions and at the same time improve their image. On the other hand, 80 employees had to be transferred between the two plants in order to concentrate all the functions in one plant. When the project is completed (it is expected to be completed in the first half of 2011) the headquarters, administration, marketing and sales, engineering, the purchase office and the new production department for electronic circuit boards including assembly of the traditional parts currently outsourced, will be located in Moncalieri. The Barone C.se plant will be completely devoted to the production of systems (finished products) and to the repair center, functional to the service activities.

There was also an improvement in overall results of the foreign subsidiaries (OSAI UK and OSAI USA) in terms of both revenues and profitability.

Among the important events of the year it is important to note the following, relative to PRIMA ELECTRONICS:

- on 31/12/2010 is acquired from PRIMA INDUSTRIE the American company PRIMA NORTH AMERICA (for further details see the paragraph entitled "TRANSACTIONS WITH RELATED PARTIES" in the MANAGEMENT REPORT) and
- it undertook the process of incorporation of a company in China (100% owned) for marketing OSAI products; the start of its activity is planned for spring 2011.

This is part of the process of reorganization of the Group's activities, which began on 1/1/2011 in the Machinery and Components divisions.

SHEET METAL PROCESSING EQUIPMENT

Company	December 31, 2010			December 31, 2009		
Values in thousands of Euros	*REVENUES*	*EBITDA*	*EBIT*	*REVENUES*	*EBITDA*	*EBIT*
FINN POWER OY	83.071	3.645	567	72.345	2.101	(1.546)
FINN-POWER ITALIA	31.141	(339)	(1.296)	33.300	1.505	584
PRIMA FINN-POWER NORTH AMERICA	33.423	670	471	25.742	132	(78)
FINN-POWER GmbH	-	-	-	16.353	(181)	(223)
PRIMA FINN-POWER NV	4.092	(615)	(703)	10.496	(208)	(392)
PRIMA FINN-POWER IBERICA	11.669	145	100	7.947	134	92
PRIMA FINN-POWER FRANCE	5.599	(760)	(781)	6.372	(1.660)	(1.686)
PRIMA FINN-POWER CANADA	894	(44)	(44)	252	105	105
BALAXMAN	58	24	(1)	61	27	(1)
Eliminations	(32.281)	1.055	(1.572)	(45.764)	876	(1.691)
SHEET METAL PROCESSING EQUIPMENT	**137.666**	**3.781**	**(3.259)**	**127.104**	**2.831**	**(4.836)**

The Sheetmetal Fabricating Machinery business unit is headed by the FINN-POWER Group.

This Group consists of two manufacturing units, FINN-POWER OY and FINN-POWER ITALIA S.r.l., and a number of sales and services subsidiaries located in Europe and North America.

During 2010 the process of integration of the FINN-POWER Group sales network continued; in February 2010 FINN-POWER GmbH and PRIMA INDUSTRIE GmbH were merged (see the Management Report in the section entitled "SIGNIFICANT EVENTS IN 2010".

In 2010, the FINN-POWER Group generated 137,666 thousand euro in revenues, up by 10,562 thousand euro with respect to 2009 (8%). As we reported above, the German branch generated revenues for 16,353 thousand euro, in 2010 it was merged with PRIMA INDUSTRIE GmbH and is now part of the Laser Systems segment.

As regards the division of revenues by geographical area, Italy reported a turnover of 18,923 thousand euro, or 13.7% of the total; the turnover achieved in Finland and the Baltic Countries amounted to 14,230 thousand euro or 10.3% of the total; in the other countries of Central and Western Europe it was 31,018 thousand euro (22.5% of the total). Turnover in the US, a major market for the FINN-POWER Group, was 33,854 thousand euro or 24.6% of the turnover for the segment. The remaining portion, 39,641 thousand euro, or about 28.8% of the total revenues for the segment, refers mainly to Russia, Turkey, the Far East (particularly China, which brought in revenues for 14,105 thousand euro. The contribution of the FINN-POWER Group to the consolidated turnover amounted to 129,919 thousand euro as 2010 recorded intersectorial revenues for 7,747 thousand euro.

The FINN-POWER Group's EBITDA was 3,781 thousand euro, up by 34% from the previous year (2,831 thousand euro in 2009, or 2.7% of turnover, while the EBIT was negative for 3,259 thousand euro.

Since last year the EBITDA was 2.2% of turnover, the increased profitability with respect to the previous year is due both to the ability of the companies operating in this sector to recover in 2010, and to their leaner structure, more in line with the current production needs, that is now more efficient and enabled the segment to report better performance in terms of gross operating results.

Net of non-recurrent items, the FINN-POWER Group would have been able to report even better results. In 2010 the net effect of non-recurrent items was negative on the EBITDA for 780 thousand euro, with respect to net income in 2009 of 6,941 thousand euro.

Depreciation and amortization for the year amounted to 6,787 thousand euro, including 2,531 thousand euro in amortization on the trademark and customer list. There were also costs for impairment (prevalently relative to development projects) for 253 thousand euro.

The net financial position as of 31.12.10 is negative for 82,159 thousand euro. This amount includes payables to the parent company for 82,977 thousand euro, consequent to the intercompany loans granted by PRIMA INDUSTRIE to repay financial payables at the time of the acquisition, payables for lease contracts amounting to 2,263 thousand euro, financial liabilities relative to the fair value of derivative instruments for 1,372 thousand euro, payables to banks for 3,078 thousand euro and savings and loan institutions for 7,531 thousand euro.

ASSOCIATED COMPANIES AND JOINT VENTURES

As of 31/12/2010 the PRIMA INDUSTRIE Group holds only two equity investments in joint ventures: They are SHANGHAI UNITY PRIMA and SNK.
Hereafter we comment on the performance of SHANGHAI UNITY PRIMA only, as we do not deem it significant to include information about SNK in view of the small size of the investment.

SHANGHAI UNITY PRIMA

At 31.12.10, the PRIMA INDUSTRIE Group held 35% of the Chinese joint venture.

Performance indicators	Year 2010		Year 2009	
	Thousands of RMB	*%*	*Thousands of RMB*	*%*
SALES	473.637	100,0	217.660	100,0
EBITDA	56.263	11,9	28.761	13,2
EBIT	54.536	11,5	26.952	12,4
EBT	53.133	11,2	25.917	11,9
NET INCOME	47.360	10,0	21.628	9,9

As can clearly be seen from the above table, revenues more than doubled in 2010 compared to the previous year. The revenues of the Chinese company went from 217,660 thousand renminbi to 473,637 thousand renminbi (+118%). This illustrates how the Chinese market is growing at a different rate from Europe and the U.S., and its growth potential is greatly superior to that of the so-called mature markets. The net result of the company amounted to 47,360 thousand renminbi and generated a positive impact on the consolidated financial statements of PRIMA INDUSTRIE for 1,838 thousand euro.

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Ladies and Gentlemen,

In inviting you to approve your company's financial statements at December 31, 2010, we propose allocating the profit of 3,436,529 euros as follows.

- Euro 1,586,433 to the Legal Reserve
- Euro 1,850,096 to the Extraordinary Reserve.

On behalf of the Board of Directors
The Chairman

Mr. Gianfranco Carbonato

5.CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP AS OF 31/12/2010

ACCOUNTING TABLES

BALANCE SHEET – CONSOLIDATED FINANCING

CONSOLIDATED BALANCE SHEET

Values in Euro	Notes	31/12/2010	31/12/2009
Property, plant and equipment	8.1	25'012'944	26'446'492
Intangible assets	8.2	153'754'370	153'850'327
Investment properties	8.3	-	158'000
Investments accounted for using the equity method	8.4	7'094'101	4'699'761
Other investments	8.5	938'670	880'853
Other non current financial assets	8.6	-	-
Deferred tax assets	8.6	5'150'271	4'916'371
Other non current assets	8.9	68'785	18'696
NON CURRENT ASSETS		**192'019'141**	**190'970'500**
Inventories	8.7	70'151'228	71'807'653
Trade receivables	8.8	64'594'764	58'823'172
Other receivables	8.9	6'977'985	4'398'680
Current tax receivables	8.10	4'691'311	5'984'885
Derivatives		1'714	-
Cash and cash equivalents	8.11	14'837'872	15'083'752
CURRENT ASSETS		**161'254'874**	**156'098'142**
TOTAL ASSETS		**353'274'015**	**347'068'642**
Capital stock	8.12	21'600'337	16'000'000
Legal reserve	8.12	2'733'635	2'733'635
Other capital reserves	8.12	52'226'002	45'185'605
Currency translation reserve	8.12	(347'660)	(2'384'892)
Retained earnings	8.12	5'997'695	12'138'832
Net result	8.12	(5'965'272)	(8'695'527)
Stockholders' equity of the Group		**76'244'737**	**64'977'653**
Minority interest		-	-
STOCKHOLDERS' EQUITY		**76'244'737**	**64'977'653**
Interest-bearing loans and borrowings	8.11	103'019'395	113'495'746
Employee benefit liabilities	8.13	7'019'791	7'503'809
Deferred tax liabilities	8.14	10'910'840	10'902'912
Provisions	8.15	67'091	67'754
Derivatives	8.11	7'778'856	7'516'059
NON CURRENT LIABILITIES		**128'795'973**	**139'486'280**
Trade payables	8.16	59'067'818	51'429'488
Advance payments	8.16	19'094'705	19'664'435
Other payables	8.16	14'130'459	15'398'252
Interest-bearing loans and borrowings	8.11	45'256'498	44'160'205
Current tax payables	8.17	2'461'577	2'671'847
Provisions	8.15	8'169'063	9'277'398
Derivatives	8.11	53'185	3'084
CURRENT LIABILITIES		**148'233'305**	**142'604'709**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**353'274'015**	**347'068'642**

CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2010	31/12/2009
Net revenues	8.18	250'006'768	231'885'849
Other income	8.19	4'549'822	6'621'171
Change in inventories of finished goods and WIP		(3'463'583)	(23'455'299)
Increases in fixed assets for internal work	8.20	6'904'774	7'141'233
Use of raw materials, consumables, supplies and goods		(118'023'115)	(96'044'496)
Personnel cost	8.21	(76'207'574)	(77'950'213)
Depreciation	8.22	(9'763'926)	(9'932'146)
Amortization and impairment	8.22	(252'798)	(174'025)
Other operating expenses	8.23	(53'398'543)	(41'954'734)
OPERATING PROFIT		**351'825**	**(3'862'660)**
Financial income	8.24	775'434	335'781
Financial expenses	8.24	(8'417'153)	(6'400'837)
Net exchange differences	8.25	366'897	(99'055)
Net result of investments accounted for using the equity method		1'800'252	382'610
RESULT BEFORE TAXES		**(5'122'745)**	**(9'644'161)**
Income taxes	8.26	(842'527)	948'634
NET RESULT		**(5'965'272)**	**(8'695'527)**
- Attributable to Group shareholders		*(5'965'272)*	*(8'695'527)*
- Attributable to minority shareholders		-	-
RESULT PER SHARE - BASIC (in euro)	**8.27**	**(0.71)**	**(1.36)**
RESULT PER SHARE - DILUTED (in euro)	**8.27**	**(0.71)**	**(1.36)**

TOTAL CONSOLIDATED INCOME STATEMENT

Values in Euro	Notes	31/12/2010	31/12/2009
NET RESULT (A)		***(5'965'272)***	***(8'695'527)***
Gains/(Losses) on cash flow hedges	*8.12*	(427'590)	(967'160)
Gains/(Losses) on exchange differences on translating foreign operations	*8.12*	2'037'232	(608'082)
TOTAL OTHER GAIN/(LOSSES) (B)		**1'609'642**	**(1'575'242)**
TOTAL NET RESULT OF THE PERIOD (A) + (B)		**(4'355'630)**	**(10'270'769)**
- Attributable to Group shareholders		*(4'355'630)*	*(10'270'769)*
- Attributable to minority shareholders		-	-

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS'EQUITY

from January 1st to December 31st, 2009

Values in Euro	01/01/2009	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	31/12/2009
Capital stock	16'000'000	-	-	-	-	-	-	-	-	-	16'000'000
Additional paid-in capital	36'814'893	-	-	-	-	-	-	-	-	-	36'814'893
Legal reserve	2'300'000	-	-	-	-	433'635	-	-	-	-	2'733'635
Capital increase - expenses	(973'223)	-	-	-	(290'680)	-	-	-	-	-	(1'263'903)
Stock option reserve	318'364	-	-	-	-	-	-	-	410'130	-	728'494
Change in the FV of hedging derivatives	(4'247'108)	-	-	-	-	-	-	(967'160)	-	-	(5'214'268)
Other reserves	5'881'314	-	-	-	-	8'239'075	-	-	-	-	14'120'389
Currency translation reserve	(1'776'810)	-	-	-	-	-	-	(608'082)	-	-	(2'384'892)
Retained earnings	15'293'409	41'699	-	-	-	(3'196'276)	-	-	-	-	12'138'832
Net result	5'476'434	-	-	-	-	(5'476'434)	-	(8'695'527)	-	-	(8'695'527)
Stockholders' equity of the Group	**75'087'273**	**41'699**	**-**	**-**	**(290'680)**	**-**	**-**	**(10'270'769)**	**410'130**	**-**	**64'977'653**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**75'087'273**	**41'699**	**-**	**-**	**(290'680)**	**-**	**-**	**(10'270'769)**	**410'130**	**-**	**64'977'653**

from January 1st to December 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	31/12/2010
Capital stock	16'000'000	-	-	-	5'600'337	-	-	-	-	-	21'600'337
Additional paid-in capital	36'814'893	-	-	-	9'632'810	-	-	-	-	-	46'447'703
Legal reserve	2'733'635	-	-	-	-	-	-	-	-	-	2'733'635
Capital increase - expenses	(1'263'903)	-	-	-	(20'563)	-	-	-	-	-	(1'284'466)
Stock option reserve	728'494	-	-	-	-	-	-	-	410'130	-	1'138'624
Change in the FV of hedging derivatives	(5'214'268)	-	-	-	-	-	-	(427'590)	-	-	(5'641'858)
Other reserves	14'120'389	-	-	-	-	(2'554'390)	-	-	-	-	11'565'999
Currency translation reserve	(2'384'892)	-	-	-	-	-	-	2'037'232	-	-	(347'660)
Retained earnings	12'138'832	-	-	-	-	(6'141'137)	-	-	-	-	5'997'695
Net result	(8'695'527)	-	-	-	-	8'695'527	-	(5'965'272)	-	-	(5'965'272)
Stockholders' equity of the Group	**64'977'653**	**-**	**-**	**-**	**15'212'584**	**-**	**-**	**(4'355'630)**	**410'130**	**-**	**76'244'737**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
STOCKHOLDERS' EQUITY	**64'977'653**	**-**	**-**	**-**	**15'212'584**	**-**	**-**	**(4'355'630)**	**410'130**	**-**	**76'244'737**

CONSOLIDATED STATEMENT OF CASH FLOW

VALUES IN EURO	31/12/2010	31/12/2009
Net result	**(5'965'272)**	**(8'695'527)**
Adjustments (sub-total)	***6'537'033***	***23'229'550***
Depreciation and amortization	10'016'724	10'106'171
Net change in deferred tax assets and liabilities	(225'972)	660'619
Net result of investments accounted for using the equity method	(1'800'252)	(794'089)
Change in employee benefits	(484'018)	(1'517'609)
Change in inventories	1'656'425	34'379'220
Change in trade receivables	(5'771'592)	13'442'835
Change in trade payables	7'068'600	(26'994'462)
Net change in other receivables/payables and other assets/liabilities	(3'922'882)	(6'053'135)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**571'761**	**14'534'023**
Cash flow from investments		
Acquisition of tangible fixed assets	(1'649'426)	(1'142'825)
Acquisition of intangible fixed assets	(171'322)	(460'137)
Capitalization of development costs	(6'323'420)	(6'500'781)
Disposal/(Purchase) investments accounted for using the equity method	(94'000)	-
Net disposal of fixed assets and investment properties	317'077	639'919
Devaluation of Shenyang investment	-	5'519'940
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(7'921'091)**	**(1'943'884)**
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	(467'951)	1'816'902
Increases in loans and borrowings *(including bank overdrafts)*	11'737'418	38'167'243
Repayment of loans and borrowings *(including bank overdrafts)*	(21'208'316)	(43'802'684)
Increases/(repayments) in financial lease liabilities	(190'057)	(885'953)
Change in finan. lease liab. due to the amendment of Kauhava lease contract	-	(5'855'258)
Capital increase	15'212'584	(290'680)
Other changes	2'019'772	(1'123'413)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**7'103'450**	**(11'973'843)**
Net change in cash and equivalents (D=A+B+C)	**(245'880)**	**616'296**
Cash and equivalents beginning of period (E)	**15'083'752**	**14'467'456**
Cash and equivalents end of period (F=D+E)	**14'837'872**	**15'083'752**

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 DATED 27 JULY 2006

Values in Euro	Notes	31/12/2010	*of which related parties*	31/12/2009	*of which related parties*
Property, plant and equipment	*8.1*	25'012'944		26'446'492	
Intangible assets	*8.2*	153'754'370		153'850'327	
Investment properties	*8.3*	-		158'000	
Investments accounted for using the equity method	*8.4*	7'094'101	*7'094'101*	4'699'761	*4'699'761*
Other investments	*8.5*	938'670		880'853	
Other non current financial assets	*8.6*	-		-	
Deferred tax assets	*8.6*	5'150'271		4'916'371	
Other non current assets	*8.9*	68'785		18'696	
NON CURRENT ASSETS		**192'019'141**		**190'970'500**	
Inventories	*8.7*	70'151'228		71'807'653	
Trade receivables	*8.8*	64'594'764	*823'862*	58'823'172	*986'281*
Other receivables	*8.9*	6'977'985		4'398'680	
Current tax receivables	*8.10*	4'691'311		5'984'885	
Derivatives		1'714		-	
Cash and cash equivalents	*8.11*	14'837'872		15'083'752	
CURRENT ASSETS		**161'254'874**		**156'098'142**	
TOTAL ASSETS		**353'274'015**		**347'068'642**	
Capital stock	*8.12*	21'600'337		16'000'000	
Legal reserve	*8.12*	2'733'635		2'733'635	
Other capital reserves	*8.12*	52'226'002		45'185'605	
Currency translation reserve	*8.12*	(347'660)		(2'384'892)	
Retained earnings	*8.12*	5'997'695		12'138'832	
Net result	*8.12*	(5'965'272)		(8'695'527)	
Stockholders' equity of the Group		**76'244'737**		**64'977'653**	
Minority interest		-		-	
STOCKHOLDERS' EQUITY		**76'244'737**		**64'977'653**	
Interest-bearing loans and borrowings	*8.11*	103'019'395		113'495'746	
Employee benefit liabilities	*8.13*	7'019'791		7'503'809	
Deferred tax liabilities	*8.14*	10'910'840		10'902'912	
Provisions	*8.15*	67'091		67'754	
Derivatives	*8.11*	7'778'856		7'516'059	
NON CURRENT LIABILITIES		**128'795'973**		**139'486'280**	
Trade payables	*8.16*	59'067'818	-	51'429'488	-
Advance payments	*8.16*	19'094'705		19'664'435	
Other payables	*8.16*	14'130'459	*289'643*	15'398'252	*422'526*
Interest-bearing loans and borrowings	*8.11*	45'256'498		44'160'205	
Current tax payables	*8.17*	2'461'577		2'671'847	
Provisions	*8.15*	8'169'063		9'277'398	
Derivatives	*8.11*	53'185		3'084	
CURRENT LIABILITIES		**148'233'305**		**142'604'709**	
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**353'274'015**		**347'068'642**	

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 DATED 27 JULY 2006

Values in Euro	Notes	31/12/2010	of which related parties	31/12/2009	of which related parties
Net revenues	*8.18*	250'006'768	*4'610'431*	231'885'849	*3'035'234*
Other income	*8.19*	4'549'822		6'621'171	
Change in inventories of finished goods and WIP		(3'463'583)		(23'455'299)	
Increases in fixed assets for internal work	*8.20*	6'904'774		7'141'233	
Use of raw materials, consumables, supplies and goods		(118'023'115)		(96'044'496)	
Personnel cost	*8.21*	(76'207'574)	*(776'946)*	(77'950'213)	*(730'736)*
Depreciation	*8.22*	(9'763'926)		(9'932'146)	
Amortization and impairment	*8.22*	(252'798)		(174'025)	
Other operating expenses	*8.23*	(53'398'543)	*(907'109)*	(41'954'734)	*(941'561)*
OPERATING PROFIT		**351'825**		**(3'862'660)**	
Financial income	*8.24*	775'434		335'781	
Financial expenses	*8.24*	(8'417'153)		(6'400'837)	
Net exchange differences	*8.25*	366'897		(99'055)	
Net result of investments accounted for using the equity method		1'800'252	*1'800'252*	382'610	*382'610*
RESULT BEFORE TAXES		**(5'122'745)**		**(9'644'161)**	
Income taxes	*8.26*	(842'527)		948'634	
NET RESULT		**(5'965'272)**		**(8'695'527)**	
- Attributable to Group shareholders		*(5'965'272)*		*(8'695'527)*	
- Attributable to minority shareholders		-		-	
RESULT PER SHARE - BASIC (in euro)	***8.27***	**(0.71)**		**(1.36)**	
RESULT PER SHARE - DILUTED (in euro)	***8.27***	**(0.71)**		**(1.36)**	

CONSOLIDATED CASH FLOW STATEMENT IN ACCORDANCE WITH CONSOB RESOLUTION NO. 15519 DATED 27 JULY 2006

VALORI IN EURO	31/12/2010	*di cui parti correlate*	31/12/2009	*di cui parti correlate*
Risultato netto	**(5.965.272)**		**(8.695.527)**	
Rettifiche (sub-totale)	***6.537.033***		***23.229.550***	
Ammortamenti, impairment e svalutazioni	10.016.724	-	10.106.171	-
Variazione delle attività/passività fiscali per imposte anticipate/differite	(225.972)	-	660.619	-
Risultato netto di società collegate e joint venture	(1.800.252)	*(1.800.252)*	(794.089)	*(794.089)*
Variazione dei fondi relativi al personale	(484.018)	-	(1.517.609)	-
Variazione delle rimanenze	1.656.425	-	34.379.220	-
Variazione dei crediti commerciali	(5.771.592)	*162.419*	13.442.835	*22.489*
Variazione dei debiti commerciali e acconti	7.068.600	-	(26.994.462)	
Variazione netta dei crediti/debiti vari e di altre attività/passività	(3.922.882)	*(178.948)*	(6.053.135)	*93.317*
Flusso monetario generato/(assorbito) dalle attività operative (A)	**571.761**		**14.534.023**	
Cash flow derivante dall'attività di investimento				
Acquisto di immobilizzazioni materiali	(1.649.426)	-	(1.142.825)	-
Acquisto di immobilizzazioni immateriali	(171.322)	-	(460.137)	-
Capitalizzazione nette costi di sviluppo	(6.323.420)	-	(6.500.781)	-
Vendita/(Acquisto) di partecipazioni valutate al patrimonio netto	(94.000)	*(94.000)*	-	-
Incassi da vendita di immobilizzazioni e investimenti immobiliari	317.077	-	639.919	-
Variazione immobilizzazioni per modifica contratto leasing Kauhava	-	-	5.519.940	-
Flusso monetario generato/(assorbito) dalle attività di investimento (B)	**(7.921.091)**		**(1.943.884)**	
Cash flow derivante dall'attività di finanziamento				
Variazione altre passività finanziarie non correnti e altre voci minori	(467.951)	-	1.816.902	-
Stipulazione di prestiti e finanziamenti *(inclusi bank overdrafts)*	11.737.418	-	38.167.243	-
Rimborsi di prestiti e finanziamenti *(inclusi bank overdrafts)*	(21.208.316)	-	(43.802.684)	-
Accensioni/(rimborsi) di leasing finanziari	(190.057)	-	(885.953)	-
Variazione passività per leasing finanz. per modifica contratto leasing Kauhava	-	-	(5.855.258)	-
Aumento di capitale	15.212.584	-	(290.680)	-
Altre variazioni	2.019.772	*410.130*	(1.123.413)	*410.130*
Flusso monetario generato/(assorbito) dalle attività di finanziamento (C)	**7.103.450**		**(11.973.843)**	
Flusso monetario complessivo (D=A+B+C)	**(245.880)**		**616.296**	
Disponibilità liquide e mezzi equivalenti all'inizio dell'esercizio (E)	**15.083.752**		**14.467.456**	
Disponibilità liquide e mezzi equivalenti alla fine del periodo (F=D+E)	**14.837.872**		**15.083.752**	

6.DESCRIPTION OF ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS APPLIED

▸ STANDARDS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2010 were prepared in respect of the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, and provisions enacted with implementation of art. 9 of Lgs.Decr. no. 38/2005.

IFRS refers to all reviewed International Accounting Standards ("IAS") and all interpretations of the International Financing Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The financial statements were prepared applying the standard of historical cost, with the exception of financial assets held for sale, financial assets held for trading and derivatives, which are recorded at fair value. The accounting principles applied by the Group in 2010 were consistent with those used in previous years.

➢GOING CONCERN

The consolidated financial statements at 31.12.10 were prepared on the basis of the going concern concept, as it is reasonable to expect that PRIMA INDUSTRIE will continue its business in the foreseeable future. In particular, the improved operating profitability in 2010 with respect to the previous year (even more evident net of the non-recurrent items), the increase in order acquisitions in the last months of the year, the availability of credit lines sufficient for the working cash needs, are the main factors taken into consideration to ascertain that, at this time, there are no significant doubts about the Group's prospects of remaining in business.

➢ACCOUNTING 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 consolidated Balance Sheet, the Company has adopted the layout which reflects the assets and liabilities distinguishing between "current" (i.e. liquid/due within one year) and "non current" (i.e. 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 for the period under way as well as for the previous one;
d) as regards the Cash Flow Statement the Company elected the so-called "indirect" method, which determines the financial flow net of operating activities adjusting the profit and loss for the effects of:

- nonmonetary items such as depreciation, amortization and writedowns,
- the changes in inventories, receivables and payables generated by the operating activities;
- other elements where the financial flows are generated by investment activities and financing.

It should be noted, also, that with reference to Consob resolution no. 15519 of July 27, 2006 regarding the layout of financial statements, specific additional formats for the financial statements and equity-financial situation have been included, highlighting the significant relationships with associates and non-recurrent transactions, in order to ensure greater overall legibility of the financial statements. The "layout of financial statements pursuant to CONSOB resolution no.15519 of 27/07/2006" for 2009 presented for purposes of comparison underwent a change in the presentation of related parties, for the sole purpose of facilitating the comparability with the data for 2010.

➢BUSINESS COMBINATIONS AND GOODWILL

Corporate aggregations (from January 1, 2010)

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

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

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

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

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

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

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

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

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

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

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

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

➢LOSS OF VALUE OF THE ASSET ("IMPAIRMENT")

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

➢TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

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

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

➢ INTANGIBLE FIXED ASSETS

(a) Goodwill

Goodwill represents the excess price paid with respect to the "fair value" of the quota of net assets identifiable on the date of acquisition.
Goodwill which is generated from the acquisition of a shareholding quota in subsidiaries is booked under intangible assets. Goodwill which is generated from the acquisition of a shareholding quota in affiliated companies is booked as an increase in the shareholding value. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses arising from the sale of the shareholding also take into account the residual carrying value of the related goodwill.

(b) Software

Software licences are capitalized at the cost incurred to obtain and put them into operation and are amortized on the basis of their estimated useful life (from 3 to 5 years).
Costs associated with the development and maintenance of software programs are considered costs of the year and are therefore booked within the income statement of competence.

(c) Research and development costs

R&D costs are booked within the income statement of the year in which they are sustained.
Development costs incurred in relation to a specific project are capitalized under the following conditions:

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

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

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

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

➢FINANCIAL INSTRUMENTS

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

Valuation
Equity investments in other enterprises and equity investments in enterprises with joint control included among non-current financial assets are reported as described below in the section entitled “Consolidation Principles”.
Non-current financial assets other than equity investments, such as financial liabilities, are reported as required by IAS 39 – Financial Instruments: *reporting and valuation*.

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

Derivative financial instruments

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

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

When financial instruments qualify for hedge accounting, the following methods are used:

Cash flow hedge

If a derivative financial instrument is designated as a hedge for exposure to the variability of future cash flows of an asset or liability entered in the financial statement or of a transaction this is highly likely to have effects on the income statement, the effective portion of the profit or loss of the derivative financial instrument, it is reported in shareholders' equity. The accumulated profit or loss are cancelled from the shareholders' equity and reported in the income statement in the same period in which the relative economic effect of the hedged transaction is reported. The profit or loss associated with a hedge (or portion of a hedge) are entered in the income statement immediately when they become ineffective. If a hedge or hedge relation are closed, but the hedged transaction has not been realized yet, the accumulated profits and losses, reported until then in the shareholders' equity, are reported in the income statement in relation to the report of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed probable, the profits or losses still not realized, suspended in shareholders' equity, are reported immediately in the income statement.

Financial liabilities

Financial liabilities comprise financial payables, including amounts owed for advances on orders or on sales of receivables and other liabilities such as derivative financial instruments and liabilities for assets leased under finance lease agreements.

Under IAS 39, they also include trade and other payables.

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

Loans

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

➢ INVENTORIES

Warehouse inventories are booked at the lower between the cost and the net estimated realizable value, the latter being represented by the normal sales value during ordinary activities, net of variable sales expenses. The cost is determined using the average weighted cost method. The cost of finished and semi-finished products includes planning costs, raw materials, direct labour costs, other direct and indirect costs which may be allocated to production activities on the basis of a normal production capacity and the state of work progress. This cost configuration does not include financial expenses.

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

➢TRADE AND OTHER RECEIVABLES

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

➢TRANSFER OF RECEIVABLES

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

➢CASH AND CASH EQUIVALENTS

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

➢ASSETS HELD FOR SALE

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

➢SHARE CAPITAL

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

➢DEFERRED TAX

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

Deferred taxes are not calculated:

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

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

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

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

➢EMPLOYEE BENEFITS

(a) Pension plans

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

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

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

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

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

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

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

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

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

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

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

➢PROVISIONS FOR RISKS AND CHARGES

Provisions are allocated to risks and charges when:

- a legal or implicit obligation arises for the Group as a result of past events,
- it is probable that resources will be utilized in order to meet the obligation, and
- the amount can be reliably determined.

Restructuring funds include both liabilities deriving from exiting incentives as well as from penalties linked to the cancellation of leasing contracts. No provisions are made for risks and charges to meet future operating losses.

Allocations are booked by discounting the best estimates made by management to identify the amount of costs which the Group can be expected to incur as of the closing date of the financial statements, in order to redeem the obligation.

➢REPORTING REVENUES

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

(a) Sale of goods

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

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

(b) Services

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

(c) Interest

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

(d) Royalties

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

(e) Dividends

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

➢TAXES

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

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

They are calculated using the tax rates and laws that are in force at the date of closure of the financial statements, or effectively in place, and expected to be applicable at the time of the reversal of the temporary differences that gave rise to the recording of the deferred taxes.

Receivables for prepaid taxes are recorded in the Financial Statements only if, at the time of the reversal of the temporary difference, the likelihood exists of sufficient taxable income for them to be set off.

Receivables for prepaid taxes are re-examined at the close of each financial year and they are reduced if it is no longer likely that sufficient taxable income will become available in the future for whole or partial utilization of the receivable.

Deferred taxes relative to items that are directly booked under shareholders' equity are also directly booked under shareholders' equity.

➢DISTRIBUTION OF DIVIDENDS

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

➢PROFIT PER SHARE

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

➢STATE GRANTS

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

➢TRANSLATION OF ITEMS IN FOREIGN CURRENCY

(a) Functional currency and reporting currency

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

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

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

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

(c) Companies of the Group

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

➢ESTIMATE OF FAIR VALUE

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

▸DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNT ESTIMATES

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

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

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

RECOVERABLE VALUE OF GOODWILL

Analysis of the book value of this asset was made using the expected cash flows deriving from its use and adequate discount rates for calculation of its current value. In this context, in preparing the consolidated financial statement as of December 31, 2010, and more in particular, in performing the impairment test, expected performance for 2011 was taken into consideration.
Moreover, for the subsequent years of the plan, the necessary changes were made in the original plans to take account, in the prudential sense, of the economic-financial context and the market context which have been profoundly affected by the current crisis. On the basis of the amended plan data, there was no need for impairment.
The recoverable value depends significantly on the discount rate used in the discounted cashflow models, and on the expected future cashflows and the growth rate used for determination. The key assumptions used to determine the recoverable amount for the

different cash-generating units, which included a sensitivity analysis, are discussed in detail in Note 8.2 - "Intangible fixed assets".

PREPAID AND DEFERRED TAXES

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

PROVISIONS FOR INVENTORY WRITEDOWNS

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

PROVISIONS FOR DOUBTFUL ACCOUNTS

The provisions for writedowns of doubtful accounts are determined on the basis of an analysis of the individual debt positions in the light of the relationships with the individual customers. If there is an unexpected deterioration of the economic and financial situation of an important customer, this could result in the need to adjust the fund for receivable write-downs, with the consequent negative effects on the Income Statement.

EMPLOYEE BENEFITS

Many Group companies (those in Italy, Germany and France in particular) are required by law or collective bargaining agreements to implement post-retirement employee benefit plans. Calculation of the amount to be recorded in the Financial Statements requires actuarial estimates to be made that take into account a series of assumptions relating to parameters such as the annual rates of inflation, the growth in wages, the annual rate of staff turnover and other variables. Any change in these parameters requires readjustment of the actuarial estimates and consequent adjustment of the amounts disclosed in the Financial Statements.

CHANGES IN ACCOUNTING STANDARDS

Accounting standards, amendments and interpretations applicable from January 1, 2010, not relevant for the Group

On January 1, 2010, several changes to the major international accounting standards were introduced, none of which had a material impact on the PRIMA INDUSTRIE Group consolidated financial statements. The major changes are outlined below:

IFRS 3 (2008) - Corporate aggregations. The updated version of IFRS 3 introduced important amendments, mainly concerning:

- the rules of acquisition by stages of subsidiaries;
- the right to value at fair value any interests pertaining to others acquired in a partial acquisition;
- attribution to the income statement of all costs connected with corporate aggregation, and
- reporting as of the date of acquisition of the payments subject to condition.

IAS 27 (2008 - consolidated and separate financial statements. The amendments to IAS 27 mainly concern book entry of transactions or events that change the portions of interests in subsidiaries and the attribution of subsidiaries' losses to the interests of third parties. In accordance with the rules of transition of the standard, the Group adopted these amendments to IAS 27 in table form, reporting effects on the book entry of certain acquisitions and sales of minority shareholdings in subsidiaries.

Improvement 2008 to IFRS 5 – Non-current assets held for sale and operating assets sold. This establishes that if a company is engaged in a plan of sale that involves the loss of control of an equity investment, all the subsidiaries' assets and liabilities must be reclassified among assets held for sale, even if after the sale the company will still hold a minority shareholding in the subsidiary.

Amendment to IAS 28 – Equity investments in affiliates, and to IAS 31 – Equity investments in joint ventures, consequent to the amendments made to IAS 27.

Amendment to IFRS 2 - Payments based on shares: payments based on Group shares made in cash. the amendment clarified that, as IFRS 3 amends the definition of corporate aggregation, the transfer of a company division for the formation of a joint venture or the aggregation of enterprises or company divisions in companies with joint control do not fall within the sphere of applicability of IFRS 2.

IFRIC 17 - Distribution to the shareholders of illiquid assets. EC Regulation 1142-2009, issued on November 26, 2009, transposed IFRIC 17 into community law. This interpretation clarifies that the liability relative to a dividend payable should be recognized when the dividend is appropriately authorized, and that an entity should measure the liability for distributions of non-cash assets as dividends to its shareholders at the fair value of the net assets to be distributed. At the time the dividend is paid, an entity should report any difference between the dividend paid and the book value of the net assets distributed in the income statement. IFRIC 17 comes into effect on January 1, 2010 and is to be applied in table form. This interpretation is not expected to have any impact on the Group's consolidated financial statements.

IFRIC 18 - Distribution of assets by clients. This interpretation clarifies the book entry format to use if the company stipulates a contract whereby it receives from one of its clients a material asset that will be used to connect the client to a network or furnish specific access to the supply of goods and services (such as the supply of electricity, gas, water). There are cases, effectively, in which the company receives liquid assets from the client for the purpose of constructing or acquiring those material assets that will be used in the fulfillment of the contract.

Amendment to IAS 39 – Financial instruments: reporting and assessment – Qualifying elements for hedging. EC Regulation 839-2009 issued on September 15, 2009 transposed into community law certain amendments to IAS 39 which clarify several aspects of hedge accounting. The amendments must be applied retroactively as required by IAS 8 starting on January 1, 2010. These amendments are not expected to have any impact on the Group's consolidated financial statements.

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

On October 8, 2009 the IASB issued an amendment to IAS 32 - Financial Instruments: presentation: classification of rights emerging for the purposes of regulating reporting with regard to the issuance of rights (rights, options or warrants) denominated in currencies other than the issuer's functional currency. Previously, these rights were reported as liabilities from derivative financial instruments; the amendments requires, however, that under certain conditions these rights be classified as shareholders' equity regardless of the currency in which the exercise price is denominated. This amendment must be applied from January 1, 2011 in retrospective form; the adoption of this amendment should not have significant effects on the group's financial statements.

On November 4, 2009 the IASB issued a revised version of IAS 24 – Information about the financial statements or related parties which simplifies the type of information required in case of transactions with related parties controlled by the State, and clarifies the definition of related parties. The standard is applicable from January 1, 2011 and will not have any effect from the standpoint of assessment of the items in the financial statements.
On November 12, 2009 the IASB published standard IFRS 9 – Financial Instruments. This same standard was then amended on October 28, 2010. The standard, applicable from January 1, 2013, is the first part of a process consisting of several steps to entirely replace IAS 39, and introduces new criteria for the classification and assessment of financial assets and liabilities and for derecognition in the financial statements of financial assets.
In particular, with regard to financial assets, the new standard uses a unified approach based on the mode of management of the financial instruments and on the characteristics of the contractual cash flows of those same financial assets in order to determine the criterion of evaluation, replacing the diverse rules foreseen by IAS 39. For financial liabilities, however, the main change concerns the book entry of the variations of fair value through the income statement: in this case these are concerned with the variation of the receivable worth of the liability. According to the new standard, these variations must be reported as totals in Other profits and losses without transiting in the income statement. As of the date of these financial statements, the competent bodies of the European Union have not yet completed the ratification process which is required for the application of this new standard.

On November 26, 2009 the IASB issued a minor amendment to IFRIC 14 – Advance payment against a clause of minimum contribution due, enabling company that pay a minimum contribution due in advance to report it as an asset. This amendment becomes applicable from January 1, 2011 and should not have significant effects on the group's financial statements.

On November 26, 2009 the IFRIC issued interpretation IFRIC 19 – Extinction of a liability through issuance of capital instrument, which provides the guidelines for reporting the extinction of a financial liability through issuance of capital instruments. This interpretation states that, if a company renegotiates the conditions for extinction of a financial liability and the creditor agrees to extinguish it through issuance of shares in the company, the shares issued by the company become part of the price paid for extinction of the financial liability and must be assessed at the fair value; the difference between the book value of the extinguished financial liability and the initial value of the capital instruments issued must be entered in the income statement for the period.
This interpretation is applicable from January 1, 2011: The adoption of this amendment should not have significant effects on the group's financial statements.

On May 6, 2010 the IASB issued a set of amendments to the IFRS ("Improvements") that will be applicable from January 1, 2011; hereafter we list those which will necessitate a change in the presentation, recognition and evaluation of the items of the financial statements, overlooking those which will cause only terminological variations or editorial changes with minimum effects in accounting terms.

IFRS 3 (2008) - Corporate aggregations. The amendment clarifies that the elements of interests pertaining to third parties that do not give the possessors the right to receive a proportional share of the net assets of the subsidiary must be assessed at the fair value or as required by the accounting standards applicable.

IFRS 7 – Financial instruments: additional information. The amendment emphasises the interaction between additional information of a qualitative type and that of a quantitative type required by the standard as regards the nature and extent of the risk inherent to financial instruments.

IAS 1, Presentation of Financial Statements The amendment requires that reconciliation of the variations in every element of shareholders' equity be presented in the notes or tables accompanying the financial statements.

IAS 34 – Interim Reports. Through a number of examples, clarification has been added about the additional information that must be presented in interim reports.

On October 07, 2010 the IASB published several amendments to standard IFRS 7 – Financial Instruments. Additional information, applicable for the accounting period starting on or after July 1, 2011. The amendments were issued with the intent of improving the comprehension of transactions of transfer of financial assets, including possible effects deriving from any risk remaining for the company that has transferred the asset.

On December 20, 2010 the IASB issued a minor amendment to IFRS 1 – First adoption of the International Financial Reporting Standards (IFRS) to eliminate the reference to the date of January 1, 2004 it contained, described as the date of transition to the IFRS and to furnish a guide on the presentation of the financial statements in accordance with the IFRS after a period of hyperinflation. These amendments will be applicable from July 1, 2011.

On December 20, 2010 the IASB issued a minor amendment to IAS 12 – Income taxes which requires the enterprise to assets deferred taxes deriving from an asset depending on the manner in which the book value of that asset will be recovered (whether through continued use or through sale). Consequent to this amendment, SIC-21 – Income taxes – Recoverability of a non-depreciable revalued asset - will no longer be applicable. The amendment is applicable from January 1, 2012

CONSOLIDATION PRINCIPLES

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

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

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

The Group records acquisitions of controlling shareholdings by means of the purchase method.

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

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

(b) Affiliates and joint ventures
Affiliated companies are those in which the Group exercises significant influence but no form of control. Significant influence is presumed in the case of ownership of between 20-50% of the voting rights. Affiliated companies are initially recorded at cost and then accounted for using the shareholders' equity method.
Joint Ventures are companies subject to joint control. They are booked in accordance with IAS 31, paragraph 38, which provides for the recording of the shareholding by means of the shareholders' equity method.
Group equity investment in affiliated companies and joint ventures includes goodwill, as recorded at the time of acquisition and net of any potentially accumulated value losses.
The Group's Income Statement reflects the applicable share of the affiliated company and joint venture's result. If the affiliated company or the Joint Venture records an adjustment with a direct effect on shareholders' equity, the Group determines the portion that applies to it, reflecting such change in the Statement of Changes in Shareholders' Equity.
Booking the quota of a loss from an affiliated company or joint venture within the accounts of the Group includes a limit relative to the zeroing out of the investment value; additional loss quotas are only booked under liabilities if the Group has assumed obligations or has implemented payments on behalf of the affiliated company or joint venture.

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

7. SEGMENT REPORT

COMPANY INFORMATION

PRIMA INDUSTRIE SpA's corporate mission is the design, manufacture and sale of electrical and electronic equipment, machines and mechanical systems and the related software programs for use in industrial automation or in other sectors in which the Company's technology may be usefully employed. The main activity focuses on the cutting and welding laser machines sector.

PRIMA NORTH AMERICA Inc. (incorporated under American law) is structured in three divisions:

- CONVERGENT LASERS DIVISION: which designs, manufactures, sells and provides service in respect of industrial lasers throughout the world.
- LASERDYNE SYSTEMS DIVISION: which designs, manufactures, sells and provides assistance in respect of Laserdyne systems throughout the world. These systems are specialized in the use of lasers for the production of components for aeronautic motors and turbines for the generation of energy.
- PRIMA LASER SYSTEMS: sells and services the 3D laser machines produced by PRIMA INDUSTRIE on the North American market.

PRIMA FINN-POWER GmbH (incorporated under German law) performs activities of management, promotion and service on the German and neighboring markets.

PRIMA FINN-POWER UK LTD. (incorporated under British law) carries out management, promotion and service on the English and neighboring markets.

PRIMA FINN-POWER CENTRAL EUROPE Sp.zo.o. (incorporated under Polish law), performs activities of management, promotion and service on the Eastern European markets.

OOO PRIMA INDUSTRIE (operational from the third quarter 2010) carries out management, promotion and service on in the Russian Federation and neighboring markets.

PRIMA INDUSTRIE (Beijing) Co. Ltd. (incorporated under Chinese law) performs servicing activities on the Chinese market.

PRIMA FINN-POWER SWEDEN AB (incorporated under Swedish law) performs activities of management, promotion and service on the Scandinavian market; it is now in liquidation.

PRIMA ELECTRONICS S.p.A.'s corporate mission is the design, manufacture and sale of mechanical, electrical and electronic equipment, systems and installations and the relative software programs bearing the PRIMA ELECTRONICS, OSAI and TECHMARK trademarks. The company may also acquire and grant manufacturing licences. This company is the parent company of the group composed of the following firms:

- OSAI USA Llc., 100% shareholding
- OSAI UK Ltd., 100% shareholding

It should be noted that on 31/12/2010 PRIMA ELECTRONICS acquired PRIMA North America from PRIMA INDUSTRIE. The American subsidiary, for the purposes of a better representation of the *segment report*, has been considered in the 2010 financial statements still within the Laser Systems segment.

The FINN-POWER Group with headquarters in Kauhava, Finland, and with production plants in both Finland and Italy and subsidiary companies in Italy, France, Belgium, Spain, the USA and Canada, operates mainly in the sector of machines for sheet metal processing (punching machines, punching-shearing cells and punching machines-lasers, automatic bending cells and the related automation systems) and to a lesser extent, in the sector of laser cutting machines, a sector in which the PRIMA INDUSTRIE Group is a leader.

FINN-POWER products are positioned within the average to high range and are characterized by elevated versatility and size as well as a high degree of automation: the company is renowned for its flexible production systems operating throughout the whole production unit.

FINN-POWER OY (acquired by PRIMA INDUSTRIE S.p.A. in February 2008) is the parent company of a group consisting of:

- FINN-POWER ITALIA Srl, 100% shareholding, whose mission is the production of a line of FINN-POWER products (paneling machines), and the sale and servicing of all the FINN-POWER products on the Italian market.
- PRIMA FINN-POWER FRANCE Sarl, 100% shareholding, a marketing and servicing company.
- PRIMA FINN-POWER NV, 94% shareholding (the remaining 6% is held by BALAXMAN OY), a marketing and servicing company.
- PRIMA FINN-POWER IBERICA,SL, holding of 78% (the remaining 22% is held by PRIMA INDUSTRIE S.p.A.), a marketing and servicing company.
- BALAXMAN OY, 100% shareholding
- PRIMA FINN-POWER North America, 100% shareholding, a marketing and servicing company
- PRIMA FINN-POWER CANADA Ltd, 100% shareholding through PRIMA FINN-POWER North America, a marketing and servicing company

SEGMENT DETAILS

Information by sector of activity

The infra-sector revenues were determined on the basis of the market price using the "cost plus" or "sales minus" method.

It should be noted that following acquisition of the FINN-POWER Group there are now three operating segments:

- Laser Systems
- Electronics
- Sheet Metal Processing Machines

The following table illustrates the main details of by sector.

Profits for sector 31/12/2010	Laser Systems	Electronics	Sheet Metal Processing Machines	Items not allocated	Total
Total revenues for sector	105.508	31.573	137.666	-	274.747
(Inter-sectorial revenues)	*(12.914)*	*(4.079)*	*(7.747)*	-	*(24.740)*
Revenues	**92.594**	**27.494**	**129.919**	**-**	**250.007**
EBITDA	5.883	2.719	1.767	-	10.369
EBIT	3.917	1.708	(5.273)	-	352
Net financial costs/income	(4.383)	(315)	(2.577)	-	(7.275)
Income/costs from affiliates and joint ventures	1.836	(36)	-	-	1.800
Profit before taxes	-	-	-	-	**(5.123)**
Taxes	-	-	-	(842)	(842)
Net profit	-	-		-	**(5.965)**

Profits for sector 31/12/2009	Laser Systems	Electronics	Sheet Metal Processing Machines	Items not allocated	Total
Total revenues for sector	91.123	28.218	127.104	-	246.445
(Inter-sectorial revenues)	*(10.485)*	*(2.422)*	*(1.652)*	-	*(14.559)*
Revenues	**80.638**	**25.796**	**125.452**	**-**	**231.886**
EBITDA	2.513	1.393	2.337	-	6.243
EBIT	1.067	400	(5.331)	-	(3.863)
Net financial costs/income	(2.869)	(533)	(2.762)	-	(6.164)
Income/costs from affiliates and joint ventures	383	-	-	-	383
Profit before taxes	-	-	-	-	**(9.644)**
Taxes	-	-	-	948	948
Net profit	-	-		-	**(8.696)**

Assets and liabilities for sector 31/12/2010	Laser Systems	Electronics	Sheet Metal Processing Machines	Not allocated	Group
Assets	60.706	33.295	226.559	24.681	345.241
Affiliates, JV and other equity investments	7.146	808	79	-	8.033
Total Assets	**67.852**	**34.103**	**226.638**	**24.681**	**353.274**
Liabilities	**32.851**	**14.566**	**60.132**	**169.480**	**277.029**

Assets and liabilities for sector 31/12/2009	Laser Systems	Electronics	Sheet Metal Processing Machines	Not allocated	Group
Assets	53.960	29.580	231.963	25.985	341.488
Affiliates, JV and other equity investments	4.752	750	79	-	5.581
Total Assets	**58.712**	**30.330**	**232.042**	**25.985**	**347.069**
Liabilities	**27.612**	**12.098**	**63.631**	**178.750**	**282.091**

(*) For greater comparability of data, the values relative to "affiliates, JV and other equity investments" as of 31.12.2009 have been reclassified

Sales breakdown by geographical area

For details relative to revenues divided by geographical area, see the Management Report, in the sections entitled “Revenues and profitability” and “Performance of the main companies in the Group”.

As regards non-current assets divided by geographical area, however, the data are contained in the table below.

Not-recurring assets (euro thousands)	31/12/10	31/12/09
Italy	32.893	31.855
Europe	138.764	142.320
North America	7.106	6.279
Asia and Rest of the World	2	1
TOTAL	**178.765**	**180.455**

Non-current assets refer to tangible fixed assets intangible fixed assets, and non-instrumental investment property.

8. NOTES ILLUSTRATING THE CONSOLIDATED FINANCIAL STATEMENT AS OF December 31, 2010

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

NOTE 8.1 – INTANGIBLE FIXED ASSETS

Tangible fixed assets changed with respect to the previous year as follows:

- increase by 1,649 thousand euro;
- net sales for 159 thousand euro;
- depreciation and impairment for 3,167 thousand euro;
- positive exchange rate differences for 243 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, 2009						
Historic cost	31.122.650	17.021.629	5.417.312	14.003.341	448.308	68.013.240
Depreciation fund	(4.629.022)	(11.936.583)	(4.501.745)	(11.442.023)	-	(32.509.373)
Net value as of January 1, 2009	**26.493.628**	**5.085.046**	**915.567**	**2.561.318**	**448.308**	**35.503.867**
Year 2009						
Net value as of January 1, 2009	*26.493.628*	*5.085.046*	*915.567*	*2.561.318*	*448.308*	*35.503.867*
Variation in the area of consolidation	-	-		-	-	-
Variation in the area of consolidation on depr.fund	-	-	-	-	-	-
Increases	30.677	234.624	235.100	424.805	217.619	1.142.825
Disinvestments	(7.409.563)	(412.020)	(796)	(692.487)	-	(8.514.866)
Use of depreciation fund	1.360.762	322.750	-	671.495	-	2.355.007
Depreciation	(1.146.019)	(1.422.372)	(415.647)	(950.948)	-	(3.934.986)
Impairment	-	-	-	-	-	-
Reclassifications	-	(113.953)	47.377	66.576	-	-
Depreciation funds reclassified	-	-	-	-	-	-
Difference on exchange rates	(72.870)	(97.053)	697	(74.620)	-	(243.846)
Difference on exchange on depr.funds	9.831	58.701	(800)	70.759	-	138.491
Net value as of December 31, 2009	**19.266.446**	**3.655.723**	**781.498**	**2.076.898**	**665.927**	**26.446.492**
December 31, 2009						
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 December 31, 2009	**19.266.446**	**3.655.723**	**781.498**	**2.076.898**	**665.927**	**26.446.492**
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 30, 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**

The reduction in net book value of tangible fixed assets mainly reflects depreciation in the period, against rather low net investments and a net increase of 243 thousand euro due to the exchange effect.

NOTE 8.2 – INTANGIBLE FIXED ASSETS

Intangible fixed assets decreased from the previous year by 96 thousand euro as follows:

- increase by 6,495 thousand euro;
- depreciation and impairment for 6,850 thousand euro;
- positive exchange rate differences for 259 thousand euro.

Intangible fixed assets	Goodwill	Development costs	Other goods	TOTAL
Year 2009				
Net value as of January 1, 2009	102.585.493	8.012.689	42.577.652	153.175.834
Variation in the area of consolidation	-	-	-	-
Increases/(decreases)	-	6.500.781	460.137	6.960.918
Reclassifications	-	3.316.084	(3.316.084)	-
Depreciation	-	(2.341.064)	(3.656.096)	(5.997.160)
Impairment	-	(174.025)	-	(174.025)
Difference on exchange rates	(74.393)	(40.847)	-	(115.240)
Net value as of December 31, 2009	**102.511.100**	**15.273.618**	**36.065.609**	**153.850.327**
Year 2010				
Net value as of January 01, 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**

GOODWILL

As the above table shows, the most significant component of intangible fixed assets is goodwill. Goodwill refers to the greater value paid with respect to the fair value of the net assets acquired. Goodwill is not subject to depreciation and is annually subject to the impairment test.

For purposes of the annual impairment test, the individual goodwill items acquired through business combinations has been allocated to the respective cash-generating units, coinciding with the legal entity or group of enterprises to which they refer for control of any impairment.

Entry value of goodwill of each of the generators of financial flows

UNIT GENERATOR OF CASH FLOWS	BOOK VALUE OF GOODWILL AT 31/12/2010	BOOK VALUE OF GOODWILL AT 31/12/2009
FINN-POWER GROUP	96.078	96.078
OSAI (Service)	4.125	4.125
PRIMA NORTH AMERICA	2.283	2.117
MLTA	154	154
OSAI UK	37	37
TOTAL	**102.677**	**102.511**

FINN-POWER

Acquisition of the FINN-POWER Group in 2008 caused the inclusion of goodwill of 96,078 thousand euro. The cash generating unit to which it has been allocated is represented by the FINN-POWER Group, consisting of the production plants in Finland and Italy, and the European and U.S. distribution companies.

As of 31.12.10 the recoverable value from the cash flow generating unit was subjected to the impairment test to determine the existence of any impairment through comparison between the book value of the unit (inclusive of goodwill, intangible assets with limited useful life identified at the time of purchase and of the other net operating assets) and the value of use, or rather the current value of future financial flows that should derive from their continued use and any removal of them from service at the end of their useful life.

Value-in-use is determined by discounting the cash flows contained in the economic-financial plan approved by the Board of Directors of FINN-POWER OY for the period 2011-2015. In order to determine the value-in-use of the CGU, cash flows are considered discounted for the 5 years of the explicit forecast, and are then summed to a terminal value determined by discounting the perpetual yield.

This plan was drawn up taking the Group's previous experience into account (particularly the cyclical trend in the machine tools sector) and by assessing the current situation in the reference markets. The assumptions made on the cash flow forecast for the explicit forecast period were made on a prudential basis and take account of the impact that the financial crisis has had on the cyclical performance of the sector (the forecasts made by trade associations and the growth forecasts for the countries in which the Group has planned revenues were considered).
The discount rate applied to prospective cash flows was 8.81% (pre-tax), calculated taking account of the sector in which the Group operates, the countries in which the Group intends to achieve planned results, the structure of indebtedness at full capacity and the current economic situation. This rate was substantially in line with the previous year, when rate of 8.76% was used.
For cash flows for the years subsequent to the explicit forecast period, a growth rate of 0.5% (in line with that used as of 31.12.09) has been hypothesized, coherent with recent market evaluations, to take account of the current economic situation.

Determination of the value-in-use using the process illustrated led to a recoverable value above the book value, making it possible to avoid any reductions in the value of goodwill allocated to the FINN-POWER Group.

With respect to the basic assumptions described above, an analysis of sensitivity was made of the results with respect to the WACC, the growth rates (g) and the forecast results. In particular, even with increases of 30 basis points (hundredths of percentage points) on the cost of capital and zero-setting the perpetuity growth rate (g), the values of use show no impairment losses. Considering a growth rate (g) of zero, the WACC (pre-tax) that would make the recoverable value of the CGU equal to its book value would be 9.65%.

A sensitivity test was also performed with forecast results lower than those reflected in the 2011-2015 plan. If revenues forecast for 2011 were reduced by 5% (and likewise EBITDA) and the percentage growth rates were maintained for the following years, hence even with a WACC of 8.81% and growth rate of 0.5%, the values of use would not show impairment losses. Considering a growth rate (g) of 0.5% and a WACC of 8.81%, a 7.5% reduction in future revenues (with percentage growth maintained at the same rates in the subsequent years) would make the recoverable value of the CGU the same as its book value.
It should be emphasised that the data for this sensitivity study refer to a theoretical year and this presents limitations. Indeed, in the reference industry, the greater the revenue contractions, the higher the growth rates during the positive phase of the cycle. Hence a 7.5% reduction in revenues, with growth rates constant in the following years (i.e. no recovery of the percentage loss of revenues during the five-year period), would mean either a contraction in the machines tools market during the next cycle or a loss in market share for the FINN-POWER Group. Neither of these events appear likely at the moment.

At the end of the test, the value-in-use of the FINN-POWER CGU at 31.12.10 is greater than its book value of around 24 million euro.

WACC	8,81%
Growth rate (g)	0,50%
Surplus of recoverable value of CGU over book value	24 million Euros

OSAI (Service)

The acquisition of the OSAI Group during 2007 reflects the strategy of penetration and development of the “service” market, in which the Group acquired has a consolidated position. The goodwill remaining at the end of the process of allocation of the price paid is therefore entirely allocated to the “service” segment and represents the entire value of the capital invested in that segment.

The value recoverable from this cash flow generator at 31.12.10 was calculated on the basis of the value-in-use, determined by discounting the cash flows contained in the economic and financial plan for the period 2011-2015 (approved by the management of PRIMA ELECTRONICS) and considering the current value of the operating assets of the company at the end of the explicit forecast period (residual value, calculated by basing the expected perpetuity on the cash flow generated in the last year of the plan).

The discount rate applied to prospective cash flows was 13.89% pre-tax (an increase on the 10.86% rate used in the impairment test at 31.12.09), calculated taking account of the sector in which the OSAI Group operates and its structure of indebtedness. Determination of the value of use according to the process illustrated made it possible not to make any reductions in the value of goodwill allocated in the “service” sector of the OSAI Group. The increase of the WACC substantially reflects an increase in the weight of treasury capital in the financial burden, taking account of the relative self-financing component produced by the CGU. The impact on the recoverable value was in any case offset by the improving performance in terms of EBITDA, up for the year 2010 with respect to the previous year.

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

WACC	13,89%
Growth rate (g)	0,00%
Surplus of recoverable value of CGU over book value	3.8 million Euros

PRIMA NORTH AMERICA

The goodwill shown in the financial statements refers to the American subsidiary and concerns the two cash flow generating units consisting of the divisions:

- LASERDYNE SYSTEMS
- CONVERGENT LASERS

The recoverable amount of the cash flow generating unit was calculated on the basis of the value of use. To calculate the relative value, we used the cash-flow forecast from the financial plan for 2011-2013 (approved by the Board of Directors of PRIMA North America), while the cash flows beyond 2013 and for an unlimited time frame were determined by assuming flows equal to those of the last year of the financial plan with zero growth (g).

The discount rate applied to prospective cash flows was 9.1% (an increase on the 9.2% WACC used in the impairment test at 31.12.10), calculated taking account of the countries in which company operates and its structure of indebtedness.

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

WACC	9,10%
Growth rate (g)	0,00%
Surplus of recoverable value of CGU over book value	4.8 million US$

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

OTHER INTANGIBLE FIXED ASSETS

As can be seen from the year's progression, most increases in 2010 were due to the capitalization of development costs.

Since the activities of PRIMA INDUSTRIE SpA. (and all other Group companies) have a high technological content, constant investment in research and development activities is absolutely vital. Despite the difficult economic situation, the Group continued to invest significantly in the development of its products, in order to retain a competitive advantage and be ready in this stage of recovery of the reference market.

The PRIMA INDUSTRIE Group capitalized costs in those areas where the conditions set out in IAS 38 applied. Technical feasibility and generation of likely future economic benefits were investigated for all development activities for newly capitalized projects. The costs capitalized on development projects are monitored individually and measured in terms of the expected economic benefits from the time of their implementation. The costs capitalized on projects where the technical feasibility is uncertain or no longer strategic are assigned to the income statement (this year 225 thousand Euros were "released" to the income statement). The rate applied for the number of hours of internal development reflects the cost of man-hours.

It is to be noted that the “Other assets” category contains the trademark and customer relations (customer list) deriving form the Purchase Price Allocation of FINN-POWER OY in 2008. The net values of the FINN-POWER trademark and the customer list at 31.12.10 are 20,520 thousand euro and 9,800 thousand euro, respectively.

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

The customer list of the FINN-POWER Group has been defined as an asset with a finite life of 10 years, and consequently this asset is also subject to the process of depreciation.

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

NOTE 8.3 – NON-INSTRUMENTAL REAL ESTATE INVESTMENTS

In May 2010, FINN-POWER Italia sold the area for agricultural use located in Asola (MN) for a price substantially in line with the value entered in the financial statements.

NOTE 8.4 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The value of equity investments included in this item increased with respect to the past year, by 2,394 thousand euro. The change is due both to the allocation of the share of the result as well as to the adjustment of the value of the equity investments included in this item. The value entered in the consolidated financial statements refers to 7,004 thousand Euros for the 35% shareholding in Shanghai Unity Prima Laser Machinery Co.Ltd and 90 thousand Euros for the 50% stake in SNK Prima Company Ltd.

Equity investments valued with PN method	SUP (1)	SNK	CARETEK	TOTAL
January 1, 2009	**3.982.959**	**79.575**	**-**	**4.062.534**
Portion of result	794.499	(410)	-	794.089
Increases	-	-	-	-
Currency adjustment	(153.164)	(3.698)	-	(156.862)
December 31, 2009	**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**

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

A positive difference of 264 thousand Euros is seen comparing the per share value of the net equity of the Chinese JV SUP at 31.12.10 (6,740 thousand euro) with the book value of the shareholding. This reflects the goodwill included in the value of the shareholding recognized in the acquisition of a share of 7.5% in 2008.

Values expressed in thousands of Euros	Value of stake	SE per share	Difference
SUP	7.004	6.740	264
SNK	90	90	-

NOTE 8.5 - OTHER EQUITY INVESTMENTS

The value of the other equity investments as at 31/12/2009 has been reclassified, transferring the entire value reported under Other financial assets in this item; this was done to furnish a better representation of the Group's equity situation.

The only other variation in the item Other equity investments, in addition to the aforementioned reclassification, is the reclassification of the Caretex equity investments, with a book value of 58 thousand euro. It should also be noted that PRIMA ELECTRONICS SpA incorporated Caretek S.r.l. in February 2010 and held 47% of the shares at that time. During the last quarter of the year, following certain extraordinary transactions on the company's share capital, PRIMA ELECTRONICS' shares decreased to 15.5%. For this reason, Caretek has been consolidated with the "shareholders' equity method" for the first three quarters of the year; in the last quarter, there no longer being any control of the company, it was reported at cost.

As of 31/12/2010 the item thus consists of the following elements:

- Electro Power Systems (750 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 investments in ELECTRO POWER SYSTEMS and Caretek are held by the subsidiary PRIMA ELECTRONICS and amount to 3.08% and 15.5% respectively; the equity investment in the Consorzio Sintesi is held by the parent company in the amount of 10%, while the equity investment in Fimecc OY is held by FINN-POWER OY and amounts to 2.4%.

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 therefore been excluded from the area of consolidation.

It should be noted that comparing the value of the equity investment in ELECTRO POWER SYSTEMS (with activities in hydrogen fuel-cell systems) using the pro-quota method of the corresponding shareholders' equity (based on preliminary data for the year 2010, as the final data are not available yet) a negative difference can be seen. In spite of the difficulty encountered on the market by the innovative technology offered by ELECTRO POWER SYSTEMS, the investors remain confident in the industrial prospects of the company. Testifying to this, we can report that in February 2011, ELECTRO POWER SYSTEMS resolved the conversion of the bond loan underwritten by the reference shareholders for about 1

million euro and a further reserved capital increase for 5 million euro at a price (inclusive of surcharge) of 35 euro per share, underwritten by a new investor. This price indicates an implicit value of the company of about 31 million euro.
In view of all this, considering that the entry value of the equity investments is aligned to the assessment with which the reserved capital increase was made, we did not write the equity investment down and as of 31/12/2010 it was entered in the financial statements at a value higher than the shareholders' equity pro-quota of 653 thousand euro. The management considers that the accumulated losses will be reabsorbed in the medium term.

NOTE 8.6 - FISCAL ASSETS FOR PREPAID TAXES

Fiscal assets for prepaid taxes amount to 5,150 thousand euro, up with respect to the previous year by 234 thousand euro.

The temporary differences in this item as of 31.12.10 are illustrated in the table below.

TAX ASSETS FOR PREPAID TAXES	31/12/10	31/12/09
Taxed reserves for risks and charges	1.375.910	965.373
Inventories	473.026	766.770
Taxed allowance for doubtful accounts	303.968	624.987
Employee benefits	339.062	349.204
Non-current tangible/intangible assets/Financial leases	176.247	192.851
Tax losses carried forward	568.019	689.888
Intragroup profits yet to be realized	1.489.544	744.351
Financial expenses	-	157.000
Recognition of revenues	126.971	177.806
Other	297.524	248.141
TOTAL	**5.150.271**	**4.916.371**

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

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

NOTE 8.7 - INVENTORIES

The following table illustrates the breakdown of inventories as of 31.12.10 and 31/12/2009.

INVENTORIES	31/12/10	31/12/09
Raw materials	33.013.019	32.648.395
(Raw materials devaluation fund)	(3.198.469)	(3.406.432)
Unfinished goods	12.500.792	9.161.872
(Unfinished goods devaluation fund)	(175.489)	(175.489)
Finished products	30.360.897	35.873.404
(Finished products write-down fund)	(2.349.522)	(2.294.097)
TOTAL	**70.151.228**	**71.807.653**

At 31.12.10 the inventories amounted to 70,151 thousand Euro net of the provision for write-downs of inventories totaling 5,723 thousand Euro.
The value of inventories in stock on 31.12.10 shows a net decrease of 1,656 thousand euro. This decrease occurred in a context of increased production volumes, illustrating the improved ability of the Group to manage its circulating capital. The net decrease in provisions for inventory write-downs is mainly due to the scrappage and transfer of several obsolete products during 2010.

NOTE 8.8 - TRADE RECEIVABLES

The trade receivables at 31.12.10 amounted to 64,595 thousand Euro and compared to the previous financial year the item recorded an increase of 5,772 thousand Euro.

TRADE RECEIVABLES	31/12/10	31/12/09
Receivables from clients	67.957.623	63.673.042
Receivable write-down fund	(4.186.721)	(5.836.151)
Net receivables from clients	**63.770.902**	**57.836.891**
Receivables from associates	823.862	986.281
Write-down fund for rec. from assoc.	-	-
TOTAL	**64.594.764**	**58.823.172**

The receivables from associates amount to 824 thousand Euros and are commented on in note 8.29 “Information about associated parties”.

The increased gross trade receivables between 31/12/2010 and 31/12/2009 amounted to 4,284 thousand euro. This increase is largely due to the increased volume of business of the Group, although it was less than proportional to the increase in turnover, demonstrating, as stated previously, an improvement in the management of circulating capital.
There was a significant reduction in the receivable write-down fund, largely due to the use of that fund to cover certain losses deriving from the start of insolvency procedures. The fund reflects the management's estimate of the losses that the Group can expect.

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

Receivables by due date	Amounts in thousands of Euros
Due for expiry	41.708
Expired 0 - 60 days	12.168
Expired 61 - 90 days	1.449
Expired 91 - 120 days	2.339
Expired > 120 days	10.294
TOTAL	**67.958**

The book value of Trade receivables is taken to be in the region of its fair value.

NOTE 8.9 - OTHER RECEIVABLES

The Other receivables in existence at 31.12.10 amount to 6,978 thousand Euro and increased compared to the previous period by 2,579 thousand Euro. Among the factors that contributed to the increase was the collection by the parent company of a receivable from the Ministry for Economic Development for a contribution to the capital account relative to a program of technological innovation for about 1.1 million euro. This contribution was made against research costs incurred in previous years and reported in 2010, for which the requested recognition of the Ministry contribution was granted. 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 69 thousand euro (19 thousand euro as of 31/12/2009).

NOTE 8.10 - OTHER FISCAL ASSETS

The item stands at 4,691 thousand euro compared with 5,985 thousand euro at the end of the previous financial year. Tax assets consist of VAT receivables (3,705 thousand euro), receivables on fiscal losses matured in the USA and Germany (392 thousand euro), advances on current taxes (387 thousand euro), and other tax credits (207 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 current fiscal assets”.

NOTE 8.11 - NET FINANCIAL POSITION

As of 31.12.2010 the Net Financial Position was negative in an amount of 141,268 thousand euro. The improvement in the net financial position in 2010 was 8,823 thousand euro.

As required by Consob Communication no. DEM/6064293 of July 28, 2006, the following table illustrates the net financial indebtedness as of 31.12.10 and 31.12.09, determined with the criteria indicated in the Recommendation of the CESR (Committee of European Securities Regulators) of February 10, 2005 “Recommendations for uniform implementation of the European Commission in information prospectuses” and cited also by Consob.

	Values in thousands of euro	31/12/10	31/12/09	Variazioni
A	CASH	14.838	15.084	(246)
B	OTHER VALUABLES ON HAND	-	-	-
C	SECURITIES HELD FOR NEGOTIATION	-	-	-
D	**CASH ON HAND (A+B+C)**	**14.838**	**15.084**	**(246)**
E	**CURRENT FINANCIAL RECEIVABLES**	**2**	**-**	**2**
F	CURRENT BANK PAYABLES	12.068	11.768	300
G	CURRENT PART OF NON-CURRENT INDEBTEDNESS	31.761	31.158	603
H	OTHER CURRENT FINANCIAL PAYABLES	1.481	1.237	244
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H)**	**45.310**	**44.163**	**1.147**
J	**NET CURRENT FINANCIAL INDEBTEDNESS (I-D-E)**	**30.470**	**29.079**	**1.391**
K	NON-CURRENT CURRENT BANK PAYABLES	107.709	117.551	(9.842)
L	BONDS ISSUED	-	-	-
M	OTHER NON-CURRENT FINANCIAL PAYABLES	3.089	3.461	(372)
N	**NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**110.798**	**121.012**	**(10.214)**
O	**NET FINANCIAL INDEBTEDNESS (J+N)**	**141.268**	**150.091**	**(8.823)**

As already mentioned, net financial indebtedness showed a considerable improvement. Some of the main movements during the year are illustrated below.

- Capital increase concluded on 11/2/2010 for 15,213 thousand euro.
- Monetary flow absorbed by investment activities for 7,921 thousand euro, mainly due to capitalization of development costs (6,323 thousand euro).
- Repayment of the two instalments for quota A of the FINPOLAR loan on the planned dates (February 4 and August 4, 2010) totaling 7,050 thousand euro plus interest.
- Use for cash starting in 2010 of quota C2 of the FINPOLAR loan for 3,461 thousand euro;
- Net repayment of quota D of the FINPOLAR loan for 2 thousand thousand euro;

LIQUIDITY

For more details relative to the reduction of cash availability see the Group Cash Flow Statement.

INDEBTEDNESS WITH BANKS

The main debt included in this item is the FINPOLAR loan. At 31.12.2010 this loan stood at 128,048 thousand Euros (of which 99,004 thousand Euros are non-current) and is divided as follows:

- quota A: medium/long-term loan of 31,439 thousand euro (expiring in February 2015 with repayment in semi-annual installments of unvarying capital);
- quota B: medium/long-term loan of 63,486 thousand euro (expiring in February 2016 with a "bullet" repayment at expiry);
- quota C1: medium/long-term loan of 12,619 thousand (expiring in February 2015 with repayment in semi-annual installments of unvarying capital starting August 4, 2011);
- quota C2: revolving credit line, to be used as advanced payment on invoices, as yet unused at 31.12.10, for 3,317 thousand euro. This credit line includes accessory charges on the depreciating loan of 144 thousand euro (a total of 12,200 thousand euro of the credit line may be used for the Group's circulating capital needs);
- quota D: revolving cash credit line for 15,826 thousand euro (for a maximum capital amount of 20 million euro).
- at 31/12/2010 total of 1,361 thousand Euro of interest accrued but not yet paid remain on all quotas of the FINPOLAR loan.

As already stated, the instalments due in February 2009 and August 2010 of the loan with half-yearly repayments and expiring in 2010 (quota A) were made on their respective due dates (capital portion of each instalment being 3,525 thousand Euros) and, at the time of drafting of the financial statements, the instalment for the same amount due on 04.02.11 was also paid.

The FINPOLAR loan is subject to the respect of certain covenants that are measured annually on a consolidated basis. As mentioned in the Management Report, PRIMA INDUSTRIE SpA applied in the last months of 2010 for renegotiation of the FINPOLAR loan, with particular regard to repayment dates, installments and the covenants, which should conclude in a positive manner in the first half of 2011. Until such renegotiation is concluded, also in consideration of the fact that the covenants had not been adjusted previously, the company made a request to suspend them; this request was granted by the pool and officially communicated to the company on 23/12/2010.

The non-current bank borrowings include the negative fair value of certain financial derivatives (IRS – Interest Rate Swap) which stand at a total of 7,779 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 31.12.10 and have therefore been entered, as all the other requisites of IAS 39 were satisfied, using the criterion of "hedge accounting".
The financial instruments for which the test of effectiveness is not performed, in consideration of their characteristics, are accounted for by reporting the relative variations of *fair value* in the income statement. Non-current bank loans include, in addition to the FINPOLAR loan and derivatives, further 926 thousand Euros of outstanding bank loans. For more details on covenants and constrict clauses, see the paragraph below entitled “FINANCIAL MEASURES (COVENANTS) AND OTHER CONTRACT CLAUSES”.

Current bank loans (including the current portion of non-current indebtedness) include, in addition to the FINPOLAR loan, bank overdrafts of 29,044 thousand euro, other bank loans of 8,499 thousand euro and 6,233 thousand euro of derivatives.

OTHER FINANCIAL PAYABLES

The other financial payables amount in total to 4,570 thousand euro (of which 3,089 thousand 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 2,373 thousand euro (of which 246 thousand euro current);
- payables of 514 thousand euro due to factoring companies;
- other financial payables for 1,372 thousand euro (of which 410 thousand euro current); these payables refer mainly to facilitated ministry loans.

FINANCIAL MEASURES (COVENANTS) AND OTHER CONTRACT CLAUSES

The FINPOLAR loan agreement includes a series of economic and financial parameters (covenants) to be observed throughout its duration (until 2016), with variable values for different measuring periods.

In consideration of the economic downturn since the signing of the FINPOLAR loan agreement, and the risk of not being able to fulfill the covenants that were not renegotiated for the consolidated financial statements to 31.12.10, the Group asked the financing banks to suspend the covenants for 2010. The financing banks agreed on 23.12.10 and thus, the contractual provisions for covenants have not been applied for the financial year 2010.

As regards 2011 and subsequent years, for the time being the original covenants specified in the table below are applicable: However, as illustrated in this note, we are renegotiating the FINPOLAR loan, particularly as regards remodulation of payment terms and installments, and revision of the covenants has been requested.

EBITDA/Consolidated Net Financial costs ratio not less than:	4.5x at December 31, 2011 6.9x at December 31 of the subsequent years
Net Financial Borrowings/ consolidated EBITDA ratio not more than:	3.3x at December 31, 2011 2.3x at December 31 of the subsequent years
Net Financial Borrowings/ consolidated Shareholders' equity ratio not more than:	1.2x at December 31, 2011 0.9x at December 31 of the subsequent years

The above covenants are to be observed on an annual basis and with reference to the end-of-year consolidated results.

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

- transmission, by PRIMA INDUSTRIE, with access rights for the agent bank, of financial and accounting documentation and documentation concerning any disputes involving the parent company and other companies in the group;
- transmission of information regarding circumstances that may lead to a decisive event or shareholders' meeting;
- completion and maintenance of guarantees required by the FINPOLAR loan agreement and non-surrender of guarantees for any parties other than the financing banks;
- undertaking not to operate outside of the core business, except within defined limits, and not to sell assets or shareholdings of any kind, beyond a defined value, barring the allowance to transfer specific shareholdings and non-instrumental assets for the purposes of the core business;
- undertaking not to exceed certain levels of financial indebtedness beyond the level deriving from the FINPOLAR loan agreement;
- undertaking not to grant loans or issue guarantees to parties other than the Group, barring those guarantees arising during ordinary business activity;

- undertaking not to modify its business object and articles of association, not to carry out transactions on shareholders' capital (including the creation of assets or the financing of specific business, barring a few exceptions that do not prejudice the rights of the financing banks), not to modify the accounting standards and the closing date of the financial year;
- undertaking to observe statutory or regulatory provisions or obtain permission and authorizations applicable to PRIMA INDUSTRIE and the Group's companies, including with reference to environmental and fiscal regulations;
- undertaking to suitably protect its intellectual property rights and take out suitable insurance coverage on the assets and property of PRIMA INDUSTRIE and the Group's companies;
- undertaking to subordinate receivables due to shareholders over payment obligations deriving from the FINPOLAR loan agreement and to ensure that the latter does not defer on any obligations made by the company towards its unsecured creditors.

In accordance with the FINPOLAR loan agreement, the following events represent just cause for its express termination:
- non-observance of covenants,
- non-observance of the main obligations and commitments set out in the FINPOLAR loan agreement,
- substantial worsening of the situation outlined in the documentation provided to the financing banks,
- existence of disputes which might potentially be prejudicial to the company's situation,
- existence of executive or insolvency procedures within the parent company or Group companies,
- non-payment of loans by the parent company or the Group companies exceeding 500 thousand euro.

Occurrence of one of the above events gives the financing banks the right to ask for full payment of the entire residual debt. Moreover, in the event of a future risk of non-observance of covenants or other commitments, the Group must immediately open negotiations with the financing banks to request an amendment to the relevant contract provisions. Should the financing banks not agree to such amendments, entire repayment of the entire residual debt would be due with consequent significant negative effects on the economic and financial situation of the Group and on maintaining business continuity. On the other hand, agreement by the financing banks to a request for amendments could lead to an increase in the spreads applied to the FINPOLAR loan.

The following rates are currently in force:
- Section A: 6-month Euribor + a 190 basis point spread.
- Section B: 6-month Euribor + a 215 basis point spread.
- Section C: 6-month Euribor + 200 basis point spread (subsection C1); 1-, 2-, 3-week Euribor, 1-, 2-, 3-, 6-month Euribor + a 200 basis point spread (subquota C2).
- Section D: 1-, 3-, 6-month Euribor (as drawn) + a 180 basis point spread.

Other minor loans are also subject to the observance of covenants.. The most significant of these is the one toward the Fortis Bank.

Fortis Bank: residual debt at 12 December 2010, 750 thousand euro. The covenants fixed by the credit institution were not observed by the Group (for 2010) and hence the debt was entirely recorded within current liabilities.
In the meantime PRIMA INDUSTRIE continue to refund instalments on their due date, and has sufficient funds to repay the residual debt, in the event advance repayment is requested by the credit institution.
-

For more information on loan agreement clauses, see the Prospectus published for the recent increase in share capital (concluded in 2010) by PRIMA INDUSTRIE and deposited with CONSOB on 24 December 2009.

CHANGES IN PAYABLES TO BANKS AND LOANS

The payables to banks and loans of the PRIMA INDUSTRIE Group as of 31.12.10 amount to 148,275 thousand euro and in 2010 they changed as shown in the table below.

PAYABLES TO BANKS AND LOANS	*Euro/000*
Payables to banks and loans - current portion (01/01/2010)	44.160
Payables to banks and loans - non-current portion (01/01/2010)	113.495
TOTAL PAYABLES TO BANKS AND LOANS AS OF 01/01/2010	**157.655**
Variation in the area of consolidation	-
Stipulation of loans and borrowings	11.737
Repayment of loans and borrowings	(21.208)
Net variation in liabilities for financial leases and Sabatini transactions	(190)
Exchange effect	281
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2010	**148.275**
of which:	
Payables to banks and loans - current portion (31/12/10)	45.256
Payables to banks and loans - non-current portion (31/12/10)	103.019
TOTAL PAYABLES TO BANKS AND LOANS AS OF 31/12/2010	**148.275**

DIVISION OF FINANCIAL PAYABLES BY EXPIRATION AND INTEREST RATE

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

Current financial payables

Values expressed in thousands of Euros	Effective interest rate	Due	31/12/10
Current bank payables			
Bank overdrafts	N/A	Sight	8.498
JP Morgan Chase	CB floating rate + 3%	10/03/11	823
MPS	Libor 3m + 1,5%	A vista	1.684
Banca del Piemonte	Euribor 3m + 1,9%	16/06/11	1.000
Derivative - IRS Unicredit	N/A	30/09/11	7
Derivative - CRS MPS	N/A	30/09/11	46
Interest owed	N/A	N/A	10
TOTAL			**12.068**
Current portion of non-current indebtedness			
FINPOLAR - Quota A (Bank pool)	Euribor 6m + 1,9%	03/02/15	6.935
FINPOLAR - Quota B (Bank pool)	Euribor 6m + 2,15%	03/02/16	(133)
FINPOLAR - Quota C1 (Bank pool)	Euribor 6m + 2,0%	04/02/15	1.532
FINPOLAR - Quota C2 (Bank pool)	Euribor 1,2,3 w +2,0% - 1,2,3,6 m + 2,0%	12/11/12	3.384
FINPOLAR - Quota D (Bank pool)	Euribor 1,3,6 m + 1,8%	31/01/16	15.966
FINPOLAR - Interest owed	N/A	N/A	1.361
Sanpaolo-IMI	Euribor 3m + 0,72%	14/06/11	300
Unicredit Banca	Euribor 3m + 0,75%	30/06/11	544
Banca Intesa	Euribor 3m + 0,75%	30/09/11	632
Simest	1,360%	19/05/11	199
Fortis	Euribor 6m + 1,70%	31/07/11	750
Unicredit	Euribor 6m + 1%	30/06/16	161
Banca Popolare dell'Emilia Romagna	6,135%	25/12/11	32
Interest owed - Other bank loans	N/A	N/A	98
TOTAL			**31.761**
Other current financial payables			
Ministry of Industry	3,275%	10/03/13	93
Ministry of Industry	1,175%	08/06/14	36
MCC	0,920%	31/10/13	214
Sanpaolo-IMI	1,000%	01/01/13	58
La Caixa	N/A	Sight	9
Interest owed to EQT	N/A	Sight	311
Factoring			514
Leasing			246
TOTAL			**1.481**

Non-current financial payables

Values expressed in thousands of Euros	Effective interest rate	Due	31/12/10
Non-current bank payables			
FINPOLAR - Quota A (Bank pool)	Euribor 6m + 1,9%	03/02/15	24.505
FINPOLAR - Quota B (Bank pool)	Euribor 6m + 2,15%	03/02/16	63.619
FINPOLAR - Quota C1 (Bank pool)	Euribor 6m + 2,0%	04/02/15	11.087
FinPolar - Tranche C2 (Pool bancario)	Euribor 1,2,3 settimane +2,0% - 1,2,3,6 m + 2,0%	12/11/12	(67)
FinPolar - Tranche D (Pool bancario)	Euribor 1,3,6 m + 1,8%	31/01/16	(140)
Derivative - IRS Unicredit	N/A	04/02/16	3.203
Derivative - IRS Sanpaolo-IMI	N/A	04/02/16	3.203
Derivative - IRS Unicredit	N/A	07/05/17	1.372
Unicredit	Euribor 6m + 1%	30/06/16	851
Banca Popolare dell'Emilia Romagna	6,135%	25/12/11	76
TOTAL			**107.709**
Other non-current financial payables			
Ministry of Industry	3,275%	10/03/13	191
Ministry of Industry	1,175%	08/06/14	111
MCC	0,920%	31/10/13	601
Sanpaolo-IMI	1,000%	01/01/13	59
Leasing			2.127
TOTAL			**3.089**

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

Values expressed in thousands of euro	2011	2012	2013	2014	2015	2016 e oltre	Total
CURRENT BANK PAYABLES (*)	12.014	-	-	-	-	-	12.014
CURRENT PORTIONS OF NON-CURRENT PAYABLES	31.761	-	-	-	-	-	31.761
OTHER CURRENT FINANCIAL PAYABLES (*)	1.481	-	-	-	-	-	1.481
NON-CURRENT BANK PAYABLES	-	10.159	10.202	10.217	5.119	64.233	99.930
OTHER NON-CURRENT FINANCIAL PAYABLES	-	636	577	415	237	1.224	3.089
TOTAL	**45.256**	**10.795**	**10.779**	**10.632**	**5.356**	**65.457**	**148.275**

(*) - Excluding the value of derivatives

With regard to the total amount of 45,256 thousand euro payable in 2011:

- 8,498 thousand euro refer to bank overdrafts and
- 19,350 thousand euro to section D (15,966 thousand euro) and section C2 (3,384 thousand euro), which are revolving credit lines, that have therefore been considered short-term, but will formally become due respectively on 31/01/2016 and 12/11/2012.

DERIVATIVE FINANCIAL INSTRUMENTS

At 31.12.2010 the Group holds several derivative financial instruments for an overall negative value of 7,829 thousand euro.

Values expressed in thousands, with indication of the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/2010
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	€ 26.964	€ 3.203
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	€ 26.964	€ 3.203
IRS - Non hedge accounting	Prima Industrie	Unicredit	30/09/11	€ 1.420	€ 7
IRS - Non hedge accounting	Finn-Power Italia	Unicredit	07/05/17	€ 10.000	€ 1.372
CRS - Non hedge accounting	Prima Industrie	MPS	28/01/11	$ 500.000	€ 13
CRS - Non hedge accounting	Prima Industrie	MPS	28/01/11	$ 500.000	€ 10
CRS - Non hedge accounting	Prima Industrie	MPS	29/03/11	$ 500.000	€ 9
CRS - Non hedge accounting	Prima Industrie	MPS	28/06/11	$ 2.000.000	€ 14
CRS - Non hedge accounting	Prima Industrie	MPS	28/06/11	$ 500.000	-€ 2
				TOTALE	**€ 7.829**

At the time of drafting the financial statements to 31.12.10, a valuation of the financial derivatives held by the Group was made in order to ascertain their type and establish how they were to be recorded.

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

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

Finally, it should be noted that the Group has applied a specific policy to manage financial risks correctly, with the purpose of safeguarding its business and its ability to create value for the shareholders and all the Stakeholders. The total net financial charges on the derivatives stipulated by the Group during the 2010 financial year, amounted to 2,153 thousand euro.

NOTE 8.12 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

Share capital is 21,600 million euro and is unchanged since 31.12.09. ON 31 December 2009, share capital was undergoing increase, and this operation terminated in February 2010. The increase in capital was fully paid (for more information see the paragraph entitled "SIGNIFICANT EVENTS IN 2010".

LEGAL RESERVE

This item amounts to 2,734 thousand euro and did not change in 2010.

OTHER RESERVES

This item has a value of 52,226 thousand euro and, compared to 31.12.09, it increased by 7,040 thousand euro.

The item consists of:

SHARE PREMIUM RESERVE

The Share Premium Reserve (amounting to 46,448 thousand euro) increased with respect to 31.12.09 by 9,633 thousand euro following the aforementioned capital increase.

COSTS OF INCREASING SHARE CAPITAL

This reserve has a negative value of 1,284 thousand euro and increased since the last financial year by 20 thousand euro as a result of expenses incurred in 2010 for the increase in share capital, concluded in February 2010.

STOCK OPTION RESERVE

This item totals 1,139 thousand euro and, compared to the previous financial year, increased by 410 thousand Euros. For more details about the stock option plan in force, see the relative section of the Management Report.

RESERVE FOR ADJUSTMENT OF DERIVATIVE FAIR VALUE

This reserve consists of profits and losses entered directly in the shareholders' equity deriving from the adjustment to *fair value* of hedges underwritten by the Group. At 31.12.10, this item had a negative value of 5,642 thousand euro.

OTHER RESERVES

This reserve (for 11,566 thousand euro) decreased by 2,554 thousand euro 31.12.10.

CONVERSION RESERVE

The currency translation reserve has a negative value of 348 thousand euro and has improved over the previous financial year by 2,037 thousand euro.

PROFITS CARRIED OVER

This amount, which totals 5,998 thousand euro (12,139 thousand euro as of 31.12.09) includes the results of previous years of consolidated companies as well as the change in the area of consolidation and the capital losses and gains generated as a result of the acquisition or transfer of treasury shares. In addition, the amounts relative to differences in accounting methods on the date of IFRS transition are also included; these refer to adjustments on balances within financial statements drafted in accordance with Italian accounting principles.

NET LOSS FOR THE YEAR

This item includes net losses for the year of 5,965 thousand euro (the loss was 8,696 thousand euro on 31 December 2010).

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

Pursuant to the Consob communication dated July 28, 2006, the following tables illustrate the connection between the result for the year 2010 and the group shareholders' equity as of 31.12.10 with the same values of the parent company, PRIMA INDUSTRIE SpA.

Reconciliation between income and shareholders' equity of the parent company and related Group values (values expressed in thousands of Euros)	Shareholders' Equity at 31.12.2010	Income at 31.12.2010	Shareholders' Equity at 31.12.2009	Income at 31.12.2009
Separate financial statements of PRIMA INDUSTRIE SpA	**78.424**	**3.437**	**59.792**	**(2.554)**
Accounting for shareholders' equity and income from subsidiaries	107.482	(4.016)	109.133	(7.706)
Elimination of values of consolidated shareholdings in the financial statements of PRIMA INDUSTRIE SpA	(113.192)	(6.346)	(106.000)	-
Elimination of intragroup income included in stock and fixed assets	(3.093)	(1.326)	(1.728)	1.163
Valuation of joint ventures	5.606	1.836	3.212	794
Other entries (including tax effect on consolidation adjustments)	1.017	449	569	(393)
Financial statements PRIMA INDUSTRIE Group	**76.244**	**(5.966)**	**64.978**	**(8.696)**

PROFITS(LOSSES) BOOKED IN SHAREHOLDERS' EQUITY

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

- Reserve for adjustment to fair value adjustment of derivatives: € (427.590)
- Reserve for conversion: € 2.037.232.

NOTE 8.13 - EMPLOYEE BENEFITS

The item Employee benefits includes:

- Severance Indemnity paid by Italian companies to their employees;
- a fidelity premium paid by the parent company, PRIMA ELECTRONICS, PRIMA GmbH and PRIMA FINN-POWER FRANCE Sarl to their employees.

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

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

Below is a comparison of these items.

EMPLOYEE BENEFITS	31/12/10	31/12/09
Severance indemnity fund	5.821.918	6.405.048
Fidelity premium	1.197.873	1.098.761
TOTAL	**7.019.791**	**7.503.809**

Below is a Severance Indemnity operation.

EMPLOYEE SEVERANCE *(Values expressed in thousands of Euros)*	2010	2009
SEVERANCE FUND AT START OF YEAR	**6.405**	**8.003**
Severance indemnities paid out during period	(932)	(1.964)
Other movements	30	(25)
Financial expenses	319	391
SEVERANCE FUND AT END OF YEAR	**5.822**	**6.405**

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

ACTUARIAL HYPOTHESES	31/12/10	31/12/09
Annual discount rate	4,5%	5,1%
Annual inflation rate	2,0%	2,0%
Annual severance fund increase rate	3,0%	3% - 3,5%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury RG48;
- For the probabilities of disability, divided by sex, those used in the INPS model for projections to 2010. These probabilities are calculated starting from the distribution by age and sex of pensions in force as of January 1, 1987, dating from 1984, 1985, 1986 relative to the personnel in the banking industry;
- for period of pension for the generic asset, they were presumed to have reached the first of the pension requisites valid for the General Compulsory Insurance Scheme;
- for the probabilities of leaving employment for reasons other than mortality, the annual average of 5.00% was considered;
- for the probabilities of advances, a value year by year of 3.00% was considered,

NOTE 8.14 - FISCAL LIABILITIES FOR DEFERRED TAXES

Fiscal liabilities for deferred taxes amount to 10,911 thousand euro, up with respect to the previous year by 10,903 thousand euro.

The most significant components of this item are as follows:

- Deferred taxes on the FINN-POWER trademark: 5,335 thousand euro;
- deferred taxes on the customer list: 2,548 thousand euro
- deferred taxes on revaluation of Cologna Veneta property: 626 thousand euro

NOTE 8.15 - FUNDS FOR RISKS AND CHARGES

The funds for risks and charge changed as follows in 2010.

Medium/long-term provisions for risks	Cust. agent. ind.provision	Restructuring / reorg. provisions	Other provisions	TOTAL
December 31, 2009	**67.754**	**-**	**-**	**67.754**
Allocations	9.424	-	-	9.424
Utilizations in the period	(10.087)	-	-	(10.087)
Change to area of consolidation	-	-	-	-
Exchange rate differences	-	-	-	-
December 31, 2010	**67.091**	**-**	**-**	**67.091**

Short-term provisions for risks	Guarantee fund	Restructuring / reorg. provisions	Other provisions	TOTAL
December 31, 2009	**6.842.557**	**738.542**	**1.696.299**	**9.277.398**
Allocations	4.074.053	-	400.968	4.475.021
Utilizations in the period	(4.431.838)	(738.542)	(521.129)	(5.691.509)
Change to area of consolidation	-	-	-	-
Exchange rate differences	65.222	-	42.931	108.153
December 31, 2010	**6.549.994**	**-**	**1.619.069**	**8.169.063**

The current provision for risks refers mainly to product warranties (relative to provisions for work for technical warranties on products of the Group), amounting to 6,550 thousand. Compared to 31.12.09, the Group fully used the fund for business restructuring/reorganization activities totalling 739 thousand euro. These provisions refer mostly to action undertaken in FINN-POWER OY (closing of Vilppula plant and permanent lay-off of some employees at the Kauhava plant).

Other provisions refer to legal proceedings and other disputes. These provisions are based on the best estimate made by management of liabilities to accounted for to deal with legal proceedings that might arise during ordinary activities with retailers, customers, suppliers or the public authorities and any legal proceedings deriving from disputes with former employees.

NOTE 8.16 - TRADE PAYABLES, ADVANCES AND OTHER PAYABLES

The value of these payables has increased compared to 31/12/2009 by a total amount of 5,801 thousand euro.
Trade payables increased with respect to the previous year following the increased volume of sales.
Advances from clients were substantially in line with the previous year; the item includes both advances received on machines still to be delivered, and deferred revenues on machines already delivered for which, at the end of the year, installation and commissioning was not complete (these machines have not yet been accepted by the end client and cannot therefore be entered among revenues).

For more details, see the table here below.

TRADE AND OTHER PAYABLES	31/12/10	31/12/09
Payables to suppliers	59.067.818	51.429.488
Trade payables	**59.067.818**	**51.429.488**
Advances from clients	19.094.705	19.664.435
Advances from clients	**19.094.705**	**19.664.435**
Tax and social security payables	2.806.865	3.581.415
Payables to employees	3.288.160	3.131.090
Other short-term payables	8.035.434	8.685.747
Other payables	**14.130.459**	**15.398.252**

NOTE 8.17 - FISCAL LIABILITIES FOR CURRENT TAXES

Fiscal liabilities for current taxes as of 31.12.10 amounted to 2,462 thousand euro, down compared to 31/12/2009 by 210 thousand euro.
Liabilities are divides as follows:

- payables for VAT amounting to 1,010 thousand euro;
- payables for income taxes amounting to 785 thousand euro;
- payables for withholding taxes and other lesser payables for 667 thousand euro.

NOTE 8.18 - NET REVENUES FROM SALES AND SERVICES

Revenues from sales and services were extensively commented on the Management Report, in the section entitled "REVENUES AND PROFITABILITY" and in Chapter 7 "SECTORIAL INFORMATION".

NOTE 8.19- OTHER OPERATING REVENUES

The item Other revenues and income amounts to 4,550 thousand euro and down with respect to
2009 by 2,071 thousand euro.
The main elements of this item should be considered non-recurrent
and are:

- a contribution in to the capital account (law 46/82), relative to a program of technological innovation, to be paid by the Ministry for Economic Development to the parent company, for about 1.1 million euro;
- collection of a deposit made to guarantee a contract (of a non commercial nature) not stipulated according to the conditions foreseen, due to non-performance by the other party (for about 0.6 million euro);
- a settlement having as its subject resolution of the disputes deriving from the declarations and guarantees foreseen in the contract for acquisition of OSAI SpA by PRIMA ELECTRONICS SpA, for about 0.6 million euro.
- the income deriving from sale by PRIMA FINN-POWER SWEDEN AB to Din Maskin, of the company division for distribution and after-sales service of its 3D laser systems in Sweden and Norway. The sale generated income of about 0.3 million euro.

NOTE 8.20 - INCREASES FOR INTERNAL WORKS

Increases for internal works as of 31.12.10 amount to 6,905 thousand euro and refer mainly to capitalization of assets for the development of new projects (6,323 thousand euro), for which the technical feasibility and generation of probable future economic benefits have been ascertained. The capitalized development activities are carried out by the parent company, PRIMA ELECTRONICS, FINN-POWER OY, FINN-POWER Italia and PRIMA North America.

NOTE 8.21 - PERSONNEL COST

At 31.12.10 this item amounts to 76,208 thousand euro and is down compared to the previous financial year by 1,742 thousand euro. This reduction is due to the effective action of cost reduction undertaken by the Group, with a view to adjusting staff requirements. It should also be noted that last year this item included restructuring costs of almost 2.3million euro incurred as part of the Group's ongoing reorganisation project, while in 2010 reorganizations costs amounted to 801 thousand euro.

NOTE 8.22 – DEPRECIATION – IMPAIRMENT AND WRITEDOWNS

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

Depreciation	31/12/10	31/12/09
Depreciation of tangible fixed assets	3.138.609	3.934.986
Depreciation of intangible fixed assets	6.625.317	5.997.160
TOTAL	**9.763.926**	**9.932.146**

It should be noted that amortization of the trademark and customer relations costs (customer list) totalled 2,531 thousand euro, while development costs stood at 3,006 thousand euro.

During the year, the Group wrote down 225 thousand euro of a previously capitalized development project. This write-down was made in the sphere of audits made by the management to determine any impairments of value.

NOTE 8.23 - OTHER OPERATING REVENUES

The Other operating costs for 2010 amounted to 53,399 thousand euro.
This item increased by around 11,444 thousand euro compared to the previous financial year. The increase refers both to the increased direct costs due to the increased volume of business, and to the fact that last year this item included 6,546 thousand euro relative to the indemnity received from EQT. This indemnity decreased the total amount of Other operating costs.

This item of the financial statements contains several different types of operating costs, including the following main types:

- commission processing for 12,264 thousand euro;
- travel expenses for 9,909 thousand euro;
- rentals and other rental costs for 6,229 thousand euro;
- consultants for 4,818 thousand euro;
- commissions for 3,395 thousand euro;
- transport and delivery expenses of 3,270 thousand euro;
- promotional expenses of 2,538 thousand euro;

NOTE 8.24 - FINANCIAL INCOME AND COSTS

Financial management was negative for the year 2010 for 7,275 thousand euro.

FINANCIAL MANAGEMENT	31/12/10	31/12/09
Financial income	775.434	335.781
Financial costs	(8.417.153)	(6.400.837)
Net result deriving from transactions in foreign currency	366.897	(99.055)
TOTAL	**(7.274.822)**	**(6.164.111)**

The financial costs relative to the FINPOLAR loan incurred by PRIMA INDUSTRIE amount to 4,379 thousand euro, while net financial costs on derivatives stipulated by the Group amount to 2,153 thousand euro.
In comparing the two years, it is important to bear in mind that 2009 benefited from non-recurrent income deriving from the EQT transaction, for a total of 2,795 thousand euro.

NOTE 8.25 - NET RESULT OF AFFILATED COMPANIES AND JOINT VENTURES

This item, as of 31/12/2010, amounted to 1,800 thousand euro, up with respect to the previous year (by 1,418 thousand euro), substantially as a result of the excellent performance of the Chinese JV Shanghai Unity PRIMA Laser Machinery Co Ltd (SUP) and the cessation of losses incurred in 2009 on account of the JV Shenyang PRIMA Laser Machine (411 thousand euro), sold early in 2010. The performance of SUP contributed for a value of 1,838 thousand euro.

NOTE 8.26- CURRENT AND DEFERRED TAXES

Income taxes for the year 2010 amount to a net negative balance of 843 thousand euro.

INCOME TAX	2010	2009
CURRENT INCOME TAX *(excluding regional trade tax IRAP)*	240	573
INCOME FROM CONSOLIDATED TAXATION	-	(498)
IRAP (Regional trade tax)	1.052	904
TAXES RELATING TO PREVIOUS YEARS	(4)	22
DEFERRED TAX	(166)	628
TAX CREDIT	-	(2.574)
OTHER TAXES	(279)	(3)
TOTAL	**843**	**(948)**

The reconciliation between the fiscal costs entered in the consolidated financial statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows (values expressed in euro/000):

INCOME TAX	2010	2009
CURRENT TAX ON THEORETICAL INCOME *(excluding regional trade tax IRAP)*	117	393
PERMANENT CHANGES	264	120
TEMPORARY CHANGES	(787)	137
UTILIZATION/SURPLUS LOSSES	638	(59)
OTHER	8	(18)
CURRENT INCOME TAX	**240**	**573**

NOTE 8.27 - PROFIT AND DIVIDEND PER SHARE

(a)Basic earnings per share

The basic result per share is determined by dividing the result due to the shareholders of the Parent Company by the average number of shares in circulation during the period, excluding the ordinary stock acquired by the Parent Company, held as treasury stock in portfolio.
During 2010 the average stock in circulation was 8,351,645 shares; therefore the result per share for 2010 amounts to a loss of 0.71 euro per share (compared to a loss of 1.36 euro in 2009).

BASIC PROFIT PER SHARE	31/12/10	31/12/09
Profit due to shareholders (Euro/000)	(5.965)	(8.696)
Weighted average - number of ordinary shares	8.351.645	6.400.000
Basic profit per share (Euro)	(0,71)	(1,36)

(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	31/12/10	31/12/09
Profit due to shareholders (Euro/000)	(5.965)	(8.696)
Weighted average - number of ordinary shares	8.351.645	6.400.000
Corrected average number of ordinary shares	10.717.510	6.526.000
Diluted profit per share (Euro)	(0,56)	(1,33)

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 8.28 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

As of 31.12.10, the situation relative to guarantees granted, commitments and other potential liabilities of the group was as follows.

Values expressed in thousands of Euros	31/12/10	31/12/09
Guarantees granted	23.466	22.143
Other commitments and significant contract rights	16.817	19.542
Potential liabilities	-	-
TOTAL	**40.283**	**41.685**

There are no potential liabilities other than those already reported in the financial statements.

NOTE 8.29 - INFORMATION ON ASSOCIATES

Transactions with associated parties were mainly connected to the supply of laser systems and components to the Joint Ventures in the Far East. The aforesaid supplies were made at market price.

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

OPERATIONS WITH ASSOCIATES	*SHENYANG PRIMA LASER MACHINE*	*SHANGHAI UNITY PRIMA LASER MACHINERY*	*WUHAN OVL CONVERGENT*	*CARETEK*	**TOTAL OPERATIONS WITH JV**	*STRATEGIC MANAGEMENT*	*BOARD OF AUDITORS*	**TOTAL OPERATIONS WITH ASSOCIATES**
RECEIVABLES AS OF 01/01/2010	*116.726*	*504.028*	*365.527*	-	**986.281**	-	-	**986.281**
RECEIVABLES AS OF 31/12/2010	-	*823.862*	-	-	**823.862**	-	-	**823.862**
PAYABLES AS OF 01/01/2010	*46.065*	-	-	-	**46.065**	*284.482*	*138.044*	**468.591**
PAYABLES AS OF 31/12/2010	-	-	-	-	**-**	*160.034*	*129.609*	**289.643**
REVENUES 01/01/10 - 31/12/2010	-	*2.216.430*	*2.384.582*	*9.419*	**4.610.431**	-	-	**4.610.431**
COSTS 01/01/2010 - 31/12/2010	-	-	-	-	**-**	*1.554.446*	*129.609*	**1.684.055**
CHANGES IN RECEIVABLES						-	-	**-**
01/01/2010 - 31/12/2010	*(116.726)*	*319.834*	*(365.527)*	-	**(162.419)**	-	-	**(162.419)**
CHANGES IN PAYABLES						-	-	**-**
01/01/2010 - 31/12/2010	*(46.065)*	-	-	-	**(46.065)**	*(124.448)*	*(8.435)*	**(178.948)**

NOTE 8.30 - MANAGEMENT OF FINANCIAL RISKS

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

The financial instruments of the Group which are allocated for the purposes of financing operations include bank loans, financial lease contracts and factoring, sight and short-term bank deposits. There are also other financial instruments, such as trade receivables and payables, deriving from operating activities.
The Group also performed operations in derivatives, such as “Interest Rate Swap – IRS” contracts. 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.

As indicated in the Management Report, the PRIMA INDUSTRIE Group is mainly exposed in the following risks categories:

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

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

Interest rate risk

The position of indebtedness toward the credit system and capital market can be negotiated at fixed or variable rates.
The variation of interest rates on the market generates the following categories of risk:

- an upward variation of market rates exposes the group to the risk of higher financial costs to pay on the amount payable at the variable rate;
- a downward variation of market rates exposes the group to the risk of higher financial costs to pay on the amount payable at the fixed rate;
- The strategies of the Group to meet these risks are as follows:
- Interest rate ⟶ Management/Hedging
-

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

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

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

Exchange rate risk

The position of indebtedness 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 currency is subject to the interest rate risk of a market other than the euro market, 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 ⟶ 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, the exposure to exchange rate risk is relatively limited at the Group level, as the trade flows in U.S. dollars (basically the only significant reporting currency other than the euro) of the parent company PRIMA INDUSTRIE SpA, of FINN-POWER OY and of PRIMA ELECTRONICS (that purchases a large quantity of parts in dollars) are balanced by the flows of the subsidiaries, PRIMA North America Inc. and FINN-POWER International Inc. which operate exclusively in dollars.

The Group therefore tends to minimize its recourse to financial markets for hedges due to the benefits deriving from this natural hedge.
In any case, PRIMA INDUSTRIE performs frequent monitoring to ascertain the existence of this natural hedge at the Group level. The Group therefore tends to minimize its recourse to financial markets for hedges due to the benefits deriving from this partial balance, that is subject to constant monitoring.

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 receivable 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.

The receivable risk regarding financial assets of the Group has a maximum level equal to the net book value of these assets in case of insolvency of the other party. For further details on this subject see “NOTE 8.8, TRADE RECEIVABLES”.

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

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

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

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

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

The table below lists, for the assets and liabilities as of 31.12.10 and on the basis of the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7.

Fair value by category - IAS 39 - 31 December 2010							
Amounts in thousands of Euros	Significant values as per IAS 39						
Assets	Category IAS 39	Financial value 31.12.2010	Amortized cost	FV in equity	FV in income statement	IAS 17	Fair value 31.12.2010
Cash and cash equivalents	NA	14.838	-	-	-	-	14.838
Assets owned to expiry	Held to Maturity	-	-	-	-	-	-
Assets at fair value reported in the Income Statement	Held for Trading	2	-	-	2	-	2
Assets valuated as per IAS 17	NA	1.997	-	-	-	1.997	1.997
Total		**16.837**	**-**	**-**	**2**	**1.997**	**16.837**
Liabilities	Category IAS 39	Financial value 31.12.2010	Amortized cost	FV in equity	FV in income statement	IAS 17	Fair value 31.12.2010
Liabilities at amortized cost	Amortised Cost	145.389	145.389	-	-	-	146.823
Liabilities at fair value in income statement	Held for Trading	1.425	-	-	(116)	-	1.425
Hedge derivatives	NA	6.406	-	428	-	-	6.406
Liabilities valuated as per IAS 17	NA	2.373	-	-	-	2.373	2.373
Other financial payables - factoring	NA	514	-	-	-	-	514
Total		**156.107**	**145.389**	**428**	**(116)**	**2.373**	**157.541**

Profits and losses by category - IAS 39 - December 31, 2010			
Amounts in thousands of Euros			
Assets	Category IAS 39	Net income	interest
Cash and cash equivalents	NA	91	91
Assets held to expiry	Held to Maturity	-	-
Assets valuated as per IAS 17	NA	-	-
Total		**91**	**91**
Liabilities	Category IAS 39	Net income	interest
Liabilities at amortized cost	Amortised Cost	(4.740)	(4.230)
Liabilities at fair value in income statement	Held for Trading	(160)	(276)
Hedge derivatives	NA	(1.994)	(1.994)
Liabilities valuated as per IAS 17	NA	(182)	(182)
Other financial payables - factoring	NA	(11)	(11)
Total		**(7.087)**	**(6.693)**

Hierarchical levels for assessment of fair value

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

- level 1 – quoted prices in active markets for assets or liabilities subject to valuation;
- level 2 – inputs other than quoted prices included in level one that are observable either directly (as prices) or indirectly (derived from prices) on the market;
- level 3 – inputs that are not based on observable market data.

The following table shows the assets and liabilities entered at fair value at 31.12.10, according to hierarchical valuation of fair value.

Values expressed in thousands of Euros	**Level 1**	**Level 2**	**Level 3**
Assets valuated at fair value	-	2	-
Other assets	-	-	-
TOTAL ASSETS	**-**	**2**	**-**
Liabilities valuated at fair value	-	7.832	-
Other liabilities	-	-	-
TOTAL LIABILITIES	**-**	**7.832**	**-**

For more details on the subject of the liquidity risk, see “NOTE 8.12, NET FINANCIAL POSITION”.

NOTE 8.31 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During 2010 the company carried out several non-current transactions.

Values expressed in thousands of Euros	*EBITDA*	*Financial expenses*	*Total*
Ministry contribution	1.100	-	1.100
Settlement with OSAI vendors	585	-	585
Collection of security deposit	583	-	583
Capital gain on sale of JV OVL	-	528	528
Sale of PFP company division in Sweden	271	-	271
Actions of reorganization/Restructuring	(801)	-	(801)
Other minor events	(471)	-	(471)
TOTAL	**1.267**	**528**	**1.795**

These transactions are commented on in the Report on Operations and under Group performance by segment, and are as follows:

Ministry contribution. A contribution in the capital account (Law 46/82), relative to a program of technological innovation, to be paid by the Ministry for Economic Development to the parent company, for 1,100 thousand euro; the activity performed in the period 2002/2005 refers to a program of precompetitive development examined with favourable opinion by the ministry Technical Committee in April 2010, for which the relative decree has been published. The parent company has always invested heavily in activities of research and development (see also the relative paragraph in the management report of the Group) and has consequently received numerous contributions for activities of technological innovation, so that the non-recurrent nature of this operation is relative exclusively to the lack of temporal correlation between the costs incurred and the income recognized, and not to the type of operation.

Settlement with OSAI vendors. During the third quarter 2010, PRIMA ELECTRONICS SpA concluded positively with the vendors of OSAI SpA (the company acquired in July 2007 and subsequently merged by incorporation into PRIMA ELECTRONICS) a settlement agreement relative to the controversies caused by the violation of the guarantee statements foreseen in the purchase contract, for an amount of about 0.6 million euro.

Collection of a security deposit. Collection of a deposit made to guarantee a contract (not a trade contract) which was not stipulated at the conditions foreseen due to a breach by the other party (583 thousand euro).

Sale of OVL. On 21.12.10, PRIMA NORTH AMERICA sold its entire holding in the Chinese joint venture Wuhan OVL Convergent Laser Technology Co. Ltd. to Wuhan Haidawei Technology Co. Ltd. The price of sale agreed was 4,640 thousand renminbi (collected in February 2011). Capital gains on this sale amounted to 528 thousand euro.

Sale of the PFP company division in Sweden. The income deriving from sale by PRIMA FINN-POWER SWEDEN AB to Din Maskin, of the company division for distribution and after-sales service of its 3D laser systems in Sweden and Norway. The sale generated income of about 0.3 million euro.

Activities of reorganization and restructuring of the Group- These actions refer mainly to the staff reductions and actions of reorganization of the production and marketing strategies. The staff reduction activities totalled 801 thousand euro (of which 559 thousand euro in the sheet metal processing machines segment, 165 thousand euro in the laser system segment and the rest in the electronic segment).

CERTIFICATION OF THE CONSOLIDTED FINANCIAL STATEMENTS AS OF 31.12.10

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

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (the director appointed to draw up the corporate accounting documents) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154-bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:

- the adequacy in relation to the business characteristics and
- the effective application
- of the administrative and accounting procedures for the drafting the financial statements for the year 2010.

2. No significant aspects have emerged in this regard

3. We also certify that:
   3.1.the consolidated financial statements:

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

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

Date:March 14, 2011

Signed by the appointed Administrative Executive

____

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

____

9.FINANCIAL STATEMENTS OF PRIMA INDUSTRIE AS OF 31.12.10

ACCOUNTING TABLES

EQUITY AND FINANCIAL SITUATION

Values in Euro	Notes	31/12/2010	31/12/2009
Property, plant and equipment	*11.1*	6'729'443	7'005'903
Intangible assets	*11.2*	4'316'362	3'676'161
Investment properties	*11.3*	95'278'464	105'554'984
Investments accounted for using the equity method	*11.4*	1'487'760	1'487'760
Other investments	*11.5*	51'832	51'832
Financial assets - loans to the subsidiaries	*11.6*	89'336'197	68'759'461
Other financial assets	*11.7*	15'942'506	14'035'206
Deferred tax assets	*11.8*	1'802'439	2'174'635
Other non current assets	*11.9*	10'222	9'704
NON CURRENT ASSETS		**214'955'225**	**202'755'646**
Inventories	*11.10*	17'174'151	14'307'982
Trade receivables	*11.11*	32'615'423	25'949'433
Other receivables	*11.12*	1'808'925	763'152
Current tax receivables	*11.13*	1'771'619	1'672'792
Derivatives	*11.16*	1'714	-
Other current financial assets	*11.6*	400'679	5'300'188
Cash and cash equivalents	*11.14*	458'034	1'332'089
CURRENT ASSETS		**54'230'545**	**49'325'636**
TOTAL ASSETS		**269'185'770**	**252'081'282**
Capital stock	*11.15*	21'600'337	16'000'000
Legal reserve	*11.15*	2'733'635	2'733'635
Other reserves	*11.15*	52'226'002	45'185'605
Retained earnings (losses)	*11.15*	(1'572'844)	(1'572'844)
Net result	*11.15*	3'436'529	(2'554'390)
STOCKHOLDERS' EQUITY		**78'423'659**	**59'792'006**
Interest-bearing loans and borrowings	*11.17*	99'277'643	109'223'537
Employee benefit liabilities	*11.18*	3'204'590	3'303'740
Deferred tax liabilities	*11.19*	695'426	552'888
Provisions	*11.20*	4'675'085	67'754
Derivatives	*11.16*	6'406'560	6'069'424
NON CURRENT LIABILITIES		**114'259'304**	**119'217'343**
Trade payables	*11.21*	26'876'790	19'040'651
Advance payments	*11.21*	2'869'487	2'715'746
Other payables	*11.21*	8'083'519	12'866'188
Interest-bearing loans and borrowings	*11.17*	35'306'947	35'100'246
Current tax payables	*11.22*	682'879	928'018
Provisions	*11.20*	2'630'000	2'418'000
Derivatives	*11.16*	53'185	3'084
CURRENT LIABILITIES		**76'502'807**	**73'071'933**
TOTAL LIABILITIES AND EQUITY		**269'185'770**	**252'081'282**

INCOME STATEMENT

Values in Euro	Notes	31/12/2010	31/12/2009
Net revenues	11.23	75'453'690	63'243'072
Other income	11.23	2'915'025	2'101'779
Change in inventories of finished goods and WIP		694'990	(7'597'184)
Increases in fixed assets for internal work	11.24	1'717'940	2'320'864
Use of raw materials, consumables, supplies and goods		(39'459'646)	(26'717'781)
Personnel cost	11.25	(17'797'515)	(16'189'973)
Depreciation	11.26	(1'582'901)	(1'162'199)
Amortization and impairment		-	-
Other opertaing expenses	11.27	(19'604'623)	(16'120'932)
OPERATING PROFIT		**2'336'960**	**(122'354)**
Financial income	11.28	13'517'740	2'887'548
Financial expenses	11.28	(11'795'321)	(5'896'270)
Net exchange differences	11.28	(168'221)	99'016
Net result of investments in associates and joint ventures		-	(411'479)
RESULT BEFORE TAXES		**3'891'158**	**(3'443'539)**
Income taxes	11.29	(454'629)	889'149
NET RESULT		**3'436'529**	**(2'554'390)**

GENERAL INCOME STATEMENT

Values in Euro	Notes	31/12/2010	31/12/2009
NET RESULT (A)		**3'436'529**	***(2'554'390)***
Gain/(Losses) on cash flow hedges	11.16	(427'590)	*(967'160)*
TOTALE ALTRI UTILI/(PERDITE) (B)		**(427'590)**	**(967'160)**
RISULTATO NETTO DEL PERIODO COMPLESSIVO (A) + (B)		**3'008'939**	**(3'521'550)**

STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY

from January 1st to December 31st, 2009

Values in Euro	01/01/2009	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Allocation of prior year profits	Distribution of dividends to stockholders	Other movements	Capital increase	Net result	31/12/2009	Notes
Capital stock	16'000'000	-	-	-	-	-		-	16'000'000	
Treasury Stock	-	-	-	-	-	-	-	-	-	
Additional paid-in capital	36'814'893	-	-	-	-	-		-	36'814'893	a,b,c
Legal reserve	2'300'000	-	-	433'635	-	-	-	-	2'733'635	b
Other reserves	1'952'570	-	-	8'239'075	-	410'130	-	(967'160)	9'634'615	
Capital increase expenses	(973'223)	-	-	-	-	-	(290'680)	-	(1'263'903)	
Retained earnings	(1'572'844)	-		-	-	-	-	-	(1'572'844)	
Net result	8'672'710	-	-	(8'672'710)	-	-	-	(2'554'390)	(2'554'390)	
Stockholders' equity	**63'194'106**	**-**	**-**	**-**	**-**	**410'130**	**(290'680)**	**(3'521'550)**	**59'792'006**	
									-	

from January 1st to December 31st, 2010

VALORI IN EURO	01/01/2010	Purchase/Sale of treasury stock	Gain on sale of treasury stock	Allocation of prior year profits	Distribution of dividends to stockholders	Other movements	Capital increase	Net result	31/12/2010	Notes
Capital stock	16'000'000	-	-	-	-	-	5'600'337	-	21'600'337	
Treasury Stock	-	-	-	-	-	-	-	-	-	
Additional paid-in capital	36'814'893	-	-	-	-	-	9'632'810	-	46'447'703	a,b,c
Legal reserve	2'733'635	-	-	-	-	-	-	-	2'733'635	b
Other reserves	9'634'615	-	-	(2'554'390)	-	410'130	-	(427'590)	7'062'765	
Capital increase expenses	(1'263'903)	-	-	-	-	-	(20'563)	-	(1'284'466)	
Retained earnings	(1'572'844)	-	-	-	-	-	-	-	(1'572'844)	
Net result	(2'554'390)	-	-	2'554'390	-	-	-	3'436'529	3'436'529	
Stockholders' equity	**59'792'006**	**-**	**-**	**-**	**-**	**410'130**	**15'212'584**	**3'008'939**	**78'423'659**	
	-								-	

Utilizable for the following purposes
a: share capital increase
b: to cover losses
c: distribution to shareholders

CASH FLOW STATEMENT

VALUES IN EURO	31/12/2010	31/12/2009
Net result	**3'436'529**	**(2'554'390)**
Adjustments (sub-total)	***(6'952'353)***	***15'295'502***
Depreciation and amortization	1'582'901	1'162'199
Re-establishment of PRIMA North America value	(11'279'671)	-
Devaluation of PRIMA FINN-POWER GMBH	325'198	-
Net change in deferred tax assets and liabilities	514'734	(359'837)
Change in employee benefits	(99'150)	(162'965)
Change in inventories	(2'866'169)	12'224'060
Change in trade receivables	(6'665'990)	7'139'646
Change in trade payables and advance payments	7'989'880	(15'887'940)
Net change in other receivables/payables and other assets/liabilities	3'545'914	11'180'339
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**(3'515'824)**	**12'741'112**
Cash flow from investments		
Acquisition of tangible fixed assets	(275'564)	(350'122)
Acquisition of intangible fixed assets	(105'824)	(152'691)
Capitalization of development costs	(1'565'670)	(2'267'961)
Establishment/capital increase PRIMA (Beijing)	(566'765)	(100'000)
Acquisition of PRIMA FINN-POWER IBERICA	-	(1'441'304)
Estblishment of OOO Prima Industrie	(122'737)	-
Change in investments for stock option	(156'241)	(156'241)
Change in financial receivables and other financial assets	(407'300)	(3'210'760)
Proceeds from sale of assets	416	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(3'199'685)**	**(7'679'079)**
Cash flow from financing activities		
Change in other non current financial liabilities and other minor items	385'523	1'671'043
Increases in loans and borrowings	7'596'111	36'106'917
Repayment of loans and borrowings	(17'335'304)	(42'878'160)
Net change in financial lease liabilities	-	(185'842)
Capital increase	5'600'337	-
Other change in equity	9'594'787	(847'710)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**5'841'454**	**(6'133'752)**
Net change in cash and equivalents (D=A+B+C)	**(874'055)**	**(1'071'719)**
Cash and equivalents beginning of period (E)	**1'332'089**	**2'403'808**
Cash and equivalents and of period (F=D+E)	**458'034**	**1'332'089**

EQUITY AND FINANCIAL SITUATION PURSUANT TO CONSOB RESOLUTION No.15519 of 27/07/2006

Values in Euro	*Notes*	31/12/2010	OF WHICH RELATED PARTIES	31/12/2009	OF WHICH RELATED PARTIES
Property, plant and equipment	*11.1*	6'729'443	-	7'005'903	-
Intangible assets	*11.2*	4'316'362	-	3'676'161	-
Investment properties	*11.3*	95'278'464	*95'278'464*	105'554'984	*105'554'984*
Investments accounted for using the equity method	*11.4*	1'487'760	*1'487'760*	1'487'760	*1'487'760*
Other investments	*11.5*	51'832	-	51'832	-
Financial assets - loans to the subsidiaries	*11.6*	89'336'197	*89'336'197*	68'759'461	*68'759'461*
Other financial assets	*11.7*	15'942'506	*15'942'506*	14'035'206	*14'035'206*
Deferred tax assets	*11.8*	1'802'439	-	2'174'635	-
Other non current assets	*11.9*	10'222	-	9'704	-
NON CURRENT ASSETS		**214'955'225**		**202'755'646**	
Inventories	*11.10*	17'174'151	-	14'307'982	-
Trade receivables	*11.11*	32'615'423	*14'216'373*	25'949'433	*8'283'730*
Other receivables	*11.12*	1'808'925	-	763'152	-
Current tax receivables	*11.13*	1'771'619	-	1'672'792	-
Derivatives	*11.16*	1'714	-	-	-
Other current financial assets	*11.6*	400'679	*400'679*	5'300'188	*5'300'188*
Cash and cash equivalents	*11.14*	458'034	-	1'332'089	-
CURRENT ASSETS		**54'230'545**		**49'325'636**	
TOTAL ASSETS		**269'185'770**		**252'081'282**	
Capital stock	*11.15*	21'600'337	-	16'000'000	-
Legal reserve	*11.15*	2'733'635	-	2'733'635	-
Other reserves	*11.15*	52'226'002	-	45'185'605	-
Retained earnings (losses)	*11.15*	(1'572'844)	-	(1'572'844)	-
Net result	*11.15*	3'436'529	-	(2'554'390)	-
STOCKHOLDERS' EQUITY		**78'423'659**		**59'792'006**	
Interest-bearing loans and borrowings	*11.17*	99'277'643	-	109'223'537	-
Employee benefit liabilities	*11.18*	3'204'590	-	3'303'740	-
Deferred tax liabilities	*11.19*	695'426	-	552'888	-
Provisions	*11.20*	4'675'085	-	67'754	-
Derivatives	*11.16*	6'406'560	-	6'069'424	-
NON CURRENT LIABILITIES		**114'259'304**		**119'217'343**	
Trade payables	*11.21*	26'876'790	*6'604'783*	19'040'651	*2'760'462*
Advance payments	*11.21*	2'869'487	-	2'715'746	*46'065*
Other payables	*11.21*	8'083'519	*4'992'264*	12'866'188	*10'138'802*
Interest-bearing loans and borrowings	*11.17*	35'306'947	-	35'100'246	-
Current tax payables	*11.22*	682'879	-	928'018	-
Provisions	*11.20*	2'630'000	-	2'418'000	-
Derivatives	*11.16*	53'185	-	3'084	-
CURRENT LIABILITIES		**76'502'807**		**73'071'933**	
TOTAL LIABILITIES AND EQUITY		**269'185'770**		**252'081'282**	

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION No.15519 of 27/07/2006

Values in Euro	*Notes*	31/12/2010	31/12/2009
Net revenues	*11.23*	75'453'690	63'243'072
Other income	*11.23*	2'915'025	2'101'779
Change in inventories of finished goods and WIP		694'990	(7'597'184)
Increases in fixed assets for internal work	*11.24*	1'717'940	2'320'864
Use of raw materials, consumables, supplies and goods		(39'459'646)	(26'717'781)
Personnel cost	*11.25*	(17'797'515)	(16'189'973)
Depreciation	*11.26*	(1'582'901)	(1'162'199)
Amortization and impairment		-	-
Other opertaing expenses	*11.27*	(19'604'623)	(16'120'932)
OPERATING PROFIT		**2'336'960**	**(122'354)**
Financial income	*11.28*	13'517'740	2'887'548
Financial expenses	*11.28*	(11'795'321)	(5'896'270)
Net exchange differences	*11.28*	(168'221)	99'016
Net result of investments in associates and joint ventures		-	(411'479)
RESULT BEFORE TAXES		**3'891'158**	**(3'443'539)**
Income taxes	*11.29*	(454'629)	889'149
NET RESULT		**3'436'529**	**(2'554'390)**

CASH FLOW STATEMENT PURSUANT TO CONSOB RESOLUTION No.15519 of 27/07/2006

VALUES IN EURO	31/12/2010	*of which related parties*	31/12/2009	*of which related parties*
Net result	**3'436'529**		**(2'554'390)**	
Adjustments (sub-total)	**(6'952'353)**		***15'295'502***	
Depreciation and amortization	1'582'901	-	1'162'199	-
Re-establishment value PRIMA North America	(11'279'671)	(11'279'671)	-	-
Devaluation of PRIMA FINN-POWER GMBH	325'198	325'198	-	-
Net change in deferred tax assets and liabilities	514'734	-	(359'837)	-
Change in employee benefits	(99'150)	-	(162'965)	-
Change in inventories	(2'866'169)	-	12'224'060	-
Change in trade receivables	(6'665'990)	(5'932'643)	7'139'646	990'675
Change in trade payables and advance payments	7'989'880	(3'798'256)	(15'887'940)	(2'929'118)
Net change in other receivables/payables and other assets/liabilities	3'545'914	(247'029)	11'180'339	8'754'068
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**(3'515'824)**		**12'741'112**	
Cash flow from investments				
Acquisition of tangible assets	(275'564)	-	(350'122)	-
Acquisition of intangible assets	(105'824)	-	(152'691)	-
Capitalization R&D costs	(1'565'670)	-	(2'267'961)	-
Establishment/capital increase PRIMA (Beijing)	(566'765)	(566'765)	(100'000)	(100'000)
Acquisition of PRIMA FINN-POWER IBERICA	-	-	(1'441'304)	(1'441'304)
Costitution of OOO Prima Industrie	(122'737)	(122'737)	-	-
Change in investments for stock option	(156'241)	(156'241)	(156'241)	(156'241)
Change in financial receivables and other financial assets	(407'300)	1'500'000	(3'210'760)	(3'500'000)
Proceeds from sale of assets	416	-	-	
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(3'199'685)**		**(7'679'079)**	
Cash flow from financing activities				
Change in other non current financial liabilities and other minor items	385'523	-	1'671'043	-
Increases in loans and borrowings	7'596'111	-	36'106'917	-
Repayment of loans and borrowings	(17'335'304)	-	(42'878'160)	-
Net change in financial lease liabilities	-	-	(185'842)	-
Capital increase	5'600'337	-	-	-
Other change in equity	9'594'787	410'130	(847'740)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**5'841'454**		**(6'133'782)**	
Net change in cash and equivalents (D= A+B+C)	**(874'055)**		**(1'071'749)**	
Cash and equivalents beginning of period (E)	**1'332'089**		**2'403'808**	
Cash and equivalents and of period (F= D+E)	**458'034**		**1'332'089**	

More information on the Consolidated Statement of Cashflows	31/12/2010	31/12/2009
Values in euro		
Income tax	(454'629)	889'149
Financial Income	13'517'740	2'887'548
Financial Expenses	(11'795'321)	(5'896'270)

10. DESCRIPTION OF ACCOUNTING PRINCIPLES

➢COMPANY INFORMATION

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

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

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

As parent company, PRIMA INDUSTRIE S.p.A. has also prepared the consolidated financial statements to 31.12.10 of the PRIMA Group.

➢VALUATION CRITERIA

The 2010 financial statements represent the separate statements of the parent company PRIMA INDUSTRIE S.p.A. and were prepared according to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union. IFRS refers to all reviewed International Accounting Standards (“IAS”) and all interpretations of the International Financing Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“”SIC).

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

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

The financial statements have been drafted on the basis of the principle of historical cost, with the exception of the financial assets and liabilities (derivative instruments included) of the category at the fair value with changes of value reported in the income statement, and on the presumption of a going concern. The Group has effectively ascertained that there are no significant uncertainties (as defined in par. 25 of IAS Standard 1) about its continuity, also in view of the mentioned recalculation of the financial indices regarding the loan contract, the increase in share capital completed in February 2011 and expected profitability for 2010. For more on this topic, please read the comment in the paragraph entitled “Accounting standards applied” in chapter 6 of the consolidated financial statements "Description of Accounting Principles”.
Preparation of the financial statements in accordance with IFRS Statements" inevitably involves use of accounting estimates and the opinions expressed by the Directors of the company. The areas of the financial statements which require the application of more complex estimates and a greater use of evaluations on the part of the company's Directors are specified below.

➢ACCOUNTING STATEMENT FORMAT
The Company presents its income statement by nature of expenditure. With reference to the assets and liabilities of the balance sheet, a form of presentation was used that distinguishes them between current and non-current, as allowed by IAS 1. Adequate information on the expiration of the liabilities is furnished in the relative notes. The financial cash-flow statement was prepared using the indirect method. The “layout of financial statements pursuant to CONSOB resolution no.15519 of 27/07/2006” for 2009 presented for purposes of comparison underwent a change in the presentation of related parties, for the sole purpose of facilitating the comparability with the data for 2010.

➢CHANGES IN ACCOUNTING STANDARDS
See Chapter 6 of the consolidated financial statements entitled “DESCRIPTION OF ACCOUNTING PRINCIPLES” for details of changes in accounting standards during 2010.

➢TRANSLATION OF ITEMS IN FOREIGN CURRENCY
The financial statements were drawn up in euro, the functional and presentation currency.

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

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

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

Depreciation of tangible fixed assets is calculated on a straight-line basis in order to distribute the residual book value across the economic-technical life, which is estimated as follows:
- Buildings and incremental work: 33 years
- Plants and machinery: 10 - 5 years
- Equipment: 4 - 5 years
- Office furniture and equipment: 9 - 5 years
- Electronic office machinery: 5 years
- Motor vehicles: 3 - 5 years

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

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

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

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

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

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

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

➢INTANGIBLE FIXED ASSETS

(a)Software

Software licences are capitalized at the cost incurred to obtain and put them into operation and are amortized on the basis of their estimated useful life (from 3 to 5 years).
Costs associated with the development and maintenance of software programs are considered costs of the year and are therefore booked within the income statement of competence.

(b) Research and development costs

R&D costs are booked within the income statement of the year in which they are sustained.
Development costs incurred in relation to a specific project are capitalized under the following conditions:

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

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

(c) Other intangible assets

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

➢SHAREHOLDINGS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

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

➢EQUITY INVESTMENTS IN OTHER COMPANIES

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

➢LOSS OF VALUE OF THE ASSET ("IMPAIRMENT")

Assets with undefined useful lives that are not subject to amortization are subject to impairment tests every year as well as any time there is an indication that their book value cannot be recovered. Assets subject to amortization are only subject to impairment tests if there is an indication that their book value cannot be recovered.

The amount of the write-down for impairment is calculated as the difference between the book value of the asset and its recoverable value, which is considered the greater between the price of sale net of transaction costs and its value in use, i.e. the current value of the estimated financial flows, inclusive of taxes, applying a discount rate that reflects the current market evaluations of the temporal value of money and the risks specific to the asset. Impairment is entered if the recoverable value is less than the book value. When an impairment on assets other than goodwill are reduced or eliminated at a later date, the book value of the asset or generator of financial flows is increased up to the new estimate of the value recoverable and cannot exceed the value that it would have had if an impairment had not been reported for reduction of value. Restoration of value impairment is entered immediately in the income statement.

➢FINANCIAL INSTRUMENTS

Presentation

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

Valuation

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

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

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

Derivative financial instruments

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

CASH FLOW HEDGES

If a derivative financial instrument is designated as a hedge for exposure to the variability of future cash flows of an asset or liability entered in the financial statement or of a transaction this is highly likely to have effects on the income statement, the effective portion of the profit or loss of the derivative financial instrument, it is reported in shareholders' equity. The accumulated profit or loss are cancelled from the shareholders' equity and reported in the income statement in the same period in which the relative economic effect of the hedged transaction is reported. The profit or loss associated with a hedge (or portion of a hedge) are entered in the income statement immediately when they become ineffective. If a hedge or hedge relation are closed, but the hedged transaction has not been realized yet, the accumulated profits and losses, reported until then in the shareholders' equity, are reported in the income statement in relation to the report of the economic effects of the hedged transaction. If the hedged transaction is no longer deemed probable, the profits or losses still not realized, suspended in shareholders' equity, are reported immediately in the income statement.

FINANCIAL LIABILITIES

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

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

LOANS

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

➢<u>INVENTORIES</u>

Warehouse inventories are booked at the lower between the cost and the net estimated realizable value, the latter being represented by the normal sales value during ordinary activities, net of variable sales expenses.
The cost is determined using the average weighted cost method. The cost of finished and semi-finished products includes planning costs, raw materials, direct labour costs, other

direct and indirect costs which may be allocated to production activities on the basis of a normal production capacity and the state of work progress. This cost configuration does not include financial expenses.
Write-down funds are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow moving, taking account of the expected future utility and their sale value.

➢TRADE AND OTHER RECEIVABLES

Trade receivables are initially booked at the fair value of effective interest, net of write-downs to take account of their dubious recoverability. The receivable is written off if there is objective evidence that the company will not be able to collect the entire amount due on the dates agreed with the customer.
The write-down amount is determined as the difference between the book value of the receivable and the present value of future collections, discounted on the basis of the effective interest rate. The write-down of receivables is recorded in the Income Statement.

➢TRANSFER OF RECEIVABLES

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

➢CASH AND CASH EQUIVALENTS

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

➢ASSETS HELD FOR SALE

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

➢SHARE CAPITAL

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

➢EMPLOYEE BENEFITS

(a) Pension plans

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

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

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

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

The current value of the obligation is determined by discounting the estimate of future disbursements at the interest rate of primary bonds issued with the same currency with which the benefits will be paid and with a maturity that is close to the deadlines of correlated retirement liabilities.
The cumulative actuarial earnings and losses derived from changes in estimates which exceed 10% of the greater value between the fair value of the assets serving the plan (if existent) and 10% of the obligation referring to the fixed-benefit plan are booked within the income statement on an accruals basis on the basis of the average residual working years expected from employees which adhere to the plan.

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

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

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

(c) Benefits granted on termination of the employment relationship

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

a) there is a formal, detailed plan of incentives to leave without the possibility of the employee choosing otherwise

B) an offer is made to employees to encourage voluntary resignations. The amounts payable beyond 12 months of the closure of the financial statements are discounted back.

(d) Incentives, bonuses and profit-sharing schemes

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

(e) Employee benefits granted in shares

The company awards additional benefits to some members of the top management and employees through stock option plans.

As established by IFRS 2 – Payments based on stocks, these plans are an element of retribution of the beneficiaries; therefore the cost is represented by the fair value of the stock options as of the date of assignment, and is reported in the income statement in regular portions for the period between the date of assignment and that of maturity, with the counterpart attributed directly to the shareholders' equity. Variations in the fair value subsequent to the date of assignment have no effect on the initial valuation.

➢PROVISIONS FOR RISKS AND CHARGES

Provisions are allocated to risks and charges when:

- a legal or implied obligation arises for the company as a result of past events,
- it is probable that resources will be utilized in order to meet the obligation, and
- the amount can be reliably determined.

Restructuring funds include both liabilities deriving from exiting incentives as well as from penalties linked to the cancellation of leasing contracts. No provisions are made for risks and charges to meet future operating losses.

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

➢REPORTING REVENUES

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

(a) Sale of goods

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

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

any costs incurred or to be incurred relative to the transaction can be reliably determined.

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

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

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

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

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

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

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

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

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

➢<u>ESTIMATE OF FAIR VALUE</u>
The fair value of financial interests quoted on an active market is determined on the basis of the market price at the date of closure of the Financial Statements. The market price of

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

➢THE FINANCIAL RISK FACTORS

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

➢DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNT ESTIMATES

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

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

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

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

Analysis of the book value of this asset was made using the expected cash flows deriving from its use and adequate discount rates for calculation of its current value. In this context, in preparing the financial statement to 31.12.10, and more in particular, in performing the impairment test of the equity investment, expected performance for 2011 was taken into consideration. Moreover, for subsequent years of the plan, the required modifications were made to the respective original plans in order to make precautionary consideration for the profound alterations caused by the current crisis on the economic-financial and market situation. On the basis of the amended plan data, there was no need for impairment. The recoverable value depends significantly on the discount rate used in the discounted cashflow models, and on the expected future cashflows and the growth rate used for determination. The key assumptions used to determine the recoverable amount for the different cash-generating units, which included a sensitivity analysis, are discussed in detail in Note 8.2.

Prepaid and deferred taxes

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

Provision for inventory writedowns

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

Receivable write-down fund

The provisions for writedowns of doubtful accounts are determined on the basis of an analysis of the individual debt positions in the light of the relationships with the individual customers. If there is an unexpected deterioration of the economic and financial situation of an important customer, this could result in the need to adjust the fund for receivable write-downs, with the consequent negative effects on the Income Statement.

Employee benefits

Calculation of the amount to be recorded in the Financial Statements requires actuarial estimates to be made that take into account a series of assumptions relating to parameters such as the annual rates of inflation, the growth in wages, the annual rate of staff turnover and other variables. Any change in these parameters requires readjustment of the actuarial estimates and consequent adjustment of the amounts disclosed in the Financial Statements.

11. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

NOTE 11.1 – INTANGIBLE FIXED ASSETS

Tangible fixed assets	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	TOTAL
Values at January 1, 2009					
Historical cost	6.475.227	2.019.093	2.598.103	2.944.984	14.037.407
Accumulated depreciation	(647.938)	(1.619.581)	(2.126.203)	(2.403.354)	(6.797.076)
Net value at January 1, 2009	***5.827.289***	***399.512***	***471.900***	***541.630***	***7.240.331***
Year 2009					
Net value at January 1, 2009	5.827.289	399.512	471.900	541.630	7.240.331
Increases	101.277	9.854	235.100	4.264	350.495
Disposals		(5.933)	-	(23.592)	(29.525)
Depreciation	(78.975)	(106.027)	(232.756)	(166.792)	(584.550)
Utilization of accumulated depreciation	-	5.043	-	24.109	29.152
Net value at December 31, 2009	***5.849.591***	***302.449***	***474.244***	***379.619***	***7.005.903***
Values at January 1, 2010					
Historical cost	6.576.504	2.023.014	2.833.203	2.925.654	14.358.375
Accumulated depreciation	(726.913)	(1.720.565)	(2.358.959)	(2.546.035)	(7.352.472)
Net value at January 1, 2010	5.849.591	302.449	474.244	379.619	7.005.903
Year 2010					
Net value at January 1, 2010	***5.849.591***	***302.449***	***474.244***	***379.619***	***7.005.903***
Increases	4.153	-	221.854	49.557	275.564
Depreciation	(72.644)	(86.674)	(242.429)	(149.861)	(551.608)
Disposals	-	-	-	(12.929)	(12.929)
Utilization of accumulated depreciation	-	-	-	12.513	12.513
Net value at December 31, 2010	***5.781.100***	***215.775***	***453.669***	***278.899***	***6.729.443***
December 31, 2010					
Historical cost	6.580.657	2.023.014	3.055.057	2.962.282	14.621.010
Accumulated depreciation	(799.557)	(1.807.239)	(2.601.388)	(2.683.383)	(7.891.567)
Net value at December 31, 2010	***5.781.100***	***215.775***	***453.669***	***278.899***	***6.729.443***

The item *Land and buildings* includes:

- Land with a total value unchanged since the previous year of 4,108 thousand euro.
- Buildings for a total value of 1,595 thousand euro. This item includes the building rented to PRIMA FINN-POWER UK (174 thousand euro), the company plant leased in Via Antonelli, 28 (900 thousand euro) and tangible fixed assets in progress (521 thousand euro).
- Light constructions for 78 thousand euro.

The item *Plants and Machinery* includes:

- Plants with a total value of 186 thousand euro;
- Machinery for a net book value of 30 thousand euro;

The item *industrial and trade equipment* includes equipment for 310 thousand euro and *dies* for 144 thousand euro. The value of the equipment grew during the year by 209 thousand euro (of which 152 thousand euro were realized on a time and materials basis). During 2010 the item *Dies* increased by 13 thousand euro.

The other tangible fixed assets are:

- Electronic office equipment worth 234 thousand euro;
- Office furniture, furnishings and equipment with a value 41 thousand euro;
- Vehicles for internal transport for 4 thousand euro

All the above figures to 31.12.10 are net of depreciation, with the exception of assets with an indefinite useful life.

In accordance with IAS 16, paragraph 74, there are no restrictions on the ownership of property, plants and machinery.

NOTE 11.2 – INTANGIBLE FIXED ASSETS

Intangible fixed assets	Software	STIMA Rights	Development expenses	Other	TOTAL
Year 2009					
Net value at January 1, 2009	283.122	32.440	1.502.596	15.000	1.833.158
Increases/(decreases)	152.691	-	2.267.961	-	2.420.652
Depreciation	(242.559)	(16.220)	(313.870)	(5.000)	(577.649)
Net value at December 31, 2009	***193.254***	***16.220***	***3.456.687***	***10.000***	***3.676.161***
Year 2010					
Net value at January 1, 2010	***193.254***	***16.220***	***3.456.687***	***10.000***	***3.676.161***
Increases/(decreases)	105.824	-	1.565.670	-	1.671.494
Depreciation	(162.643)	(16.220)	(847.430)	(5.000)	(1.031.293)
Net value at December 31, 2010	***136.435***	***-***	***4.174.927***	***5.000***	***4.316.362***

The main component of intangible fixed assets at 31.12.10 is capitalized *Development costs* (4,175 thousand euro). The item also includes *Software* worth 136 thousand euro (of which 45 thousand euro in progress) and *Other intangible fixed assets* at 5 thousand euro (for concession of a patent in accordance with the cooperation and license agreement with the Fiat Research Centre).

During 2010 *Development costs* of 1,566 thousand euro were capitalized. In detail:

- 812 thousand euro for projects implemented in 2010; these costs, together with capitalizations from previous years, were amortized (net value of amortization 711 thousand euro);
- 754 thousand euro for activities to be completed in the future, for which there were no benefits during the year and consequently no amortization was calculated.
-

Development costs capitalized in previous years generated amortization for 746 thousand euro.

-

NOTE 11.3 - EQUITY INVESTMENTS IN SUBSIDIARIES

Shareholdings in subsidiaries	Value of stake	Provisions for writedowns	Net value at 01/01/10	Increases	Recovery of value	Sales	Writedowns	Other movements in SE	Net value at 31/12/2010
PRIMA ELECTRONICS SpA	1.834.264	-	1.834.264	-	-	-	-	78.120	1.912.384
PRIMA FINN-POWER GmbH	474.435	(149.238)	325.197	1	-	-	(325.198)		-
PRIMA North America Inc.	24.205.796	(13.408.731)	10.797.065	-	11.279.671	(22.076.736)	-	-	-
PRIMA FINN-POWER SWEDEN AB	248.516	(235.072)	13.444	-	-	-	-	-	13.444
PRIMA FINN-POWER UK LTD	1	-	1	-	-	-	-	-	1
PRIMA FINN-POWER CENTRAL EUROPE Spzoo	92.821	-	92.821	-	-	-	-	-	92.821
PRIMA INDUSTRIE (BEIJING) Co. Ltd.	200.000	-	200.000	566.765	-	-	-	-	766.765
FINN POWER OY	90.850.888	-	90.850.888	-	-	-	-	78.120	90.929.008
PRIMA FINN-POWER IBERICA S.L.	1.441.304	-	1.441.304	-	-	-	-	-	1.441.304
OOO PRIMA INDUSTRIE	-	-	-	122.737	-	-	-	-	122.737
TOTAL	**119.348.025**	**(13.793.041)**	**105.554.984**	**689.503**	**11.279.671**	**(22.076.736)**	**(325.198)**	**156.240**	**95.278.464**

At 31.12.10 this item amounts to 95,278 thousand euro and is down compared to the previous financial year by 10,277 thousand euro.

The main events that contributed to this change in 2010 are illustrated below:

- PRIMA North America. The cost of the equity investments in PRIMA NORTH AMERICA (resulting from transactions for the acquisition of American companies that were later merged by incorporation), had been written down in previous years following the significant operating losses realized by the company, and the need of the parent company to recapitalize the equity investment and support its business financially (the parent company PRIMA INDUSTRIE made payments into the capital of PRIMA North America until 2005). In the 2006-2008 period, the consolidated good economic performance of PRIMA North America was not sufficient for recovery of the value, in consideration of the fact that the increase in revenues, referring mainly to intergroup sales (against a fall of revenues from others), did not translate into a proportional increase of profitability, also taking account of the higher debt level reported by the company. The three-year period, until late 2008, was also characterized by a significant increase in interest rates, that would have translated in to a reduction in the current value of expected flows. In addition, it should be noted that the laser technology developed by PRIMA North America – which has been applied for many years – would require further technological development in order to consolidate growth and acquire new market shares.

- In 2009 the severe drop in the volume of business caused by the general economic crisis, and the uncertainty of the economic recovery, did not provide grounds for the recovery of value.
- Business in 2010 was characterized by elements of discontinuity with respect to the past. There was a recovery of turnover and marginality on a consolidated basis, in the year, reflected in good performance also of PRIMA North America, in terms of both final economic indicators and of order acquired by the end of the year. Taking account of the cyclical nature of the sector and the recovery that follows years in which demand decreased, consolidation of the increase in revenues and margins a valid expectation for coming years. It should also be noted that the activity of development of new solid state laser technology reached a good level of implementation in 2010, and is an effective technological development of the company's production, from which a favorable impact on volumes can be expected for PRIMA North America in the 2011-2013 period. The elements illustrated, that were seen in 2010, are a sign of discontinuity with respect to the preceding period (characterized by greater uncertainty of forecasts and representing a limited time period of positive results for the equity investment, taking account of several years of losses), are actually good grounds for believing that the reasons for writing down the cost of the equity investment have been overcome now, and that it will start to recover its value. For this purpose, in 2010 the enterprise value of PRIMA North America was appraised at 29 million dollars. Subsequently the equity investment was sold to PRIMA ELECTRONICS, in the sphere of the broader process of Group reorganization (mentioned previously). For more information about this transaction, see the chapter “Relations with associated parties” in the Management report.

- PRIMA FINN-POWER GmbH. On February 19, 2010, in the sphere of the process of reorganization of the distribution branches following the acquisition of the FINN-POWER Group, the two German subsidiaries of the Group were merged: PRIMA INDUSTRIE GmbH and FINN-POWER GmbH, previously 100% owned respectively by PRIMA INDUSTRIE S.p.A. and FINN-POWER OY. The transaction was finalized with the following passages:
  a. sale of FINN-POWER GmbH by FINN-POWER OY to PRIMA INDUSTRIE S.p.A.;
  b. incorporation of FINN-POWER GmbH in PRIMA INDUSTRIE GmbH (both 100% subsidiaries of PRIMA INDUSTRIE SpA).
  c. change of name of the incorporating company to PRIMA FINN-POWER GmbH.

The transaction, between subsidiaries of the same company is reported in a status of continuing value, by incorporation of the assets and liabilities of FINN-POWER GmbH (incorporated) in the new (incorporating) company PRIMA FINN-POWER GmbH, and reporting b the incorporating company of a reserve equal to the shareholders' equity of the incorporated company on the date of the merger. Subsequent to the merger, PRIMA INDUSTRIE SpA held 100% of the shares of PRIMA FINN-POWER GmbH, entered at the value of 325 thousand euro (substantially representative of the cost of PRIMA INDUSTRIE GmbH prior to the merger, taking account of the fact that FINN-POWER GMBH was acquired at the value of 1 euro). The price of sale of FINN-POWER GmbH to PRIMA INDUSTRIE was valued at the cost of the equity investment resulting in FINN-POWER OY (1 euro), taking account of the economic and financial forecasts of the equity investment, on the basis of which partial reabsorption of the losses generated by the latter in previous years was expected. As of 31/12/2010 the shareholders' equity of PRIMA FINN-POWER GmbH is negative for 4.6 million euro, inclusive of the loss for the year of 1.4 million euro, mainly due to the performance of the incorporated company and indicative of a level of revenues inadequate to cover the structural costs of the company. This result, taking account of the fact that the German branch did not experience the benefits of the signs of economic recovery that affected other companies in the Group, made it necessary to review the forecasts for coming years, on the basis of which the cost of the equity investment, for 325 thousand euro, was entirely written down. Moreover, in view of the risk deriving from the losses in excess of shareholders' equity, the parent company PRIMA INDUSTRIE SpA included in the separate financial statements for 2010 a risk fund for 4.6 million euro as a consequence of the commitments undertaken in the year toward the subsidiary.

- PRIMA INDUSTRIE (Beijing). The increase in the cost of the equity investment refers to the waiver of a receivables due to PRIMA INDUSTRIE from the Chinese subsidiary and conversion of the same into a shareholders' equity reserve by the subsidiary.

- OOO PRIMA INDUSTRIE. This is a new company, incorporated under Russian law, which became operational in 2010; this incorporation reflects the intention of the company to be more directly present on markets with a high growth rate.

In addition, in 2010, the equity investments in FINN-POWER OY and PRIMA ELECTRONICS were increased by 156 thousand euro relative to the fair value of the options assigned to the company management, and PRIMA FINN-POWER SWEDEN was placed in liquidation after selling its company division; for more information about this transaction reference is made to the chapter “SIGNIFICANT EVENTS IN 2010”.

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

Shareholdings in subsidiaries	Net value at 31/12/2010	SE al 31/12/10 (*)	Stake	SE per share	Difference
PRIMA ELECTRONICS SpA	1.912.384	13.904.646	100%	13.904.646	11.992.262
PRIMA FINN-POWER GmbH	-	(4.607.994)	100%	(4.607.994)	(4.607.994)
PRIMA FINN-POWER SWEDEN AB	13.444	732.279	100%	732.279	718.835
PRIMA FINN-POWER UK LTD	1	272.765	100%	272.765	272.764
PRIMA FINN-POWER CENTRAL EUROPE Spzoo	92.821	6.031	100%	6.031	(86.790)
PRIMA INDUSTRIE (BEIJING) Co. Ltd.	766.765	814.922	100%	814.922	48.157
FINN POWER OY	90.929.008	36.877.088	100%	36.877.088	(54.051.920)
PRIMA FINN-POWER IBERICA S.L.	1.441.304	5.265.674	22,0%	1.158.448	(282.856)
OOO PRIMA INDUSTRIE	122.737	71.285	100,0%	71.285	(51.452)
TOTAL	**95.278.464**	**53.336.696**		**49.229.470**	

(*) Values expressed in Euros and determined as per IAS/IFRS

For information on the difference relative to the FINN-POWER Group, please see the details of the impairment test described in the consolidated financial statements (Note 8.2). It is to be noted that in order to evaluate the shareholding in FINN-POWER OY in the separate financial statements, a comparison was made of the cost of the stake and the recoverable value of the CGU net of the financial payables of the FINN-POWER Group at 31.12.10, from which no impairment indicators emerged.

A risk fund for an equal amount was set up to offset a negative difference of 4,608 thousand euro relative to PRIMA FINN-POWER GMBH (see note 11.20).

Regarding PRIMA FINN-POWER IBERICA, the difference is mainly due to losses sustained by the subsidiary in previous financial years and not considered representative of a structural reduction in the value of the shareholding. In 2009 and 2010, despite the difficult current economic situation, the Spanish company obtained positive results. All the companies listed above fall within the area of consolidation of the PRIMA INDUSTRIE Group.

NOTE 11.4 - EQUITY INVESTMENTS IN JOINT VENTURES

The value of equity investments in joint ventures was unchanged with respect to the previous year, and refers for 1,273 thousand euro to the shareholding in Shanghai Unity Prima Laser Machinery Co.Ltd (a Chinese company) and for 215 thousand euro to the stake in SNK Prima Company Ltd (a Japanese company).

NOTE 11.5 - OTHER EQUITY INVESTMENTS

Other Shareholdings	Consorzio Sintesi	Unionfidi	Fidindustria	TOTAL
Net value at January 1, 2010	**51.600**	**129**	**103**	**51.832**
Increases	-	-	-	-
Decreases	-	-	-	-
Net value at December 31, 2010	**51.600**	**129**	**103**	**51.832**

The other equity investments did not change with respect to the previous year.
This item refers mainly to the stake held in Consorzio Sintesi (a 10% stake of the company capital). This consortium, with private and public organizations numbering among its partners, led by CNR (Consiglio Nazionale delle Ricerche), carries out research and development studies and technological industrialization for the manufacturing sector.

The other shareholdings refer to two guarantee consortia (Unionfidi and Fidindustria), which the Company joined in order to receive suretyship for SIMEST loans. In addition to the above shareholdings, PRIMA INDUSTRIE SpA holds other shareholdings whose book value at 31.12.10 was zero. The book value of these equity investments was zeroed in previous years due to the insolvency procedures to which they were subject; no costs to the company are expected to derive from completion of these procedures.

- Macro Meccanica SpA;
- Rambaudi Industriale SpA.

NOTE 11.6 - FINANCIAL ASSETS - LOANS TO SUBSIADIARIES

Financial assets - loans issued to subsidiaries	PRIMA ELECTRONICS	PRIMA FINN-POWER UK	FINN POWER OY	TOTAL
January 1, 2009	**3.000.000**	**626.000**	**61.633.461**	**65.259.461**
Increases	-	-	5.000.000	5.000.000
Decreases	(1.500.000)	-	-	(1.500.000)
January 1, 2010	**1.500.000**	**626.000**	**66.633.461**	**68.759.461**
Increases	22.076.736	-	-	22.076.736
Decreases	(1.500.000)	-	-	(1.500.000)
December 31, 2010	**22.076.736**	**626.000**	**66.633.461**	**89.336.197**

Loans to subsidiaries increased by 20,777 thousand euro, following two transactions with PRIMA ELECTRONICS:

- repayment of 1,500 thousand euro on a loan granted in previous years;
- a new loan of 22,077 thousand euro relative to the sale of the equity investment in PRIMA North America.

It should be noted that the item "Current financial assets" for 401 thousand euro includes the interest accrued on the intercompany loan (classified in this item and amounting to 66,633 thousand euro) granted to FINN-POWER OY.

NOTE 11.7 - OTHER FINANCIAL ASSETS

This item amounts to 15,943 thousand euro and refers exclusively to a loan made to the subsidiary FINN-POWER OY; this asset refers to a class E share (so-called E-share) without the right to vote and paid for through an annual Euribor parameterized dividend plus spread. With respect to 31/12/2009 it has increased by 1,907 thousand euro divided as follows:

- 467 thousand euro relative to interest accrued in 2010.
- 1,440 thousand euro relative to a reclassification of the interest accrued in 2008 and 2009 previously classified under "Current financial assets".

NOTE 11.8 - FISCAL ASSETS FOR PREPAID TAXES

TAX ASSETS FOR PREPAID TAXES	31/12/10	31/12/09
Initial balance	2.174.635	2.062.656
Allocations made for the year	338.298	421.245
Utilizations during the year	(710.494)	(309.266)
TOTAL	**1.802.439**	**2.174.635**

The main items for fiscal assets deriving from prepaid taxes can be summed up as follows:

Values expressed in thousands of Euros

Tax assets for prepaid taxes	Deferred taxability	Prepaid taxes
Non-deductible provisions	4.761	1.312
Expenses for share capital increase	622	195
Other minor items	1.071	295
TOTAL	**6.454**	**1.802**

With reference to the recuperability of these taxes, we point out that PRIMA INDUSTRIE SpA historically realised positive taxable incomes, for both corporate and regional income tax purposes, and expects to reach positive taxable income values also in coming years. The assessment of recoverability of prepaid taxes takes account of the expected profitability in future years and is also supported by the fact that the prepaid taxes refer mainly to asset adjustment funds and funds for risks and costs, for which there is no expiration date.

NOTE 11.9 - OTHER RECEIVABLES

At the end of the year the item discloses 10 thousand Euros and refers to withholding tax advances on severance indemnities and minor receivables.

NOTE 11.10 - INVENTORIES

INVENTORIES	31/12/10	31/12/09
Raw materials	11.440.452	9.269.272
(Provision for writedown of raw materials)	(1.473.165)	(1.473.165)
Semi-finished products	4.209.867	2.533.906
Finished products	3.196.997	4.152.969
(Provision for writedown of finished products)	(200.000)	(175.000)
TOTAL	**17.174.151**	**14.307.982**

At 31.12.10 inventories amounted to 17,174 thousand euro net of the provision for stock write-downs. During 2010 an increase of 2,866 thousand euro was recorded, this is in line with the higher volumes of production and reflects the strong increase in the order portfolio.

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

Provisions for writedowns	Raw materials	Finished products
Balance at January 1, 2010	1.473.165	175.000
Utilizations	-	(55.000)
Allocations	-	80.000
Balance at December 31, 2010	**1.473.165**	**200.000**

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

NOTE 11.11 - TRADE RECEIVABLES

TRADE RECEIVABLES	31/12/10	31/12/09
Receivables from other clients	17.951.913	19.586.499
Provision for doubtful debts	(379.242)	(1.920.800)
Net receivables from other clients	**17.572.671**	**17.665.699**
Receivables from subsidiaries	15.039.254	8.165.008
Receivables from associates and joint ventures	3.498	118.726
TOTAL	**32.615.423**	**25.949.433**

The trade receivables at 31.12.1010 amounted to 32,615 thousand Euro and compared to the previous financial year the item recorded an increase of 6,666 thousand Euro.

Gross receivables from other clients decreased by 1,635 thousand euro, also be effect of receivables ascribed to losses following the start of insolvency procedures. Receivables from subsidiaries increased by 6,874 thousand euro as a result of the increased trade integration of the companies in the Group.

As regards receivables in foreign currency, it should be noted that these concern the US dollar and the British pound and refer mainly to invoices issued to subsidiaries PRIMA North America, PRIMA FINN-POWER North America and PRIMA FINN-POWER UK.

Receivables from affiliates refer exclusively to those due from the joint venture Shanghai Unity Prima Laser Machine.

Given the open positions as of 31.12.2010, adjustments to the exchange rate entered correctly. Receivables denominated in currencies other than Euro are converted at the exchange rate effective on the date of closing of the financial statements. All the exchange differences are reflected in the Income Statement.

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

Provision for doubtful debts at 01/01/2010	1.920.800
Utilizations	(1.680.578)
Allocations	139.020
Provision for doubtful debts at 31/12/2010	**379.242**

There was a significant reduction in the receivable write-down fund, largely due to the use of that fund to cover certain losses deriving from the start of insolvency procedures for bankruptcy. The fund reflects the management's estimate of the losses that the Group can expect.

Receivables due beyond one year

Trade receivables due after one year amount to 105 thousand euro and refer to:

- 49 thousand euro from a Serbian customer to which extended terms in quarterly instalments were granted, the last payment of which is due on 31 October 2012.
- 28 thousand euro from a Slovakian customer to which extended terms in monthly instalments were granted, the last payment of which is due on 31 October 2012.
- 28 thousand euro from an Italian customer to which extended terms in monthly instalments were granted, the last payment of which is due on January 31, 2013.

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

Receivables by due date	*Amounts in thousands of Euros*
Due for expiry	17.967
Expired 0 - 60 days	7.384
Expired 61 - 90 days	700
Expired 91 - 120 days	900
Expired over 120 days	6.043
TOTAL	**32.994**

NOTE 11.12 - OTHER SHORT-TERM RECEIVABLES

This item stands at 1,809 thousand euro, a decrease of 1,046 thousand euro compared to the previous year (763 thousand euro at 31.12.09) and includes:

- dividends from subsidiaries for 1,157 thousand euro; These refer in particular to a contribution in to the capital account relative to a program of technological innovation, to be paid by the Ministry for Economic Development to the parent company, for about 1.1 million euro;
- advances to suppliers (for 406 thousand euro) paid on orders for future deliveries;
- security deposits (131 thousand euro);
- receivables from employees (40 thousand euro) for advances on travel expenses granted to employees;
- accruals and deferrals (56 thousand euro);
- grants for employee training, 16 thousand euro;
- other minor receivables (3 thousand euro).
- The increase is largely due to the item "contributions to be received".

NOTE 11.13 - OTHER FISCAL ASSETS

The item Other financial assets increased with respect to 31/12/2009 by 99 thousand euro, from 1,673 thousand euro to 1,772 thousand euro. Fiscal assets include VAT credits (for 1,467 thousand euro, tax credits of 163 thousand euro, corporation tax credit (IRES) for 126 thousand euro and tax receivables (16 thousand euro).

NOTE 11.14 - CASH AND CASH EQUIVALENTS

Cash	31/12/10	31/12/09
Cash and cheques	15.117	23.295
Bank accounts	442.917	1.308.794
TOTAL	**458.034**	**1.332.089**

This item amounts to 458 thousand euro, against 1,332 thousand euro as of 31.12.10 and consists of the entire sum of cash on hand in the company treasury, and available liquidity in foreign branches and bank and post office accounts.

NOTE 11.15 - SHAREHOLDERS' EQUITY

SHARE CAPITAL

On 11.2.2010 the company concluded the capital increase operation resolved by the Board of Directors on 18/12/2009. At December 31, 2010, the share capital fully underwritten and paid in amounted to 8,640,135 ordinary shares with a par value of 2.5 euro each, for a total of 21,600,337.50 euro. For more details on this subject see the paragraph entitled "SIGNIFICANT EVENTS OF 2010".

LEGAL RESERVE

This item amounts to 2,734 thousand euro and did not change in 2010.

OTHER RESERVES

The item "Other reserves" for 52,226 thousand euro has the following breakdown.

- Extraordinary reserve: 11,565 thousand euro, down by 2,554 thousand euro compared with 31/12/2009 by effect of the coverage of losses in the previous year.
- Share premium reserve: amounts to 46,448 thousand euro and increased by 9,633 thousand euro following the capital increase. This item is generated by the premium on the issue of new shares with respect to the nominal value.
- Reserve for adjustment to fair value adjustment of derivatives: negative for 5,642 thousand euro, representing losses entered directly to shareholders' equity at the market value of the hedge contracts on the risks of interest rate variability.
- Stock option reserve: 1,139 thousand euro, up by 410 thousand euro.
- Costs for share capital increase: negative for 1,284 thousand euro, representing costs incurred for the capital increases (such as bank fees, legal and administrative consultant fees, etc) which took place one early in 2008 and another resolved in 2009 and concluded at the start of 2010.

EARNINGS (LOSSES) CARRIED FORWARD

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

PROFIT (LOSS) FOR THE YEAR

The Profits/(Losses) entered directly in shareholders' equity refer entirely to the “Reserve for adjustment of hedges to fair value”, which discloses a negative value of 428 thousand euro (see also the Comprehensive Income Statement).

For more information on the subject of :

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

NOTE 11.16 - DERIVATIVE FINANCIAL INSTRUMENTS

At 31.12.10 PRIMA INDUSTRIE S.p.A. holds several derivative financial instruments for an overall net negative value of 6,457 thousand euro (of which 6,069 are non-current).

Values expressed in thousands, with indication of the reference currency

Type	Company	Counterparty	Expiry date	Reference notional	MTM 31/12/2010
IRS - Hedge accounting	Prima Industrie	Unicredit	04/02/16	€ 26.964	€ 3.203
IRS - Hedge accounting	Prima Industrie	Intesa-Sanpaolo	04/02/16	€ 26.964	€ 3.203
IRS - Non hedge accounting	Prima Industrie	Unicredit	30/09/11	€ 1.420	€ 7
CRS - Non hedge accounting	Prima Industrie	MPS	28/01/11	$ 500.000	€ 13
CRS - Non hedge accounting	Prima Industrie	MPS	28/01/11	$ 500.000	€ 10
CRS - Non hedge accounting	Prima Industrie	MPS	29/03/11	$ 500.000	€ 9
CRS - Non hedge accounting	Prima Industrie	MPS	28/06/11	$ 2.000.000	€ 14
CRS - Non hedge accounting	Prima Industrie	MPS	28/06/11	$ 500.000	-€ 2
				TOTAL	**€ 6.457**

At the time of drafting the financial statements to 31.12.10, a valuation of the financial derivatives held by the company was made in order to ascertain their type and establish how they were to be recorded.

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

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

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

Variations in the fair value of NON-HEDGE ACCOUNTING derivatives are disclosed in the income statement under financial costs. For more information on the subject of the IRS see note 8.11 “NET FINANCIAL POSITION”.

NOTE 11.17 - LOANS

The following is a breakdown of PRIMA INDUSTRIE SpA's loan status on 31/12/2010 (in comparison with 31/12/2009).

Payables due to banks and other loans	31/12/10	31/12/09
Current		
Bank overdrafts	1.031.098	970.847
Short-term factoring transactions	513.774	286.403
Short-term payables for bank loans	31.878.530	31.270.474
Short-term payables for other loans	92.984	91.486
Short-term payables for advances on invoices	1.790.560	2.481.036
TOTAL	**35.306.947**	**35.100.246**
Non-current		
Payables for operational leasing	83.000	83.000
Long-term payables for bank loans	99.004.083	108.856.993
Long-term payables for other loans	190.560	283.544
TOTAL	**99.277.643**	**109.223.537**

The Financial payables of PRIMA INDUSTRIE S.p.A. underwent the following movements during 2010.

Payables due to banks and other loans *Movements*	Balance 31/12/09	Increases	Decreases	Ascertained financial costs	Reclassifications	Balance 31/12/10
Current						
Bank overdrafts	970.847	60.251	-	-	-	1.031.098
Short-term factoring transactions	286.403	513.774	(286.403)	-	-	513.774
Short-term payables for bank loans	31.270.474	3.460.934	(14.476.379)	1.770.592	9.541.874	31.567.495
Short-term payables for other loans	91.486	-	(91.486)	-	404.020	404.020
Short-term payables for advances on invoi	2.481.036	1.790.560	(2.481.036)	-	-	1.790.560
TOTAL CURRENT LIABILITIES	**35.100.246**	**5.825.519**	**(17.335.304)**	**1.770.592**	**9.945.894**	**35.306.947**
Non-current						
Payables for operational leasing	83.000	-	-	-	-	83.000
Long-term payables for bank loans	108.856.993	-	-	-	(9.852.910)	99.004.083
Long-term payables for other loans	283.544	-	-	-	(92.984)	190.560
TOTAL NON-CURRENT LIABILITIES	**109.223.537**	**-**	**-**	**-**	**(9.945.894)**	**99.277.643**
TOTAL LOANS	**144.323.783**	**5.825.519**	**(17.335.304)**	**1.770.592**	**-**	**134.584.590**

During 2010 loans decreased by a total of 9,739 thousand euro.

Some of the more significant variations include:

- Capital increase concluded on 11/2/2010 for 15,213 thousand euro.
- Repayment of the two instalments for quota A of the FINPOLAR loan on the planned dates (February 4 and August 4, 2010) totaling 7,050 thousand euro plus interest.
- Use for cash starting in 2010 of quota C2 of the FINPOLAR loan for 3,461 thousand euro;
- Net repayment of quota D of the FINPOLAR loan for 2 thousand thousand euro;

For more information on these operations see note 8.11 in the consolidated financial statements.
The table that follows lists, for the assets and liabilities as of December 31, 2009 and based on the categories foreseen by IAS 39, the additional information on financial instruments pursuant to IFRS 7 (the loans made to subsidiaries and other financial assets are listed inclusive of interest accrued up to 31.12.10).

Fair value by category - IAS 39 - December 31, 2010							
Amounts in thousands of Euros	Significant values as per IAS 39						
Assets	Category IAS 39	Financial value 31.12.2010	Amortized cost	FV in equity	FV in income statement	IAS 17	Fair value 31.12.2010
Cash and cash equivalents	NA	458.034	-	-	-	-	458.034
Assets owned to expiry	Held to Maturity	-	-	-	-	-	-
Assets at fair value in income statement	Held for Trading	2	-	-	2	-	2
Assets valuated as per IAS 17	NA	-	-	-	-	-	-
Total		**458.036**	**-**	**-**	**2**	**-**	**458.036**
Liabilities	Category IAS 39	Financial value 31.12.2010	Amortized cost	FV in equity	FV in income statement	IAS 17	Fair value 31.12.2010
Liabilities at amortized cost	Amortised Cost	133.987	133.987	-	-	-	135.422
Liabilities at fair value in income statement	Held for Trading	53	-	-	(42)	-	53
Hedge derivatives	NA	6.406	-	428	-	-	6.406
Liabilities valuated as per IAS 17	NA	83	-	-	-	83	83
Other financial payables - factoring	NA	514	-	-	-	-	514
Total		**141.043**	**133.987**	**428**	**(42)**	**83**	**142.478**

Profits and losses by category - IAS 39 - December 31, 2010			
Amounts in thousands of Euros			
Assets	Category IAS 39	Net income	interest
Cash and cash equivalents	NA	18	18
Assets held to expiry	Held to Maturity	-	-
Assets valuated as per IAS 17	NA	-	-
Total		**18**	**18**
Liabilities	Category IAS 39	Net income	interest
Liabilities at amortized cost	Amortised Cost	(4.045)	(3.535)
Liabilities at fair value in income statement	Held for Trading	42	-
Hedge derivatives	NA	(1.994)	(1.994)
Liabilities valuated as per IAS 17	NA	-	-
Other financial payables - factoring	NA	(11)	(11)
Total		**(6.008)**	**(5.540)**

NOTE 11.18 - EMPLOYEE BENEFITS

EMPLOYEE BENEFITS	31/12/10	31/12/09
Employees' Severance Fund	2.381.069	2.535.626
Fidelity premium	823.521	768.114
TOTAL	**3.204.590**	**3.303.740**

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

Illustrated below are the changes for Severance Indemnities and Fidelity Premium.

SEVERANCE PAY	31/12/10	31/12/09
Opening liabilities	**2.535.626**	**2.753.654**
Severance indemnities paid out during period	(307.465)	(327.409)
Other movements	29.797	(23.911)
Financial expenses	123.111	133.292
Total recorded in income statement	**123.111**	**133.292**
SEVERANCE at December 31, 2010	**2.381.069**	**2.535.626**

FIDELITY PREMIUM	31/12/10	31/12/09
Opening liabilities	**768.114**	**713.051**
Decreases	-	-
Allocations	55.407	55.063
Total recorded in income statement	**55.407**	**55.063**
Fidelity Premium at December 31, 2010	**823.521**	**768.114**

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

Actuarial hypotheses	31/12/10	31/12/09
Annual discount rate	4,5%	5,1%
Annual inflation rate	2,0%	2,0%
Annual severance fund increase rate	3,0%	3,0%

The demographic hypotheses used for actuarial valuation include:

- probability of death as defined by the Italian State Treasury RG48, divided by sex;
- the probability of disability, divided by sex, adopted in the INPS model for projections to 2011;
- retirement age, the first retirement requisite of Compulsory General Insurance;
- probability of leaving for causes other than death, with annual frequency of 5% depending on the company;
- probability of advances with an annual rate of 3%.

NOTE 11.19 - FISCAL LIABILITIES FOR DEFERRED TAXES

Deferred tax liabilities increased from the previous year by around 143 thousand euro.

DEFERRED TAX LIABILITIES	31/12/10	31/12/09
Initial balance	552.888	800.746
Utilizations during the year	(192.991)	(320.839)
Allocations made for the year	335.529	72.981
TOTAL	**695.426**	**552.888**

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

Values expressed in thousands of Euros

Deferred tax liabilities	Deferred taxability	Deferred tax liabilities
Grants	1.861	525
Other minor items	617	170
TOTAL	**2.478**	**695**

NOTE 11.20- FUNDS FOR RISKS AND CHARGES

Provisions for risks and charges increased in 2010 by a total of 4,819 thousand euro. Changes in current and non-current provisions are shown below.

Provisions for non-current risks	Cust. agent. ind.provision	Equity investment loss fund	TOTAL
January 1, 2009	**86.010**	**-**	**86.010**
Allocations	7.595	-	7.595
Utilizations in the period	(25.851)	-	(25.851)
January 1, 2010	**67.754**	**-**	**67.754**
Allocations	12.441	4.607.994	4.620.435
Utilizations in the period	(13.105)	-	(13.105)
December 31, 2010	**67.091**	**4.607.994**	**4.675.085**

Provisions for current risks	Guarantee fund	TOTAL
January 1, 2009	**3.089.000**	**3.089.000**
Allocations	2.080.000	2.080.000
Utilizations in the period	(2.751.000)	(2.751.000)
January 1, 2010	**2.418.000**	**2.418.000**
- Allocations	2.645.000	2.645.000
Utilizations in the period	(2.433.000)	(2.433.000)
December 31, 2010	**2.630.000**	**2.630.000**

Provision for equity investment losses

This provision refers to the subsidiary PRIMA FINN-POWER GmbH. For more details on this subject, see Note 11.3 - "Equity investments in subsidiaries".

Guarantee fund

This refers to provisions for work on Company products under warranty and is proportionate to the warranty costs that will be incurred. With respect to 2009 the warranty provision increases by 212 thousand euro, confirming the increased volume of orders.

Provision for agents' customer indemnity

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

NOTE 11.21 - TRADE PAYABLES

TRADE AND OTHER PAYABLES	31/12/10	31/12/09
Payables owed to suppliers	19.845.737	16.167.125
Amounts due to subsidiaries	7.031.053	2.873.525
Trade payables	**26.876.790**	**19.040.650**
Advances from customers	2.869.487	2.715.746
Advances from customers	**2.869.487**	**2.715.746**
Other payables due to subsidiaries	4.832.230	9.854.320
Social security payables	1.190.908	1.008.778
Amounts due to employees	1.361.830	1.241.324
Other short-term payables	228.181	318.966
Accruals and deferrals	470.370	442.799
Other	**8.083.519**	**12.866.188**

The trade payables at 31 December 2010 amounted to 26,877 thousand euro and, compared to the previous financial year, the item recorded an increase of 7,836 thousand euro, corresponding to the increased volume of business.

"Advances from customers" contains advances on orders for machines that have not been delivered, and advances generated by application of IAS 18 for machines that have been delivered but not yet accepted by the end customer and thus cannot be entered among revenues. The item is substantially unchanged with respect to the previous year and amounted, on December 31, 2010 to 2,869 thousand euro compared with 2,716 thousand euro at the end of 2009.

Other payables to subsidiaries consist of 4,832 thousand euro entirely attributable to the EQT settlement in 2009, down compared to the previous year (this item on 31/12/2009 amounted to 9,854 thousand euro).

Payables to employees refers to deferred and non-matured compensation for leave not taken, the variable quota of the production bonus and incentives matured by managers and sales personnel and for travel expenses advanced by and owed to employees.

NOTE 12.22 - FISCAL LIABILITIES FOR CURRENT TAXES

This item amounts to 683 thousand euro (928 thousand euro as of 31.12.09) and includes:

DEFERRED CURRENT TAX LIABILITIES	31/12/10	31/12/09
VAT to foreign branches	7.305	4.570
Regional Trade Tax (IRAP)	161.649	399.585
Income tax deductions (IRPEF)	488.001	469.653
Other tax payables	25.924	54.210
TOTAL	**682.879**	**928.018**

NOTE 11.23 - NET REVENUES FROM SALES AND SERVICES AND OTHER REVENUES

The *Net revenues from sales and services* consist of:

data expressed in euro/000

Revenues from sales and services	TOTAL		ITALY		EUROPE		REST OF THE WORLD		N. AMERICA	
	value	%	value	%	value	%	value	%	value	%
Laser Systems	59.679	79,1%	14.289	18,9%	21.735	28,8%	21.457	28,4%	2.189	2,9%
Customer and other services	15.775	20,9%	6.944	9,2%	5.793	7,7%	2.230	3,0%	808	1,1%
TOTAL	**75.454**	**100,0%**	**21.233**	**28,1%**	**27.528**	**36,5%**	**23.687**	**31,4%**	**2.997**	**4,0%**

Revenues at 31/12/2010 stood at 75,454 thousand euro and were up 12,211 thousand euro from 2009, (on 31/12/2009 their value amounted to 63,243 thousand euro). For more details on the subject of revenues, see the Management Report.

Other revenues are as follows.

Other operating income	31/12/10	31/12/09
Grants for research projects	1.169.570	203.042
Services provided and costs charged back to subsidiaries	787.123	1.103.101
Collection of security deposits	432.707	-
Extraordinary income	309.375	441.682
Revenue for Research & Development	80.560	60.240
Insurance refunds	11.442	9.293
Other	124.248	284.421
TOTAL	**2.915.025**	**2.101.779**

The grants for research entered in the income statement refer to facilitations on an unsecured basis for research and development and refer, in particular, to a grant in the capital account relative to a program of technological innovation to be paid by the Ministry for Economic Development, amounting to about 1.1 million euro.

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

Collection of a deposit for 433 thousand euro refers to security on a contract (not a trade contract) which was not stipulated at the conditions foreseen due to a breach by the other party.

Non-operating losses mainly refer to adjustments to appropriations made in the previous year.

Revenues from research and develop activities stand at 81 thousand euro and refer to the 3-year Hipernano project, in association with the Polytechnic University of Turin.

NOTE 11.24 - INCREASES FOR INTERNAL WORKS

Capitalization for increases for internal work was 1,718 thousand euro in 2010 against 2,321 thousand euro the previous year.

The amount entered in the income statement for the year refers to 152 thousand euro for costs incurred for the construction of production equipment and 1,566 thousand euro for development costs relative to research projects. Technical feasibility and generation of likely future economic benefits were investigated for all capitalized projects.

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

NOTE 11.25 - PERSONNEL COST

Personnel costs	31/12/10	31/12/09
Salaries and wages	12.526.197	11.366.524
Social security contributions	3.799.140	3.472.886
Fidelity Premium	55.407	55.063
Severance indemnities paid into complementary pension funds	728.714	738.585
Other costs	688.057	556.916
TOTAL	**17.797.515**	**16.189.973**

Personnel costs went from 16,190 thousand euro in 2010 to 17,798 thousand euro in 2010. The increase of 1,608 thousand euro is not the result of an increase in the size of staff in numerical terms, but reflects the fact that in 2010 the company no longer had recourse to use of redundancy schemes, such as government-subsidized layoff programs, as it did the previous year. This is a direct consequence of the increased production volumes achieved by the company.

Changes during the year in the number of employees are detailed by category:

Personnel movements	31/12/09	Hired	Ceased employment	Promotions	31/12/10	Year average
Executives	11	-	1	+2	12	10
Front-line managers	15	1	2	+2(2)	14	15
Managers	10	3	-	+4(2)	15	13
Office staff	189	6	11	+3(4)	183	184
Intermediate	2	-		+2	4	3
Production workers	64	2	3	(5)	58	61
TOTAL Italy	**291**	**12**	**17**	**-**	**286**	**287**
Foreign Branch office - Switzerland	3	-	-	-	3	
TOTAL PRIMA INDUSTRIE	**294**	**12**	**17**	**-**	**289**	

The overall workforce at PRIMA INDUSTRIE went from 294 units (at 31 December 2009) to 289 units (at 31 December 2010).
It should be noted that, since the Company operates in a high-tech sector, employees are, on average, more specialized and thus labour costs are higher than the average industry standard. As regards employees in the branches, it remained unchanged in the Swiss branch (3 units).

NOTE 11.26 - DEPRECIATION

Depreciation increased by 421 thousand euro compared to the previous year. This increase is mainly due to intangible fixed assets, following implementation of numerous development projects capitalized between previous years and the current one.

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

Depreciation	31/12/10	31/12/09
Intangible fixed assets	1.031.293	577.649
Tangible fixed assets	551.608	584.550
TOTAL	**1.582.901**	**1.162.199**

NOTE 11.27 - OTHER OPERATING REVENUES

Other operating costs	31/12/10	31/12/09
Work by third parties	7.003.694	5.378.091
Travel expenses	2.304.985	2.009.904
Transport and custom duties	2.014.326	1.054.463
Technical, legal, fiscal and administrative consultation fees	1.408.148	1.921.109
Commissions	1.150.925	1.278.684
Electricity, telephone, etc.	855.658	815.338
Advertising and promotion	635.497	348.867
Directors' remuneration	460.000	504.027
Third-party maintenance	454.475	439.248
Insurance	344.711	351.581
Temporary work	181.670	68.309
Statutory auditors' remuneration	129.609	138.044
Other service expenses	567.909	527.350
Hire and other third-party costs	708.742	785.259
Rent	467.971	450.836
Extraordinary liabilities	272.364	342.092
Taxes and duties	76.017	120.341
Other operating costs	216.903	154.929
Appropriations to the provision for contractual risks and charges	2.645.000	2.080.000
Utilization provision for contractual risks and charges	(2.433.000)	(2.751.000)
Provision for doubtful debts	139.020	103.460
TOTAL	**19.604.623**	**16.120.932**

This item amounts to 19,605 thousand euro at 31.12.10 and increased since the previous year by 3,484 thousand euro (it was 16,121 thousand euro at 31.12.09). The increase refers mainly to costs for commission work, travel expenses, shipping costs, temporary employment and other variable costs the increase of which reflects the growing volume of business achieved by the company during 2010.

The most significant *Other service costs* include:

- entertainment expenses for 59 thousand euro;
- translation costs of 55 thousand euro;
- royalties for 10 thousand euro;
- recruitment of personnel for 18 thousand euro;
- costs of manuals and documentation for 15 thousand euro;
- trademark and patent costs totaling 12 thousand euro.

Other operating costs include subscriptions to books and magazines, membership dues and other costs for associations.

NOTE 11.28 - FINANCIAL INCOME AND COSTS

Financial management was positive for the year 2010 for 1,554 thousand euro.

Financial income and expenses	31/12/10	31/12/09
Writedowns of equity investments in subsidiaries	(4.933.192)	-
Interest on short-tem bank loans (current/non-curre	(4.045.409)	(3.617.772)
FV adjustment derivative instruments	(1.951.600)	(1.473.436)
Interest paid on Employee Severance	(123.111)	(133.292)
Interest and trade allowances	(21.893)	(63.721)
Interest on leasing agreements	-	-
Other	(720.116)	(608.049)
Financial expenses	**(11.795.321)**	**(5.896.270)**
Recovery of value of equity investments in subsidiaries	11.279.671	**-**
Financial income from subsidiaries	2.138.784	2.704.603
Financial income from other companies	60.000	-
Interest income from customers	21.033	54.751
Interest on bank accounts	18.252	22.576
Active differential on derivatives		98.044
Other		7.574
Financial income	**13.517.740**	**2.887.548**
Negative foreign exchange differences	(631.575)	(134.585)
Positive exchange differences	463.353	233.601
Exchange rate differences	**(168.221)**	**99.016**
FINANCIAL INCOME AND EXPENSES (NET)	**1.554.198**	**(2.909.706)**

The financial costs relative to the FINPOLAR loan amounted to 4,379 thousand euro and net financial costs on derivatives stipulated amount to 1,952 thousand euro. It is important to stress that the financial costs in 2009 were reported net of the effect of the income from the settlement with EQT for 1,730 thousand euro relative to cancellation of financial costs on the payable.

During 2010 a cost of 4,933 thousand euro was recorded following registration of a write-down provision relative to the subsidiary PRIMA FINN-POWER GmbH, and financial income was entered for 11,280 thousand euro following recovery of the value of the equity investments in PRIMA NORTH AMERICA; for more information about both these operations see “Note 11.3 – Equity investments in subsidiaries”.

NOTE 11.29- CURRENT AND DEFERRED TAXES

Current tax liabilities and deferred taxes	31/12/10	31/12/09
IRAP (Regional trade tax)	(556.143)	(399.585)
Taxes relating to previous years	93.246	(44.333)
Prepaid	(372.196)	111.979
Deferred	(142.538)	247.858
Income from IRES consolidated taxation	827.772	498.350
Costs for IRES consolidated taxation	(304.770)	(251.108)
Tax credit for research & development costs	-	725.988
TOTAL	**(454.629)**	**889.149**

The reconciliation between the fiscal costs entered in the theoretical financial statements and the theoretical fiscal cost, calculated on the basis of the theoretical tax rates in force in Italy, is as follows (values expressed in euro/000):

(values in euro/000)

Reconciliation between ordinary and actual tax rates	Taxable amount	Income tax	Rate %
EARNINGS BEFORE TAX	3.891	1.070	27,50
LOSSES IN SHAREHOLDINGS	-	-	-
DIVIDENDS	-	-	-
PERMANENT INCREASE	6.147	1.690	43,44
PERMANENT DECREASE	(11.418)	(3.140)	(80,70)
TEMPORARY CHANGES FOR UTILIZATION/ALLOCATION OF PROVISIONS	(842)	(232)	(5,95)
TEMPORARY CHANGES FOR INCOMING GRANTS	(596)	(164)	(4,21)
TEMPORARY CHANGES FOR NON-DEDUCTIBLE INTEREST	3.009	827	21
OTHER TEMPORARY CHANGES	(256)	(70)	(1,81)
TAXABLE IRES FIGURE (CORPORATE TAX)	**(65)**	-	-
UTILIZATION OF PREVIOUS LOSSES	-	-	-
GRATUITIES	-	-	-
CORPORATION TAX (IRES)	**-**	**-**	**-**

	Taxable amount	Rate %	IRAP (Regional trade tax)
VALUE OF PRODUCTION	82.978		
PERMANENT INCREASES/DECREASES	546		
TOTAL POSITIVE	**83.524**		
COST OF PRODUCTION	(62.467)		
(EXCLUDING LABOUR COSTS)			
PERMANENT INCREASES/DECREASES	102		
TOTAL NEGATIVE	**(62.365)**		
TOTAL NET VALUE OF PRODUCTION	21.159		
DEDUCTION OF PERSONNEL COSTS, R&D, ETC.	(6.663)		
TAXABLE AMOUNT	14.496		
DEDUCTION FOR FOREIGN COMPENSATION	(236)		
TAXES	**14.260**	**3,90**	**556**
TOTAL REGIONAL TRADE TAX (IRAP)			**556**

NOTE 11.30 - GUARANTEES GRANTED, COMMITMENTS AND OTHER POTENTIAL LIABILITIES

As of 31.12.10, the situation relative to guarantees granted, commitments and other potential liabilities of the company was as follows.

Values expressed in thousands of Euros	31/12/2010	31/12/2009
Guarantees granted	21.660	6.930
Commitments toward leasing companies	894	1.132
Other commitments and significant contract rights	2.709	3.687
Potential liabilities	-	-
TOTAL	**25.263**	**11.749**

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

NOTE 11.31 - TRANSACTIONS WITH ASSOCIATED PARTIES

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

The impact of these transactions on individual items in the 2010 financial statements, already highlighted in the supplementary tables of the balance sheet and income statement, drawn up in accordance with CONSOB Resolution no. 15519 of 27 July 2006, is summarized in the following table:

Associated parties – financial items

(transactions in thousands of euros)

Counterparty	Financial receivables	Trade receivables	Trade payables and advances	Other
PRIMA ELECTRONICS	22.077	135	1.538	-
PRIMA INDUSTRIE GmbH	-	5.080	129	-
PRIMA NORTH AMERICA	-	2.034	3.764	-
PRIMA FINN-POWER UK	626	1.148	62	-
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	-	584	24	-
PRIMA INDUSTRIE (BEIJING) CO.LTD.	-	240	455	-
OOO PRIMA INDUSTRIE	-	12	56	-
FINN POWER GROUP	82.976	4.980	447	4.832
SHANGHAI UNITY PRIMA LASER MACHINERY CO.LTD	-	3	-	-
STRATEGIC MANAGEMENT	-	-	-	160
OTHER RELATED PARTIES	-	-	-	-
BOARD OF AUDITORS	-	-	130	-
TOTAL	**105.679**	**14.216**	**6.605**	**4.992**

Associated parties – economic items

(transactions in thousands of euros)

Counterparty	Revenues	Other operating income	Financial income	Purchases	Personnel costs	Other operating costs
PRIMA ELECTRONICS	58	124	13	2.803	-	324
PRIMA INDUSTRIE GmbH	7.390	23	-	20	8	200
PRIMA NORTH AMERICA	4.752	240	-	8.909	-	151
PRIMA FINN-POWER UK	1.174	46	14	16	-	48
PRIMA FINN-POWER SWEDEN AB	692	16	-	7	-	37
PRIMA FINN-POWER CENTRAL EUROPE Sp.z.o.o.	676	14	-	54	-	99
PRIMA INDUSTRIE (BEIJING) CO.LTD.	123	10	-	-	-	255
OOO PRIMA INDUSTRIE	45	-	-	-	-	56
FINN POWER GROUP	10.620	361	2.112	190	11	587
SHANGHAI UNITY PRIMA LASER MACHINERY CO.LTD	6	-	-	-	-	-
STRATEGIC MANAGEMENT	-	-	-	-	648	460
BOARD OF AUDITORS	-	-	-	-	-	130
TOTAL	**25.536**	**834**	**2.139**	**11.999**	**667**	**2.347**

In terms of the impact on the financial flows of relationships with associated parties, these were not represented in a table, since they are almost entirely linked to transactions with companies that are directly or indirectly controlled by the Company, as illustrated previously. The above table does not contain entries deriving from national consolidated taxation, since they do not represent actual exchanges, but rather only those originating from the financial procedures provided for in national taxation legislation (receivables from PRIMA ELECTRONICS for 826 thousand euro and payables to FINN-POWER Italia of 556 thousand euro).

See the table below on the following pages illustrating "compensation paid to directors, statutory auditors, general managers and executives with strategic responsibilities".

NOTE 11.32 - SIGNIFICANT NON-RECURRENT EVENTS AND TRANSACTIONS

During 2010 the company carried out several non-current transactions.
These transactions are commented on in the Report on Operations and are as follows:

- Contribution in the capital account relative to a program of technological innovation, to be paid by the Ministry for Economic Development to the parent company, for 1,100 thousand euro;
- Collection of the Escrow Account relative to a deposit made to guarantee a contract (not a trade contract) which was not stipulated at the conditions foreseen due to a breach by the other party (433 thousand euro).
- Reorganization and restructuring action (for costs of 165 thousand euro).

- Recovery of value of the equity investment in PRIMA North America (11,279 thousand euro);
- Write-down of the equity investment in PRIMA FINN-POWER for 4,933 thousand euro.

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

In accordance with CONSOB Communication dated 28 July 2007, during 2010 the company performed no atypical and/or unusual transactions, as defined by the Communication, which states that atypical and/or unusual transactions are those operations whose size/importance, nature of the counter parties, object, price transfer determination method and timing (proximity to close of the financial year) can give rise to doubts regarding: the correctness/completeness of the information in the financial statements, conflict of interests, safeguard of company assets, protection of minority shareholders.

NOTE 11.35 - NET FINANCIAL POSITION

FINANCIAL POSITION		
Values expressed in thousands of euros	31/12/10	31/12/09
A CASH	458	1.332
B OTHER CASH EQUIVALENTS	-	-
C SECURITIES HELD FOR TRADING	-	-
D CASH (A+B+C)	**458**	**1.332**
E CURRENT FINANCIAL RECEIVABLES	402	5.300
F CURRENT BANK LOANS	-	-
G CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	31.567	31.270
H OTHER CURRENT FINANCIAL PAYABLES	3.792	3.833
I CURRENT FINANCIAL INDEBTEDNESS (F+G+H)	**35.359**	**35.103**
J CURRENT NET FINANCIAL INDEBTEDNESS (I-D-E)	**34.499**	**28.471**
K NON-CURRENT BANK LOANS	99.004	108.857
L BONDS ISSUED	-	-
M OTHER NON-CURRENT FINANCIAL PAYABLES	6.680	6.436
N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)	**105.684**	**115.293**
O NET FINANCIAL INDEBTEDNESS (J+N)	**140.183**	**143.764**

In accordance with Consob communication no. DEM/6064293 of July 28, 2006, the table of the Net Financial Position shown above does not indicate non-current financial receivables which as of 31/12/2010 total 105,279 thousand euro (as of 31/12/2009 they totalled 82,795 thousand euro). These receivables refer to loans granted to the subsidiaries FINN-POWER OY (including the E-share financial receivable), PRIMA ELECTRONICS and PRIMA FINN-POWER UK.

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

- 11.6 - Financial assets - Loans to subsidiaries
- 11.14 - Cash and cash equivalents
- 11.17 – Payables to banks and lenders
-

COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

As required by article 78 of Consob regulation No. 11971 approved on 14 May 1999 a summary of the compensation paid to directors, statutory auditors and the general manager by PRIMA INDUSTRIE SpA and the subsidiary companies, relating to the persons who held such appointments during the year 2010, is provided below (from 1 January to December 31, 2010).

SURNAME	POSITION	PERIOD DURING WHICH POSITION WAS COVERED	DATE ON WHICH THE APPOINTMENT TERMINATES	REMUNERATION FOR THE COMPANY WHICH PREPARES THE FINANCIAL STATEMENTS [(1)]	NON-MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES	STOCK OPTION	OTHER REMUNERATION (SALARIES)
CARBONATO Gianfranco	Chairman and Chief Executive Officer of PRIMA INDUSTRIE SpA	01/01/10 - 31/12/10	Approv. Financial Statements 2010	340.000	3.312	-	97.650	42.500
D'ISIDORO Sandro	Director PRIMA INDUSTRIE	01/01/10 - 31/12/10	Approv. Financial Statements 2010	20.000	-	-	-	-
MAURI Mario	Director PRIMA INDUSTRIE	01/01/10 - 31/12/10	Approv. Financial Statements 2010	20.000	-	-	-	-
MANSOUR Rafic	Director PRIMA INDUSTRIE	01/01/10 - 31/12/10	Approv. Financial Statements 2010	20.000	-	-	-	-
MANSOUR Michael	Director PRIMA INDUSTRIE	01/01/10 - 31/12/10	Approv. Financial Statements 2010	20.000	-	-	-	43.735
PEIRETTI Domenico	Director PRIMA INDUSTRIE	01/01/10 - 31/12/10	Approv. Financial Statements 2010	20.000	-	-	78.120	251.977
BASSO Ezio	General Manager PRIMA INDUSTRIE Director PRIMA INDUSTRIE	01/01/10 - 31/12/10 01/01/10 - 31/12/10	NA Approv. Financial Statements 2010	217.751 20.000	6.678	-	78.120	12.500
FORMICA Riccardo	Chairman of the Board of Statutory Auditors	01/01/10 - 31/12/10	Approv. Financial Statements 2012	49.663	-	-	-	-
MOSCA Andrea	Statutory Auditor	01/01/10 - 31/12/10	Approv. Financial Statements 2012	40.820	-	-	-	-
PETRIGNANI Roberto	Statutory Auditor	01/01/10 - 31/12/10	Approv. Financial Statements 2012	39.126	-	-	-	-
RATTI Massimo	Finance Director PRIMA INDUSTRIE Group	01/01/10 - 31/12/10	NA	161.544	4.939	-	78.120	17.500

(1) - Determined on the accrual basis

TABLE OF ESSENTIAL DATA FROM LAST FINANCIAL STATEMENTS OF THE SUBSIDIARIES

Values expressed in thousands of Euros	PRIMA ELECTRONICS S.p.A.	PRIMA FINN-POWER GMNH	PRIMA NORTH AMERICA	PRIMA FINN-POWER SWEDEN AB	PRIMA FINN-POWER UK LTD	PRIMA FINN-POWER CENTRAL EUROPE SP.Z.o.o.	PRIMA BEIJING	OOO PRIMA INDUSTRIE	OSAI UK	OSAI USA	FINN-POWER GROUP
NON-CURRENT ASSETS	37.172	197	5.917	-	13	12	2	71	26	198	101.836
CURRENT ASSETS	20.783	11.203	22.297	759	3.943	1.034	1.267	1.357	1.457	1.041	86.402
TOTAL ASSETS	**57.955**	**11.400**	**28.214**	**759**	**3.956**	**1.046**	**1.269**	**1.428**	**1.483**	**1.239**	**188.238**
SHAREHOLDERS' EQUITY	13.905	(4.608)	16.900	732	273	6	815	71	1.259	(196)	36.877
NON-CURRENT LIABILITIES	4.200	96	1.005	-	627	-	-	26	1	-	89.174
CURRENT LIABILITIES	39.850	15.912	10.309	27	3.056	1.040	454	1.331	223	1.435	62.187
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**57.955**	**11.400**	**28.214**	**759**	**3.956**	**1.046**	**1.269**	**1.428**	**1.483**	**1.239**	**188.238**

Values expressed in thousands of Euros	PRIMA ELECTRONICS S.p.A.	PRIMA INDUSTRIE GMBH	PRIMA NORTH AMERICA	PRIMA FINN-POWER SWEDEN AB	PRIMA FINN-POWER UK LTD	PRIMA FINN-POWER CENTRAL EUROPE SP.Z.o.o.	PRIMA BEIJING	OOO PRIMA INDUSTRIE	OSAI UK	OSAI USA	FINN-POWER GROUP
REVENUES	30.493	18.642	28.712	1.269	3.653	1.442	513	359	1.045	1.286	137.666
EBIT	2.913	(1.435)	743	260	222	22	49	(58)	3	(201)	(727)
EARNINGS BEFORE TAX	2.581	(1.412)	1.080	259	246	11	9	(57)	7	(217)	(3.305)
NET INCOME	**1.509**	**(1.441)**	**641**	**213**	**245**	**(14)**	**(119)**	**(47)**	**2**	**(118)**	**(3.014)**

It should be noted that:

- *all the financial statements listed above refer to 31/12/2010 and were prepared and reclassified in accordance with the international IAS/IFRS accounting standards;*
- *FINN-POWER data represent the sub consolidated of the Finnish Group.*

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

The following table, prepared in accordance with art. 149L of the Consob Issuer Rules indicates the auditing fees for the year 2010 for auditing services and services other than auditing performed by the same company and by companies in its network.

Auditing costs (expressed in thousands of euro)	2010
Parent company account audit	62
Subsidiary account audits	158
Other services	36
TOTAL	**256**

CERTIFICATION OF THE FINANCIAL STATEMENTS AS OF 31/12/2010

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

1. The undersigned Gianfranco Carbonato (CEO) and Massimo Ratti (the director appointed to draw up the corporate accounting documents) of PRIMA INDUSTRIE S.p.A. hereby certify, taking account, also, of the terms of art. 154-bis clauses 3 and 4, of legislative decree no. 58 dated 24 February 1998:

- the adequacy in relation to the business characteristics and the effective application of the administrative and accounting procedures for the drafting the financial statements for the year 2010.

2. No significant aspects have emerged in this regard.

3. We also certify that:

3.1 the Financial Statements:

a) are drafted in compliance with the applicable accounting standards as adopted by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council, dated July 19, 2002;
b) reflect the book entries and accounting documentation;
c) provide an accurate and truthful representation of the issuing company's equity, financial and economic situation.

3.2 The report on operations includes a reliable analysis of performance and results of management, and of the situation of the issuing company, together with a description of the main risks and uncertainties to which it is exposed.

Date: 14/03/2011

Signed by the appointed Administrative Executive

____

Signature of executive in charge of drafting
the company accounting documents

____

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the financial statements of Prima Industrie S.p.A. as of and for the year ended December 31, 2010, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 31, 2010.

3. In our opinion, the financial statements of Prima Industrie S.p.A. at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Prima Industrie S.p.A. for the year then ended.

4. The management of Prima Industrie S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure , as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Company's Ownership Structure , are consistent with the financial statements of Prima Industrie S.p.A. as of December 31, 2010.

   Turin, March 25 2011

   Reconta Ernst & Young S.p.A.

   signed by: Stefania Boschetti, partner

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of Prima Industrie S.p.A.

1. We have audited the consolidated financial statements of Prima Industrie S.p.A. and its subsidiaries, (the "Prima Industrie Group") as of and for the year ended December 31, 2010, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Prima Industrie S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 31, 2010.

3. In our opinion, the consolidated financial statements of the Prima Industrie Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Prima Industrie Group for the year then ended.

4. The management of Prima Industrie S.p.A. is responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Corporate Governance" of Prima Industrie S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure , as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the Report on Corporate Governance and the Company's Ownership Structure , are consistent with the consolidated financial statements of the Prima Industrie Group as of December 31, 2010.

   Turin, March 25 2011

   Reconta Ernst & Young S.p.A.

   signed by: Stefania Boschetti, partner

PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli, 32 10097 Collegno (Turin)
Share capital: 21,600,917.50 Euro, fully paid-in
Registered in the Turin Business Registry under No. 03736080015
www.primaindustrie.com

***

BOARD OF AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING CONVENED FOR APPROVAL OF THE FINANCIAL STATEMENTS AS OF 31.12.10
(in accordance with art. 153 of Legislative Decree No. 58 dated February 24, 1998)

Ladies and Gentlemen,

Article 153 of Legislative Decree no. 58 dated February 24, 1998 requires the Board of Statutory Auditors to report to the shareholders' meeting convened for approval of the annual financial statements on its activities of oversight, any omissions and censurable events it may have discovered, with the faculty to make proposals relative to the financial statements, its approval and other matters pertinent to its mandate.

We are complying with this law by submitting our report, also in respect of art. 2429, clause 2, of the Italian civil code, having waived the term foreseen by art. 154-ter clause 1-ter of legislative decree no. 58 dated 24.02.98:

In the past year we fulfilled our duties as specified in art. 149 of Legislative Decree no. 58 of 24.2.1998, which allows us to report to you on the following topics.

Oversight and information received

During the year, the Statutory Auditors:

- held 6 board meetings, always attended by all the members in office;
- attended 6 meetings of the Board of Directors;
- attended 4 meetings of the Internal Control Committee;
- attended one shareholders' meeting;
- maintained a constant informative channel and held regular meetings with the auditing company, for timely exchanges of data and information relative to the performance of their respective duties;
- met with the person assigned to the system of internal control;

- met with the Oversight Committee appointed pursuant to Legislative Decree No. 231/2001;
- gathered documents and information deemed relevant by the executive directors, the executive assigned to draft the company's accounting documents and other company functions;
- exchanged information with the Board of Auditors of the main subsidiary pursuant to art. 151, clauses 1 and 2, of Legislative Decree No. 58/1998.

During the Board meetings, we were informed about the activities performed and the most significant transactions from the economic, financial and equity viewpoint, and we acquired information relative to their compliance with the law, the by-laws, the resolutions passed by shareholders' meetings and the absence of any conflicts of interest.

With particular reference to the functions acquired pursuant to art. 19 of Legislative Decree no.39/2010, we held joint meetings and coordinated with the Internal Control Committee, proceeding in particular to monitor:

- the process relative to financial information;
- the effectiveness of the systems of internal control and risk management;
- on the legal auditing of the annual accounts and consolidated accounts;
- on the aspects relative to the independence of the auditing company.

In the sphere of the meetings with the auditing company and the internal control committee, we examined the work program adopted by them, received information about the accounting standards used, the book representation of the most significant transactions that took place during the year under consideration, and the outcome of the auditing activities.

In this connection, we received detailed information about the impairment test performed by the company to confirm the values of the main goodwill elements entered in the balance sheet (Finn-Power Group, OSAI-Service, Prima North America, MLTA and OSAI UK). This analysis did not lead to any reduction of value and the relative details are furnished by the management in the explanatory notes to the financial statements.

We were constantly informed about the activity undertaken to renegotiate the terms and conditions of the loan contract stipulated for the acquisition of Finn-Power.

We acknowledge that the auditing company Reconta Ernst & Young S.p.A., on the independence of which we have no reservations, presented us today with its report in which, pursuant to art. 19, third clause, of Legislative Decree no. 39/2010, we observe that no fundamental objections were raised and no any significant shortcomings were found in the system of internal control, with reference to the process of financial reporting.

During the year, the Prima Industrie Group structured its business in two separate divisions:
MACHINERY (relative to laser machines for sheet metal processing) and COMPONENTS (relative to opto-electronic components).
The representation of the business by segments in the consolidated financial statements for 2010 remained unchanged, however, since the two divisions sectors will be operational from January 1, 2011.

During 2010, the Board of Directors of Prima Industrie S.p.A., appointed a Manager for Internal Control and approved new guidelines for the system of internal control, in order to strengthen its oversight and limit the risks typical of the company's business.

At our suggestion, the subsidiaries with strategic relevance are also proceeding to apply measures and organizational provisions coherent with those adopted by the parent company.

With reference to the management area, the company has adapted to the provisions introduced by law no. 262/2005. We observed that, in application to the aforementioned law, Prima Industrie S.p.A. and its main subsidiaries have adopted a specific manual of administrative and accounting procedures. The quarterly audits of the procedures of account closure and administration in general, performed in some cases by an outside consultant firm, and the certifications received from the subsidiaries' managements, enabled the appointed manager to certify that the administrative and accounting procedures applied by the company are effective and reliable.

We also monitored application of the Code of Conduct on the subject of *internal dealing*, which regulates the obligations of "significant" figures in transactions involving financial instrument issued by the company. We also monitored upkeep of the Register of persons with access to privileged information, pursuant to art. 115-bis of Legislative Decree no. 58/1998. We have nothing to report in this area.

On the basis of the activities of oversight performed by us, we can express an evaluation of adequacy of the organization structure to the size and activities performed by the company, the system of internal control as a whole, and the ability of the account management to correctly represent the events of management.

The Board of Directors sent us the financial report relating to the first six months of the previous financial year, as well as the quarterly reports for the first and third quarter of 2010, within the specified period. These were published within the periods and as required by the regulations issued by Consob and the Italian Stock Exchange.

The half-yearly report on consolidated information on Prima Industrie Group was subject to a limited audit by Reconta Ernst & Young S.p.A. The quarterly data and information were not audited as this was not a mandatory requirement.

We examined the draft Financial Statements at December 31, 2010, prepared by the Directors as required by the law and communicated by them to the Board of Statutory Auditors during the board meeting held on March 14, 2011. The certification of the Chairman-Managing Director and of the manager assigned to draft the company's accounting documents pursuant to art. 154-bis of Legislative Decree no. 58/1998 is enclosed with the financial statements.

In particular, we ascertained that no exceptions were applied in terms of section 2423, clause 4, of the Italian Civil Code.

In addition, we acquired the necessary information from the auditing company on the report to be issued by the auditing company as to the 2010 Financial Statements, in accordance with Section 156 of Legislative Decree No. 58/1998. In this regard no criticisms were raised by the auditors.

With reference to Consob communication no. 1025564 of April 6, 2001, for the aspects which pertain to our duties, we can state the following:

- The information provided by the Directors in the Management Report was found to be thorough and complete.

- in compliance with the Consolidated Text on Finance (Legislative Decree No. 58/98), the Board of Statutory Auditors has been constantly informed on all matters within its sphere of competence.

- the periodical reviews and audits made on the company have not brought to light the existence of atypical and/or unusual operations with others, associated parties or within the group.

- the instructions given by Prima Industrie S.p.A. to its subsidiaries, in accordance with section 114, paragraph 2 of Legislative Decree No. 58/1998 are believed to be adequate. A further guarantee of reciprocal information is represented by the presence in the management of the subsidiaries of several member of the parent company's Board of Directors;

- as regards intra-group operations, the Directors, in their Report on Operations, highlight and illustrate the existence of relations between the company and the other companies of the group to which it belongs, as well as associated companies, specifying that these relations were entertained at market conditions deemed normal on the respective reference markets, taking account of the characteristics of the goods and services provided and/or loans granted to the subsidiaries.
  In this connection we observe that on November 10, 2010, the Board of Directors, with the approval of the independent directors, adopted the “Procedures for operations with associated parties" pursuant to art. 4 of Consob Regulation no. 17221 dated March 12, 2010, and subsequent amendments and additions. The procedures, in compliance with

Consob Regulation no. 17221 of March 12, 2010, and Consob Communication dated September 24, 2010, are effective as of January 1, 2011 and are published on the website of Prima Industrie S.p.A..

At the same meeting the Board appointed the members of the Committee for Internal Control to the committee for operations with associated parties until expiration of the Board of Directors or until resolved otherwise.

- from the exchange of information with the auditors of the subsidiary Prima Electronics S.p.A., there were no aspects to report;

- we examined and obtained information on the activities of an organizational and procedural nature carried out pursuant to and by the effects of Legislative Decree no. 231/2001 and subsequent additions, on the administrative liability of organizations for the crimes foreseen by those laws. The report of the Oversight Committee outlines the activities performed during 2010, preparatory to a complete reorganization of the Organization and Management Models, revision of the Ethics Code and system of sanctions, and implementation of the system for management of Safety in the Workplace with a view to undertaking the procedures for certification according to standard OHSAS 18001:2007. In this connection, we found no critical elements to report;

- no critical aspects arose during the meetings held with the auditors pursuant to art. 150 of Legislative Decree No. 58 dated 24.02.98)

- No other than the appointments were conferred on the auditing company, Reconta Ernst & Young S.p.A. by the parent company, aside from that foreseen by art. 155 of Legislative Decree no. 58/1998. The activities required of the auditing company, and relative fees, are indicated in the explanatory notes and were summarized for us by the auditors themselves.

- the auditing company's report, issued today, does not contain any objections, informative observations or proposals and considers the Management Report coherent;

- in accordance with art. 149, clause 1 letter c) bis of Legislative Decree 58/1998 we acknowledge that the management in its report on Corporate Governance and Ownership annexed to the financial statements specify the following:

  "Since November 30, 2006, the company has adopted its own code of self-discipline, applying the criteria proposed by the code of self-discipline of the Italian stock exchange, except in certain specific points. Where the company has deviated from the Code, this report indicates and explains the reasons".

  In the aforementioned Annual Report, the directors furnish detailed information about the mode of implementation of the principles of corporate governance approved by the Italian stock exchange.

This report is consistent with the provisions of art. 123-bis of the Unified Text of the Law and the auditing company has expressed its finding of coherence of the information cited in clause 4 of legislation, pursuant to art. 156, clause 4-bis, lett. of Legislative Decree no. 58/1998;

- pursuant to art. 2408 of the Italian Civil Code, we have not received any complaints from shareholders relating to any potentially censurable deeds, and no claims have been filed by shareholders and/or others;.

- during the year we furnished the required opinions relative to the assignment of compensation, rewards and incentives, and our approval of the statutory amendments introduced as a consequence of the events foreseen by Legislative Decree no. 27/2010. Moreover, we have expressed our positive opinion relative to the adoption of the procedures on transactions with associated parties approved by the Board of Directors on November 10, 2010, in respect of Consob Regulation no. 17221/2010.

We acknowledge that Prima Industrie S.p.A. is not in a situation of dependence or subsidiarity to other companies.

We observe, pursuant to art. 122 of Legislative Decree no. 58/1998, that there is a corporate agreement stipulated on December 12, 2008, between Mr. Guido Carlo Marchetti San Martino di Muriaglio, Enrico Marchetti San Martino di Muriaglio and Carlo Alberto Marchetti San Martino di Muriaglio. The duration of the pact is three years from signature.

On November 10, 2010, the Board of Directors approved certain amendments to the company by-laws to adjust them to the compulsory legislative provisions of Legislative Decree no. 27/2010.

We inform you that a stock option plan intended for the executive directors of Prima Industrie S.p.A., Prima Electronics S.p.A. and Finn-Power Oy, as well as the corporate financial director and the general manager of Prima Industrie S.p.A., as managers who take strategic decisions, is still in progress following its approval by the regular shareholders' meeting held on April 29, 2008. In its Report on Business Operations, the managers furnish detailed and exhaustive information about the plan, which is also available on the company website.

Prima Industrie S.p.A. does not hold any treasury stock.

In concluding our report, we acknowledge that the Board of Directors has provided during the year to check the effective independence of the independent directors, and we confirm the correct application of the criteria and procedures for ascertaining this pursuant to art. 3.cl.5 of the Code of Self-Discipline while, for our part, we verified the continuation of our own independence as required by art. 10.cl.2. of the same Code.

As regards the financial statements for the year ending December 31, 2010, showing a profit of Euro 3,436,529, we verified respect of the laws regulating its composition and format, through the controls performed by us, within the limits of our competence, in accordance with art.149 of Legislative Decree no. 58 dated February 24, 1998, taking account of the information furnished to us by the auditing company.

The shareholders' meeting convened for approval of the financial statements is also called upon to resolve on the subject of other matters in the sphere of its competence. In this connection we remind the meeting that the term of the Board of Directors has expired and a new board must therefore be appointed.

In light of the above and given the legal audit performed by the auditing company Reconta Ernst & Young S.p.A., which has expressed an opinion without observations on the annual Financial Statements, in our opinion we can recommend your approval of the company's Financial Statements as of 31st of December, 2010 and the proposal formulated by the Board of Directors as regards the allocation of the profit for the year.

Collegno, March 25, 2011

The Board of Auditors

(Riccardo Formica) - Chairman

(Andrea Mosca) - Regular Auditor

(Roberto Petrignani) – Regular Auditor

PRIMA INDUSTRIE GROUP

***

BOARD OF AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2010

Ladies and Gentlemen,

The Board of Directors of Prima Industrie S.p.A. drafted and approved the Consolidated Financial Statements for the year ending December 31, 2010, in compliance with Legislative Decree No. 127 dated April 9, 1991 and the provisions enacted to implement art. 9 of Legislative Decree no. 38/2005; the Financial Statements were presented to us at the Board Meeting on March 14, 2011.

The consolidated financial statements of the group include certification by the Chairman-Managing Director and Manager appointed to prepare the accounting and corporate documents pursuant to art. 154-bis of Legislative Decree no. 58/1998.

We acknowledge that we have prepared this report waiving the term foreseen by art. 154-ter clause 1-ter of legislative decree no. 58 dated 24.02.98.

The Consolidated Financial Statements of the Prima Industrie Group - which are presented to you - show a negative Net Result of € 5,965,272 and are drafted in compliance with the International Financial Reporting Standards (IAS/IFRS).

During the course of the year, the Board of Statutory Auditors performed the activities of oversight required by the law and was regularly informed by the parent company's Board of Directors about significant economic and financial operations, both ordinary and extraordinary, undertaken within the scope of group.

We verified that the operations resolved and implemented were in accordance with the law and Articles of Association, were not in conflict with the resolutions of the meetings, or in potential conflict of interest and that compliance with the principles of proper management was assured.

We paid particular attention to reviewing intra-group operations taking place during the year, observing the regularity of transactions, both where these operations were of a commercial nature and also where they related to the loans extended by the parent company to the subsidiaries.

The checks carried out by Reconta Ernst & Young S.p.A., who were appointed to perform the audit, verified that the information of the consolidated financial statements corresponded to the accounting entries of the parent company, as well as to the financial statements of the subsidiaries and associated data officially communicated by them.

The financial statements and tables of reconciliation (*reporting package*) according to the IAS/IFRS, sent by the subsidiaries to the parent company for the purpose of drafting the consolidated financial statements, and prepared by the competent officers of their companies, were examined by the officers and auditors assigned to control the individual companies and by Reconta Ernst & Young S.p.A., in the sphere of the procedures applied for auditing the consolidated financial statements.
The Board of Statutory Auditors did not, therefore, review these Financial Statements, in accordance with the provisions of art. 41 no. 3 of Legislative Decree No. 127 dated April 9,1991.

The financial statements of the subsidiaries Prima Electronics S.p.A. and Finn-Power Italia S.r.l. are independently certified by Reconta Ernst & Young S.p.A., which also certifies the parent company's financial statements.

We inform you that we obtained the necessary information in relation to the report on the consolidated financial statements from the auditing company, in accordance with Art. 156 of Legislative Decree No. 58/1998 as amended, and have no observations to report. The auditing company confirmed that the Report on Operations was coherent with the consolidated financial statements of Prima Industrie S.p.A. and the information provided pursuant to art. 123-bis of Legislative Decree no. 58/1998 in the report on corporate governance and proprietary arrangements.

The Financial Statements are made up of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement drafted in accordance with Consob resolution no. 15519 dated July 27, 2006, and the Explanatory Notes to the Consolidated Financial Statements.

As in previous financial years the Board of Directors drafted a single Report on Operations, which provides all information required in relation to the Parent Company and individual Subsidiaries.
We make reference to this report, which adequately illustrates the economic, equity and financial performance of the company in 2010, to the main risks to which the company is exposed and the foreseeable developments relative to 2011 for all the companies included in the area of consolidation.
The examination conducted by us confirmed congruence with the group consolidated financial statements.

The Explanatory Notes to the Consolidated Financial Statements highlight the general criteria used in the preparation of the financial statements, as well as the criteria applied in the evaluation of each item.

For purposes of comparison, the consolidated financial statements present the data corresponding to the previous year. The Directors have appropriately indicated that the only variations which occurred in the area of consolidation during the 2010 financial period, were the addition of the newly incorporated Russian branch OOO PRIMA

INDUSTRIE, wholly owned by the parent company, and the sale of the equity investment in the Chinese jv Wuhan Ovl Convergent Laser Co. Ltd.

The determination of the area of consolidation, and the choice of consolidation standards for equity investments and procedures adopted, reflect the provisions of Legislative Decree No. 127 dated April, 9, 1991, in accordance with International Accounting Standards (IAS/IFRS). The Consolidated Financial Statements are therefore to be considered technically correct and, as a whole, in accordance with the applicable regulations.

Within the terms of its mandate the Board of Statutory Auditors confirms that:

- The Consolidated Financial Statements of the Prima Industrie Group include the Subsidiary Companies which are part of consolidation by the line-by-line method and the joint ventures also part of consolidation by the net equity method, as required by IAS 31 paragraph 38.
  It should be noted that by using the line-by-line method (or the global integration method) the Consolidated Balance Sheet includes all the assets and liabilities of the parent company, except for the equity investments in the subsidiary companies, the accounting value of which is replaced by the sum of the assets and liabilities of the subsidiaries, determined in accordance with accounting principles that match those applied by the parent company. Where the net equity consolidation method is used, the accounting value of the equity investment is replaced with the applicable fraction of the subsidiary's net equity (including the result for the financial year), determined in accordance with accounting principles that match those applied by the parent company. The Consolidated Income Statement includes the applicable share of the result for the financial year, which is also determined in accordance with uniform accounting standards. Thus, a company valued using the net equity method contributes to the financial statements with the same net equity and result for the financial year as would have been applied had it been consolidated using the global integration method. The essential difference lies in the different disclosure in the financial statements, one method disclosing a single equity item (the value of the equity investment) and a single item of income (profit or loss) and the other disclosing all the detailed items of the assets, liabilities and positive or negative income;

- the area of consolidation differs from that of the financial statements as of December 31, 2009, only for the addition of the newly incorporated Russian branch OOO PRIMA INDUSTRIE, wholly owned by the parent company, and the sale of the equity investment in the Chinese jv Wuhan Ovl Convergent Laser Co.Ltd;

- during the year, the Prima Industrie Group structured its business in two separate divisions: MACHINERY (relative to laser machines for sheet metal processing) and COMPONENTS (relative to opto-electronic components). In the sphere of this reorganization, Prima Industrie S.p.A. sold to its subsidiary Prima Electronic S.p.A. the entirety of its equity investment in Prima North America Inc.. In their Report on Operations, the Board of Directors illustrates this operation, also in accordance with the provisions contained in the regulation on the subject of operations with associated parties. We point out that the sale of Prima North America Inc. has no effects on the consolidated financial statements considering the neutrality of the transaction stipulated with a subsidiary.

The representation of the business by segments in the consolidated financial statements for 2010 remained unchanged, however, since the two divisions (Machinery and Components) will only be operational from January 1, 2011.

- The auditing techniques implemented for the purposes of drafting the Financial Statements submitted to you for review are appropriate to ensure the proper use of the data submitted by the subsidiary companies;

- the consolidation adjustments take into account the applicable deferred tax effect;

- the net financial position of the Group showed a deficit of 141,268,000 Euro compared with 150,091,000 in 2009;

- the Balance Sheet records a consolidated shareholders' equity of € 76,244,737 against a parent company net shareholders' equity of € 78,423,659.

On the basis of the checks performed, the Board of Statutory Auditors agrees with the content and the form of the Consolidated Financial Statements of the Group for the year ending December 31, 2010.

Collegno, March 25, 2011

The Board of Auditors

(Riccardo Formica) - Chairman

(Andrea Mosca) - Regular Auditor

(Roberto Petrignani) – Regular Auditor