

PRIMA INDUSTRIE

**REPORT ON OPERATIONS FOR THE YEAR ENDED
DECEMBER 31, 2004**

Approved by the Board of Directors on February 28, 2005

PRIMA INDUSTRIE SpA

Fully paid-in capital stock: €11,500,000
Entered as No. 03736080015 in the
Registry of Business Enterprises of Turin
Entered as No. 582421 in the Registry of Economic
and Administrative Information of Turin

Registered Offices in Via Antonelli, 32, Collegno
(Turin, Italy)

Website: <http://www.primaindustrie.com>

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BOARD OF DIRECTORS(*)

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Chief Executive Officer

Gianfranco Carbonato

Directors

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Sandro D'Isidoro

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Giuseppe Morfino (**)

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Corporate General Manager

Alberto Delle Piane

General Manager

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Roberto Petrignani

Alternate Auditors

Roberto Coda

Gianluigi Frigerio

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

(*) Appointed by the Shareholders' Meeting of May 14, 2002 for a three-year term from 2002 to 2004.

(**) Independent director.

(***) Appointed by the Shareholders' Meeting of September 23, 2004; resigned on March 21, 2005.

(****) Appointed by the Shareholders' Meeting of May 14, 2004 for a three-year term from 2004 to 2006.

POWERS AND DUTIES OF DIRECTORS

By a resolution of May 14, 2002, The Board of Directors appointed Mr. Gianfranco Carbonato as Chief Executive Officer, vesting him with all powers required to conduct the company's business barring those that the law expressly establishes as the exclusive competence of the Board of Directors. Under the terms of Article 23 of the Articles of Association, the Chairman and the Chief Executive Officer are granted power of attorney to act as the Company's legal representatives.

DESCRIPTION OF THE GROUP

Prima Industrie S.p.A. was founded in 1977. The company produces and markets high-power laser systems for cutting, welding and surface-treatment of three-dimensional (3D) and two-dimensional (2D) components.

Since the decision in 1995 to start focusing on industrial laser systems, we have repeatedly posted double-figure growth, becoming one of the market leaders in laser systems. More recently, while maintaining our leadership in three-dimensional applications, Prima Industrie has also become an important producer of laser cutting systems for flat surfaces, thanks to our strong commitment to innovation and to our wide sales and customer service network.

Together with the subsidiary Prima Electronics S.p.A. Prima Industrie has accumulated a gamut of technological know-how in the areas of industrial electronics, control systems and real-time technology, enhancing the company's success in its continuous research for product innovation.

In October 1999, the company was quoted on Borsa Italiana's Nuovo Mercato (currently in the TechStar Segment).

In May 2000, the company bought Convergent Energy Inc. in the United States. This acquisition has enabled the Prima Group to integrate the expertise needed to internalize production, CO₂ laser applications and solid-state laser systems, as well as reinforcing our foothold in the US market.

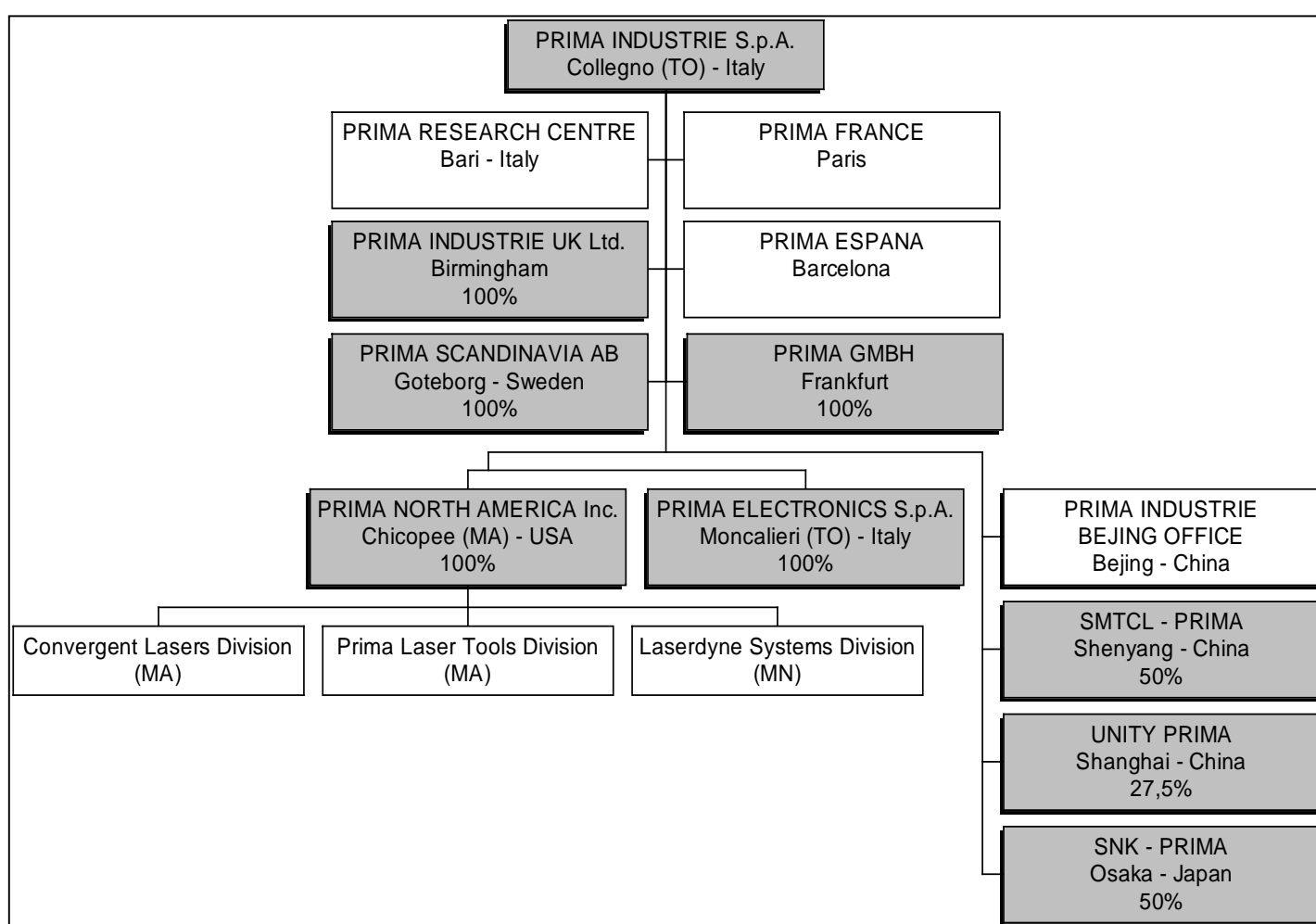
In April 2001 the company bought the Laserdyne division from GSI Lumonics. Laserdyne is the leading industry in the design, manufacture and sale of multi-axis laser systems, particularly in the field of precision drilling, cutting and welding for the aerospace and energy industries. Thanks to this acquisition,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

In 2002, our activities in the US were amalgamated into one legal entity – Prima North America Inc. – with three operating divisions: Convergent Lasers, Laserdyne Systems and Prima Laser Tools.

In 2003 the company gained ground on the Asian market, where it currently operates through three joint ventures, two in China and one in Japan.

The Group's prime objectives remains those of systematically developing its range of products and services, and continuing to expand as an international supplier of quality systems and solutions for the industrial laser market, distinguishing itself in terms of high technology and high rates of growth.

GROUP STRUCTURE



PRIMA INDUSTRIE

FINANCIAL STATEMENTS AT DECEMBER 31, 2004

REPORT ON OPERATIONS

Shareholders,

The consolidated results of 2004 mark the Group's return to competitiveness, and confirm the end to the turnaround which arose as a direct result of our US acquisitions in 2000 and 2001, and subsequently, from the events which changed the international economic situation as a whole, and the Group's performance, in particular.

The significant improvement in all key performance indicators was also due to robust growth at Prima North America, albeit tempered, in terms of consolidated revenues, by depreciation of the dollar. This upturn ensured operating gains for Prima North America, and hence put an end to the weakening effect on overall consolidated results, which began in 2001, intensified in 2002 and improved steadily in 2003 as our actions gradually began to bear fruit.

Turnover and earnings also rose for Prima Industrie and Prima Electronics, both companies seeing a positive trend confirming the stability of their organizations and the markets in which they operate.

It is important to note that this improvement, which still remains well below 1999 and 2000 figures, came about in a year of general economic uncertainty.

Although 2004 will be remembered as one of the major years for world GDP growth since the Second World War, it must be emphasized that these results are the average between very positive trends in North America and Asia, and good deal of stagnation in the European Union. Europe's stagnation has a particularly negative impact on the investment goods sector, and lingers on in those countries (Germany, France and Italy) where the Group achieves a substantial portion of its gains.

This phenomenon has only partly been limited by the sturdy growth pattern seen in some Eastern European markets where significant results have been obtained. It would seem, then, that the overall growth in profits derives from more intense activity in extra-EU markets, where Prima Industrie has invested and continues to make significant investments, with a view to strengthening our position, which currently accounts for more than 40% of the consolidated turnover. It is well to remember that in 1999, i.e. only 5 years ago, the portion stood at 10%, and that one of our main intentions when quoting the Group on the Stock Market at the end of the same year, was to widen our business activities in the international market, beyond the “domestic” EU market.

Another positive change occurring in 2004 was the increasing output of proprietary laser generators on systems installed throughout the period. In fact generators from Prima North America’s Convergent Laser Division were used on over one third of systems installed. After a long period of experimentation and tuning in 2003 and at the start of 2004, the Convergent range of laser generators reached more than satisfying standards of quality and reliability, allowing us to begin putting them out onto the market in large numbers. It is expected that the percentage of proprietary generators to go out in 2005 will reach 50% of the total, thereby enabling:

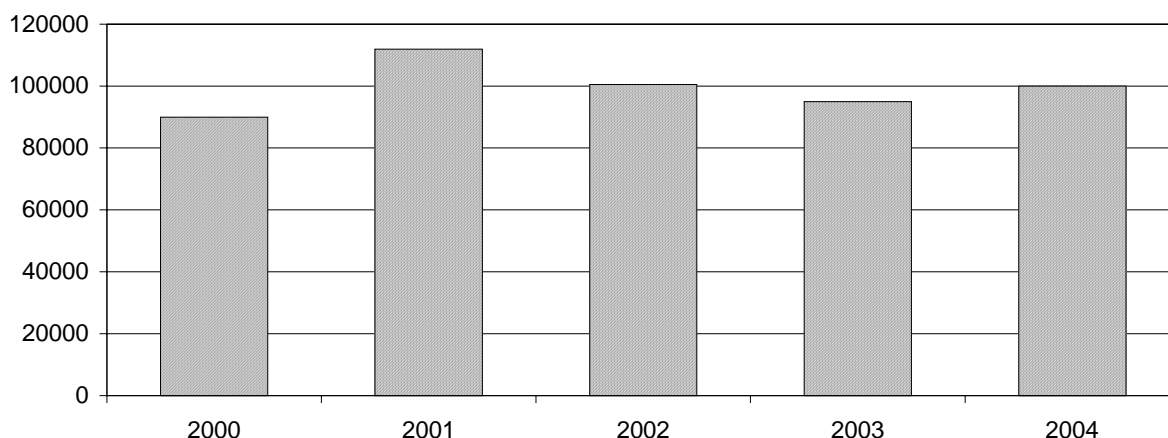
- improved earnings on installed systems;
- profits for Prima North America, including for its Convergent Lasers Division (which in 2004, still tempered the excellent performance of Laserdyne Systems, albeit with a net improvement);
- balanced cashflow in dollars, thus separating the consolidated result from the fluctuations in Euro-dollar exchange rates.

It must not be forgotten that laser generator insourcing was the second priority at the time of our IPO in 1999.

In 2004, the Group totalled 100,044 thousand euros in revenues with an increase of 5% up from 95,000 thousand euros in 2003. We therefore returned to the same level of turnover (around 100 million euros) as 2002, despite the heavy depreciation of the dollar, the currency that accounts for 30% of our revenues, and whose value dropped by over 30% during the 2003/2004 period.

Highlights of the 2004 consolidated income statement are shown below. All amounts are expressed in thousands of euros, and are shown together with the corresponding figures for the previous year to permit comparison.

CONSOLIDATED SALES TURNOVER
(thousands of euros)



	12/31/04		12/31/03	
		%		%
Sales and service revenues	100,044	100.0	95,000	100.0
Change in inventory and other revenues	3139	3.1	(1,358)	(1.4)
Total value of production	103,183	103.1	93,642	98.6
Total cost of production	(72,384)	(72.4)	(67,413)	(71.0)
Added value	30,799	30.8	26,229	27.6
Personnel expenses	(23,867)	(23.9)	(23,498)	(24.7)
Gross operating margin – EBITDA	6,932	6.9	2,731	2.9
Amortization, depreciation and writedowns	(1,833)	(1.8)	(2,142)	(2.3)
Operating profit – EBIT	5,099	5.1	589	0.6
Net financial income (expense)	(1,074)	(1.1)	(1,418)	(1.5)
Value adjustments and extraordinary expenses	(236)	(0.2)	(1,254)	(1.3)
Income before taxation	3,789	3.8	(2,083)	(2.2)
Current tax liabilities	(2,198)	(2.2)	(1,583)	(1.7)
Deferred taxation	(342)	(0.3)	713	0.8
CONSOLIDATED NET PROFIT /LOSS	1,249	1.2	(2,953)	(3.1)

The Group's Gross Operating Margin (EBITDA) amounted to 6,932 thousand euros well up on 2,731 thousand euros in 2003.

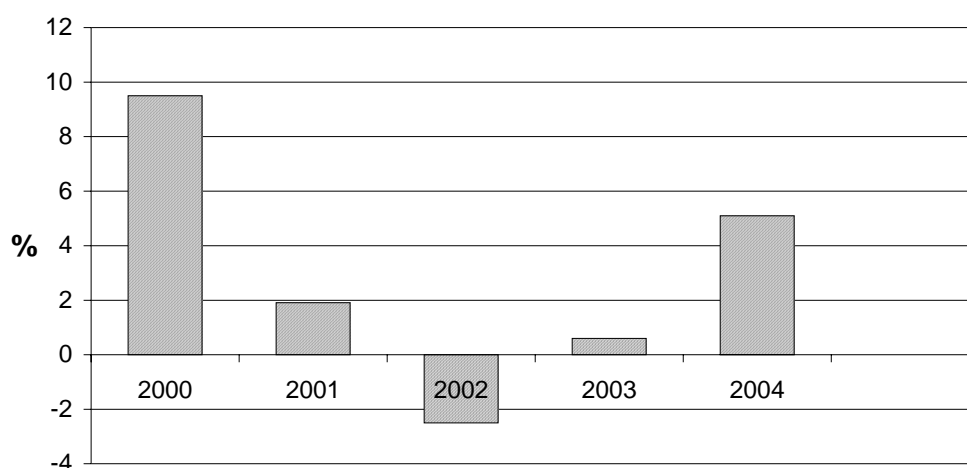
This strong recovery in earnings derives from an overall improvement by the Group's companies, but in particular, by the American subsidiary, Prima North America, which in 2004, went back to generating profits.

The following items were taken into account in determining EBITDA performance:

- Current additions to provisions totalling 6,092 thousand euros, including 4,595 thousand euros to the provisions for risks and future charges set aside to cover installation and warranty costs, 9 thousand euros to provision for agents' customer indemnity and 1,094 to provisions for inventory obsolescence, and 392 thousand euros to provisions for bad and doubtful debts;
- Research and development costs totalling 6,926 thousand euros (against 6,935 thousand euros in 2003), all charged directly against income. R&D now accounts for 6.9% of total turnover; constant investment in Research and Development is evidence of our commitment to producing advanced goods in a highly dynamic technology market.
- Additional provisions of 755 thousand euros to cover staff severance indemnities matured at the year-end. In 2003, this amount totalled 899 thousand euros.

Operating profit (EBIT) improved substantially, reaching 5,099 thousand euros against 589 thousand in 2003.

OPERATING PROFIT – EBIT/TURNOVER



The Group's pre-tax profits (EBT) were at 3,789 thousand euros, against a loss of 2,083 thousand euros in 2003, which was the result of extraordinary events (take-over bid, relocation of Prima North America's activities, etc.).

The following factors contributed:

- Net financial expenses of 933 thousand euros.
- Exchange rate losses, net of hedging operations, of 140 thousand euros, largely as a result of the US dollar's weakening against the Euro;
- Extraordinary expenses of 72 thousand euros.
- Value adjustments account for -164 thousand euros, for writedowns on investment holdings in the joint ventures Shenyang Prima Laser Machine and SNK Co.

Net profits standing at 1,249 thousand euros (these were losses of 2,953 thousand euros in 2003), were affected by high fiscal duties for IRAP and non-deductible costs, and is still not touched by substantial previous losses in the US, where, for the first year, there was a small increase in taxable income.

Key performance indicators for the year to 12/31/2004 are shown below by comparison with 2003:

	12/31/2004	12/31/2003
Weighted-average common shares outstanding during the year	4,600,000	4,543,750
Book value per share Euro	2.50	2.50
Net earnings per share Euro	0.27	(0.65)
Net asset value per share Euro	6.25	6.10

The Group's financial position can be summarized as follows:

Amounts in thousands of Euros	12/31/2004	12/31/2003
Fixed Assets	9,502	10,432
Net working capital	39,057	43,784
TOTAL ASSETS	48,559	54,216
Total consolidated shareholders' equity	28,741	27,729
STAFF SEVERANCE INDEMNITIES	4,200	4,164
Net Financial Position	15,618	22,323
Medium-term liabilities	12,307	15,392
Short-term liabilities	3,311	6,931
TOTAL LIABILITIES	48,559	54,216

The year saw progress in the process of optimizing the management of working capital, which had already brought excellent results in 2003. As a consequence of this and of positive cashflow generated during the period, the net financial position was further improved at 15,618 thousand euros against 22,323 thousand at 12/31/2003.

The Group's indebtedness includes:

- 1,673 thousand euros (against 2,767 thousand euros at December 31, 2003) for Sabatini pro solvendo transactions. It should be emphasized that the Group will be called upon to honour these credit instruments only in the event of default on the part of the customers involved;
- 1,145 thousand euros in lease instalments payable, most of which are due in connection with the capital lease taken out on Prima Industrie Plant 2 in Collegno, Turin;
- 2,170 thousand euros in subsidized R&D loans from government agencies.

Net amounts due to banks thus totalled 10,631 thousand euros, a reduction of more than 25% on the previous year (16,514 thousand euros).

Of this amount, short-term payables (including medium-term loan amortization instalments due during 2005) amount to 2,787 thousand euros, while medium-long term borrowing totals 9,517 thousand euros.

The asset-equity ratio thus stood at 0.54, down from 0.81 at the end of 2003. As regards bank borrowing, the Group's debt to equity ratio was 0.37 at December 31, 2004, as against 0.60 at the 2003 year-end: a significant change in view of the forthcoming implementation of the new Basle 2 international banking regulations.

STRATEGIES FOR THE FUTURE: Innovation and Internationalization

The international economic situation in the third millennium obliges European industry to take strategic action in order to maintain medium- to long-term competitiveness, in the face of the globalization of markets and aggressive competition from emerging countries and economies.

The area where most effort is required is in the medium enterprise sector, which in Italy accounts for a large portion of companies, among them, Prima Industrie. A two-tiered approach is required based on: Innovation and Internationalization.

2004 was a particularly important year for Prima Industrie on these fronts.

Innovation: during the year we completed development of a completely innovative and revolutionary product named Sincrono. It was presented to a select number of customers at the end of 2004 and will be launched in mid-2005. It promises to be a significant leap forward for Prima Industrie laser systems, in terms of technology and strategic market positioning. Sincrono is based on modern parallel kinematic structures, powered by linear induction motors, with a dynamic performance almost twice that of other advanced products currently on the market.

Sincrono's innovative features have been patented in the world's main markets.

Internationalization: the Group operates in 40 countries with direct sales and service outlets in a dozen of them, and annual exports varying between 70% and 75%. Over the last five years, overall revenues have amounted to more than 500,000 thousands of euros, with over 350,000 thousands of euros coming from overseas. Extra-EU turnover (with the European Union in current stagnation) reached a record 40% in 2004. The Group has 5 operations offices, 2 in Italy, 2 in North America and 1 in China.

2004 was also a year of intense activity in preparation of the IFRS (International Financial Reporting Standards), which will come into effect with the Consolidated Financial Statements drafted for the 2005 financial year, as specified in EU and national legislation.

OWNERSHIP STRUCTURE

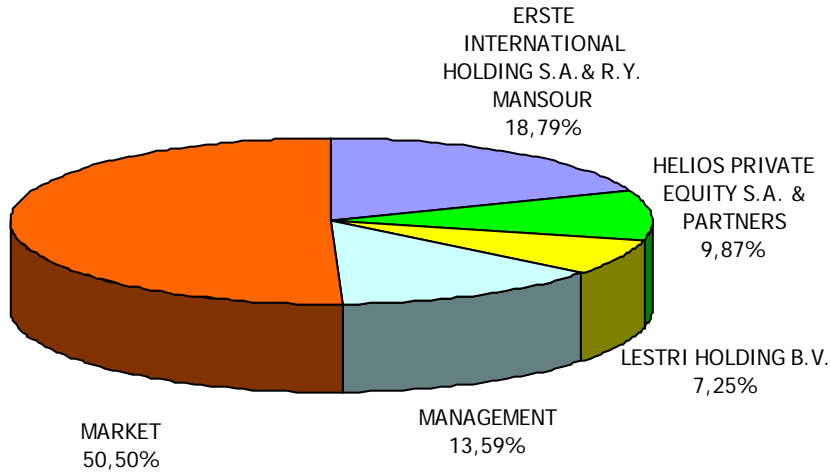
Prima Industrie capital stock at 31 December 2004 was made up of 4,600,000 ordinary shares with a par value of 2.5 euros each.

The Group has issued no bonds or securities other than common stock.

At the end of the year a group of company managers and shareholders set out details for purchasing the share package owned by Sviluppo Italia since 1995. The transaction was concluded on January 26, 2005 and earned Sviluppo Italia substantial capital gains, while strengthening the role of management among shareholders.

Following this transaction, the share structure looks like this:

SHAREHOLDERS' STRUCTURE



PRIMA INDUSTRIE'S PERFORMANCE ON THE STOCK MARKET

Nuovo Mercato showed an overall negative trend for 2004, especially in view of the crisis faced by a number of companies on the listing.

In particular, the trend was negative until mid August (when it reached the year's low), while the last 5 months of the year saw a shy attempt at recovery, thanks to which the NUMTEL index rose to over 1,300 points, after sliding from 1,648 points in January 2004 to its low point of 1,083 points.

Prima Industrie's stock followed the trend of its reference index until the start of 2004, and then underwent an upward turn until the end of the year, outperforming the index.

The minimum value of the year was 5.92 euros per share, with a maximum of 7.042 euros. At December 31, 2004, the value was 6.78 euros per share.

Since January 31, 2005, it has undergone the effects of the revision to the Borsa Italiana indices: NUMTEL and NUMTEX indices are no longer calculated, and have been replaced by the new TechSTAR index for the technology sector, which includes the stock of Nuovo Mercato companies that maintain high standards of income growth and financial stability. Moreover, TechSTAR and STAR stock all come together in the AllSTARS index which, like TechSTAR, is weighted on the floating shares of companies, rather than on their capitalization.

The performance of Prima Industrie stock versus the TechSTAR (former NUMTEL) index is illustrated below:



The Group worked to stabilize share prices during the year, implementing the measures approved by the Extraordinary Shareholders' Meetings of May 14, 2004. At December 31, 2004, the Group held 25,300 of its own shares at an average value of 6.7440 euros per share. At January 31, 2005, the portfolio reduced to 2,000 shares at an average value of 7.1971 euros per share.

STOCK OPTION PLAN

(as contemplated by CONSOB recommendation No. 11508 of February 15, 2000)

The stock options allotted to the Group's management on May 15, 2003 were not exercised during the set period (from July 1, 2004 to July 13, 2004), as a result of a number of failed company objectives fixed during 2003, and on account of variations in the price of Prima Industrie stock (which remained below the exercising price of 7.88 euros). For the moment, there are no further stock option plans for company and group employees and the plan set up on May 14, 1999 (and later modified on May 11, 2001) has expired.

CONSOLIDATED SALES TURNOVER

The year ended with a consolidated turnover of 100,044 thousand euros, which is an increase of more than 5% compared to 95,000 thousand euros in 2003, despite the decline of the US dollar, the currency that accounts for a large part of the group's revenues (around 30%).

This is the result of the improved performance of all Group companies, thanks to the recovery of the North American market, and strong growth in a few markets outside the European Union, in Eastern Europe and in other emerging countries.

Consolidated sales turnover, which does not include revenues from the Group's joint ventures in China and Japan, can be broken down by product type as shown in the table below, where amounts are expressed in thousands of euros:

SALES BREAKDOWN BY PRODUCT TYPE

	12/31/2004	%	12/31/2003	%
3D laser machines	33,344	33	34,776	37
2D laser machines	34,010	34	30,914	33
Electronic systems	11,782	12	10,957	11
Laser generators and other revenues	2,666	3	1,386	1
Customer and other services	18,142	18	16,967	18
TOTAL	100,044	100	95,000	100

The number of laser systems installed during the year rose from 156 to 175.

The sales breakdown by product category shows a fair balance between sales of 3D and 2D systems (33% and 34% of the consolidated sales turnover, which is 33,344 and 34,010 thousand euros respectively), compared to the previous year, in which, revenues from 3D machines had grown (37% or 34,776 thousand euros, against 29% in 2002), while 2D sales had decreased (33% or 30,914 euros, against 37% in 2002).

Sales of 3D systems were mainly concentrated in Italy (also thanks to sales of the remote welding system produced in association with Comau), Germany and the United States.

There was relative stability in the percentage of revenues from electronic products (12% against 11% in 2003) and after-sales services (18%).

Sales breakdown by geographical area is shown below. Again, amounts are expressed in thousands of euros.

SALES BREAKDOWN BY GEOGRAPHICAL AREA

	12/31/2004	%	12/31/2003	%
Italy	27,682	28	22,557	24
Europe	37,423	37	41,725	44
North America	19,672	20	20,196	21
Asia and rest of world	15,267	15	10,522	11
TOTAL	100,044	100	95,000	100

Even with a constant margin of products, the Italian market showed a certain degree of recovery (and also benefited from the sale of new remote systems, as already stated) totalling 28% of turnover in 2004 against 24% in 2003. On the other hand, the European market's contraction (dropping from 44% to 37%) is attributable to the difficult situation in a number of traditional markets (particularly France and Germany), which is only partly supported by growth in New Europe's markets.

North American sales remained more or less stable (20% of the total at year end 2004 against 21% in the same period of 2003), dampened by the weakened dollar against the euro.

Overseas markets made a pleasing upturn, as already mentioned.

COMMERCIAL ACTIVITIES

In 2004, the Group booked orders totalling 102,638 thousand euros, up 13% on 2003's 91,038 thousand euros in.

Consolidated orders backlog to January 1, 2005 remained unchanged compared to the previous year (19,059 thousand euros), since the higher purchase value was offset by the effect of the weakened dollar.

<i>(thousands of Euros)</i>	Backlog at Jan 1, 2005	Backlog at Jan 1, 2004
3D machines	6050	6,759
2D machines	7267	6,739
Lasers	-	116
Electronic equipment	4529	4,110
Services	1213	1,326
TOTAL	19,059	19,050

The phenomenon of shrinking backlogs continues to affect the industry and our competitors in particular, confirming the market's continuing insistence on faster delivery times.

When the economy is as little conducive to investments as it is in Europe today, the customer who decides to spend money is hardly willing to put up with long lead times.

To succeed in such a setting, increasing production flexibility – without allowing work in process to get out of hand – must rank among a manufacturer's highest priorities.

With its presence in 40 countries worldwide, the Group took part in numerous Trade Fairs throughout Europe during the year: February: BIMU SUD (Bari - Italy); March: TECHNISHOW (Utrecht – Netherlands) and MACHINE OUTIL (Paris – France); April: METALWORKING (Birmingham – United Kingdom); May: LAMIERA (Bologna), INTERTOOL (Vienna – Austria), and METALLOOBRABOTKA (Moscow – Russia); June: BIEMH (Bilbao – Spain) and MACHTOOL (Poznan – Poland); October: BIMU (Milan - Italy), MAQUITEC (Barcelona – Spain) and EUROBLECH (Hanover – Germany).

Outside of Europe, the Group took part in exhibitions in the US (FABTECH in Cleveland), China (CIMT in Beijing), Brazil (MECANICA in Sao Paulo) and Japan (JIMTOF in Tokyo, in association with SNK).

RESEARCH AND DEVELOPMENT

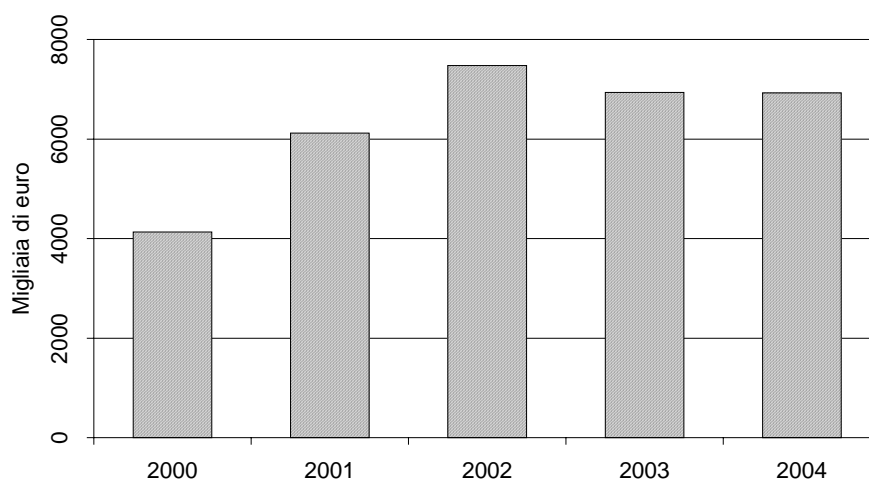
Research and development costs remained stable at 6.9 million euros (the same figure was spent during 2003). As in the past, all expenditures for the year were charged directly against income.

This sizable investment, which corresponds to 6.9% of turnover, will enable the Group to maintain – and, we hope, sharpen – its competitive edge in the fast-paced world of laser technology, by enhancing and broadening the spectrum of our product lines.

As confirmation of the soundness of our choices, Research and Development activities generated additional revenues of 1.4 million euros from the assignment of a non-exclusive user's licence, limited to the Japanese market.

R&D was carried out in all the Group's production companies, as well as at the new Prima Industrie research centre opened in Bari at the end of 2003, and which today has 15 researchers. In January 2005, Prima Industrie S.p.A. acquired 10% of the shares in the Sintesi research consortium, led by CNR.

RESEARCH AND DEVELOPMENT COSTS



The following themes were dealt with in 2004:

- Completing development of the new Domino HS machine, which was presented at the Lamiera Fair in Bologna in May 2004.

- Upgrading the P20-L numerical control unit towards cell management and integrated production systems, and management of parallel kinematic redundant-axis machines.

Development of the new 2D SYNCRONO machine, with parallel kinematic head. This completely new and unique product on the world scene, will be launched in the middle of 2005, and was developed within a EUREKA project entitled PAMELA.

Defining specifications and configuring a new laser model, more powerful than the lasers currently produced or purchased by the Group.

Completing the base version of the P20L control software for three-dimensional laser cutting machines. The new control is to be introduced during the current year.

Development of a high-performance laser generator, currently underway as part of the RESALT project, in association with major international research centres and primarily geared towards welding applications.

PERSONNEL AND ORGANIZATION

The Group's workforce went up by 4% with 465 employees at the end of 2004 as compared with 446 in the previous year.

Per capita sales thus amounted to 215 thousand euros, against 213 thousand euros in 2003. This indicator, like so many others, was affected by the dollar depreciation, since 23% of the Group's employees work in the United States.

Workforce breakdown by Group company is shown below:

	12/31/2004	12/31//2003
▪ Prima Industrie S.p.A. – Italy	234	234
▪ Prima Industrie European branch offices	27	31
▪ Prima Industrie UK Ltd. – United Kingdom	10	(*)
▪ Prima Scandinavia AB – Sweden	3	(*)
▪ Prima Industrie branch office China	2 (**)	-
▪ Prima Electronics S.p.A. – Italy	84	81
▪ Prima North America, Inc. – USA	105	100
Total	465	446

(*) = at December 31, 2003 these were included among the employees of Prima Industrie branch offices in Europe

(**) = employees of the two Chinese joint ventures are not included, (not consolidated), which amount to 100 units in Shanghai Unity Prima and 14 units in Shenyang Prima.

Breakdown by job function was as follows:

	12/31/2004	12/31/2003
▪ Management and administration	49 (*)	45
▪ Marketing and sales	38	41
▪ R&D and engineering	80	72
▪ Production	205	200
▪ Customer service	86	77
Subtotal	458	435
▪ Temporary employees	7	11
Total	465	446

(*) = 3 of the 4 increased units are attributable to persons employed at the Group's foreign offices in Sweden, the US and China.

ADJUSTMENT OF THE ARTICLES OF ASSOCIATION TO FULFIL OBLIGATIONS SET OUT IN ITALIAN LEGISLATIVE DECREE NO. 6/2003

Pursuant to the new obligations introduced by Italian Legislative Decree No. 6/2003 with regards to the Company Law provisions of the Italian Civil Code, the Extraordinary Shareholders' Meetings of Prima Industrie S.p.A., held on September 23, 2004 and September 9, 2004, resolved to amend the Group's Articles of Association to bring them into line with the requirements, and at the same time, take advantage of the new opportunities offered by the new law.

TRANSITION TO IAS/IFRS STANDARDS

During 2004 the Prima Industrie Group continues working towards transition to the new IFRS accounting standards, recruiting the support of PricewaterhouseCoopers in this endeavour.

The impact of applying these new standards to the different areas of the financial statement has been assessed, with the most significant changes concerning the time at which revenues are acknowledged. In the case of our machinery, this should be defined as the date on which it is accepted by the end customer (where appropriate), rather than the date of delivery or despatch.

FULFILMENT OF OBLIGATIONS IN ACCORDANCE WITH ITALIAN LEGISLATIVE DECREE NO. 231/2001

On February 28, 2005 the Board of Directors of Prima Industrie appointed a Supervisory Body (S.B.) in compliance with Italian Legislative Decree No. 231/2001.

The purpose of the S.B. is to analyse the Group's organizational structure by the end of the financial year, in order to identify so-called "sensitive activities" and their related company procedures, and draw up reports where necessary.

FULFILMENT OF DATA PROTECTION OBLIGATIONS IN CONFORMANCE WITH ANNEX B OF LEGISLATIVE DECREE No. 196 OF JUNE 30, 2003

Pursuant to section 19 of the technical specifications for minimum security requirements – Annex B of Legislative Decree No. 196/2003 “Data Protection Code”, the company drew up the Documento Programmatico sulla Sicurezza (DPS – Planning Document for Security) on March 26, 2004. The assessment phase is underway for 2005, following which the document will be updated by March 31, 2005.

SIGNIFICANT SUBSEQUENT EVENTS

Significant events which occurred subsequent to the close of the fiscal year are:

Sale of treasury stock

On January 31, 2005, the treasury stock was 2000 shares at an average value of 7.1971 euros per share, against the 25,300 shares at December 31, 2004 with the average value of 6.7440 euros per share.

Shares purchase:

In January 2005 Prima Industrie bought 10% of the stock capital of Consorzio Sintesi S.c.p.A., which has a total share capital of 516,000 at 51,600 euros per share. The Consortium’s headquarters are in the city of Bari, where Prima Industrie has set up its own research centre with 15 researchers.

On January 26, 2005, a group of managers and shareholders of Prima Industrie purchased the share package formerly held by Sviluppo Italia since 1995. The management quota of share capital stands at 13.59%.

CONSOLIDATED GROUP COMPANIES

An overview of the Group companies’ performance during the year is provided below.

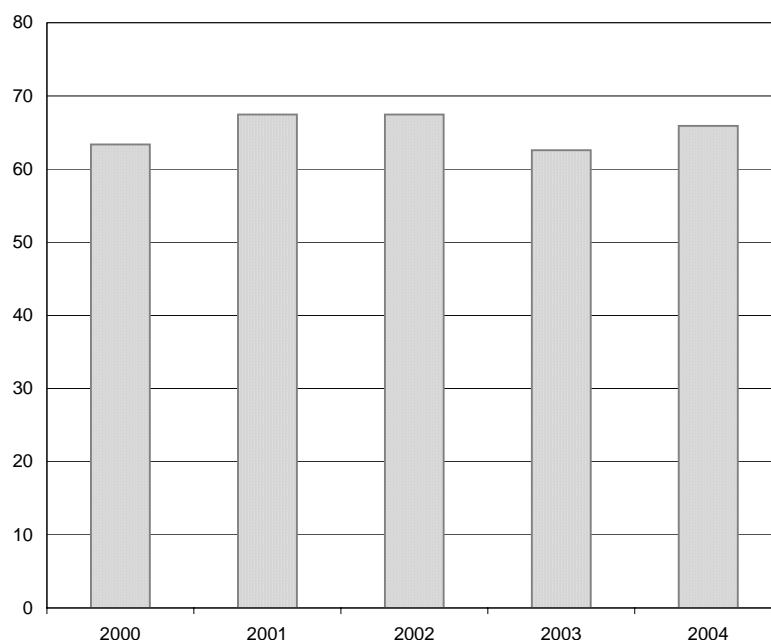
PRIMA INDUSTRIE S.P.A.

The parent company’s sales turnover in 2004 amounted to 65,913 thousand euros, 5.3% up from 2003’s 62.583 thousand euros, in spite of the weak dollar, which affected the share of turnover quoted in dollars and related to North America.

This upturn was mainly the result of two factors:

- Good revenues from laser welding systems for the automotive market
- Growing demand from the countries of Enlarged Europe, which partly compensated for the difficult situation in a number of traditional markets (particularly France and Germany), and from fast-expanding overseas markets such as China, Brazil and Australia.

TURNOVER (millions of euros)



Highlights of the Prima Industrie S.p.A. 2004 consolidated income statement are shown below. All amounts are expressed in thousands of euros, and are shown together with the corresponding figures for the previous year to permit comparison:

	12/31/04	12/31/03	% Change
Sales and service revenues	65,913	62,583	+5.3
Change in inventory and other revenues	2,611	486	
Total value of production	68,524	63,069	+8.6
Total cost of production	(51,941)	(47,846)	+8.6
Added value	16,583	15,223	+8.9
Personnel expenses	(12,847)	(12,657)	+1.5
Gross operating margin – EBITDA	3,736	2,566	+45.6
Amortization, depreciation and writedowns	(713)	(730)	-2.3
Operating profit – EBIT	3,023	1,836	+64.7
Net financial income (expense)	(25)	(583)	-95.7
Value adjustments and extraordinary expenses	(508)	(3,948)	-87.1
Income before taxation	2,490	(2,695)	
Current tax liabilities	(1,318)	(825)	+59.8
Deferred taxation	(553)	1,037	
Advanced income tax	208	(351)	
NET PROFIT/LOSS	827	(2,834)	

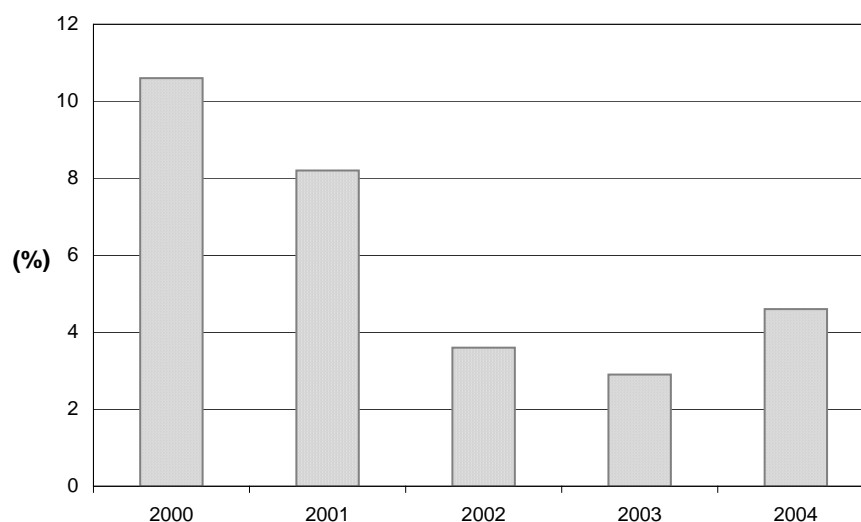
The Company's EBITDA margin amounted to 3,736 thousand euros or 5.7 per cent of turnover, against 2,566 thousand euros or 4.1 per cent of turnover in the previous year. The increase is put down to the growth in sales.

The following factors contributed:

- Current additions to provisions totalling 1,880 thousand euros, including 1,861 thousand euros to the provisions for contract-related risks and charges set aside to cover installation and warranty costs for machines and systems installed and invoiced in 2004 (utilization of these provisions amounted to 2,001 thousand euros during the year).
Other minor additions to provisions included the 9 thousand euros set aside during the year for customer claims advanced against the company's agents, and 10 thousand euros for writedowns on investment holdings.
It also includes 1,094 thousand euros for inventory obsolescence, and 392 thousand euros to provisions for bad and doubtful debts.
- Research and development costs totalling 4,089 thousand euros (against 3,555 thousand euros in 2003), all charged directly against income.
- Additional provisions of 559 thousand euros to cover staff severance indemnities matured at the year-end.

After 713 thousand euros in depreciation and amortization, EBIT amounted to 3,023 thousand euros or 4.6% of turnover, against 1,836 thousand euros or 2.9% of turnover in 2003.

OPERATING PROFIT (EBIT)/TURNOVER



The Company posted a pretax profit of 2,490 thousand euros, a significant improvement over the 2,695 thousand Euro loss in 2003.

The following factors contributed:

- Net financial expenses and bank commissions totalling 599 thousand euros, against 847 thousand euros in 2003. This reduction was chiefly due to lower net borrowings.

- Dividends to be paid amounting to 600 thousand euros, against 454 thousand at December 31, 2003, including tax credits.
- Exchange rate losses of 27 thousand euros. The fact that these losses are relatively small despite the euro's sharp rise against a number of currencies, and against the US dollar in particular, was due to careful management of the Company's total exchange rate exposure, which ensured that dollar-denominated payables and receivables were evenly matched while hedging all risks arising from collections and payments effected in US dollars.
- Writedowns on investment holdings totalling 394 thousand euros, largely in connection with the losses incurred by Prima North America, which amounted to 157 thousand euros against 3,319 thousand euros in 2003, and those incurred by Prima Scandinavia, amounting to 73 thousand euros, Shenyang Laser Machine Co. totalling 39 thousand euros and euros and SNK Co., amounting to 125 thousand euros.
- Extraordinary expenses of 114 thousand euros.

The year ended with net profits of 827 thousand euros following 1,318 thousand euros in provisions for current tax liabilities, 553 thousand euros in deferred tax liabilities and 209 for deferred tax liabilities. In 2003, there were net losses totalling 2,834 thousand euros.

Key performance indicators for the year are shown below by comparison with 2003:

	12/31/04	12/31/03
Weighted-average common shares outstanding during the year	4,600,000	4,543,750
Book value per share		
Euro	2.50	2.50
Net earnings per share		
Euro	0.18	(0.62)
Net asset value per share		
Euro	6.28	6.18

The Company's financial position can be summarized as follows:

Amounts in thousands of Euros	12/31/2004	12/31/2003
Fixed Assets	16,276	17,114
Net working capital	25,023	27,546
TOTAL ASSETS	41,299	44,660
Stockholders' Equity	28,892	28,064
Staff Severance Indemnities	2,974	3,046
Net Financial Position	9,433	13,550
Medium-term liabilities	7,103	9,077
Short-term liabilities	2,330	4,473
TOTAL LIABILITIES	41,299	44,660

The most significant aspect of these results is the step forward in the net financial position, owing to better profitability, and the remarkable improvement in management of working capital, which hinged chiefly on careful screening of prospective customers and more aggressive procedures for ensuring that receivables are collected.

Short-term liabilities consist entirely of medium-term loan amortization instalments due during 2005, as the Company's cash and equivalents totalled 3,141 thousand euros at December 31, 2004.

The Company's debt to equity ratio showed substantial improvement, passing from 0.48 at year-end 2003 to 0.33 at December 31, 2004.

EQUITY INVESTMENTS HELD DIRECTLY OR INDIRECTLY BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS IN PRIMA INDUSTRIE SPA AND IN ITS SUBSIDIARIES (DISCLOSURE PURSUANT TO ARTICLE 79, CONSOB REGULATION No. 11971 OF MAY 14, 1999)

As required by Article 79 of CONSOB Regulation No. 11971 approved on May 14, 1999, details of equity investments held by company directors, statutory auditors and general managers are disclosed below.

Surname and name	Investee	Shares owned at Jan. 1, 2004	Shares purchased in 2004	Shares sold in 2004	Shares owned at year-end (12/31/04)
Palmeri Aldo	Prima Industrie SpA	2.500	--	--	2.500
Carbonato Gianfranco	Prima Industrie SpA	174.500	--	--	174.500
Della Rosa Giulia	Prima Industrie SpA	--	--	--	--
D'Isidoro Sandro	Prima Industrie SpA	1.000	--	--	1.000
Mansour Rafic Y.	Prima Industrie SpA	838.794	--	--	838.794
Morfino Giuseppe	Prima Industrie SpA	--	--	--	--
Peiretti Domenico	Prima Industrie SpA	91.000	5.000	--	96.000
Pincioli Marco	Prima Industrie SpA	--	--	--	--
Scarpari Francesco	Prima Industrie SpA	--	--	--	--
Formica Riccardo	Prima Industrie SpA	--	--	--	--
Mosca Andrea	Prima Industrie SpA	--	--	--	--
Petrignani Roberto	Prima Industrie SpA	--	--	--	--
Coda Roberto	Prima Industrie SpA	--	--	--	--
Frigerio Gian Luigi	Prima Industrie SpA	--	--	--	--
Basso Ezio	Prima Industrie SpA	13.444	--	1.470	11.974
Delle Piane Alberto	Prima Industrie SpA	20.800	--	--	20.800
Gagliardi Franca (i)	Prima Industrie SpA	6.452	278	--	6.730
Monticone Emilia (ii)	Prima Industrie SpA	75.160	--	--	75.160

(i) Spouse of Mr Carbonato

(ii) Spouse of Mr Peiretti

None of the parties listed above has direct or indirect shareholdings or quotas in the subsidiaries Prima Electronics S.p.A, Prima Industrie GmbH, Prima Industrie UK Ltd, Prima Scandinavia AB, Prima North America Inc.

SALES TURNOVER

Sales for 2004 amounted to 65,913 thousand euros. Breakdown by product type and geographical area is shown in the tables below, where amounts are expressed in thousands of euros:

SALES BREAKDOWN BY PRODUCT TYPE

	31/12/2004	%	31/12/2003	%
3D laser machines	22,749	34	24,529	39
2D laser machines	30,681	47	26,211	42
Customer and other services	12,483	19	11,843	19
TOTAL	65,913	100	62,583	100

SALES BREAKDOWN BY GEOGRAPHICAL AREA

	12/31/2004	%	12/31/2003	%
Italy	22,667	35	20,285	32
Europe	27,136	41	31,411	50
USA	4,794	8	2,718	5
Rest of world	11,316	16	8,169	13
TOTAL	65,913	100	62,583	100

As can be seen from the breakdown by product type, the higher number of installed machines was distributed more favourably on the side of 2D systems than 3D sales, which were negatively affected by the difficult situation in a number of traditional markets (particularly France and Germany).

This is confirmed by the sales breakdown by geographical area, which shows that, while there was a boost in Italian sales, largely due to sales of the new remote welding system, other European markets suffered a marked contraction, even with the good results of a number of markets in New Europe (Poland, Russia, Turkey).

COMMERCIAL ACTIVITIES

The company booked orders totalling 58,111 thousand euros in 2004, against 59,269 thousand euros in the previous year.

As discussed above, the market is far from being the place it was a year ago. Investments are made only when they can be put off no longer, and once customers have reached that point, the last thing they want to do is wait for their new machines to be installed. This attitude, which puts a premium on fast delivery, is shared by all of Europe's major markets today, and obliges all capital goods makers to trim their backlogs and introduce leaner, more flexible manufacturing processes.

Accordingly, the order backlog for laser systems was reduced as shown below, where amounts are expressed in thousands of euros:

	Backlog at Jan 1, 2005	Backlog at Jan 1, 2004
3D machines	4,564	5,461
2D machines	7,023	7,080
TOTAL	11,587	12,541

These figures indicate that the 2D market is holding steady, as the backlog covers over three months of production with sales continuing at the rates seen in 2003. The backlog for 3D machines, on the other hand, reflects the difficulties that have hit harder in this market than elsewhere.

Among other highlights of the year, was our involvement, sometimes represented by our European branches, in numerous trade fairs.

TRANSACTIONS WITH RELATED PARTIES

PRIMA ELECTRONICS SPA

Sales made by Prima Electronics to Prima Industrie amounted to 2,831 thousand euros, up 23.4% from 2,295 thousand euros in the previous year.

All sales were arm's length transactions at current market prices, and involved:

	2004	2003
Supplies of numerical control units; Accessories, services and miscellaneous	2,460	2,095
Design activities	371	200
Total	2,831	2,295

Furthermore, Prima Electronics received interest earned on the 40-thousand- euro loan granted to the Parent Company.

In the same period, Prima Industrie billed a total of 146 thousand euros to Prima Electronics for technical and administrative consulting and other services which Prima Industrie provides to other Group companies on a centralized basis, as compared to 123 thousand euros in 2003. The amounts thus billed included licenses, maintenance fees and customization costs for the corporate information system, as well as the management and financial expenses incurred by Prima Industrie on behalf of Prima Electronics.

Intercompany payables and receivables at the year-end are shown below in thousands of euros:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	90	--
Invoices pending issue	--	--
Dividends to be collected	600	--
Consolidated taxation	52	--
Trade accounts payable	--	1,153
Financial payables	--	1,500
Total	742	2,653

PRIMA NORTH AMERICA INC.

In 2004, Prima Industrie billed Prima North America 4,198 thousand euros for machinery (against 1,864 thousand euros in 2003) and 591 thousand euros for accessories and spare parts (as compared with 776 thousand euros in 2003). In addition, Prima Industrie charged 73 thousand euros for other revenues, commission on invoices pending issue, and 71 thousand euros in interest on intercompany loans.

In turn, Prima North America billed Prima Industrie 2,745 thousand euros for laser generators, as well as 589 thousand euros for spare parts and other services carried out under contract. Intercompany payables and receivables in thousands of euros at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	2,756	--
Trade accounts payable	--	608
Invoices pending issue	13	--
Invoices pending receipt	--	717
Financial receivables	3,414	--
Total	6,183	1,325

PRIMA INDUSTRIE GMBH

Prima Industrie GmbH has not done business for several years.

No transactions took place between Prima Industrie S.p.A. and Prima Industrie GmbH during the year.

Intercompany payables and receivables at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	16	--
Trade accounts payable	--	21
Financial receivables	170	--
Total	186	21

PRIMA INDUSTRIE UK LTD.

The company has been running since 2004 and is responsible for marketing Prima Industrie systems and providing technical assistance in the UK region.

During 2004, Prima Industrie UK billed Prima Industrie S.p.A. 307 thousand euros for the sale of materials and services.

Prima Industrie S.p.A. billed the British subsidiary 3,465 thousand euros for the sale of machinery, 31 thousand euros for the rental of premises and 26 thousand for interest on loans.

Intercompany payables and receivables at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	1,558	--
Invoices pending issue	16	--
Trade accounts payable	--	80
Invoices pending receipt	--	17
Financial payables	--	40
Financial receivables	654	--
Total	2,228	137

PRIMA SCANDINAVIA AB

The company has been operating since the end of 2003, and is responsible for overseeing sales and after-sales services for Prima Industrie products on the Scandinavian market.

In 2004, Prima Scandinavia billed the parent company 56 thousand euros for sales and services. In turn, Prima Industrie S.p.A. billed the subsidiary 1,656 thousand euros for the sale of machinery and 5 thousand euros for interest on loans.

Intercompany payables and receivables at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	513	--
Trade accounts payable	--	42
Financial receivables	28	--
Total	541	42

SHENYANG PRIMA LASER MACHINE COMPANY LTD.

Prima Industrie billed the Shenyang Prima joint venture approximately 2,079 thousand euros for sales of 2D laser cutting machine subsystems. In 2003, sales totalled 931 thousand euros.

Intercompany payables and receivables at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable:	1,237	--

SHANGHAI UNITY PRIMA LTD.

The company began operating on June 30, 2004, after completing the necessary bureaucratic formalities.

No transactions took place between Prima Industrie S.p.A. and Shanghai Unity Prima Ltd during the year.

SNK PRIMA COMPANY LTD.

There were no significant commercial transactions between Prima Industrie and the Japanese joint venture with SNK.

SUBSIDIARIES

PRIMA ELECTRONICS SPA

The company ended the year with satisfying results and a turnover showing growth after two years of contraction. Revenues for 2004 were 14.9 million euros, up 9.6% from 13.6 million euros in 2003. This increase of 1.3 million euros was largely due to the sale of new products developed during the year and belonging to the “other electronic products” category.

Moderate growth in the electronic regulators sector and the pleasing turnover generated by the third-party design segment, compensated for the reduction registered in the “motion control” category.

Income before tax totalled 1.7 million euros, or 11.6% of turnover, against 1.8 million in the previous year. This soft contraction is the result of a modified make-up of sales during the period, as well as greater provisions for doubtful accounts allowances, warranty costs and inventory obsolescence.

Net profit was similar to the previous year, at 1 million euros, or 6.6% of the total turnover.

It was a reassuring year for sales due, not only to a good number of orders totalling 15.3 million euros, but also to the closing of two long-term supply deals with new customers, which will start bearing fruit in the current year.

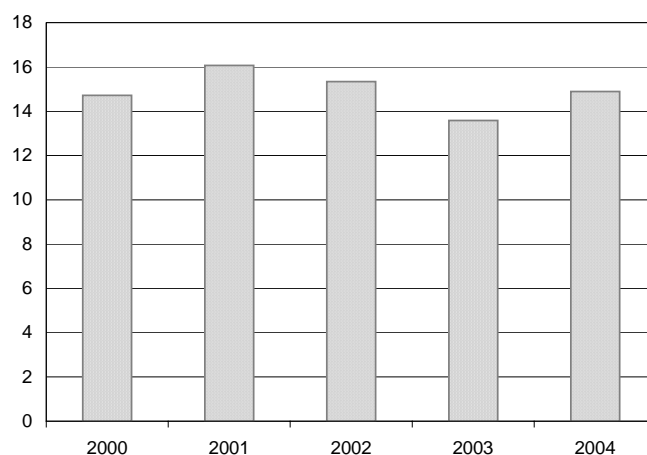
The orders backlog at January 1, 2005 stood at 5.8 million euros, compared to 5.3 million in January 2004.

R&D costs were all charged directly against income, and totalled 1,050 thousand euros, or 7.1% of turnover.

The following themes were dealt with in 2004:

- Expanding the motion control product range, by developing a converter to be integrated into asynchronous motors, a new size in the VFD 400 series, and a miniature model connected by fieldbus.
- Enhancement of P20-L control software for 2D (high-performance “look-ahead” and control of parallel kinematic redundant axes) and 3D machines (new self-teaching software).

Prima Electronics SpA turnover
(million of euros)



- Development and implementation of RFID technology in a prototype compressor regulator, used for identifying original spare parts by radio. We expect exciting developments in this technology during 2005.

The company's net financial position improved even further, with assets increasing to 1.8 thousand euros at year-end, against 1.7 thousand euros at the end of 2003.

At December 31, 2004 the company had a workforce of 84, 3 of which were temporary on temporary contracts.

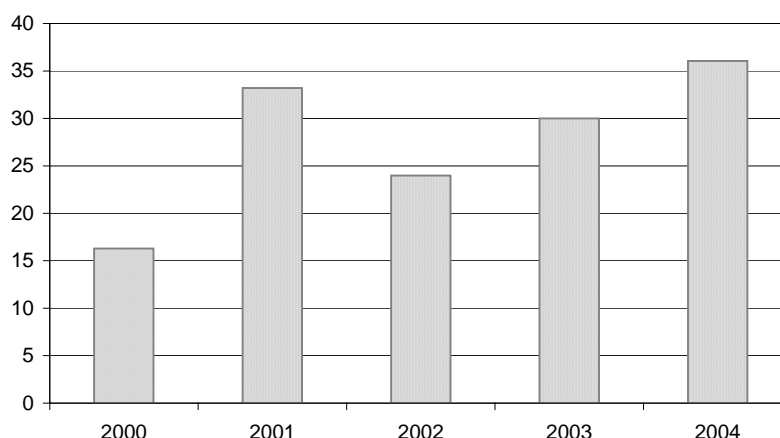
PRIMA NORTH AMERICA, INC.

2004 was a year of harvest, following the work put into reorganizing the company structure and reinforcing management carried out two years ago, as well as the overall improved form of the North American market.

The company's turnover soared to 36 million dollars, which is up 22% on 2003 and 50% on 2002.

Revenues from the Laserdyne Division fell slightly from 16 million dollars to 13.4 million, despite profitability remaining substantially unchanged with EBIT at 1.7 million dollars, or 12.3% of turnover, compared to 1.8 million in 2003 (10.8%).

Primo North America, Inc. turnover (million of dollars)



The Convergent Lasers Division recorded revenues rising by 28.6% to 13.5 million dollars at year-end 2004, up from 10.5 million dollars in the previous year. Pretax earnings remained substantially unchanged (down 0.8 million at 12/31/04) with a return to operating profit in the last part of the year.

Sales in the Prima Laser Tools Division, responsible for sales and after-sale service on Prima Industrie S.p.A. systems, more than doubled from 5.6 million dollars in 2003 to 12.7 million dollars in 2004.

This hefty increase was due, in part to the overhaul of the sales structure and marketing activities, but also to growing demand from the sheet metal industry.

On the whole, Prima North America ended the year with profits of 0.25 million dollars (compared to losses of 3.1 million in 2003), the sum total of first quarter losses and profits generated in the remaining three quarters of the year.

The company's net results stood at -0.2 million dollars, which is a net improvement on its 4.2 million dollar losses in the previous year.

Research and development costs, all of which were expensed during the year, totalled 2.2 million dollars against 2.4 million dollars in the previous year.

At December 31, 2004 the company had a workforce of 105, compared to 100 employees at year-end 2003.

PRIMA SCANDINAVIA AB

The financial statement of Prima Scandinavia AB reflects the company's income situation and financial progress since its founding in 2003, with a number of start-up expenses featuring in the income statement.

Sales made up 2,038 thousand euros, with 3 machines installed during the year, and the result was negative standing at 73 thousand euros.

The company aims to break even in 2005, thanks to a substantial increase in the volume of sales.

PRIMA INDUSTRIE UK LTD.

The newly-formed Prima Industrie UK Ltd (which took over the activities of the British branch of Prima Industrie) produced a good turnover of 3,440 thousand pounds and good earnings, at 113 thousand pounds.

These positive results in the British market, reflected in an increased volume of sales (12 machines installed during the year), were significantly better than those produced by the Prima UK branch in 2003, albeit with continuing low margins due to the balance of orders being strongly on the side of 2D machines.

PRIMA INDUSTRIE GMBH

The Company, which is not currently operative, posted a limited loss of 9 thousand euros.

UNCONSOLIDATED EQUITY INVESTMENTS

SHENYANG PRIMA LASER MACHINE COMPANY LTD.

During 2004, the joint venture, in which Prima Industrie holds a 50% stake, produced a volume of sales of 24.45 million RMB (2,950 thousand USD), corresponding to 12 machines installed. These are the highest results produced by the company since it was founded in 1999.

While the operating result was positive, the net result presented losses of 881 thousand RMB (106 thousand USD), largely due to losses caused by the weakness of the dollar (to which the RMB is linked) against the euro.

SNK PRIMA COMPANY LTD.

The company's operations in 2004 were limited to marketing activities. It took part in the JIMTOF fair in Beijing.

SHANGHAI UNITY PRIMA

The Shanghai joint venture, in which Prima holds a 27.5% stake, began operations in mid 2004.

It achieved a pro forma turnover (which includes imported lasers bought by the company on behalf of its customers) of 53,400 thousand RMB (6,442 dollars), with a total of 58 machines installed during the year.

Net profits stood at 7,980 thousand RMB (960 thousand USD).

MACRO MECCANICA SPA (in liquidation)

No commercial transactions with this company took place in 2004.

There were no outstanding accounts payable to or receivable from Prima Industrie at the year-end.

Prima Industrie's 35% equity investment in the company was written off in 1999.

Though the liquidation process is not yet complete, no further expenses are expected to emerge in the future.

RAMBAUDI INDUSTRIALE SPA

The company was declared bankrupt by the Court of Turin on September 30 and October 27, 2003, though the Prima Industrie equity investment had been written off in 2002. There were no commercial transactions with this company in 2004.

MECHANICAL INDUSTRIES SRL

The company was declared bankrupt by the Court of Turin on March 28-31, 2003.

The Prima Industrie equity investment was written off in 2002.

At the end of the year, Prima Industrie was owed 43 thousand euros, an amount stated on the Mechanical Industries books as an unsecured debt and covered by the provisions for bad and doubtful debt set aside by Prima Industrie.

THE OUTLOOK FOR 2005

With the prospect of little change in the European markets, our goals for the current year are to achieve moderate growth in revenues and further improvement in our key performance indicators. The focus will start with North America, where the first signs of recovery saw Prima North America break even in 2004, and should bring through the first positive results.

In the light of this positive outlook, the Board of Directors has resolved to submit to the Shareholders' Meeting a motion to issue a dividend of €0.14 per share.

We sincerely hope that this is received as a positive signal, and we thank you, on behalf of our employees, partners, customers and suppliers, for patiently awaiting the return to profits that we have worked so hard to achieve over the few years, against the tide of overall economic difficulty.

Shareholders,

The mandate of the Board of Directors and duties assigned to the Independent Auditors expire with the Shareholders' Meeting to approve the financial statement to December 31, 2004.

We would like to take this opportunity to thank you for the confidence you have placed in us during our time in office, and duly invite you to appoint a new executive body and to engage the services of Independent Auditors.

MOTION FOR THE ALLOCATION OF THE NET INCOME

Shareholders,

We ask you to approve the financial statements for the year to December 31, 2004, and we propose to allocate the net profit for the year, amounting to 827,199 euros as follows:

- 41,360 Euros as legal reserve, in accordance with article 2430 of the Italian Civil Code
- 142,889 Euros as reserve prescribed by Articles of Association
- 642,950 Euros as dividends, valued at 0.14 euros per share, excluding 7,500 of treasury stock held at February 28, 2005. Given that the specialist contract currently underway may cause a variation in the number of shares held in treasury stock, in the event of an increase in their number from the time of the date of the Shareholders' Meeting, the dividend relating to these additional shares will be allotted to the extraordinary reserve.



On behalf of the Board of Directors
Chief Executive Officer
Gianfranco Carbonato

PRIMA INDUSTRIE S.p.A.
BALANCE SHEET
at December 31, 2004

ASSETS	12/31/2004		12/31/2003	
A. DUE FROM STOCKHOLDERS FOR PAYMENTS STILL DUE	<u>0</u>		<u>0</u>	
B. FIXED ASSETS				
I. Intangible fixed assets				
1) Plant and expansion costs	0		33.735	
2) Research, development and advertising costs	0		0	
3) Industrial patent and intellectual property rights	160.117		121.124	
4) Concessions, licences, trademarks and similar rights	4.783		5.817	
5) Goodwill	0		0	
6) Assets under construction and advances	0		0	
7) Other intangible fixed assets	<u>322.212</u>	487.112	<u>318.502</u>	479.178
II. Tangible fixed assets				
1) Land and buildings:	801.114		717.322	
less: Accumulated depreciation	(223.133)	577.981	(184.821)	532.501
2) Plant and machinery	1.648.551		1.569.029	
less: Accumulated depreciation	(1.158.413)	490.138	(1.062.319)	506.710
3) Industrial and commercial equipment	1.747.984		1.683.170	
less: Accumulated depreciation	(1.399.420)	348.564	(1.238.651)	444.519
4) Other assets	1.515.969		1.422.735	
less: Accumulated depreciation	(1.301.869)	214.100	(1.214.911)	207.824
5) Assets under construction and advances	<u>0</u>	1.630.783	<u>0</u>	1.691.554
III. Financial fixed assets				
1) Equity investments				
a) in subsidiaries	24.442.579		22.691.379	
less: equity investment devaluation reserve	(15.689.956)		(15.460.021)	
b) in associated companies	1.855.767		1.855.767	
less: equity investment devaluation reserve	(897.007)		(732.977)	
c) in controlling companies	0		0	
less: equity investment devaluation reserve	0		0	
d) in other companies	774.686		774.686	
less: equity investment devaluation reserve	(774.686)	9.711.383	(774.686)	8.354.148
2) Receivables (*)	0		0	
a) from subsidiaries	4.265.685		6.357.947	
b) from associated companies	0	150.416	0	150.416
c) from controlling companies	0	0	0	0
d) Other receivables	<u>31.388</u>	4.447.489	<u>80.650</u>	6.589.013
3) Other securities		249.478		0
4) Treasury stock	<u>0</u>	14.408.350	<u>0</u>	14.943.161
TOTAL FIXED ASSETS (B)		<u>16.526.245</u>		<u>17.113.893</u>
C. CURRENT ASSETS				
I. Inventories				
1) Raw materials, consumables and supplies	6.984.227		7.425.471	
2) Work in progress and semifinished products	2.765.540		2.333.895	
3) Contract work in progress	0		0	
4) Finished product and goods	2.478.900		2.481.058	
5) Advances	0		0	
less: provision for writedown of stock	(813.166)		(666.138)	
less: provision for writedown of finished products	<u>(490.000)</u>	10.925.501	<u>(183.000)</u>	11.391.286
II. Receivables (**) 1.466.000	26.302.560		279.656 31.314.751	
1) Trade receivables less: taxed and non taxed allowance for doubtful accounts:	(1.013.519)	25.289.041	(1.050.000)	30.264.751
2) from Subsidiaries	0	5.413.414	0	985.023
3) from Associated companies	0	1.280.171	0	1.350.850
4) from Controlling companies	0	0	0	0
4- bis) Tax receivables	0	1.971.741	0	2.114.812
4-ter) Prepaid taxes	0	2.923.447	0	3.739.902
5) Others	<u>0</u>	2.755.896	<u>0</u>	1.415.862
		39.633.710		39.871.200
III. Current financial assets				
1) Equity investments in subsidiaries	0		0	
less: equity investment devaluation reserve	0	0	0	0
2) Equity investments in associated companies	0		0	
3) Equity investments in controlling companies	0		0	
4) Equity investments in other companies	232		129	
less: equity investment devaluation reserve	0		0	
5) Treasury stock (par value 63,250)	170.607		323.797	
6) Other securities	<u>0</u>	170.839	<u>0</u>	323.926
IV. Cash and cash equivalents				
1) Bank and postal accounts	3.132.218		2.214.011	
2) Cheques	0		0	
3) Cash and cash equivalents on hand	<u>8.945</u>	3.141.163	<u>14.481</u>	2.228.492
TOTAL CURRENT ASSETS (C)		<u>53.871.213</u>		<u>53.814.904</u>
D. ACCRUED INCOME AND PREPAID EXPENSES				
1) Issue discounts and other similar expenses on loans	0		0	
2) Other accrued expenses and deferred income	489.677	489.677	377.066	377.066
TOTAL ASSETS		<u>70.887.135</u>		<u>71.305.863</u>

(*) RECEIVABLES DUE WITHIN ONE YEAR
(**) RECEIVABLES DUE BEYOND ONE YEAR

PRIMA INDUSTRIES.p.A
BALANCE SHEET
at December 31, 2004

LIABILITIES	12.31.2004	12.31.2003
A. STOCKHOLDERS' EQUITY		
I. Capital stock	11.500.000	11.500.000
II. Share premium reserve	15.664.893	16.862.488
III. Revaluation reserve	0	0
IV. Legal reserve	729.550	729.550
V. Statutory reserves	0	0
VI. Reserve for treasury stock in portfolio	170.606	323.797
VII. Other reserves	0	1.483.662
VIII. Profits (losses) carried forward	0	0
IX. Profit (loss) for the year	827.199	(2.834.448)
TOTAL STOCKHOLDERS' EQUITY	28.892.248	28.065.049
B. PROVISIONS FOR RISKS AND CHARGES		
1) Retirement fund and similar provisions	0	0
2) Provisions for taxes	1.198.163	964.991
3) Others	2.198.503	3.201.057
	3.396.666	4.166.048
C. EMPLOYEES' SEVERANCE PAY	2.973.925	3.046.000
D. PAYABLES	(**)	(**)
1) Bonds	0	0
2) Convertible bonds	0	0
3) Amounts due to stockholders i.r.o. funding	0	0
4) Amounts due to banks	6.376.108	8.265.519
5) Amounts due to other lenders	726.471	810.821
6) Advances	0	0
7) Trade accounts payable	0	0
8) Payables represented by debt instruments	0	0
9) Amounts due to subsidiaries	0	0
10) Amounts due to associated companies	0	0
11) Amounts due to Parent company	0	0
12) Taxes payable	0	0
13) Amounts due to provident and social security institutions	0	0
14) Other payables	0	0
	35.293.220	35.629.057
E. ACCRUED EXPENSES AND DEFERRED INCOME		
1) Issue premiums	0	0
2) Other accrued expenses and deferred income	331.076	399.709
	331.076	399.709
TOTAL LIABILITIES	70.887.135	71.305.863

(**) PAYABLES DUE BEYOND ONE YEAR

MEMORANDUM ACCOUNTS

	<u>December 31, 2004</u>		<u>December 31, 2003</u>	
1. Unsecured guarantees granted				
a) Suretyships on behalf of:				
- subsidiaries	1.468.321		4.837.210	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	<u>31.214</u>	<u>1.499.535</u>	<u>63.571</u>	<u>4.900.781</u>
b) Bill guarantees on behalf of:				
- subsidiaries	0		0	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
c) Other unsecured guarantees on behalf of:				
- subsidiaries				
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total unsecured guarantees granted		<u>1.499.535</u>		<u>4.900.781</u>
2. Real securities granted				
a) for third parties' payables and other obligations				
- subsidiaries	0		0	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
b) for payables recorded in the Financial Statements		0		0
c) for other own obligations		0		0
Total real security granted		<u>0</u>		<u>0</u>
3. Commitments				
a) purchase		0		0
b) sales		1.970.359		1.970.359
c) lease installments falling due in the near future		1.335.617		1.504.347
Total commitments		<u>3.305.976</u>		<u>3.474.706</u>
4. Contingency accounts				
a) discounted bills		1.764.300		3.601.300
b) other		0		0
Total contingency accounts		<u>1.764.300</u>		<u>3.601.300</u>
5. Others				
a) Commitments to repurchase from customers		3.090.169		4.789.784
b) Merchandise at third parties		2.328.592		3.525.671
c) Guarantees given by third parties for our account		6.145.266		8.047.879
Total others		<u>11.564.027</u>		<u>16.363.334</u>
		<u>18.133.838</u>		<u>28.340.121</u>

PRIMA INDUSTRIE S.p.A.
INCOME STATEMENT

	12.31.2004		12.31.2003	
A. VALUE OF PRODUCTION				
1) Revenues from sales and services		65.913.443		62.582.661
2) Changes in inventories of work in progress, semifinished and finished products		(309.158)		(1.165.535)
3) Change in contract work in progress		431.645		(418.995)
4) Increases in fixed assets for internal work		88.663		313.895
5) Other income and revenues				
a) operating grants	0		0	
b) other	2.399.321	2.399.321	1.757.216	1.757.216
TOTAL VALUE OF PRODUCTION (A)		68.523.914		63.069.242
B. COSTS OF PRODUCTION				
6) Raw materials, consumables and supplies		(35.820.846)		(31.951.396)
7) Service costs		(14.533.224)		(13.305.870)
8) Leases and rentals		(1.098.953)		(1.066.425)
9) Personnel costs:				
a) salaries and wages	(9.033.353)		(8.884.662)	
b) social security contributions	(2.988.881)		(2.961.487)	
c) employees' severance pay	(558.714)		(556.548)	
d) retirement fund and similar provisions	0		0	
e) other personnel costs	(266.071)	(12.847.019)	(254.134)	(12.656.831)
10) Amortization, depreciation and writedowns				
a) amortization of intangible fixed assets	(217.130)		(325.075)	
b) depreciation of tangible fixed assets	(395.543)		(354.235)	
c) writedowns of intangible and tangible fixed assets	0		0	
d) writedown of receivables included in current assets & writedown of cash & cash equiv	(100.000)	(712.673)	(50.000)	(729.310)
11) Changes in inventories of raw materials, consumables, supplies and merchandise		49.635		(1.013.123)
12) Provisions for risks		121.644		136.852
13) Other provisions		0		0
14) Sundry operating expenses		(659.065)		(647.146)
TOTAL COSTS OF PRODUCTION (B)		(65.500.501)		(61.233.249)
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION (A - B)		3.023.413		1.835.993
C. FINANCIAL INCOME AND EXPENSES				
15) Income from equity investments				
a) dividends and other income from subsidiary companies	600.000		454.530	
b) dividends and other income from associated companies	0		0	
c) dividends and other income from other companies	0	600.000	0	454.530
16) Other financial income:				
a) from receivables included in financial fixed assets				
- from subsidiaries	0		0	
- from associated companies	0		0	
- from controlling companies	0		0	
- others	0		0	
b) from securities included in financial fixed assets that do not constitute equity investments	0		0	
c) from securities included in current assets that do not constitute equity investments	0		0	
d) other income				
- interest and commission from subsidiaries	101.134		40.936	
- interest and commission from associated companies	0		0	
- interest and commission from controlling companies	0		0	
- interest and commission from others and sundry income	466.295	567.429	488.760	529.696
17) Interest and other financial expenses				
a) from subsidiaries	(39.589)		(33.602)	
b) from associated companies	0		0	
c) to Controlling companies	0		0	
d) others	(1.126.289)	(1.165.878)	(1.342.819)	(1.376.421)
17-bis) Gains and losses on exchange		(27.090)		(190.409)
TOTAL FINANCIAL INCOME AND EXPENSES (C)		(25.539)		(582.604)

D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

Revaluations of:

- a) equity investments
- b) financial fixed assets
- c) securities included in current assets

0		0	
0		0	
0	0	0	0

19) Writedowns of:

- a) equity investments
- b) financial fixed assets
- c) securities included in current assets

(393.966)		(3.377.646)	
0		0	
0	(393.966)	0	(3.377.646)

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)

(393.966)	(3.377.646)
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E. EXTRAORDINARY INCOME AND EXPENSES

20) Income

- a) capital gains on sales
- b) other

11.032		52.941	
0	11.032	443.960	496.901

21) expenses

- a) losses on disposals
- b) prior year taxes
- c) other

0		0	
(25.151)		(228)	
0		0	
(100.000)	(125.151)	(1.067.334)	(1.067.562)

TOTAL OF THE EXTRAORDINARY ITEMS (E)

(114.119)	(570.661)
-----------	-----------

RESULT BEFORE TAX (A -B +- C +- D +- E)

2.489.789	(2.694.918)
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22) INCOME TAXES FOR THE FINANCIAL YEAR

- a) current
- b) deferred
- c) prepaid

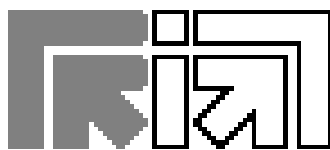
(1.318.127)	(825.122)
(553.086)	1.035.954
208.623	(350.362)

23) PROFIT (LOSS) FOR THE YEAR

827.199	(2.834.448)
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These Financial Statements are consistent with the accounting entries

On behalf of the Board of Directors
 Chief Executive Officer
 Gianfranco Carbonato



PRIMA INDUSTRIE SPA

Registered offices: Via Antonelli No. 32, Collegno TURIN

Fully paid-in capital stock: €11,500,000

Registered in the Registry of Business Enterprises of Turin under No. 03736080015

2004 FINANCIAL STATEMENTS

PRIMA INDUSTRIE SpA

Registered, administrative and operational offices: Via Antonelli No. 32, Collegno (Turin)

Registered in the Registry of Business Enterprises of Turin under No. 03736080015

NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The Financial Statements for the year ended December 31, 2004 were prepared in accordance with the requirements of articles 2423 *et seq.* of the Italian Civil Code. In particular, the Financial Statements reflect the general preparation requirements contemplated by Article 2423 of the Civil Code, the basic accounting principles envisaged by Article 2423bis, and the valuation criteria established for each individual item (article 2426). None of the exceptions contemplated by Articles 2423, paragraph 4 of the Civil Code were applied.

The Balance Sheet and the Income Statement were prepared in accordance with the obligatory lay-out envisaged by the Civil Code in the version following the amendments introduced by Legislative Decree No. 6 of January 17, 2003. The Financial Statements for the year were prepared in Euro and the differences arising out of the rounding off of the values were allocated to the appropriate Stockholders' Equity reserve.

In compliance with the provisions of article 2423-ter of the Italian Civil Code the comparative figures for the corresponding item in the previous financial year have been provided, for each item of the Balance Sheet and Income Statement.

For comparative purposes, in respect of the amounts recorded under the Financial Statement items introduced by Legislative Decree No. 6 dated January 17, 2003, (e.g. Receivables from Tax Authorities and Prepaid taxes), the corresponding amounts in the Financial Statements at December 31, 2003, were appropriately reclassified.

The following classification conventions were adopted in the preparation of the Financial Statements at December 31, 2004.

- a) the asset items of the Balance Sheet were classified on the basis of the relative corporate destination, whereas in the liabilities section the items were classified according to their source. In regard to the items that require receivables and payables due within or, beyond one year, to be separately reflected the criterion of the legal maturity of the debt (contractual or in terms of the law) has been adopted, leaving aside forecasts as to the actual possibility of collection within the next financial period.
- b) the Income Statement has been drawn up taking into account three distinct classification criteria, more specifically:
 - that of the subdivision of the entire management area into the four sub-areas identified by the layout in terms of the law;
 - that of privileging the nature of the costs, with respect to their destination;
 - that of the need to give the correct significance to the intermediate results of the dynamics of the formation of the company's result.

The notes describe, analyse and, in some cases, supplement the figures presented in the Financial Statements. They also contain the information required by article 2427 of the Italian Civil Code, the other provisions of Legislative Decree No. 127/1991 or other prior laws. Moreover, all the supplementary information deemed necessary for a true and correct representation, even though not specifically required by the legislative provisions, has been provided.

VALUATION CRITERIA

The valuation criteria are based on the prudence concept and the accruals concept as well as the going concern concept, whereby it is assumed that the Company will continue its business in the foreseeable future and bearing in mind the economic function of each element of the assets and liabilities.

The most significant valuation criteria adopted in the preparation of the Financial Statements at December 31, 2004, in compliance with article 2426 of the Italian Civil Code are described in the paragraphs below.

Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, inclusive of ancillary charges and are systematically amortized over the period of their estimated future utility.

Other intangible fixed assets having long-term benefits have been recorded amongst the assets subject to the agreement of the Auditors in terms of article 154 of Legislative Decree 58/98. Applied research and development costs are charged to the Income Statement when incurred; in the years preceding the year 2000, these costs were partly capitalized and amortized over a period of five years.

Since advertising costs are not of long-term benefit, they are entirely charged to income in the financial year when they are incurred. The amortization plans in respect of these costs were prepared, taking into account the estimated period of time over which they will produce a benefit, on the basis set out below:

⇒ Plant and expansion costs	5 years
⇒ Research and development costs	5 years
⇒ Industrial patent rights and intellectual property rights	5/3 years
⇒ Concessions, licences, trademarks and similar rights	10 years
⇒ Other long-term expenses contract	5 years/duration of the contract

with respect to the above the following should be noted:

- the criterion adopted for the amortization of industrial patent and intellectual properties rights is considered to be in keeping with the remaining estimated useful life of the assets;
- insofar as the item Other intangible fixed assets is concerned, the criteria depends on the various types of costs capitalized and more precisely:

- ⇒ 5 years for extraordinary maintenance and long-term costs
- ⇒ over the life of the lease for leasehold improvements

Tangible fixed assets

Tangible fixed assets are stated at purchase or production cost, adjusted, in some cases, in the application of specific legislation dealing with monetary alignment, as shown in the relevant schedule. Cost includes additional expenses chargeable to the asset.

In this regard, no financial revaluations were made in terms of Act No. 342 of 11/21/2000 and subsequent extensions.

The depreciation was calculated on the basis of the remaining estimated useful life of the assets to which they refer, in accordance with the provisions of paragraph 1, number 2 of article 2426 of the Italian Civil Code. The depreciation in respect of assets which were brought into use during the financial year was reduced to 50% of the normal rates applied for the same category of assets, to take into account the shorter period of use of the new asset.

The following depreciation rates have been applied:

Industrial premises	3%
Light constructions	10%
General plant	10%
Specific plant and machinery	15.50%
Metal dies	25%
Equipment and tools	25%
Electronic office equipment	20%
Furniture, fixtures and office equipment	12%
Motor vehicles	25%
Cellular telephones	20%
Internal transport	20%

The abovementioned rates, reduced by 50%, were applied to the additions during the financial year in order to take into account the shorter period of utilization of the new asset.

Ordinary maintenance costs are entirely debited to the Income Statement. Maintenance costs, which extend over the life of the asset, are charged to the assets to which they refer and depreciated over the remaining estimated useful life of the asset concerned.

For assets under lease agreements the accounting procedure adopted conforms to the civil law procedures in force in Italy and envisages the lease instalment paid being recorded in the Income Statement.

Financial fixed assets

Equity investments are valued using the cost method and the value recorded in the Financial Statements is determined on the basis of the purchase or subscription price, adjusted whenever at the time of closing the accounts, the fixed asset has a

value, which is persistently below cost. In this case they are recorded at this lower value. Where a writedown is made, the original value will be restored in successive financial years if the factors that caused the writedown no longer apply.

Inventories

Raw materials are valued at the weighted average purchase price during the year, adjusted by an adequate provision for writedowns to take account of the probable realizable value.

Work in progress is valued at the average progressive cost during the year at the time the materials are requisitioned, increased by the average industrial hourly cost of labour for internal work and by the cost price for external work.

Finished products are valued in the same way as work in progress.

The values determined as set out above are below market values.

Receivables

Are stated at their estimated realizable value. For this purpose an appropriate provisions for doubtful accounts was established, determined on the basis of prudent estimates of the solvency of the debtors.

The Financial Statements include receivables in foreign currency (mainly US dollars and pounds sterling) valued at the exchange rate applicable at the closure of the financial year. The difference compared to the original amount was recorded in exchange rate losses (Item C.17 of the Income Statement).

Accrued income and prepaid expenses

Accruals include the portions of income or expenses that relate to more than one financial year, already partially due in the current financial year and to be received or paid in future periods. Deferrals are portions of costs or income paid or received in the current year but referring to the financial year or future periods.

Provisions for risks and charges

The provisions for risks and charges are set aside to cover losses or liabilities whose existence is certain or probable, but in respect of which at year-end, the amount or the date on which they will arise could not be determined. The allocations made reflect the best possible estimates based on the available information.

Employees' severance pay

Employees' severance pay is set aside to cover the entire liability matured as regards employees in conformity with the legislative provisions in force, the national collective labour agreements and supplementary corporate agreements. This liability is revalued by means of cost-of-living indexes.

Payables

Payables are stated at nominal value.

Recognition of revenues

Revenues from the sale of products are recognized at the time of transfer of ownership, which generally coincides with delivery.

The transactions, which relate to the financial year just ended but in respect of which the related document (the invoice) will be issued in the next year are recorded in the invoices to be issued.

Accounting for grants

The rules relating to the accounting for grants changes depending on their status (operating grants, grants related to assets, set-up grants). In the case of operating grants, both the statutory recording of the portion of the income received, as well as the recording of its taxability, takes place according to the accrual principle, which makes reference to the year in which the legal entitlement to the receipt of the grant comes into force and the amount to be received becomes certain. This will normally be in the same year as the year when the resolution assigning the grant is adopted.

In the case of grants related to assets, the revenue is recorded for statutory purposes on an accrual basis and the time frame is established with reference to the stipulation of the contracts with the entities paying the grants or in certain cases with reference to the approval of the contract by the competent authorities. Such grants are taxable on constant rates, over a maximum period of five years, starting from the financial year in which the grant is received.

There are no set-up grants.

Research and development costs

Research and development costs refer to the study and design of new products, as well as the improvement and maintenance of existing ones. These costs are charged to the Income Statement in the financial year in which they are incurred.

Dividends

Dividends are recognized on an accrual basis, i.e. at the time the dividend entitlement arises, which is whenever the investee company resolves to distribute the dividend.

The dividends of subsidiary companies are recorded according to the "maturity" principle, i.e. on the basis of the distribution proposals resolved upon by the subsidiary prior to the approval of the Financial Statements by the Parent Company. This accounting treatment privileges the substantial aspects over the formal ones, insofar as it reflects the certainty of the title acquired over the dividends resolved by the subsidiary companies.

Income taxes

Income tax was calculated by applying the tax provisions to the estimated taxable income, taking into account any tax relief.

With effect from the financial year ended December 31, 1999 Accounting Principle No. 25 relating to deferred taxes has been applied. In compliance with the principle of cost and income accrual, the deferred taxes, on the temporary differences between the value attributed to an asset or to a liability according to Statutory criteria and the value attributed to that asset or liability for tax purposes are provided for. The deferred tax liabilities are recorded in the item "Provisions for taxes". The deferred tax assets are recorded in the item "Prepaid taxes".

The tax effects of timing differences have been determined by applying the current rate of tax as the best estimate of the utilization rate.

The provision for deferred taxes and the credit for prepaid taxes have not been off set.

Additional information on deferred taxes is provided in the section dealing with "Income taxes for the period", which has also been provided in terms of article 2427 No. 14 of the Italian Civil Code.

Deferred tax assets are recorded only if there is a reasonable certainty of recovery.

During 2004 Prima Industrie S.p.A. and Prima Electronics S.p.A. participated in the domestic tax consolidation for the three year period 2004-2006.

An agreement was accordingly signed regulating the relationship between the two companies.

Conversion of items in foreign currency

Receivables and payables originally expressed in foreign currency are converted into Euro at the historical exchange rates at the date of the relative transactions. Exchange differences arising at the time of collection or payment of debts in foreign currency are recorded in the Income Statement.

Receivables and payables in foreign currency, due after the close of the financial year, were calculated at the exchange rates prevailing at year-end in terms of articles 2425-bis, paragraph 2 and 2426 paragraph 1 No. 8 bis of the Italian Civil Code. Accordingly, in the application of Accounting Principle No. 26, the relative unrealized positive and negative exchange differences have been reflected in the Income Statement for the financial year. Insofar as the losses on exchange exceeded the profits on exchange, it was not necessary to make provision for any non-distributable reserve. In the Notes to the Financial Statements the realized portion of the profits on exchange has been shown separately from the unrealised component.

OTHER INFORMATION

Significant subsequent events

In relation to the significant events occurring after year-end, kindly refer to the report on operations.

Monetary revaluation of the fixed assets

The company did not take advantage of the possibility of revaluing existing fixed assets, since it is believed that the intangible and tangible fixed asset values stated in the Financial Statements accurately reflect their financial value. Insofar as the equity investment in Prima Electronics SpA is concerned, which was valued at cost and thus expresses a value which is far less than its corresponding share of stockholders' equity, because our Company prepares the Consolidated Financial Statements of the Group, as a matter of fact the full correct value of the investee company's equity is expressed at that stage.

Reduction of the fixed asset values

It should be noted that the tangible and intangible fixed assets were systematically depreciated/amortised taking into account the remaining estimated useful life of the assets. It should also be noted that the assumptions necessary for the writedown of certain of the fixed assets recorded in the Financial Statements do not exist.

Reversal of tax-driven adjustments

In prior financial years no value adjustments nor provisions, reflected in the Income Statement, were made purely in the application of tax regulations. Therefore the elimination of prior-year tax-driven adjustments was not carried out.

Consolidated Financial Statements - Notice

In 1997, Prima Industrie SpA exceeded the limits set out in Articles 27 and 46 of Decree-law No. 127 of 4/09/91 and thus became liable to prepare and lodge Consolidated Financial Statements with effect from the 1998 financial year.

COMMENTS TO THE MAIN ASSET ITEMS (amounts expressed in thousands of Euro)

FIXED ASSETS

Specific schedules, set out hereinafter, have been prepared for the three categories of fixed assets (intangible, tangible and financial), which show for each item the historical cost, the accumulated amortization and depreciation, the previous revaluations and writedowns, the movements during the year and the closing balances, as well as the total revaluations at the end of the year.

INTANGIBLE FIXED ASSETS

- 1) The item Plant and expansion costs relates to the capitalization of internal costs incurred by the company during the year 2000 to expand the production area at the adjoining new factory acquired under a leasing contract during that year. These costs, with a residual value of 34 thousand Euro at 01/01/04, were completely amortized during the year. Thus at 12/31/2004 there are no plant and expansion costs to be amortized.
- 2) The item Industrial patent and intellectual property rights includes the following at year-end:

	Balance 12/31/04	Balance 12/31/03
- Industrial patent rights		
- Patents	70	71
- Intellectual property rights		
- Software	90	50
Total	160	121

The increases recorded for this item during the year amounted to 141 thousand Euro and the decreases, arising from amortization for the period, amounted to 102 thousand Euro.

- 3) Concessions, licences, trademarks and similar rights: The item relates to the registration of the “Prima Industrie and symbol” trademark in the European Union and the USA. The decrease is due to the amortization charge for the 2004 financial year of approximately 1 thousand Euro. The remaining cost to be amortized is approximately 5 thousand Euro.
- 4) The item Other intangible fixed assets includes the following at year-end:

	Balance 12/31/04	Balance 12/31/03
- Leasehold improvements		
- Factory 1 – Collegno	103	127
- Factory 2 – Collegno	137	148
- Modugno offices (Bari)	52	-
- branch offices - France	11	12
- branch offices - Spain	18	22
- Extraordinary maintenance expenses	1	10
	322	319

The increases during the year relate to work carried out relative to:

- ⇒ factory 1 - Collegno for 4 thousand Euro
- ⇒ factory 2 - Collegno for 21 thousand Euro
- ⇒ the Modugno offices (Bari) for 59 thousand Euro

The amortization charge for the period totalled 81 thousand Euro.

5) TANGIBLE FIXED ASSETS

The increases during the year refer to purchases of:

- ⇒ minor constructions amounting to 84 thousand Euro of which 55 thousand Euro relates to capitalization of internal constructions;
- ⇒ general installations amounting to 83 thousand Euro;
- ⇒ industrial and commercial equipment amounting to 67 thousand Euro of which 33 thousand Euro is for capitalization of internal constructions;
- ⇒ metal dies for 6 thousand Euro;
- ⇒ ordinary office furniture, furnishings and equipment for 11 thousand Euro and electronic office equipment for 94 thousand Euro.

The decreases relate to the incorporation of Prima Industrie UK Ltd, a wholly-owned subsidiary of Prima Industrie S.p.A.:

- ⇒ general installations amounting to 4 thousand Euro;

- ⇒ equipment and tools for 8 thousand Euro;
- ⇒ ordinary office furniture, furnishings and equipment for 2 thousand Euro;
- ⇒ electronic office equipment for 10 thousand Euro.

The total depreciation charge during the year relative to tangible fixed assets is approximately 392 thousand Euro. The provision for depreciation was utilized pursuant to the disposal of assets, as follows:

- sale of general plant for 1 thousand Euro
- sale of equipment and tools for 4 thousand Euro
- sale of ordinary office equipment for 2 thousand Euro
- sale of electronic office equipment for 4 thousand Euro.

The amount of the assets still on the books at December 31, 2000, in respect of which revaluations were made in prior periods according to the provisions of specific laws, are disclosed as required by Article 10 of Act No. 72 of 1983 and presented in a specific schedule attached to these notes.

The "Collegno 2" factory, located at No. 28 Via Antonelli, Collegno, which adjoins the main factory, was acquired under a leasing agreement in 2000. Had the transaction been accounted for according to IAS 17, the pre-tax result for the year would have been higher by 145 thousand Euro and the stockholders' equity would have been higher by 428 thousand Euro.

The immovable property would have been written amongst the tangible fixed assets for an amount of 1,430 thousand Euro (net of 223 thousand Euro in respect of accumulated depreciation). The remaining debt would thus amount to 1,002 thousand Euro (of which 168 thousand Euro would represent the short-term debt and 834 thousand Euro would represent the medium/long-term portion).

FINANCIAL FIXED ASSETS

6) Equity investments

In detail, these are as follows:

	Balance 12/31/03	Inc.	Dec.	Balance 12/31/04
Subsidiaries				
- Valued according to the cost method:				
- Prima Electronics SpA	1,705	-	-	1,705
- Prima North America Inc.	20,975	1,628	-	22,603
- Prov. for writedowns Prima North America Inc.	(15,460)	(157)	-	(15,617)
- Prima Industrie UK Ltd	-	-	-	-

- Prima Scandinavia AB	11	123	-	134
- Provision for writedowns Prima Scandinavia AB	-	(73)	-	(73)
Total subsidiaries	7,231	1,521	-	8,752
Associated companies				
- Valued according to the cost method:				
- Macro Meccanica SpA – in liquidation	413	-	-	413
- Prov. for w/downs Macro Meccanica SpA–in liq.	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498
- Provision for writedown S.P.L.M. Co Ltd	(214)	(39)	-	(253)
- SNK Prima Co.	390	-	-	390
- Provision for writedown SNK Prima Co	-	(125)	-	(125)
- Mechanical Industries Srl	105	-	-	105
- Provision for writedown Mechanical Industries Srl	(105)	-	-	(105)
- Shanghai Unity Prima Laser Machinery Co. Ltd	449	-	-	449
Total associated companies	1,123	(164)	-	959
Other companies				
- Valued according to the cost method:				
- Rambaudi Industriale SpA	775	-	-	775
- Prov. for writedown Rambaudi Industriale SpA	(775)	-	-	(775)
Total other companies	-	-	-	-
Total equity investments	8,354	1,357	-	9,711

The most significant changes that occurred during the financial year in the equity investments in subsidiary companies already held at the end of the previous financial period (which can moreover be seen in the enclosed Statement of Changes, as required by point 5 of Article 2427 of the Italian Civil Code) are the following:

- ⇒ the equity investment in Prima North America Inc. increased by 1,628 thousand Euro as a result of the increase in capital stock, arising out of the conversion of financial receivables amounting to 2 million US dollars. As a result the capital increased from 20 to 22 million dollars. At the end of the financial year pursuant to the loss of 157 thousand Euro recorded by Prima North America Inc., the relative devaluation reserve was increased by the same amount. The reserve now amounts to 15,617 thousand Euro.
- ⇒ The value of the equity investment in Prima Scandinavia AB, (Prima Industrie acquired a 100% control of the company at the end of 2003), reflected an increase as a result of Prima Industrie paying an amount of 123 thousand Euro into the capital account, reducing the amount of financing granted to Prima Scandinavia by the same amount.
As a result of the loss suffered by the subsidiary, Prima Industrie raised a provision for writedown in an amount equal to the loss itself (73 thousand Euro).
- ⇒ The equity investment in Prima Industrie UK Ltd (a wholly-owned subsidiary with effect from January 1, 2004) has a value of 1 pound sterling (1.47 Euro), because this is the value of the capital stock subscribed for and paid to the company incorporated in terms of British Law.

Insofar as equity investments in associated companies are concerned:

- ⇒ The investment in Macro Meccanica SpA (placed into liquidation at the end of 1999) is carried in the Financial Statements at a nil balance because the liquidation process had still not been finalized at the end of the financial year.
- ⇒ The investment in the Chinese joint-venture Shenyang Prima Laser Machine Company that manufactures the "Platino" for the Asian market (by assembling kits sent by Prima Industrie) and undertakes the related marketing, was written down during the year by 39 thousand Euro, the equivalent of 50 per cent of the value of the loss recorded in the Financial Statements. (This reflects the proportional stake as Prima Industrie SpA holds 50 per cent of the capital of the joint venture).
- ⇒ The equity investment in the Japanese joint-venture SNK Prima Co. was written down during the financial year by an amount of 125 thousand Euro, equal to 50% of the loss sustained by the joint-venture. Prima Industrie holds a 50 percent stake in the joint-venture.
- ⇒ The equity investment in Mechanical Industries Srl, which was placed into liquidation on March 28 – 31, 2003 is reflected in the Financial Statements with a zero value.
- ⇒ The equity investment in the Chinese joint-venture Shanghai Unity Prima acquired in December 2003, remained unchanged as the company closed its first year of trading with a profit.

The equity investment in Rambaudi Industrial SpA, which was placed into liquidation by the Court of Turin on 09/30 – 10/27/2003 is still reflected in the Financial Statements, but is completely written down.

Kindly refer to the relevant section in the report on operations for further information on the investee companies.

7) Financial receivables

	Balance 12/31/04	Balance 12/31/03
	3,414	6,087
	170	170
	28	101
	654	-
Total receivables from subsidiaries	4,266	6,358
	150	150
Total receivables from associated companies	150	150

- Taxes paid in advance - employees' severance pay	23	72
- Advance substitute tax - employees' severance pay	8	9
Total Other Receivables	31	81
Total Financial Receivables	4,447	6,589

The item includes receivables in respect of loans to subsidiaries of 4,266 thousand Euro. The amount due by Prima North America Inc. refers to a loan made to the subsidiary. At the beginning of 2004 the loan reflected a balance of \$6,650,000, during the financial year it decreased by an amount of \$2,000,000 pursuant to the transformation of part of the loan into capital stock. At the end of 2004, therefore, the receivables from the US subsidiary amounted to 4,650,000 dollars. The corresponding value in Euro further decreased as a result of an exchange adjustment and amounts to 3,414 thousand Euro at 12/31/2004.

The amount due by Prima Scandinavia AB amounting to 28 thousand Euro (equal to 250,000 Swedish Kronor) relates to funds transferred to the Company amounting to 2,290,000 Swedish Kronor, net of the decrease arising out of the repayment of a share of the loan (amounting to 1,840,000 Swedish Kronor) and a transformation of part of the loan into capital (for an amount of 1,100,000 Swedish Kronor). At 12/31/03 the amount receivable was equal to 101 thousand Euro (equivalent to 900,000 Swedish Kronor).

The amount receivable from Prima Industrie UK LTD relates to financing granted to the subsidiary for a total amount of 729 thousand Euro, net of the reduction from repayment and exchange adjustments (totalling 75 thousand Euro).

The amount receivable from Mechanical Industries (unchanged with respect to the previous financial year) refers to lease payments that were recharged to the company for its use of machine tools. Prima Industrie took over the lease contract as a guarantor for Macro Meccanica - in liquidation. In the light of Mechanical Industries bankruptcy, the amount due was deemed doubtful and in previous financial periods the Company increased its allowance for doubtful accounts by a similar amount.

The amount receivable for employees' severance pay taxes paid in advance relates to the amount paid by the company in 1997 and 1998 to the revenue authorities (24 thousand Euro at 12/31/03) in compliance with Decree-law No. 79 of 1997, plus accrued interest of 1 thousand Euro, as provided for in terms of the fourth paragraph of article 2120 of the Italian Civil Code, net of the amounts utilized from 01/01/2000 (as per Decree-law No. 79 of 1997) equal to 2 thousand Euro for the 2004 financial year.

8) **Other securities**

This item amounts to 250 thousand Euro at the end of the financial year and relates to a capitalization policy, with a single premium and a duration of 5 years. The policy was signed by the Company on 09/08/04 for an amount of 247,750.01 Euro. This amount was revalued at 12/31/04 by applying the annual minimum revaluation of 2.25% provided for in terms of the contract.

CURRENT ASSETS

9) **INVENTORIES**

At the end of the financial year the item is made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Raw materials, consumables and supplies	6,984	7,425
- Provision for writedown of raw materials	(813)	(666)
- Contract work in progress	2,766	2,334
- Finished products	2,479	2,481
- Provision for writedown of finished products	(490)	(183)
Total	10,926	11,391

The total inventories for the 2004 financial year decreased thanks to careful planning that allowed the consistent reduction of raw materials from 7,425 thousand Euro at 12/31/2003 to 6,984 thousand Euro at 12/31/2004.

In 2004 an amount of 300 thousand Euro was raised to the provision for writedowns of raw materials to cover the slow rate of turnover and obsolescence. At the same time the provision was utilized by an amount of 153 thousand Euro.

The finished products in stock are substantially in line with the previous financial year (2,479 thousand Euro at 12/31/2004 compared to 2,481 thousand Euro at 12/31/2003) and comprise the following:

- 2 machines (1 Rapido and 1 Domino) earmarked for customer demonstrations;
- 3 machines (1 Rapido, 1 Platino HS and the prototype of the new Sincrono machine) temporarily being used for R&D purposes;
- 1 Platino HS earmarked for delivery to a customer at the beginning of 2005;

- 6 used machines (3 Rapido, 2 Domino and 1 Platino) withdrawn from the customers, to be reconditioned and resold during 2005.

Relative to the previous financial year, a provision of 490 thousand Euro was raised to the provision for writedowns of finished products, which relates to the used machines repurchased during the financial year and which are awaiting resale.

During the financial year the provision was utilized in an amount of 183 thousand Euro because the machines for which the provision had been created were sold.

On the other hand, the contract work in progress increased as a result of the favourable trend in demand that straddled the 2004-2005 financial year, increasing from 2,334 thousand Euro at 12/31/2003 to 2,766 thousand Euro at 12/31/2004.

RECEIVABLES

10) Trade receivables

At the end of the year this item is made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Trade receivables due within one year	24,837	31,037
- Trade receivables due beyond one year	1,466	278
- Allowance for doubtful accounts	(1,014)	(1,050)
Total	25,289	30,265

The substantial reduction of 4,976 thousand Euro compared to the previous financial year is linked to the improved management of collections and the recovery of receivables throughout 2004.

During the financial year the allowance for doubtful accounts was utilized in an amount of 136 thousand Euro due to customer insolvencies or customers being subjected to bankruptcy proceedings, whereas a further 100 thousand Euro was raised to the provision to bring it into line with the overdue accounts at the end of the year.

Foreign currency debts are mainly made up of US dollars and pounds sterling. In the face of the open positions at 12/31/04 the adjustments to the rate of exchange were entered on the basis of the market exchange rate on the same date.

The geographical distribution of the trade receivables is as follows:

➤ Italy	16.193
➤ Europe	6.850
➤ North America	17
➤ R.O.W.	<u>3,243</u>
Total	26,303

Receivables due beyond one year

The total of the aforesaid amount refers to two Italian customers, one French customer, one Israeli customer, three Spanish and three Brazilian customers, who

were granted extensions of time in which to pay, with appropriate interest being raised.

11) Receivables from subsidiaries

This item includes trade and financial receivables. At year-end the balance was 5,413 thousand Euro compared to 985 thousand Euro at 2003.

These receivables are all payable within one year and are all recoverable.

Trade accounts receivable from Prima Industrie GmbH for 16 thousand Euro, Prima North America Inc. for 2,756 thousand Euro, Prima Electronics SpA for 90 thousand Euro, Prima Scandinavia for 513 thousand Euro and Prima Industrie UK LTD for 1,558 thousand Euro are entirely due to the sale of finished products and services (for a total of 4,933 thousand Euro). It is reiterated that the sale of finished products to subsidiaries is carried out on normal market terms.

At the end of the financial year, the company had yet to issue invoices totalling 13 thousand Euro to Prima North America Inc. and 16 thousand Euro to Prima Industrie UK Ltd.

The total also includes:

- ⇒ receivables from Prima Electronics for 600 thousand Euro relative to the dividend distribution relating to the profit for the 2004 financial year, as shown in the pro forma Financial Statements approved by the Board of Directors on the 02/18/2005.
- ⇒ the amount receivable from Prima Electronics arising from the tax consolidation for 52 thousand Euro.

In addition, at the end of the financial year the currency positions open as at 12/31/04 were adjusted to the exchange rates applicable on the financial markets on the same date. The adjustment amounted to 201 thousand Euro.

12) Receivables from associated companies

At 12/31/04 the item is made up of the amount receivable from the Shenyang Prima Laser Machine joint-venture of 1,237 thousand Euro (it was 1,307 thousand Euro at 12/31/03), minor amounts due by Mechanical Industries Srl for advances against an order (43 thousand Euro) and 1 thousand Euro due by the SNK Prima Co joint-venture.

As a result of Mechanical Industries S.r.l.'s bankruptcy the sum necessary to cover the amount claimed for advances against an order was raised to the allowance for doubtful accounts.

13) Tax receivables

The sum of 1,972 thousand Euro is made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Tax authorities for withholding taxes - Italy/abroad	167	25
- VAT foreign branches	18	10
- IRPEG credit	1,126	1,908
- Tax authorities for VAT	91	-
- Group IRES advances	570	-
- IRAP credit	-	17
- Tax credit on dividends	-	154
Total	1,972	2,114

During 2004 Prima Industrie S.p.A. and Prima Electronics S.p.A. participated in the domestic tax consolidation (articles 117 to 129 of Presidential Decree No. 917 of December 22, 1986). As a result Group IRES advances of up to 570 thousand Euro are highlighted.

14) Prepaid taxes

The amount of 2,923 thousand Euro arises out of the opening balance at 2004 equal to 3,740 thousand Euro, increased by provisions raised for the year of 209 thousand Euro, net of decreases for utilization of 1,026 thousand Euro.

15) Other receivables

The item is made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Grants to be received	2,293	836
- Advances to suppliers	355	459
- Security deposits	76	82
- Advances to employees	31	18
- Receivables for the liquidation of Prima Industrie BV	1	21
- Others	-	1
Total	2,756	1417

These receivables are due within one year and are all collectable and thus no adjustments to their values have been made.

The total Other receivables increased compared to the previous financial year by 1,339 thousand Euro.

The item relating to grants to be received refers to the PAMELA project (1,368 thousand Euro) and the RESALT project (925 thousand Euro).

The item "Advances to employees" includes advances made for travel expenses.

The item "Advances to suppliers" relates to goods/services ordered but not yet delivered.

CURRENT FINANCIAL ASSETS

16) Equity investments in other companies

This item amounts to 0.2 thousand Euro and relates to the equity investment of 0.1 thousand Euro in the cooperative society Unionfidi and the investment of 0.1 thousand Euro in the cooperative society Fidindustria. This is shown in the appropriate Statement of Changes required by article 2427 point no. 5 of the Italian Civil Code.

17) Treasury stock

At the end of 2004, treasury stock amounted to 25,300 shares with a weighted average price of 6.7440 Euro each, for a total value of 171 thousand Euro.

The weighted average price is less than the average listing price at December 2004 that amounted to 6.818 Euro per share.

18) CASH AND CASH EQUIVALENTS

	Balance at 12/31/04	Balance 12/31/03
- Bank and postal accounts	3,132	2,214
- Cash and cash equivalents on hand	9	14
Total	3,141	2,228

The item refers to funds that are immediately available as they are deposited in current accounts or held as cash on hand within the company.

19) ACCRUED INCOME AND PREPAID EXPENSES

At December 31, this item is made up as follows:

	Balance at 12/31/04	Balance 12/31/03
Accrued income		
- Travel expenses	1	3
Total accrued income	1	3
Prepaid expenses		
- Interest on Customers' late payments	92	234
- Prepaid expenses on supplier invoices	52	70
- Insurances/guarantees	70	70
Total prepaid expenses	214	374
- Difference on forward contracts	275	-
Total	490	377

The item "Accrued income " includes travel expenses of 1 thousand Euro.

The item "Prepaid expenses" amounting to 214 thousand Euro, decreased by 160 thousand Euro with respect to the previous year (374 thousand Euro). The decrease mainly refers to the interest for 2004 relative to Sabatini transactions already in existence as at December 31, 2003.

The item "Difference on forward contracts" relates to positive differences calculated on the forward sales contract for an amount of 2,300,000 USD falling due on 04/18/2005.

INFORMATION REQUIRED BY ACT 72 OF 3/19/1983

In compliance with Article 10 of Act 72 of 3/19/83 it should be noted that the company effected the revaluation allowed by the provisions of Act 576 of 12/2/75 and Act 72 of 3/19/83 and the amount was entered in the corresponding Stockholders' Equity reserve.

The revaluations made in accordance with the abovementioned statutory provisions relate to the undermentioned asset items, which are still contained in the Financial Statements: Machinery, office furniture and equipment, electronic office equipment and motor vehicles.

The revaluation of assets included in the Financial Statements as at date hereof, amounts to 17 thousand Euro. The breakdown is as follows (amounts expressed in Euro):

<u>Assets</u>	<u>Historical cost</u>	<u>Reval. Act</u> <u>576/75</u>	<u>Reval. Act</u> <u>72/83</u>	<u>Total</u>
Machinery	8,226	10,938	-	19,164
Ordinary office furniture and equipment	11,258	2,866	-	14,124
Electronic office equipment	11,491	2,868	-	14,359
Total	30.975	16.672	-	47.647

The assets forming the subject-matter of the revaluation are already completely depreciated. Accordingly the effect of the revaluation is already used up.

COMMENTS TO THE MAIN LIABILITY ITEMS

20) STOCKHOLDERS' EQUITY

The changes in Stockholders' Equity are set out in an appendix to the Notes.

The main components of Stockholders' Equity and the related changes are described below:

21) CAPITAL STOCK

Capital stock at December 31, 2004 is fully subscribed for and paid-in and consists of 4,600,000 ordinary shares with a par value 2.5 Euro each, for a total of 11,500,000 Euro.

During the financial year there were no changes to the amount or composition of the Capital Stock.

During 2004 the stock options assigned on 05/15/03 to executives, officers and front-line managers of Prima Industrie and the subsidiaries for a total of 90,400 shares were not exercised. This was partly due to the fact that the pre-established company objectives were not achieved and partly due to the fluctuation in the stock trend (which remained consistently lower than the exercise price of the rights equal to 7.88 Euro per share). It should also be noted that in July 2004 the *stock option plan* approved in 1999 lapsed. At present there is no other *stock-option plan* in existence.

For additional information on the *stock option* plans, reference should be made to the appropriate section in the report on operations.

22) SHARE PREMIUM RESERVE

This item is generated by the share premium on the issue of the new stock compared to their par value of 2.5 Euro. The amount of 15,665 thousand Euro at 12/31/2004, that reflects a reduction of 1,197 thousand Euro compared to the previous financial year, arose as follows:

-share premium reserve at 1/1/2004	16,862
- allocation of 2003 result	(1,350)
- adj. of non-distributable treasury stock reserve	<u>153</u>
- share premium reserve at 12/31/2004	15,665

23) LEGAL RESERVE

This item amounts to 730 thousand Euro and is unchanged compared to the previous year.

24) RESERVE FOR TREASURY STOCK IN PORTFOLIO

In the 2004 financial year, as a result of the acquisition by the company of treasury stock and in terms of Article 2357 ter of the Italian Civil Code the non-distributable reserve for treasury stock was adjusted to the value of the treasury stock in portfolio at 12/31/2004 and amounts 171 thousand Euro.

25) **EXTRAORDINARY RESERVE**

Compared to the 1,484 thousand Euro at 12/31/2003, this item was cleared to cover the result for the 2003 financial year.

26) **PROVISIONS FOR RISKS AND CHARGES**

The composition and movements of these provisions are as follows:

	1/1/04	Allocations	Utilizations	12/31/04
Provisions for deferred taxes	965	553	(320)	1,198
Other provisions :				
- provision for contractual risks and charges	2,001	1,861	(2,001)	1,861
- provision for losses on equity investments	131	10	-	141
- provision for litigation risks	69	-	(69)	-
- provision for agents' customer indemnity	79	9	-	88
- provision for exchange rate fluctuations	771	-	(771)	-
- provision for probable taxes	150	-	(41)	109
Total other provisions	3,201	1,880	(2,882)	2,199

The provision for deferred taxes includes the liability for deferred taxes set aside in the application of article 2427 point 14 of the Italian Civil Code and Accounting Principle No. 25.

For further information on the composition of the amount due for deferred taxes kindly refer to the note on the item taxes.

Other provisions are mainly represented by:

- ⇒ Provision for contractual risks and charges: relates to the provisions for the costs of completing supplies and work on products under warranty that will be carried out in the next 12 months. The provision raised of 1,861 thousand Euro substantially re-establishes the provision that was utilized during the financial year. The provision is considered sufficient in relation to the cost of completing the supplies of the year.
- ⇒ Provision for losses on equity investments: includes the provision of 10 thousand Euro raised to meet the losses recorded by Prima Industrie GmbH.
- ⇒ Provision for litigation risks: was cleared with respect to the previous financial year because it was totally utilized for the compensation relating to the ATM (Spain) matter.
- ⇒ Provision for agents' customer indemnity: refers to liabilities, which could arise from the company cancelling agency contracts with Italian operators. The provision was increased by 9 thousand Euro in 2004 on the basis of the rates established in terms of current legislation governing the relationship between agents and sales representatives and their principals.
- ⇒ Provision for exchange rate fluctuations: the amount of 770 thousand Euro provided for as an adjustment to the net position in foreign currency with

respect to the historical accounting exchange rates of the various items in foreign exchange was entirely utilized during the financial year. In the 2004 financial year the adjustments to the period end exchange rates were directly allocated to the various entries that gave rise to them.

- ⇒ Provision for probable taxes: relates to an allocation of 150 thousand Euro made as a matter of prudence, pursuant to a tax re-assessment issued by the Finance Police at the end of a tax audit that took place during 2002. It was utilized for an assessment, agreed to for 41 thousand Euro (of which 13 thousand Euro relates to 1997 and 28 thousand Euro relates to 1998).

27) **EMPLOYEES' SEVERANCE PAY**

The changes during the year were as follows:

Balance 01/01/2004	3,046
Amount due and allocated to the Income Statement	559
Benefits paid during the financial year	(631)
Balance 12/31/2004	2,974

The balance at December 31, 2004, which is recorded under financial fixed assets, is net of payments in advance made to employees in respect of severance pay and gross of payments made to tax authorities in compliance with the law. This provision represents the overall gross liability matured in favour of employees on the basis of the regulations in force at year-end and the contractual obligations for each employee.

The item Benefits paid during the financial year, is made up of 485 thousand Euro paid to employees who resigned, 95 thousand Euro paid in advances to employees in accordance with the regulations in force and approximately 51 thousand Euro in payments made to supplementary social security funds and payments for lieu taxes in accordance with Article 11 of Legislative Decree 47/2000.

During the financial year 559 thousand Euro was allocated to the provision as the ordinary portion falling due.

PAYABLES

The composition of and the movements that took place during the year in the items that make up this grouping, are as follows:

28) **Amounts due to banks**

The amounts due to Banks are made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Interest payable	3	19
- Bank overdrafts	-	569
- Advances to branches	116	504
- Medium/long-term loans	11,894	13,792
	12,013	14,884

At the end of the financial year there were no current accounts payable. This reflects the improvement in the Company's financial position.

Loans from credit institutions are made up of:

- ⇒ A loan granted by Mediocredito dell'Umbria for an initial amount of 775 thousand Euro. This loan is guaranteed by the European Investment Fund (E.I.F) and was secured in order to finance the work undertaken in the new factory. This is 5-year loan (with a pre-amortization period that expired on 01/31/01), which provides for quarterly deferred repayments bearing interest at the Euribor rate plus one percentage point. The principal instalments due in 2005 of 101 thousand Euro represent the short-term portion of the loan and the total balance at 12/31/04.
- ⇒ A loan of 2,582 thousand Euro from Banca Mediocredito on 05/15/01 to be repaid by way of eight six-monthly instalments commencing on 03/31/03 until 09/30/06 at a floating rate (up to 09/30/01 at a rate of 5.39 per cent per annum; for the six month periods that follow, the rate will be the 6-month Euribor rate plus a spread of 0.9 per cent). The short-term component of the loan amounts to 646 thousand Euro, whereas the residual medium/long-term liability amounts to 646 thousand Euro.
- ⇒ A loan of 2,000,000 US dollars equivalent to 1,468 thousand Euro from San Paolo IMI advanced on 12/15/2004 and repayable after 18 months less one day and bearing interest at the LIBOR rate plus 1 per cent. This is a medium/long-term loan.
- ⇒ A loan from San Paolo IMI for 2,309 thousand Euro with a pre-amortization period until 07/01/03. This is a research loan released from the special fund for Applied Research established by Act 1089/1968, in accordance with Act No. 46/82 and made on behalf of the M.U.R.S.T. The loan is repayable in 12 half-yearly deferred instalments and bears interest at 1 per cent per six months. The principal portion falling due in 2005 is 462 thousand Euro, which represents the short-term component of the loan. The residual debt amounting to 951 thousand Euro is to be considered as a medium to long-term liability.
- ⇒ A loan from Mediocredito Intesa BCI for an initial amount of 5 million Euro with an annual interest rate of 4.45 per cent until 09/30/02 and thereafter for each successive period at the EURIBOR three-month rate + 0.90 per cent. The loan will be repaid by way of 16 quarterly instalments. In 2005, four instalments of 1,250 thousand Euro will be repaid. The residual debt amounting

to 1,563 thousand Euro is to be considered as the medium/long-term component.

- ⇒ A loan granted by the Cassa di Risparmio di Parma e Piacenza for an amount of 1,200 thousand Euro. The loan bears interest at the average EURIBOR rate of the preceding three months increased by 1.1 points and is repayable in 36 monthly instalments. The short-term component of the loan amounts to 405 thousand Euro, whereas the residual medium/long-term liability amounts to 242 thousand Euro.
- ⇒ A loan of 2 million Euro secured from the Unicredit Banca d'Impresa for a period of 18 months less one day, bearing interest at the Euribor rate plus a spread of 1.25. The capital is to be repaid in a single instalment on 04/22/2005 and interest is repayable quarterly. The abovementioned loan was used to reduce the exposure of the subsidiary, Prima North America Inc. and the related signature loan in an amount of USD 2,300,000. The loan is to be considered entirely as short-term.

The following loans were discharged during the course of the financial year:

- Banca Popolare di Novara of Luxembourg, the loan existed at 12/31/2003 in an amount of 198 thousand Euro;
- Banca Popolare di Lodi, the loan existed at 12/31/2003 in an amount of 818 thousand Euro.

During the financial year the Company had access to the following additional finance:

- ⇒ Loan granted by Banco di Sicilia for 2,000,000.00 Euro. The loan is repayable in 12 quarterly instalments commencing on 09/30/2004 and the nominal annual interest rate payable is equal to the monthly average 6-month Euribor increased by an annual spread of 1,625 points. The principal portion falling due in 2005 is 654 thousand Euro, which represents the short-term component of the loan. The residual debt amounting to 1,028 thousand Euro is to be considered as a medium to long-term liability.
- ⇒ A loan up to a maximum of 2,065,000.00 Euro granted by the "Società Italiana per le Imprese all'Esteri - SIMEST" (Italian Company for Overseas Businesses) to be used for commercial penetration of the U.S. market. After a pre-amortization stage up to 2006, the repayment plan provides for the refund of the amount paid out, in the 5 years that follow, by way of six-monthly deferred repayments at the annual effective rate of 1.36%. The amount paid out during 2004 amounts to 478 thousand Euro and is to be considered as a medium/long-term debt.

29) Amounts due to other lenders

At 12/31/04 the amounts due to other lenders consisted of:

⇒ Loan of 811 thousand Euro from the Ministry of Industry and Trade pursuant to Act 46/82, which established a special revolving fund for technological innovation. This loan has a ceiling of 1,069 thousand Euro and is for 15 years. Five of the fifteen years is a pre-amortization period bearing interest at a rate of 0.9825 per cent per annum. The loan is to be amortized over the remaining 10-year period with interest at a rate of 3.275 per cent. Consequently, the short-term portion of the loan equals 84 thousand Euro, whereas the remaining debt amounting to 726 thousand Euro is to be considered totally medium/long-term.

30) **Advances**

This item includes advances from customers against uncompleted orders, for 587 thousand Euro as well as down payments from customers in confirmation of orders for 329 thousand Euro (total indebtedness at 12/31/2004: 916 thousand Euro).

This item reduced by 288 thousand Euro with respect to the end of the previous year, when it totalled 1,204 thousand Euro.

31) **Trade accounts payable**

In comparison with the previous financial year, 2004 reflects commercial indebtedness that grew from 13,532 thousand Euro at 12/31/03 to 14,258 thousand Euro at 12/31/04, with an increase of 726 thousand Euro.

The increase in the item reflects the improved management of the working capital.

The details are as follows:

	Balance 12/31/04	Balance 12/31/03
- Trade accounts payable	12,150	11,536
- Exchange adjustment - suppliers	(49)	-
- Invoices to be received	2,150	1,714
- Debit notes to be issued	(76)	(140)
- Refunds to customers	83	422
Total	14,258	13,532

Trade accounts payable (inclusive of the exchange adjustments) are geographically divided as follows:

➤ Italy	8.531
➤ Europe	3.225
➤ U.S.A.	326
➤ R.O.W.	19
	<u>12,101</u>

32) **Amounts due to subsidiaries**

The amounts due to subsidiaries total 4,122 thousand Euro as against the 2,787 thousand Euro of the previous financial year.

Commercial supplies by these companies to us are conducted on normal market terms.

The financial payables relate to a loan of 18 months less one day granted by the subsidiary Prima Electronics SpA to Prima Industrie S.p.A for an amount of 1,500 thousand Euro bearing interest at the Euribor rate + 0.50%, which falls due in September 2005.

On the other hand, the remaining balance of 40 thousand Euro, represents an amount due to Prima Industrie UK Ltd by the *branch* Prima UK, which is no longer operative.

The trade accounts payable increased from 1,265 thousand Euro at 12/31/03 to 2,637 thousand Euro at 12/31/04).

The amounts due to subsidiaries in respect of liabilities of a commercial nature are as follows:

- Prima Electronics SpA - 1,153 thousand Euro
- Prima North America Inc. - 608 thousand Euro
- Prima Industrie GmbH - 21 thousand Euro
- Prima Scandinavia AB - 42 thousand Euro
- Prima Industrie UK Ltd. - 80 thousand Euro

Moreover, at the end of 2004, the company had yet to receive invoices for 733 thousand Euro of which 717 thousand Euro is payable to Prima North America Inc. and 16 thousand Euro is payable to Prima Scandinavia AB compared to the total amount of 21 thousand Euro at the end of 2003.

Moreover the currency positions open at 12/31/04 were adjusted to the exchange rates applicable on the financial markets at the same date; the value of the adjustment amounted to 56 thousand Euro.

33) Taxes payable

This item is made up as follows:

	Balance 12/31/04	Balance 12/31/03
Amounts due to tax authorities for:		
- IRPEF withholdings	384	338
- VAT foreign branches	253	200
- VAT tax authorities a/c	-	237
- Tax authorities for group IRES	622	-
- Other taxes and dues	76	4
Total	1,335	779

IRPEF deducted in December was duly paid to the tax authorities in January 2005. For more information kindly refer to the section on Income taxes. As already set out in the section relating to prepaid taxes, the amount due to the tax authorities for IRES, amounting to 622 thousand Euro, arises out of the participation in the domestic tax consolidation.

34) Amounts due to provident and social security institutions

This item is made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Amounts due to INPS	463	414
- Amounts due to INAIL	4	3
- Amounts due to PREVINDAI	18	20
- Amounts due to ENASARCO	6	6
-Amounts due to Social security institutions for deferred remuneration	260	221
Total	751	664

The item Amounts due to Social security institutions for deferred remuneration, refers to the contributions relative to leave provided for but not taken, the thirteenth cheque and other incentives due at 12/31/04 but not yet paid.

All the other items refer to the liability due to social security institutions for compensation paid in December (INPS, INPDAL) or in the last quarter of the year (PREVINDAI, ENASARCO) or as the balance for the year (INAIL).

35) **Other payables**

This item is made up as follows:

	Balance 12/31/04	Balance 12/31/03
- Amounts due for insurance policy adjustments	74	72
- Amounts due for deferred remuneration	930	697
- Amounts due i.r.o Directors' remuneration	9	33
- Amounts due as refunds to employees for travel expense	63	66
- Other minor items	12	16
Total	1,088	884

The amount due for deferred remuneration relates to the charges due but not yet paid out for the balance of leave not taken, the variable portion of the production bonus and business incentives earned at 12/31/2004 as well as the provisions relating to the MBO management bonus. It also includes 100 thousand Euro for restructuring costs for early retirement incentives that the company must incur. The remuneration payable to directors refers to emoluments for 2004 and those of prior periods still to be paid.

The item "Amounts due as refunds to employees for travel expenses" also includes corporate credit card charges to be received.

36) **ACCRUED EXPENSES AND DEFERRED INCOME**

At December 31, 2004 this item, compared to December 31, 2003, is made up as follows:

	Balance 12/31/04	Balance 12/31/03
Accrued expenses		
- Interest on MICA loan Act 46	11	12
- Interest on UNICREDIT loan	15	13
- Interest on Mediocredito loan	10	19
- Branch expenses	7	6
- Bank charges	6	7
- Other loans	4	2
- Sundry items	1	13
Total accrued expenses	54	72
Deferred income		
- Interest earned on discount transactions	92	234
- Customer maintenance contracts	185	94
Total deferred income	277	328
Total accrued expenses and deferred income	331	400

Interest on discount transactions decreased owing to the (pro quota) decrease in the transactions existing at 12/31/03 net of the increase relative to a new transaction finalized during 2004.

MEMORANDUM ACCOUNTS

37) Unsecured guarantees given

Guarantees given on behalf of subsidiaries – The sum of 1,468 thousand Euro refers to a guarantee given to a credit institution that provided a credit line to Prima North America Inc. The decrease of 3,369 thousand Euro compared to the previous financial year, is made up as follows:

- 3,254 thousand Euro for the discharge of a guarantee similar to the one described above, in that the underlying loan was discharged.
- 116 thousand Euro for the difference in the rate of exchange of the Euro/Dollar on an existing guarantee of 2,000,000.00 U.S. dollars.

Guarantees given on behalf of others – These amount to 31 thousand Euro and refer to two guarantees: one (for 3 thousand Euro), given to Consorzio Garanzia Fidindustria, of which Prima Industrie is a member and one to San Paolo IMI to meet a contract entered into with a Chinese customer. These guarantees decreased by 33 thousand Euro compared to the previous year, insofar as the guarantees issued by Prima Industrie to Consorzio Garanzia Unionfidi have been redeemed because the underlying transactions were finalised.

38) Commitments

Interest Rate Swap Contracts

On 05/30/03 an Interest Rate Swap contract was entered into with Banca Akros. The contract is on the following terms and conditions:

- Starting date: 06/03/03
- Final expiry: 06/05/06
- Periodical expiry: quarterly
- Capital: 5,000,000 Euro
- Rate 1:

1st year:	2.2
2nd year:	2.5
3rd year:	2.75
Basis:	ACT/360
- Rate 2: Euribor 3-month, for foreign currency applicable at the starting date of each period
Basis: ACT/360

At the expiry of each quarterly period the difference between the amount resulting from the application of rate 1 and the amount resulting from the application of rate 2 will be paid by Banca Akros to Prima Industrie, if the difference is a negative one. Vice-versa, Prima Industrie will pay Banca Akros if the difference is a positive one.

During 2004, the effect of this transaction on the Income Statement amounted to 14 thousand Euro against Prima Industrie.

On the 06/09/04 in light of a loan of €2,000,000.00 an Interest Rate Swap contract was entered into with Banco di Sicilia. The contract is on the following terms and conditions:

- Starting date: 06/30/04
- Final expiry: 06/30/07
- Periodical expiry: quarterly
- Capital: Euro 2,000,000.00
- Rate 1:

1st year	2.5
2nd year:	3.75
3rd year:	4.25
Basis:	ACT/360
- Rate 2: Euribor 3-month, for foreign currency applicable 2 working days preceding the start of each period.
Basis: ACT/360

At the expiry of each quarterly period the difference between the amount resulting from the application of rate 1 and the amount resulting from the application of rate 2 will be paid by Banco di Sicilia to Prima Industrie, if the difference is a negative one. Vice-versa, Prima Industrie will pay Banco di Sicilia if the difference is a positive one.

During 2004, the effect of this transaction on the Income Statement amounted to 4 thousand Euro against Prima Industrie.

PK22 Export Plus Contract

A contract entered into with Banca Monte dei Paschi, on the following terms:

- Notional amount: USD 1,500,000

- Exercise price: the average rate of exchange for the USD/EUR applicable on 11/29/04 – 11/30/04 – 12/01/04 – 12/02/04
- Final price: the arithmetic average rate of exchange for the USD/EUR applicable on the following dates: 12/15/04 – 12/29/04 – 01/14/05 – 01/31/05 – 02/28/05 – 03/31/05 – 04/29/05 – 05/13/05
- Expiry date of the option: 06/01/05
- Premium: 2.50% on the notional value in USD
- Conditions of settlement: on the expiry of the option, Banca Monte dei Paschi di Siena shall pay Prima Industrie an amount in Euro, equal to the positive difference between the equivalent value of the notional amount calculated at the exercise price and the equivalent value of the aforesaid amount calculated on the basis of the final price.
If the difference is negative, Prima Industrie will not be required to pay anything.

During the course of 2004 the positive difference stemming from the PK9 Export contract, entered into in 2003, was paid to Prima Industrie and amounted to 32 thousand Euro.

In addition the positive difference amounting to 11 thousand Euro, stemming from the PK17 Export contract (entered into in May 2004) was collected.

Commitments in respect of currency transactions - The sum of 1,970 thousand Euro refers to a foreign currency futures transaction of USD 2,300,000. This transaction was effected to protect a repayment by Prima North America Inc. of 2,300,000 USD envisaged for April 2005, to be used to repay the loan of 2,000,000 Euro granted to us by UNICREDIT.

Commitments for lease instalments-These total 1,336 thousand Euro (compared with 1,504 thousand Euro in the previous financial year) and refer to commitments for lease instalments: they relate to contracts for electronic office equipment (for 150 thousand Euro), motor vehicles (21 thousand Euro) and to the factory at No. 28, Via Antonelli (1,164 thousand Euro). The commitments represent the total value of the lease instalments falling due to the lessors including the final redemption values provided for in terms of the contracts, but excluding the instalments already paid. Lease instalments falling due by year are as follows:

Office equipment

2005	75	thousand Euro + 11 thousand Euro for redemptions
2006	52	thousand Euro + 1 thousand Euro for redemptions
2007	10	thousand Euro + 1 thousand Euro for redemptions
Total	150	

Motor vehicles

2005	20	thousand Euro + 1 thousand Euro for redemption.
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Total 21

Factory at No. 28 Via Antonelli

2005	222	thousand Euro
2006	222	thousand Euro
2007	222	thousand Euro
2008	222	thousand Euro
2009	111	thousand Euro + 165 thousand Euro for redemption
<hr/>		
Total	1,164	

39) Contingencies for bills discounted

This shows the value of bills signed by customers for sales made pursuant to the Sabatini Act guaranteeing recourse (pro solvendo) on claims, plus a discount operation pro solvendo on bills signed by an Australian customer, who has been granted an extended two-year payment period.

This transaction was carried out in 2004.

Consequently, the overall contingency at the end of the financial year amounted to 1,764 thousand Euro compared to 3,801 thousand Euro in 2003.

During the financial year a pro solvendo Sabatini transaction was extinguished, in respect of which the customer asked for early redemption, and a discount operation pro solvendo on bills signed by a Spanish customer was also finalized. In respect of this latter transaction at the end of a legal dispute caused by the customer's default, Prima Industrie proceeded to collect the machine and repay the outstanding debt to the credit institution that performed the discount transaction.

Consequently the transactions still in existence relate to 8 customers.

One of these transactions will be finalized in 2005, three in 2006 and four in 2007.

At 12/31/2004 there are no cash orders presented for discounting at the bank; at 12/31/2003 this item amounted to approximately 600 thousand Euro.

40) Others

At December 31, 2004 the item includes the following other memorandum accounts:

Commitments to repurchase from customers and third parties – These total 3,090 thousand Euro (they were 4,790 thousand Euro at 12/31/2003) and refer to repurchase commitments signed by our company in favour of leasing companies for sales made to customers.

This type of guarantee is issued by our company to assist the customer in obtaining financing where the he cannot offer independent guarantees for the transaction to the third party lender.

The repurchase commitment is usually given for values that do not exceed market values at the time of the possible excussion in terms of the guarantee.

Company assets held by third parties – At December 31, 2004 these goods totalled 2,328 thousand Euro (3,526 thousand Euro in 2003). They relate to the following:

- materials and products at branch warehouses for 890 thousand Euro;
- spare parts at customers for 33 thousand Euro;
- materials on deposit/for processing at suppliers amounting to 1,011 thousand Euro;
- semifinished and finished products at third parties amounting to 394 thousand Euro.

The finished products are made up of 1 Platino 1530 machine that is situated in a warehouse in Spain.

These assets are included in the final inventory balance in the Financial Statements.

Guarantees given by third parties for our account – The sum of 6,145 thousand Euro (8,048 thousand in 2003) is made up of bank guarantees issued for bank loans in favour of the subsidiary, Prima North America Inc. (totalling 3,303 thousand Euro); bank guarantees in favour of customers for advances against orders and for guarantee purposes (guarantees given within the limits of the receipts made by the same customers) to a forfeiter within the scope of a SACE transaction, as well as by guarantees issued to the supplier Rofin Sinar and other minor suppliers.

In addition during 2004, 3 guarantees were given by Consorzio Fidi in relation to the first tranche of the SIMEST loan. The overall value of the guarantees is 490 thousand Euro.

It should also be noted that the company issued guarantees in favour of the real estate companies that own the factories to which the company transferred the divisions of the subsidiary, Prima North America Inc. in 2003. More precisely:

- a guarantee in favour of Oxford Investment LLC for the lease agreement in respect of the premises located on East Main Street, Chicopee River Business Park, Chicopee, Massachusetts;
- a guarantee in favour of OIRE Minnesota LLC for the lease agreement in respect of the factory situated at 8600 109th Avenue North, Champlin, Minnesota.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

41) REVENUES FROM SALES AND SERVICES

Revenues from the sales of goods are made up as follows:

	TOTAL		ITALY		EUROPE		R.O.W.		N.AMERICA	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
3D SYSTEMS	22,749	34	10,371	16	8,639	13	1,530	2	2,209	4
2D SYSTEMS	30,681	47	7,448	11	13,909	21	7,470	11	1,854	3
SYNCRONO LICENCE	1,400	2	-	-	-	-	1,400	2	-	-
CUSTOMER AND OTHER SERVICES	11,083	17	4,848	8	4,588	7	916	1	731	1
Total	65,913	100	22,667	35	27,136	41	11,316	16	4,794	8

During the 2004 financial period revenues increased by 5.3% compared to the 62,583 thousand Euro in the previous financial year with a strong increase recorded in the total number of machines delivered, even though the mix of products was more directed towards the two-dimensional systems, which are characterized by income (and profitability) that on average are lower.

42) CHANGES IN INVENTORIES OF WORK IN PROGRESS, SEMIFINISHED AND FINISHED PRODUCTS AND CONTACT WORK IN PROGRESS

At 12/31/2004, the value of finished products in inventory remained substantially constant (2,479 thousand Euro at the year-end compared to 2,481 thousand Euro at the beginning of the year). During the year, a provision of 490 thousand Euro was raised to the provision for writedowns of finished products, in respect of used machines that will be resold in 2005 and a utilization of 183 thousand Euro was made to close the provision of the previous financial year.

Contract work in progress increased by 432 thousand Euro (going from 2,334 thousand Euro to 2,766 thousand Euro).

43) INCREASES IN FIXED ASSETS FOR INTERNAL WORK

During 2004 the following costs were capitalized under the item, "Tangible fixed assets":

	2004	2003
- Light constructions	55	12
- Equipment	34	302
Total	89	314

44) OTHER INCOME AND REVENUES

This item is made up as follows:

	2004	2003
Grants related to assets	1,492	950
Insurance refunds	12	19
Services rendered and costs recharged to Prima Electronics	103	122
Non-operating profits and gains on disposals	581	379
Services rendered and costs recharged to Prima North America Inc.	10	83
Sundry income	201	203
Discounts and rebates	-	1
Total other income and revenues	2,399	1,757

Grants related to assets recorded in the Income Statement in 2004 relate to the portions of forgivable loans for research and development, which accrued during 2004 and which relate to the following projects:

- the PAMELA project, in respect of which the second tranche for the financial year, amounting to 906 thousand Euro, was confirmed.
- The RESALT project, in respect of which the second tranche for the financial year, amounting to 551 thousand Euro, was confirmed.

The grants also include the grants *ex lege* 341/95 for 6 thousand Euro and the grants *ex lege* 79/1997 for 29 thousand Euro.

The non-operating profits (581 thousand Euro) mainly refer to adjustments of appropriations made in the previous year and in particular 198 thousand Euro relates to a discount granted by the supplier ROFIN relating to a 2003, invoice which discount was subsequently agreed upon.

Sundry income (equal to 201 thousand Euro) refers to commissions earned on the sale of Laserdyne machines for 78 thousand Euro, rentals received on the

immovable property leased to Prima Industrie UK Ltd for 31 thousand Euro and other minor amounts totalling 92 thousand Euro.

COSTS OF PRODUCTION

45) PURCHASE OF RAW MATERIALS, CONSUMABLES AND SUPPLIES

This item is made up as follows:

	2004	2003
- Raw materials	34,860	31,039
- Consumables and supplies	724	714
- Other purchases	237	198
Total	35,821	31,951

In particular and insofar as raw materials are concerned, the following should be noted:

	2004	2003
- Laser generators and parts	10,307	9,240
- Numeric controls and parts	2,389	1,968
- Completed sub-systems and mechanical components according to design	13,958	12,154
- Commercial components and others	8,206	7,677
Total	34,860	31,039

46) SERVICE COSTS

This item can be detailed as follows:

	2004	2003
- Work by third parties	5,297	4,483
- Travel expenses	1,800	2,012
- Technical, legal, tax & administrative consulting fees	2,017	1,628
- Freight	1,145	1,024
- Commissions paid	932	1,174
- Advertising and promotion	401	293
- Electricity, telephone, etc.	501	501
- Insurance	257	274
- External maintenance expenses	427	374
- Directors' remuneration	325	317
- Statutory auditors' remuneration	80	85
- Temporary work	155	330
- Others	1,196	811
Total	14,533	13,306

As regards work by third parties in 2004, an increase of 814 thousand Euro occurred, because of the higher turnover generated in the financial year.

Technical consulting fees, (development of R&D projects), amounted to 1,217 thousand Euro; business consultancy fees totalled 162 thousand Euro; and administrative and legal fees (lawyers, notaries, auditors, tax advisors etc.) amounted to 638 thousand Euro.

In particular the costs to adjust to the new IAS/IFRS international accounting principles amounted to 69 thousand Euro.

The most significant expenses for services included in the item "Others" are entertainment expenses of 65 thousand Euro, translations - 29 thousand Euro, cleaning expenses - 110 thousand Euro and royalties- 420 thousand Euro.

47) LEASES AND RENTALS

This item can be detailed as follows:

	2004	2003
- Rent	338	275
- Motor vehicle and sundry leasing	285	250
- Sundry rental	279	345
- Leasing for Factory 2:	197	196
Total	1,099	1,066

The adoption of the financial method of accounting for leases according to generally accepted accounting principles would have meant accounting for the interest on the capital and the portion of depreciation on the value of the assets purchased under leasing contracts, (commensurate with the estimated useful life of the assets), in addition to recording the asset in the Balance Sheet and the residual amount payable in the liabilities.

This accounting treatment would not have resulted in any significant positive effects on the results of operations (see the effect in the comment on the Fixed Assets section).

Sundry rental includes the costs incurred for electronic office equipment (personal computers) for 18 thousand Euro and company vehicles, totalling 203 thousand Euro; in addition minor items amounting to 58 thousand Euro are included.

The item "Leasing for Factory 2" refers to the nine-year leasing contract signed in 2000 for the use of the manufacturing premises situated at No. 28 Via Antonelli, adjoining the main factory.

48) PERSONNEL COSTS

Personnel costs rose from 12,675 thousand in 2003, to 12,847 thousand Euro in 2004. The moderate increase is a consequence of the growth (even though contained) in the staff numbers. During the year the Company hired a number of new employees, although it strove to keep the increase in costs to a minimum.

Furthermore, it should be borne in mind that because our company operates in a high-tech sector, staff are on average more specialized and thus the cost is higher than the average industry standard.

Changes during the year in the number of employees are detailed by category (Collegno production facility) below:

	12/31/03	Hired	Ceased employment	Promotions	12/31/04	Average for the period
Executives	11	1	-	+1	13	12
Officers	7	-	-	+1 (1)	7	7
Front-line managers	14	1	(4)	+1 (1)	11	12.5
Office workers	131	13	(7)	+6 (1)	142	136.5
Specialized workers	1	-	-	-	1	1
Production workers	60	12	(6)	(6)	60	60
Total	224	27	(17)	+9 (9)	234	229

Insofar as staff employed by the branches is concerned the number declined by 12 (from 31 at 12/31/2003 to 19 at 12/31/2004) in that these persons were transferred to the payroll of the new English and Swedish companies.

Taking into account that the total increase in personnel was 4.5 per cent and that the increase in the cost of labour, in absolute terms was 1.5 per cent, it follows that the labour cost saving was approximately 3%.

49) AMORTIZATION/DEPRECIATION

Amortization of intangible fixed assets

Reference should be made to the applicable schedule showing changes in intangible fixed assets.

Depreciation of tangible fixed assets

Reference should be made to the applicable schedule showing changes in tangible fixed assets.

50) WRITEDOWN OF RECEIVABLES INCLUDED IN CURRENT ASSETS AND WRITEDOWN OF CASH AND CASH EQUIVALENTS

During the financial year, the company raised 100 thousand Euro to the allowance for doubtful accounts. The provision was made taking into account the extent to which the receivables in portfolio could be collected.

The provision is tax deductible.

51) CHANGES IN INVENTORIES OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND MERCHANDISE

Inventories of raw materials, consumables and supplies decreased by 50 thousand Euro compared with the end of the previous financial year. This figure, which is a reflection of the improved management of inventories, includes a writedown of inventories for obsolescence equal to 300 thousand Euro.

52) PROVISIONS FOR RISKS

This item includes the provisions made during the financial year, net of utilizations, as detailed below:

	2004	2003
- Appropriations to the provision for contractual risks and charges	1,861	2,001
- Utilization of the 2003 provision for contractual risks and charges	(2,001)	(2,163)
- Appropriation to the provision for losses by investees:		
⇒ Prima Industrie GmbH	9	-
- Appropriations for potential liabilities:		
⇒ Provision for agents' customer indemnity	9	10
⇒ Litigation risks	-	15
Total	(122)	(137)

53) SUNDRY OPERATING EXPENSES

This item is made up as follows:

	2004	2003
- Non-operating losses and losses on disposals	317	303
- Penalties from customers	32	19
- Taxes and dues other than those on income	44	49
- Non-deductible gratuities and costs	127	122
- Association dues	72	77
- Branch taxes	17	15
- Sundry operating expenses	50	62
Total	659	647

The non-operating losses mainly relate to costs pertaining to previous financial years, for which incorrect provisions in respect of the amount were made or to the unexpected non-existence of components of the Balance Sheet assets, which in any event relate to the typical business of the company.

The item Penalties from customers refers to the settlement and finalization of technical and commercial disputes with certain customers, as well as delays in deliveries due to technical problems.

The item "Sundry operating expenses" pertains to corporate expenses totalling 46 thousand Euro, deductible gratuities of 3 thousand Euro and other minor items of approximately 1 thousand Euro.

FINANCIAL INCOME AND EXPENSES

54) INCOME FROM EQUITY INVESTMENTS

The total amount of 600 thousand Euro refers to the dividend from Prima Electronics on the 2004 result, which dividend is payable in 2005.

The dividend for the 2004 financial year approved by Prima Electronics SpA's stockholders' meeting will be paid out with effect from May 2005.

55) OTHER FINANCIAL INCOME FROM RECEIVABLES INCLUDED IN FINANCIAL FIXED ASSETS

These refer to interest due on loans granted by the Parent Company Prima Industrie, to the subsidiaries Prima North America Inc. in an amount of 71 thousand Euro, Prima Scandinavia AB for 5 thousand Euro and Prima Industrie UK Ltd. for 26 thousand Euro. In the previous year these totalled 41 thousand Euro.

56) OTHER FINANCIAL INCOME

This item is made up of the following income:

	2004	2003
- Interest income from customers	433	440
- Interest earned on securities/premiums on forward contracts	15	7
- Interest income from banks and others	18	42
Total	466	489

The positive exchange differences were recorded in the 2004 financial year net of the negative differences, in the item, "Gains and losses on exchange". Accordingly the 2003 financial year was also reclassified.

Interest income from customers includes the 2004 portion of interest relating to the Sabatini pro solvendo transactions in existence.

INTEREST AND OTHER FINANCIAL EXPENSES

57) INTEREST AND OTHER FINANCIAL EXPENSES DUE TO SUBSIDIARIES

The sum of approximately 40 thousand Euro relates entirely to the interest accrued on a loan of 1,500 thousand Euro made by Prima Electronics to the parent company Prima Industrie.

58) OTHER INTEREST AND FINANCIAL EXPENSES

The item is made up as follows:

	2004	2003
- Interest paid on bank borrowings	50	181
- Interest paid on discount transactions under Sabatini Act	422	402
- Other bank charges	259	266
- Interest paid on medium/long-term payables	365	400
- Interest paid on factoring	-	34
- Others	30	60
Total	1,126	1,343

Interest paid on medium/long-term payables includes interest on the loans granted by MICA (14 thousand Euro), IMI (35 thousand Euro), Mediocredito Umbro (6 thousand Euro), Banca Mediocredito (47 thousand Euro), Banca Intesa BCI Mediocredito (110 thousand Euro), Cassa Risparmio Parma e Piacenza (29 thousand Euro), Unicredit (72 thousand Euro) Banca Popolare di Lodi (9 thousand Euro), Banco di Sicilia (42 thousand Euro) and SIMEST (1 thousand Euro).

The negative exchange differences of the 2004 financial year have been reflected net of the positive differences in an appropriate item called, "Gains and losses on exchange". Accordingly the 2003 financial year was also reclassified.

The item "Others" mainly refers to charges paid to financial institutions (10 thousand Euro) and to negative differences on the "Interest rate swap" hedging transactions (17 thousand Euro).

59) GAINS AND LOSSES ON EXCHANGE

The loss of 27 thousand Euro is made up as follows:

Positive exchange differences	852
-------------------------------	-----

Utilization of the Provision for exchange rate fluctuations	771
Negative exchange differences	(1651)
Euro rounding off	1
	<hr/>
Exchange rate losses	(27)

We point out that the amount relating to the positive exchange differences includes an amount of 406 thousand Euro relating to the sum of the positive differences which were not realized and which originated from the adjustment of the currency positions open as at 12/31/2004, to the year-end exchange rates. As regards the negative differences, the sum of the unrealized losses equals 1,412 thousand Euro. Accordingly, the balance between the positive and negative differences that were not realized, is negative and amounts to 1,006 thousand Euro.

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

60) WRITEDOWN OF EQUITY INVESTMENTS

The sum of 394 thousand Euro is made up of the provisions raised to cover losses sustained by the following companies:

- Prima North America Inc.	157
- Prima Scandinavia AB	73
- Shenyang Prima Laser Machine Company Ltd	39
- SNK Prima Co.	125
	<hr/>
	<u>394</u>

EXTRAORDINARY INCOME AND EXPENSES

61) CAPITAL GAINS ON SALES

In 2004, pursuant to the sale of treasury stock, a capital gain of approximately 11 thousand Euro was made.

62) OTHER EXTRAORDINARY EXPENSES

The extraordinary expenses, totalling 125 thousand Euro refer to:

- losses arising on the sale of treasury stock amounting to 25 thousand Euro;
- restructuring cost of 100 thousand Euro;

63) INCOME TAXES FOR THE FINANCIAL YEAR

Current taxes

Current taxes total 1,318 thousand Euro compared to 825 thousand Euro in the previous year and relate to the utilization of the provision for deferred taxes (284

thousand Euro) gross of credits for taxes paid in advance (902 thousand Euro), as well as IRAP for the year (614 thousand Euro), which is also net of the utilization of the provision for deferred taxes (36 thousand Euro) and gross of credits for taxes paid in advance (122 thousand Euro).

RECONCILIATION BETWEEN ORDINARY AND ACTUAL RATE	Taxable income	IRES	Rate	IRAP	Rate
Income (loss) before tax	2,490	822	33.00	614	24.66
Losses – investees	394	130	5.22		
Dividends	(600)	(198)	(7.95)		
Permanent differences (increase)	576	190	7.63		
Temporary differences for use/allocation of provisions	196	64	2.57		
Temporary differences for grants received	(640)	(211)	(8.47)		
Temporary differences for prior period investee losses	(2,242)	(740)	(29.72)		
Other temporary differences	124	41	1.65		
Taxable amount - IRES	298	98	3.93		
Use of past losses	(298)	(98)	(3.93)		
TAXES FOR THE FINANCIAL YEAR	0	0	0.00	614	24.66
Use of the deferred tax provision included in current taxes		(284)		(36)	
Use of prepaid tax credits included in current taxes		902		122	
TOTAL		618		700	

Deferred taxes

The application of Accounting Principle No. 25 relating to deferred taxes, had a net negative effect on income for the year (equal to 553 thousand Euro). In 2003 the effect was positive and amounted to 1,036 thousand Euro.

Prepaid taxes

The application of Accounting Principle No. 25 relating to prepaid taxes, had a net positive effect on income for the year (equal to 209 thousand Euro). In 2003 the effect was negative and amounted to 351 thousand Euro.

The details are as follows:

	Deferred taxability –asset	Deferred tax asset
<i>Amounts at 37.25%</i>		

Entertainment expenses	43	
Provision for agents' customer indemnity	88	
Directors' remuneration not paid	36	
Association dues	7	
Total	174	65
<i>Amounts at 33%</i>		
Non-deductible allowance for doubtful accounts	239	
Provision for contractual risks and charges	1,861	
Provision for writedowns of inventory	1,303	
Writedown of equity investments	5,159	
Extraordinary future costs	100	33
Total	8,662	2,858
Total deferred taxability –asset	8,836	2,923
(-) Deferred tax asset at 12/31/2003		(3,740)
(+) Utilization at 12/31/2004		1,026
Total recorded in the 2004 Income Statement		209

	Deferred taxability – liability	Deferred tax liability
<i>Amounts at 37.25%</i>		
PAMELA grant	1,368	
Resalt grant	925	
Eureka/Publics grant	563	
Brite Hatlas grant	91	
Sincrono (formerly Lightpress) grant	196	
Other grants	74	
Total	3,217	1,198
Amounts at 33%	-	-
Total deferred taxability - liability	3,217	1,198
(-) Deferred tax liability at 12/31/2003		(965)
(+) Utilization at 12/31/2004		320
Total recorded in the 2004 Income Statement		553

APPENDICES

The following appendices contain additional information to the Notes and form an integral part of same.

The aforesaid information is contained in the following schedules:

- Statement of changes in stockholders' equity for the years ended December 31, 2004 and 2003
- List of equity investments in subsidiaries and associated companies at December 31, 2004 ex-art. 2427, No. 5 of the Italian Civil Code.
- Statement of changes in financial fixed assets: equity investments in subsidiaries.
- Statement of changes in current assets: equity investments in other companies.
- Statement of changes in intangible fixed assets for the financial year ended December 31, 2004.
- Statement of changes in tangible fixed assets for the financial year ended December 31, 2004.
- Summary of the highlights of the most recently approved Financial Statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code).
- Cash Flow Statement for the financial years ended 2004 and 2003.

Moreover, the following are attached as required by Art. 78 of Consob regulation No. 11971 of May 14, 1999:

- Statement of compensation paid to directors, statutory auditors and the general manager
- Information on stock options assigned to directors and the general manager

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2004 AND 2003
(thousands of Euro)

Description	Capital stock	Share premium reserve (A B C) (*)	Revaluation reserve	Legal Reserve (B)	Treasury stock reserve	Statutory reserves	To cover losses during the financial year	Profits (Losses) carried forward	Profit (loss) for the year (A B C)	Total Stockholders' equity
Balance at 12/31/02	10,375	14,020	-	715	472	6,215	-	-	(4,880)	26,917
• Allocation of 2002 result						(4,880)			4,880	
• Increase in capital on 02/11/03 reserved for institutional investors	1,125	2,842	-	15	-	-	-	-	-	3,982
• Adjustment of Reserve for treasury stock					(149)	149				
• Profit (loss) for the year									(2,834)	(2,834)
Balance at 12/31/03	11,500	16,862	-	730	323	1,484	-	-	(2,834)	28,065
• Allocation of 2003 result	-	(1,350)	-	-	-	(1,484)	-	-	2,834	-
• Adjustment of Reserve for treasury stock		153	-	-	(153)	-	-	-	-	-
• Profit (loss) for the year									827	827
Balance at 12/31/04	11,500	15,665	-	730	170	-	-	-	827	28,892
Undistributed portion		1,529		730	170				41	2,470
Distributable portion		14,136							786	14,922
Total Reserves		15,665		730	170				827	17,392

Key: A : for increase in Capital Stock
B : to cover losses
C : Distribution - Stockholders

(*) The entire amount of the share premium reserve is distributable in terms of article 2341 of the Italian Civil Code on condition that the legal reserve has reached the limit referred to in article 2430 of the Code.

LIST OF EQUITY INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES
(at December 31, 2004)

			Capital stock	Stake	Result for the year (thousands of Euro)	Stockholders' equity (thousands of Euro)	Value per Prima Industrie SpA's Financial Statements (thousands of Euro)
<u>SUBSIDIARY COMPANIES</u> (included in the area of consolidation)							
Prima Electronics SpA	Strada Carignano, 48/2 10024 Moncalieri (TO)		€1,500,000	100%	986	6,038	1,705
Prima North America, Inc.	<i>Convergent Lasers Divison & Prima Laser Tools Division:</i> 711 East Main Street Chicopee, MA 01020 (USA)	<i>Laserdyne Systems Division:</i> 8600 109 th Av. North Champlin, MN 55316 (USA)	U.S. 22,000,000	100%	(171)	3,775	6,987
Prima Industrie GmbH	Shöne Aussicht 5a Kronberg (D)		D.M. 50,000	100%	(9)	(159)	-
Prima Scandinavia AB	Möndalsvägen 30c SE-412 63 Goteborg (S)		SEK 100.000	100%	(72)	60	61
Prima Industrie UK LTD.	Unit 1, Phoenix Park Bayton Road Coventry CV7 90N UK		GBP 1	100%	166	160	61

ASSOCIATED COMPANIES (unconsolidated)

Macro Meccanica SpA (in liquidation) (*)	Via don Sapino 134 10040 Venaria – Fraz. Savonera (TO)		L./mil. 630	35.48%	213	(1,222)	0
Shenyang Prima Laser Machine Company Ltd	Shenyang Liaoning Province, China 45 Huanghai Rd, Yuhong District		U.S. 1,000,000	50%	(78)	299	244
SNK Prima Company Ltd (**)	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka - Japan		Yen 90,000,000	50%	(49)	405	265
Shanghai Unity Prima Laser Machinery Co Ltd.	2019, Kunyang Rd. Shanghai 201111 - China		Rmb 16,000,000	27.50%	708	2,130	450
Mechanical Industries Srl (insolvent) (***)	Via don Sapino 134 10040 Venaria – Fraz. Savonera (TO)		€487,289	21.62%	1	492	0

(*) Most recently approved liquidation Financial Statements: 12/31/2001

(**) Half-yearly Financial Statements at 09/30/04

(***) Most recently approved Financial Statements 12/31/01

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS - EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES

(thousands of Euro)

	Initial position			Movements during the year		Final position
	Original cost valued according to the cost method	Revaluations Writedowns	Balance at 01/01/2004	Increases	Decreases	Balance at 12/31/2004
Prima Electronics SpA Strada Carignano, 48/2 10024 Moncalieri (TO)	1,705	-	1,705	-	-	1,705
Prima North America, Inc. 711 East Main Street Chicopee, MA 01020 (USA) 8600 109 th Av. North Champlin, MN 55316 (USA)	20,975	(15,460)	5,515	1,629	(157)	6,987
Prima Industrie GmbH Shöne Aussicht 5a - Kromberg (D)	-	-	-	-	-	-
Prima Scandinavia AB Mölnadalsvägen 30c SE-412 63 Goteborg (S)	11	-	11	123	(73)	61
Prima Industrie UK LTD. Unit 1, Phoenix Park , Bayton Road Coventry CV7 90N - UK	-	-	-	-	-	-
TOTAL	22,691	(15,460)	7,231	1,752	(230)	8,753

STATEMENT OF CHANGES IN CURRENT ASSETS

(thousands of Euro)

EQUITY INVESTMENTS IN OTHER COMPANIES:

Description	Accounting position	Movements during the year		Final position	Stake
		Increases	Decreases		
	Original cost 1/1/04 valued according to the cost method			Balance 12/31/2004	
Unionfidi Soc. Coop a r.l. Via Nizza 262/56 Torino	0.1		-	0.1	-
Fidindustria Soc. Coop a r.l. Via Torino, 56 Biella	-	0.1	-	0.1	-

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004

(thousands of Euro)

Fixed assets	Initial position			Movements during the year		Final position		
	Original cost	Accumulated amortization	Balance 1.1.2004	Additions	Amortization, Depreciation and writedowns	Original cost	Accumulated amortization	Balance 12/31/2004
Plant and expansion costs	168	(135)	33	-	(33)	168	(168)	0
Research, development and advertising costs	-	-	..					
Industrial patent and intellectual property rights	1,265	(1,144)	121	141	(102)	1,406	(1,246)	160
Concessions, licences, trademarks and similar rights	10	(4)	6	-	(1)	10	(5)	5
Goodwill	-	-	-					
Assets under construction and advances	-	-	-					
Other intangible fixed assets	1,433	(1,114)	319	84	(81)	1517	(1,195)	322
Total	2,876	(2,397)	479	225	(217)	3,101	(2,614)	487
	=====	=====	=====	=====	=====	=====	=====	=====

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004

(thousands of Euro)

Fixed assets	Initial position				Movements during the year				Final position			
	Original cost	Revaluations	Accum. Deprec.	Balance 1.1.2004	Additions	Disposals.	Depreciat.	Utilizations – Accum. Dep.	Original cost	Revaluations	Accum. Deprec.	Balance 12/31/2004
Land and buildings	718	-	(185)	533	84	-	(39)	-	802	-	(224)	578
Plant and machinery	1,558	11	(1,062)	507	83	(4)	(97)	1	1,637	11	(1,158)	490
Industrial and commercial equipment	1,684	-	(1,240)	444	73	(8)	(165)	4	1,749	-	(1,401)	348
Other tangible assets	1,417	6	(1216)	207	106	(12)	(92)	5	1,511	6	(1,303)	214
Assets under construction and advances	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,377	17	(3,703)	1,691	346	(24)	(393)	10	5,699	17	(4,086)	1,630
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

SUMMARY OF THE HIGHLIGHTS OF THE MOST RECENTLY APPROVED FINANCIAL STATEMENTS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (ART. 2429 of the Italian Civil Code)

	Prima Electronics S.pA	Prima North America Inc.	Prima GmbH	Prima Scandinavia AB	Prima Industrie UK LTD	Shenyang Prima Laser Machine	Shenyang Prima Laser Machine	SNK Prima Company LTD.	Shanghai Unity Prima	Macro Meccanica Spa in liquidazione	Me In
Currency of account	Thousands of Euro	Thousands of US\$	Thousands of Euro	Thousands of SEK	Thousands of GBP	Thousands of RMB	Thousands of US\$	Thousands of Yen	Thousands of RMB	Thousands of Euro	Th o
Reference period of the Financial Statements	2004	(*) 2004	2004	2004	2004	2004	2004	Half-yearly 09/30/04	2004	2001	
Included in the area of consolidation (line-by-line)	YES	YES	YES	YES	YES	NO	NO	NO	NO	NO	
<u>ASSETS</u>											
Fixed assets	1,745	5,279	-	166	13	1,645	198	35,514	6,347	-	
Current assets	11,482	21,128	36	4,666	2,110	17,520-	2,114	21,115	66,487	503	
Accrued income and prepaid expenses	19	2	-	99	-		-	-		-	
Total assets	13,246	26,409	36	4,931	2,123	19,165	2,312	56,629	72,834	503	
<u>LIABILITIES</u>											
Stockholders' equity	6,038	5,142	(159)	540	113	3,379-	408	56,526	24,024	(1,222)	
Provision for risks and charges	220	2,215	2	-	56	-	-	-	-	410	
Employees' severance pay	1,226	-	-	-	-	-	-	-	-	35	
Payables	5,735	19,052	193	4,333	1,930	15,786	1,904	103	48,810	1,280	
Accrued expenses and deferred income	27	-	-	58	24	-	-	-	-	-	
Total liabilities	13,246	26,409	36	4,931	2,123	19,165	2,312	56,629	72,834	503	
<u>INCOME STATEMENT</u>											
Sales	14,890	36,064	-	18,549	3,440	24,451	2,950	-	37,298	-	
Value of production	15,210	36,077	1	18,674	3,637	24,451	2,950	-	37,298	15	
Costs of production	(13,485)	(35,793)	(9)	(19,281)	(3,489)	(24,513)	(2,957)	(6,841)	(29,334)	(304)	
Difference between value and costs of production	1,725	284	(8)	(607)	148	(62)	(7)	(6,841)	7,964	(289)	
Financial management	-	(400)	-	(53)	(35)	(1,035)	(125)	-	17	(5)	
Extraordinary management	107	(80)	-	-	-	216	26	-	-	507	
Taxes	(846)	(18)	-	-	-	-	-	-	-	-	
Net profit (loss)	986	(214)	(8)	(660)	113	(881)	(106)	(6,841)	7,981	213	

(*) For the purposes of drawing up the Consolidated Financial Statements they were reclassified in terms of the EEC Directive

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 2004
(thousands of Euro)

	2004		2003	
A) Opening net financial position	(13,550)		(21,896)	
B) Cash flow from operations	783		(1,106)	
• Net profit (loss)	827		(2,834)	
• Amortization/Depreciation	612		679	
• Net change in provision for employees' severance pay	(72)		321	
• Net change in provisions for risks	(1,002)		356	
• Provision raised to provision for doubtful accounts	(36)		50	
• Provision raised to provisions for writedown of finished products	307		69	
• Provision raised to provisions for writedown of raw materials	147		253	
B)bis Capital increases			3,982	
C) Cash flow from changes in current assets	3,107		11,884	
• Net decrease / (Increase) in inventories	11			2,276
• Net decrease / (Increase) in trade accounts receivable	5,012			7,375
• Net decrease / (Increase) in receivables from subsidiaries and associated companies	(4,358)			5,501
• Decrease / (Increase) in other receivables	(380)			275
• Decrease/(Increase) in accrued income & prepaid expenses	(113)			163
• (Decrease) / Increase in provision for tax	233			(95)
• (Decrease) / Increase in advances from customers	(288)			261
• (Decrease) / Increase in trade payables	726			(2,670)
• (Decrease) / Increase in payables to subsidiaries and associated companies	1,335			(676)
• (Decrease) / Increase in other payables	845			(391)
• (Decrease)/Increase in accrued expenses & deferred income	(69)			(283)
• (Decrease) / Increase in treasury stock	153			148
D) Cash flow from changes in fixed assets	227		(6,414)	
• Capitalisation of intangible fixed assets	(225)		(144)	
• Purchases of tangible fixed assets	(346)		(465)	
• Sales of assets	24		46	
• Utilization of accumulated depreciation	(10)		(14)	
• (Decrease) / Increase in equity investments	(1,752)		(5,106)	
• (Decrease) / Increase in financial receivables	2,142		(4,109)	
• (Decrease) / Increase in guarantee securities	-		-	
• Provisions raised to provision on equity (+G/C)	394		3,378	
E) Closing net financial position	(9,433)		(13,550)	
• Amounts due to banks	(12,013)		(14,884)	
• Amounts due to other lenders	(811)		(894)	
• Cash and cash equivalents	3,141		2,228	
• Liquidity invested in repurchase agreements and/or government securities	250		-	

COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS
(information expressed in thousands of Euro)

As required by Article 78 of Consob regulation No. 11971 approved on 5/14/99 a summary of the compensation paid by Prima Industrie SpA and the subsidiary companies to the directors, statutory auditors and the general manager, relative to the persons who held such appointments during the year 2004, is provided hereinbelow.

Surname and name	Appointment	Term of office	Date on which the appointment terminates	Remuneration for the appointment in the company which prepares the Financial Statements ⁽¹⁾	Non-monetary benefits	Bonuses and other incentives	Other compensation (salaries)
PALMERI Aldo	Chairman of the Board of Directors Prima Industrie	1/01/04 – 12/31/04	Approv. Financial Statements 2004	16,500	-	-	-
CARBONATO Gianfranco	Chief Executive Officer Prima Industrie	1/01/04 – 12/31/04	Approv. Financial Statements 2004	273,500	Car 4,006.92	-	-
DELLA ROSA Giulia Luigia	Director Prima Industrie	1/01/04 – 12/31/04	Approv. Financial Statements 2004	5,500	-	-	-
SCARPARI Francesco	Director Prima Industrie	From 09/23/04 to 12/31/04	Approv. Financial Statements 2004	1,375	-	-	-
RAFIC Y Mansour	Director Prima Industrie	From 1/01/04 to 12/31/04	Approv. Financial Statements 2004	5,500	-	-	-
D'ISIDORO Sandro	Director Prima Industrie	1/01/04 – 12/31/04	Approv. Financial Statements 2004	5,500	-	-	-
MORFINO Giuseppe	Director Prima Industrie	1/01/04 – 31/12/04	Approv. Financial Statements 2004	5,500	-	-	-
PINCIROLI Marco	Director Prima Industrie	From 2/27/04 to 12/31/04	Approv. Financial Statements 2004	4,583	-	-	-
PEIRETTI Domenico	Director Prima Industrie	1/01/04 – 12/31/04	Approv. Financial Statements 2004	5,500	-	-	-
MAZZOTTO Paolo	Director Prima Industrie	1/01/04 – 02/21/04	-	917	-	-	-
FORMICA Riccardo	Chairman of the Board of Statutory Auditors	1/01/04 – 12/31/04	Approv. Financial Statements 2006	32,537	-	-	-
MOSCA Andrea	Statutory auditor	1/01/04– 12/31/04	Approv. Financial Statements 2006	23,901	-	-	-
PETRIGNANI Roberto	Statutory auditor	1/01/04 – 12/31/04	Approv. Financial Statements 2006	23,907	-	-	-
FRIGERIO GianLuigi	Alternate auditor	05/14/04– 12/31/04	Approv. Financial Statements 2006	-	-	-	-
CODA Roberto	Alternate auditor	1/01/03 – 12/31/03	Approv. Financial Statements 2006	-	-	-	-
DELLE PIANE Alberto	Corporate General Manager	1/01/03 – 12/31/03	-	-	Car 3,304.02	-	156,327.00

BASSO Ezio	General Manager of Prima Industrie	1/01/03 – 12/31/03	-	-	Car 2,463.55	-	149,886.00 ⁽²⁾
CARBONATO Gianfranco	Chairman Prima Electronics	1/01/03 – 31/12/03	Approv. Financial Statements 2006	-	-	-	13,500.00
PEIRETTI Domenico	Chief Executive Officer Prima Electronics	1/01/03 – 31/12/03	Approv. Financial Statements 2006	-	Car 3,307.44	-	182,199.00 ⁽³⁾

- (1) Determined on the accrual basis
- (2) Of which €3,500 is remuneration for the appointment as Director of Prima Electronics and €146,386 is remuneration as an employee in Prima Electronics.
- (3) Of which €38,500 is remuneration for the appointment of Chief Executive Officer of Prima Electronics and €143,699 is remuneration as an employee in Prima Electronics

STOCK OPTIONS ASSIGNED TO THE DIRECTORS AND GENERAL MANAGERS

As required by Article 78 of Consob regulation No. 11971 approved on 5/14/99 a summary of the stock options assigned by Prima Industrie SpA and the subsidiary companies to the directors and the general manager, relative to the persons who held such appointments during the year 2004, is provided hereinbelow.

Name and surname	Appointment	Options held at the start of the year			Options assigned during the year			Options exercised during the year			Options lapsed during yr.	Options held at the end of the year		
		Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Ave. market price at exercise date	Number of options	Number of options	Average exercise price	Average expiry
Gianfranco CARBONATO	Chief Executive Officer Prima Industrie	8000	Euro 7,883	July 04	-	-	-	-	-	-	8000	-	-	-
Alberto DELLE PIANE	Corporate General Manager	6000	Euro 7,883	July 04	-	-	-	-	-	-	6000	-	-	-
Ezio BASSO	General Manager	6000	Euro 7,883	July 04	-	-	-	-	-	-	6000	-	-	-
Domenico PEIRETTI	Chief Executive Officer Prima Electronics	6000	Euro 7,883	July 04	-	-	-	-	-	-	6000	-	-	-

PRIMA INDUSTRIE S.P.A.

Registered office: Via Antonelli 32, 10097 Collegno (Turin)

Fully paid-in capital stock: 11,500,000 Euros

Registered in the Registry of Business Enterprises of Turin under No. 03736080015

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONVENED TO APPROVE THE FINANCIAL STATEMENT TO 12/31/2004

(in accordance with article 153 of Legislative Decree No. 58 of February 24, 1998)

Shareholders,

Pursuant to article 153 of Legislative Decree No. 58 of February 24, 1998, we hereby refer the activities of the Board of Statutory Auditors and the conclusions thereof reached. During the financial year closed at December 31, 2004, we performed the monitoring activities designated to the Board of Auditors by article 149 of the aforementioned decree, in compliance with the code of conduct for statutory auditors issued by the National Council of Accountants and Bookkeepers, and in accordance with the recommendations of Consob (National Commission for Listed Companies and the Stock Exchange).

The Board of Directors submits for your consideration the proposed financial statement to 31 December 2004, presented by the Board on 28 February 2005.

The proposed financial statement, preceded by the Report on Operations, shows net income at 827,199 euros.

We remind Shareholders that, in accordance with article 159 of Legislative Decree No. 58 of February 24, 1998, you confirmed the appointment of PricewaterhouseCoopers S.p.A. as Independent Auditors to control accounting activities and the financial statements for the three-year period from 2002 to 2004, extending their assignment from the period 1999-2001. Thus, with the Shareholders' Meeting of December 31, 2004, the Independent Auditors have concluded the assignment.

Thus, pursuant to Legislative Decree No. 58/1998, during the 2004 period, the Independent Auditors checked that company accounts were duly kept, and verified the proposed financial statement against accounts entries and books.

The consolidated half-year report of the Prima Industrie Group underwent a limited audit by PricewaterhouseCoopers S.p.A., since the Company took advantage of the right granted by paragraph 7 of article 81 of the Consob Regulations, approved by Resolution No. 11971 of May 14, 1999,

Quarterly data were not audited, as this is not compulsory.

During the period, we met with officials of the Independent Auditors in order to exchange information, in compliance with paragraph 3 of article 150 of Legislative Decree No. 58/1998, amended by Legislative Decree No. 37/2004. We hereby inform you that no improper activities were reported by the Independent Auditors.

Furthermore, we obtained information from the Independent Auditors regarding the report that will be issued in compliance with article 156 of Legislative Decree No. 58/1998, which will state that the annual financial statement: *"has been drawn up with clarity and presents the true and correct financial position and operating result of the company"*.

In the course of our own duties, the Board of Statutory Auditors carried out monitoring activities during the year, as prescribed by law, controlling the management of the company and verifying observance of the Law and the Articles of Association.

With particular regard to the indications given in Consob Notice No. 1025564 of April 6, 2001, we inform Shareholders that:

- we took part in the meetings of Shareholders and of the Board of Directors, verifying observance of the statutory norms and Articles of Association that govern the management of company bodies; and, in accordance with the time limits prescribed by law and by the company Articles, we obtained information from the Directors concerning their activities and the major economic and financial transactions, including extraordinary operations, performed by the company, its subsidiaries or with related parties. Acting both collectively and individually, the Statutory Auditors ascertained that transactions that were resolved and put into effect conformed to legislative requirements, to the articles of association, and to economic expediency, and that they were not performed carelessly or recklessly, that there were no contrasts with resolutions made by the Meeting of Shareholders or conflicts of interest, and that there were no irregularities such as to jeopardize the integrity of the shareholders' equity, and that operations were based on principles of proper administration.
- in the course of our duties, we ascertained the suitability of the company's organizational structure and adherence to principles of proper administration, by direct observation through information gathered by the heads of departments and, as already stated, during meetings, with officials from the Independent Auditors in which relevant information was exchanged;
- we assessed and monitored the system of internal control and the company's administrative and accounting system, as well as verifying how accurately the accounts system represents management details, by examining information provided by the

heads of these systems and analysing company documentation, the results of the work carried out by the Independent Auditors and contributions made at meetings of the Committee for Internal Control;

- we carried out 6 controls and took part in 6 meetings of the Board of Directors, one Ordinary Shareholders' Meeting and one Ordinary and Extraordinary Shareholders' Meeting. The committees set up by the Board of Directors, the Committee for Internal Control and the Remuneration Committee, both met twice during 2004. The Chairman of the Board of Statutory Auditors took part in the meetings of the Committee for Internal Control;
- we verified the activities carried out by the Independent Auditors, who ascertained that company accounts were duly kept and that management operations were correctly executed, so that the annual financial statement could be prepared in line with the provisions of the law;
- we monitored the flow of information between Prima Industrie S.p.A. and its subsidiaries in compliance with paragraph 2 of article 114 of Legislative Decree No. 58/1998, backed up by the instructions issued by company management and to the advantage of the entire Group. A further assurance of the mutual exchange of information is provided by the fact that the institutional bodies of subsidiary companies are attended by several members of the Board of Directors and top management of the parent company. We also oversaw an exchange of information with the Chairman of the Board of Statutory Auditors of the subsidiary company Prima Electronics S.p.A., which contained no significant or improper events. By law, the American subsidiary requires no monitoring body;
- as part of our duties, we obtained information about and assessed the process of fulfilling the obligations introduced by Legislative Decree No. 6 of January 17, 2003 and subsequent amendments concerning "Company Law reforms";
- we assessed and verified that, the following amendments and integrations approved by the Extraordinary Shareholders' Meeting of September 23, 2004, the Articles of Association conformed fully with the new obligations imposed by Company Law legislation;
- we ascertained observance of statutory regulations and the accounting principles laid down by the Italian National Council of Accountants and Bookkeepers (CNDCC), regarding the preparation and presentation of the Financial Statements and the Report on Operations, by making direct checks and controlling information provided by Directors, company managers and the Independent Auditors.
- we oversaw the formation of a working group with the purpose of planning the introduction of international accounting principles, in the awareness that, from the year 2006, your company's financial statements shall be required to be drafted according to IFRS standards;

- we ascertained that the Documento Programmatico della Sicurezza (Planning Document for Security) was drafted, in compliance with section 19 of the technical specifications for minimum security requirements – Annex B of Legislative Decree No. 196/2003;
- we verified that Prima Industrie S.p.A. duly exercised the option to take part in the consolidated taxation scheme with the subsidiary company Prima Electronics S.p.A. The agreement governing relations between companies was signed on October 20, 2004. The option is binding for the three-year period 2004-2006.

We hereby confirm that the organizational structure is appropriate for the size of the company.

Based on our assessments, including those performed during previous years, we confirm that the Company's administrative and accounting system is suited to the task of properly presenting operating data.

Prima Industrie S.p.A. is not under the control of other companies, and the company's shareholders signed no shareholders' agreements in compliance with article 122 of Legislative Decree No. 58/1998.

The Board of Directors duly presented us with the report on operations for the first half of the financial year, and the quarterly reports for the first and third quarters of 2004. These were published in accordance with the time limits and methods set forth in the regulations issued by Consob and Borsa Italiana.

In particular, we made an in-depth assessment of the half-year report with our conclusions and considerations published in a special report.

We can confirm the following:

- in accordance with the Consolidation Law on finance (Legislative Decree no. 58/1998), the Board of Statutory Auditors has been regularly informed of matters within its sphere of competence;
- the regular checks and audits that we have made of the company revealed no atypical and/or unusual transactions during the period, including intragroup operations and those with related parties;
- intangible fixed assets with long-term utility were recorded among the assets with the consent of the Board of Statutory Auditors in accordance with paragraph 1, article 154 of Legislative Decree No. 58/1998, amended by Legislative Decree No. 37/2004. Research and development costs were charged entirely against income;

- with reference to intragroup transactions, in their Report on Operations, the Directors report and illustrate the existence of transactions between your company and other companies in the group, which were conducted on normal market terms. The Board of Auditors confirms that the above reports, mainly commercial in nature, conform to the interests of the company. The parent company invoices the subsidiary companies on a quarterly basis for interest on loans at the rate agreed by contract and based on market indicators;
- the Directors did not exercise the right to revalue existing fixed assets, with the exception of the revaluation carried out in the 1976 balance sheet, in compliance with Law No. 576/75.
- the Report on Operations contains all the information required by current law (article 2428 of the Italian Civil Code), and corresponds entirely to the data and results in the financial statement;
- we declare, therefore, that the documents that have been presented to you provide a clear and complete picture, in keeping with the obligations imposed by the law;
- the provisions required by the company of its subsidiaries, in accordance with article 114, paragraph 2, of Legislative Decree No. 58/1998, are valid;
- the Directors drafted the Group Consolidated Financial Statement to December 31, 2004, in fulfilment of the obligations imposed by articles 25 and 27 of Legislative Decree No. 127/1991.
The financial statement has been duly and properly drafted to provide shareholders with a “true and accurate” picture of the financial position and operating result of the Group, and will be deposited with the Register of Companies; the Board of Auditors has drafted its own report based on the statement;
- the legal audit was carried out by the Independent Auditors, PricewaterhouseCoopers S.p.A., who will issue a final report containing nothing of note regarding the annual financial statement and the consolidated statement to December 31, 2004;
- the company made no value adjustments or provisions charged to the balance sheet purely to comply with tax legislation, during this or previous periods. Hence the financial statement to December 31, 2004 has not been “cleaned up” from previous tax interference;
- further to the duties prescribed by article 155 of Legislative Decree No. 58/1998, the Independent Auditors have been assigned the role of consultants in the project to implement IAS/IFRS international accounting principles, for the fee of 90,000 euros, as decided by the Board of Directors on August 27, 2004. There is no evidence of offices held by persons having continuous relations with the Independent Auditors;
- in accordance with article 2408 of the Italian Civil Code, we have received no reports from shareholders of suspected improper conduct;

- no petitions were presented by shareholders and/or third parties;
- neither the Board of Statutory Auditors nor the Independent Auditors were presented with the necessity or conditions to issue opinions, in compliance with the law.

Significant transactions

The Board of Auditors was regularly kept up to date by the Directors, and in particular, monitored all major economic and financial transactions, including extraordinary operations, performed by Prima Industrie S.p.A. and its subsidiaries. These transactions included:

- *Partnership agreements with new enterprises*

On the July 8, 2004, Prima Industrie S.p.A signed a partnership agreement with Salvagnini BV, a leading manufacturer of sheet metal and experts in integrated production processes, to work together on the design and distribution of products and in the area of research and development. The agreement involved the appointment of the Managing Director of each firm as mutual members of the Boards of Directors. The Ordinary Shareholders' Meeting of September 23, 2004 appointed Francesco Scarpari as a Director of Prima Industrie S.p.A. Hence, the Board of Directors of this company currently holds 9 members. The same Meeting also redefined the remuneration of directors.

Similarly, Gianfranco Carbonato was appointed Director of Salvagnini B.V.

We also draw your attention to the fifteen-month non-exclusive agreement signed with AMADA on December 17, 2004, whose purpose is the right to produce, use and sell a new, highly dynamic parallel kinematic laser head (Testa PK – Laser) and other applications for laser machines and related systems. This agreement is limited to Japan. The contract is valued at a lump sum of 1.4m euros with royalties of 9,000 euros for each machine sold to Japanese customers. 30% of the above revenues (lump sum) have been paid to the designer of the new laser head.

- *Research and development*

For the financial year to December 31, 2004, sums charged against the balance sheet for research and development totalled 6.9 million euros. Research and development activities generated additional revenues of 1.4 million euros thanks to the agreement with AMADA mentioned above.

- *Business plan 2004-2006*

A proposed three-year business plan for the Prima Industrie Group was presented at the meeting of the Board of Directors on November 12, 2004, attended by the Board of Auditors.

- *Shareholders' Meetings*

The Ordinary Meeting of Shareholders held on May 14, 2004 approved the annual financial statement for the period to December 31, 2003 and appointed 2 new Directors who will hold office until the entire Board of Directors is wound up (due 12.31.2004). These are: Rafic Y. Mansour and Marco Pincioli (independent director), replacing Francesco Takanen and Paolo Mazzotto who have both resigned. The Meeting also appointed the new Board of Statutory Auditors, confirming the mandate of the outgoing auditors and reinstating Riccardo Formica as the Chairman. Furthermore, the Meeting revoked the resolution made on 05/15/2003, whereby the Board of Directors was authorized, for a period of 18 months, to purchase and sell up to a maximum of 200,000 shares of Prima Industrie S.p.A. treasury stock, including by instalments, at the terms established in the resolution.

The Board also took part in the Ordinary and Extraordinary Shareholders' Meeting of September 23, 2004. As already stated, during the ordinary meeting, the Shareholders appointed Francesco Scarpari, CEO of Salvagnini BV, as independent director of Prima Industrie S.p.A. As a result, the number of members of the Board of Directors has been set to 9 and the remuneration of directors has been reapportioned.

During the extraordinary meeting, the Articles of Association were amended to incorporate the provisions of Legislative Decree No. 6/2003 and subsequent amendments.

- *Purchase of treasury stock*

In observance of the resolution of the Shareholders' Meeting held on May 14, 2004, Prima Industrie S.p.A. purchased treasury stock to support the price of shares.

At year-end, the treasury stock held in portfolio amounted to 25,300 shares, with an average value of 6.774 euros per share, and a total value of 170,607 euros. The Board of Auditors reminds Shareholders that the company has appointed Banca Intermobiliare to act as "specialists" in the day-to-day trading of shares.

- *Stock options plan*

The objectives for options exercisable from July 1-13, 2004 were as follows: turnover of 70,000 thousand euros for Prima Industrie and consolidated Group turnover of 102,000 thousand euros, and Prima Industrie and consolidated Group EBIT of 4%.

The variation in the price of Prima Industrie stock (which remained below the exercise price of 7.88 euros), together with the fact that a number of the abovementioned objectives were not reached, meant that the options assigned to the management of Prima Industrie Group remained unexercised.

The Board reports that the stock option plan has expired.

- *Committees*

Further to the requirements of Nuovo Mercato, organized and run by Borsa Italiana S.p.A., the meeting of the Board of Directors held on February 27, 2004 approved amendments to the Company's Code of Conduct, and set up and approved the rules and regulations of the Committee for Internal Control and the Remuneration Committee. The Board of Directors appointed the following members to the above committees: Aldo Palmeri, Giuseppe Morfino (independent director) and Marco Pincioli (independent director). During its meeting held on May 14, 2004, the Board of Directors appointed the Chairman of the Board, Aldo Palmeri, as Chairman of the Committee for Internal Control. Mr. Palmeri was also nominated Chairman of the Remuneration Committee during its session held on July 8, 2004.

- *Organizational structure*

A new version of the SAP program was introduced as part of the company's system of internal control and its administrative and accounting system.

- *National Collective Employment Agreement (C.C.N.L.)*

Prima Industrie S.p.A. applies the National Collective Employment Agreement for the metal industry, and, given the high level of skills required of the company's production workforce, salaries are above the minimum levels stated in the Agreement.

The current National Employment Agreement expires on December 31, 2006, while the economic section of the Agreement expired on December 31, 2004. Negotiations are underway with unions to renew the agreement for the current two-year period.

- *New loans taken out during the period*

In March, Prima Industrie Group signed a loan agreement with Simest (Società Italiana per le Imprese all'Estero) for a limit of up to 2,065,000, to be used for commercial development costs in North America. The annual interest rate applied to the loan is 1.36%. Simest requested the issue of a bank and/or Confidi guarantee against the loan taken out by Prima Industrie S.p.A. During the meeting held on May 14, 2004, the Board of Directors decided on the company's entry into the Biella Confidi (Consortium for loan guarantees) to secure its guarantee for the loan agreement. The Board also resolved to secure guarantees from other consortia and credit institutions.

- *Capital increases*

The share capital of the subsidiary company Prima North America Inc., which stands at 20 million US dollars, underwent an overall increase of 2 million euros during 2004, deriving from the conversion of financial credits by the parent company.

- *Writedowns/revaluations of equity interests*

The financial statement to December 31, 2004 includes a writedown of Prima North America Inc. equity interests by 157 thousand euros, for losses incurred during 2004.

Equity interests in the joint venture, Shenyang Prima Laser Machine Company, to the value of 50% of the company's share capital, were written down by 39 thousand euros, which accounts for half of the losses sustained by the investee company.

Equity interests in the Japanese joint venture SNK Prima Co. were written down by 125,000 euros, which amounts to 50% losses for the year.

Equity interests in Prima Scandinavia AB increased by 123 thousand euros, resulting from the conversion into capital of loans granted by Prima Industrie S.p.A. The same interests were then written down to the value of 73 thousand euros, corresponding to the losses incurred by Prima Scandinavia AB during the financial year.

There were no variations in the equity interests in the joint venture Shanghai Unity Prima, with the year ending in profits.

- *Audit by Guardia di Finanza – assessment with agreed settlement*

The Board of Auditors reminds you that in December 2002 the audit carried out by the Guardia di Finanza (Finance Police) concluded with a re-assessment report. The audit involved the tax years from 1997 to 2001 and in April 2004, Prima Industrie S.p.A. agreed to a settlement with the Tax Authorities for the years 1997 and 1998. The company did not take advantage of the fiscal amnesties sanctioned by Law No. 289/2002 and Legislative Decree No. 143/2003. The tax settlement was covered by 150 thousand euro of provisions purposely set aside at the close of the 2002 financial year.

- *Acquisitions*

On July 1, 2004, the subsidiary company, Prima Electronics S.p.A., purchased 33.83% of shares in M.L.T.A. s.r.l., whose registered office is in Nichelino (Turin), raising the total stake in the company to 41.63%. The company is highly specialized in high-power electronics for laser generators. Outlay for the purchase totalled around 60 thousand euros.

- *Net financial position*

At year-end, the net financial position of Prima Industrie S.p.A. stood at –9,433 thousand euros, compared to –13,550 thousand at the end of the previous year. The Group's net financial position stood at –15,618 thousand euros against the –22,323 thousand euros of the previous financial year. This improvement is attributable to better management of net working capital, more forceful procedures for collecting receivables and improved profitability.

The Company's debt to equity ratio stood at 0.33.

Significant events occurring subsequent to closure at December 31, 2004

As part of our duties, we have taken note of the following significant events occurring after the close of the financial year:

- *Acquisitions*

In January 2005, Prima Industrie S.p.A. acquired 10% of the shares in Consorzio Sintesi – Società Consortile per Azioni (public limited consortium), whose share capital is 516,000 euros.

The registered and operational offices of Consorzio Sintesi are in Modugno (Bari), where Prima Industrie has its own research centre with 15 researchers.

- *Treasury stock*

On February 28, 2005, Prima Industrie S.p.A. held a portfolio of 7,500 shares at an average value of 7.6573 euros per share, against the 25,300 shares held in portfolio at December 31, 2004 with the average value of 6.774 euros per share.

- *Assignment of shareholdings*

On the January 26, 2005, Investire Partecipazioni S.p.A. (Sviluppo Italia) informed the company that it had sold its entire stake in Prima Industrie S.p.A., consisting of 169,677 shares.

- *Decisions made in accordance with Italian Legislative Decree No. 231/2001*

The Board of Auditors reminds Shareholders that Confindustria has drafted a set of “Guidelines for constructing models for organization, management and control, in conformance to Legislative Decree No. 231/2001”. This document was published on June 25, 2004, and has been approved by the Ministry of Justice.

As a consequence, during the meeting of the Board of Directors on February 28, 2005, the Directors of Prima Industrie S.p.A. appointed a Supervisory Body made up of: Alberto Delle Piane, Corporate General Manager of Prima Industrie S.p.A., Marco Pincioli, independent director and Roberto Pettrignani, a Statutory Auditor of the company. This body is responsible for carrying out an organization analysis by October 31 of this year, and drafting a “Model for organization, management and control, aimed at preventing the offences set out in article 6 of Legislative Decree No. 231/2001” and the company’s “Code of ethics and conduct”. The Supervisory Body’s responsibilities will involve granting refunds for out-of-pocket expenses.

- *Report on the Corporate Governance system*

In fulfilment of section IA.2.13, paragraph 2 of the Instructions accompanying the Rules and Regulations of Borsa Italiana’s Nuovo Mercato, the Board of Directors of

Prima Industrie S.p.A., has duly presented its report on the company's system of corporate governance.

▪ *Short-term outlook*

The Board of Auditors confirms that the Directors expect a moderate increase in revenues for 2005 and further improvements in key performance indicators.

Shareholders,

In consideration of the above, and of the audit lawfully carried out by the Independent Auditors, PricewaterhouseCoopers S.p.A., who will issue a final report containing nothing of note regarding the annual financial statement, the Board of Statutory Auditors believes that the financial statements to December 31, 2004 should be approved, and likewise deems the proposal of the Board of Directors for allocation of net income and distribution of dividends, and hereby expresses its full appreciation of the achievements of the Directors, which have enabled the company to assign dividends to its Shareholders for the first time in its history.

Shareholders,

The mandates of the Board of Directors and the Independent Auditors expire with the Shareholders' Meeting.

We therefore invite you to appoint a new Executive Body and to engage the services of Independent Auditors, for which the Board of Statutory Auditors will express its opinion, as prescribed by article 159 of Legislative Decree No. 58 of February 24, 1998.

Collegno, March 15, 2005

Board of Statutory Auditors

(Riccardo Formica) - Chairman

(Andrea Mosca) - Statutory Auditor

(Roberto Petrignani) - Statutory Auditor

THE PRIMA INDUSTRIE GROUP
CONSOLIDATED BALANCE SHEET
at December 31, 2004
(values expressed in Euro)

ASSETS	12/31/2004		12/31/2003	
A. DUE FROM STOCKHOLDERS FOR PAYMENTS STILL DUE		<u>0</u>		<u>0</u>
B. FIXED ASSETS				
I. Intangible fixed assets				
1) Plant and expansion costs	0		33.735	
2) Research, development and advertising costs	0		0	
3) Industrial patent and intellectual property rights	165.474		121.957	
4) Concessions, licences, trademarks and similar rights	6.539		7.976	
5) Goodwill	2.039.886		2.506.395	
6) Assets under construction and advances	0		0	
7) Other intangible fixed assets	<u>1.045.256</u>	3.257.155	<u>1.175.084</u>	3.845.147
II. Tangible fixed assets				
1) Land and buildings:	3.426.219		3.342.427	
less: Accumulated depreciation	(610.205)	2.816.014	(493.650)	2.848.777
2) Plant and machinery	3.240.877		3.120.081	
less: Accumulated depreciation	(2.388.296)	852.581	(2.309.026)	811.055
3) Industrial and commercial equipment	4.412.155		4.231.453	
less: Accumulated depreciation	(3.714.314)	697.841	(3.490.732)	740.721
4) Other assets	4.609.210		4.740.882	
less: Accumulated depreciation	(3.938.787)	670.423	(4.087.355)	653.527
5) Assets under construction and advances	<u>7.323</u>	5.044.182	<u>0</u>	5.054.080
III. Financial fixed assets				
1) Equity investments				
a) in subsidiaries	0		10.955	
b) in associated companies	969.285		1.133.119	
c) in controlling companies	0		0	
d) in other companies	<u>0</u>	969.285	<u>0</u>	1.144.074
2) Receivables				
a) from subsidiaries	0		100.920	
b) from associated companies	150.416		150.416	
c) from controlling companies	0		0	
d) Other receivables	<u>81.035</u>	231.451	<u>137.211</u>	388.547
3) Other securities				0
4) Treasury stock	<u>0</u>	1.450.214	<u>0</u>	1.532.621
TOTAL FIXED ASSETS (B)		<u>9.751.551</u>		<u>10.431.848</u>
C. CURRENT ASSETS				
I. Inventories				
1) Raw materials, consumables and supplies	13.124.654		13.615.980	
2) Work in progress and semifinished products	1.857.483		1.478.907	
3) Contract work in progress	4.799.986		4.203.040	
4) Finished products and merchandise	4.423.423		5.056.401	
5) Advances	0		41.250	
less: provision for writedown of stock	(1.997.368)		(1.834.924)	
less: provision for writedown of finished products	<u>(1.059.578)</u>	21.148.600	<u>(995.212)</u>	21.565.442
II. Receivables				
1) Trade receivables	39.584.629		40.538.885	
less: taxed and non taxed allowance for doubtful accounts:	(1.367.672)	38.216.957	(1.541.789)	38.997.096
2) from subsidiaries		0		3.132
3) associated companies		1.280.171		1.350.850
4) from controlling companies		0		0
4-bis) Tax receivables		2.042.517		2.245.412
4-ter) Prepaid taxes		4.474.936		5.294.187
5) Others	<u>2.972.199</u>	48.986.780	<u>1.756.014</u>	49.646.691
III. Current fixed assets				
1) equity investments in subsidiaries	0		0	
2) Equity investments in associated companies	0		0	
3) Equity investments in other companies	232		129	
less: Equity investment devaluation reserve	0		0	
4) Treasury stock	170.607		323.797	
5) Other securities	<u>0</u>	170.839	<u>0</u>	323.926
IV. Cash and cash equivalents				
1) Bank and postal accounts	6.437.529		3.589.661	
2) Cheques	0		0	
3) Cash and cash equivalents on hand	<u>10.752</u>	6.448.281	<u>17.728</u>	3.607.389
TOTAL CURRENT ASSETS (C)		<u>76.754.500</u>		<u>75.143.448</u>
D. Accrued income and prepaid expenses				
1) Issue discounts and other similar expenses on loans	0		0	
2) Other accrued income and prepaid expenses	428.778	<u>428.778</u>	164.443	<u>164.443</u>
TOTAL ASSETS		<u><u>86.934.829</u></u>		<u><u>85.739.739</u></u>

THE PRIMA INDUSTRIE GROUP
CONSOLIDATED BALANCE SHEET
at December 31, 2004
(values expressed in Euro)

LIABILITIES	12/31/2004	12/31/2003
A. STOCKHOLDERS' EQUITY		
I. Capital stock	11.500.000	11.500.000
II. Share premium reserve	14.535.918	15.733.513
III. Revaluation reserve	0	0
IV. Legal reserve	729.550	729.550
V. Statutory reserves		
VI. Reserve for treasury stock in portfolio	170.606	323.797
VII. Other reserves	0	1.483.662
VIII. Profits (losses) carried forward	1.466.033	1.584.314
IX. Profit (loss) for the year	1.248.627	(2.952.729)
XI. Reserve from exchange difference	(909.471)	(672.668)
XII. Consolidation reserve	0	0
TOT. GROUP STOCKHOLDERS' EQUITY	<u>28.741.263</u>	<u>27.729.439</u>
X. Minority interest in capital and result	0	0
TOT. CONSOL. STOCKHOLDERS' EQUITY	<u>28.741.263</u>	<u>27.729.439</u>
B. PROVISIONS FOR RISKS AND CHARGES		
1) Retirement fund and similar provisions	0	0
2) Provisions for taxes	1.514.827	1.217.486
3) Others	3.871.076	3.809.701
	<u>5.385.903</u>	<u>5.027.187</u>
C. EMPLOYEES' SEVERANCE PAY	<u>4.199.840</u>	<u>4.163.618</u>
D. PAYABLES		
1) Bonds	0	0
2) Convertible bonds	0	0
3) Amounts due to stockholders i.r.o. funding		
4) Amounts due to banks	19.001.761	22.888.373
5) Amounts due to other lenders	3.313.930	3.042.379
6) Advances	1.245.544	1.440.977
7) Trade accounts payable	19.417.484	17.553.869
8) Payables represented by debt instruments	0	0
9) Amounts due to subsidiaries	0	11.528
10) Amounts due to associated companies	0	0
11) Amounts due to Parent company	0	0
12) Taxes payable	1.870.922	958.319
13) Amounts due to provident and social security institutions	947.450	821.644
14) Other payables	2.349.741	1.655.857
	<u>48.146.832</u>	<u>48.372.946</u>
E. Accrued expenses and deferred income		
1) Issue premiums	0	0
2) Other accrued expenses and deferred income	460.991	446.549
	<u>460.991</u>	<u>446.549</u>
TOTAL LIABILITIES	<u>86.934.829</u>	<u>85.739.739</u>

THE PRIMA INDUSTRIE GROUP
MEMORANDUM ACCOUNTS
at December 31, 2004
(values expressed in Euro)

	December 31, 2004		December 31, 2003	
1. Unsecured guarantees granted				
a) Suretyships on behalf of:				
- subsidiaries	0		0	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	133.122	133.122	63.571	63.571
b) Bill guarantees on behalf of:				
- subsidiaries	0		0	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	0	0	0	0
c) Other unsecured guarantees on behalf of:				
- subsidiaries	0		0	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	0	0	0	0
Total unsecured guarantees granted	133.122		63.571	
2. Real securities granted				
a) for third parties' payables and other obligations				
- subsidiaries	0		0	
- associated companies	0		0	
- controlling companies	0		0	
- subsidiaries of controlling companies	0		0	
- others	0	0	0	0
b) for payables recorded in the Financial Statements		0		0
c) for other own obligations		0		0
Total real securities granted	0		0	
3. Commitments				
a) purchase		0		0
b) sales		1.970.359		1.970.359
c) lease installments falling due in the near future		21.309		37.566
Total commitments		1.991.668		2.007.925
4. Contingency accounts				
a) discounted bills		0		599.681
b) other		0		0
Total contingency accounts		0		599.681
5. Others				
a) Commitments to repurchase from customers		3.090.169		4.789.784
b) Merchandise at third parties		3.800.876		4.026.992
c) Guarantees given by third parties for our account		2.841.543		3.851.521
Total others		9.732.588		12.668.297
		11.857.378		15.339.474

THE PRIMA INDUSTRIE GROUP
CONSOLIDATED INCOME STATEMENT
at December 31, 2004
(values expressed in Euro)

	12/31/2004		12/31/2003
A. VALUE OF PRODUCTION			
1) Revenues from sales and services		100.043.882	94.999.959
2) Changes in inventories of work in progress, semifinished and finished products		(468.630)	(2.247.731)
3) Change in contract work in progress		1.016.347	(1.112.545)
4) Increases in fixed assets for internal work		157.343	372.315
5) Other income and revenues			
a) operating grants			
b) others			
	2.434.760	2.434.760	1.630.084
TOTAL VALUE OF PRODUCTION (A)		103.183.702	93.642.082
B. COSTS OF PRODUCTION			
6) Raw materials, consumables and supplies		(50.979.886)	(44.449.329)
7) Service costs		(18.685.299)	(17.954.871)
8) Leases and rentals		(1.630.121)	(1.729.245)
9) Personnel costs:			
a) salaries and wages	(17.349.460)		(17.134.461)
b) social security contributions	(5.276.802)		(5.111.151)
c) employees' severance pay	(755.131)		(746.746)
d) retirement fund and similar provisions	(51.377)		0
e) other personnel costs	(434.046)	(23.866.816)	(505.456)
10) Amortization, depreciation and writedowns			
a) amortization of intangible fixed assets	(726.333)		(1.019.054)
b) depreciation of tangible fixed assets	(967.417)		(982.554)
c) writedowns of intangible and tangible fixed assets	0		0
d) writedown of receivables included in current assets and writedown of cash and cash equivalents	(139.313)	(1.833.063)	(140.418)
11) Changes in inventories of raw materials, consumables, supplies and merchandise		201.641	(1.598.617)
12) Provisions for risks		(307.542)	(657.578)
13) Other provisions		0	0
14) Sundry operating expenses		(983.878)	(1.023.389)
TOTAL COSTS OF PRODUCTION (B)		(98.084.964)	(93.052.869)
DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION (A - B)		5.098.738	589.213
C. FINANCIAL INCOME AND EXPENSES			
15) Income from equity investments			
a) dividends and other income from subsidiary companies	0		154.530
b) dividends and other income from associated companies	0		0
c) dividends and other income from other companies	0	0	0
16) Other financial income:			
a) from receivables included in financial fixed assets	0		0
- from subsidiaries	0		546
- from associated companies	0		0
- from controlling companies	0		0
- others	0		0
b) from securities included in financial fixed assets that do not constitute equity investments	0		0
c) from securities included in current assets that do not constitute equity investments	0		0
d) other income			
- interest and commission from subsidiaries	0		0
- interest and commission from associated companies	0		0
- interest and commission from controlling companies	0		0
- interest and commission from others and sundry income	491.680	491.680	494.527
17) Interest and other financial expenses			
a) subsidiaries	0		0
b) associated companies	0		0
c) Controlling companies	0		0
d) others	(1.425.200)	(1.425.200)	(1.901.145)
17-bis) Gains and losses on exchange		(140.611)	(166.250)
TOTAL FINANCIAL INCOME AND EXPENSES (C)		(1.074.131)	(1.417.792)

THE PRIMA INDUSTRIE GROUP
CONSOLIDATED INCOME STATEMENT
at December 31, 2004
(values expressed in Euro)

	12/31/2004	12/31/2003
D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
18) Revaluations of:		
a) equity investments	0	0
b) financial fixed assets	0	0
c) securities included in current assets	0	0
19) Writedowns of:		
a) equity investments	(164.031)	(48.693)
b) financial fixed assets	0	0
c) securities included in current assets	0	(48.693)
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	<u>(164.031)</u>	<u>(48.693)</u>
E. EXTRAORDINARY INCOME AND EXPENSES		
20) Income		
a) capital gains on sales	11.824	55.291
b) other	106.354	520.856
21) expenses		
a) losses on disposals	(25.151)	(228)
b) prior year taxes	0	0
c) other	(164.640)	(1.782.094)
TOTAL OF THE EXTRAORDINARY ITEMS (E)	<u>(71.613)</u>	<u>(1.206.175)</u>
RESULT BEFORE TAX (A -B +- C +- D +- E)	3.788.963	(2.083.447)
22) INCOME TAXES FOR THE FINANCIAL YEAR:		
- current	(2.198.329)	(1.582.358)
- deferred	(617.584)	713.076
- prepaid	275.577	
23) INCOME (LOSS) FOR THE FINANCIAL YEAR	<u>1.248.627</u>	<u>(2.952.729)</u>
PROFIT (LOSS) PERTAINING TO MINORITY INTERESTS	0	0
GROUP PROFIT (LOSS)	1.248.627	(2.952.729)

These Financial Statements are consistent with the accounting entries

On behalf of the Board of Directors
Chief Executive Officer
Gianfranco Carbonato

THE PRIMA INDUSTRIE GROUP

2004 CONSOLIDATED FINANCIAL STATEMENTS

Presented to the Board of Directors on February 28, 2005

THE PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 12/31/04

NOTES TO THE FINANCIAL STATEMENTS

1. GROUP ACTIVITIES

PRIMA INDUSTRIE SpA's corporate mission is the design, manufacture and sale of electrical and electronic equipment, instruments, 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 company is also capable of providing industrial services of a technical, planning and organizational nature in the field relating to the production of capital goods and industrial automation.

The company's main business is focused in the sector of laser machines for cutting and welding.

PRIMA ELECTRONICS SpA's corporate mission is the design, manufacture and sale of mechanical, electrical and electronic equipment, systems and installations and the relevant software programs.

The company may also acquire and grant manufacturing licences.

PRIMA NORTH AMERICA Inc. (incorporated in terms of American law) has three divisions:

- the Convergent Lasers Division: which designs, manufactures, sells and renders assistance in respect of industrial lasers throughout the world.
- the Laserdyne Systems Division: which designs, manufactures, sells and renders 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.
- the Prima Laser Tools Division: which is engaged in the sale and installation in North America of Prime Industrie's products, as well as the provision of technical assistance in respect thereof.

PRIMA INDUSTRIE GmbH, (a company incorporated in terms of German law), is primarily engaged in providing after-sales services. Since the 1996 financial year and also

because of the commercial agreement with Matra-Werke, (a German distributor of Prima Industrie's products) the company has been dormant.

PRIMA SCANDINAVIA AB (incorporated in terms of Swedish law) carries out management and promotional activities and also provides assistance for Prima Industrie's products on the Scandinavian market.

PRIMA INDUSTRIE UK LTD. (incorporated in terms of English law) carries out management and promotional activities and also provides assistance for Prima Industrie's products on the English and neighbouring markets.

2. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Prima Industrie Group are comprised of the Financial Statements of Prima Industrie S.p.A, which is the parent company, Prima Electronics SpA, Prima North America, Prima Industrie GmbH, Prima Industrie UK Ltd and Prima Scandinavia AB, (which companies are all wholly-owned subsidiaries of the parent company).

These companies are consolidated using the full consolidation method. The companies included in the area of the consolidation are listed in the Appendix.

The reference date for the Consolidated Financial Statements coincides with the closure of the Financial Statements of the parent company.

The Financial Statements that have been used are those that were presented to the meetings of stockholders and members of the individual companies by the respective administrative and controlling bodies. The aforesaid Financial Statements were reclassified and if necessary modified to make them comply with the uniform accounting principles of the Group and to eliminate the effect of the adjustments made purely in application of the tax laws. These adjustments are reflected in the "Reconciliation between the Stockholders' Equity and the Financial Results of Prima Industrie S.p.A and the Stockholders' Equity and the Financial Results of the Consolidated Financial Statements".

All amounts are expressed in thousands of Euro.

3. CONSOLIDATION PRINCIPLES

The subsidiaries are included in the consolidated accounts using the full consolidation method, which essentially consists in the assumption of the assets and liabilities, as well as the income and expenditure of the individual subsidiary companies.

Where present, the sum of the capital and the reserves of subsidiaries that corresponds to the minority interest is recorded under the item of stockholders' equity called "Minority interests in capital and reserves". The share of the consolidated result corresponding to the minority interest is recorded under "Profit (loss) for the year pertaining to minority interests".

The main adjustments to pass from the simple aggregation to the consolidation of the Balance Sheets and Income Statements are the following:

- the elimination of the equity investments in companies included in the area of consolidation and the elimination of the corresponding portion of stockholders' equity. If this elimination gives rise to a negative difference, it is recorded under the item of stockholders' equity called "consolidation reserve"; if it gives rise to a positive difference, it is included, where possible, in the assets of the companies included in the consolidation or where the conditions exist, then the positive difference is recorded in the asset item called "consolidation difference";
- the elimination of the receivables and payables between the companies included in the consolidation, as well as the revenues and expenses arising from transactions between Group companies; in addition, the profits and losses consequent upon transactions that took place between these companies and related to values included in the equity, were also eliminated, where such amounts were significant;
- the conversion of the Financial Statements that were expressed in a currency different from the Euro was effected using the average exchange rate for the financial year for the Income Statement entries and using the current exchange rate at the end of the financial year for the Balance Sheet items.
The differences arising out of the application of the two exchange rates and those originating from the conversion of the items of opening stockholders' equity at the current exchange rate at the end of the financial year, compared to those that applied at the end of the previous financial year, are recorded in an appropriate reserve under stockholders' equity called "conversion reserve".

The exchange rates used in converting the Financial Statements expressed in currencies other than the Euro are the following:

Currency	Average exchange rate of the financial year		Current exchange at the end of the financial year	
	2004	2003	2004	2003
Euro/US dollar	1.2439	1.13116	1.3621	1.2630
Euro/Pound sterling	0.678671	-	0.705050	-
Euro/Swedish krona	9.12435	-	9.0206	-

4. VALUATION CRITERIA

The valuation criteria are the same as those used in the annual Financial Statements of the company that prepares the Consolidated Financial Statements. The criteria are consistent with those used in the previous financial year.

The assets and liabilities are valued using uniform criteria.

The valuation criteria are set out below.

Intangible fixed assets

Intangible fixed assets are valued at purchase price adjusted by amortization, which is effected taking into account the remaining useful life of the assets.

Goodwill relates to the recording of the difference between the assets and liabilities acquired in Laserdyne Prima and Convergent Prima, which are now merged in Prima North America Inc. Goodwill is amortized over ten years. Other long-term expenses have been recorded in the Financial Statements subject to the agreement of the Auditors and are amortized over a period of five years, except for costs, which extend over the life of the asset and extraordinary maintenance on leasehold property, which are amortized over the life of the contract.

Advertising costs are entirely charged to income in the financial year when they are incurred.

The amortization criteria adopted for the various items in Intangible fixed assets are set out below:

- Plant and expansion costs	5 years
- Industrial patent and intellectual property rights	5/3 years
- Concessions, licences, trademarks and similar rights	10 years
- Goodwill	10 years
- Others	5 years/duration of the contract

With respect to the above the following should be noted:

- the criterion adopted for the amortization of industrial patent and intellectual property rights is considered to be in keeping with the estimated period of the future benefit of the assets;
- insofar as the item Other intangible fixed assets is concerned the criteria depends on the various types of costs capitalized and more precisely:
 - five years for extraordinary maintenance and long-term costs
 - over the life of the lease agreement for leasehold improvements.

Tangible fixed assets

Tangible fixed assets are stated at purchase or production cost, adjusted, in some cases, in the application of specific legislation dealing with monetary alignment. Cost includes additional expenses chargeable to the asset.

Tangible fixed assets are depreciated using the straight-line method on the basis of the economic-technical rates determined in relation to the remaining estimated useful life of the asset.

Ordinary maintenance costs are entirely debited to the Income Statement. Maintenance costs, which extend over the life of the asset, are charged to the assets to which they refer and depreciated over the remaining estimated useful life of the asset concerned.

The following depreciation rates have been applied:

Industrial premises	3%
Light constructions	10%
General plant	10%
Plant and machinery	10-15.50%
Metal dies	25%
Equipment and tools	25%
Electronic office equipment	20%
Furniture, fixtures and office equipment	12%
Internal transport	20%
Motor vehicles	25%
Cellular telephones	20%
Internal transport	20%

The abovementioned rates, reduced by 50 per cent, were applied to the additions during the financial year.

Leased assets

Where the financial lease agreements were for a significant amount, they were accounted for by recording the asset in the Balance Sheet and debiting the equivalent amount, at the start of the contract, to the nominal value of the leased asset.

The depreciation of assets under lease agreements is calculated on the straight-line method, taking into account the remaining estimated useful life of the assets. The depreciation rates applied are in line with those used to depreciate tangible fixed assets.

Lease instalments are split between the financial expenses and the reduction of the residual debt.

Equity investments

Unconsolidated equity investments are valued using the cost method and the value recorded in the Financial Statements is determined on the basis of the purchase or subscription price, adjusted whenever at the time of closing the accounts the equity investment has a value, which is persistently below cost.

Where a writedown is made, the original value will be restored in successive financial years if the factors that caused the writedown no longer apply.

The values that flow from the use of this method of valuation for the equity investments in unconsolidated subsidiaries and for associated companies are not significantly different from the valuation using the equity method envisaged by the accounting principle of reference.

Inventories

Raw materials are valued at the weighted average purchase price during the year, adjusted for statutory purposes by an adequate provision for writedowns to take account of the estimated realizable value. Contract work in progress is valued at the average progressive cost during the year at the time the materials are requisitioned increased by the average hourly industrial cost of labour for internal work and by the cost price for external work.

Finished products are valued in the same way as contract work in progress. The values determined as set out above are below market value.

Receivables

Receivables are stated at their nominal value.

The value is reduced to the estimated realizable value by a suitable allowance for doubtful accounts.

The allowance for doubtful accounts is increased with amounts set aside as a matter of prudence because of the risk inherent to certain credit positions.

Accrued income and prepaid expenses

Accruals include the portion of income or expenses that relate to more than one financial year, already partially due in the current financial year and to be received or paid in future periods. Deferrals are portions of costs or income paid or received in the current year but referring to the financial year or future periods.

Provisions for risks and charges

The provisions for risks and charges are set aside to cover losses or liabilities whose existence is certain or probable, but in respect of which at year-end, the amount or the date on which they will arise could not be determined. The allocations made reflect the best possible estimates based on the available information.

Employees' severance pay

Employees' severance pay is set aside to cover the entire liability matured as regards employees in conformity with the Italian legislative provisions in force, the national collective labour agreements and supplementary corporate agreements. This liability is revalued by means of cost-of-living indices.

This institution does not exist in the USA where instead, employees have a pension and a health plan that is accounted for as payables to third party institutions that manage such services, in accordance with the rules of law and local contracts.

Payables

Payables are stated at nominal value.

Recognition of revenues

Revenues from the sale of products are accounted for according to the accrual principle and are recognized at the time of the transfer of ownership, which generally coincides with delivery.

Revenue from services is recorded at the time the service is completed.

The transactions, which relate to the financial year just ended but in respect of which the related document (the invoice) will be issued in the next year are recorded in the invoices to be issued.

Accounting for grants

The rules relating to the accounting for grants, change depending on their status (operating grants, grants related to assets, set-up grants). In the case of operating grants, both the statutory recording of the portion of the income receivable, as well as the recording of its taxability, takes place according to the accrual principle, which makes reference to the year in which the legal entitlement to the receipt of the grant comes into force and the amount to be received becomes certain. This will normally be in the same year as the year when the resolution assigning the grant is adopted.

In the case of grants related to assets, the revenue is recorded for statutory purposes on an accrual basis and the time frame is established with reference to the stipulation of the contracts with the entities paying the grants or in certain cases with reference to the approval of the contract by the competent authorities. Such grants are taxable at constant rates, over a maximum period of five years, starting from the financial year in which the grant is received.

There are no set-up grants.

Conversion of items in foreign currency

Receivables and payables originally expressed in foreign currency are converted into Euro at the historical exchange rates at the date of the relative transactions. Exchange differences arising at the time of collection or payment of debts in foreign currency are recorded in the Income Statement.

Receivables and payables in a currency other than the Euro, payable after the close of the financial year, have been adjusted directly to the exchange rates in force at the date of the Financial Statements and the positive and/or negative difference that originated from the conversion was accounted for in the Income Statement in application of accounting principle No° 26.

Research and development costs

Research and development costs refer to the study and design of new products, as well as to improvement and maintenance of existing products. These costs are charged to the Income Statement in the financial year in which they are incurred.

Income taxes

Income tax was calculated by applying the tax regulations to the estimated taxable income, taking into account any tax relief. In addition, the receivables for prepaid taxes originating from the previous tax losses, which can be carried forward were partially recorded. The deferred tax liabilities are recorded in the item "Provisions for taxes". The deferred tax assets are recorded in the item "Prepaid taxes".

Deferred income taxes arise whenever temporary differences exist between the result for the purposes of the statutory accounts and the result relevant for the purposes of current taxation. The tax effects of current temporary differences have been deferred and charged to the future financial periods in which these differences will no longer exist. They are calculated by applying the tax rate estimated to be in force at the time of their discharge, being the best estimate of the utilization rate. The provision for deferred taxes and the credit for prepaid taxes have not been off set.

Deferred tax assets are recorded only if there is a reasonable certainty of recovery.

During 2004 Prima Industrie S.p.A. and Prima Electronics S.p.A. participated in the domestic tax consolidation for the three year period 2004-2006. According an agreement was signed regulating the relationship between the parties.

5. OTHER INFORMATION

Exceptions under paragraph 4 of article 2423 of the Italian Civil Code.

The Financial Statements contain no exceptions as would be permitted by paragraph 4 of Article 2423 of the Italian Civil Code.

In terms of Article 10 of Act 72/83 it should be noted that the tangible fixed assets include assets that were revalued in terms of Act 576 of 12/2/75, Act 72 of 3/19/83 and more recently recent Act 342 of 11/21/00.

These revaluations, which are however not significant, are set out in the relevant schedule.

Valuation criteria

The valuation criteria used in the previous financial year were not changed.

Significant subsequent events

In relation to the significant events occurring after year-end, kindly refer to the report on operations.

Reclassifications

In drawing up these Financial Statements, in some cases, certain of the items have been reclassified.

In such cases the altered classification with respect to the previous financial year has been adequately explained at the foot of each grouping in the Notes to the Financial Statements.

COMMENTS TO THE MAIN ASSET ITEMS

FIXED ASSETS

INTANGIBLE FIXED ASSETS

- 1) The item Plant and expansion costs relates to the capitalization of the internal costs incurred by the company during 2000 for the expansion of the production area of Prima Industrie SpA in the new adjoining factory leased during the course of that financial year. These costs, with a residual balance of 33 thousand Euro as at 01/01/04 were completely amortized during the year.
- 2) At 01/01/04 the item Research and development costs is equal to zero because these costs, which were incurred by the company in the past, were completely amortized in previous financial years.

- 3) The item Industrial patent and intellectual property rights includes the following at year-end:

	Balance 12-31-2004	Balance 12-31-2003
- Industrial patent rights		
- Patents	70	71
- Intellectual property rights		
- Software	95	51
Total	165	122

In the 2004 financial year the item increased by an overall amount of 43 thousand Euro. With respect to patents, the increases during the year came to 31 thousand Euro and the decreases, as a result of amortization for the year amounted to 32 thousand Euro. "Software" increased by 116 thousand Euro and decreased by 72 thousand Euro owing to the amortization for the period.

- 4) The item Concessions, licences, trademarks and similar rights (equal to 7 thousand Euro) decreased by 1 thousand Euro as a result of amortization for the year.
- 5) Goodwill: Goodwill is mainly the amount recognized as being due to the seller for the acquisition during 2000 and 2001 of the activities that converged into the present Prima North America Inc., i.e. the difference between the assets and liabilities acquired. At 12/31/03 this item amounted to 2,506 thousand Euro and underwent increases of 57 thousand Euro; it decreased by 386 thousand Euro because of amortization and by 137 thousand Euro as a result of differences in the exchange rate between the value at 12/31/2003 and the corresponding value at 12/31/2004 pursuant to the depreciation of the dollar. Accordingly, at 12/31/04 goodwill amounts to 2,040 thousand Euro. The increase relates to the value arising out of the acquisition by Prima Electronics of the stake in MLTA, which increased during 2004 from 7.80% to 41.63%.
- 6) The item Other intangible fixed assets includes the following at year-end:

	Balance 12-31-2004	Balance 12-31-2003
- Leasehold improvements		
--immovable property at No. 32 Via Antonelli, Collegno	103	127
-- immovable property at No. 28 Via Antonelli, Collegno	137	148
-- Modugno office (Bari)	52	--
-- branch offices: France	11	12

-- branch offices: Spain	18	22
-- Prima North America Inc. factories	628	713
-- Prima Electronics factory	1	2
- Other long-term expenses	95	151
Total	1,045	1,175

During the financial year there were increases totalling 118 thousand Euro for costs relating to the restructuring of the two premises of Prima Industrie in Collegno (26 thousand Euro), the offices in Modugno (Bari) (59 thousand Euro) and the fitting out of the factories of Prima North America Inc. (33 thousand Euro). The portion relating to the decrease for amortization for the year was 202 thousand Euro.

The additional decrease of 46 thousand Euro was due to the exchange rate.

7) TANGIBLE FIXED ASSETS

The details are as follows:

	Value of asset	Accumulated depreciation	Bal. 12-31-2004	Bal. 12-31-2003
Land and buildings	3,426	(610)	2,816	2,849
Plant and machinery	3,241	(2,388)	853	811
Industrial and commercial equipment	4,412	(3,714)	698	740
Other assets	4,609	(3,939)	670	654
Assets under construction and advances	7	--	7	--
Total	15,695	(10,651)	5,044	5,054

The total amount of ordinary depreciation charged in the financial year was 967 thousand Euro.

Ordinary depreciation is calculated at rates considered representative of the estimated useful life of the related tangible fixed assets.

The total gross increase in assets equal to 763 thousand Euro relates to land and building (84 thousand Euro), purchases in respect of plant and machinery (247 thousand Euro), factory equipment (261 thousand Euro) and other assets (164 thousand Euro). In addition during the year, assets under construction and advances amounting to 7 thousand Euro were recorded.

For further details see the related schedule enclosed herewith.

FINANCIAL FIXED ASSETS

8) Equity investments

In detail, these are as follows:

	Balance 12/31/03	Inc.	Dec.	Balance 12/31/04
Unconsolidated subsidiaries				
- Prima Scandinavia AB	11	-	(11)	-
Total unconsolidated subsidiaries	11	-	(11)	-
Associated companies				
- Macro Meccanica S.p.A. (in liquidation)	413	-	-	413
- Provision for writedown Macro Meccanica S.p.A. (in liquidation)	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498
- Provision for writedown Shenyang	(215)	(39)	-	(254)
- MLTA Srl	10	57	(57)	10
- SNK Prima Co.	390	-	-	390
- Provision for writedown SNK Prima Co.		(125)		(125)
- Mechanical Industries Srl	105	-	-	105
- Provision for writedown Mechanical Industries Srl	(105)	-	-	(105)
- Shanghai Unity Prima Laser Machine Co. Ltd	450	-	-	450
Total associated companies	1,133	(107)	-	969
Other companies				
- Rambaudi Industriale SpA	775	-	-	775
- Provision for writedown Rambaudi Industriale SpA	(775)	-	-	(775)
Total other companies	-	-	-	-
Total equity investments	1,144	(107)	(68)	969

As regards equity investments in associated companies, the investments in Macro Meccanica SpA (placed into liquidation at the end of 1999) and in Mechanical Industries (which was placed into liquidation on March 28-31, 2003) are carried in the Financial Statements at a nil balance.

It should be noted that at 12/31/04 Prima Scandinavia AB was included in the area of consolidation, whereas at 12/31/03 it was not because the company having commenced business at the end of the 2003 financial year closed its first Financial Statements at 12/31/04.

The joint-venture Shenyang Prima Laser Machine Co. Ltd. established in China with Shenyang Machine Tool Company Limited (in which we have a 50% stake) manufactures the Platino for the Asian market (by assembling kits sent by Prima Industrie) and takes care of the related marketing. During the course of 2004 the joint-venture incurred a loss for the year equal to 78 thousand Euro in respect of which an amount equal to the stake held, was set aside in the Provision for writedowns.

M.L.T.A.: is an industrial electronics company in which Prima Electronics holds a share because the investment is useful for the industrial development of its products. This stake increased from 7.8% (equal to approximately 10 thousand Euro) to 41.63% (equal to 67 thousand Euro) during 2004, making it necessary to value the holding using the equity method, which valuation amounted to about 25 thousand Euro at 12/31/03. The difference (57 thousand Euro) between the purchase price (67 thousand Euro) and the portion of stockholders' equity due to Prima Electronics (10 thousand Euro) was therefore reclassified (amongst the intangible fixed assets) as Goodwill.

The equity investment in the Japanese joint-venture SNK Prima Co. remained unchanged. A provision of 125 thousand Euro was raised to the devaluation reserve, which amount represents 50% of the loss suffered by the company at 09/30/2004.

The equity investment in the Chinese joint-venture Shanghai Unity Prima remained unchanged. The company closed the 2004 financial year with a positive result.

The equity investment in Rambaudi Industriale SpA (which was placed into liquidation by the Court of Turin on 09/30/ – 10/27/03) is also still reflected at a nil balance in the Financial Statements, among the Equity investments in other companies.

9) Financial receivables from subsidiaries

The item was cleared during the financial year because the amount of 11 thousand Euro reflected at 12/31/03 related to funds transferred to Prima Scandinavia AB for the start-up of the business after the recent acquisition. During 2004 the company was entered into the area of consolidation.

10) Financial receivables from associated companies

This item amounts to 150 thousand Euro and refers to receivables claimed by Prima Industrie from the associated company Mechanical Industrie Srl, relating to the re-charging of the lease instalments for its use of certain machine tools. There was no change compared to the previous financial year. In light of this debt, a similar amount was provided for, already in previous financial years, in the allowance for doubtful accounts.

11) Other financial receivables

This item amounts to 81 thousand Euro and refers to the tax paid in advance for employees' severance pay in 1997 and 1998, partially used in set-off during the 2004 financial year. Thus the item reduced from 137 thousand Euro at 12/31/2003 to 81 thousand Euro at 12/31/2004.

12) Other securities

This item amounts to 250 thousand Euro at the end of the financial year and relates to a capitalization policy, with a single premium and a duration of 5 years, signed by the Parent Company on 09/08/04 for an amount of 247,750.01 Euro. This amount was revalued at 12/31/04 by applying the annual minimum revaluation of 2.25% provided for in terms of the contract.

CURRENT ASSETS

13) INVENTORIES

At the end of the financial year the item is made up as follows:

	Balance 12-31-2004	Balance 12-31-2003
Raw materials, consumables and supplies	13,125	13,616
Work in progress and semifinished products	1,858	1,479
Contract work in progress	4,800	4,203
Finished products	4,423	5,056
Advances	-	41
Provision for writedown of raw material inventories	(1,997)	(1,835)
Provision for writedown of finished product inventories	(1,060)	(995)
Total inventories	21,149	21,565

The value of the inventories decreased by 416 thousand Euro pursuant to improved planning in raw materials management and as a consequence of the lesser number of systems produced.

The provision for writedown of raw materials was increased by 604 thousand Euro through allocations made during the year by Prima Industrie, Prima Electronics and Prima North America and decreased by 362 thousand Euro through utilizations by Prima Industrie and Prima North America. The provision also decreased by 80 thousand Euro as a result of the exchange rates.

The provision for writedown of finished products was increased by 490 thousand Euro through allocations made during the year by Prima Industrie and decreased by 366 thousand Euro through utilizations by Prima Industrie and Prima North America. The provision also decreased by 59 thousand Euro as a result of the exchange rates.

RECEIVABLES

14) Trade receivables

At the end of the year this item is made up as follows:

	Balance 12-31-2004	Balance 12-31-2003
Trade receivables	39,585	40,539
Allowance for doubtful accounts	(1,368)	(1,542)
Net value	38,217	38,997
of which due beyond one year	3,138	2,768

The reduction of 780 thousand Euro compared to the previous financial year is linked to the improved management of collections and the recovery of receivables during 2004. Consequently the average number of days necessary for the collection of trade receivables decreased from 150 days in 2003 to 139 days in 2004.

The allowance for doubtful accounts is made up as follows:

- 1,014 thousand Euro for Prima Industrie (which made provisions of 100 thousand Euro and used 136 thousand Euro);
- 60 thousand Euro for Prima Electronics (which made provisions of 50 thousand Euro and used 154 thousand Euro);
- 288 thousand Euro for Prima North America (which made provisions of 236 thousand Euro and used 253 thousand Euro). The additional decrease of 23 thousand Euro was due to the exchange rates;
- 6 thousand Euro for Prima Industrie UK Ltd., set aside during the financial year.

Receivables due beyond one year

The total of the amount mentioned above refers to two Italian customers, one French customer, one Israeli customer, three Spanish and three Brazilian customers of Prima Industrie, who were granted extensions of time in respect of their payments, with appropriate interest being raised. The amount also relates to the pro solvendo Sabatini transactions.

15) Receivables from subsidiaries

This item, which in the previous financial year included receivables due by Prima Scandinavia to Prima Industrie of 3 thousand Euro, was cleared in that the subsidiary was included in the area of consolidation.

16) Receivables from associated companies

At 12/31/2004 this item amounted to 1,280 thousand Euro (against the 1,351 thousand Euro at 12/31/2003) and is made up of the following amounts owed to Prima Industrie: 1,236 thousand Euro by Shenyang Prima Laser Machines Company; 43 thousand Euro by Mechanical Industries and 1 thousand Euro by the joint-venture, Prima SNK. There is an overall reduction of 71 thousand Euro compared to the previous financial year.

Following on from Mechanical Industries S.r.l being placed into liquidation, an amount to cover the sum claimed for advances against an order was allocated to the allowance for doubtful accounts.

17) Tax receivables

The amount of 2,043 thousand Euro is made up as follows: 162 thousand Euro for VAT credits; 1,126 thousand Euro for IRPEG credits in respect of the Parent Company; 167 thousand Euro for withholding taxes; 570 thousand Euro for Group IRES advance payments (insofar as the two Italian companies Prima Industrie and Prima Electronics participated in the domestic tax consolidation in terms of articles 117-129 of Presidential Decree No. 917 dated 12/22/86) and 18 thousand Euro for other tax credits.

In 2003 this item amounted to 2,245 thousand Euro.

18) Prepaid taxes

The sum of 4,475 thousand Euro (5,294 thousand Euro at 12/31/03) relates to:

- 782 thousand Euro provided for by Prima North America to meet part of the tax loss for the 2001 financial year.
- 2,923 thousand Euro, allocated by Prima Industrie, in connection with the losses on investees (1,702 thousand Euro), the allocations to the provisions for risks (1,123 thousand Euro) and other temporary changes (65 thousand Euro).
- 95 thousand Euro set aside by Prima Electronics in connection with temporary differences
- 675 thousand Euro, derived from the consolidation adjustments relating to the adjustments of the amortization of start-up, goodwill and software (407 thousand Euro), the reversals of profit in stock (211 thousand Euro) and to the capital gains on the sale of licences to the joint ventures (57 thousand Euro).

Further details regarding this item can be found in the comments on the Income Statement items relating to taxes.

19) Other receivables

This item amounts to 2,972 thousand Euro at 12/31/04 (compared to 1,756 thousand Euro at 12/31/03) and is made up as follows:

	Balance 12-31-2004	Balance 12-31-2003
Advances to employees	32	27
Grants to be received in respect of assets	2,293	890
Security deposits	82	87
Advances to suppliers	360	459
Other sundry receivables	205	293
Total	2,972	1,756

The increase mainly relates to grants to be received in respect of assets. This item increased by 1,403 thousand Euro mainly due to the effect of provisions made by the Parent Company for the tranches which related to the 2004 financial period for the PAMELA and RESALT projects.

CURRENT FINANCIAL ASSETS

20) Equity investments in other companies

The amount of 0.2 thousand Euro relates to the equity investments held by Prima Industrie in Unionfidi and Fidindustria (an amount of 0.1 thousand Euro in each company).

21) Treasury stock

This refers to the value of treasury stock held in the parent company's portfolio at 12/31/04 pursuant to a buy-back operation carried out in compliance with a resolution to this effect by the stockholders taken at a Meeting held on 05/14/2004. The item amounts to 171 thousand Euro, equal to 25,300 treasury stock with a weighted average price of 6.7440 Euro each.

The weighted average price is less than the average listing price at December 2004 that was 6.818 Euro per share.

22) CASH AND CASH EQUIVALENTS

	Balance 12-31-2004	Balance 12-31-2003
- Bank and postal accounts	6,437	3,590
- Cash and cash equivalents on hand	11	17
Total	6,448	3,607

The item refers to funds that are immediately available as they are deposited in current accounts or held as cash on hand by the Group.

The increase of 2,841 thousand Euro compared to the previous financial year reflects the improvement in the Group's financial position.

23) ACCRUED INCOME AND PREPAID EXPENSES

At December 31, 2004 this item totalled 429 thousand Euro, compared to the 164 thousand Euro at 12/31/03. The details are as follows:

	Balance 12/31/04	Balance 12/31/03
Accrued income	2	5
Prepaid expenses	152	159
Difference on forward contracts	275	--
Total accrued income, prepaid expenses and discounts	429	164

The total balance increased by 265 thousand Euro compared to the previous financial year.

The accrued income mainly refers to travel expenses in an amount of 2 thousand Euro.

The item "Prepaid expenses" includes invoices from suppliers, customer invoices for maintenance instalments and insurance premiums.

The item "Difference on forward contracts" relates to positive differences calculated on the forward sales contract of 2,300,000 US\$.

COMMENTS TO THE MAIN LIABILITY ITEMS

24) STOCKHOLDERS' EQUITY

The changes in Stockholders' Equity are set out in an appendix to the Notes.

The main components of Stockholders' Equity and the related changes are described below:

25) CAPITAL STOCK

Capital stock at December 31, 2004 is fully subscribed for and paid-in and consists of 4,600,000 ordinary shares with a par value 2.5 Euro each, for a total of 11,500,000 Euro. During the financial year there were no changes to the amount or composition of the Capital Stock.

During 2004 the stock options assigned on 05/15/03 to executives, officers and front-line managers of Prima Industrie and the subsidiaries for a total of 90,400 share were not exercised. This was partly due to the fact that the pre-established company objectives were not achieved and partly due to the fluctuation in the stock trend (which remained consistently lower than the exercise price of the rights equal to 13.11 Euro per share). It should also be noted that in July 2004 the stock option plan approved in 1999 lapsed. At present there is no other stock-option plan underway.

For additional information on the stock option plans, reference should be made to the appropriate section in the report on operations.

26) SHARE PREMIUM RESERVE

This item is generated by the share premium on the issue of the new stock compared to their par value of 2.5 Euro and amounts to 14,536 thousand Euro at 12/31/04.

Compared to the sum of 15,733 thousand Euro for the previous financial year it should be noted that there is a decrease of 1,350 thousand Euro to cover the result of the 2003 financial year of the Parent company and an increase of 153 thousand Euro as an adjustment to the non-distributable treasury stock reserve.

27) LEGAL RESERVE

This item amounts to 730 thousand Euro and is unchanged compared to 12/31/03.

28) RESERVE FOR TREASURY STOCK IN PORTFOLIO

In the 2004 financial year, as a result of the acquisition by the company of treasury stock, the non-distributable reserve for treasury stock was adjusted, pursuant to Article 2357 ter of the Italian Civil Code, to the value of the treasury stock in portfolio at 12/31/2004, which was equal to 171 thousand Euro.

29) OTHER RESERVES

This item was cleared during the financial year pursuant to the utilization of 1,484 thousand Euro to cover the Parent Company's 2003 financial year result.

30) PROFITS CARRIED FORWARD

This item relates to the consolidation adjustments, whose effect on the stockholders' equity spans several financial years. At 12/31/04 this item amounts to 1,466 thousand Euro, a decrease of 118 thousand Euro compared to the 1,584 thousand Euro of the previous financial year. This was due to the effect of the appropriation of the consolidated result for 2003 (loss of 2,953 thousand Euro) net of the reclassification, to other reserves of the 2003 result of the parent company (loss of 2,835 thousand Euro).

31) RESERVE FROM EXCHANGE DIFFERENCE

The negative exchange difference in an amount of 909 thousand Euro, originates from the application of the average rate of exchange of the financial year to the Income Statement items and of the current rate of exchange at year-end to the Balance Sheet items in converting the Financial Statements expressed in a currency other than the legal tender of the state (Prima North America Inc., Prima Scandinavia AB and Prima Industrie UK Ltd.). This item increased by 236 thousand Euro compared to the previous financial year, mainly due to the effect of the trend of the US Dollar.

PROVISIONS FOR RISKS AND CHARGES

32) PROVISION FOR TAXES

The item includes the deferred tax liabilities, which were set aside in application of Accounting Principle No. 25 issued by the Italian Accounting Profession.

It totals 1,515 thousand Euro, an increase of 298 thousand Euro compared to the previous year (1,217 thousand Euro).

This amount relates to:

- 1,198 thousand Euro provided for by Prima Industrie in connection with research grants
- 115 thousand Euro provided for by Prima Electronics in connection with temporary differences
- 202 thousand Euro, derived from the consolidation adjustment in respect of the capitalization of the leasing transactions

Further details regarding this item can be found in the comments on the Income Statement items relating to taxes.

33) PROVISIONS FOR RISKS AND CHARGES

The composition and movements of the item "Other provisions" are as follows:

	1/1/04	Allocations	Utilizations	12/31/04
Provision for contractual risks and charges	3,470	4,595	(4,393)	3,672
Provision for litigation risks	69	-	(69)	-
Provision for agents' customer indemnity	79	9	-	88
Restructuring provision	40	-	(40)	-
Provision for probable taxes	150	-	(41)	109
Other provisions	2	-	-	2
Total	3,810	4,604	(4,543)	3,871

Other provisions are mainly represented by:

⇒ The provision for contractual risks and charges relating to the provisions for the costs of completing installations and work on products under warranty that will be carried out in the next 12 months.

The value of 4,595 thousand Euro provided for includes 1,861 thousand Euro set aside by the Parent Company, 105 thousand Euro set aside by Prima Electronics, 2,549 thousand Euro by Prima North America and 80 thousand Euro set aside by Prima Industrie UK Ltd.. On the other hand the provision decreased by 4,393 thousand Euro

as a result of the following utilizations: 2001 thousand Euro by the Parent Company, 90 thousand Euro by Prima Electronics and 2,202 thousand Euro by Prima North America. It was further reduced by 100 thousand Euro due to the effect of the exchange rate.

- ⇒ Provision for litigation risks: was cleared with respect to the previous financial year because it was totally utilized for the compensation relating to the ATM (Spain) matter.
- ⇒ Provision for agents' customer indemnity: this refers to liabilities that could arise in the event of cancellation by the company of agency contracts with Italian operators. The provision was increased by 9 thousand Euro in 2004 on the basis of the rates established in terms of current legislation governing the relationship between agents and sales representatives and their principals.
- ⇒ Provision for probable taxes: This item is an allocation of 150 thousand Euro made as a matter of prudence, pursuant to a tax re-assessment issued by the Finance Police at the end of a tax audit that took place during 2002. It was utilized for an assessment agreed to for 41 thousand Euro (of which 13 thousand Euro relates to 1997 and 28 thousand Euro relates to 1998).
- ⇒ Restructuring provision: refers to the provisions raised in the previous financial years to meet the restructuring cost in respect of Prima North America and at 12/31/03 it amounted to 40 thousand Euro. During the 2004 financial year, the provision was totally used in order to complete the restructuring processes.
- ⇒ Other minor items (2 thousand Euro).

34) EMPLOYEES' SEVERANCE PAY

The changes during the year were as follows:

Balance 01/01/2004	4,164
Amount due and allocated to the Income Statement	755
Benefits paid during the financial year	(719)
Balance 12/31/2004	4,200

The balance at December 31, 2004, which is recorded under financial fixed assets, is net of payments in advance made to employees in respect of severance pay and gross of payments made to tax authorities in compliance with the law. This provision represents the overall gross liability of the Italian companies matured in favour of employees on the basis of the regulations in force at year-end and the contractual obligations for each employee.

PAYABLES

The composition of and the movements that took place during the year in the items that make up this grouping, are as follows:

35) Amounts due to banks

The amounts due to Banks are made up as follows:

	Balance 12-31-2004	Balance 12-31-2003
-Advances on orders and invoices	-	-
-Bank overdrafts	3,967	4,744
-Sabatini discount transactions	1,673	2,767
-Short-term payables	5,518	5,527
-Medium/long-term payables	7,844	9,850
Total	19,002	22,888

Amounts due to banks decreased by 3,886 thousand Euro as a consequence of the improvement in the financial position of the companies. At the end of the 2004 financial year there are no advances on orders and invoices.

The Sabatini discount transactions relate to the consolidation adjustment carried out to comply with correct accounting principles relating to the Consolidated Financial Statements, which evidences the risk of recourse in relation to financial institutions with reference to the pro solvendo transactions.

Bank loans total 13,362 thousand Euro (5,518 thousand Euro short-term and 7,844 thousand Euro medium/long term).

Insofar as the parent company is concerned, the amounts due to banks total 11,894 thousand Euro and relate to the following transactions:

- ⇒ Loan granted by Mediocredito dell'Umbria for an initial amount of 775 thousand Euro. This loan is guaranteed by the European Investment Fund (E.I.F) and was secured in order to finance the work undertaken in the new factory. This is a 5-year loan (with a pre-amortization period that expired on 01/31/01), which provides for quarterly deferred repayments bearing interest at the Euribor rate plus one percentage point. The principal instalments due in 2005 of 101 thousand Euro represent the short-term portion of the loan and the total balance at 12/31/04.

- ⇒ A loan of 2,582 thousand Euro from Banca Mediocredito on 05/15/01 to be repaid by way of eight six-monthly instalments commencing on 03/31/03 until 09/30/06 at a floating rate (up to 09/30/01 at a rate of 5.39 per cent per annum; for the six month periods that follow, the rate will be the 6-month Euribor rate plus a spread of 0.9 per cent). The short-term component of the loan amounts to 646 thousand Euro, whereas the residual medium/long-term liability amounts to 646 thousand Euro.
- ⇒ A loan of 2,000,000 US dollars equivalent to 1,468 thousand Euro from San Paolo IMI advanced on 12/15/2004 and repayable after 18 months less one day and bearing interest at the LIBOR rate plus 1 per cent. It is a medium/long-term loan.
- ⇒ A loan from San Paolo IMI for 2,309 thousand Euro with a pre-amortization period until 07/01/03. This is a research loan released from the special fund for Applied Research established by Act 1089/1968, in accordance with Act No. 46/82 and made on behalf of the M.U.R.S.T.. The loan is repayable in 12 half-yearly deferred instalments and bears interest at 1 per cent per six months. The principal portion falling due in 2005 is 462 thousand Euro, which represents the short-term component of the loan. The residual debt amounting to 951 thousand Euro is to be considered as a medium to long-term liability.
- ⇒ A loan from Mediocredito Intesa BCI for an initial amount of 5 million Euro with an annual interest rate of 4.45 per cent until 09/30/02 and thereafter for each successive period at the EURIBOR three-month rate + 0.90 per cent. The loan will be repaid by way of 16 quarterly instalments. In 2004, four instalments equal to 1,250 thousand Euro will be repaid. The residual debt amounting to 1,563 thousand Euro is to be considered as the medium/long-term component.
- ⇒ A loan granted by the Cassa di Risparmio di Parma e Piacenza for an amount of 1,200 thousand Euro. The loan bears interest at the average EURIBOR rate of the preceding three months increased by 1.1 points and is repayable in 36 monthly instalments. The short-term component of the loan amounts to 405 thousand Euro, whereas the residual medium/long-term liability amounts to 242 thousand Euro.
- ⇒ A loan of 2 million Euro secured from the Unicredit Banca d'Impresa for a period of 18 months less one day, bearing interest at the Euribor rate plus a spread of 1.25. The capital is to be repaid in a single instalment on 04/22/2005 and interest is repayable quarterly. The abovementioned loan was used to reduce the exposure of the subsidiary, Prima North America Inc. and the related signature loan in an amount of USD 2,300,000. The loan is to be considered entirely short-term.

The following loans were discharged during the course of the financial year:

- Banca Popolare di Novara of Luxembourg; the loan existed at 12/31/2003 in an amount of 198 thousand Euro;
- Banca Popolare di Lodi; the loan existed at 12/31/2003 in an amount of 818 thousand Euro.

During the financial year the Parent Company had access to the following additional finance:

- ⇒ Loan granted by Banco di Sicilia for 2,000,000 Euro. The loan is repayable in 12 quarterly instalments commencing on 09/30/2004 and the nominal annual interest rate payable, is equal to the monthly average 6-month Euribor increased by an annual spread of 1.625 points. The principal portion falling due in 2005 is 654 thousand Euro, which represents the short-term component of the loan. The residual debt amounting to 1,028 thousand Euro is to be considered as a medium to long-term liability.
- ⇒ A loan up to a maximum of 2,065,000 Euro granted by the “Società Italiana per le Imprese all’Estero – SIMEST” (Italian Company for Overseas Businesses) to be used for commercial penetration of the U.S. market. After a pre-amortization stage up to 2006, the repayment plan provides for the refund of the amount paid out, in the 5 years that follow, by way of six-monthly deferred repayments at the annual effective rate of 1.36%. The amount paid out during 2004 amounts to 478 thousand Euro and is to be considered as a medium/long-term debt.

The exchange adjustments in respect of currency loans were carried out directly.

In addition, the 1,468 thousand Euro relating to a loan of USD 2,000,000 granted to Prima North America by the Banca di Roma for 18 months less one day must be added. Accordingly this loan must be considered as a medium/long-term.

36) Amounts due to other lenders

Amounts due to other lenders, amounting to 3,314 thousand Euro, increased by 272 thousand Euro (compared to the 3,042 thousand Euro at 12/31/2003).

There are made up of:

- ⇒ Various leases for electronic office machines in an amount of 143 thousand Euro, following on a consolidation adjustment made to comply with correct accounting principles (of which 81 thousand Euro is the short-term portion and 62 thousand Euro is the medium/long-term component);

- ⇒ lease for factory No. 2 in Collegno for 1,001 thousand Euro, following on a consolidation adjustment made to comply with correct accounting principles (of which 167 thousand Euro is the short-term portion and 834 thousand Euro is the medium/long-term component);
- ⇒ a loan of 357 thousand Euro secured in terms of Act 46/1982 relating to the “Design, development, experimentation and engineering of a low-cost and highly-modular system of automation and motion control”, granted to Prima Electronics. The loan is for 15 years, of which 10 years is for amortization at the rate of 1.175 per cent per annum and 5 years is for use and pre-amortization at a rate of 0.705 percent per annum. Since the loan is still in the pre-amortization stage, it is considered to be entirely a medium/long-term liability.
- ⇒ A loan of 1,002 thousand Euro secured in terms of Act 46/82, relating to the “Development of a new family of completely digital and modular drives for brushless motors”. This debt, which bears interest at a rate of 1% per six months (2% annually) will be repaid, commencing from the 1st of January 2005, over the next 6 years by means of 12 six monthly instalments. Accordingly the short-term portion amounts to 192 thousand Euro whereas the medium/long-term portion is equal to 810 thousand Euro. During the 2004 financial year this loan increased by 479 thousand Euro.
- ⇒ A loan of 811 thousand Euro granted to Prima Industrie by the Ministry of Industry and Trade in terms of Act 46/82, which established a "Special Revolving Fund for Technical Innovation". This loan, which has a ceiling of 1,069 thousand Euro is for a period of 15 years. Five of the 15 years is a pre-amortization period at a rate of 0.9825 per cent per annum. The loan is to be amortized over the remaining 10-year period at a rate of 3.275 per cent. Consequently, the short-term portion of the loan equals 84 thousand Euro, whereas the remaining debt amounting to 726 thousand Euro is to be considered totally medium/long-term.

37) **Advances**

This item includes advances from customers against uncompleted orders, as well as down payments from customers in confirmation of orders and amounts to 1,246 thousand Euro. This item reduced by 195 thousand Euro with respect to the end of the previous year, when it totalled 1,441 thousand Euro.

38) **Trade accounts payable**

Trade accounts payable amount to 19,417 thousand Euro compared to the 17,554 thousand Euro in the previous financial year (an increase of 1,863 thousand Euro). The increase in trade accounts payable is mainly due to the increase in the purchase of raw materials pursuant to the increase in turnover.

39) Amounts due to subsidiaries

In the previous financial year this item amounted to 12 thousand Euro and related to amounts due by the Parent Company to Prima Scandinavia. During the 2004 financial year this item was cleared because the subsidiary was included in the area of consolidation.

40) Taxes payable

This item is made up as follows:

	Balance 12-31-2004	Balance 12-31-2003
Amounts due to tax authorities for:		
- income taxes	703	4
- VAT	338	237
- short-term tax payables	830	717
Total	1,871	958

41) Amounts due to provident and social security institutions

This items relates to the payables due at year-end to the abovementioned institutions for the amounts due by the company and employees, on the salaries and wages for December and amounts to 947 thousand Euro compared to the 822 thousand Euro in the previous financial year - an increase of 125 thousand Euro.

The amount was duly paid in 2005, on the due dates established by law.

42) Other payables

	Balance 12-31-2004	Balance 12-31-2003
Remuneration to employees	1,983	1,295
Other minor items	367	361
Total	2,350	1,656

The item refers to various payables amounting to 2,250 thousand Euro compared to 1,656 thousand Euro at the end of the previous financial year. The amounts due but not yet paid are made up of: deferred remuneration (leave not taken, production bonus and trade incentives due as at 12/31/04), insurance policy adjustments, directors' remuneration and other minor items.

43) ACCRUED EXPENSES AND DEFERRED INCOME

At December 31, 2004, this item compared to 12/31/03, is made up as follows:

	Balance 31-12-2004	Balance 31-12-2003
Accrued expenses		
-Interest on sundry loans	58	46
- Other	64	50
Total accrued expenses	122	96
Deferred income		
- Customer maintenance contracts	185	94
- Other	154	257
Total deferred income	339	351
Total accrued expenses and deferred income	461	447

The item “Other deferred income” includes an amount of 154 thousand Euro relating to income from the licences sold to the joint-ventures, relative to the stakes equal to the percentage held by the parent company.

INFORMATION REQUIRED BY ACT 72 OF 3/19/1983

In compliance with Article 10 of Act 72 of 3/19/83 it is to be noted that the company effected the revaluation allowed by the provisions of Act 576 of 12/2/75 and Act 72 of 3/19/83 and the amount was entered in the corresponding Stockholders' Equity reserve. The revaluations made in accordance with the legislation set out above referred to the following items relating to assets still contained in the Financial Statements: Machinery, Office furniture and equipment, Electronic office equipment, Motor vehicles.

As allowed by Act No. 342 of 11/21/00, Prima Electronics also carried out the revaluation on the building used as the head office of the company.

The figures, standardized and grouped, are set out below (amounts expressed in Euro):

<u>ASSETS</u>	<u>HISTORICAL</u>	<u>REVAL. ACT</u>	<u>REVAL. ACT</u>	<u>REVAL. ACT</u>	<u>TOTAL</u>
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	<u>COST</u>	<u>576/75</u>	<u>72/83</u>	<u>342/00</u>	
Buildings	121,591	-	--	833,854	955,445
Machinery	8,226	10,938	--	--	19,164
Ord. office furniture & equipment	11,258	2,866	--	--	14,124
Electronic office equipment	11,491	2,868	--	--	14,359
	-----	-----		-----	-----
Total	152,566	16,672	--	833,854	1,003,092

The assets forming the subject-matter of the revaluation, which belong to the "Machinery", "Ordinary Office Furniture and Equipment" and "Electronic Office Equipment" category were completely depreciated. Accordingly the effect of the revaluation is already used up.

MEMORANDUM ACCOUNTS

44) Unsecured guarantees given

Guarantees given on behalf of others – This item amounts to 133 thousand Euro compared to the 64 thousand Euro in the previous financial year. It relates to 2 guarantees issued to the Consorzio Garanzia Fidindustria, (of which Prima Industrie is a member) for approximately 3 thousand Euro and to San Paolo IMI (for 28 thousand Euro) against a contract drawn up with a Chinese customer. It also relates to 3 guarantees issued in 2004 by Prima Electronics to customers for 102 thousand Euro. This item decreased by 33 thousand Euro compared with the previous year, insofar as the guarantees issued by Prima Industrie to Consorzio Garanzia Unionfidi have been redeemed because the underlying transactions were finalised.

45) Commitments

Interest Rate Swap Contracts

On 05/30/03 an Interest Rate Swap contract was entered into with Banca Akros. The contract is on the following terms and conditions:

- Starting date: 06/03/03
- Final expiry: 06/05/06
- Periodical expiry: quarterly
- Capital: 5,000,000 Euro
- Rate 1: 1st years. 2.2
2nd year: 2.5
3rd year 2.75
Basis: ACT/360

- Rate 2: Euribor 3-month, for foreign currency applicable at the starting date of each period
Basis: ACT/360

At the expiry of each quarterly period the difference between the amount resulting from the application of rate 1 and the amount resulting from the application of rate 2 will be paid by Banca Akros to Prima Industrie, if the difference is a negative one. Vice-versa, Prima Industrie will pay Banca Akros if the difference is a positive one.

During 2004, the effect of this transaction on the Income Statement amounted to 14 thousand Euro against Prima Industrie.

On 06/09/04 in light of a loan of € 2,000,000.00 an Interest Rate Swap contract was entered into with Banco di Sicilia. The contract is on the following terms and conditions:

- Starting date: 06/30/04
- Final expiry: 06/30/07
- Periodical expiry: quarterly
- Capital: Euro 2,000,000.00
- Rate 1: 1st year 2.5
2nd year: 3.75
3rd year: 4.25
Basis: ACT/360
- Rate 2: Euribor 3-month, for foreign currency applicable 2 working days preceding the start of each period
Basis: ACT/360

At the expiry of each quarterly period the difference between the amount resulting from the application of rate 1 and the amount resulting from the application of rate 2 shall be paid by Banco di Sicilia to Prima Industrie, if the difference is a negative one. Vice-versa, Prima Industrie will pay Banco di Sicilia if the difference is a positive one.

During 2004, the effect of this transaction on the Income Statement amounted to 4 thousand Euro against Prima Industrie.

PK22 Export Plus Contract

A contract entered into with Banca Monte dei Paschi, on the following terms:

- Notional amount: USD 1,500,000
- Exercise price: the average rate of exchange for the USD/EUR applicable on 11/29/04 – 11/30/04 – 12/01/04 – 12/02/04
- Final price: the arithmetic average rate of exchange for the USD/EUR applicable on the following dates: 12/15/04 – 12/29/04 – 01/14/05 – 01/31/05 – 02/28/05 – 03/31/05 – 04/29/05 – 05/13/05
- Expiry date of the option: 06/01/05
- Premium: 2.50% on the notional value in USD
- Conditions of settlement: on the expiry of the option, the Banca Monte dei Paschi di Siena shall pay Prima Industrie an amount in Euro, equal to the positive difference between the equivalent value of the notional amount calculated at the exercise price

and the equivalent value of the aforesaid amount calculated on the basis of the final price.

If the difference is negative, Prima Industrie will not be required to pay anything.

During the course of 2004 the positive difference stemming from the PK9 Export contract, entered into in 2003, was paid to Prima Industrie and amounted to 32 thousand Euro.

In addition the positive difference amounting to 11 thousand Euro, stemming from the PK17 Export contract (entered into in May 2004) was collected.

Commitments in respect of currency transactions - The sum of 1,970 thousand Euro refers to a foreign currency futures transaction of USD 2,300,000.

Commitments for lease instalments - These amount in total to 21 thousand Euro (compared with the 38 thousand Euro of the previous financial year) and relate to commitments for lease instalments for motor vehicles. The commitments represent the total value of the lease instalments falling due to the lessors including the final redemption values provided for in terms of the contracts, but excluding the instalments already paid. Lease instalments falling due by year are as follows:

Motor vehicles

2005	<u>20</u> thousand Euro + 1 thousand Euro for redemption.
Total	21

46) Contingencies for bills discounted

At 12/31/03 the amount of 600 thousand Euro was made up of cash orders presented for discounting at the bank, which are due in the first few months of 2004. Insofar as these bills were punctually collected in 2004, this item was cleared at 12/31/04.

47) Others

Commitments to repurchase from customers and third parties – These total 3,090 thousand Euro (they were 4,790 thousand Euro at 12/31/2003) and refer to commitments to repurchase, signed by the parent company in favour of leasing companies for sales made to customers.

This type of guarantee is issued to assist the customer in obtaining financing where the customer cannot offer independent guarantees for the transaction to the third-party lender. The repurchase commitment is usually given for values that do not exceed market values at the time of the possible excussion in terms of the guarantee.

Company assets held by third parties – At December 31, 2004 these goods totalled 3,801 thousand Euro (4,027 thousand Euro in 2003). They relate to the following:

- materials and products at branch warehouses for 890 thousand Euro;
- spare parts at customers for 33 thousand Euro;
- materials on deposit/for processing, at suppliers amounting to 2,484 thousand Euro;
- semifinished and finished products at third parties amounting to 394 thousand Euro.

The finished products include the Platino 1530 machine that is situated in a warehouse in Spain.

These assets are included in the final inventory balance in the Financial Statements.

Guarantees given by third parties for our account – The sum of 2,841 thousand Euro (3,852 thousand Euro in 2003) is made up of bank guarantees issued in favour of customers for advances against orders and for guarantee purposes (guarantees given within the limits of the receipts made by the same customers) to a forfeiter within the scope of a SACE transaction, as well as by guarantees issued to the supplier Rofin Sinar and other minor suppliers.

In addition during 2004, 3 guarantees were given by Consorzio Fidi in relation to the first tranche of the SIMEST loan. The overall value of the guarantees is 490 thousand Euro.

It should also be noted that the parent company issued guarantees in favour of the real estate companies that own the factories to which the company transferred the divisions of the subsidiary Prima North America in 2003. More precisely:

- a guarantee in favour of Oxford Investment LLC for the lease agreement in respect of the premises located on East Main Street, Chicopee River Business Park, Chicopee, Massachusetts.

The lease instalments for future years are as follows:

- 2005	565 thousand USD
- 2006	565 thousand USD
- 2007	609 thousand USD
- 2008	594 thousand USD
- 2009/onwards	<u>6,662</u> thousand USD
Total	8,995 thousand USD

- a guarantee in favour of OIRE Minnesota LLC for the lease agreement in respect of the factory situated at 8600 109th Avenue North, Champlin, Minnesota.

The lease instalments for future years are as follows:

- 2005	175 thousand USD
- 2006	189 thousand USD
- 2007	191 thousand USD
- 2008	<u>64</u> thousand USD
Total	619 thousand USD

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

48) REVENUES FROM SALES AND SERVICES

Revenues from the sales and services amount to 100,044 thousand Euro compared to the 95,000 thousand Euro at 12/31/03. This represents an increase of 5.3% despite an approximate 10% depreciation of the Dollar as against the Euro during the year.

The substantial stability in the sales figure stems from a growth in sales by Prima North America pursuant to the first signs of a recovery in the American economy. This is contrasted by a slight decrease in the revenues of Prima Industrie and Prima Electronics which were influenced by the difficult situation being experienced on the European asset investment markets.

Also noteworthy is the improvement in the sector relating to two-dimensional systems (+8.2% compared to 12/31/03), which is also confirmed by the strength of the order portfolio for 2005 and the sales in the so-called "overseas" countries, the weight of which increased by approximately 25%.

The details are as follows:

	2004	2003
2D laser systems:		
Italy	7,130	7,067
Europe	12,997	14,142
USA	5,103	5,373
Rest of the world	8,213	4,332
Total	33,444	30,914
3D laser systems:		
Italy	11,755	8,943
Europe	10,508	13,030
USA	8,804	8,965
Rest of the world	2,942	3,838
Total	34,010	34,776
Electronic systems:		
Italy	3,929	2,280
Europe	7,852	8,675
USA	1	2
Rest of the world	-	-
Total	11,782	10,957
Laser generators and other products:		
Italy	-	-
Europe	326	-
USA	241	720
Rest of the world	2,099	666
Total	2,666	1,386
Assistance and other services:		
Italy	4,868	4,267
Europe	5,739	5,878
USA	5,523	5,136
Rest of the world	2,012	1,686
Total	18,142	16,967
Total sales	100,044	95,000

A total of 175 laser systems (156 in the previous year) and 11 laser generators (12 in the previous year) were delivered and invoiced to external customers.

49) CHANGES IN INVENTORIES OF WORK IN PROGRESS, SEMIFINISHED AND FINISHED PRODUCTS AND CONTACT WORK IN PROGRESS

In 2004, the value of finished products decreased by 469 thousand Euro.

The contract work in progress increased by 1,016 thousand Euro.

The composition of these provisions is set out in detail under the Balance Sheet item "Inventories".

50) INCREASES IN FIXED ASSETS FOR INTERNAL WORK

During 2004 the following costs were capitalized in the item, "Tangible and intangible fixed assets":

	2004	2003
Internal constructions	157	372
Total	157	372

Insofar as Prima Industrie is concerned, internal construction is made up of testing equipment for 34 thousand Euro and light constructions for work relating to the new Demo hall for 55 thousand Euro. As regards Prima Electronics, the item relates to equipment in an amount of 68 thousand Euro.

51) OTHER INCOME AND REVENUES

This item is made up as follows:

	2004	2003
-Sundry income and revenues	2,435	1,630
Total other income and revenues	2,435	1,630

This item is made up as follows:

	<u>Thousands of Euro</u>	
	<u>12.31.2004</u>	<u>12.31.2003</u>
• Research grants	1,457	1,457
• Non-operating profits	705	399
• Insurance refunds	12	21
• Capital gains	16	8
• Tax Bonus Act 341/95 and Act 79/97	35	4
• Other minor items	210	194
Total	<u>2,435</u>	<u>1,630</u>

The research grants recorded in the 2004 Income Statement relate to the portions of forgivable loans for research and development, which accrued during the course of the 2004 financial year to Prima Industrie in an amount of 1,457 thousand Euro, relative to the

PAMELA and RESALT projects for 906 thousand Euro and 551 thousands Euro respectively.

COSTS OF PRODUCTION

52) PURCHASE OF MATERIALS

The details are as follows:

	2004	2003
Production materials	48,442	41,874
Packaging	437	353
Consumables	640	736
Others	1,461	1,486
Total	50,980	44,449

This item includes the purchase of raw materials, consumables, supplies and merchandise and totals 50,980 thousand Euro compared with 44,449 thousand Euro in the previous financial year.

The increase for the year was mainly due to an increase in the purchases of production materials due to the increase in turnover.

53) SERVICE COSTS

The details are as follows:

	Balance 12-31-2004	Balance 12-31-2003
Work by third parties	5,529	4,968
Travel expenses	2,892	3,140
Consultancy fees	2,009	1,999
Freight	1,441	1,188
Commissions	1,622	1,572
Advertising and promotion	704	827
Utilities	961	1,029
Insurances	425	412
Maintenance	762	705
Directors' and statutory auditors' remuneration	494	490
Other	1,846	1,625
Total	18,685	17,955

The increase compared to the previous year can be explained by the increase in turnover.

In terms of Article 38 of Legislative Decree 127/91, it is to be noted that the emoluments due to the Directors of the parent company amounts to 325 thousand Euro, whereas the remuneration due to the Statutory Auditors amounts to 80 thousand Euro.

The item "Other" includes costs sustained by the Group for temporary labour (758 thousand Euro), entertainment expenses (67 thousand Euro), royalties on licences and patents (420 thousand Euro) and the use of other external services (601 thousand Euro).

54) LEASES AND RENTALS

The details are as follows:

	Balance 12-31-2004	Balance 12-31-2003
Rent	980	1,141
Motor vehicle leasing	130	142
Other leasing	2	4
Motor vehicle and equipment rental	298	321
Other minor items	220	121
Total	1,630	1,729

55) PERSONNEL COSTS

Personnel costs amount to 23,867 thousand Euro compared with 23,498 thousand Euro in the previous year and are made up as follows:

	2004	2003
Salaries and wages	17,350	17,134
Social security contributions	5,277	5,111
Employees' severance pay	755	747
Retirement fund and similar provisions	51	--
Other personnel costs	434	506
Total	23,867	23,498

Employees' severance pay refers only to Italian companies since no such obligation exists abroad. The item "Retirement fund and similar provisions" relates to the two European companies (Prima UK and Prima Scandinavia).

Other personnel costs include the canteen, training courses and contributions to the Provident Fund for executives of the Prima Group for insurance cover.

We set out hereunder the breakdown, subdivided in terms of Group personnel:

	12/31/04	12/31/03	Average for the year
Production & Quality	198	200	199
R & D	80	72	76
Sales & Marketing	37	41	39
Customer service	84	77	80.5
Management and Administration	58	45	51.5
Inactive and temporary personnel	8	11	9.5
Total	465	446	455.5

56) AMORTIZATION, DEPRECIATION AND WRITEDOWNS

The breakdown into the three required sub-items, is the following:

	12/31/04	12/31/03
Amortization of intangible fixed assets	726	1,019
Depreciation of tangible fixed assets	968	982
Writedown of receivables and cash and cash equivalents	139	140
Total	1,833	2,141

The criteria for amortization/depreciation are amply considered in the relevant section. During the financial year, the allowance for doubtful accounts was utilized in an amount of 253 thousand Euro and provisions of 392 thousand Euro were raised..

57) CHANGES IN INVENTORIES OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND MERCHANDISE

Inventories of raw materials, consumables and supplies decreased by 202 thousand Euro compared with the end of the previous financial year. This figure, which is a reflection of the improved management of inventories, includes a writedown of inventories for obsolescence, in respect of which reference should be made to the Balance Sheet item "Inventories".

58) PROVISIONS FOR RISKS

This item includes provisions (net of the utilization of provisions that already exist) raised during the year to cover potential liabilities.

The composition of these provisions is set out in detail under the item "Provision for Risks and Charges" under the comments to the Balance Sheet items.

59) SUNDRY OPERATING EXPENSES

The details are as follows:

	Balance 12-31-2004	Balance 12-31-2003
Non-operating losses	367	346
Taxes and dues	93	90
Penalties and fines	32	19
Others	492	568
Total	984	1,023

The non-operating losses mainly relate to costs pertaining to previous financial years, for which no provisions were made or to the unexpected non-existence of components of the Balance Sheet assets, which in any event relate to the typical business of the company.

The item "others" includes payments of contributions to sector associations amounting to 84 thousand Euro, gratuities and costs (non-deductible) of 130 thousand Euro and to other operating cost of 278 thousand Euro.

FINANCIAL INCOME AND EXPENSES

60) INCOME FROM EQUITY INVESTMENTS

The income from equity investments, which amounted to 154 thousand Euro in 2003, is no longer present in the 2004 Financial Statements because the new tax regulations introduced by Legislative Decree No. 344 dated 12/12/03 abolished the institution of tax credit on the dividends.

It should also be noted that during 2004 the Italian companies Prima Industrie S.p.A. and Prima Electronics S.p.A. participated in the domestic tax consolidation.

61) OTHER FINANCIAL INCOME

The following details are provided in relation to the other financial income:

	2004	2003
- Interest income from customers	433	442
- Interest income from banks and others	32	19
- Interest earned on securities	2	6
- Other financial income	25	28
Total	492	495

Interest income from customers includes the portion for the year relating to the discounts under the Sabatini Act.

The positive exchange differences were recorded net of the negative differences, in the item, "Gains and losses on exchange". Accordingly the balances relating to the 2003 financial year were reclassified.

62) INTEREST AND OTHER FINANCIAL EXPENSES

The item is made up as follows:

	2004	2003
- Interest paid on bank borrowings	51	201
- Interest on other payables	1,374	1,700
Total	1,425	1,901

The following are included in the interest on other payables: interest paid on transactions under the Sabatini Act amounting to 422 thousand Euro, interest paid of 382 thousand Euro on medium and long-term borrowings and interest on other financial expenses of 570 thousand Euro.

The improvement in the Group's financial position has permitted a significant reduction of the interest paid.

The negative exchange differences of the 2004 financial year have been reflected net of the positive differences in an appropriate item called "Gains and losses on exchange". Accordingly the balances relating to the 2003 financial year were reclassified.

63) GAINS AND LOSSES ON EXCHANGE

	2004	2003
Positive exchange differences	1,569	1,802
Negative exchange differences	(1,710)	(1,968)
Total	(141)	(166)

This item includes the adjustments of the currency positions open as at 12/31/04.

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

64) WRITEDOWN OF EQUITY INVESTMENTS

The amount recorded in 2004 of 164 thousand Euro, relates to the provision raised to meet the writedown of the Parent Company's stake in the joint-ventures:

- Shenyang Prima Laser Machine Company Ltd (China) for 39 thousand Euro;
- SNK Prima Company Ltd. (Japan) for 125 thousand Euro.

In 2003 this item amounted to 49 thousand Euro.

EXTRAORDINARY INCOME AND EXPENSES

65) CAPITAL GAINS ON SALES

The amount of 12 thousand Euro refers to the capital gain generated by the sale of treasury stock by the parent company, for 11 thousand Euro and the capital gain generated by the sale of corporeal property by Prima Electronics for 1 thousand Euro. In the previous financial year this item amounted to 55 thousand Euro.

66) OTHER EXTRAORDINARY INCOME

The total amount of 106 thousand Euro relates to the receipt by Prima Electronics of research grants relating to the previous financial years (for 106 thousand Euro).

67) LOSSES ON DISPOSALS

This item amounts to 25 thousand Euro and was generated by the sale of treasury stock by the parent company.

68) OTHER EXTRAORDINARY EXPENSES

The extraordinary expenses totalling 165 thousand Euro refer to restructuring costs in respect of early retirement incentives.

69) INCOME TAXES FOR THE FINANCIAL YEAR

Current taxes

The item amounts to 2,198 thousand Euro compared to the 1,582 thousand Euro of the previous financial year.

RECONCILIATION BETWEEN ORDINARY AND ACTUAL RATE	Taxable income	Tax on income	Rate	IRAP	Rate
Income (loss) before tax	3,789	1,250	33.00	858	22.06
Losses – investees	164	54	1.42		
Dividends					
Permanent differences (increase)	581	192	5.07		
Temporary differences for use/allocation of provisions	296	98	2.58		
Temporary differences for grants received	(684)	(226)	(5.96)		
Temporary differences for prior period investee losses	(2,242)	(740)	(19.53)		
Other temporary differences	107	35	0.92		
Other differences - foreign companies		71	1.87		
Taxable amount - IRES	2,011	734	19.37		
Use of past losses - Parent Company	(298)	(98)	(2.58)		
TAXES FOR THE FINANCIAL YEAR	1,713	636	16.79	858	22.06
Use of the deferred tax provision included in current taxes		(284)		(36)	
Use of the prepaid tax credits included in current taxes		902		122	
Total		1,254		944	

Deferred taxes

It should be noted that the application of the accounting principle on deferred taxes had the following financial effects (deferred tax assets and liabilities):

	Deferred tax assets	Deferred tax liabilities
From the Financial Statements of the companies:		
• Prima Industrie SpA	209	(553)
• Prima Electronics SpA	35	(15)
From consolidation adjustments:		
• Capitalization of Prima Industrie's leased immovables and electronic machines	-	(49)
• Amortization of goodwill, software and start-up costs in Prima North America	57	-
• Reversal of intercompany margins	13	-
• Capital gain from granting licences to Shenyang Prima Laser Machine Company Ltd, Shanghai Unity Prima Laser Machine Company Ltd. and SNK Prima Company Ltd	(38)	-
Total movements arising out of consolidation adjustments	32	(49)
Total	276	(617)

Thus the net negative difference amounting to 341 thousand Euro affected the net result for the year just closed.

APPENDICES

The following appendices contain additional information to the Notes and form an integral part of same.

The aforesaid information is contained in the following schedules:

- Statement of changes in stockholders' equity in the financial years ended December 31, 2004 and 2003
- List of consolidated equity investments at 12/31/04
- Statement of changes in current assets: equity investments in subsidiaries and other companies
- Reconciliation between the Parent Company's Financial Statements and the Consolidated Financial Statements at December 31, 2004 relating to Stockholders' Equity and Profit.
- Statement of changes in intangible fixed assets for the financial year ended December 31, 2004.
- Statement of changes in tangible fixed assets for the financial year ended December 31, 2004.
- Summary of the highlights of the most recently approved Financial Statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code).
- Cash Flow Statement for the financial years ended 2004 and 2003.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2004 AND
2003

(in thousands of Euro)

Description	Capital stock	Share premium reserve	Revaluation reserves	Legal reserve	Treasury stock reserve	Other reserves	Conversion reserves	Profits (Losses) carried forward	Profit (loss) for the year	Total Stockholders' equity
Balance at 12/31/02	10,375	12,890	-	715	472	6,215	(124)	1,729	(5,024)	27,248
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Allocation of 2002 result	-	-	-	-	-	(4,880)	-	(144)	5,024	-
Increase in capital on 02/11/2003 reserved for institutional investors	1,125	2,843	-	15	-	-	-	-	-	3,983
Adjustment of Reserve for treasury stock	-	-	-	-	(149)	149	-	-	-	-
Exchange rate difference from reclassification conversion & other net movements from consolidation	-	-	-	-	-	-	(549)	-	-	(549)
Loss for the 2003 financial year	-	-	-	-	-	-	-	-	(2,953)	(2,953)
Balance at 12/31/03	11,500	15,733	-	730	323	1,484	(673)	1,585	(2,953)	27,729
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Allocation of 2003 result	-	(1,350)	-	-	-	(1,484)	-	(119)	2,953	-
Adjustment of Reserve for treasury stock	-	153	-	-	(153)	-	-	-	-	-
Exchange rate difference from reclassification conversion & other net movements from consolidation	-	-	-	-	-	-	(237)	-	-	(237)
Profit for the 2004 year	-	-	-	-	-	-	-	-	1,249	1,249
Balance at 12/31/04	11,500	14,536	-	730	170	-	(910)	1,466	1,249	28,741
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

LIST OF EQUITY INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES AT DECEMBER 31, 2004

COMPANIES INCLUDED IN THE CONSOLIDATION ON A LINE-BY-LINE BASIS

Name/ Registered Office	Currency	Capital stock	Stake 2004	Stake 2003
<i>Group Parent Company:</i>				
Prima Industrie S.p.A., Collegno (TO)	€	11,500,000	-	-
<i>Subsidiaries:</i>				
Prima Electronics S.p.A., Moncalieri (TO)	€	1,500,000	100%	100%
Prima North America, Inc. Massachusetts, USA	US\$	22,000,000	100%	100%
Prima Industrie GmbH, Kronberg, Germania	€	25,565	100%	100%
Prima Scandinavia AB, Goteborg, Svezia	SEK	100,000	100%	100%
Prima Industrie UK Ltd. – Coventry, U.K.	GBP	1	100%	-

STATEMENT OF CHANGES IN CURRENT ASSETS
EQUITY INVESTMENTS IN SUBSIDIARIES AND OTHER COMPANIES

(in thousands of Euro)

Description	Accounting position	Movements during the year		Final position	Stake
	Original cost 1/1/04 valued according to the cost method	Increases	Decreases	Balance at 12/31/04	
Unionfidi Soc. Coop. a r.l. Via Nizza 262/56 Torino	0.1		-	0.1	-
Fidindustria Soc. Coop. a r.l. Via Torino 56 Biella	-	0.1	-	0.1	-

THE PRIMA INDUSTRIE GROUP

RECONCILIATION BETWEEN THE PARENT COMPANY'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2004 RELATING TO STOCKHOLDERS' EQUITY AND PROFIT

(in thousands of Euro)

	S.E at the start of the year	Increase in capital	Increases/ (Decreases) in Stockholders' Equity	Income (loss) for the financial year	Stockholders' equity at the end of the year
As per Prima Industrie S.p.A.'s Financial Statements at 12/31/04	28,065	-	-	827	28,892
Annual Financial Statements of companies consolidated using the full consolidation method	7,558		817	900	9,875
Adjustments to bring the Financial Statements into line with proper accounting principles					
Group accounting :	(1,055)		100	(274)	(1,229)
➤ Amortization of intangible fixed assets	410			131	541
➤ Capitalization of leasing					
Consolidation adjustments:					
➤ Elimination of book value of the equity investments	(6,934)		(1,762)	217	(8,479)
➤ Reversal of infra-group margins	(550)		8	(38)	(580)
➤ Reversal of dividends of Prima Electronics	-		-	(600)	(600)
➤ Reversal of China and Japan licences	(257)			103	(154)
➤ Recording of net deferred taxes	492			(17)	475
➤ Minority interest in equity and result	-				
As per consolidated Financial Statements	27,729	-	(237)	1,249	28,741

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of Euro)

Fixed assets (figures in thousands of Euro)	Balance 1/1/2004	Movements during the year			Balance 12/31/2004
		Additions	Net disinvestments and reclass. (*)	Amortization, Depreciation and writedowns	
Plant and expansion costs	33	-	-	(33)	-
Research, development and advertising costs	-	-	-		
Industrial patent and intellectual property rights	122	147		(104)	165
Concessions, licences, trademarks and similar rights	8	-	-	(1)	7
Goodwill	2,506	57	(137)	(386)	2,040
Assets under construction and advances	-	-	-		
Other intangible fixed assets	1,176	118	(47)	(202)	1,045
Total	3,845	322	(184)	(726)	3,257

(*) This value also includes the exchanges differences originating in 2004.

STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2004

(in thousands of Euro)

Fixed assets	Initial position				Movements during the year				Final position			
	Original cost	Revaluations	Accum. Deprec.	Balance 1.1.2004	Additions	Disposals	Utilization of Accum. Deprec (*)	Depreciat.	Original cost	Revaluations	Accum. Deprec	Balance 12/31/2004
Land and buildings	2,508	834	(493)	2,849	84			(117)	2,592	834	(610)	2,816
Plant and machinery	3,109	11	(2,309)	811	247	(126)	137	(216)	3,230	11	(2,388)	853
Industrial and commercial equipment	4,231	-	(3,491)	740	261	(80)	81	(304)	4,412		(3,714)	698
Other tangible assets	4,735	6	(4,087)	654	164	(296)	478	(330)	4,603	6	(3,939)	670
Assets under construction and advances	-	-	-	-	7				7			7
Total	14,583	851	(10,380)	5,054	763	(502)	696	(967)	14,844	851	(10,651)	5,044
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

(*) The item "Utilization of accumulated depreciation" is calculated net of any consolidation reclassifications and exchange rate differences.

SUMMARY OF THE HIGHLIGHTS OF THE MOST RECENTLY APPROVED FINANCIAL STATEMENTS OF SUBSIDIARIES AND ASSOCIATED COMPANIES (ART. 2429 of the Italian Civil Code)

	Prima Electronics S.pA	Prima North America Inc.	Prima GmbH	Prima Scandinavia AB	Prima Industrie UK LTD	Shenyang Prima Laser Machine	SNK Prima Company LTD.	Shanghai Unity Prima	Macro Meccanica Spa in liquidazione	Mechanical Industries
Currency of account	Thousands of Euro	Thousands of US\$	Thousands of Euro	Thousands of SEK	Thousands of GBP	Thousands of RMB	Thousands of Yen	Thousands of RMB	Thousands of Euro	Thousands of Euro
Reference period of the Financial Statements	2004	(*) 2004	2004	2004	2004	2004	Half-yearly 09/30/04	2004	2001	2001
Included in the area of consolidation (line-by-line)	YES	YES	YES	YES	YES	NO	NO	NO	NO	NO
<u>ASSETS</u>										
Fixed assets	1,745	5,279	-	166	13	1,645	35,514	6,347	-	1,809
Current assets	11,482	21,128	36	4,666	2,110	17,520	21,115	66,487	503	1,098
Accrued income and prepaid expenses	19	2	-	99	-	-	-	-	-	457
Total Assets	13,246	26,409	36	4,931	2,123	19,165	56,629	72,834	503	3,364
<u>LIABILITIES</u>										
Stockholders' equity	6,038	5,142	(159)	540	113	3,379	56,526	24,024	(1,222)	492
Provision for risks and charges	220	2,215	2	-	56	-	-	-	410	-
Employees' severance pay	1,226	-	-	-	-	-	-	-	35	383
Payables	5,735	19,052	193	4,333	1,930	15,786	103	48,810	1,280	2,472
Accrued expenses and deferred income	27	-	-	58	24	-	-	-	-	17
Total Liabilities	13,246	26,409	36	4,931	2,123	19,165	56,629	72,834	503	3,364
<u>INCOME STATEMENT</u>										
Sales	14,890	36,064	-	18,549	3,440	24,451	-	37,298	-	2,997
Value of production	15,210	36,077	1	18,674	3,637	24,451	-	37,298	15	3,237
Costs of production	(13,485)	(35,793)	(9)	(19,281)	(3,489)	(24,513)	(6,841)	(29,334)	(304)	(3,094)
Difference between value and costs of production	1,725	284	(8)	(607)	148	(62)	(6,841)	7,964	(289)	143
Financial management	-	(400)	-	(53)	(35)	(1,035)	-	17	(5)	(37)
Extraordinary management	107	(80)	-	-	-	216	-	-	507	(2)
Taxes	(846)	(18)	-	-	-	-	-	-	-	(103)
Net profit (loss)	986	(214)	(8)	(660)	113	(881)	(6,841)	7,981	213	1

(*) For the purposes of drawing up the Consolidated Financial Statements they were reclassified in terms of the EC Directive

THE PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE FINANCIAL YEARS ENDED 2004 AND 2003 (in thousands of Euro)

	2004		2003	
A) Opening net financial position	(22,323)		(39,254)	
B) Cash flow from operations	3,327		(9)	
• Net profit (loss)	1,249		(2,953)	
• Amortization/Depreciation	1,693		2,002	
• Employees' severance pay provisions	36		456	
• Net provisions raised to the provision for risks and charges	359		297	
• Provision raised to the equity investment devaluation reserve	164		49	
• Provision raised to the provision for doubtful accounts	(174)		140	
C) Cash flow from changes in current assets	4,540		15,004	
• Net decrease / (Increase) in inventories	417		6,512	
• Net decrease / (Increase) in trade accounts receivable	954		11,653	
• Decrease / (Increase) in other sundry receivables	(120)		1,190	
• Decrease / (Increase) in other financial assets	153		148	
• Decrease / (Increase) in accrued income & prepaid expenses	(265)		(20)	
• (Decrease) / Increase in advances from customers	(195)		314	
• (Decrease) / Increase in trade accounts payable	1,863		(3,858)	
• (Decrease) / Increase in other payables	1,719		(567)	
• (Decrease) / Increase in accrued expenses & deferred income	14		(368)	
D) Cash flow from changes in fixed assets	(926)		(1,498)	
• Decrease / (Increase) in intangible fixed assets	(81)		(355)	
• Net decrease / (Increase) in tangible fixed assets	(957)		(643)	
• (Decrease) / (Increase) in equity investments	(46)		(520)	
• Decrease / (Increase) in other financial fixed assets	158		20	
• Decrease / (Increase) in guarantee securities	-		-	
E) Movements in Stockholders' Equity	(236)		3,434	
• Dividends paid to minority			-	
• Increase in capital stock and share premium reserve			3,968	
• Changes in other reserves (inclusive of the conversion reserve)	(236)		(534)	
• Decrease of minority interest in capital and reserves (net)	-		-	
F Closing net financial position	(15,618)		(22,323)	
• Amounts due to banks	(19,002)		(22,888)	
• Amounts due to other lenders	(3,314)		(3,042)	
• Cash and cash equivalents	6,448		3,607	
• Liquidity invested in repurchase agreements and/or government securities	250		-	

PRIMA INDUSTRIE GROUP

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS TO 12/31/2004

Shareholders,

In fulfilment of the provisions of paragraph 3 of article 41 of Legislative Decree No. 127, dated 04/09/91, the Board of Statutory Auditors has examined the consolidated financial statement to December 31, 2004, drawn up in conformance with articles 25 and 27 of the aforementioned legislative decree, which was delivered to the Board of Directors on February 28, 2005.

The consolidated financial statements of the Prima Industrie Group, which are available for your examination, identify profits of 1,248,627 euros.

In the course of its duties, and as prescribed by law, the Board of Statutory Auditors carried out monitoring activities, and was regularly informed by the parent company's Board of Directors of major economic and financial transactions, including extraordinary operations, performed as part of Group relations.

We ascertained that transactions that were resolved and put into effect, conformed to legislative requirements and to the articles of association, that they did not diverge from the resolutions of the Shareholders' Meetings, showed no potential conflict of interest and were based on principles of proper administration.

The Board paid particular attention to ensuring that intragroup operations, mainly commercial in nature, were performed correctly. When necessary, the parent company supported its subsidiaries financially, and during the year, converted financial credits worth 2 million dollars into capital for Prima North America Inc.

Controls by the independent auditors, PricewaterhouseCoopers S.p.A., reveal that the values expressed in the consolidated statement conform to the results of the Parent company, to the balance sheets of the subsidiaries and to all relevant information formally passed on by them.

Balance sheets, drawn up by the competent company departments and transmitted by the subsidiaries to the parent company for the purpose of completing the consolidated financial statement, were examined by the bodies and organisations designated to monitor individual companies and by PricewaterhouseCoopers S.p.A., during procedures for auditing the consolidated financial statement.

The Board of Auditors, therefore, did not control these balance sheets.

The Board of Auditors reports that the balance sheets of the subsidiary companies Prima Electronics S.p.A. and Prima North America Inc. were independently certified by PricewaterhouseCoopers S.p.A., who is also responsible for certifying the parent company's financial statement sheet.

We obtained information from the Independent Auditors regarding the report that they will issue in compliance with article 156 of Legislative Decree No. 58/1998, which will state that the consolidated statement: *"conforms to the regulations which govern its preparation, and hence has been drawn up with clarity and present the true and correct financial position and operating result of the Group"*.

In conformance with article 29 of Legislative Decree No. 127/91, the Financial Statement is made up of the Balance Sheet, the Income Statement and the Supplementary Notes.

As in previous years, the Board of Directors has drawn up a single Report on Operations, which contains all information pertaining to the parent company and to individual subsidiary companies.

The report illustrates the economic and financial position of all consolidated companies, their operating performance during 2004 and expected developments for 2005.

Having examined this report, we confirm that it corresponds to the Group's consolidated statement.

The Supplementary Notes highlight the general drafting criteria for the consolidated financial statements, as well as the criteria used for assessing individual items, as prescribed by article 38 of Legislative Decree No. 127/91.

The area of consolidation, the principles for equity consolidation and relevant procedures were all determined in accordance with Legislative Decree No. 127 of 04/09/1991. Preparation of the consolidated financial statements can therefore be considered technically correct and fully conformant to specific legislative regulations.

The Board of Statutory Auditors affirms that:

- The Consolidated Financial Statements of the Prima Industrie Group are comprised of the Financial Statements of Prima Industrie S.p.A, which is the parent company, Prima Electronics SpA, Prima North America Inc., Prima Industrie GmbH, Prima Industrie UK Ltd., and Prima Scandinavia AB, which are all wholly-owned subsidiaries;
- the companies in which Prima Industrie has invested and which are not subject to line-by-line consolidation are Shenyang-Prima Laser Machine Company Ltd, SNK Prima

Company Ltd, MLTA S.r.l. and Shanghai Unity Prima Laser Machine Company Ltd. The Board took note that shareholdings in Rambaudi Industriale S.p.A., Macro Meccanica S.p.A., in receivership, and Mechanical Industries Srl were already cancelled in the 2002 financial statement;

- the subsidiaries are included in the consolidated accounts using the full consolidation method, which essentially consists of the assumption of the assets and liabilities, as well as the income and expenditure of individual subsidiary companies. the effects of adjustments made purely to comply with tax legislation have been eliminated, within the Group;
- every item of the 2004 Balance Sheet and the Consolidated Income Statement has been placed alongside its corresponding amount for 2003;
- the control techniques used during preparation of the financial statement placed at your disposal adequately ensure that the data transmitted by investee companies have been correctly utilised;
- assets and liabilities have been evaluated using uniform criteria, similar to those used in the annual financial statement of the parent company (articles 34 and 35 of Legislative Decree No. 127/91);
- tangible fixed assets include assets that were revalued in terms of the provisions of Laws 576/1975, 72/1983 and 342/2000;
- adjustments to the financial statements to reverse fiscal items and other consolidation adjustments are made in consideration of their deferred effect;
- commitments and memorandum accounts are written at the foot of the balance sheet;
- the negative exchange difference amounting to 909,471 euros, originates from application of the average rate of exchange for the financial year to the Income Statement items and of the current rate of exchange at year-end to the Balance Sheet items (excluding Shareholders' equity) in converting the Financial Statements expressed in a currency other than the legal tender of the state. This item increased by 236,000 euro with respect to the previous year, mainly due to the course of the US dollar;
- the provision for income taxes stands at 1,515 thousand euros and includes liabilities for deferred taxes set aside in accordance with Accounting Principle No. 25, issued by the Italian National Council of Accountants and Bookkeepers (CNDCCR);
- the annual financial statement does not include the amount of deferred tax assets for subsidiary companies deriving from recorded fiscal losses;

- with regard to the obligation of drawing up the financial statements in line with the IFRS standards, which will come into effect with the 2005 financial year, a working group has been set up with the task of planning the implementation of international accounting principles.

The Board of Auditors also confirms that:

- ◆ The financial statements show consolidated net assets of 28,741,263 euros with the parent company's net assets standing at 28,892,248 euros;
- ◆ The Supplementary Notes are accompanied by the following schedules:
 - Statement of changes in stockholders' equity in the years to December 31, 2004 and 2003;
 - List of consolidated equity investments at 12/31/2004;
 - Statement of changes in current assets: equity investments in subsidiaries and other companies;
 - Reconciliation between the Financial Statements of the Parent Company and the Consolidated Financial Statement at December 31, 2004 relating to the Shareholders' Equity and Profit;
 - Statement of changes in intangible fixed assets for the financial year to December 31, 2004;
 - Statement of changes in tangible fixed assets for the financial year to December 31, 2004;
 - Summary of the highlights of the most recently approved Financial Statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code);
 - Cash flow Statements for the financial years 2004 and 2003.

Shareholders,

Based on its investigations, the Board of Statutory Auditors agrees with the content and form of the Group Consolidated Financial Statement to December 31, 2004.

Collegno, March 15, 2005

Board of Statutory Auditors

(Riccardo Formica) - Chairman

(Andrea Mosca) - Statutory Auditor

(Roberto Petrignani) - Statutory Auditor