PRIMA INDUSTRIE

HALF-YEARLY REPORT AT JUNE 30, 2005

***

Version approved by the Board of Directors on September 28, 2005

PRIMA INDUSTRIE SpA	Paid-in Capital Stock 11,500,000 Euro Registered in the Turin Company Register under No.03736080015 Turin R.E.A. No. 582421 Registered offices in Collegno (Turin) Via Antonelli, 32 Web site: http://www.primaindustrie.com e-mail: prima.dg@primaindustrie.com
Board of Directors	***Chairman and Chief Executive Officer*** Gianfranco Carbonato ***Directors*** Sandro D'Isidoro Fabrizio Lugaresi Mario Mauri Domenico Peiretti Pio Pellegrini (**) (***) Marco Pinciroli (**) ***Secretary*** Massimo Ratti
Corporate General Manager	Alberto Delle Piane
General Manager	Ezio Basso
BOARD OF STATUTORY AUDITORS (****)	***Chairman*** Riccardo Formica ***Statutory Auditors*** Andrea Mosca Roberto Petrignani ***Alternate Auditors*** Roberto Coda Gianluigi Frigerio
AUDITING COMPANY	PricewaterhouseCoopers SpA

(*) Appointed at the Stockholders' Meeting held on May 13, 2005 for the three-year period 2005-2007
(**) Independent director
(***) Appointed at the Stockholders' Meeting held on September 8, 2005 for the three-year period 2005-2007
(****) Appointed at the Stockholders' Meeting held on May 14, 2004 for the three-year period 2004-2006

POWERS RELATING TO COMPANY APPOINTMENTS
In terms of resolutions dated May 13 and June 7 the Board of Directors appointed Gianfranco Carbonato as the Chief Executive Officer and determined his powers.
In terms of article 25 of the Articles of Association, the Chairman and the Chief Executive Officer are the legal representatives of the company.

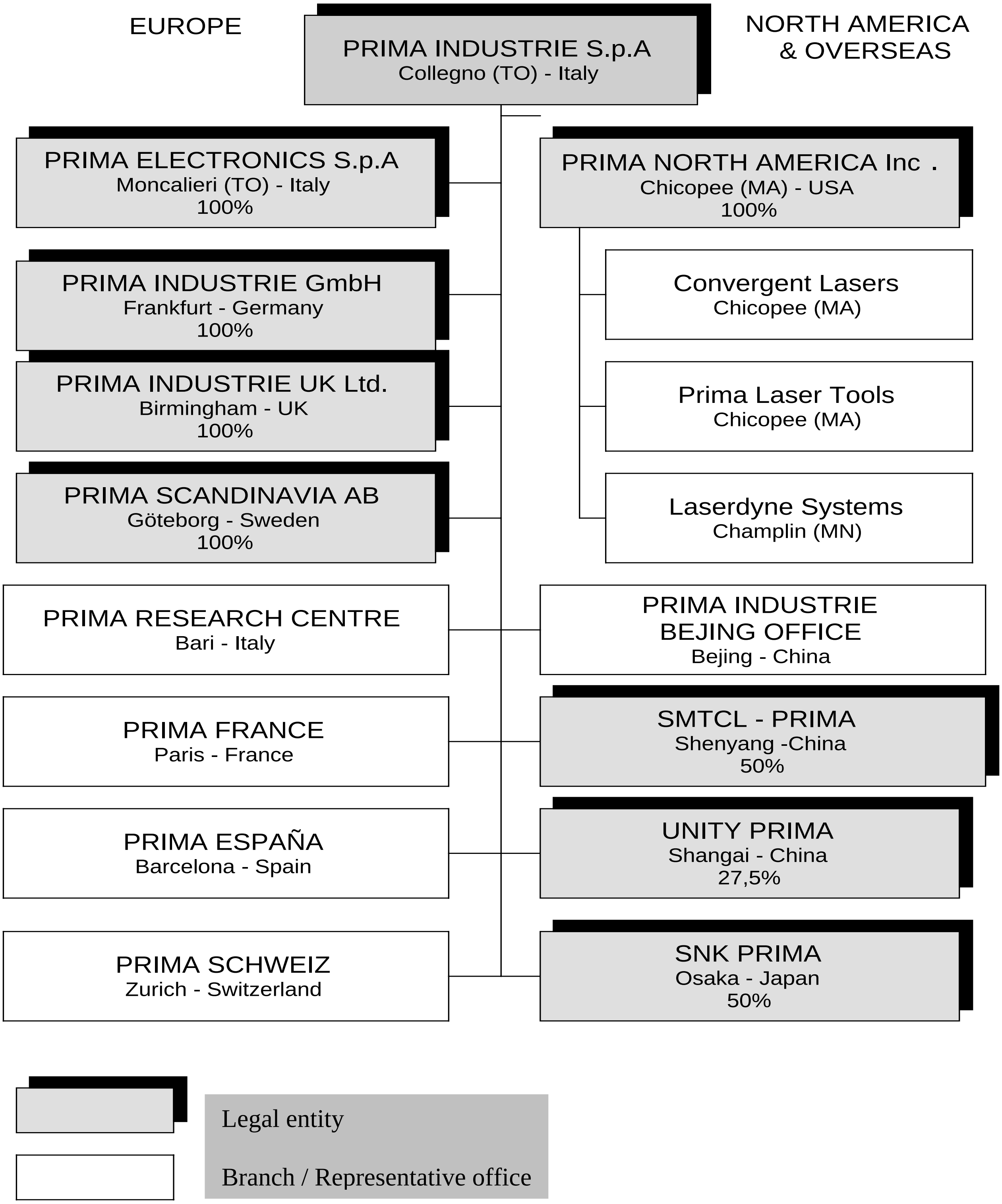
Index

Index

Index

APPENDICES:

1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP



2. INTRODUCTION

NORMATIVE FRAMEWORK

In the application of European Regulation No. 1606 dated July 19, 2002 and in accordance with section 81 of Regulation No. 11971 on Issuers, as amended by Consob regulation No.14990 of April 14, 2005, the Prima Industrie Group has prepared the half-yearly report at June 30, 2005 in conformity with the International Accounting Principles approved by the European Commission (hereinafter referred to individually as IAS/IFRS or together, as IFRS).

The half-yearly report at 06/30/2005, in compliance with paragraph 8 of IAS 34 ("Interim Financial Statements"), includes the following minimum components:

a) Summarized Balance Sheet;
b) Summarized Income Statement;
c) Summarized statement of changes in stockholders' equity
d) Summarized cash flow statement and
e) Specific explanatory notes as required by paragraph 16 of IAS 34.

Moreover, in accordance with paragraph 3 of section 81 of the Issuers Regulation No. 11971 referred to above, the half-yearly report also includes the accounting statements of the parent company, prepared in accordance with Italian Accounting Principles (local GAAP) because these statements will also be used for the Annual Financial Statements at December 31, 2005. Reference will be made to these principles when information relating to the Parent Company is set out.

Similarily, the information relative to the Financial Statements of the other subsidiary companies of the Group is shown using local GAAP.

The information included in the half-yearly report as at December 31, 2004 re-determined in accordance with IFRS, approved at the date of this interim report, is the information that will be published for comparative purposes in the Consolidated Financial Statements of the Group at December 31, 2005. For certain aspects, the adjustment and interpretation activities of the official bodies set up in this regard and the necessary approval process by the European Commission is currently underway. It follows that as at date hereof, it is still possible that such information will undergo change in the course of the next few months.

GENERAL INFORMATION

Founded in 1977, PRIMA INDUSTRIE S.p.A. ("the company") designs, manufactures and markets high powerl laser systems for cutting, welding and surface treatment of three-dimensional (3D) and flat (2D) components.

During the period 1995 – 2001, after focusing the strategic business on laser systems for industrial applications, the Company has continuously recorded double-figure growth rates, simultaneously becoming one of the leaders in the laser systems market. More recently, maintaining its own leadership in three-dimensional applications, Prima Industrie has also become an important manufacturer on the market relating to the laser cutting of flat surfaces, thanks to its strong commitment to product innovation and its extensive sales and customer service network.

Together with its subsidiary company Prima Electronics S.p.A., Prima Industrie has accumulated significant skill and know-how in the industrial electronics field, as well as in control technology and real-time software, success factors in the continuous innovation of the product necessary to maintain its leadership in a high-tech sector with highly developmental dynamics.

In May 2000, the Company acquired Convergent Energy Inc. in America. Through this acquisition the Prima Group integrated the knowledge required to internationalize its design and manufacture of CO_2 and solid state lasers, in addition to strengthening its own presence on the US market.

In April 2001, the Company acquired the net assets of the Laserdyne Division from GSI Lumonics – the division is a leader in the design, manufacture and sale of multi-axis laser systems, especially in the field of precision micro-boring, cutting and welding for the aero-space and energy industries. Thanks to this acquisition, the Prima Group has broadened its presence in North America and in the aerospace market.

In 2002, the USA activities were combined and consolidated into a single legal entity - Prima North America Inc. - located at two productive premises: Chicopee in Massachusetts (Convergent Lasers and Prima Laser Tools) and Champlin in Minnesota (Laserdyne Systems).

In 2003, the Company increased its presence on the Asian market, where it currently also operates through three Joint Ventures, two in China and one in Japan.

During the period 2004-2005, the Company further consolidated its sales and service structures in Europe through the incorporation of Prima Scandinavia AB and Prima Industrie UK Ltd., as well as through the acquisition by Prima Industrie GmbH of the activities of the previous German distributor. In addition to the three companies mentioned above there are also the branch offices in Spain, France, Switzerland and China, as well as the Research and Development centre set up in Bari in 2003.

The Prima Group's mission is to systematically expand the range of its production and services and to continue to grow as a world supplier of laser systems and solutions for industrial applications and industrial electronics - markets that are characterized by high technology with elevated growth rates.

The Parent Company, Prima Industrie S.p.A., has been listed on the Italian Stock Exchange since October 1999 (currently STAR section); the company has its registered office and its business premises in Collegno (TO), via Antonelli 32.

This half-yearly report was approved by the Board of Directorson September 28, 2005.

3. BUSINESS TREND

REVENUES AND PROFITABILITY

The consolidated income for the first half of 2005, valued in compliance with IAS 18 (which directive provides for the recognition of revenue generally at the time of the end-customer's acceptance of the project) amounts to 46,370 thousand Euro.
This figure is slightly down compared to 06/30/04 (it was 48,810 thousand Euro) mainly as a result of the depreciation of the US Dollar, the currency in which approximately 30% of the Group's sales are expressed, as well as an increase (compared to the same period in the previous year) in the number of machines delivered, which have not yet completed the steps required for the customer's final approval (transport, installation, training).
In the face of the above, the production volume is substantially stable, fixed at 50,311 thousand Euro at 06/30/2005 (it was 50,762 thousand Euro at 06/30/04).

28.4% of the sales were effected in Italy, (27,3% at 06/30/04), 42.6% in Europe (39.4% at 06/30/04), 16.9% in North America (21.4% at 06/30/04) and 12.1% in Asia and the rest of the world (11.8% at 06/30/04). As usual these revenues do not consolidate the turnover of the Japanese and Chinese Joint Ventures, where the Group does not hold a controlling interest.

At a profitability level, the Group's EBITDA, equal to 2,861 thousand Euro, grew by 6% compared to the 2,699 thousand Euro at 06/30/04.
Consolidated EBIT improved and was fixed at 2,281 thousand Euro, equal to about 5% of sales (2,116 thousand Euro at 06/30/04, equal to 4.3% of sales). This was also the situation with the profit before tax that amounted to 1,749 thousand Euro for the period (1,492 thousand Euro at 06/30/04).

The net profit showed a significant improvement (up 63%) and was fixed at 777 thousand Euro compared to the 476 thousand Euro of the previous financial year. This was due to less tax as a result of Prima North America's contribution to the profit before tax, which company benefits from tax losses brought forward.
It follows that the profit per share for the period, taking into account the average number of treasury stock held in the six months, amounts to 0.17 Euro per share (compared to 0.10 Euro per share at 06/30/04).

ORDER ACQUISITION AND THE ORDER PORTFOLIO

As at 06/30/05 the consolidated order acquisition amounted to 51,417 thousand Euro, slightly up when compared to the 50,596 thousand Euro of the previous financial year. In addition, the 8% increase in the order portfolio is significant - this amounts to 39,073 thousand Euro compared to the 36,237 thousand Euro at 06/30/04.

It should also be noted that the improving trend in the sales results accelerated in July and August, bringing the order portfolio at 08/31/05 to in excess of 46 million Euro, a figure which is in line with the sales for the entire first half of the current year.

NET FINANCIAL POSITION

	06/30/05	12/31/04	06/30/04
CASH AND CASH EQUIVALENTS	10,337	6,448	4,853
SHORT-TERM BORROWINGS FROM BANKS AND OTHER LENDERS	(9,185)	(9,711)	(6,628)
MEDIUM/LONG-TERM PAYABLES DUE TO BANKS AND OTHER LENDERS (*)	(15,779)	(12,156)	(16,959)
TOTAL NET EXPOSURE TO THE CREDIT SYSTEM	(14,627)	(15,419)	(18,734)

(*) Also includes the leasing charges and the debt items relating to the Sabatini pro-solvendo transactions in existence. These items amount to 2,348 thousand Euro at 06/30/05 (they were 2,860 thousand Euro at 12/31/04).

The net financial position highlights the overall exposure to credit institutions and other lenders (including the Ministry of Productive Activities and leasing companies).
The net financial position (-14,627 thousand Euro at 06/30/2005) has improved by an amount of approximately 0.8 million Euro compared to 12/31/2004 (-15,419 thousand Euro) and by almost 4.2 million Euro compared to 06/30/04 (-18,734 thousand Euro) mainly due to efficient management of the working capital and in spite of the increase in contract work in progress in the expectation of an increase in the sales volumes in the second-half of the financial year.
During the six months the activity of repaying the medium/long-terms loans continued and an amount of 1,837 thousand Euro was repaid. In the face of this the Group entered into new loans for a total of 8,000 thousand Euro of which 3,000 thousand Euro has not yet been utilized.

The ratio between the net financial position (mainly medium/long-term) and stockholders' equity estimated on the basis of IAS/IFRS principles is fixed at 0.56 as against 0.74 at 06/30/04.

RESEARCH AND DEVELOPMENT

Research and Development during the six months, totalling 3,729 million Euro (3,530 million Euro as at 06/30/04) was, as usual, accounted for in the Income Statement.

As regards the parent company, PRIMA INDUSTRIE S.p.A. (and with the intervention of the subsidiary, Prima Electronics insofar as the numeric control software was concerned), the activity carried out was mainly concerned with the Syncrono project, the revolutionary 2D machine based on a parallel kinematics head capable of an acceleration performance (6g) that is double that of the best machines on the market. The basic development activities, with the launching of a pre-series were completed during the semester.
It was with great satisfaction that we were able to record that the launching of the new 2D machine on the market during the EMO fair, which was held at Hanover from September 14 - 21, 2005, was very successful.

At the same time important developments were also completed as regards the main 2D product (PLATINO) namely, a new 10" focal head and, in collaboration with Prima Electronics, the new CN technological tables that allow for greater flexibility and productivity.
During the period the developments relating to the new family of direct motor 3D heads were also completed. These were put into production from June 2005.

In addition, PRIMA INDUSTRIE S.p.A. continued with the programme relating to the PAMELA and RESALT projects; in fact, during the semester the technical and administrative inspection at the laboratories in Bari relating to the PAMELA project was successfully held and on 07/15/05 the inspection relating to the RESALT project was positively completed.
The company is now awaiting the grant that has become due for these projects, which should exceed 2 million Euro.

As regards Prima North America, the Research and Development activity was concerned with the development of new products, as well as the improvement of existing products and processes. In particular Convergent, in addition to developing a more powerful model of the CP lasers, which are currently installed on the Prima Industrie machine, worked to improve the solid state power supply for the CO2 lasers and introduced new controls for the CO_2 and YAG lasers.
Laserdyne continued with the development of a new 3D machine that will use the Laserdyne CNC software and which will integrate a new compact head with direct motors.

TREASURY STOCK AND THE STOCK TREND

As at 06/30/05 Prima Industrie S.p.A. held 26,500 ordinary shares (equal to approximately 0.58% of the capital) at an average weighted price of 8.8851 Euro per share. These shares were acquired in the performance of the mandate granted at the Ordinary Shareholders' Meeting held on May 14, 2004.

In view of the bullish trend of the stock during July and August 2005 the Company arranged to sell a large number of treasury stock at a profit.
As a result, at 08/31/05 the Company held 3,250 ordinary shares in portfolio (0.07% of the capital) at an average weighted price of 11.9383 Euro.

On 9/8/2005 the Stockholders' meeting of Prima Industrie revoked the prior mandate to buy and sell treasury stock and gave authorization to buy and sell a maximum of 200,000 shares of treasury stock (equal to approximately 4.3% of the subscribed and paid-up capital stock) for a period of 18 months from the date of the resolution.
This new buy-back resolution envisages a minimum buying and selling price of 2.5 Euro per share (equal to the par value) and a maximum buying and selling price equal to 17.533 Euro (which equates to the highest reference price recorded in the 48 months preceding July 25, 2005). Moreover, the maximum selling price can be established on the basis of terms and procedures deemed expedient, from time to time. As far as off-market deals are concerned, the agreed price must not give rise to any loss for the Company.

We set out hereunder the stock trend from the beginning of the year until the date of this report which highlights a trend of consistent growth from the start of the year:

Earnings per share and dividend per share

(a) Basic earnings per share

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

In the first half of the year, the stock in circulation amounted to 4,600,000 shares, whereas the average treasury stock held in the period was 11,217 shares; thus the earnings per share in respect of the first half of 2005 amounted to 0.17 Euro per share (compared to 0.10 Euro per share for the first six months of 2004).

Earnings per share

	06/30/05	06/30/04
Profit due to stockholders (Euro/1,000)	777	476
Weighted average number of ordinary shares	4.588.783	4.559.015
Basic earnings per share	0,17	0,10

(b) Diluted earnings per share

The diluted earnings per share is determined by dividing the profit due to the stockholders of the Parent Company, by the average number of shares in circulation during the period, corrected by the potential number of shares, represented by the subscription rights. The estimate of the potential number of shares is determined as a probable estimate of the number of shares that can be subscribed for, at the exercise price, given the value of the option.

As at 06/30/05, since no subscription rights on PRIMA INDUSTRIE's shares were in circulation, the diluted profit per share was not calculated.

(c) Dividend per share

On 05/13/05 the Stockholders' Meeting resolved to pay a dividend per share on the 2004 profit of 0.14 Euro, to be paid to all the shares in circulation, excluding treasury stock held in portfolio as at the cutoff date for the said dividend. At 05/13/05 the treasury stock held amounted to 7,500 shares and thus the amount of the dividend to be paid totaled 642,950 Euro.
Insofar as 9,000 treasury stocks were held by the company at the cutoff date (05/23/05) the dividend payment which took place on 05/26/05 actually amounted to 642,740 Euro.

SUBSEQUENT EVENTS

MERGER WITH FIDIA S.p.A.

On 6/7/05 Prima Industrie S.p.A. and Fidia S.p.A. announced their intention to commence an operation which would see the merger by means of incorporation of Fidia S.p.A. into Prima Industrie S.p.A.
The operation was aimed at fulfilling the strategic objectives of both companies by allowing Prima Industrie to extend its business lines in additional sectors, whereas Fidia would have been able to achieve a size more suited to covering the global market. In particular, the integration was to have allowed for a better penetration into the new markets, the rationalization of structural costs in the Countries in which both companies are currently active, as well as the achievement of critical mass and greater efficiency in the industrial electronics and numerical control sector.

Accordingly, the merger was to have allowed important synergies to be realized, as well as improving the "gearing ratio" to pursue further growth projects.

The merger process followed the procedure established by the regulations with the filing of the required documents and with the enacting by the Boards of Directors of the two companies of an exchange ratio equal to 1 newly issued ordinary share of Prima Industrie S.p.A. against every 2.4 ordinary shares of Fidia S.p.A.
This exchange ratio, based on a DCF type analysis (Discounted Cash Flow) performed on the triennial development plans prepared by both companies, was supported by a fairness opinion given by Banca Intesa issued on 6/28/05 and confirmed by an expert report from Mazars & Guerard dated 8/3/05.

On 8/24/05 Fidia S.p.A. released its preliminary financial results relating to the second quarter of 2005, which highlighted a Group trend that was significantly more negative in terms of profitability compared to the forecasts. As a result of the above, on 9/2/05, despite reaffirming the strategic and industrial validity of the operation, as well as the growth strategy of the company as regards external lines, PRIMA INDUSTRIE S.p.A.' s Board Of Directors decided that it could no longer support the operation on the terms and conditions as contained in the merger project approved by the respective Boards on 6/28/05 in view of the significant negative impact that the merger would have had on the profitability and on the dividend policy of the incorporating Company.

During an extraordinary meeting held on 9/8/05, the Stockholders', having noted the decision of the meeting of the Board of Directors held on 9/2/05, resolved not to proceed with the merger by incorporation of Fidia S.p.A. into PRIMA INDUSTRIE S.p.A. on the terms and conditions as contained in the original merger project dated 6/28/2005;

ACQUISITION OF THE MATRA LASER MACHINES DIVISION

During May 2005, PRIMA INDUSTRIE S.p.A. signed an agreement with Matra-Werke GmbH (Frankfurt - Germany), a company forming part of the Linde AG Group, for the acquisition of the Laser Machines Division of Matra.

Since 1995 Matra-Werke's Laser Machines Division has been PRIMA INDUSTRIE's partner for the distribution and service of laser systems for the German market (where PRIMA INDUSTRIE has approximately 200 machines installed). With effect from July 1, 2005, the division was integrated within Prima Industrie's world organization.

The acquisition by PRIMA INDUSTRIE took place through its subsidiary Prima Industrie GmbH, which acquired the assets and liabilities of Matra's Laser Machines Division, simultaneously taking on the employees of the branch of the business forming the object of the acquisition (ten sales and service technicians).
Over the last few financial periods, the sales achieved by the branch of the business that was acquired, were between 7 and 10 million Euro and the acquisition will generate additional annual consolidated income of approximately 2 million Euro.

The assets of the transaction (comprised mainly of spare parts and machines) amount to approximately 1.9 million Euro compared to liabilities of approximately 1 million Euro; the price, equal to approximately 0.9 million Euro, will be paid to the seller when PRIMA INDUSTRIE collects the proceeds of the sales of the machines, from the customers and in any event, at the latest, by 3/31/2006. Accordingly, the operation will have a marginal impact on the net financial position of the Prima Industrie Group.

4. TREND OF THE MAIN COMPANIES OF THE GROUP

4.1 Accounting principles and general comment

As referred to in paragraph 2 (Introduction - Normative Framework) the Financial Statements of the Parent Company PRIMA INDUSTRIE S.p.A, as well as those of Prima Electronics S.p.A., were prepared using Italian Accounting Principles. The Financial Statements of the main foreign subsidiary company, Prima North America Inc., were drawn up as in the past, using the US GAAP.

As the table below highlights, all three main Companies of the Group have achieved sales that were either stable at 06/30/05, or grew slightly compared to the same period of the previous financial year and showed positive results in terms of profitability improvement compared to 06/30/04.

SUMMARY OF THE MORE SIGNIFICANT INCOME PARAMETERS AND INDICES

(drawn up in accordance with local GAAP – figures expressed in thousands of Euro)

	PRIMA INDUSTRIE S.p.A.				Prima Electronics S.p.A.				Prima North America Inc.				Other subsidiary companies			
	06/30/05		06/30/04		06/30/05		06/30/04		06/30/05		06/30/04		06/30/05		06/30/04[3]	
	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%
Sales	31,052	100.0	31,114	100.0	8,213	100.0	7,003	100.0	14,021	100.0		100.0	1,669	100.0	3,506	100.0
MOL/EBITDA	1,271	4.1	1,292	4.2	1,201	14.6	979	14.0	800	5.7	(168)	(1.2)	(70)	(4.2)	(64)	(1.8)
Operating income (EBIT) [2]	990	3.2	850	2.7	997	12.1	773	11.0	669	4.8	(276)	(2.0)	(69)	(4.1)	(73)	(2.1)
Income (loss) before Taxes	848[1]	2.5	603[1]	1.9	1,007	12.3	782	11.2	432	3.1	(453)	(3.3)	(13)	(0.8)	(51)	(1.5)

EXCHANGE RATES USED FOR THE CONVERSION OF NON-EURO CURRENCIES

Currency	*Average exchange rate for the period*		*Current exchange rate at the end of the period*		
	06/30/05	**06/30/04**	**06/30/05**	**12/31/04**	**06/30/04**
United States Dollar	1.285517	1.2277	1.2092	1.3621	1.2155
Pound sterling	0.686092	0.673521	0.6742	0.70505	0.670750
Swedish krone	9.140693	9.163965	9.4259	9.0206	9.1451

(1) PRO FORMA FIGURES, GROSS OF THE WRITEDOWN OF THE EQUITY INVESTMENTS IN THE SUBSIDIARY COMPANIS, WHOSE FINANCIAL RESULT HAS BEEN HIGHLIGHTED IN THE RELEVANT COLUMN.
(2) THE SUM OF THE INDIVIDUAL OPERATING RESULTS (AS SHOWN IN THE TABLE) DIFFERS FROM THE CONSOLIDATED OPERATING RESULT AS A RESULT OF THE CONSOLIDATION ADJUSTMENTS AND DUE TO THE LACK OF UNIFORMITY IN THE ACCOUNTING PRINCIPLES OF REFERENCE.
(3) THE INFORMATION RELATES TO PRIMA INDUSTRIE UK LTD. AND PRIMA SCANDINAVIA AB.

PRIMA INDUSTRIE S.p.A.

The sales for the six months (31,052 thousand Euro) are stable compared to the same period of the previous financial year (31,113 thousand Euro).

There was an increase in the operating result, which was 990 thousand Euro (850 thousand Euro at 06/30/04) as well as in the profit before tax that amounts to 787 thousand Euro.

The Parent Company's good results should continue into the second half of the financial year thanks to the order portfolio from third party customers - at 08/31/05 it amounts to 15,078 thousand Euro, a growth of 6% compared to the 14,214 thousand Euro at 08/31/2004.

PRIMA ELECTRONICS S.p.A.

Sales increased by more than 17% compared to the same period of 2004; the growth in profitability was significant and the EBIT amounted to 997 thousand Euro, an increase of more than 22% compared to the 773 thousand Euro of the same period in the previous financial year.
Prima Electronics shows good prospects for the second half of the year, confirmed by an order portfolio from third party customers at 08/31/05 amounting to 5,500 thousand Euro (+25%) compared to the 4,380 thousand Euro at 08/31/04.

PRIMA NORTH AMERICA INC.

During the first half of 2005 Prima North America achieved a growth in sales of about 6% compared to 06/30/04 (approximately 18 million dollars, compared to about 17 million dollars). The company achieved a profit (EBIT at 0.9 million dollars) compared to the first half of 2004 (-0.3 million dollars).

Therefore as a whole the trend of Prima North America was positive, with all its activities showing a profit at the level of operating income. In particular the noteworthy performance of Convergent Lasers must be pointed out, with sales growing by more than 50% compared to 06/30/04.

Finally, the orders trend was very positive with an orders portfolio from third party customers at 08/31/05 amounting to 9.5 million Dollars, showing growth in excess of 40% compared to the 6.7 million Dollars at 08/31/04.

OTHER SUBSIDIARY COMPANIES

The subsidiary company Prima Industrie UK generated a positive return notwithstanding the decline in turnover compared with the same period of 2004. The decline was mainly due to the worsening conditions of the geographic reference market.
The subsidiary company Prima Scandinavia also suffered as a result of the difficult situation of the reference market, with a turnover that was still insufficient to cover the structural costs.

5. IFRS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP

CONSOLIDATED BALANCE SHEET AT 06/30/05 - 12/31/04
(Values expressed in thousands of Euro)

	06/30/2005	12/31/2004
ASSETS		
Tangible fixed assets	6.022	5.985
Goodwill	2.581	2.298
Other intangible fixed assets	211	189
Equity investments valued using the equity method	866	970
Equity investments valued using the cost method	16	-
Financial assets held for sale	249	249
Other receivables	61	81
Derivative financial instruments	-	-
TOTAL NON CURRENT ASSETS	**10.006**	**9.772**
Inventories	28.546	21.092
Finished products awaiting acceptance (IAS 18)	10.432	10.489
Trade receivables	35.235	39.648
Other receivables	4.729	3.095
Other tax assets	1.411	2.044
Tax assets - prepaid taxes	7.081	7.071
Derivative financial instruments	-	310
Cash and cash equivalents	10.337	6.448
TOTAL CURRENT ASSETS	**97.771**	**90.197**
Non current assets held for sale	-	
TOTAL ASSETS	**107.777**	**99.969**
STOCKHOLDERS' EQUITY		
Capital stock	11.500	11.500
Treasury stock	(234)	(171)
Other reserves	16.516	16.395
Conversion reserve	57	(174)
Profits (Losses) carried forward	(2.617)	(2.912)
Profit (loss) for the year	777	1.043
Total Group stockholders' equity	*25.999*	*25.681*
Minority interests	-	-
Total stockholders' equity	**25.999**	**25.681**
LIABILITIES		
Loans	15.966	12.368
Employee benefits	4.623	4.499
Provision for risks and charges	70	91
Derivative financial instruments	62	37
TOTAL NON CURRENT LIABILITIES	**20.721**	**16.995**
Trade payables	23.249	19.418
Advances	18.149	17.718
Other payables	4.244	3.758
Amounts due to banks and i.r.o loans	9.043	9.992
Tax liabilities - deferred taxes	2.534	2.538
Tax liabilities - current taxes	1.364	1.871
Provision for risks and charges	2.333	1.969
Derivative financial instruments	141	29
TOTAL CURRENT LIABILITIES	**61.057**	**57.293**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**107.777**	**99.969**

CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP

CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTHS AT 06/30/05 -06/30/04

(Values expressed in thousands of Euro, except for earnings per share)

	06/30/2005	06/30/2004
Net revenues from sales and services	46.370	48.810
Other operating income	1.022	1.196
Changes in inventories of semifinished and finished products	2.885	634
Increases in fixed assets for internal work	33	122
Use of raw materials, consumables, supplies and goods	(24.270)	(25.005)
Personnel cost	(12.483)	(11.773)
Amortization, Depreciation and writedowns	(580)	(583)
Impairment and Writedowns	-	-
Other operating costs	(10.696)	(11.285)
OPERATING INCOME (LOSS)	**2.281**	**2.116**
Financial income	327	119
Financial expenses	(957)	(754)
Income (Loss) from transactions in foreign exchange	201	134
Income (Loss) from associated companies & joint ventures	(103)	(123)
Income (Loss) from financial assets held for sale		
INCOME (LOSS) BEFORE TAX	**1.749**	**1.492**
Current and deferred taxes	(972)	(1.016)
NET PROFIT/(LOSS)	**777**	**476**
Income (Loss) from assets held for disposal	-	-
NET PROFIT	**777**	**476**
- due to parent company stockholders'	**777**	**476**
- due to the minority interest	-	-
Earnings per share	0,17	0,10

THE PRIMA INDUSTRIE GROUP - STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

(Values expressed in thousands of Euro)

FROM JANUARY 1, 2004 TO JUNE 30, 2004

	01/01/2004	Purchase Treasury stock	Gains/Losses on disposal treasury stock	Allocation of Result Previous financial year	Distribution Dividends	rofit for the perio	Conversion reserve	06/30/2004
Capital stock	11.500							11.500
Treasury stock	(324)	18						(306)
Share premium reserve	16.863			(1.332)				15.531
Legal reserve	2.213			(1.484)				729
Other reserves	-			-				-
Conversion reserve	-						23	23
Profits (losses) carried forward	(5.579)		(25)	2.816				(2.788)
Income (Loss) for the period	-			-		476		476
Total	24.673	18	(25)	-	-	476	23	25.165

FROM JUNE 30, 2004 TO DECEMBER 2004

	06/30/2004	Purchase Treasury stock	Gains/Losses on disposal treasury stock	Allocation of Result Previous financial year	Distribution Dividends	rofit for the perio	Conversion reserve	12/31/2004
Capital stock	11.500							11.500
Treasury stock	(306)	135						(171)
Share premium reserve	15.531	135						15.666
Legal reserve	729							729
Other reserves	-							-
Conversion reserve	23						(197)	(174)
Profits (losses) carried forward	(2.788)	(135)	11					(2.912)
Income (Loss) for the period	476					567		1.043
Total	25.165	135	11	-	-	567	(197)	25.681

FROM DECEMBER 31, 2004 TO JUNE 30, 2005

	12/31/2004	Purchase Treasury stock	Gains/Losses on disposal treasury stock	Allocation of Result Previous financial year	Distribution Dividends	rofit for the perio	Conversion reserve	06/30/2005
Capital stock	11.500							11.500
Treasury stock	(171)	(63)						(234)
Share premium reserve	15.666							15.666
Legal reserve	729			41				770
Other reserves	-			80				80
Conversion reserve	(174)						231	57
Profits (losses) carried forward	(2.912)		16	922	(643)			(2.617)
Income (Loss) for the period	1.043			(1.043)		777		777
	25.681	(63)	16	-	(643)	777	231	25.999

CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIMA INDUSTRIE GROUP

CASH FLOW STATEMENT FOR THE 6 MONTHS 06/30/2004 and 06/30/2005

(Values expressed in thousands of Euro, except for earnings per share)

	06/30/2005	06/30/2004
Cash flow derived from operating activity		
Profit (Loss) before tax	777	476
Adjustments	1.441	1.565
Amortization, Depreciation & writedowns for the financial yr.	580	583
Provisions raised to Employees' severence fund	329	359
Loss (Profit) on exchange rates for currency transactions	-201	-134
Loss (Income) from equity investments	103	123
Financial expenses	957	754
Financial (income)	-327	-119
	2.218	2.041
(Increase) /Decrease in trade and other receivables	3.624	700
(Increase) /Decrease in inventories	-7.397	-2.085
Increase / (Decrease) in trade payables	4.262	2.792
Increase / (Decrease) in other payables	31	1.366
Cash flow from typical activity	2.738	4.814
Interest payment	-874	-717
Tax payment	0	0
Cash flow derived from operating activity	1.864	4.097
cash flow derived from investment activities		
Purchase of tangible fixed assets	-662	-757
Purchase of intangible fixed assets	-371	-165
Sale /(Purchase) of financial assets (at cost)	-17	11
Receipts from sales of fixed assets	111	11
Interest encashed	327	119
Cash flow net of loan management	-612	-781
cash flow derived from financing activities		
Variation in the conversion reserve	231	23
(Purchase)/sale of treasury stock	-48	-6
Changes in balance- derivitive instruments (FV)	447	114
Stipulation of loans and financing	5.000	2.000
Repayments of loans and financing	-1.837	-3.730
(Repayments)/ Raising of financial leases	-113	2
(Repayments)/ Raising of Sabatini transactions	-401	-473
Dividends paid	-643	0
Cash flow net of loan management	2.637	-2.070
Increase (decrease) in the cash and cash equivalents	3.889	1.246
Cash and cash equivilents at the start of the period	6.448	3.607
Cash and cash equivilents at the end of the period	10.337	4.853

6. ACCOUNTING POLICIES

6.1 Valuation criteria

This half-yearly report of the Prima Industrie Group relates to the six months ended June 30, 2005 and was drawn up in accordance with the International Financial Reporting Standards (IFRS).

The Report was prepared in accordance with IAS 34 "Interim Financial Statements" and IFRS 1 "First- time adoption of the International Financial Reporting Standards", because the period under review falls within the first financial year for the application of IFRS, the period ending December 31, 2005.

The accounting principles and the IFRIC interpretations applicable to the consolidated Financial Statements at December 31, 2005 might differ with respect to the principles and interpretations applied to this half-yearly report.

The valuation criteria were applied with continuity in relation to the data at January 1, 2004 including those applicable to the classification and measurement of the financial instruments.

The previous consolidated Financial Statements of the Prima Industrie Group were prepared in accordance with the provisions of the Italian Civil Code and the accounting principles of the Italian Accounting Profession, which differ in certain areas of the Financial Statements, from IFRS. The comparative information relative to 2004 was thus amended to take account of the adjustments made.

The reconciliation statements between the stockholders' equity, the net profit (loss) for the period and the cash flow statement, drawn up according to the previous principles and those prepared using IFRS, together with the Notes on the adjustments, have been brought into Chapter 7.

These Consolidated Financial Statements were drawn up using the cost principle except for financial assets belonging to the category "financial assets held for sale" and in respect of financial assets and liabilities (including derivative financial instruments) falling into the category "at "fair value", with changes in "fair value" being recorded in the Income Statement.

The preparation of the Financial Statements in accordance with IAS 34 - "Interim Financial Statements" inevitably requires recourse to accounting estimates and the expression of opinions by the Directors of the company.

6.2 Early adoption of certain IFR Standards

The Group chose to adopt in advance the international principles relative to the classification and valuation of the financial instruments (IAS 32 Financial Instruments: Disclosure and Supplementary Information and IAS 39 Financial Instruments: Recognition and Measurement).

6.3 IFRS and the IFRIC interpretations not yet approved

During the past months the IASB (International Accounting Standards Board) and IFRIC (the International Financial Reporting Interpretation Committee) have published new Principles and Interpretations; notwithstanding the fact that as at the date hereof these Principles and Interpretations have not yet been approved by the Community Legislator, the Group has nonetheless considered the effects, highlighting the potential impact on its Balance Sheet and Income Statement position as follows:

IFRS/FRIC INTERPRETATION	*EFFECTS FOR THE GROUP*
IAS 39 AMENDMENT FAIR VALUE OPTION	NONE
IFRS6 EXPLORATION RIGHTS AND VALUATION OF MINING ASSETS	NONE: THE GROUP DOES NOT CARRY OUT ANY EXPLORATION ACTIVITIES AND DOES NOT HAVE ANY MINING ASSETS
IFRIC2 SHAREHOLDINGS IN COOPERATIVES AND SIMILAR INSTRUMENTS	NONE
IFRIC3 EMISSION RIGHTS	NONE: THE GROUP DOES NOT PARTICIPATE IN "EMISSION RIGHTS SCHEMES"
IFRIC4 DETERMINING WHETHER A CONTRACT CONTAINS A LEASE	NONE
IFRIC5 RIGHTS TO INTERESTS ARISING FROM DECOMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS	NONE: THE GROUP DOES NOT HAVE ANY INTERESTS IN FUNDS FOR THE DECOMMISSIONING, RESTORATION AND REHABILITATION OF SITES

6.4 Consolidation principles

(a) Subsidiaries

All companies, including any vehicle-company, in which the Group has the capacity to control the financial and operating choices, are defined as subsidiary companies.

Generally, control is presumed to exist if the Group holds more than half of the voting rights, also amongst the shareholders' agreements or potential voting rights. The subsidiary companies are consolidated from the time that the Group is able to exercise control and they are de-consolidated when control ceases.

The Group accounts for the acquisition of a controlling interest via the purchase method.
The cost of the acquisition is the sum of the price paid and any ancillary charges.

The identifiable assets and liabilities acquired are initially recorded in the Consolidated Financial Statements at fair value, determined at the date of acquisition, without considering the minority interests.
The excess of the fair value of the net asset acquired over the cost of the equity investment is capitalized as goodwill and is included amongst the intangible fixed assets, if positive and if negative, it is immediately reflected in the Income Statement.

The costs, sales, receivables, payables and gains realized amongst companies belonging to the group are eliminated. Where necessary, the accounting principles of the Subsidiaries are amended to bring them into line with those of the Parent Company.

(b) Associated companies & Joint Ventures

Associated companies are those in which the Group has a significant influence but does not have control. The significant influence is presumed in the case of possession of 20% to 50% of the voting rights. The associated companies are initially recorded at cost and then accounted for using the equity method.

Joint Ventures are companies subject to common control. They are accounted for in accordance with the provisions of IAS 31, paragraph 38, which provides for the recording of the interest using the equity method, as an alternative to the proportional consolidation referred to in IAS 31, paragraph 30.

The Group's equity investment in associated companies and Joint Ventures includes goodwill calculated at the time of acquisition, net of any accumulated losses in value.

The Group's Income Statement reflects the applicable share of the associated company and Joint Venture's result. If the associated company or the Joint Venture records an adjustment with a direct effect on stockholders' equity, the Group determines the portion that applies to it, reflecting such change in the Statement of Changes in Stockholders' Equity.
The recognition in the Group's accounts of a share of an associated company or Joint Venture's loss has as a limit the write-off of the value of the investment; further shares of losses are recorded amongst the liabilities, only if the Group has commitments or has effected payments on account of the associated company or Joint Venture.

The earnings realized through transactions with the associated company or the Joint Venture are eliminated against the value of the equity investment. The same procedure is adopted in the case of losses, on condition that there is no "impairment" of the assets that are the object of the transaction. Where necessary the accounting principles of the associated companies are modified to bring them into line with those of the Parent Company.

6.5 Segment report

A market sector is a group of activities or operations which produce products or services that are subject to risks and benefits, which differ from those of other market sectors.

A geographical sector distinguishes itself from others because within that sector products and services are produced which are subject to risks and benefits, which differ from those of other geographical sectors.

The Prima Industrie Group highlights the following sectors which are the main object of the report:

- Laser systems and sources (sector 1);
- Numeric controls (sector 2)

The Group's choice is justified by the clear differentiation of the two activities in terms of products, customers and productive cycles.

Although important, the laser source production activity, was not identified as a sector on its own, in that it is "captive" for the Group.

In terms of IAS 14, in relation to the information relating to the assets and liabilities of the two market sectors, the assets and liabilities specifically inherent to the activity carried out were allocated to the sectors. Accordingly, the assets and liabilities of a financial and tax nature (see the annexed tables) were not included.

6.6 CONVERSION OF ITEMS IN FOREIGN CURRENCY

(a) Functional currency and presentation currency

The Financial Statements of the subsidiaries, associated companies and Joint Ventures are prepared using the applicable functional currency, i.e. the currency used in their primary economic environment. The presentation currency adopted by the Prima Industrie Group is the Euro.

(b) Assets, liabilities and transactions in non-Euro currencies

The transactions in non-Euro currencies are initially reflected at the exchange rate applicable on the date of the transaction.

The monetary assets and liabilities in non-Euro currencies are converted into Euro using the exchange rate in force at the date of closure of the Financial Statements. All the exchange differences are reflected in the Income Statement.

The non-monetary items recorded at historical cost are converted into Euro using the exchange rate in force at the starting date of the disclosure of the transaction. The non-monetary entries recorded at fair value are converted using the exchange rate at the date of determination of that value.

(c) Companies of the Group

At the date of closure of the Financial Statements the assets and liabilities of the companies of the Group, in non-Euro currencies, were converted into Euro at the exchange rate in force at the date of closure of the Financial Statements. Their Income Statements are converted using the average exchange rate for the period. The exchange differences are disclosed directly in stockholders' equity and are shown separately in the "Conversion reserve". When the subsidiary company is disposed of the sum of the reserve is reversed to the Income statement.

The goodwill and the adjustments to the fair value of the assets and liabilities of the foreign company are converted into Euro at the exchange rate at the end of the period.

6.7 Tangible assets

All the tangible fixed asset categories, including the investment in real estate are included in the Financial Statements at historical cost, reduced by depreciation and "impairment", except for land, which is recorded at historical cost reduced by any "impairment". The cost includes any expenses directly attributable to the purchase.

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

The depreciation on the tangible fixed assets is calculated using the straight-line method so as to allocate their residual accounting value over their technical-financial life estimated as follows:

- Buildings and incremental work	33 years
- Plant and machinery	10 - 5 years
- Equipment	4 - 5 years
- Furniture, fixtures and office equipment	9 - 5 years
- Electronic office equipment	5 years
- Motor vehicles	3 - 5 years

The extraordinary maintenance capitalized as an increase to an existing asset is depreciated on the basis of its residual useful life, or if less, in the period that remains until the next maintenance work.

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

Impairment: the carrying value of the tangible fixed assets is immediately written down to the recoverable value, whenever the former value exceeds the latter.

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

The financial expenses incurred for the construction of tangible assets are allocated to the Income Statement of the applicable financial year.

6.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the price paid, over the fair value of the stake in the net assets identifiable at the date of acquisition.
Goodwill generated by the acquisition of a stake in a subsidiary company is included in the intangible assets. Goodwill generated by the acquisition of a stake in associated companies is recorded as an increase to the value of the equity investment. The goodwill is recorded in the Financial Statements at cost adjusted for impairment, which is reviewed annually. The gain or loss arising from the sale of the equity investment also takes into account the residual carrying value of the related goodwill.

(b) *Software*

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

The costs linked to the development and maintenance of software programmes are considered to be costs for the period and are therefore allocated to the applicable Income Statement.

(c) *Research and development costs*

The research costs are recorded in the Income Statement in the financial year in which they are incurred.

The development costs incurred for an identifiable project are capitalized amongst the intangible fixed assets, if they can be reliably measured and if it is likely that the project to which they are tied will be successful, both in relation to its technical feasibility, as well as in regard to its market penetration.
The development costs allocated to the Income Statement in previous financial years are capitalized retrospectively if, in a later period they reflect the necessary characteristics.
The development costs having a definite useful life are amortized from the date of marketing the product, on the basis of the period over which it is estimated that they will produce a financial benefit and in any event over a period not exceeding five years.

The development costs that do not have these features are charged to the Income Statement in the year in which they were incurred.

(d) *Other intangible assets*

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

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

The intangible fixed assets which are produced internally are not capitalized but are reflected in the Income Statement of the financial year in which they were incurred.

The other intangible assets are annually tested for impairment - this analysis can be carried out at the level of the individual intangible asset or on the basis of the income flow generating unit.

The useful life of the other intangible fixed assets is reviewed annually: any changes, where this is possible, are made with a prospectical applications

6.9 Recovery value of the asset ("impairment")

The assets with an indefinite useful life, not subject to amortization, are tested at least annually for impairment and whenever there is any indication that their carrying value is not recoverable.

The assets that are amortized are tested for impairment only if there is an indication that their carrying value is no longer recoverable.

The amount of the writedown for impairment is determined as the difference between the carrying value of the asset and its recoverable value, determined as the higher of the selling price, net of the transaction costs, and its value in use, or the actual value of the cash generated.
The recoverable value of the asset is determined by grouping the smallest cash-generating units.

6.10 Financial assets

The Group classifies its own investments into the following categories: a) financial assets at fair value with changes in value recorded in the Income Statement, b) loans and financial receivables, c) investments held to maturity and d) financial assets held for sale.
The reclassification is dependant on the purpose of the purchase, the Directors allocate the Financial assets to the applicable category at the time of the purchase, re-assessing the allocation at the end of each financial year.

(a) Financial assets at "fair value with changes in value recorded in the Income Statement",

This category is divided into two classes: 1) financial assets held for trading and 2) those assigned to this category from the start. A financial asset is placed in this category if it was acquired for resale in the short-term or if it is put in this category by the Directors.
The derivative financial instruments that do not have the requirements to be defined as hedging instruments are placed in the category "held for trading".
The financial assets of these two classes are placed amongst current assets if they are of the "held for trading" type or if it is envisaged that they will be sold within 12 months of the date of closure of the Financial Statements.

(b) Loans and financial receivables

The loans and financial receivables are non-derivative financial assets with fixed or determinable payments, not listed on a regulated market and not intended for trading. They are included amongst the current assets, (except for the portion that exceeds twelve months of the Balance Sheet closure) in the Balance Sheet category "Trade and other receivables".

(c) Investments held to maturity

This relates to non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group both intends and has the capacity to hold until maturity *(d) Financial investments held for sale*

This refers to non-derivative financial assets allocated to this category, including those allocated here as a residual classification compared to the ones mentioned above. These financial assets are placed in current assets, provided that the Directors do not decide to sell them after the 12 months following the closure of the Financial Statements.

The purchases and sales of financial assets are recognized at the trading date that coincides with the date on which the Group undertakes to buy or sell the asset.
All the financial assets (with the exception of those at "fair value with changes in value recorded in the Income statement), are initially reflected at fair value increased by the costs of selling transaction.
The financial assets are reversed from the Financial Statements at the time of sale or when the right to receive the financial flows is transferred, or when the Group has substantially transferred all the risks and benefits of ownership to third parties.
The two classes of financial assets "held for sale" and the at "fair value with changes in value recorded in the Income Statement" class, are thereafter valued at fair value. The other two classes, "loans and financial receivables" and "financial assets held to maturity" are valued using the amortized lost using the effective interest rate method.
The gains and losses, whether realized or not, arising from a change in the fair value of the financial asset belonging to the category "fair value with changes in value recorded in the Income Statement", are recorded in the Income Statement for the financial year in which they are generated.
The unrealized gains and losses arising from the change in fair value of the non-monetary securities classified in the category "held for sale", are recorded in stockholders’ equity. When the securities classified as "held for sale" are sold or undergo an impairment in value, the accumulated adjustments to their fair value in stockholders' equity are transferred to the Income Statement as gains or losses arising on the sale.

The fair value of listed equity investments is based on the current asking price. When there is no active market for the financial asset or if the equity investment is not listed, the fair value is set by the Group using valuation techniques, (including recent comparable market transactions, the discounted financial flows method) which are adjusted to reflect the issuers' specific characteristics.

The Group tests at each closing of Financial Statements whether objective evidence of the impairment of the financial assets exists. In the case of financial assets that are representative of stockholders' equity classified in the "held for sale" category, a significant or prolonged decline in fair value compared to cost, is considered as one of the elements in the assessment of the loss in value. If this evidence exists for financial assets in the "held for sale" category, the accumulated loss in value, (determined as the difference between the purchase cost and the current fair value, net of writedowns already made), is reversed out of stockholders' equity and allocated to the Income Statement. The writedowns recorded in the Income Statement can no longer be reversed.

6.11 Inventories

Inventories are stated at the lower of cost and the estimated realizable value of the inventories, which is represented by the normal sales price in the ordinary course of business, net of variable sales expenses.
The cost is determined using the average weighted cost method. The cost of finished and semi-finished products includes the design costs, raw materials, the cost of direct labor, other direct costs and other indirect costs that can be allocated to the productive activity on the basis of a normal productive capacity of the state of advancement. This cost configuration does not include financial expenses.

6.12 Trade and other receivables

Trade receivables are initially stated at their “fair value” and are measured after the cost has been depreciated using the effective interest method, net of writedowns to take account of irrecoverability. The debt is written off if there exists objective evidence that the Group is not able to collect the entire amount due on the date agreed to with the customer. The amount of the writedown is the difference between the book value of the debt and the actual value of future receipts, discounted on the basis of the effective interest rate. The writedown of receivables is recorded in the Income Statement.

6.13 Cash and cash equivalents

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

6.14 Capital stock

The ordinary shares are classified in stockholders’ equity.

The additional expenses directly tied to the issue of the stock or the options are recorded in the equity as a reduction of the cash received.

Whenever the Group buys stock of the Parent Company (treasury stock), the purchase price net of any additional expenses that can be directly attributed to the purchase (net of the related tax effect) is deducted from Group Stockholders' Equity until such time as the treasury stock is eliminated, re-issued or sold. When this later situation manifests itself, every additional expenses incurred net of the related tax effect is included in Group Stockholders' Equity

6.15 Loans

Loans are recorded in the Financial Statements at their fair value net of any additional expenses. After their first disclosure they are accounted for on the basis of amortized cost. Each difference between the receipts net of any additional expenses and the value of the repayment is recorded in the Income Statement for the period on the basis of the effective interest rate method.

The loans are recorded amongst short-term liabilities, provided that the Group does not have an unconditional right to defer the loan beyond 12 months of the closure of the Financial Statements.

6.16 Deferred taxes

The deferred taxes are calculated on all the temporary differences between tax value and the carrying value of the assets and liabilities of the Consolidated Financial Statements. Deferred taxes are not calculated:

- on goodwill arising out of a business combination;
- on the initial recording of assets and liabilities arising from a transaction that is not a business combination and that does not entail effects either on the result for the financial year calculated for the purposes of the Financial Statements or on the taxable amount.

The deferred taxes are calculated using the tax rates and laws that are effective at the date of closure of the Financial Statements, or using ones that are substantially in place and that are expected to be applicable at the time of the reversal of the temporary differences that gave rise to the recording of the deferred taxes.

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

The receivables for prepaid taxes are re-examined at the closure of each financial year and they are reduced to the extent that it is no longer likely that sufficient taxable income will become available in the future to enable the receivable to be wholly or partially used.

The deferred taxes are also calculated on temporary differences that arise out of the equity investments in subsidiaries, associated companies and Joint Ventures, with the exemption of the case in which the reversal of the temporary differences can be controlled by the Group and it is likely that it will not occur in the immediate future.

The deferred taxes relating to the components disclosed directly in the stockholders' equity are also allocated directly to stockholders' equity.

6.17 Employee benefits

(a) Pension schemes

The Group considers the Employees' severance fund to be a defined benefits plan and the Cometa Fund (a supplementary fund to the national collective labour contract) as a defined contributions plan.

Defined benefits schemes are pension plans that define the amount of the pension benefit due to the employee at the time of termination of the employment relationship - a sum that depends on different factors such as age, years of service and salary.

The defined contribution schemes are pension plans in respect of which the Group pays a fixed sum to a separate entity. The Group does not have any legal or implicit obligation to pay further sums should the assets at the service of the scheme become insufficient to pay the employees the benefits due to them for current and past services.

The liability recorded in the Financial Statement in the face of the defined benefits plan is the actual value of the obligation at the date of closure of the Financial Statements, net of the fair value of the assets at the service of the plan (where they exists), both corrected for the amount of the actuarial gains and losses and for the social security cost relative to past services. The obligation is determined annually by an independent actuary using the projected unit credit. The present value of the obligation is determined by discounting the estimated future disbursements at the interest rate relating to primary obligations, issued in the same currency with which the benefits will be paid and which fall due approximately at the same time as the correlated retirement liability.

The cumulative total of the actuarial losses and gains, derived from the variations on the estimates made, which exceeds 10% of the greater of the “fair value” of the assets at the service of the plan (where they exist) and 10% of the obligation relating to the defined benefits plan, is allocated to the Income Statement, using the accrual principal on the basis of the expected average residual working life of the employees who participate in the plans.

The employee benefit cost relative to past services is immediately recorded in the Income Statement, unless the changes to the pension plan are not dependant on the employees remaining employed for a certain period of time. In this case the employee benefit cost relative to past services is amortized on a straight-line basis in the period in which it accrued.

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

(b) Benefits granted on achieving a certain level of seniority in the company

Certain companies of the Group grant benefits to their employees when they reach a certain seniority of service in the company.

The liability recorded in the Financial Statement in the face of these benefits is the present value of the obligation at the date of closure of the Financial Statements, net of the fair value of the assets at the service of the plans (where they exists), both corrected for the amount of the actuarial gains and losses and for the cost relative to matured benefits. The obligation is determined annually by an independent actuary using the projected unit credit method. The present value of the obligation is determined by discounting the estimate of the future disbursements at the interest rate relating to primary obligations, issued in the same currency with which the benefits will be paid and which fall due approximately at the same time as the correlated liability.

The cumulative total of the actuarial losses and gains, derived from the variations in the estimates made, which exceeds 10% of the greater of the “fair value” of the assets at the service of the plan (where they exist) and 10% of the obligation in existence, is allocated to the Income Statement using the accrual principal on the basis of the expected remaining number of working years compared to the date of reaching the pre-established age of seniority by the employees who enjoy such benefits.

(c) Benefits granted on the termination of the employment relationship

These benefits are due to the worker on the early termination of the employment relationship, compared to the retirement date or in the face of a termination arising out of a corporate restructuring plan. The Group records a liability in the Financial Statements to meet such benefits when: a) a formal and detailed plan exists in respect of the early retirement incentives without the possibility that the employee renounces them b) an offer is made to the employees to encourage their voluntary retirement. The amounts payable beyond 12 months of the closure of the Financial Statements are discounted back.

(d) Incentives, bonuses and profit-sharing schemes

The Group records a cost and a debt to meet the liabilities that arise for bonuses, employee incentives and profit-sharing schemes, determined using a formula that takes into account the profits attributable to the stockholders after certain adjustments are made. The Group records a liability to a reserve only if contractually obliged or if a custom exists that defines an implicit obligation to do so.

(e) Employee benefits granted in shares

The management of the Group, on a discretional basis and from time to time allocates bonuses to key-employees, in the form of options on company stock (stock option plans). The right to exercise the options matures on the basis of personal objectives after a year's service. The fair value of the options is a working cost for the financial year, which for the entire maturity period of the options, causes an appropriate reserve to be raised to stockholders' equity. At the time when the option is exercised the amount received, net of any transaction costs, is allocated to capital stock (for the par value portion of the shares) and to the Share premium reserve (for the premium portion). At the moment there are no stock option plans in place in favour of employees of the Group.

6.18 Provisions for risks and charges

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

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

The restructuring reserves include both the liability arising from the early retirement incentives, as well as the penalty tied to the termination of leasing contracts. Provisions cannot be raised to the provisions for risks and charges to meet future operating losses.

The provisions are recorded by discounting the Directors' best estimates of the total costs that the Group must incur to settle the obligation, at the date of closure of the Financial Statements.

6.19 Recognition of revenues

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

(a) Sale of goods

Revenue is recognized when the company transfers the risks and the important benefits implicit to ownership of the goods, and the amount thereof can be reliably estimated.

The revenues for the sale of laser systems are accounted for when the machines are accepted by the end-customer, which generally coincides with the signature of the testing report by the customer.

On the other hand, invoicing takes place when the goods are taken on by the transporter in accordance with the international commercial terms (known as "incoterms"). From that time onwards the Prima Industrie Group is free from all liability relating to transportation.

As a result of the fact that the invoicing date is not in alignment with the date of recognition of the revenue, the value of the machines invoiced but not yet accepted by the customer is brought back into the accounts, amongst the inventories of finished products, net of the margin, with the contra-entry being made to "advances" in the Balance Sheet liabilities. The Group has chosen this presentation, instead of reducing the "trade receivables" account, because this option protects the portrayal of the underlying contractual relationship.

The application of this principle creates a temporary misalignment between the date on which the machines are consigned and the time when they are accepted by the customer. The impact on the Group's Financial Statements is significant in that:

- the Group is a world-wide exporter and therefore it frequently occurs that there is a conspicuous lapse of time, owing to the transportation, between the consignment date of the goods and the date of acceptance by the customer in the Destination country and,

- a large part of the Group's customers is made up of large industrial concerns, with lengthy procedures for the approval of investments.

(b) Performance of services

The revenues from the performance of services are accounted for on the basis of the state of advancement in the financial year in which they are rendered.

(c) Interest

Interest received is accounted for on the accrual principle using the effective interest rate (a rate which exactly discounts the future expected financial flows on the basis of the expected life of the financial instrument).

(d) Royalties

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

(e) Dividends

Dividends are accounted for in the financial year in which the stockholders' right to receive payment of the dividend arose.

6.20 Leasing

The leasing contracts forming part of the tangible fixed assets are considered to be financial leases if the Group substantially bears all the risks and benefits incidental to the ownership of the asset. The assets under financial leases are capitalized at the start of the leasing contract at the lower of the "fair value" of the leased asset and the present value of the lease installments. The lease installments are broken down between the capital portion and the interest portion, determined by applying a constant interest rate to the residual debt.
The financial debt owed to the leasing company is recorded amongst short-term liabilities, for the current portion and amongst long-term liabilities for the portion to be repaid beyond the financial year.
The interest expense is allocated to the Income Statement for the duration of the contract.
The asset under a financial lease is recorded amongst the tangible fixed assets and is depreciated on the basis of the estimated financial-technical useful life of the asset.

The leasing contracts in which the lessor substantially retains all the risks and benefits incidental to ownership are accounted for as operating leases. The payments made net of any incentives received from the lessor are allocated to the Income Statement on the accrual principle for the duration of the lease.

6.21 Distribution of dividends

The distribution of dividends to stockholders gives rise to a debt to be accounted for after the approval of the dividend by the stockholders' meeting.

6.22 State grants

The state grants are recorded in the Financial Statements at their fair value, only if there exists a reasonable certainty that they will be granted and the Group has satisfied all the requirements dictated by the conditions to obtain them (obtaining the competent Ministerial resolution).

The revenues in respect of state grants are recorded in the Income Statement on the basis of the costs for which they were granted being incurred.

State grants for the purchase of tangible fixed assets are recorded amongst deferred income and credited to the Income Statement on the basis of the depreciation of the assets for which they were granted.

6.23 Valuations that effect the Interim Financial Statements

(a) Seasonal nature of the business

The revenues and consequently the Group's operating result are affected by a historical seasonality, a typical phenomenon of the world market for instrumental goods. The last quarter of each financial year is typically the one which foresees larger delivery volumes whereas in the first quarter the opposite usually occurs.

(b) Current taxes

The calculation of current taxes by the Directors in the Interim Financial Statements represents the best estimate of the weighted average tax burden that will be borne in the Annual Financial Statements.

(c) Costs

The costs that manifest themselves in a non uniform way during the course of the year are estimated or deferred in the Interim Financial Statements only if it would also be appropriate to do so in the Annual Financial Statements.

6.24 The financial risk factors

The Group's financial instruments, earmarked to finance its operating activity, include the bank loans, the financial leases, the at-sight bank deposits and the short-term bank deposits.
Then there are other financial instruments such as trade payables and receivables, arising out of the operating activity and derivative financial instruments, such as “interest rate swap” contracts and forward contracts in foreign currency.

The financial risk factors that influence the Group can be summarized as follows:

- the risk that the value of a financial instrument will fluctuate as a result of changes in the rate of exchange (*currency risk*);
- the risk that the “fair value” of a financial instrument will fluctuate as a result of changes in the interest rates on the market (*the risk of the interest rate on the “fair value”*);
- the risk that the value of a financial instrument will fluctuate arising out of the variations in market price (*price risk*);
- the risk that the counter-party will not fulfill its obligations (*credit risk*);
- the risk arising out of the difficulty of raising funds to meet commitments stemming from the financial instruments (*liquidity risk*);
- the risk that the future financial flows of a financial instrument will fluctuate arising out of a variation in the interest rates on the market (*the risk of the interest rate on financial flows*).

Currency risk: the Group operates in an international environment and is exposed to exchange rate fluctuations mainly in regard to the USD/Euro exchange. Currency risk arises in the face of the following business transactions, mainly in US Dollars:

- sales to third parties of machines, components and technical assistance on the part of Prima North America Inc.;
- acquisition by PRIMA INDUSTRIE S.p.A. of laser sources from Prima North America Inc.;
- sales of machines by PRIMA INDUSTRIE S.p.A. to Prima North America Inc.;

The purchases and sales indicated in the last two points above constitute a "natural hedge" in that one is matched with opposing flows whose monetary regulation takes place in the same currency.

The Group's central treasury signs forward contracts to manage the currency risk arising out of the deficit in the financial flows, stemming from the operations described above. The central treasury also stipulates forward contracts on the financial flows between the companies of the Group.

The Group holds equity investments in the Chinese Joint Ventures, Shenyang Prima Machine Laser Co. Ltd (50%) and Shanghai Unity Prima Laser Machinery Co. Ltd (27.5%). The value of these equity investments is respectively subject to currency risk arising from the variation of the USD and the Renminbi (RMB) in relation to the Euro. The Group does not believe that the value of the equity investments is such that specific hedging activity is required to cover the currency risk.

Price risk: the Group's exposure to price risk is minimal.

Credit risk: within the Group there are no elevated concentrations of credit risk. The Group only engages in business transaction with customers that it considers to be reliable and transactions of a financial nature are entered into only with very reliable financial institutions.
New customers undergo special audits to certify their ability to meet the financial commitments.

Liquidity risk: the Group's objective is to preserve an equilibrium, (also by optimizing the management of the working capital,) between the maintenance of funding and financial flexibility by using overdrafts, loans and financial leasing contracts. The Group’s objective is to keep the net debt to net equity ratio between 0.5 and 1. The Group has short-term credit lines that exceed its immediate liquidity requirements.

The risk of interest rate on the “fair value” and on liquidity flows: the Group's exposure to interest rate risk is mainly in relation to financial payables to leasing companies and the medium and long-term loans due to credit institutions and other lenders, mainly stipulated at the Euribor rate increased by a "spread". The interest rate risk is partially covered by interest rate swap contracts (IRS), aimed at translating the variable rate into a fixed one and in each case the rate is lower than the rate that the Group could obtain by having recourse to the credit market. The IRS contracts are stipulated so that quarterly the two counterparties exchange the net value of the net variable/fixed interest flows.

6.25 Accounting in respect of derivative financial instruments

The hedging instruments indicated in the previous paragraph, even though they are not speculative in nature, do not reflect the requirements demanded by IAS 39 for hedge accounting to be applicable, As a result of this in accordance with IAS 39, they are classified in the financial assets and liabilities category at “fair value with changes in fair value recorded in the Income Statement".

6.26 THE ESTIMATE OF “FAIR VALUE”

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

The fair value of the financial instruments that are not traded on an active market is determined using various valuation techniques and assumptions depending on the market conditions that exist at the time of closure of the Financial Statements. The medium/long-term liabilities are compared with the prices of similar listed financial instruments, for other categories of financial instruments the financial flows are discounted.
The fair value of the IRS contracts is determined by discounting the estimated financial flows derived from them. On the other hand, for the forward contracts the forward market rates at the Balance Sheet date are used.

For receivables one assumes that the nominal value, net of any adjustments made to take account of the possibility that they might not be collected, approximates fair value.
The fair value of the Financial liabilities for reporting purposes is determined by discounting the financial flows from the contract at an interest rate that approximates the market rate at which the Group obtains financing.

7. TRANSITION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Application of IFRS 1 "First-time adoption of the *International Financial Reporting Standards"*

The first Annual Financial Statements prepared in accordance with IFRS will be the Financial Statements at December 31, 2005. These Interim Consolidated Financial Statements were drawn up by applying IFRS 1.

The Group prepared the opening Balance Sheet at January 1, 2004. This date is generally recognized as the "transition date". The Group adopted the IFR Standards on January 1, 2005.
The date of closure of these Intermediate Financial Statements is June 30, 2005. In preparing these interim Financial Statements, the Group has adopted the mandatory exceptions and certain optional exemptions in relation the full retrospective application of IFRS.

Optional exemptions for the retrospective application of IFRS

The Group's actions in regard to the optional exemptions is described hereinbelow. More detailed information is contained in the paragraphs below. I

(a) Business combinations

The Group decided to take advantage of the exemption relating to the retrospective application of IFRS3 for business combinations and the acquisition of equity investments in associated and joint control companies which took place prior to January 1, 2004. Consequently a new calculation of the business combinations prior to the transition date was not effected.

(b) "Fair value" or redetermination of the value as a replacement of the cost

The Group decided to take advantage of the optional exemption provided for by IFRS 1 (application of the estimated cost). For certain categories of real estate the re-valued cost determined on the basis of expert reports drawn up by independent expert valuators was used.

(c) Employee benefits

The Group elected to avail itself of the corridor approach to record defined benefit plans. Accordingly the actuarial profit/loss, apart from the exemption granted by IFRS1, was reflected entirely on the date of the transition with stockholders' equity as the contra-entry. On the other hand, the Group adopts the corridor method for the actuarial profits and losses realized after the transition date.

(d) Accumulated conversion differences

The Group decided to take advantage of the exemption relating to the retrospective application of IAS21 and accordingly the profits (loss) arising from the conversion of the financial statements of foreign subsidiaries were cleared with a contra-entry being made to the "Profits carried forward" reserve. The reserve which was cleared originated in the face of the conversion of the net assets belonging to the subsidiary companies, expressed in local currency, into Euro (functional currency).

(e) Compound financial instruments

The Group has not issued any compound financial instruments and consequently this exemption is not applicable.

(f) Assets and liabilities of subsidiaries, associated companies and Joint Ventures

This exemption is not applicable as it is used on a level relating to the individual associated subsidiary companies and joint ventures which adopt the IFRS in a period subsequent to that of the parent company.

(g) Adaptation of the comparative information relating to the financial assets and liabilities

The Group decided to apply the IAS32 and 39 in advance from the transition date. The exemption is therefore not applicable.

(h) Indication of previously disclosed financial instruments

The Group has decided to apply the IAS32 and 39 in advance from the transition date. The exemption was applied from this date, by classifying at the transition date various securities in the category " financial assets held for sale" and " financial assets at fair value with changes in fair value recorded in the Income Statement”.

(i) Share-based payments to employees

As regards payments to employees based on the shares, the Group took advantage of the exemption provided for by IFRS 2 which, in the event of IFRS transition on 1/1/2004, provides for the applicability of the principle to the options issued after November 7, 2002 and not yet exercisable as at January 1, 2005. As the stock option plan launched by the Group in 1999 expired in 2004, there are no plans in existence to which IFRS 2 is applicable.

(k) Insurance contracts

The Group does not issue insurance contracts and accordingly this exemption is not applicable.

(l) Changes in the liabilities recorded for decomissioning, restoration and similar liabilities included in the costs of immovables, plant and machinery

The Group does not have liabilities for decommissioning, restoration and similar liabilities and consequently this exemption is not applicable.

(m) “Fair value” measurement of financial assets and liabilities when they are first recorded in the Financial Statements

The Group did not adopt the exemption, introduced by the re-examined version of IAS 39, which relates to the valuation of the financial assets of the category at "fair value" with "fair value" changes recorded in the Income Statement", in the event where no reference market exists. The exemption is not applicable.

Compulsory exceptions for the retrospective application of the IFRS.

(a) Elimination of the financial assets and liabilities

The financial assets and liabilities which do not fulfill the IAS 39 requirements in order to be eliminated from the Financial Statements, even if cancelled prior to the transition date, must not be re-entered in the Financial Statements.

(b) Accounting for hedging transactions

The Group is obliged to adopt the recording of hedging transactions a prospectical way.

(c) Estimates

The estimates made by the Group at the transition date in terms of the IFRS must be consistent with the estimates made on the same date in accordance with the prior accounting principles (after the necessary adjustments to reflect any differences in the accounting principles) unless there is objective proof that said estimates are incorrect.

(d) Non current assets held for sale and disposal of operating assets

The Group adopts IFRS 5 by a prospectical way from January 1, 2005. Any non-current asset held for sale or operating asset disposed of are accounted for in accordance with IFRS 5 only commencing from January 1, 2005. The Group does not in any event possess non-current assets held for sale nor operating assets disposed of in the period presented. No adjustment is therefore required.

Audit of the reconciliations

As regards the identification of the auditors to be appointed with the task of carrying out a complete audit of the IFRS reconciliation schedules, CONSOB (taking into account the delicate nature linked to the first application in Italy of the IFRS) explicitly urged the listed company that the audit procedures be carried out by the firm performing the audit of the Consolidated Financial Statements as at December 31, 2004. Accordingly PricewaterhouseCoopers S.p.A. is entrusted with the task of performing a complete financial audit of the Group's consolidated stockholders' equity as at January 1, 2004, at June 30, 2004 and at December 31, 2004 as well as that of the Group's consolidated result for the first semester in 2004 and of the financial period closed as at December 31, 2004 accompanied by the related explanatory notes. The result of the work performed by PricewaterhouseCoopers S.p.A. is set out in the reports annexed hereto.

Reconciliation between IFRS and the Italian Accounting Principles

The reconciliations contained in tables 5 to 10 enclosed, highlight the effects of the transition to IFRS.

TAB 5: reconciliation of stockholders' equity at January 1, 2004, June 30 and December 31, 2004

TAB 6: reconciliation of Stockholders' equity (in the assets and liabilities format) at January 1, 2004

TAB 7: reconciliation of Stockholders' equity (in the assets and liabilities format) at June 30, 2004

TAB 8: reconciliation of Stockholders' equity (in the assets and liabilities format) at December 31, 2004

TAB 9: reconciliation of the result for the six months - 2004

TAB 10: reconciliation of the result for the 12 months - 2004

The comments to the adjustments contained in the tables are set out in the paragraphs below.

A reconciliation between the Cashflow Statement at June 30, 2004 was not made in that the adjustments made for IFRS purposes had no impact on the composition of the cash and cash equivalents.

TAB. 5 - Reconciliation of group stockholders' equity

(Values expressed in thousands of Euro)

	Notes	01/01/04	06/30/04	12/31/2004
Stockholders' equity per statutory accounts		**27.729**	**28.514**	**28.741**
Tangible fixed assets	a	218	168	179
Intangible fixed assets	b	(310)	(106)	(7)
Tax assets - prepaid taxes	c	2.207	1.857	2.596
Derivative financial instruments	d	201	87	244
Inventories	e	8.555	8.295	10.432
Other receivables	f	(349)	(305)	(477)
Amounts due to banks and i.r.o loans	h	(45)	(8)	(45)
Tax liabilities - deferred and current taxes	i	(737)	(1.384)	(1.024)
Post-employment benefits	j	(335)	(315)	(298)
Advances	l	(14.057)	(13.028)	(16.471)
Provisions for risks and charges	k	1.595	1.392	1.810
Total Adjustments		**(3.057)**	**(3.347)**	**(3.061)**
Stockholders' equity for IFRS		**24.672**	**25.167**	**25.680**

TAB. 6 - Reconciliation of Group stockholders' equity at January 1, 2004

(Values expressed in thousands of Euro)

	Notes	Italian S.E 1/1/2004	IFRS Reclasssification	IFRS Adjustments	IFRS 1/1/2004
Tangible fixed assets	a	5.054	928	218	6.200
Intangible fixed assets	b	3.845	(928)	(310)	2.607
Stake valued using the equity method		1.133	-	-	1.133
Other financial fixed assets		112	-	-	112
Financial assets held for sale		-	-	-	-
Other receivables		137	-	-	137
Derivative financial instruments	d	-	-	166	166
TOTAL NON CURRENT ASSETS		**10.281**	**-**	**74**	**10.355**
Inventories	e	21.565	-	8.555	30.120
Trade receivables		40.503	-	-	40.503
Other receivables	f	2.244	-	(349)	1.895
Other tax assets		2.245	-	-	2.245
Tax assets - prepaid taxes	c	5.294	-	2.207	7.501
Derivative financial instruments	d	-	-	35	35
Cash and cash equivalents		3.607	-	-	3.607
TOTAL CURRENT ASSETS		**75.458**	**-**	**10.448**	**85.906**
Non current assets held for sale		-	-	-	-
TOTAL ASSETS		**85.739**	**-**	**10.522**	**96.261**
Capital stock	g	11.500	-	-	11.500
Treasury stock reserve	g	324	-	(648)	(324)
Other reserves	g	17.945	-	1.129	19.074
Conversion reserve	g	(672)	-	672	-
Profits (losses) carried forward	g	1.584	-	(7.162)	(5.578)
Profit (loss) for the year		(2.952)	-	2.952	-
Total Group stockholders' equity		*27.729*	-	*(3.057)*	*24.672*
Minority interests		-		-	-
Total stockholders' equity		**27.729**	**-**	**(3.057)**	**24.672**
Loans	h	15.391	-	16	15.407
Tax liabilities - deferred taxes	i	1.217	-	737	1.954
Post-employment benefits	j	4.164	(168)	335	4.331
Provisions for risks and charges	k	339	-	(150)	189
Derivative financial instruments		-	-	-	-
TOTAL NON CURRENT LIABILITIES		**21.111**	**(168)**	**938**	**21.881**
Trade payables		17.566	-	-	17.566
Advances	l	1.441	-	14.057	15.498
Other payables	m	2.925	168	0	3.093
Amounts due to banks and i.r.o loans	h	10.539	-	29	10.568
Tax liabilities - current taxes		958	-	-	958
Provision for risks and charges	k	3.470	-	(1.445)	2.025
Derivative financial instruments		-	-	-	-
TOTAL CURRENT LIABILITIES		**36.899**	**168**	**12.641**	**49.708**
Liabilities attributable to non current assets held for sale		-	-	-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**85.739**	**-**	**10.522**	**96.261**

TAB. 7 - Reconciliation of Group stockholders' equity at June 30, 2004

(Values expressed in thousands of Euro)

	Notes	Italian S.E 06/30/2004	IFRS Reclasssification	IFRS Adjustments	IFRS 06/30/2004
Tangible fixed assets	a	5.311	937	168	6.416
Intangible fixed assets	b	3.763	(937)	(106)	2.720
Stake valued using the equity method		1.011	-	-	1.011
Other financial fixed assets		-	-	-	-
Financial assets held for sale		-	-	-	-
Other receivables		98	-	-	98
Derivative financial instruments	d	-	-	88	88
TOTAL NON CURRENT ASSETS		**10.183**	-	**150**	**10.333**
Inventories	e	23.944	(34)	8.295	32.205
Trade receivables		40.101	-	-	40.101
Other receivables	f	2.908	34	(305)	2.637
Other tax assets		1.697	-	-	1.697
Tax assets - prepaid taxes	c	5.327	-	1.857	7.184
Financial assets held for sale		-	-	-	-
Derivative financial instruments	d	-	-	8	8
Cash and cash equivalents		4.853	-	-	4.853
TOTAL CURRENT ASSETS		**78.830**	**-**	**9.855**	**88.685**
TOTAL ASSETS		**89.013**		**10.005**	**99.018**
Capital stock	g	11.500	-		11.500
Treasury stock reserve	g	305	-	(610)	(305)
Other reserves	g	15.131	-	1.129	16.260
Reserve from exchange difference	g	(622)	-	645	23
Profits (losses) carried forward	g	1.466	-	(4.253)	(2.787)
Profit (loss) for the year	g	734	-	(258)	476
Total Group stockholders' equity		*28.514*		*(3.347)*	*25.167*
Minority interests		-	-	-	-
Total stockholders' equity		**28.514**		**(3.347)**	**25.167**
Loans	h	17.078	-	(30)	17.048
Tax liabilities - deferred taxes	i	1.217	-	742	1.959
Post-employment benefits	j	3.944	-	315	4.259
Provision for risks and charges	k	190	-	(108)	82
Derivative financial instruments		-	-	-	-
TOTAL NON CURRENT LIABILITIES		**22.429**	-	**919**	**23.348**
Trade payables		21.297	-		21.297
Advances	l	1.529	-	13.028	14.557
Other payables		3.619	-	-	3.619
Amounts due to banks and i.r.o loans	h	6.589	-	38	6.627
Tax liabilities - current taxes	i	959	-	642	1.601
Provision for risks and charges	k	4.077	-	(1.284)	2.793
Derivative financial instruments	d	-	-	9	9
TOTAL CURRENT LIABILITIES		**38.070**	-	**12.433**	**50.503**
Liabilities attributable to non current assets held for sale		-	-	-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**89.013**		**10.005**	**99.018**

TAB. 8 - Reconciliation of Group stockholders' equity at December 31, 2004

(Values expressed in thousands of Euro)

	Notes	Italian S.E 12/31/2004	IFRS Reclasssification	IFRS Adjustments	IFRS 12/31/2004
Tangible fixed assets	a	5.044	762	179	5.985
Intangible fixed assets	b	3.257	(762)	(7)	2.488
Stake valued using the equity method		969	-	-	969
Other financial fixed assets		-	-	-	-
Financial assets available for sale		250	-	-	250
Other receivables		81	-	-	81
Derivative financial instruments		-	-	-	-
TOTAL NON CURRENT ASSETS		**9.601**	**-**	**172**	**9.773**
Inventories	e	21.148	-	10.432	31.580
Trade receivables		39.646	-	-	39.646
Other receivables	f	3.572	-	(477)	3.095
Other tax assets		2.043	-	-	2.043
Tax assets - prepaid taxes	c	4.475	-	2.596	7.071
Derivative financial instruments	d	-	-	310	310
Cash and cash equivalents		6.448	-	-	6.448
TOTAL CURRENT ASSETS		**77.332**	**-**	**12.861**	**90.193**
Non current assets held for sale		-	-	-	-
TOTAL ASSETS		**86.933**	**-**	**13.033**	**99.966**
Capital stock	g	11.500	-		11.500
Treasury stock reserve	g	171	-	(342)	(171)
Other reserves	g	15.264	-	1.130	16.394
Reserve from exchange difference	g	(909)	-	735	(174)
Profits (losses) carried forward	g	1.466	-	(4.379)	(2.913)
Profit (loss) for the year	g	1.249	-	(205)	1.044
Total Group stockholders' equity		*28.741*	*-*	*(3.061)*	*25.680*
Minority interests		-		-	-
Total stockholders' equity		**28.741**	**-**	**(3.061)**	**25.680**
Loans	h	12.271	-	97	12.368
Tax liabilities - deferred taxes	i	1.515	-	1.024	2.539
Post-employment benefits	j	4.200	-	298	4.498
Provision for risks and charges	k	199	-	(108)	91
Derivative financial instruments	d	-	-	37	37
TOTAL NON CURRENT LIABILITIES		**18.185**	**-**	**1.348**	**19.533**
Trade payables		19.417	-		19.417
Advances	l	1.246	-	16.471	17.717
Other payables		3.757	-		3.757
Amounts due to banks and i.r.o loans	h	10.044	-	(52)	9.992
Tax liabilities - current taxes		1.871	-		1.871
Provision for risks and charges	k	3.672	-	(1.702)	1.970
Derivative financial instruments	d	-	-	29	29
TOTAL CURRENT LIABILITIES		**40.007**	**-**	**14.746**	**54.753**
Liabilities attributable to non current assets held for sale		-	-		-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**86.933**	**-**	**13.033**	**99.966**

TAB. 9 - Reconciliation of the Consolidated Income Statement at June 30, 2004

(Values expressed in thousands of Euro)

	Notes	Italian S.E 06/30/04	Adjustments (Reclasssification) IFRS	IFRS 06/30/2004
Net revenues from sales and services	**a**	47.563	1.246	48.809
Changes in inventories of semifinished and finished products and raw material	**b**	1.004	(370)	634
Increases in fixed assets for internal work		122	-	122
Other operating income	**c**	1.217	(22)	1.195
Use of raw materials, consumables, supplies and goods	**d**	(24.997)	(8)	(25.005)
Personnel cost	**e**	(11.881)	108	(11.773)
Amortization, Depreciation and writedowns	**f**	(828)	246	(582)
Impairment and Writedowns		-	-	-
Other operating costs		(10.978)	(306)	(11.284)
OPERATING INCOME (LOSS)		**1.222**	**894**	**2.116**
Financial income		119	-	119
Financial expenses	**g**	(619)	(135)	(754)
Income (Loss) from transactions in foreign exchange		134	-	134
Income (Loss) from associated companies & joint ventures		(122)	-	(122)
Income (Loss) from financial assets held for sale		-	-	-
INCOME (LOSS) BEFORE TAX		**734**	**759**	**1.493**
Current and deferred taxes	**h**	-	(1.017)	(1.017)
NET PROFIT (LOSS)		**734**	**(258)**	**476**
Income (Loss) from assets held for disposal		-	-	-
NET PROFIT		**734**	**(258)**	**476**
- due to parent company stockholders'		734	(258)	476
- due to the minority interest		-	-	-

TAB. 10 - Reconciliation of the Consolidated Income Statement at December 31, 2004

(Values expressed in thousands of Euro)

	Notes	Italian S.E 12/31/04	IFRS Adjustments (Reclasssific.)	IFRS 12/312004
Net revenues from sales and services	a	100.044	(2.938)	97.106
Changes in inventories of semifinished & finished products & raw mat.	b	749	2.281	3.030
Increases in fixed assets for internal work		157	-	157
Other operating income	c	2.553	(74)	2.479
Use of raw materials, consumables, supplies and goods		(50.979)	(85)	(51.064)
Personnel costs	d	(24.032)	213	(23.819)
Amortization, Depreciation and writedowns	e	(1.694)	481	(1.213)
Impairment and Writedowns		-	-	-
Other operating costs	f	(21.772)	87	(21.685)
OPERATING INCOME (LOSS)		**5.026**	**(35)**	**4.991**
Financial income		492	-	492
Financial expenses	g	(1.425)	(323)	(1.748)
Income (Loss) from transactions in foreign exchange		(140)	-	(140)
Income (Loss) from associated companies & joint ventures		(164)	-	(164)
Income (Loss) from financial assets available for sale		-	-	-
INCOME (LOSS) BEFORE TAX		**3.789**	**(358)**	**3.431**
Current and deferred taxes	h	(2.540)	153	(2.387)
NET PROFIT (LOSS)		**1.249**	**(205)**	**1.044**
Income (Loss) from assets held for sale		-	-	-
NET PROFIT		**1.249**	**(205)**	**1.044**
- due to parent company stockholders'		1.249	(205)	1.044
- due to the minority interest		-	-	-

Comments on the IFRS adjustments made to the Balance Sheet.

a. Tangible fixed assets

	1 January 2004	30 June 2004	31 December 2004
Optional exemption – IFRS 1p16-19	250	267	282
Leased electronic office equipment	(32)	(99)	(103)
Reclassification of intangible fixed assets	928	937	762
Total	**1,146**	**1,105**	**941**

Optional exemption - IFRS 1p16-19

The Group applied the optional exemption provided for in IFRS 1p16-19 ("Fair value or re-determination of the value as a replacement of the cost") in order to separate the land value from the following real estate complexes:

- Collegno (Prima Industrie S.p.A. - through a financial leasing agreement IAS 17p10);
- Moncalieri (owned by Prima Electronics S.p.A.);
- Coventry (owned by Prima Industrie S.p.A. leased to the subsidiary Prima UK).

In the Financial Statements drawn up prior to the transition to IFRS, the land "pertaining" to the building was entered in the category "land and buildings" and was subject to amortization.
The "fair value" of the land and buildings as at the transition date corresponds to the value attributed to them by an independent expert who was commissioned to draw up valuation reports.
The tax effect (debit for deferred taxes) was calculated on the difference between the fiscally recoverable value of the land and the book value, in accordance with SIC 21 (Income taxes-recovery of the revalued non-depreciable assets).

Leased electronic office equipment

This relates to the effects stemming from an adjustment relating to the recording of certain leasing contracts in respect of electronic office equipment (contracts to be recorded in terms of IAS 17p20). The relative tax effect, deriving from the difference between the value per the Financial Statements and the fiscally recoverable amount was calculated and provided for on the basis of this adjustment (the debit for deferred taxes) - in accordance with the provisions of IAS 12.

Reclassification of Intangible fixed assets

This relates to a reclassification of Prima North America Inc.'s "hardware" and "lease hold improvements" as at the transition date, recorded amongst the intangible fixed assets in the pre-transition Financial Statements. For the hardware in question provision was also made to adjust the depreciation period from 3 to 7 years, a period which better represents its economic useful life.

b. Intangible fixed assets

	1 January 2004	30 June 2004	31 December 2004
Elimination of plurienial expenses	(310)	(106)	(7)
Reclassification as tangible fixed assets	(928)	(937)	(762)
Total	**(1,238)**	**(1,043)**	**(769)**

Elimination of plurienial expenses

This deals with the elimination of pluriennial expenses relating to Prima Industrie S.p.A., Prima Electronics S.p.A. and Prima North America Inc. which do not have the requirements requested by IAS 38p10 in order to be capitalized. The expenses reversed mainly include various building works on buildings that are owned or rented, plant and expansion costs, maintenance charges and trademark protection. The relative tax effect, derived from the difference between the value per the Financial Statements and the fiscally recoverable amount is calculated and provided for on the basis of this adjustment (the receivable for prepaid taxes), in accordance with the provisions of IAS 12.

Reclassification as tangible fixed assets

Refer to what was stated in the point above, in respect of "Intangible fixed assets".

Amortization of goodwill

In relation to the first application of the IFRS the Group adopted the optional exemption provided for by IFRS 1App.B (Business combinations), thus not proceeding with the re-determination of the business combinations which took place prior to January 1, 2004. Consequently the Group, in relation to the goodwill which arose as a result of the acquisitions of the Convergent Lasers and Laserdyne business branches by the current Prima North America Inc:

- kept, in the IFRS financial statements as at the transition date, the same value for the goodwill in existence in the Consolidated Financial Statements (drawn up in accordance with Italian accounting Principles);

- using the business plans and other information in existence at the transition date performed the ”impairment test” on the value of such assets with a positive result;

- reversed, in accordance with IFRS 3p55, the 10-year portion of amortization calculated on the goodwill in accordance with Italian Accounting Principles, in the Income Statement for the first semester of 2004 and in the Income Statement relative to the financial period closed as at December 31, 2004.

c. Tax assets for prepaid taxes

	1 January 2004	30 June 2004	31 December 2004
Intangible fixed assets	167	182	159
Revenues	1,957	1,576	2,209
Long-service bonuses	136	148	159
Derivative financial instruments	49	26	99
Other minor items	(102)	(75)	(30)
Total	**2,207**	**1,857**	**2,596**

The adjustments included in this paragraph highlight the fiscal effect of certain IFRS transition adjustments, which are contained in the previous and subsequent paragraphs. These are reflected in the Financial Statements as assets in compliance with IAS 12p24 as it is probable that a taxable income will be realized in the face of which the temporary deductible difference can be utilized. In compliance with IAS 12p47 the credits for prepaid taxes were valued with the tax rates which are forecast as being applicable during the financial period in which the asset will be realized.

Intangible fixed assets

The adjustment in question represents the tax effect arising from the reversal of the long-term charges commented on in the paragraph "Intangible fixed assets", above.

Revenues

The adjustment in question refers to the raising of receivables for prepaid taxes on the elimination of the margin in respect of machines which have been invoiced but not yet accepted by the customers. For further details on this adjustment see the paragraph dealing with inventories.

Long-service bonuses

This relates to the raising of a receivable for prepaid taxes arising from the adjustments attributed to the long-service bonuses commented on in the paragraph "Post-employment benefits”.

Derivative financial instruments

The adjustment in question includes the tax effect arising from the recording in the Financial Statements of the financial liabilities which originated in the face of derivative financial instruments (Interest Rate Swaps and USD currency options) commented on below.

Other minor items

This item includes the tax effect arising from the adjustments made to the infra-group margins, which are required as a result of the adjustment to revenues referred to above.

d. Derivative financial instruments".

The adjustment in question refers to the recording in the Financial Statements of the fair value of the derivative financial instruments in compliance with IAS 39p46: Interest Rate Swaps on finance contracts and USD currency options to cover the variability risk in respect of financial flows stemming from the Euro/USD ratio. Despite not being speculative in nature, the financial instruments in question do not have the requirements envisaged by IAS 39p88 which are necessary for the application of the accounting of hedging operations (IAS 39 p85-102).
For this reason they are accounted for in compliance with IAS 39p46 as if they were "financial assets at fair value with fair value changes recorded in the Income Statement".
For further details see also the section in the Financial Statements dedicated to financial risk management in the chapter relating to accounting principles.

e. Inventories

In compliance with IAS 18p16c, revenue from the sales of cutting and drilling machines, made by Prima Industrie S.p.A., Prima North America Inc. and Prima UK, are accounted for when they are accepted by the end-customer. This generally coincides with the signature of the testing report by the customer.

On the other hand, invoicing takes place when the goods are taken on by the transporters, in agreement with the international transport clauses known as “incoterms”. From that time onwards the Prima Industrie Group is free from all liability relating to transportation.

As a result of the fact that the invoicing date is not in alignment with the date of recognition of the revenue, on the basis of IAS 18p16c, in preparing the IFRS Financial Statements, the value of the machines invoiced but not yet accepted by the customer is brought back into the accounts amongst the inventories of finished products, net of the realized margin, with the contra-entry being made to "Advances" in the Balance Sheet liabilities.

This recording protects the proper representation of the underlying contractual relationships.

As a result, the portion of the provisions for warranty works, included in the item "Provision for risks and charges", raised in respect of machines that have been invoiced but not yet tested, is reversed (see also paragraph k "provision for risks and charges").

The relative tax effect is calculated on these adjustments on the basis of IAS 12.

For further information kindly refer to the paragraph "Recognition of revenues" in the chapter relating to accounting principles.

f. Other receivables

	1 January 2004	30 June 2004	31 December 2004
Treasury stock	(324)	(305)	(171)
Derivative financial instruments	-	-	(275)
Other minor items	(25)	-	(31)
Total	**(349)**	**(305)**	**(477)**

Treasury stock

In the Financial Statements drawn in accordance with Italian Accounting Principles treasury stock was recorded amongst current assets and valued at the lower of cost and market value. In terms of the law, a reserve for the "purchase of treasury stock" was recorded in the stockholders' equity. The economic effects relating to the transactions in respect of treasury stock were recorded in the Income Statement.
In compliance with IAS 32p33, treasury stock (as well as any profit or loss arising from the trading therein) were used to reduce the Stockholders' Equity. The "Reserve for treasury stock in portfolio" was reclassified in the item "Profits (Losses) carried forward".

Derivative financial instruments

The adjustment in question relates to the reversal of the forward transactions from the Financial Statements prepared in accordance with Italian Accounting Principles. These transactions were reinserted in the Financial Statements as "financial assets/liabilities at fair value with changes to the income statement" (refer to paragraph "d. Derivative financial instruments).

g. Stockholders' equity

Capital stock

In terms of IAS 32p33, the capital stock diminished by the value which represents the treasury stock. For further information on the adjustment refer to paragraph "f. Other receivables".

Treasury stock reserve

The reserve for treasury stock was reclassified in the item, "Profits (Losses) carried forward". For further information on the adjustment refer to paragraph "f. Other receivables".

Conversion reserve

In the application of the optional exemption provided for in IFRS 1p22, the "Conversion Reserve" was cleared against the "Profits (Losses) carried forward". The reserve will be replenished after the transition date.

Profits (losses) carried forward

The adjustments to the item, "Profits (Losses) carried forward" are made up as shown in table 5. Kindly refer to the applicable paragraphs for the comments thereon.

h. *Amounts due to banks and in respect of loans*

The adjustment made in respect of the item "Amounts due to banks and in respect of loans" relates to the portion of the debt generated by reason of the accounting for the financial leases for certain leasing contracts for electronic office equipment which fulfill the requirements requested by IAS 17 p.10 in order to be accounted for in accordance with the financial method (IAS17 p22).

i. Tax liabilities for deferred and current taxes

	1 January 2004	**30 June 2004**	**31 December 2004**
Tangible fixed assets	224	235	266
Warranty fund	573	538	839
Employees' severance fund	27	43	30
Derivative financial instruments	66	29	90
Other minor items	(153)	(103)	(201)
	737	**742**	**1,024**
Current taxes (IRAP and IRES)	-	641	-
Total	**737**	**1,383**	**1,024**

Tangible fixed assets

Refer to paragraph “a. Tangible fixed assets”.

Guarantee fund

Refer to paragraph "e. Inventories”.

Employees' severance fund

Refer to paragraph “j. Post-employment benefits".

Derivative financial instruments

Refer to paragraph “d. Derivative financial instruments".

Current taxes

In the Financial Statement prepared in accordance with Italian Accounting Principles the Group availed itself of the right connected to paragraph 7 of section 81 of the Consob regulations, presenting the results for the period net of tax. In the IFRS Financial Statements, insofar as no exceptions are permitted to the application of the principles, an estimate of the tax burden was inserted.

j. Post-employment benefits

	1 January 2004	30 June 2004	31 December 2004
Employees' severance fund	(79)	(131)	(185)
Long-service bonuses	414	446	483
Reclassif: early-retirem. incen. and Other payables	(168)	-	-
Total	**167**	**315**	**298,024**

Employees' severance fund

The Employees' severance fund, calculated in the Financial Statements according to Italian Accounting Principles in accordance with section 2120 of the Italian Civil Code, on the basis of IAS 19 is considered to be a defined benefits pension plan. As such it must be valued by applying the statistical/actuarial method of the “projected unit credit” (IAS 19p68) For the valuation of the liabilities the services of an independent actuary, duly registered on the National Roll of Actuaries, were used. On the basis of IAS 12, the relative tax effect was calculated on the basis of this adjustment.

Long-service bonuses

The long-service bonus, amounting to two gross monthly salaries, is due to employees of Prima Industrie S.p.A. and Prima Electronics S.p.A. upon attainment of the 20th, 30th and 35th year of service. The adjustment in question reflects the present value of the liability. For the valuation of the liabilities the services of an independent actuary, duly recorded on the National Roll of Actuaries, were used. On the basis of IAS 12, the relative tax effect was calculated on the basis of this adjustment.

Early-retirement incentives

The company recorded the amounts to be paid out in terms of the early-retirement incentives under the item "Employees’ severance fund" in the Consolidated Financial Statements as at January 1, 2004, prepared in accordance with the Italian Accounting Principles. In consideration of the nature of this estimate with respect to the employees’ severance fund, the amount set aside was reclassified to the item "Other payables".

k. Provision for risks and charges

	1 January 2004	30 June 2004	31 December 2004
Warranty fund	(1,594)	(1,362)	(1702)
Provision for probable taxes	(150)	(108)	(108)
Derivative financial instruments	149	78	-
Total	**(1,595)**	**(1,392)**	**(1,810)**

Warranty fund

For further information refer to paragraph "e. Inventories".

Provision for probable taxes

This relates to the elimination of the provision for probable taxes recorded by the parent company, Prima Industrie S.p.A., pursuant to the tax re-assessment issued by the Finance Police (which related to the failure to compute the interest received on the loans granted to Prima North America Inc and other minor comments). The re-assessment was issued at the end of an audit relating to the 2000 financial year, which audit took place during the second semester of 2002. The provision is reversed because at the transition date it exceeded the actual risk of having to pay a penalty.

Derivative financial instruments

The adjustment in question relates to the reversal of the forward transactions from the Financial Statements prepared in accordance with Italian Accounting Principles. These transactions were reinserted in the Financial Statements as "financial assets/liabilities at fair value with changes to the Income Statement" (refer to paragraph "d. Derivative financial instruments").

l. Advances

The adjustment to the "Advances" account are fully described in paragraph "e. Inventories".

m. Other payables

This relates to the reclassification of early retirement incentives from the Employees' severance fund account to the item "Other payables".

Comments on the IFRS adjustments made to the Income Statement

a. Income

The item "Net revenues from sales and services" highlights the financial aspect that follows from the adjustment which is necessary to record the revenues derived from the sales of machines at the time of acceptance instead of at the time of invoicing (IAS 18p16c) For further information refer to paragraph "e. Inventories".

b. *Changes in inventories of semi-finished and finished products and raw material*

	30 June 2004	**31 December 2004**
Change in inventories	81	2,663
Elision of infra-group margins	(451)	(382)
Total	**(370)**	**2,281**

Change in inventories

The adjustment in question is due to the recording of revenues for the sales of machines at the time of acceptance instead of at the time of invoicing (IAS 18p16c).

Elision of infra-group margins

The reversal of a part of the sales, consequent to the adjustment of revenues, has also imposed the review of the elimination of the infra-group margins in the consolidation process.

c. Other operating revenues

	30 June 2004	**31 December 2004**
Financial leasing adjustments	(22)	(21)
Elimination of the gain on the sale of treasury stock	-	(11)
Elimination of the utilization of the provision for probable taxes	-	(42)
Total	**(22)**	**(74)**

Financial leasing adjustments

This relates to the financial effect of the recording provided for by IAS 17p20 for certain leasing contracts for electronic office equipment, not disclosed as financial leases according to Italian Accounting Principles.

Elimination of the gain on the sale of treasury stock

This relates to the elimination of the gains realized on the sale of treasury stock, in accordance with IAS 32p33. For further information refer to paragraph "f. Other receivables”.

Elimination of the utilization of the provision for probable taxes

This refers to the reversal of the utilization of the portion of the provision for probable taxes, already eliminated against Stockholders' equity at the transition date. For more information see paragraph "k. Provision for risks and charges”.

d. Personnel costs

	30 June 2004	**31 December 2004**
Employees' severance fund	142	283
Long-service bonuses	(34)	(70)
Total	**108**	**213**

The adjustment highlights the financial effects of recording Employees' severance fund according to IAS 19 and making provision for long-service bonuses. For further information refer to paragraph "j. Post-employment benefits".

e. Amortization, Depreciation and write downs

	30 June 2004	**31 December 2004**
Elimination of amortization on goodwill	155	306
Elimination of depreciation on pluriennial expenses	45	166
Elimination of depreciation on land	15	(20)
Depreciation from financial leasing	31	39
Other minor items	-	(10)
Total	**246**	**481**

Elimination of amortization on goodwill

This refers to the elimination of the 10-year portion of amortization calculated on goodwill, allocated to the Income Statement according to Italian Accounting Principles (see paragraph "b. Intangible fixed assets" for further details). On the basis of IFRS 3p55 goodwill must not be amortized, but must be written down for any “impairment”.

Elimination of depreciation on pluriennial expenses

Refer to paragraph "b. Intangible fixed assets”.

Elimination of depreciation on land

This relates to the elimination of the portion of depreciation calculated on the basis of the previous Italian Accounting Principles relative to land insofar as it is considered as “pertaining” to the building (for more detail refer to paragraph "a. Tangible fixed assets”).

f. Other operating costs

	30 June 2004	31 December 2004
Elimination of capitalized pluriennial expenses	(23)	(116)
Adjustment of warranty for the work provision guarantee	(266)	178
Elimination of provision for probable taxes	(42)	-
Elimination of losses from sale of treasury stock	25	25
Total	**(306)**	**87**

Elimination of capitalized pluriennial expenses

This relates to a reversal of certain long-term expenses that do not have the requirements demanded by IAS 38p10 for capitalization.

Adjustment of the reserve for work under guarantee

This relates to the net effect of the adjustments on the recording of revenues (see paragraph "e. Inventories), determined as the difference between the opening and closing Balance Sheet adjustments.

Elimination of losses on treasury stock

This relates to the elimination of losses on the sale of treasury stock in accordance with IAS 32p33. For further information refer to paragraph "f. Other receivables”.

g. Financial expenses

	30 June 2004	31 December 2004
Interest paid on leasing contracts	-	(59)
Interest paid on contributory plans for employees	(90)	(176)
Changes in “fair value” of derivative financial instruments	(45)	(88)
Total	**(135)**	**(323)**

Interest paid on leasing contracts

This relates to the portion of interest paid on certain leases in respect of electronic office equipment accounted for in accordance with the financial method provided for in IAS 17.

Interest paid on contributory plans for employees

The adjustment takes account of the portion of interest paid in the recording of the Employees' severance fund, as a defined benefits plan, in accordance with IAS 19.

Changes in "fair value" of derivative financial instruments

The adjustment includes the changes in "fair value" of the derivative financial instruments. For further details refer to paragraph "d. Derivative financial instruments".

h. Deferred taxes

	30 June 2004	**31 December 2004**
Tangible fixed assets	(22)	(15)
Intangible fixed assets	(6)	(57)
Post-employment benefits	(9)	(12)
Derivatives	15	32
Revenues/ Warranty provision	(265)	180
Provision for probable taxes	15	15
Other minor items	-	10
Deferred taxes on IFRS adjustments	**(272)**	**153**
IRAP	(393)	
IRPEG	(248)	
Prepaid taxes on tax loss	393	
Statutory deferred/prepaid taxes	(497)	
Current and deferred taxes on statutory result	**(745)**	**-**
Total	**(1,017)**	**153**

The table set out above highlights the financial effects of the changes in deferred and current taxes, exhaustively dealt with in the previous paragraph.

8. SECTOR REPORT

TAB. 11 Sector results - 1st semester 2005

	Sector 1	Sector 2	Others	Unallocated	Group
Total sector revenues	39.949	8.213		-	48.162
(Intra-sector revenues)		(1.792)		-	(1.792)
Income	39.949	6.421	-	-	46.370
Operating profit (loss)	1.499	782			2.281
Net financial expenses/income	(447)	18			(429)
Income/exp.from assoc.companies & joint ventures	(103)	-		-	(103)
Income (loss) before tax					1.749
Taxes					(972)
Net profit (loss)					777

TAB. 12 Sector results - 1st semester 2004:

	Sector 1	Sector 2	Others	Unallocated	Group
Total sector revenues	43.360	7.003			50.363
(Intra-sector revenues)		(1.553)			(1.553)
Income	43.360	5.450	-	-	48.810
Operating profit (loss)	1.508	608			2.116
Net financial expenses/income	(485)	(16)			(501)
Income/exp.from assoc.companies & joint ventures	(123)				(123)
Income (loss) before tax					1.492
Taxes					(1.016)
Net profit (loss)					476

TAB. 13 Sector information - 1st semester 2005

	Sector 1	Sector 2	Others	Group
Depreciation of tangible fixed assets	374	140		514
Amortization of intangible fixed assets	40	26		66
Total	**414**	**166**	**-**	**580**

TAB. 14 Sector information - 1st semester 2004:

	Sector 1	Sector 2	Others	Group
Depreciation of tangible fixed assets	394	137		531
Amortization of intangible fixed assets	28	24		52
Total	**422**	**161**	**-**	**583**

TAB. 15 Assets and Liabilities - 1st semester

	Sector 1	Sector 2	Others	Unallocated	Group
Assets	74.837	12.996		19.078	106.911
Associated companies and Joint Ventures	855	11			866
Total assets	75.692	13.007	-	19.078	107.777
Liabilities	45.610	7.057		29.111	81.778

TAB. 16 Assets and liabilities - 1st semester 2004:

	Sector 1	Sector 2	Others	Unallocated	Group
Assets	72.284	11.896		13.827	98.007
Associated companies and Joint Ventures	1.001	10			1.011
Total assets	73.285	11.906	-	13.827	99.018
Liabilities	40.830	5.778		27.244	73.852

On behalf of the Board of Directors

Chairman

Gianfranco Carbonato

ACCOUNTING STATEMENTS AT JUNE 30, 2005

PRIMA INDUSTRIE S.p.A.
BALANCE SHEET
at June 30, 2005

ASSETS		06.30.2005			12.31.2004			06.12.2004		
A. DUE FROM STOCKHOLDERS FOR PAYMENTS STILL DUE				0			0			0
B. FIXED ASSETS										
I. Intangible fixed assets										
1) Plant and expansion costs			0			0			16.867	
2) Research, development and advertising costs			0			0			0	
3) Industrial patent and intellectual property			199.382			160.117			161.475	
4) Concessions, licences, trademarks and similar rights			4.286			4.783			5.279	
5) Goodwill			0			0			0	
6) Assets under construction and advances			0			0			0	
7) Other intangible fixed assets			286.027	489.695		322.212	487.112		307.900	491.521
II. Tangible fixed assets										
1) Land and buildings:		801.114			801.114			797.114		
less: accumulated depreciation		(244.383)	556.731		(223.133)	577.981		(205.951)	591.163	
2) Plant and machinery		1.693.051			1.648.551			1.617.130		
less: accumulated depreciation		(1.210.521)	482.530		(1.158.413)	490.138		(1.109.423)	507.707	
3) Industrial and commercial equipment		1.811.111			1.747.984			1.737.538		
less: accumulated depreciation		(1.476.189)	334.922		(1.399.420)	348.564		(1.317.413)	420.125	
4) Other assets		1.596.035			1.515.969			1.470.945		
less: accumulated depreciation		(1.336.698)	259.337		(1.301.869)	214.100		(1.254.683)	216.262	
5) Assets under construction and advances			0	1.633.520		0	1.630.783		0	1.735.257
III. Financial fixed assets										
1) Equity investments										
a) in subsidiaries		24.442.579			24.442.579			22.691.380		
less:equity investment devaluation reserve		(15.750.532)			(15.689.956)			(15.928.250)		
b) in associated companies		1.855.767			1.855.767			1.855.767		
less:equity investment devaluation reserve		(1.000.455)			(897.007)			(855.573)		
c) in controlling companies		0			0			0		
less:equity investment devaluation reserve		0			0			0		
d) in other companies		791.059			774.686			774.685		
less:equity investment devaluation reserve		(774.686)	9.563.732		(774.686)	9.711.383		(774.685)	7.763.324	
2) Receivables	(*)									
a) from subsidiaries	0	5.142.796			4.265.685			7.136.276		
b) from associated companies	0	150.416			150.416			150.416		
c) from controlling companies	0	0			0			0		
d) Other receivables	0	11.263	5.304.475		31.388	4.447.489		42.816	7.329.508	
3) Other securities			249.478			249.478			0	
4) Treasury stock			0	15.117.685		0	14.408.350		0	15.092.832
TOTAL FIXED ASSETS (B)				17.240.900			16.526.245			17.319.610

C. CURRENT ASSETS										
I. Inventories										
1) Raw materials, consumables and supplies			8.739.280			6.984.227			7.287.818	
2) Work in progress and semifinished products			3.886.432			2.765.540			2.905.539	
3) Contract work in progress			0			0			0	
4) Finished product and goods			3.537.294			2.478.900			3.244.913	
5) Advances			0			0			0	
less: provision for writedown of stock			(888.166)			(813.166)			(713.165)	
less: provision for writedown of finished products			(331.000)	14.943.840		(490.000)	10.925.501		(223.000)	12.502.105
II. Receivables	(**)									
1) Trade receivables	0	23.554.185			26.302.560			27.269.430		
less: taxed & non taxed allow. for doubtful a/cs:		(971.950)	22.582.235		(1.013.519)	25.289.041		(1.124.172)	26.145.258	
2) Subsidiaries			4.246.704		0	5.413.414		0	4.301.803	
3) Associated companies			1.929.949		0	1.280.171		0	918.945	
4) Controlling companies					0	0		0	0	
4-bis) Tax receivables			1.111.927		0	1.971.741		0	1.225.650	
4-ter) Prepaid taxes			2.923.447		0	2.923.447		0	4.023.726	
5) Others			3.783.713	36.577.975	0	2.755.896	39.633.710	0	1.979.976	38.595.358
III. Current financial assets										
1) Equity investments in subsidiaries		0			0			0		
less:equity investment devaluation reserve		0	0		0	0		0	0	
2) Equity investments in associated companies		0			0			0		
3) Equity investmentsin controlling companies		0			0			0		
4) Equity investments in other companies			232			232			232	
less:equity investment devaluation reserve			0			0			0	
5) Treasury stock (par value 66.250)			233.942			170.607			305.581	
6) Other securities			0	234.174		0	170.839		0	305.813
IV. Cash and cash equivalents										
1) Bank and postal accounts			7.480.373			3.132.218			3.744.984	
2) Cheques			0			0			0	
3) Cash and cash equivalents on hand			8.093	7.488.466		8.945	3.141.163		8.180	3.753.164
TOTAL CURRENT ASSETS (C)				59.244.455			53.871.213			55.156.440
D. ACCRUED INCOME & PREPAID EXPENSES										
1) Issue discounts and other similar expenses on loans			0			0			0	
2) Other accrued income and prepaid expenses			404.590	404.590		489.677	489.677		338.036	338.036
TOTAL ASSETS				76.889.945			70.887.135			72.814.086

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

PRIMA INDUSTRIES.p.A
BALANCE SHEET
at June 30, 2005

LIABILITIES		06.30.2005			12.31.2004			06.12.2004	
A. STOCKHOLDERS' EQUITY									
I. Capital stock			11.500.000			11.500.000			11.500.000
II. Share premium reserve			15.664.893			15.664.893			15.529.918
III. Revaluation resrve			0			0			0
IV. Legal reserve			770.910			729.550			729.550
V. Statutory reserves			0			0			0
VI. Reserve for treasury stock in portfolio			233.942			170.606			305.581
VII. Other reserves			79.554			0			0
VIII. Profits (losses) carried forward			0			0			0
IX. Profit (loss) for the year			786.920			827.199			11.673
TOTAL STOCKHOLDERS' EQUITY			29.036.219			28.892.248			28.076.722
B. PROVISIONS FOR RISKS AND CHARGES									
1) Retirement fund and similar provisions		0			0			0	
2) Provisions for taxes		1.198.163			1.198.163			964.991	
3) Others		2.233.047	3.431.210		2.198.503	3.396.666		2.930.682	3.895.673
C. EMPLOYEES' SEVERANCE PAY			3.118.339			2.973.925			2.757.342
D. PAYABLES	(**)			(**)			(**)		
1) Bonds	0	0		0	0		0	0	
2) Convertible bonds	0	0		0	0		0	0	
3) Amounts due to stockholders i.r.o. funding	0	0		0	0		0	0	
4) Amounts due to banks	0	15.316.098		6.376.108	12.013.094		0	13.514.153	
5) Amounts due to other lenders	0	726.471		726.471	810.821		0	810.821	
6) Advances	0	1.145.360		0	915.886		0	1.106.688	
7) Trade accounts payable	0	16.183.367		0	14.257.854		0	15.740.958	
8) Payables represented by debt instruments	0	0		0	0		0	0	
9) Amounts due to subsidiaries	0	5.019.068		0	4.121.782		0	4.306.834	
10) Amounts due to associated companies	0	0		0	0		0	0	
11) Amounts due to Parent company	0			0			0		
12) Taxes payable	0	364.920		0	1.334.905		0	415.046	
13) Amounts due to provident and social security institutions	0	605.557		0	750.657		0	560.008	
14) Other payables	0	1.374.549	40.735.390	0	1.088.221	35.293.220	0	1.131.764	37.586.272
E. ACCRUED EXPENSES & DEFERRED INCOME									
1) Issue premiums		0			0			0	
2) Other accrued expenses and deferred income		568.787	568.787		331.076	331.076		498.077	498.077
TOTAL LIABILITIES			76.889.945			70.887.135			72.814.086

(**) PAYABLES DUE BEYOND ONE YEAR

INCOME STEMENT

PRIMA INDUSTRIE S.p.A.
INCOME STATEMENT

		06.30.2005		12.31.2004		06.12.2004
A. VALUE OF PRODUCTION						
1) Revenues from sales and services		31.051.959		65.913.443		31.113.547
2) Changes in inventories of work in progress, semifinished and finished products		1.217.394		(309.158)		723.855
3) Change in contract work in progress		1.120.892		431.645		571.644
4) Increases in fixed assets for internal work		15.631		88.663		78.862
5) Other income and revenues						
a) operating grants	0		0		0	
b) other	989.337	989.337	2.399.321	2.399.321	1.135.082	1.135.082
TOTAL VALUE OF PRODUCTION (A)		34.395.213		68.523.914		33.622.990
B. COSTS OF PRODUCTION						
6) Raw materials, consumables and supplies		(19.776.947)		(35.820.846)		(18.713.530)
7) Service costs		(6.938.020)		(14.533.224)		(7.069.652)
8) Leases and rentals		(606.896)		(1.098.953)		(479.964)
9) Personnel costs:						
a) salaries and wages	(4.958.278)		(9.033.353)		(4.411.653)	
b) social security contributions	(1.595.481)		(2.988.881)		(1.454.354)	
c) employees' severance pay	(305.786)		(558.714)		(277.978)	
d) retirement fund and similar provisions	0		0		0	
e) other personnel costs	(122.772)	(6.982.317)	(266.071)	(12.847.019)	(165.104)	(6.309.089)
10) Amortization, depreciation and writedowns						
a) amortization of intangible fixed assets	(93.010)		(217.130)		(96.081)	
b) depreciation of tangible fixed assets	(187.698)		(395.543)		(196.378)	
c) writedowns of intangible and tangible fixed assets	0		0		0	
d) writedown of receivables incl. in current assets & w/down of cash & cash equivalents	0	(280.708)	(100.000)	(712.673)	(150.000)	(442.459)
11) Changes in inventories of raw materials, consumables, supplies and merchandise		1.680.053		49.635		453.226
12) Provisions for risks		(164.208)		121.644		102.800
13) Other provisions		0		0		0
14) Sundry operating expenses		(336.091)		(659.065)		(314.530)
TOTAL COSTS OF PRODUCTION (B)		(33.405.134)		(65.500.501)		(32.773.198)

INCOME STATEMENT

DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION (A - B)		990.079		3.023.413		849.792
C. FINANCIAL INCOME AND EXPENSES						
11) Income from equity investments						
a) dividends and other income from subsidiary companies	0		600.000		0	
b) dividends and other income from associated companies	0		0		0	
c) dividends and other income from other companies	0	0	0	600.000	0	0
16) Other financial income:						
a) from receivables included in financial fixed assets						
- from subsidiaries	0		0		0	
- from associated companies	0		0		0	
- from controlling companies	0		0		0	
- others	0		0		0	
b) from securities included in financial fixed assets that do not constitute equity investments	0		0		0	
c) from securities included in current assets that do not constitute equity investments	0		0		0	
d) other income						
- interest and commission from subsidiaries	94.624		101.134		34.496	
- interest and commission from associated companies	0		0		0	
- interest and commission from controlling companies	0		0		0	
- other interest and commission and sundry income	279.652	374.276	466.295	567.429	112.593	147.089
17) Interest and other financial expenses						
a) from subsidiaries	(19.975)		(39.589)		(19.615)	
b) from associated companies	0		0		0	
c) to Controlling companies	0		0		0	
d) others	(580.922)	(600.897)	(1.126.289)	(1.165.878)	(467.624)	(487.239)
17-bis) Gains and losses on exchange		173.140		(27.090)		122.379
TOTAL FINANCIAL INCOME AND EXPENSES (C)		(53.481)		(25.539)		(217.771)

INCOME STATEMENT

D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS						
18) Revaluations:						
a) equity investments	0		0		0	
b) financial fixed assets	0		0		0	
c) securities included in current assets	0	0	0	0	0	0
19) Writedowns:						
a) equity investments	(164.025)		(393.966)		(590.825)	
b) financial fixed assets	0		0		0	
c) securities included in current assets	0	(164.025)	0	(393.966)	0	(590.825)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)		(164.025)		(393.966)		(590.825)
E. EXTRAORDINARY INCOME AND EXPENSES						
20) Income						
a) capital gains on sales	19.090		11.032		257	
a) other	0	19.090	0	11.032	0	257
21) expenses	0		0		0	
21) losses on disposals	(4.743)		(25.151)		(29.780)	
b) prior year taxes	0		0		0	
c) other	0	(4.743)	(100.000)	(125.151)	0	(29.780)
TOTAL OF THE EXTRAORDINARY ITEMS (E)		14.347		(114.119)		(29.523)
RESULT BEFORE TAX (A -B +- C +- D +- E)		786.920		2.489.789		11.673
22) INCOME TAXES FOR THE FINANCIAL YEAR						
a) current		0		(1.318.127)		0
b) deferred		0		(553.086)		0
c) prepaid		0		208.623		0
23) PROFIT (LOSS) FOR THE YEAR		786.920		827.199		11.673