

L A S E R W O R L D W I D E

30

SPARKLING YEARS

2007



2007 FACTS AND FIGURES



Contents

COMPANY PROFILE	2
FINANCIAL HIGHLIGHTS	3
MESSAGE TO SHAREHOLDERS	4
REVENUE ANALYSIS	6
MARKETING AND SALES	8
WORLDWIDE COVERAGE	10
RESEARCH AND DEVELOPMENT	12
PERSONNEL AND ORGANIZATION	14
GROUP'S COMPANIES AND JOINT VENTURES	16
PERFORMANCE ON THE STOCK MARKET	22
DIRECTORS AND OFFICERS	23
CONSOLIDATED FINANCIAL STATEMENTS	24
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	27

Company Profile

Established in 1977, PRIMA INDUSTRIE designs, manufactures and markets high power laser systems for industrial applications: cutting, welding and drilling three-dimensional (3D) and flat (2D) components.

PRIMA INDUSTRIE is the Parent Company of a wide Group including PRIMA ELECTRONICS, PRIMA North America, sales and service subsidiaries and branch offices in several main markets and joint ventures in China and Japan.

PRIMA ELECTRONICS designs, manufactures and markets industrial electronic systems (DOTS: Dedicated Off-The-Shelf®) and has significant skills in CNC and motion control systems which are supplied to the other Group companies and to external customers.

PRIMA North America is organized in 3 divisions:

- CONVERGENT LASERS which designs, manufactures and sells high power CO₂ and solid state lasers;
- LASERDYNE SYSTEMS which designs, manufactures and sells special laser systems as drilling systems for aerospace and energy markets;
- PRIMA SYSTEMS which sells and services PRIMA INDUSTRIE product line in North America.

Sales and service subsidiaries and branch offices are established in Germany, France, UK, Spain, Sweden, Switzerland, Poland and China. The last two have been established in 2007 to better cover the growing markets of Eastern Europe and China (where the Group was present before only with joint ventures and a branch office).

Among the 4 joint ventures in China and Japan, the most significant is SHANGHAI UNITY PRIMA (SUP) which designs, manufactures and sells its line of laser systems mainly destined to China and Far-East markets. PRIMA stake in SUP is 35%.

PRIMA INDUSTRIE is listed on the Italian Stock Exchange since 1999 (currently STAR segment). Since the IPO the most significant events have been:

- 2000: Acquisition of CONVERGENT ENERGY (U.S.A.)
- 2001: Acquisition of LASERDYNE (U.S.A.)
- 2003: Incorporation of SHANGHAI UNITY PRIMA (China)
- 2005: Acquisition of MATRA (former distributor in Germany)
- 2007: Acquisition of OSAI (Headquarters in Italy, subsidiaries in U.S.A., UK, Germany)
- 2008: Acquisition of FINN-POWER OY (Headquarters in Finland, subsidiaries in Italy, Spain, France, Germany, Belgium, U.S.A. and Canada)

After this last acquisition, PRIMA Group has a complete product range for the sheet metal fabrication market, including punching, shearing, bending, laser cutting and welding machinery and is steadily placed among top groups at world level.

This of course adds to the leadership position in 3D applications for automotive and aerospace which PRIMA enjoys since many years and to the strong presence in the industrial electronics market, enhanced on its turn by the acquisition of OSAI.

PRIMA Group's mission is to continue to expand, along with its customers, as a world class supplier of laser and sheet-metal machinery and of industrial electronics, bound to high technology and fast growing markets.



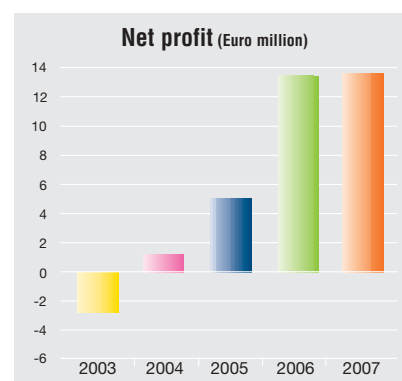
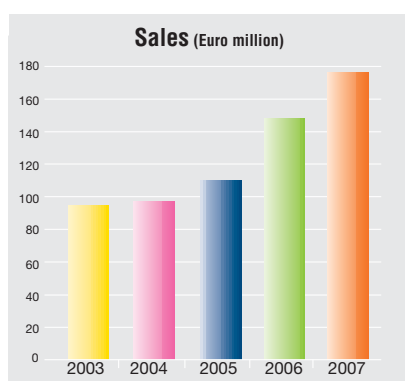
Financial Highlights

Please note that 2007, 2006, 2005 and 2004 figures are prepared/restated in accordance with IAS/IFRS. 2003 figures are prepared according to Italian Gaap.

Year ended December 31st, (Euro thousand, except per share data)

	2007	2006	2005	2004	2003
PROFIT AND LOSS STATEMENT					
Net Sales	176,391	147,569	110,885	97,106	95,000
Operating Margin (EBITDA)	25,108	19,797	9,125	6,205	2,731
Operating Profit (EBIT)	23,584	18,467	7,916	4,991	589
Profit Before Taxes (EBT)	22,901	17,577	7,113	3,431	(2,083)
Minority Interests	18	14	-	-	-
Group Net Profit	13,747	13,706	5,108	1,043	(2,953)
BALANCE SHEET					
Fixed Assets (net)	25,873	19,093	17,378	9,522	10,432
Working Capital (net)	32,056	25,734	26,131	36,076	43,784
Shareholders' Equity and Minority Interests	51,441	42,359	30,839	25,682	27,729
Financial Position (net)	(1,073)	(3,076)	7,733	15,418	22,323
Employees' severance indemnity	7,561	5,544	4,937	4,498	4,164
PER SHARE DATA					
Number of outstanding shares	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
Weighted average outstanding shares	4,597,042	4,594,139	4,588,553	4,559,015	4,543,750
Net Profit per share (on weighted average of shares)	2.99	2.98	1.11	0.23	(0.65)
Book value per share (on weighted average of shares)	11.2	9.22	6.72	5.63	6.10
RATIOS					
Operating Income/Net Sales (ROS)	13.4%	12.5%	7.1%	5.1%	0.6%
Operating Income/Invested Capital (ROI)	40.7%	38.6%	20.5%	12.1%	1.1%
Net Income/Stockholders' Equity (ROE) ⁽¹⁾	29.3%	37.5%	18.1%	3.9%	(10.8%)
OTHER KEY INFORMATION					
Research and Development Expenses	10,085	8,077	7,723	6,926	6,935
Year-end Order Backlog	63,789	55,568	40,742	35,766	19,050
Number of employees	733	546	498	465	446

NOTES: (1) ROE is calculated on average Stockholders' Equity



Message to Shareholders

Challenging endless evolution.



Ladies and Gentlemen,

the 2007 annual report which the Board of Directors submit to your approval is even better than 2006's which, in our last message to Shareholders, we defined as "the best in the history of the Group".

Sales, in fact, reached € 176.4m, up almost 20% on 2006, and all profit ratios recorded a remarkable improvement:

- EBITDA up 27% to € 25.1m (14.2% on net sales)
- EBIT up 28% to € 23.6m
- EBT up 30% to € 22.9m
- Net Profit unchanged at € 13.7m compared to the previous year which, as known, benefited from a reduced tax rate due to the use of carry forward previous losses relevant to PRIMA North America.

Order acquisition was also up 12% to € 184.9m and the year-end backlog amounted to € 63.8m (+15%).

The growth in orders, sales and production value (up 25% to € 183.0m) was largely organic, but was also, to a lesser extent, due to the acquisition of the OSAI Group, which was consolidated from July 1st, 2007.

In this period OSAI has contributed for € 9.4m to sales, for € 9.3m in order intake and € 3.1m in the year-end backlog.

Subsequently, the internal growth has been however remarkable, due to the positive situation in our reference market which has grown 6% (Optech Consulting: laser macro processing systems), although the increase was lower than the record level of over 20% recorded in 2006.

It is well known that growth rates in the United States and in some European countries slowed down in the second part of the year, mainly as a consequence of the financial crisis generated by the "sub-prime mortgages" affair. The consequence was the further weakness of the U.S. Dollar and the strong increase of the oil price which are factors of raising concern in the first part of 2008.

Group revenues have increased for all product lines (laser systems, mainly 2D, and electronics) and in all main geographical markets. Also, in North America sales have increased in absolute values, notwithstanding the dilution (about 9%) caused by the weakness of the U.S. Dollar against the Euro.

All main Group Companies have contributed to growth and profitability. The Parent Company PRIMA INDUSTRIE increased sales by 19% to € 111.4m and EBITDA by 46% to € 10.9m. PRIMA ELECTRONICS recorded extraordinary growth of 30% to € 28.1m with EBITDA (IAS-IFRS) up 43% to € 5.0m. Also, PRIMA North America consolidated the 2006 exceptional results with a limited increase (+2%) in sales to U.S.\$ 64.9m and EBITDA slightly decreasing (-4%) to U.S.\$ 10.8m.

There has also been significant growth in the Eastern Europe and Asia emerging markets, where the Group has further strengthened its commercial presence by establishing PRIMA INDUSTRIE POLSKA Sp. z o.o. in Poland and PRIMA INDUSTRIE (Beijing) Co. Ltd. in China, which have absorbed activities and personnel of the previous branch offices.

We remind that Group sales do not consolidate the joint venture SHANGHAI UNITY PRIMA (where PRIMA INDUSTRIE is increasing its share from 27.5% to 35%) which has registered a record increase in sales (+88%) to RMB 187m (value not including imported laser generators) and in net profit to RMB 31.8m from RMB 10.7m in 2006).

Also from the financial point of view, the year has been very positive with remarkable cash-flow generation which has resulted in a positive Net Financial Position notwithstanding the investment for the acquisition of OSAI paid € 10.4m.

Significant was also the investment in R&D during the year, totalling € 10.1m (5.7% of Sales), which has been fully charged to P/L.

Group headcount at 31 December 2007 increased to 733 units (+34%). This increase is partially "internal" (about 9%), but is mainly due to the acquisition of OSAI (135 employees) which has been consolidated for only 6 months in the 2007 Group financial statements.

The OSAI acquisition has been one of the most important events of the year. It has been pursued and concluded in order to achieve a larger size and a higher international presence (OSAI has sales/service subsidiaries in U.S.A., UK and Germany) for our electronics business.

Among the significant events of the year, it is also worth remembering:

- The delivery in April of the 500th laser of the CP family, developed and manufactured by PRIMA North America. At the year end, the number of CP lasers delivered to customers already exceeded 700 units.
- The unforgettable events in June, organized to celebrate the 30th anniversary of the foundation of the Group, with a plaque celebration offered to the co-founders Franco Sartorio and Gianmario Rossignolo. A fantastic dinner was held in an 18th century villa on the hills overlooking the city of Torino with all PRIMA INDUSTRIE employees and their families.
- The assignment, announced in June and occurred in October during a solemn ceremony at the Quirinale Palace in Rome, of the honorary title of "Labour Knight" to the undersigned. Such an acknowledgement, delivered by Giorgio Napolitano, President of the Italian Republic, has to be interpreted also as recognition to the whole Group and its employees for their commitment towards the outstanding results achieved so far.

- The delivery, at the end of October, of the 1000th Platino to an Italian customer during the EXPOLASER exhibition in Piacenza. One thousand machines have been delivered (of the same Platino family) representing an important recognition of the product by the market and its outstanding mostly in the field of high value capital goods.

It's then evident that 2007 was rich in events and results. This also reflected, in spite of the turbulence of the financial markets during the year, on the value of the stock, which rose 25% to about € 28.7 per share. PRIMA INDUSTRIE stock has also notably outperformed the ALLSTAR segment index of the Italian Stock Exchange, which declined by 16% during 2007.

The most significant event by far which was closed on 02/04/2008, but which both Management and a consultants team worked on during the last part of 2007, has been the acquisition of FINN-POWER Oy, a Finnish Company with a 25 years history of growth and innovation in sheet metal fabrication machinery and systems.

The FINN-POWER Group has headquarters in Kauhava (Finland), manufacturing facilities in Finland and Italy and subsidiaries in Italy, Germany, France, Belgium, Spain, the U.S. and Canada. The Company mainly operates in the sheet metal working machine tool sector (punch presses, punching/shearing cells and punching/laser cells, automatic bending cells and related material handling systems) and to a smaller extent, in the laser cutting machine tool sector, in which PRIMA INDUSTRIE Group is leader.

FINN-POWER products are positioned in the mid-high range, have an average large size and are highly versatile: the Company is well renowned for its factory-wide Flexible Manufacturing Systems.

The reference market for FINN-POWER products is wide and overlaps substantially with those of PRIMA INDUSTRIE Group: telecommunications, HVAC (Heating, Ventilation and Air-Conditioning), electrical and lighting equipment, agricultural machines, home appliances and metal furniture.

FINN-POWER Group has recorded in 2007, according to preliminary IAS-IFRS results, consolidated sales of € 241.4m (up 20% from 2006) with EBITDA at € 23.1m (up 108% from 2006).

Consequently, this transaction creates a global leader in laser and sheet metal working systems, with pro-forma revenues in excess of € 400m, a presence in 50 countries, 10 manufacturing facilities located in Italy, Finland, U.S.A. and China and over 1700 employees worldwide.

The Enterprise Value agreed for FINN-POWER was € 170m, including the Net Financial Debt at the date of closing. The Equity Value, which will be adjusted for the Net Financial Debt at closing, includes a three year deferred payment of € 25m.

The transaction has been financed mainly by long-term facilities, provided for by Banca IMI (mandated lead arranger), Unicredit Banca di Impresa (mandated lead arranger) and Intesa Sanpaolo (financing bank).

A portion of this facility, of no less than € 25m, will be replaced within the next months with the proceeds of a rights issuing, for which a contract of assistance has been signed with Unicredit Markets & Investment Banking.

The main challenges for 2008 are the integration of PRIMA INDUSTRIE and FINN-POWER Groups, the achieving of the foreseen cost and sales synergies as well as the cash generation in order to reduce the debt due to this acquisition since the first year.

The new year started with a significant order backlog and with a still positive situation of the reference markets,

in spite of repeated warnings of an expected recession, which has not occurred so far and which, in any case, should not significantly affect economies of the emerging markets.

All that considered and on the basis of the net profit achieved for 2007 (€ 2.99 earning per share against € 2.98 in 2006, notwithstanding the much higher tax rate) the Board of Directors proposed to the Shareholders' Meeting a dividend of € 0.65 per share unchanged from 2006.

The board wishes to thank all Shareholders for the further support that they will provide the Company for the coming capital increase in order to support the significant acquisition. A sincere thanks to the management and to all employees of a Group which is now truly international and where the fundamental values of competence and commitment have driven the strong internal and external growth of these last years.

This is the basis on which we will work at our best in order to ensure the Group a future made of growth and satisfaction for all its stakeholders.



Gianfranco Carbonato
Chairman and Chief Executive Officer



Revenue Analysis

As previously mentioned, consolidated revenues in 2007 amount to € 176.4m, up 19.5% on the € 147.6m at 31/12/2006.

Figures show a significant growth in turnover during 2007 related to European countries, with a 20% increase in absolute values.

Such an important result is due both to the good performance of “core” markets of western Europe (where important investments have been made in the past by the Group to increase its direct presence) and to the on-going excellent performance of emerging countries of Eastern Europe

(Poland, Czech Republic, Slovakia, Russia, Turkey), representing in total about 10% of the Group turnover, while the whole Europe represents 47%.

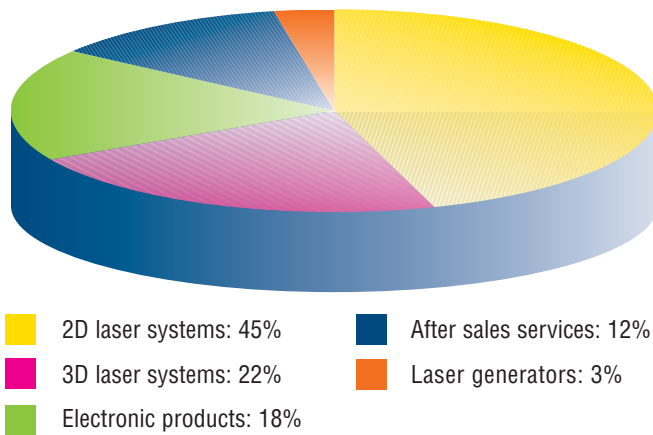
The outstanding performance in Europe included not only the laser systems directly marketed by PRIMA INDUSTRIE S.p.A. or by its network of branches and subsidiaries in Europe, but also the electronic products of PRIMA ELECTRONICS S.p.A. and OSAI S.p.A.

Sales on the Italian market showed an increase of 20% (from € 35.8m to € 43.0m).

Asia and the rest of the world had an outstanding performance; in these countries, the strong growth in absolute value (+50%), caused an increase in percentage weight, which went from 10% to about 12% of the consolidated revenues, notwithstanding the fact that revenues from joint ventures in China and Japan are not consolidated.

The steadiness of sales in North America, on the other hand, is related to the strong depreciation of the Dollar/Euro exchange rate compared to 12/31/2006 (roughly -9%).

2007 revenues by product



RAPIDO: MASS PRODUCTION OF HOT FORMED STEEL PARTS - CHINA

As far as product lines, it is remarkable the significant growth in the electronics sector, also due to the new acquisition, but also the continued expansion of the sales in the 2D systems sector (in particular Platino and Sincrono), accompanied by a good increase in revenues from after-sales services and spare parts.

2007 revenues by geography



West Europe: 37%	U.S.A.: 17%
East Europe: 10%	R.O.W.: 12%
Italy: 24%	

2007 revenues by markets



Sheet metal processing: 58%	Electronics: 15%
Automotive: 17%	Laser sources: 3%
Aerospace & Energy: 7%	

MAXIMO: EXTRA LARGE 2D CUTTING - ITALY



Marketing and Sales

The order acquisition at 31/12/2007 amounted to € 184.9m (of which € 9.3m related to the OSAI Group from July 1st to December 31st, 2007), with an increase of about 12% compared to the € 165.0m of same period in 2006.

In particular, order intake in the laser systems and sources segment stood at € 130.5m (€ 124.2m in 2006), while in the electronic products segment for third-party customers it was € 31.0m in 2007, of which € 9.3m related to OSAI Group acquisition (€ 17.6m in 2006).

The growth in orders during the year confirmed in particular the good performance of the 2D and electronics sector, as well as an increase in demand for the CONVERGENT LASER sources coming from the Chinese market.

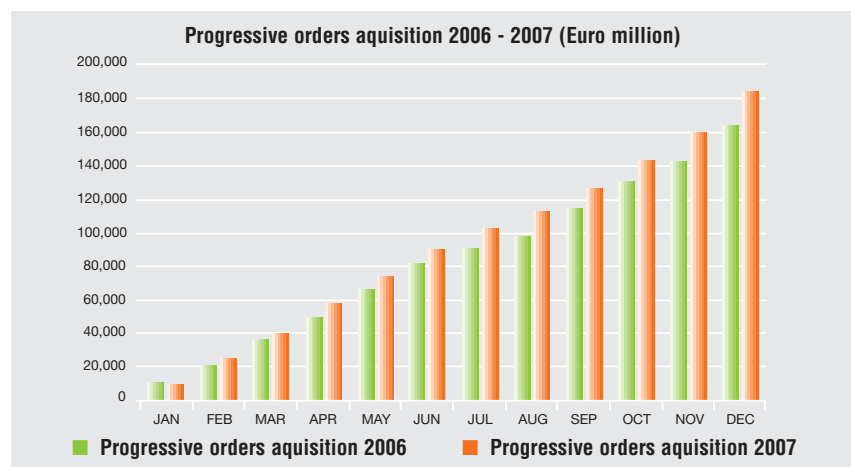
In addition to the positive economic situation, the growth in order intake was due to important activities which saw the Group taking part to the most important tradeshows in the sector in all the main European markets, including, to mention but a few, MSV (Brno - Czech Republic), MAQUITEC (Barcelona - Spain), EMO, (Hannover - Germany),

MASHINOSTROENIE (Moscow - Russia), MACH- TOOL (Poznan - Poland), BLECHEXPO (Stuttgart - Germany), EXPOLASER (Piacenza - Italy).

Outside Europe, the Group took part to other prestigious exhibitions, namely CMTS (Toronto - Canada), FABTECH (Chicago - U.S.A.), STEEL FAB (Sharjah - Emirates), CMT (Beijing - China), FEIMAFE (São Paulo - Brazil), AUSTECH (Melbourne - Australia).

The excellent order collection for the year was also a consequence of the Group's commercial policy to increase its direct presence on the main geographical reference markets. For instance the set up of PRIMA INDUSTRIE POLSKA Sp. z o.o. was one of the events of the year 2007.

As a result, the order backlog at 12/31/07 is very good at € 63.8m, with an increase of 15% compared to € 55.6m at 31/12/2006.



OPTIMO AT EMO - HANNOVER



SYNCRONO AT FABTECH - CHICAGO



LASERDYNE SYSTEMS USERS GROUP MEETING - CHAMPLIN (MN)

Worldwide Coverage



● Headquarters
 ● Group Companies, Joint Ventures, Subsidiaries and Branch Offices
 ● Distributors and Agents

Europe

- PRIMA INDUSTRIE S.p.A.**
 Via Antonelli, 32 - 10097 Collegno (To) ITALIA - Tel. +39.011.4103.1 - Fax +39.011.411.28.27 - www.primaindustrie.com
- PRIMA INDUSTRIE S.p.A. - Bari R&D Centre**
 c/o Consorzio SINTESI - Via delle Magnolie, 4 - 31010 Modugno (Ba) ITALIA - Tel. +39.080.2468100 - Fax +39.080.2468251
- PRIMA ELECTRONICS S.p.A.**
 Strada Carignano, 48/2 - 10024 Moncalieri (To) ITALIA - Tel. +39.011.682.72.11 - Fax +39.011.640.42.77 - www.primaelectronics.com
- OSAI S.p.A.**
 Via Torino, 14 - 10010 Barone Canavese (To) ITALIA - Tel. +39.011.989.97.11 - Fax. +39.011.989.98.05 - www.osai.it
- PRIMA INDUSTRIE IBERICA**
 Calle Elisa 31/33 - 08023 Barcelona ESPAÑA - Tel. +34 932 531 777 - Fax +34 932 531 778
- PRIMA INDUSTRIE FRANCE**
 Parc de Courcerin - C1 Rue Lech Walésa - 77185 Lognes FRANCE - Tel. +33.(0)1.60.17.11.11 - Fax +33.(0)1.60.17.38.74
- PRIMA INDUSTRIE GmbH**
 Lise-Meitner-Straße 5 - 63128 Dietzenbach DEUTSCHLAND - Tel. +49 (0)6074 4070-0 - Fax +49 (0)6074 4070-111
- PRIMA INDUSTRIE POLSKA Sp. z o.o.**
 ul. Przemysłowa, 25 32-083 Balice POLSKA - Tel. +48 (0)12 2577956 - Fax +48 (0)12 2577955
- PRIMA INDUSTRIE SCHWEIZ**
 Seuzachstrasse, 42 - CH 8413 Neftenbach SCHWEIZ - Tel. +41 (0)52 315 17 21 - Fax +41 (0)52 315 24 29
- PRIMA INDUSTRIE UK Ltd.**
 Unit 1, Phoenix Park - Bayton Road - Coventry CV7 9QN UNITED KINGDOM - Tel. +44 (0)2476 645588 - Fax +44 (0)2476 645115
- OSAI UK Ltd.**
 Mount House - Bond Avenue - Bletchley MK1 1SF Milton Keynes UNITED KINGDOM - Tel. +44 (0)1908 642687 - Fax +44 (0)1908 642688
- PRIMA SCANDINAVIA AB**
 Mölndalsvägen, 30c - SE 412 63 Göteborg SVERIGE - Tel. +46-31 83 44 70 - Fax +46-31 83 14 75

Overseas



PRIMA North America, Inc.

CONVERGENT LASERS - PRIMA SYSTEMS

711, East Main Street - Chicopee MA 01020 U.S.A. - Tel. +1 413 598 5200 - Fax +1 413 598 5201 - www.prima-na.com



PRIMA North America, Inc.

LASERDYNE SYSTEMS

8600, 109th Avenue North - Champlin MN 55316 U.S.A. - Tel. +1 763 433 3700 - Fax +1 763 433 3701 - www.prima-na.com



OSAI U.S.A. LLC

105A, West Dudley Town Rd. - Bloomfield, CT 06002 U.S.A. - Tel. +1 860 769 5079 - Fax +1 860 826 2619



PRIMA INDUSTRIE CHINA COMPANY Ltd.

GUOMEN Building Rm 1M - No.1 Zuoja Zhuang Cheoyang District - Beijing 100028 PEOPLE'S REPUBLIC OF CHINA

Tel. +86 10 64603085 - Fax +86 10 64641975



SHANGHAI UNITY PRIMA LASER MACHINERY COMPANY Ltd.

2019 Kunyang Road - Minhang District - Shanghai 201111 PEOPLE'S REPUBLIC OF CHINA

Tel. +86 21 64099321 - Fax +86 21 64093347



SHENYANG-PRIMA LASER MACHINE COMPANY Ltd.

No. 17 Jia-1 Kaifa Dalu - Shenyang Economy and Technology Development Zone

Shenyang City, Lianoning Province 110041 PEOPLE'S REPUBLIC OF CHINA

Tel. +86 24 25191211 - Fax +86 24 25191212



OVL CONVERGENT LASERS Ltd.

Building No. 1 Tower B, Changcheng Innovative Sci. & Tech. Park, Wuhan East Lake High Tech Development Zone

Wuhan, 430223, Hubei Province PEOPLE'S REPUBLIC OF CHINA

Tel. +86 27 87923927 8007 - Fax +86 27 87923368



SNK-PRIMA COMPANY Ltd.

c/o SNK - Misaki Works 3513-1 Fuke Misaki-Cho, Sennan-Gun, Osaka JAPAN - Tel. +81 3 32720371 - Fax +81 3 32788077



Headquarters



Group Companies, Joint Ventures, Subsidiaries and Branch Offices



Distributors and Agents

Research and Development

Research and Development activities, amounting to € 10.1 million (5.7% of turnover) have been as usual totally charged to P/L.

The R&D activities have been mainly performed at PRIMA INDUSTRIE headquarters, but also at PRIMA ELECTRONICS and OSAI, in our Bari Research Centre (in cooperation with the R&D Consortium SINTESI) and in the U.S.A. both in Chicopee (MA) and Champlin (MN).

In PRIMA INDUSTRIE the most significant activities have been:

- the completion of development of a new technology package and new options for Sincrono which allow to reach higher cutting speeds and better performances. These new features have been successfully exhibited at the EMO fair in Hannover (September);
- the completion of the new Optimo Evoluzione with the adoption of Primach-20L high performance CNC. Also this new machine was presented at the EMO fair;
- the completion of the new Domino Evoluzione project with the introduction of the new Primach-20L high performance CNC. The new machine was successfully presented at FABTECH fair in Chicago (November);
- the development of a new automation system for 2D machines called TowerServer totally produced by PRIMA INDUSTRIE and adopting a PRIMA ELECTRONICS control unit;
- the completion of development of laser CV 5000 with several units already delivered to selected customers in cooperation with PRIMA North America - CONVERGENT LASERS.

In PRIMA ELECTRONICS and OSAI the activities carried out in the year were mainly concerned with:

- the development of a new family of I/O modules based on *Fieldbus Canopen*;
- the development of a new generation of servodrives family with the goal of increasing the available power range and of introducing new advanced functions as the auto tuning functionality that allows the automatic calculation of optimal control parameters;

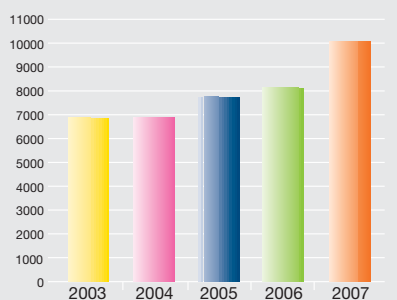
- the development of a new version of handbox, a portable operator panel (named TOP5, based on Windows CE) compatible with all OSAI products;
- the development of a new generation of Xtend controllers named XT/210 OS-Wire. This product was presented at VITRUM fair in Milan (October);
- the development of a GSM/GPRS based module, to allow remote diagnosis and monitoring of a wide range of industrial products, through the transmission of programmable SMS messages upon specific field events;
- the development of a wearable device (called "assist watch") dedicated to the service of fragile persons. This device will feature a radio connection to a service provider to perform rescue calls and keep under monitoring some important body parameters of the assisted person.

In PRIMA North America, CONVERGENT LASERS and LASERDYNE SYSTEMS, the most significant activities have been:

- the integration of new contact sensors in micro-drilling systems in addition to the sensors already used. The project has the purpose to increase the capabilities of LASERDYNE SYSTEMS to perform shaped holes in aerospace and land-based turbines components;

- the final test of the Laserdyne 795, the new generation machine bound to aerospace and land-based turbines. The new machine, equipped with the focusing head with advanced performances, was presented at PRIMA North America's Open House in Champlin (October). During the event Laserdyne 795 showed to the customers its new capabilities in shaped holes drilling;
- the completion of the new generation of high power pulsed solid state laser CL50K with improved integration with LASERDYNE SYSTEMS for drilling applications.

Research and Development expenses
(Euro thousand)



THE NEW DOMINO EVOLUZIONE



PRIMA INDUSTRIE "30 SPARKLING YEARS" CELEBRATION - TORINO



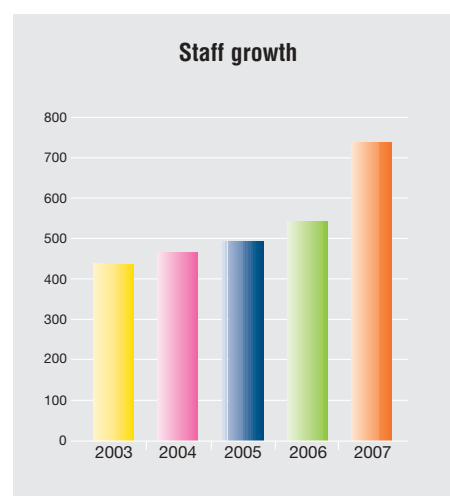
Personnel and Organization

At year-end 2007 the Group's workforce stood at 733 employees, up 34.2% compared with the previous year (546 units). This includes 135 additional employees coming from OSAI Group acquisition. Without this acquisition the increase would have been of 9,5%.

Per capita sales at 12/31/2007, (calculated including OSAI personnel, acquired at mid 2007, just for half the units of the actual payroll, 68), is € 0.265m (it was € 0.270m at 12/31/2006).

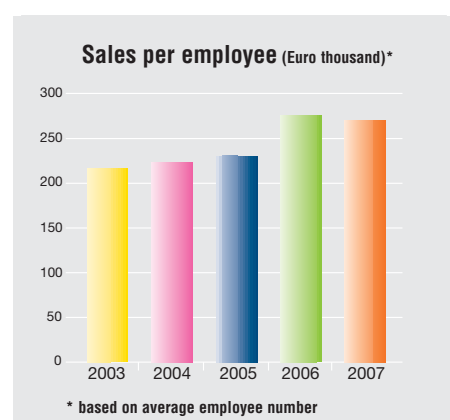
The breakdown by Group Company is shown below:

	31/12/2007	31/12/2006
PRIMA INDUSTRIE S.p.A. - Italy	295	276
• PRIMA INDUSTRIE European Branch offices	30	28
• PRIMA INDUSTRIE UK Ltd - United Kingdom	13	12
• PRIMA INDUSTRIE GmbH - Germany	18	13
• PRIMA SCANDINAVIA AB - Sweden	8	5
• PRIMA INDUSTRIE POLSKA Sp. z o.o. - Poland	4	-
• PRIMA INDUSTRIE CHINA Ltd. - Office - China	1	1
PRIMA ELECTRONICS S.p.A. - Italy	107	104
PRIMA North America, Inc. - U.S.A.	122	107
OSAI Group - Italy	135	-
Total employees	733	546



Breakdown of employees by department:

	31/12/2007	31/12/2006
Production	282	240
Quality	9	8
Research & Development	108	83
Marketing and Sales	84	51
After sales service	169	100
Management and Administration	79	62
Employees on leave	2	2
Total employees	733	546





EZIO BASSO, WELCOMES SILVANA ACCOSSATO, MAYOR OF COLLEGNO



ANDREAS KRON IS AWARDED FOR PRIMA INDUSTRIE GmbH
2007 SALES RESULTS BY CLAUDIO BANCHI



LUCIO VOLPE RECEIVES THE AWARD
FOR HIS SALES PERFORMANCES IN 2007

Group's Companies and Joint Ventures



PRIMA INDUSTRIE S.p.A.
Collegno (Torino) - ITALY

The Parent Company's sales turnover in 2007 amounted to € 111.4m, up 18.9% compared to € 93.7m in 2006.

The increase in turnover took place in all the main sectors of activity (2D, 3D, Service and After Sales). Particularly relevant was the growth in the 2D segment (+27.5%) thanks to a favourable market, but also to the excellent performance of Platino and to the rising success of Sincrono.

In terms of sales breakdown by geographical area, there was a significant increase in Europe, particularly in emerging countries in Eastern Europe (Poland, Czech Republic, Slovakia, Russia, Turkey).

The Company's EBITDA margin raised to € 10.9m (9.8% of turnover), against € 7.5m in the previous year.

EBIT stood at € 10.2m (9.1% of turnover), against € 6.8m in 2006. The Group's pre-tax profits stood at € 12.2m up 85.5% on the figure at 2006 (€ 6.6m).

Net Profit following provisions for taxes (both current and deferred) of € 4.7m, totalled € 7.5m against € 3.2m in 2006.

The Net Financial Position stood at € 4.0m (from € 1.9m at 31/12/2006). Indebtedness consists mostly of medium-term loans net of the Company's cash in bank accounts, which totalled € 12.5m at 31/12/2007.

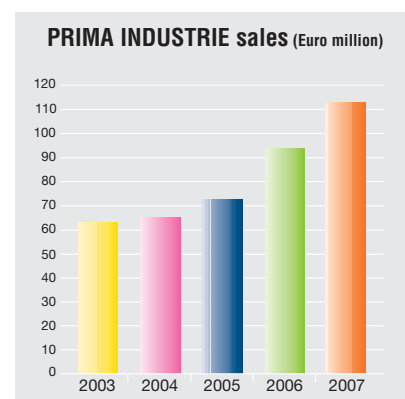
A significant achievement of the year has been, in fact, the management of the Net Working Capital which is substantially unchanged compared to 2006 notwithstanding the relevant growth in sales.

Orders acquisition in 2007 from third-party customers and subsidiary companies totalled € 114.6m against € 111.2m in the previous year, confirming the good trend of the Company's reference market.

Consequently, the orders backlog increased to € 42.7m at 01/01/2008 from € 39.9m at 01/01/2007.

R&D activities during the year involved costs totalling € 5.3m, or 4.8% of turnover, all charged directly to P&L, as against € 4.5 m in 2006.

At 31/12/2007, the Company had 325 employees (including 30 units employed at the European Branch offices) against 304 (of which 28 employed at the European Branches) at the end of the previous year.

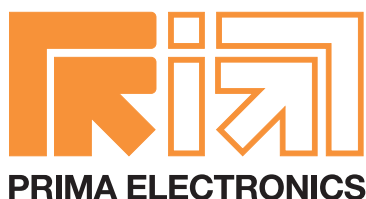


(Euro million)	2007	2006	2005	2004	2003
Net Sales	111.4	93.7	73.3	65.9	62.6
Operating Profit	10.2	6.8	5.6	3.0	1.8
Net Profit (*)	7.5	3.2	3.9	0.8	(2.8)
Order booking	114.6	111.2	74.1	66.7	59.3
Research and Development expenses	5.3	4.5	4.3	4.1	3.6
Number of employees	325	304	277	263	265

Figures 2007, 2006 and 2005 have been prepared/restated according to IAS/IFRS. Figures till 2004 have been prepared according to Italian Gaap.
(*) Including consolidation of Group Companies results



1000th PLATINO - NOVEMBER 15, 2007



PRIMA ELECTRONICS S.p.A.
Moncalieri (Torino) - ITALY

The Company ended 2007 with the best results in its history, in terms of turnover, profitability and orders. Moreover 2007 was particularly sparkling as far as M&A operations (M.L.T.A. S.r.l. merged into PRIMA ELECTRONICS S.p.A., and OSAI Group acquisition).

The turnover posted for the year was € 28.1m, up 39,8% compared to the previous year (€ 20.1m); this relevant increase in revenues is excellent, both in terms of size and also for the fact that its contribution came from all lines of business.

The profit and loss accounts showed an EBIT of € 4.4m (15.5% on sales), against € 3m in the previous year (or 14.7% of turnover). Net Profits stood at € 2.3m, up 35,8% and equal to 8,2% of sales. The Company's Net Financial Position at 31/12/2007 was negative for € 6.7m, against a positive NFP of € 1.8m at the end of 2006.

This is due to the cash-out sustained for the acquisition of OSAI (€ 10.5m) and financed through borrowing from PRIMA INDUSTRIE S.p.A. € 6.0m and by banks for the balance. Sales orders totalled € 28.0m, 25% higher than in the previous year (€ 22.4m). Consequently the year closed with a good orders backlog (€ 10.1m). R&D activities during the year involved costs totalling € 1.6m, or 5.7% of turnover, all charged directly against income (€ 1.3m in 2006).

At 31/12/2007, the Company had 107 employees against 104 at the end of the previous year.



OSAI S.p.A.
Barone Canavese (Torino) - ITALY

On July 2nd, 2007 PRIMA ELECTRONICS ended the process of acquisition of 100% of OSAI S.p.A., an Italian leading Company in the field of numeric controls particularly destined to marble, wood and glass processing machines, a sector with good growth opportunities.

OSAI S.p.A. leads a Group with four subsidiaries: Techmark S.r.l., OSAI-UK Ltd, OSAI U.S.A. and OSAI GmbH.

Advantages of this acquisition for PRIMA Group are a larger size in the sector of electronics and an established after-sales network in the U.S., UK and Germany of which PRIMA ELECTRONICS can surely benefit.

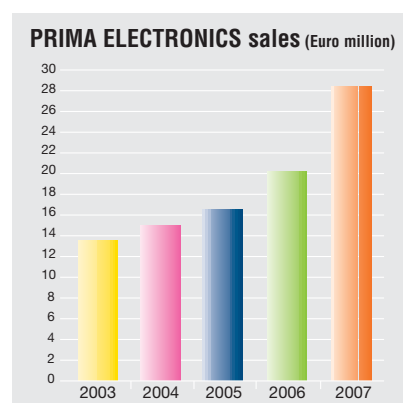
Synergies expected are about € 1m at EBITDA level. To this purpose an industrial integration

DOMENICO PEIRETTI SHAKES HANDS
WITH MASSIMO ZILIANI AFTER OSAI AGREEMENT



plan started soon and will be the focus of the activities of 2008. OSAI S.p.A. and its subsidiaries are consolidated since July 1st 2007.

The pro-forma consolidated 2007 annual report (Italian Gaap) for the OSAI Group showed sales for € 18.7m (against € 17.9m previous year) with a net consolidated profit increased to € 0.5m from € 0.1m in 2006.



(Euro million)	2007	2006	2005	2004	2003
Net Sales	28.1	20.1	16.4	14.9	13.6
Operating Profit	4.4	3.0	1.8	1.7	1.8
Net Profit	2.3	1.7	1.0	1.0	1.0
Order booking	28.0	22.4	17.3	15.3	12.5
Research and Development expenses	1.6	1.3	1.1	1.1	1.2
Number of employees	107	104	88	84	81

Figures prepared according to Italian Gaap.

Group's Companies and Joint Ventures



PRIMA INDUSTRIE

PRIMA INDUSTRIE GmbH
Dietzenbach - DEUTSCHLAND

Sales 2007 for PRIMA GmbH recorded a strong growth to € 17.2m (€ 9.1m in 2006), with a net profit of € 0.45m (it was € 0.12m in 2006).

The backlog situation is also very satisfactory at the end of the year.

At 12/31/07 the Company had 18 employees (13 as at 12/31/2006).



PRIMA INDUSTRIE

PRIMA INDUSTRIE UK Ltd.
Coventry - UNITED KINGDOM

During 2007 PRIMA INDUSTRIE UK Ltd. achieved good results in terms of sales (£ 4.8m, against £ 3.6m in 2006), whilst profitability reduced with a net result of £ 0.03m (£ 0.11m in 2006), due to the depreciation of the British Pound compared to the Euro currency.

At 12/31/07 the Company had a workforce of 13 employees, against 12 employees at the end of 2006.



PRIMA INDUSTRIE

PRIMA SCANDINAVIA AB
Göteborg - SVERIGE

The subsidiary PRIMA SCANDINAVIA, even though it showed sales of € 5.0m at 12/31/2007 (it was € 7.0m at 12/31/2006) achieved an operating profit of € 0.4m (quite stable against 12/31/2006).

At 12/31/07 the Company had a workforce of 8 employees, against 5 employees at the end of 2006.

RAPIDO EVOLUZIONE





PRIMA NORTH AMERICA

PRIMA North America, Inc.
Chicopee (Springfield), MA
Champlin (Minneapolis), MN - U.S.A.

2007 was another positive year both in terms of turnover and profitability.

The positive trend was even more remarkable given that it involved all three business units (CONVERGENT LASERS, PRIMA SYSTEMS, LASERDYNE SYSTEMS).

An excellent feedback came from the increasing use of CP lasers both on the Group machines and on the ones of the Chinese joint venture SHANGHAI UNITY PRIMA, whilst a strong demand sustained PRIMA INDUSTRIE products on the North American market (about +10%).

Slightly smaller sales came from LASERDYNE SYSTEMS, even though the phenomenon is mostly due to the fact that Q1 2006 benefited from 9 systems delivered at the end of 2005 but accepted, and consequently invoiced, in Q1 2006.

The Company's turnover rose to \$ 64.9m (against \$ 63.5m in 2006) with an increase of 2.2%.

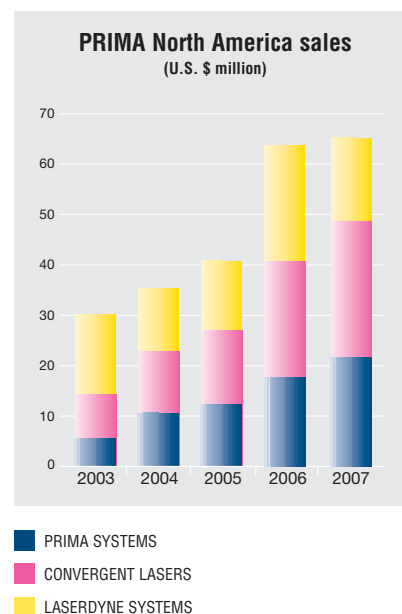
The operating result stood at \$ 10.5m (against \$ 11.3m in 2006).

On the whole PRIMA North America, which had taxes for about \$ 3.7m dollars, closed the year with a net profit of \$ 6.7m (they were \$ 11.5m at 12/31/2006, because that year was strongly benefiting from previous years tax losses).

Investments in Research and Development, all of which were expensed during the year, totalled \$ 3.3m against \$ 2.7m in the 2006.

The excellent profitability reflected also on the improvement of Net Financial Position, which at 12/31/2007 was positive for \$ 3.3m, notwithstanding a dividend paid to the Parent Company for \$ 3m.

At 31/12/07 the Company had a workforce of 122, compared to 107 at the end of 2006.



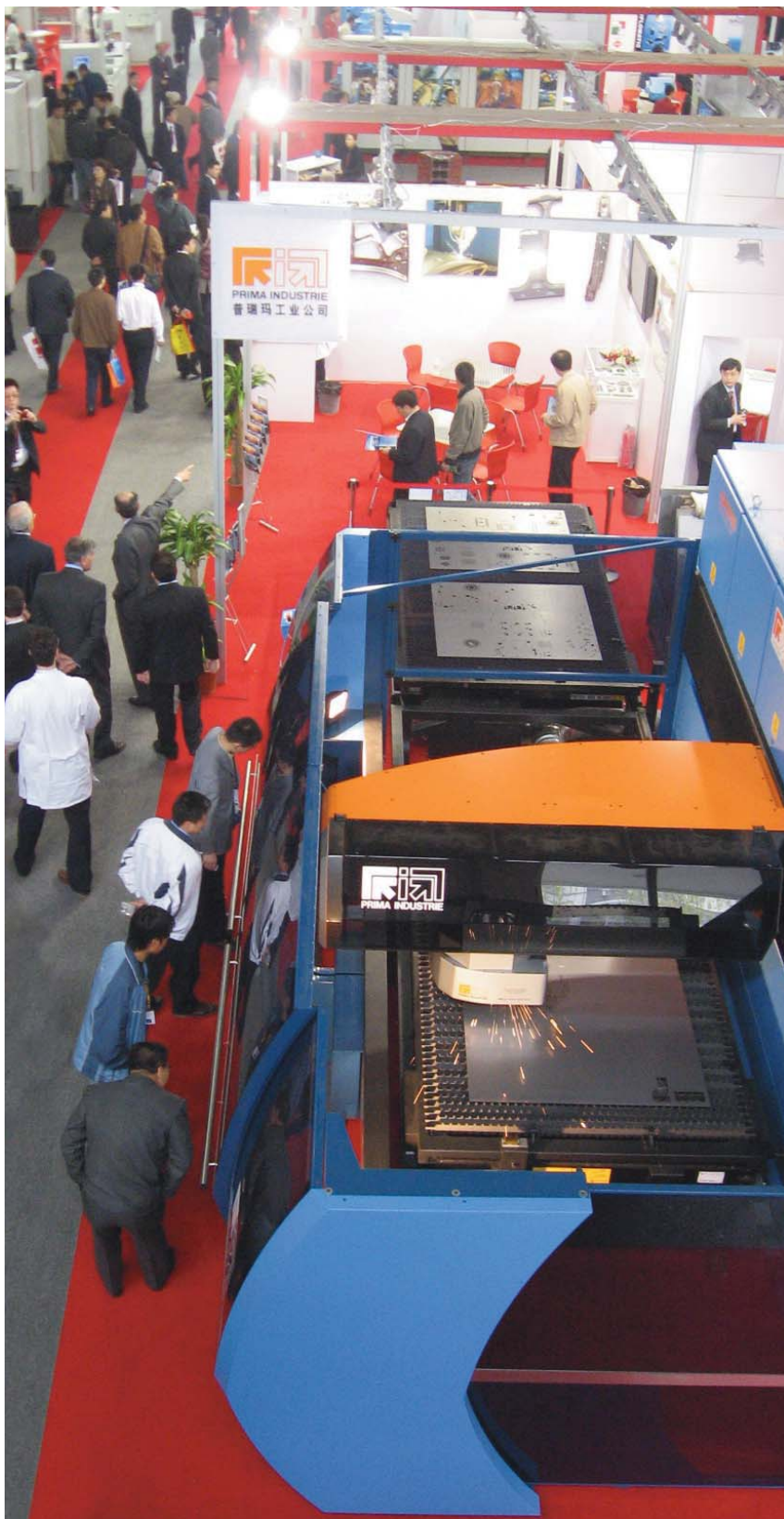
(US\$ million)	2007	2006	2005	2004	2003
Sales	64.9	63.5	41.0	34.1	30.0
Operating Profit	10.5	11.3	3.9	(0.2)	(2.9)
Net Profit	6.7	11.5	2.8	(0.4)	(4.2)
Order booking	66.6	66.4	46.5	32.2	24.9
Research and Development expenses	3.3	2.7	2.9	2.2	2.4
Number of employees	122	107	106	105	100

Figures prepared according to U.S. Gaap.

500th CP-SERIES LASER - APRIL 30, 2007 - CHICOPEE (MA)



Group's Companies and Joint Ventures



SYNCRONO AT CIMT - BEIJING



PRIMA INDUSTRIE

PRIMA INDUSTRIE CHINA COMPANY Ltd.
Beijing - PEOPLE'S REPUBLIC OF CHINA

At December 2007 the Company was incorporated and will manage, promote, provide assistance of PRIMA INDUSTRIE top line machines in China.



UNITY PRIMA

**SHANGHAI UNITY PRIMA
LASER MACHINERY COMPANY Ltd.**
Shanghai - PEOPLE'S REPUBLIC OF CHINA

During 2007, the turnover of Shanghai joint venture, whose growth is still proceeding, totalled RMB 187.1m up 87% in respect to RMB 100m of the previous year.

The outstanding Net Profit at 31/12/2007 with an amount of RMB 31.8m, (17% of the turnover) had still a remarkable growth against RMB 10.7m at 31/12/2006.

The Net Financial Position at 31/12/07 was positive for RMB 19.5m.

During the early months of 2008 PRIMA INDUSTRIE has increased its stake from 27.5% to 35.0%.



SNK - PRIMA COMPANY Ltd.
Osaka - JAPAN

The Company's operations in 2007 were limited to marketing activities whose expenses amount to approximately € 0.02m.

As a consequence of this activity 5 machine kits have been supplied by PRIMA INDUSTRIE to SNK, acting as our operating partner for 3D machines on the Japanese market.

GIANFRANCO CARBONATO SHAKES HANDS WITH JAN STÅHLBERG,
EQT PARTNER, AFTER FINN-POWER AGREEMENT



TOMAS HEDENBORG, FINN-POWER CEO



Performance on the Stock Market

PRIMA INDUSTRIE shares, whose price rose from € 22.52 per share at 1/02/2007 to € 28.68 per share at 12/31/2007, closing the year with an appreciation of 27.4%, over performed the ALLSTAR index which reduced from 17,053 points to 14,254 points (-16.41%). The lowest price of the share during the year was € 22.52 per share against a highest of € 43.00 per share.

Such trend highlights two different time phases: the first one overlapping with the first part of the year, in which the stock increased its value up to its highest (+91% against the beginning of the year), and a second phase since the second part of July, when the stock has been involved into the general bearish phase of worldwide stock exchanges.

During the first months of 2008, and in particular towards the end of January, also in concomitance with the announcing of the acquisition of the FINN-POWER Group, the share price started to grow again, reaching around € 30 per share.

The chart underscores what is above.

As far as volumes exchanged, they grew from a daily average of 32,525 shares in 2006 to a daily average of 43,549 shares during 2007.

As for treasury stock, at 12/31/2007 PRIMA INDUSTRIE S.p.A. held 3,000 ordinary shares (equal to approximately 0.07% of the share capital) at an average weighted price of € 29,2934 per share; these shares were acquired according to the mandates granted by the Ordinary Shareholders' Meeting of 05/11/2006.

This resolution involved a minimum price of € 2.5 per share (equal to the face value) and a maximum buying price of € 30.

That resolution (being not useful anymore due to higher stock exchange prices) was revoked and substituted by a new resolution by the 05/14/2007 Shareholders' Meeting establishing a maximum purchase price equal to € 60 for a maximum of 200,000 shares (equal to 4.35% of the share capital composed

by 4,600,000 shares) with a maximum counter value of total € 12m.

Such 3,000 shares were sold on 02/28/2008 realizing a small capital gain.

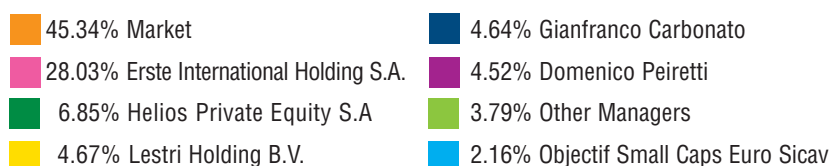
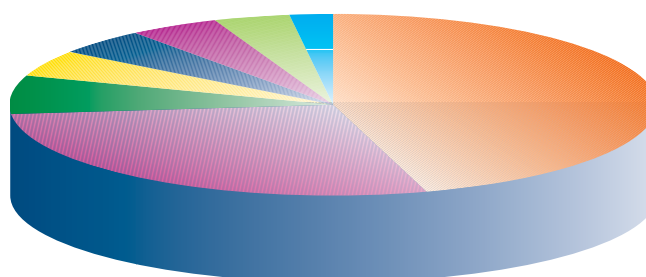
PRIMA INDUSTRIE share capital at 12/31/2007 was made up of 4,600,000 ordinary shares with a par value of € 2.5 each. The Group has not issued different categories of shares other than ordinary nor convertible bonds.

As recorded in the Shareholders' Ledger, updated with the distribution of dividends, which took place in May 2007, and integrated with the communications afterwards received, the share structure at 12/31/2006 is shown in the diagram below.

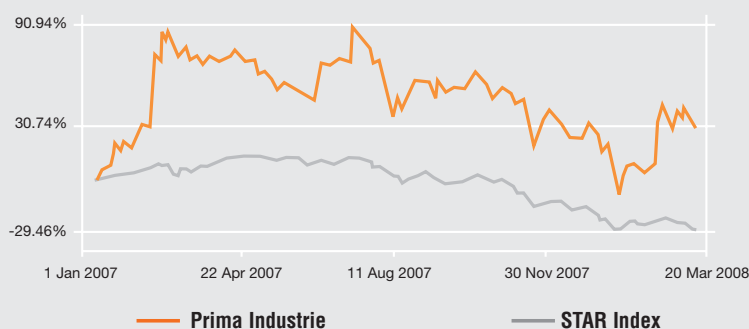


DOMENICO APPENDINO RECEIVES THE CHINA VALUE CREATOR PRIZE 2007

Shareholders' Structure



Share performance



Board of Directors

Gianfranco CARBONATO	Chairman and CEO
Ezio BASSO	Executive Director
Stefano DE VESCOVI	Director
Sandro D'ISIDORO	Independent Director
Michael MANSOUR	Director
Mario MAURI	Independent Director
Domenico PEIRETTI	Executive Director
Pio PELLEGRINI	Independent Director
Marco PINCIROLI	Executive Director

Statutory Auditors Committee

Riccardo FORMICA	President
Andrea MOSCA	Effective Auditor
Roberto PETRIGNANI	Effective Auditor

Management

Gianfranco CARBONATO
Domenico APPENDINO
Alberto DELLE PIANE
Massimo RATTI

CORPORATE
CORPORATE
CORPORATE
CORPORATE

Chairman and CEO
Marketing and Asia-Pacific Operations
Customer Relations
CFO and Secretary of the Board

Ezio BASSO
Claudio BANCHI
Elio BAROSSO
Cinzia BELTRAMO
Massimo CAVOZZA
Roberto DELPIANO
Maurizio GATTIGLIO
Flavio GREGORI
Salvatore LIBRERA
Emilio MAIO

PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE
PRIMA INDUSTRIE

General Manager
Sales
Internal Controlling
Administration and Treasury
Customer Service
Procurement
2D Division
3D R&D and Production
3D Division
Product Manager Automotive

Domenico PEIRETTI
Federico DE SARIO
Luca DI STEFANO
Giovanni GIOVINAZZO
Francesco SGANDURRA

PRIMA ELECTRONICS
PRIMA ELECTRONICS
PRIMA ELECTRONICS
PRIMA ELECTRONICS
PRIMA ELECTRONICS

Managing Director
General Manager
Technical Advisor
Manufacturing
Research and Development

Terry VANDERWERT
Mark BARRY
Thomas BURDEL
Pieter SCHWARZENBACH
Ray VERMOKOWITZ
Barbara WENNER

PRIMA North America
PRIMA North America
PRIMA North America
PRIMA North America
PRIMA North America
PRIMA North America

President
Marketing and Sales, LASERDYNE and CONVERGENT
Marketing and Sales, PRIMA SYSTEMS
Laser Technology
Operations, CONVERGENT
Operations, LASERDYNE

Consolidated Financial Statements

Please note that 2006, 2005 and 2004 figures are prepared/restated in accordance with IAS/IFRS. 2003 figures are prepared according to Italian Gaap.

CONSOLIDATED INCOME STATEMENT

Year ended December 31 st , (Euro thousand, except per share data)	2007	2006	2005	2004	2003
PRODUCTION VALUE					
Revenues from sales and services (Net Sales)	176,391	147,569	110,885	97,106	95,000
Changes in work-in-progress, semi-finished and finished goods	3,857	(3,480)	1,903	3,031	(2,248)
Increases in fixed assets for internal work	239	139	63	157	(740)
Other operating income	2,560	1,645	3,000	2,479	1,630
TOTAL PRODUCTION VALUE	183,047	145,873	115,851	102,773	93,642
PRODUCTION COSTS					
Purchases of raw material, consumables and supplies (net)	(79,462)	(64,818)	(55,423)	(51,064)	(46,048)
Other operating costs	(41,280)	(31,181)	(25,263)	(21,685)	(21,365)
TOTAL PRODUCTION COSTS	(120,742)	(95,999)	(80,686)	(72,749)	(67,413)
ADDED VALUE	62,305	49,874	35,165	30,024	26,229
Personnel cost	(37,197)	(30,077)	(26,040)	(23,819)	(23,498)
EBITDA	25,108	19,797	9,125	6,205	2,731
Amortization & Depreciation	(1,524)	(1,330)	(1,209)	(1,214)	(2,142)
OPERATING PROFIT (EBIT)	23,584	18,467	7,916	4,991	589
Financial income and expenses	(1,156)	(900)	(1,140)	(1,396)	(1,418)
Adjustment to financial assets	473	10	337	(164)	(48)
Extraordinary items	-	-	-	-	(1,206)
PROFIT BEFORE INCOME TAXES (EBT)	22,901	17,577	7,113	3,431	(2,083)
Income taxes	(9,154)	(3,857)	(2,005)	(2,388)	(870)
NET PROFIT FOR THE YEAR	13,747	13,720	5,108	1,043	(2,953)
Minority interests	18	14	-	-	-
NET PROFIT FOR THE YEAR-GROUP	13,729	13,706	5,108	1,043	(2,953)
EARNINGS PER SHARE	2.99	2.98	1.11	0.23	(0.65)

Please note that 2006, 2005 and 2004 figures are prepared/restated in accordance with IAS/IFRS. 2003 figures are prepared according to Italian Gaap.

CONSOLIDATED BALANCE SHEET

Year ended December 31 st , (Euro thousand)	2007	2006	2005	2004	2003
FIXED ASSETS (NET)	25,873	19,093	17,378	9,522	10,432
Intangible assets	6,713	2,511	2,739	2,487	3,845
Tangible assets	10,166	6,427	5,779	5,984	5,054
Other fixed assets	8,994	10,155	8,860	1,051	1,533
EMPLOYEES' SEVERANCE INDEMNITY	7,561	5,544	4,937	4,498	4,164
NET WORKING CAPITAL	32,056	25,734	26,131	36,076	43,784
Inventories	41,967	33,870	36,319	31,581	21,565
Trade receivables (net of advances from Customers)	41,159	31,573	21,499	23,294	40,351
Other current assets	7,938	4,446	4,406	12,210	9,785
Trade payables	(33,728)	(26,055)	(23,089)	(19,417)	(19,007)
Other liabilities	(25,280)	(18,100)	(13,004)	(11,592)	(8,910)
FINANCIAL POSITION (NET)	(1,073)	(3,076)	7,733	15,418	22,323
Cash and banks	(21,830)	(20,971)	(11,768)	(6,698)	(3,607)
Bank borrowings	5,577	15,300	15,913	17,085	22,888
Borrowing from other financial institutions	15,180	2,595	3,588	5,031	3,042
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	51,441	42,359	30,839	25,682	27,729
Minority interests	237	60	-	-	-
Shareholders' equity-group	51,204	42,299	30,839	25,682	27,729

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 st , (Euro thousand)	2007	2006
Earnings before taxes	22,901	17,577
Adjustments for non-cash items	2,255	3,296
Depreciation and Amortization	1,524	1,330
Allocation to Employees' severance fund	48	1,076
Losses (profit) on foreign currency transactions	359	(13)
Share of losses (profits) of an associate	(473)	(10)
Financial expenses (net of income)	1,518	1,580
Financial (income)	(721)	(667)
	25,156	20,873
(Increase)/Reduction in trade and other receivables	(5,935)	1,103
(Increase)/Reduction in stock	(4,483)	2,826
Increase/(Reduction) in trade payables	5,368	(8,469)
Increase/(Reduction) in other payables	(1,307)	2,366
Cash flow from typical activity	18,799	18,699
Interest payment	(1,518)	(1,580)
Tax payment	(3,646)	(1,726)
Cash flow from operating activity	13,635	15,393
Cash flow from investment activity		
Acquisition OSAI Group	(10,416)	-
Osai Cash at the time of acquisition	2,007	-
MLTA Acquisition	-	(39)
Purchase of tangible fixed assets	(1,716)	(1,899)
Purchase of intangible fixed assets	(293)	59
Sale/(Purchase) of financial assets (at cost)	(865)	(746)
Sale/(Purchase) investments in associates	25	32
Sale/(Purchase) of treasury stock at fair value	664	-
Proceeds from sales of fixed assets	49	167
Interest encashed	721	667
Cash flow derived from investing activity	(9,824)	(1,759)
Cash flow derived from financing activity		
Variation in the conversion reserve	(1,920)	(969)
(Purchase)/sale of treasury stock	59	39
Variation area for OSAI minorities	(240)	-
Changes of other reserves	185	18
Changes in fair value of derivate instruments (FV)	(33)	(5)
Loan agreements	7,795	13,674
Repayments of loans and financing	(5,237)	(15,121)
(Repayments)/Raising of financial leases	(200)	(263)
(Repayments)/Raising of Sabatini transactions	(384)	(512)
Dividends paid	(2,988)	(1,287)
Net Cash flow derived from financing activity	(2,963)	(4,426)
Increase (decrease) in the cash and cash equivalents	848	9,208
Cash and cash equivalents at start of the year	20,703	11,495
Cash and cash equivalents at year end	21,551	20,703

Notes to the Consolidated Financial Statements

BUSINESS OF THE GROUP

PRIMA INDUSTRIE S.p.A. designs, manufactures and sells machines and mechanical, electric and electronic engineering systems and the related software for use in industrial automation. The Company provides also technical services in the same field. The main business of the Company focuses on laser cutting and welding machines.

PRIMA ELECTRONICS S.p.A. designs, manufactures and sells apparatus, instruments, machines and mechanical, electric and electronic engineering systems and the related software.

OSAI S.p.A. has as its main business the production of numerical controls destined for machines for the processing of marble, wood and glass. The products of OSAI through a network of subsidiaries in UK, U.S.A., and Germany.

PRIMA North America, Inc., operating in the North American market, is comprised of three operating divisions:

CONVERGENT LASERS which designs, manufactures and sells lasers for industrial applications; LASERDYNE SYSTEMS which designs, manufactures and sells laser systems for aerospace industrial applications; PRIMA SYSTEMS which sells imported PRIMA INDUSTRIE laser machines in North America and provides after sales services to customers.

PRIMA INDUSTRIE UK Ltd., PRIMA SCANDINAVIA AB and PRIMA INDUSTRIE GmbH sell imported PRIMA INDUSTRIE Polska Sp. z o.o., PRIMA INDUSTRIE (Beijing) PRIMA INDUSTRIE laser machines in their respective markets and provide after sale services to customers.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements for the financial years closed as from December 31st, 2004 were prepared (or, with specific reference to 2004, restated) according to International Financial Reporting Standards (IFRS).

The Consolidated financial statements for the years up to 2003 have been prepared according to the Italian accounting principles (Italian Gaap).

The above mentioned Companies included in consolidation on the line-by-line consolidation method. The date of reference for the consolidated financial statements coincides with the closing date of the financial statements of the Group holding Company.

The financial statements used in consolidation are those approved by the legal bodies governing the individual Companies. Such financial statements have been reclassified and, where necessary, adjusted to conform to the accounting principles used by the entire Group.

PRINCIPLES OF CONSOLIDATION

The consolidated Subsidiaries are those in which PRIMA INDUSTRIE holds a direct interest of more than 50 per cent of that Company's share capital.

The minority interest in the share capital and reserves of Subsidiaries are recorded separately under "minority interests" in Shareholders' equity, and the minority interest in the consolidated results for the year are recorded under "minority interests" in the income statement.

The main adjustments in arriving at the consolidation of the balance sheets and income statements from a simple aggregation, are the following:

- elimination of the carrying value of the investments against the underlying share of net equity
- elimination of intercompany receivables and payables and income and expenses arising from intercompany transactions
- the translation of financial statements expressed in foreign currencies has been effected by applying the average rate for the year to the income statement and the year-end rate to the balance sheet. Exchange differences arising from the translation of the net investment in foreign Subsidiaries, associated undertakings and borrowings which hedge such investments are recorded in "Cumulative translation adjustments" in Shareholders' equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are stated at purchase cost and reduced by amortisation. The research costs are recorded in the Income Statement in the financial year in which they are incurred.

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).

Goodwill generated by the acquisition of a stake in associated companies is recorded in the Financial Statements at cost adjusted for impairment, which is reviewed annually.

The other intangible fixed assets that were separately acquired are capitalized at cost, whereas those acquired via business combination are capitalized at fair value, identified at the date of acquisition.

After the first determination the intangible fixed assets with a definite useful life are recorded at cost reduced by the amortization and impairment; the intangible fixed assets with an indefinite useful life are shown at cost and are tested annually for impairment and whenever there is any indication that their carrying value is not recoverable.

Tangible assets

Tangible assets are stated at purchase or production cost. Cost includes expenses directly chargeable to the asset.

Tangible assets are depreciated on the straight-line method over the estimated useful lives of the assets.

The costs incurred after the purchase of the asset are accounted for as an increase to its value or are recorded separately, only if it is likely that they will generate future financial benefits and their cost can be reliably measured.

Depreciation rates are as follows:

- Buildings and improvements 33 years
- Plant and machinery 10 - 5 years

Notes to the Consolidated Financial Statements

• Equipment	4 - 5 years
• Furniture, fixtures and office equipment	9 - 5 years
• Electronic office equipment	5 years
• Motor vehicles	3 - 5 years

Assets under financial leases

Assets acquired under financial leases are accounted for by recording the assets under tangible assets and the lease obligation under liabilities and are depreciated on the straight-line method over the estimated useful lives of the assets.

Assets under financial leases are depreciated on the straight-line method over the estimated useful lives of the assets. The depreciation rates are in line with those used to depreciate tangible assets. Lease instalments are recorded in financial expenses and as reduction of the residual lease payable.

Financial assets

All the financial assets (with the exception of those at "fair value with changes in value recorded in the Income Statement"), are initially stated at fair value increased by the costs of selling transaction. Financial assets "held for sale" and at "fair value with changes in value recorded in the Income Statement", are valued at fair value after purchase. The other two classes, "loans and financial receivables" and "financial assets held to maturity" are valued using the amortized cost using the effective interest rate method. The gains and losses, whether realized or not, arising from a change in the fair value of the financial asset belonging to the category "fair value with changes in value recorded in the Income Statement", are recorded in the Income Statement for the financial year in which they are generated. The unrealized gains and losses arising from the change in fair value of the non-monetary securities classified in the category "held for sale", are recorded in stockholders' equity and only when are sold or undergo an impairment in value, the accumulated adjustments to their fair value in stockholders' equity are transferred to the Income Statement.

Inventories

Inventory is stated at the lower between cost and net realisable value.

Raw materials are valued at the weighted average purchase cost during the year, adjusted to realisable value by an allowance for write-downs.

Contract work in progress is valued at the weighted average purchase cost of materials during the year at the time the materials are used in production, plus the average hourly production labor cost and the purchase cost of external work.

Finished goods are valued in the same way as contract work in progress.

Trade receivables are initially stated at their "fair value" and are measured after the cost has been depreciated using the effective interest method, net of writedowns to take account of irrecoverability.

The debt is written off if there exists objective evidence that the Group is not able to collect the entire amount due on the date agreed to with the customer. The writedown of receivables is recorded in the Income Statement.

Prepayments and accruals

Accruals are portions of income or expenses to be received or paid in future periods but referring the current year. Prepayments are portions of costs or income paid or received in the current year but referring to future periods.

Provisions are raised to the provisions for risks and charges when:

- a legal or implied obligation arises for the Group as a result of past events,
- an outflow of resources will probably be required to settle the obligation, and its amount
- can be reliably determined.

Employee benefits

The Employees' severance indemnity, accrued in conformity with existing legislation, and the benefits granted by some of the Group's companies at the employees' achievement of a certain level of seniority are liabilities recorded in the financial statement at the actual value of the obligation, corrected for the amount of the actuarial gains and losses and for the social security cost relative to past services. The present value of the obligation is determined by discounting the estimated future disbursements at the interest rate relating to first class bonds, issued in the same currency with which the benefits will be paid and which fall due approximately at the same time as the correlated liability.

The Group records a cost and a debt to meet the liabilities that arise for bonuses, employee incentives and benefits granted on the early termination of the employment relationship for a corporate restructuring plan.

Revenue is recognized when the Company transfers the risks and the important benefits, therefore, the revenues for the sale of laser systems are accounted for when the machines are accepted by the end-customer, which generally coincides with the signature of the testing report by the customer.

The invoicing date is not in alignment with the date of recognition of the revenue, the value of the machines invoiced but not yet accepted by the customer is brought back into the accounts, amongst the inventories of finished products, net of the margin, with the contra-entry being made to "advances" in the Balance Sheet liabilities.

Grants

The 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 all the requirements to obtain them are satisfied (obtaining the competent Ministerial resolution).

Income taxes

Income taxes are calculated on the basis of estimated taxable income applying to existing laws and taking into account any tax exemptions.

Deferred taxes are provided at an enacted statutory tax rate expected to apply to future periods for all differences between the value of assets and liabilities for financial reporting purposes and their underlying tax basis when it is probable that such assets and liabilities will be realized.

Translation of balances in non Euro currency

In the financial statements, the receivables and payables originally denominated in non Euro currency are translated into functional currency at the historical exchange rates as of the transaction date. Exchange differences arising at the time of collection or payment are recorded in the income statement. Receivables and payables, expressed in non Euro currencies have been adjusted to the exchange rates in effect at the balance sheet date and any unrealized exchange gains or losses have been recorded to profit and loss. Realized gains and losses are recorded in the income statement.

