PRIMA INDUSTRIE

SIX MONTHS REPORT
AT JUNE 30, 2006

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Approved by the Board of Directors on September 21, 2006

PRIMA INDUSTRIE S.p.A.

Paid-in Capital Stock 11,500,000 euro
Turin Companies' Register No. 03736080015
Turin R.E.A. No. 582421

Registered offices in Collegno (Turin)
Via Antonelli, 32
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BOARD OF DIRECTORS [1]

Chairman and Managing Director
Gianfranco Carbonato

Directors
Sandro D'Isidoro
Fabrizio Lugaresi [2]
Mario Mauri [2]
Domenico Peiretti
Pio Pellegrini [2] [3]
Marco Pinciroli (Managing Director) [5]

Secretary
Massimo Ratti

General Manager

Ezio Basso

BOARD OF STATUTORY AUDITORS[4]

Chairman
Riccardo Formica

Auditors
Andrea Mosca
Roberto Petrignani

Alternate auditors
Roberto Coda
Gianluigi Frigerio

AUDITING COMPANY

PricewaterhouseCoopers S.p.A.

[1] Appointed at the Stockholders' Meeting held on May 13, 2005 for the three-year period 2005-2007
[2] Independent director
[3] Appointed at the Stockholders' Meeting held on September 8, 2005 for the three-year period 2005-07
[4] Appointed at the Stockholders' Meeting held on May 14, 2004 for the three-year period 2004-2006
[5] Appointed at the Board of Directors held on June 14, 2006 for the M & A activities and external growing

POWERS RELATING TO COMPANY APPOINTMENTS

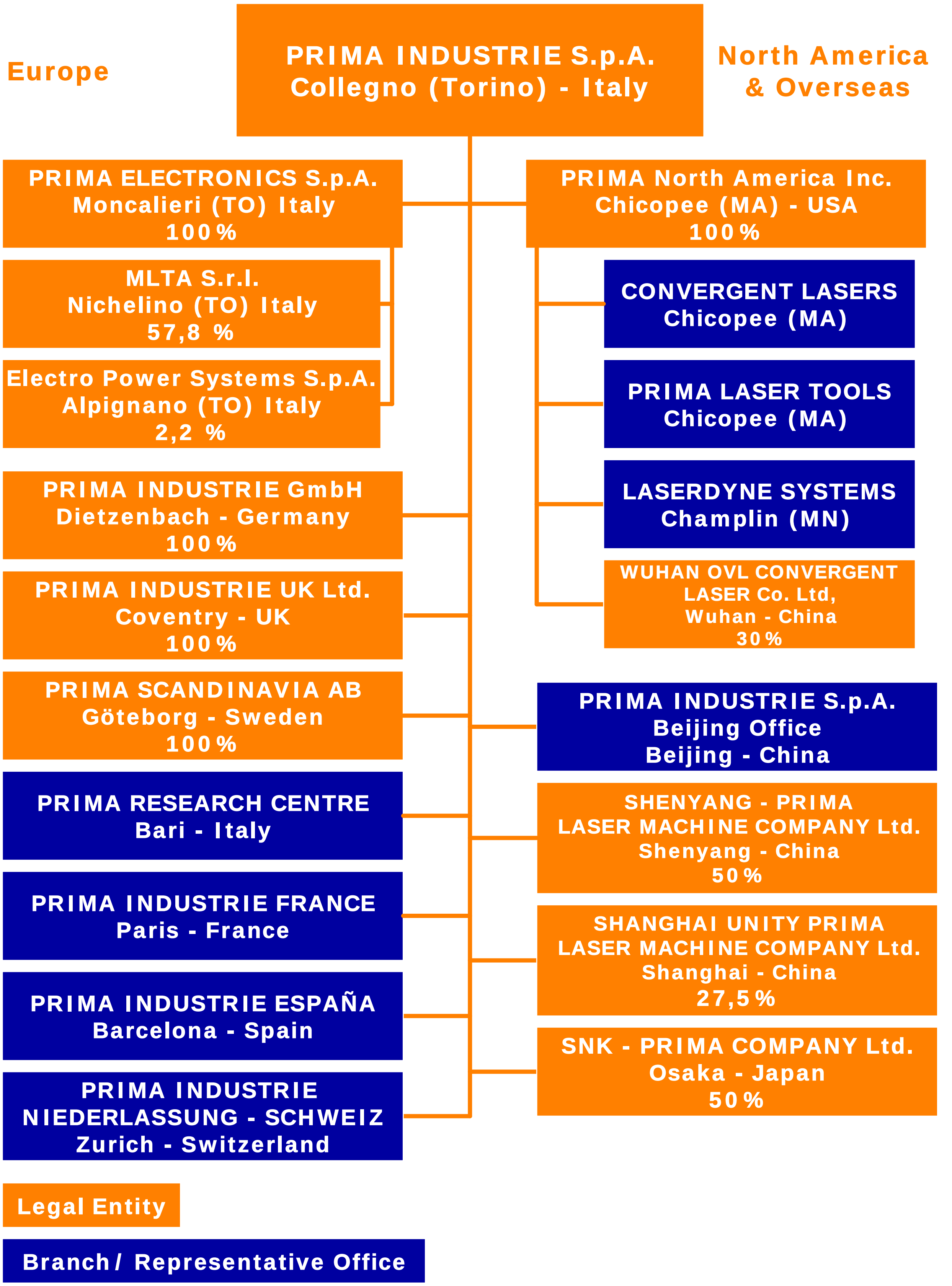
In terms of resolutions dated May 13 and June 7, 2005 the Board of Directors appointed Gianfranco Carbonato as the Chief Executive Officer and determined his powers.

In terms of clause 25 of the Articles of Association, the Chairman and Chief Executive Officer is the legal representative of the company.

INDEX

REPORT ON OPERATIONS

1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP



2. INTRODUCTION

REGULATORY FRAMEWORK

In application of European Regulation No. 1606 of 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 interim report at June 30, 2006 in compliance with the International Accounting Standards approved by the European Commission (hereinafter referred to individually as IAS/IFRS or together as IFRS) .

In compliance with paragraph 8 of IAS 34 ("Interim Financial Reporting"), the interim report at June 30, 2006 includes the following minimum components:

a) Balance sheet
b) Income statement
c) Statement of changes in equity
d) Cash flow statement, and
e) Specific explanatory notes as required by paragraph 16 of IAS 34.

In accordance with paragraph 3 of section 81 of the Issuers Regulation No. 11971, moreover, the interim report also includes financial statements for the parent company prepared in accordance with IAS/IFRS, given that PRIMA INDUSTRIE S.p.A. will be required to present its annual financial statements in accordance with international accounting standards from fiscal year 2006 onwards. Consequently, the corresponding data for the previous year have been restated as required by IAS/IFRS.

As directed in CONSOB Communication No. DEM/6064313 of July 28, 2006, a special section of the interim report provides the information on first-time adoption of International Financial Reporting Standards for the PRIMA INDUSTRIE S.p.A. annual financial report as contemplated by IFRS 1.

This interim report was approved by the Board of Directors on September 21, 2006.

At 06/30/2006, the following companies were included in the area of consolidation.

SUBSIDIARIES		Capital Stock	Stake	Consolidation method
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2 10024 Moncalieri (TO)	€ 1.500.000	100%	Line-by-line method
PRIMA North America, Inc.	Convergent Lasers Divison & PRIMA Laser Tools Division: 711 East Main Street Chicopee, MA 01020 (USA) Laserdyne Systems Division: 8600 109th Av. North Champlin, MN 55316 (USA)	USD 24.000.000	100%	Line-by-line method
PRIMA INDUSTRIE GmbH	Shöne Aussicht 5a Kronberg (D)	€ 500.000	100%	Line-by-line method
PRIMA SCANDINAVIA AB	Mölndalsvägen 30c SE-412 63 Goteborg (S)	SEK 100.000	100%	Line-by-line method
PRIMA INDUSTRIE UK LTD.	Unit 1, Phoenix Park Bayton Road Coventry CV7 90N, UK	GBP 1	100%	Line-by-line method
M.L.T.A. S.r.l.	Via Cuneo, 31 10042 Nichelino (TO)	€ 46.800	57,84%	Line-by-line method

ASSOCIATED COMPANIES & JOINT VENTURES		Capital Stock	Stake	Consolidation method
Shenyang PRIMA Laser Machine Company Ltd	Shenyang Liaoning Province, China 45 Huanghai Rd, Yuhong District	USD 2.000.000	50%	Equity method
SNK PRIMA Company Ltd	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka Japan, Shanghai 201111	Yen 90.000.000	50%	Equity method
Shanghai Unity PRIMA Laser Machinery Co Ltd.	2019, Kunyang Rd., Shanghai 201111 - China	Rmb 16.000.000	27,50%	Equity method
Wuhan OVL Convergent Laser Co., Ltd.	Building No.1, Great Wall Technology Industry Park, No.1, Townson Lake Road Wuhan East Lake High-Tech Development Zone Wuhan, 430223, Hubei, P.R. China	USD 6.800.000	30%	Equity method
Macro Meccanica S.p.A. (in liquidazione)	V. don Sapino 134 10040 Venaria - Fraz. Savonera (TO)	L./mil. 630	35,48%	Cost method

On January 12, 2006, the Group, through its subsidiary PRIMA ELECTRONICS S.p.A., increased its holdings in M.L.T.A. S.r.l., a company operating in the power electronics sector, to 57.84%. Consequently, M.L.T.A. was included in the scope of consolidation as of January 1, 2006.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the indicators envisaged for financial statements prepared in accordance with International Accounting Standards, the Group and its subsidiaries gauge their performance on the basis of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), which is determined by adding the amounts stated under the heading “Depreciation and Amortization” to the operating profit shown on the Income Statement.

3. BUSINESS TREND

REVENUES AND PROFITABILITY

Consolidated revenues for the first six months of 2006 totaled 66,677 thousand euro.
Of this amount, which was a 43.8% increase over the 46,370 million euro posted at June 30, 2006, 23.2% was earned in Italy, as against 28.4% at June 30, 2006. A further 44% was earned in the rest of Europe (42.6% at June 30, 2006), 22.3% in North America (16,9% at June 30, 2006) and 10.5% in Asia and the rest of the world (12.1% at June 30, 2006). As usual, these consolidated revenues do not include sales made by the joint ventures in China and Japan, where the Group does not hold a controlling interest.

As these figures show, revenues from the Italian market rose by 17.6% as compared to the same period in 2005, even though Italy's percentage share of the total world sales decreased in the first six months of the year.

Other European markets continued to show excellent performance, with sales in the first six months of 2006 increasing by 48.7% over the first half of 2005. Growth was strong in all European markets, and particularly in Sweden and Germany, where the Group has made extensive marketing and customer service investments over the last two years.

By comparison with June 30, 2005, sales in the United States rose by 89.5%. This increase was largely due to LASERDYNE, though the PRIMA LASER TOOLS Division also made a significant contribution by boosting its sales by around 28%.

Though overseas markets shrank in percentage terms, chiefly as a result of the local business carried out directly by the Chinese joint ventures, their value in absolute terms rose by around 1.4 million euro: a 24.2% rise over the first half of 2005.

At product level, the period saw strong growth in the sales of 2D products (PLATINO and SYNCRONO in particular) together with an encouraging increase in revenues from electronic products and from after-sales service and spare parts. Sales of 3D systems remained substantially stable.
In the latter area, growth in the aerospace segment was offset by the downturn in demand from the automotive industry, beset by difficulties in both Europe and the United States.

Sales growth triggered a corresponding rise in the value of production, which amounted to 68,490 thousand euro at June 30, 2006, or 36.1% more than the previous year's 50,310 thousand euro.

All measures of profitability showed significant improvement over the corresponding values for the previous year. The Group's EBITDA, which totaled 7,348 thousand euro, rose by 157% over the 2,861 thousand euro at June 30, 2005, while consolidated EBIT (6,705 thousand euro, or 10% of sales) improved by 194% compared to the 2,281 thousand euro at June 30, 2005.

Gains in operating profitability were reflected in pretax earnings at June 30, 2006, which totaled 6,218 thousand euro: a 255% increase over the 1,749 thousand euro at June 30, 2005. Net profit at June 30, 2006 was 4,494 thousand euro, 478% over the 777 thousand euro at June 30, 2006.

In this connection, it should be born in mind that the figures at June 30, 2006 also reflect the period's lower tax burden, largely because PRIMA North America, a company that benefited from tax loss carryforwards in the period, was able to account for a larger share of the Group's consolidated income.

Accordingly, earnings per share at June 30, 2006 payable to the parent company's stockholders and calculated taking into account the average number of shares of treasury stock held during the period amounted to 0.98 euro, as compared to 0,17 euro per share at June 30, 2005.

ORDER ACQUISITION AND ORDER BACKLOG

At consolidated level, the Group had received orders valued at 82,217 thousand euro as of June 30, 2006. This was an increase of around 60% over the 51,417 thousand euro for the first six months of 2005, thus continuing and reinforcing the encouraging trend that began to take shape in the first half of 2005.

This increase in orders was particularly pronounced in the 2D sector, thanks to the outstanding performance shown by the PLATINO systems and the growing importance of the new SYNCRONO.

The order book at June 30, 2006 stood at 56,545 thousand euro, an increase of 44.7% over the 39,073 thousand euro at June 30, 2005 and of 38.8% over the 40,742 thousand euro at December 31, 2005.

During the last two months, despite the seasonal slowdown invariably associated with the summer holidays, market demand has remained high, bringing orders amounting to 98,728 thousand euro as of August 31 and further increasing the order backlog to 62,077 thousand euro.

NET FINANCIAL POSITION

	6/30/2006	12/31/05
CASH AND EQUIVALENTS	15,238	11,767
SHORT-TERM BORROWINGS FROM BANKS AND OTHER LENDERS	(7,292)	(13,913)
MEDIUM/ LONG-TERM BORROWINGS FROM BANKS AND OTHER LENDERS (1)	(15,322)	(5,587)
TOTAL NET EXPOSURE TO THE CREDIT SYSTEM	(7,376)	(7,733)

(1) *Include leasing charges and amounts due in connection with bills of exchange discounted with recourse for subsidized sales made under the terms of the Sabatini act. These items totaled 1,630 thousand euro at June 30, 2006, as against 1,827 thousand euro at December 31, 2005.*

The net financial position highlights the Group's overall exposure to credit institutions and other lenders, including the Italian Ministry for Production Activities and leasing companies.

The Group's net financial position thus showed a total indebtedness of -7,376 thousand euro at June 30, 2006, down approximately 0.4 million euro from the -7,733 thousand euro posted at December 31, 2005. Revenues generated by strong business performance more than made up for the outlays made for new investments (1.0 million euro), dividend payments (1.3 million euro), acquisition of a business unit for distribution of PRIMA machines in Germany from MATRA (0.9 million euro), as well as for the additional 0,6 million euro in M.L.T.A. financial liabilities resulting from the latter company's inclusion in the scope of consolidation.

Since December 31, 2005, new medium-term loans amounting to 11,000 thousand euro were taken out, while loan repayments totaled 8,303 thousand euro.

The Group's consolidated debt to equity ratio was 0.22, as against 0.25 at December 31, 2005. Here, debt consisted largely of medium/long-term loans, including the amortization installments falling due within 12 months, and consolidated equity was estimated on the basis of IAS/IFRS accounting principles.

Further details concerning Net Financial Position are provided in the Illustrative Note.

RESEARCH

Research costs totaled 4.106 thousand euro, compared with 3,729 thousand euro at June 30, 2006. All expenditures for the period were charged directly against income.

During the first six months of 2006, the parent company PRIMA INDUSTRIE S.p.A. delivered and installed innovative three-dimensional laser cutting and welding systems, including an OPTIMO system featuring a new welding head and wire feeder capable of welding both stainless steel and aluminum. For two-dimensional applications, a number of end customers took delivery of the revolutionary 2D “SYNCRONO” system presented at EMO Hannover in October 2005.

In addition, PRIMA ELECTRONICS continued to spearhead the move to outfit 3D systems with the new P20L control, a transition that is expected to be complete by the end of 2006.

During the first six months of the year, PRIMA ELECTRONICS complemented this work on the P20L control by developing and completing product engineering work on a range of high-power inverters for chiller systems and on a range of integrated asynchronous motor control inverters.

As regards PRIMA North America, the US subsidiary continued to develop the new line of CO_2 laser sources with power above 4 kW.

TREASURY STOCK AND PERFORMANCE ON THE STOCK MARKET

As of June 30, 2006, PRIMA INDUSTRIE S.p.A. held 8,145 shares of its own common stock (equivalent to approximately 0.18% of capital stock) at a weighted average price of 17.7120 euro each. These shares were purchased under the mandate granted at the Ordinary Stockholders’ Meeting of May 11, 2006, which authorized the Group to buy and sell its own stock up to a maximum number of 200,000 shares (or around 4.3% of subscribed and paid capital stock) for a period of 18 months from the date of the resolution.

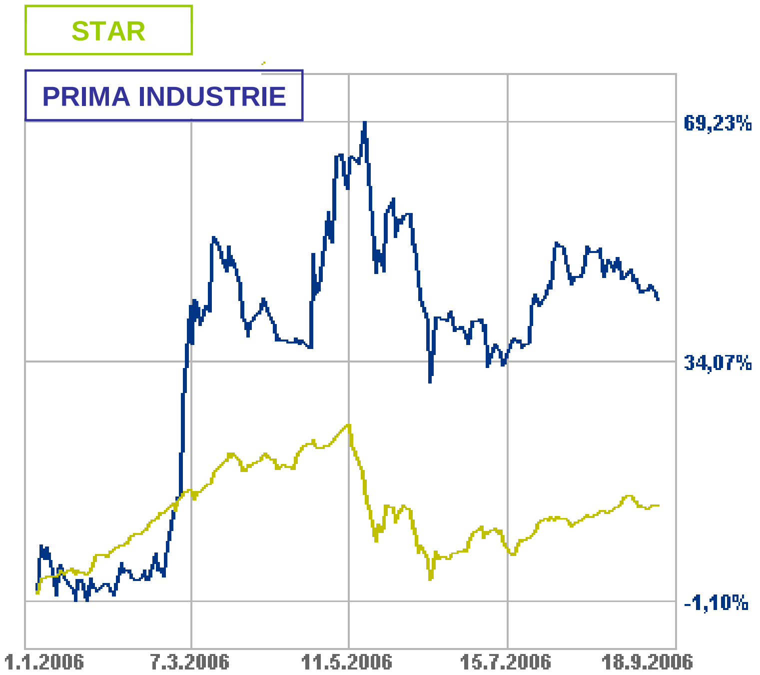
This buyback resolution establishes a minimum buying and selling price of € 2.5 per share (the par value) and a maximum buying price of € 30.00, while the maximum selling price can be determined on a case-by-case basis using whatever terms and procedures are deemed expedient. For off-market sales, the agreed price may under no circumstances be such as to result in losses for the company.

At June 30, 2006, the subsidiary PRIMA ELECTRONICS held 8,000 shares in PRIMA INDUSTRIE (approximately 0.17% of capital stock), at a weighted average price of 19.9042 euro each; these shares were those remaining at the end of the subsidiary's program for buying and selling stock in the parent company which terminated on June 9, 2006.

At August 31, 2006, treasury stock held by PRIMA INDUSTRIE had dropped to 6,500 shares at a weighted average price of 19.0472 euro each.

Stock prices continued to rise throughout the first half of fiscal year 2006, not least because of the company's strong performance during the period.

Performance of the Group's stock versus the STAR index from January 1, 2006 to August 31, 2006 is illustrated below.



Earnings per share and dividend per share

(a) Basic earnings per share

Basic EPS is calculated by dividing the profit payable to stockholders in the parent company by the average number of shares outstanding during the period, excluding the shares of common stock held by the company.

During the first six months of the year, the stock in circulation amounted to 4,600,000 shares, whereas the average treasury stock held during the period was 5.470 shares; thus the earnings per share for the period January-June 2006 amounts to 0.98 euro per share (compared to 0.17 euro per share for the first six months of 2006).

Earnings per share	***June 30, 2006***	***June 30, 2005***
Earnings due to stockholders (euro/1.000)	4,494	777
Weighted average - number of ordinary shares	4,594,530	4,588,783
Basic earnings per share (euro)	0.98	0.17

(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 an estimate of the number of of shares that can be subscribed for, at the exercise price, given the value of the option.

Because at 06/30/06 no subscription rights on PRIMA INDUSTRIE's shares were in circulation, the calculation of diluted profit per share was not applicable.

(c) Dividend per share

On 05/11/06 the Shareholders' Meeting resolved to pay a gross dividend per share on the 2005 profit of 0.28 euro, to be paid to all the shares in circulation, excluding treasury stock held in portfolio at the cut-off date for the payment of the said dividend. On that date the treasury stock held amounted to 2,667 shares and thus the dividend to be distributed amounted to 1,287,253.24 euro.

ESTABLISHMENT OF A JOINT-VENTURE IN CHINA

With the completion of the authorisation process on 4/24/2006, Wuhan OVL Convergent Laser, Co. Ltd. was established. This is the Group's third Joint Venture in China, in which PRIMA North America holds a 30% stake and the Chinese partner, Wuhan Optics holds the remaining 70% share.

The new company will have a capital stock of USD 6,800,000 and will produce CO_2 laser sources (with power of 1.8 to 2.5 kW) developed by Wuhan Optics and CO_2 laser sources (with power of 3 to 4 kW) developed by PRIMA North America, destined for sale on the Asian markets in general and China in particular.

Currently the capital contribution have not yet taken place and as a result the company will probably commence business by the end of the current year.

ACQUISITION OF A MINORITY STOCKHOLDING

On June 7, 2006 the subsidiary PRIMA ELECTRONICS acquired a stake of approximately 2.2% in the capital stock of Electro Power Systems S.r.l., a “start-up” enterprise located in Alpignano (Turin), operating in the sector of “power systems” based on hydrogen fuel cell technology

PRIMA ELECTRONICS disbursed 250,000 euro of which approximately 249,000 was paid into the capital account.

In addition, the agreements provide that PRIMA ELECTRONICS must subscribe for an increase in capital by the 9/30/2006, in two *tranches* (to be paid by 12/31/2006) for approximately 500,000 euro, so that its holding in the capital of Electro Power Systems rises to approximately 6.1%.

The relationship between PRIMA ELECTRONICS and the company, running from 2005, also foresees that PRIMA ELECTRONICS projects and manufactures the electronical parts used for fuel cells “power systems”.

INCREASE IN HOLDINGS IN M.L.T.A S.r.l.

For the increase in M.L.T.A. S.r.l. holdings from 41.63% to 57.84% that took place on January 12, 2006, see the heading “Business Combination” in the Illustrative Note.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

There were no atypical and/or unusual transactions during the period.

RECONCILIATION OF GROUP AND PARENT COMPANY NET EQUITY AND NET RESULT

	Stockholders' equity at December 31, 2005	Capital increase	Increase / decrease in stockholders' equity	Net result	Stockholders' equity at June 30, 2006
Amounts as shown on the parent company's financial statements	30.787.102		(1.305.246)	598.265	30.080.121
Parent company shares held by group companies			(145.096)		(145.096)
Amounts shown on financial statements of companies consolidated on a line-by-line basis	14.658.345		(1.129.386)	4.660.729	18.189.688
Adjustments made in compliance with IAS-IFRS standards:					0
- Elimination of intangible assets	(816.487)		58.832		(757.655)
- Adjustments to value of PRIMA ELECTRONICS holdings in MLTA	(40.580)		68.950		28.370
Consolidation adjustments:					0
- Elimination of book value of investments	(12.840.913)		(132.503)		(12.973.416)
- Derecognition of intra-Group margins	(1.673.009)		74.500	(1.080.268)	(2.678.777)
- Derecognition of Prima Electronics dividend	(600.000)		600.000		-
- Other	(89.487)		(10.990)	10.326	(90.151)
- Revaluation of JV to PN	532.378		520	(20.120)	512.778
- Net deferred taxes on consolidation adjustments	921.864			324.435	1.246.299
- Minority interest			(46.323)	27.503	(18.820)
Amounts as shown on consolidated financial statements	**30.839.213**	**0**	**(1.966.742)**	**4.520.870**	**33.393.341**

4. PERFORMANCE OF THE MAIN COMPANIES OF THE GROUP

- **Accounting principles and general comment**

As referred to in paragraph 2 (Introduction) with effect from 1/01/2006, the Financial Statements of PRIMA INDUSTRIE S.p.A, the parent company, and those of PRIMA ELECTRONICS S.p.A., were prepared using International Accounting Principles.

As highlighted in the table below, at 6/30/06, the three main companies of the Group (PRIMA INDUSTRIE, PRIMA North America and PRIMA ELECTRONICS) achieved sales that were significantly higher compared to the same period of the previous financial year, with increases ranging from 22.3% (PRIMA ELECTRONICS) to 76.5% (PRIMA North America), whereas at a profitability level, they all showed positive result, with a net improvement compared to 6/30/05 (in particular PRIMA North America, recorded an operating result for the period of 4.9 million USD).

SUMMARY OF THE MOST SIGNIFICANT PARAMETERS AND INCOME RATIOS *(IN THOUSANDS OF EURO)*

	PRIMA INDUSTRIE S.p.A.				PRIMA ELECTRONICS S.p.A.				PRIMA North America Inc.				Other subsidiary companies			
	06/30/06		06/30/05		06/30/06		06/30/05		06/30/06		06/30/05		06/30/06 (2)		06/30/05 (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	43.752	100	30.567	100	10.043	100	8.213	100	25.040	100	13.568	100	8.222	100	1.669	100
MOL (EBITDA)	2.468	5,6	1.084	3,5	1.679	16,7	1.225	14,9	4.118	16,4	761	5,6	90	1,1	(70)	(4,2)
Operating income (EBIT) (1)	2.156	4,9	781	2,6	1.500	14,9	1.059	12,9	4.002	16,0	655	4,8	53	0,6	(69)	(4,1)

EXCHANGE RATES USED FOR THE CONVERSION OF NON-EURO CURRENCIES

Currency	*AVERAGE EXCHANGE RATE FOR THE PERIOD*		*CURRENT EXCHANGE RATE*	
	06/30/06	**06/30/05**	**06/30/06**	**12/31/05**
US DOLLAR	1.2292	1.2855	1.2713	1.1797
POUND STERLING	0.6871	0.6861	0.6921	0.6853
SWEDISH KRONA	9.3258	9.1407	9.2385	9.3885

(1) THE SUM OF THE INDIVIDUAL OPERATING RESULTS (AS PER THE TABLE) DIFFERS FROM THE CONSOLIDATED OPERATING RESULTS DUE TO THE EFFECTS OF THE CONSOLIDATION ADJUSTMENTS AND BECAUSE OF THE LACK OF UNIFORMITY IN THE ACCOUNTING PRINCIPLES OF REFERENCE;
(2) THE VALUES RELATE TO PRIMA INDUSTRIE UK LTD., PRIMA SCANDINAVIA AB, PRIMA INDUSTRIE GMBH AND M.L.T.A. S.R.L.;
(3) THE VALUES RELATE TO PRIMA INDUSTRIE UK LTD. AND PRIMA SCANDINAVIA AB.

PRIMA INDUSTRIE S.p.A.

Sales at June 30, 2006 amounted to 43,752 thousand euro, a 43.1% increase over the 30,567 thousand euro posted at June 30, 2005.

Operating profits grew at an even higher rate than sales, reaching 2,156 thousand euro as against 781 thousand euro at June 30, 2005, despite the 250 thousand euro which were set aside in provisions for bad and doubtful debts and were not present at June 30, 2005. Net profits thus rose from 193 thousand euro at June 30, 2005 to 598 thousand euro at June 30, 2006.

The parent company's strong performance is expected to continue thanks to the orders received from outside customers, which at June 30, 2006 were valued at 31,719 thousand euro, well above the 19,498 thousand euro at June 30, 2005.

As for financial transactions with subsidiaries, the only change relative to the situation at December 31, 2005 that took place in the first half of 2006 was the 300 thousand euro loan extended to PRIMA INDUSTRIE GmbH.

PRIMA ELECTRONICS S.p.A.

Sales revenues totaled 10,043 thousand euro as against 8,213 thousand euro at June 30, 2005, a 22.3% increase that reflected higher sales volumes from both Group and non-Group customers.

This boosted profitability, with EBIT reaching 1,500 thousand euro as compared with 1,059 thousand euro at June 30, 2005: a 50.4% increase achieved even after a further 120 thousand euro were posted (to be compared with the 20 thousand euro that had been set aside in provisions for warranty obligations at June 30, 2005). Consequently, net income went from 550 thousand euro at June 30, 2005 to 837 thousand euro at June 30, 2006.

This encouraging trend is expected to continue, as the order book at June 30, 2006 totaled 10,204 thousand euro, as against 7,109 thousand euro at June 30, 2005.

PRIMA North America Inc.

During the six months the positive trend in PRIMA North America Inc., already observed at 6/30/2005, continued both in terms of sales as well as in terms of profitability. In the first six months of 2006 PRIMA North America achieved sales of 30.8 million Dollar compared to the 17.4 million Dollar for the same period of 2005 (+76.5%) with a positive EBIT of 4.9 million Dollar compared to the 0.8 million Dollar at 6/30/2005.

The positive trend is common to all the business units as shown by the fact that all three reflected a positive operating return in the six months, gross of the elisions arising from infra-company transactions. CONVERGENT LASERS recorded sales and EBIT of 14.1 and 3.0 million Dollar (8.6 and 0.8 million Dollar at 6/30/2005), whereas LASERDYNE achieved sales and EBIT of 10.7 and 2.0 million Dollar respectively (4.3 and 0.2 million Dollar at 6/30/2005). Finally, the PRIMA LASER TOOLS division achieved sales and EBIT for the six months of 8.1 and 0.2 million Dollar respectively, compared to the 6.2 and –0,1 million Dollar of the first half of 2005.

Whereas the excellent performance of CONVERGENT in terms of sales and profitability compared to the same period of the previous year is above all due to the increased volumes of sales of CP laser sources, mainly destined to equip PRIMA Industrie systems, the excellent performance of LASERDYNE can also be attributed to the increased number of systems delivered in 2005 and accepted by the customers (and thus recognised as revenues) during the first half of 2006.

OTHER SUBSIDIARIES

The subsidiary PRIMA INDUSTRIE UK generated a return that was slightly negative in the half year. This is also due to the expenses, which will not be repeated in the second half of the year, tied to a trade fair; this latter period also historically benefits from increased sales volumes.

Compared to 6/30/2005 the subsidiary PRIMA SCANDINAVIA recorded a significant increase in sales and consequently achieved a positive operating profit, in excess of 5% of sales.

PRIMA INDUSTRIE GmbH, which during the course of the second quarter of 2006, moved to its new modern head office in Dietzenbach (Frankfurt), achieved sales in the same period of 2,170 thousand euro and EBIT which was marginally positive. The good level of the orders backlog should allow PRIMA GmbH to improve its own results in terms of sales and profitability during the second part of 2006.
A comparison with the first half of 2005 is not relevant in that during that period PRIMA INDUSTRIE GmbH was not operational.

As regards M.L.T.A. S.r.l., which entered the area of consolidation in 2006, sales and EBIT at 6/30/2006 redetermined in accordance with IAS-IFRS standards were respectively 852 thousand euro and -29 thousand euro.

PRIMA INDUSTRIE S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS
AT JUNE 30, 2006
ACCOUNTING STATEMENTS

Consolidated Balance Sheet at June 30, 2006 & December 31, 2005

(Amounts in euro)	Note	30/06/06	31/12/05
Tangible fixed assets		6.238.123	5.778.520
Intangible fixed assets		2.629.576	2.738.927
Equity investments valued using the equity method		1.762.556	1.809.079
Equity investments valued using the cost method		301.832	51.832
Other financial assets		258.668	272.117
Tax assets - prepaid taxes		7.048.133	6.946.898
Other receivables		48.307	52.391
TOTAL NON CURRENT ASSETS		**18.287.195**	**17.649.764**
Inventories	**1**	40.380.925	36.319.402
Trade receivables	**2**	38.370.917	39.869.959
Other receivables	**3**	2.972.003	3.048.672
Other tax assets		851.527	1.357.085
Tax assets - prepaid taxes		-	-
Derivative financial instruments		-	4.595
Cash and cash equivalents		14.978.872	11.495.383
TOTAL CURRENT ASSETS		**97.554.244**	**92.095.096**
Non current assets held for sale		-	-
TOTAL ASSETS		**115.841.439**	**109.744.860**
Capital stock		11.500.000	11.500.000
Treasury stock		(144.265)	(92.872)
Treasury stock owned by subsidiaries		(145.096)	
Other reserves		19.150.373	16.656.427
Conversion reserve		(158.091)	329.937
Profits (Losses) carried forward		(1.330.450)	(2.661.910)
Profit (loss) for the year		4.520.870	5.107.631
Total Group stockholders' equity		33.393.341	30.839.213
Minority interests		18.820	-
TOTAL NET EQUITY		**33.412.161**	**30.839.213**
Loans		15.318.029	5.570.596
Employee benefits		5.009.047	4.936.694
Deferred tax liabilities		2.554.729	2.502.156
Provision for risks and charges	**5**	29.110	29.110
Derivative financial instruments		3.960	15.970
TOTAL NON CURRENT LIABILITIES		**22.914.875**	**13.054.526**
Trade payables	**4**	28.152.717	23.089.151
Advances	**4**	12.004.347	18.371.290
Other payables	**4**	4.596.473	4.668.838
Amounts due to banks and i.r.o loans		7.291.552	13.918.168
Tax liabilities - current taxes		2.998.230	2.027.955
Provision for risks and charges	**5**	4.471.084	3.775.719
Derivative financial instruments		-	-
TOTAL CURRENT LIABILITIES		**59.514.403**	**65.851.121**
Liabilities due to non current assets held for sale		-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**115.841.439**	**109.744.860**

Consolidated Income Statement from 1st January to June 30th 2006 & 2005

(VALUES IN EURO)	30/06/06	30/06/05
Net revenues from sales and services	66.677.018	46.369.757
Other operating income	784.628	1.021.985
Changes in inventories of semifinished and finished products	977.617	2.885.538
Increases in fixed assets for internal work	50.399	32.631
Use of raw materials, consumables, supplies and goods	(31.693.448)	(24.269.681)
Personnel cost	(14.540.313)	(12.483.164)
Amortization & Depreciation	(642.669)	(580.105)
Other operating costs	(14.907.960)	(10.696.337)
OPERATING INCOME	**6.705.272**	**2.280.624**
Financial income	165.371	327.055
Financial expenses	(720.678)	(956.709)
Net income from transactions in foreign exchange	88.075	201.428
Net income from associated companies & joint ventures	(20.120)	(103.449)
INCOME BEFORE TAX	**6.217.920**	**1.748.949**
Current and deferred taxes	(1.724.553)	(972.058)
NET RESULT	**4.493.367**	**776.891**
Income from assets held for disposal	-	-
NET PROFIT	**4.493.367**	**776.891**
- Group stockholders' net profit	**4.520.870**	**776.891**
- Minorities net profit	(27.503)	-
Earning per share (euro)	**0,98**	**0,17**

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AT JUNE 30, 2006 & JUNE 30, 2005

AMOUNTS IN EURO

FROM JANUARY 1ST, 2005 TO JUNE 30TH, 2006

	01/01/2005	Purchase / Sale of treasury stock	Variation of Consolidation Area	Gains/Losses on disposal of treasury stock	Allocation of result - Previous financial year	Distribution Dividends	Profit of the period	Conversion Reserve	30/06/2005
Capital stock	11.500.000								11.500.000
Treasury stock	(170.606)	(63.336)							(233.942)
Share premium reserve	15.664.893				0				15.664.893
Legal reserve	729.550				41.360				770.910
Other reserves	-				79.554				79.554
Conversion reserve	(173.718)							230.799	57.081
Profits (losses) carried forward	(2.911.768)			15.645	922.298	(642.950)			(2.616.775)
Income (Loss) for the period	1.043.212				(1.043.212)		776.891		776.891
Group stockholders' Equity	**25.681.563**	**(63.336)**		**15.645**	**0**	**(642.950)**	**776.891**	**230.799**	**25.998.612**
Minorities interest									
Total Net Equity									**25.998.612**

FROM JANUARY 1ST, 2006 TO JUNE 30TH, 2006

	01/01/2006	Purchase / Sale of treasury stock	Variation of Consolidation Area	Gains/Losses on disposal of treasury stock	Allocation of result - Previous financial year	Distribution Dividends	Profit of the period	Conversion Reserve	30/06/2006
Capital stock	11.500.000								11.500.000
Treasury stock	(92.872)	(196.489)							(289.361)
Share premium reserve	15.664.893								15.664.893
Legal reserve	770.910				1.529.090				2.300.000
Other reserves	220.624				964.856				1.185.480
Conversion reserve	329.937							(488.028)	(158.091)
Profits (losses) carried forward	(2.661.910)		(28.372)	32.061	1.327.771				(1.330.450)
Income (Loss) for the period	5.107.631				(3.821.717)	(1.285.914)	4.520.870		4.520.870
Group stockholders' Equity	**30.839.213**	**(196.489)**	**(28.372)**	**32.061**	-	**(1.285.914)**	**4.520.870**	**(488.028)**	**33.393.341**
Minorities interest									18.820
Total Net Equity									**33.412.161**

CONSOLIDATED CASHFLOW STATEMENT FROM 1ST JANUARY TO JUNE 30TH, 2006 & 2005

(VALUES IN EURO)	**30/06/2006**	**30/06/2005**
Cash flow derived from operating activity		
Profit (Loss) before tax	**6.217.920**	**1.748.949**
Adjustments	**1.736.554**	**1.441.034**
Amortization for the financial year	642.669	580.105
Provisions raised to Employees' severence fund	606.533	329.254
Loss (Profit) on exchange rates for currency transactions	(88.075)	(201.428)
Loss (Income) from equity investments	20.120	103.449
Financial expenses	720.678	956.709
Financial (income)	(165.371)	(327.055)
	7.954.474	**3.189.983**
(Increase) /Decrease in trade and other receivables	2.784.058	3.624.190
(Increase) /Decrease in inventories	(3.684.823)	(7.397.143)
Increase / (Decrease) in trade payables	(1.754.814)	4.262.521
Increase / (Decrease) in other payables	(608.501)	(941.304)
Cash flow from typical activity	4.690.394	2.738.247
Interest payment	(678.078)	(874.540)
Tax payment	(102.869)	-
Cash flow derived from operating activity	3.909.447	1.863.707
Cash flow derived from investment activity		
Purchase of MLTA	(38.622)	-
Purchase of tangible fixed assets	(952.526)	(662.266)
Purchase of intangible fixed assets	37.471	(371.148)
Sale /(Purchase) of financial assets (at cost)	(236.551)	(16.373)
Sale /(Purchase) investments in associates	26.403	-
Receipts from sales of fixed assets	-	111.135
Interest encashed	165.371	327.055
Net Cash flow derived from investment activity	**(998.454)**	**(611.597)**
Cash flow derived from financing activity		
Variation in the conversion reserve	(488.028)	230.799
(Purchase)/sale of treasury stock	(164.428)	(47.691)
Variation of other reserves	18.820	-
Changes in balance- derivative instruments (FV)	(7.415)	447.356
Stipulation of loans and financing	11.000.000	4.999.999
Repayments of loans and financing	(8.302.865)	(1.837.165)
(Repayments)/ Raising of financial leases	(117.777)	(113.057)
(Repayments)/ Raising of Sabatini transactions	(79.897)	(400.628)
Dividends paid	(1.285.914)	(642.950)
Net Cash flow derived from financing activity	**572.496**	**2.636.663**
Increase (decrease) in the cash and cash equivalents	**3.483.489**	**3.888.773**
Cash and cash equivalents at the start of the period	**11.495.383**	**6.448.282**
Cash and cash equivalents at the end of the period	**14.978.872**	**10.337.055**

ILLUSTRATIVE NOTE

❑ OVERVIEW OF THE GROUP

PRIMA INDUSTRIE S.p.A.' s corporate mission is the design, manufacture and sale of electrical and electronic equipment, instruments, machines and mechanical systems and the related software programs for use in industrial automation or in other sectors in which the company's technology may be usefully employed.
The company is also capable of providing industrial services of a technical, planning and organizational nature in the field relating to the production of capital goods and industrial automation.
The main activity is focused in the cutting and welding laser machines sector.

PRIMA ELECTRONICS S.p.A.'s corporate mission is the design, manufacture and sale of mechanical, electrical and electronic equipment, systems and installations and the relevant software programs).
The company may also acquire and grant manufacturing licences.

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

- CONVERGENT LASERS DIVISION: which designs, manufactures, sells and renders assistance in respect of industrial lasers throughout the world.
- LASERDYNE SYSTEMS DIVISION: which designs, manufactures, sells and renders assistance in respect of Laserdyne systems throughout the world. These systems are specialized in the use of lasers for the production of components for aeronautic engines and turbines for the generation of energy.
- PRIMA LASER TOOLS DIVISION: which is engaged in the sale and installation in North America of PRIME INDUSTRIE's products, as well as the provision of technical assistance in respect thereof.

PRIMA INDUSTRIE GmbH, (a company incorporated in terms of German law), is primarily engaged in providing after-sales services. The company recommenced operations with effect from 7/01/2005 pursuant to the acquisition of the branch of the business from Matra, relative to the distribution of the PRIMA machines on the German market.

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

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

M.L.T.A. S.r.l.'s corporate object is the development, design, production, marketing and maintenance of electronic, naval and automobile equipment, data transmission systems, automation and processing systems and software; in particular the company possesses special expertise in the power electronics sector.

VALUATION CRITERIA

The same accounting standards as those used for the consolidated accounts for the year ended December 31, 2005, were applied for the preparation of the half year Financial Statements. In this regard, the reader is referred to the Annual Financial Statements for further information.

DISCLOSURE OF ACCOUNTING STATEMENTS FORMAT

The Group has chosen to use the same format for the consolidated financial statements and for the parent company's separate financial statements.

Specifically:

a) The format chosen for the balance sheet separates current and noncurrent assets and liabilities, distinguishing between items which will be received or settled within the next 12 months, and those realizable or falling due after 12 months.
b) In the format selected for the income statements, expenses are analyzed by nature.
c) For the statement of changes in equity, the chosen format discloses a reconciliation between the carrying amount of each class of equity capital at the beginning and at the end of the current period and the preceding period.
d) The reporting format chosen for the cash flow statement uses the so-called indirect method, where net cash flow from operating activities is determined by introducing reconciling items that adjust income and losses for the effects of:

- Noncash items such as depreciation, amortization and writedowns, additions to or use of provisions and gains or losses on foreign exchange;
- Changes in inventory, accounts receivable and accounts payable generated by operating activities;
- Other items whose cash flows are generated by investing and financing activities.

❑ NOTES TO THE FINANCIAL STATEMENTS

Some details relative to the most important changes in the items of the Financial Statements are provided below.

Note 1. Inventories

	06/30/2006	12/31/2005
Raw materials	18.855.200	15.423.367
(Prov. for writedown of raw materials)	(2.693.001)	(2.554.326)
Semifinished goods	12.259.264	6.877.487
(Prov. for writedown of semifinished products)		
Finished products	12.606.211	17.203.750
(Prov. writedown of finished products)	(646.749)	(630.876)
	40.380.925	**36.319.402**

The breakdown of the inventories at 6/30/06 highlights, on the one hand, the increase in raw materials and semifinished products, due to the increased volumes of orders acquired in the period and, on the other hand, the reduction of the stock of finished products due to the increase in the numbers of machines delivered in 2005, in respect of which acceptance took place during 2006.

Note 2. Trade receivables

	06/30/2006	12/31/2005
Trade receivables	39.297.647	39.857.176
Allowance for doubtful a/c	(2.387.772)	(2.223.954)
Net trade receivables	**36.909.875**	**37.633.222**
Amounts due by correlated parties	1.461.042	2.236.737
Loans disbursed to correlated parties	-	-
	38.370.917	**39.869.959**

In the face of substantial stability in the trade receivables the increase in the allowance for doubtful accounts for about 164 thousand euro and the strong reduction in the amounts due from associated companies are relevant.

As per "Amounts due by correlated parties" it mainly refers to Note 6.

Note 3. Other receivables

	06/30/2006	12/31/2005
Receivables - grants	1.146.351	1.865.620
Other short-term receivables	1.577.769	1.076.995
Accrued income & prepaid expenses	247.883	106.057
Total other receivables	**2.972.003**	**3.048.672**

There has been a significant reduction (-720 thousand euro) of the receivables for state grants to be received, compared to 12/31/2005.

Note 4. Trade and other payables

	06/30/2006	12/31/2005
Trade payables	28.152.717	23.089.151
Amts due to correlated parties		
Total trade payables	**28.152.717**	**23.089.151**
Advances from customers	12.004.347	18.371.290
Total advances from customers	**12.004.347**	**18.371.290**
Social security and welfare payables	1.022.139	1.090.953
Amts due to employees	2.713.442	2.625.638
Other short-term payables	202.297	257.633
Accrued liab.& deferred inc.	658.595	694.614
Total other payables	**4.596.473**	**4.668.838**
TOTAL	**44.753.537**	**46.129.279**

Among the main variations of this item it must be first of all underlined the significant increase of trade payables (+5.063 thousand euro) due to the production volume increase, and secondarily the reduction of advances from customers (6.367 thousand euro), due to a significant number of machines already invoiced by PRIMA North America and PRIMA INDUSTRIE at 12/31/05, but accepted by Customers during the first six months 2006.

Note 5. Provision for risks

	Prov.agents' cust.indemn.	Other minor prov.		Restruct. prov.	Total
01/01/2005	88.890	2.000		-	90.890
Amounts to the Income Statement:	-				-
- Provisions	*8.758*				*8.758*
- Re-transfer of excess provisions					-
Draw-downs for the period	(68.538)	(2.000)		-	(70.538)
Amts assumed through acquisitions					-
Exchange differences					-
					-
12/31/2005	**29.110**	**-**	**-**	**-**	**29.110**
Amounts to the Income Statement:	-				-
- Provisions	-				-
- Re-transfer of excess provisions					-
Draw-downs for the period	-	-			-
Amts assumed through acquisitions					-
Exchange differences					-
06/30/2006	**29.110**	**-**	**-**	**-**	**29.110**

Short-term provisions for risks

	Guarantee fund	Prov. for profit sharing		Restruct. prov.	Others	Total
01/01/2005	1.968.972					1.968.972
Amounts to the Income Statement:						-
- Provisions	*5.013.287*				*233.552*	5.246.839
- Re-transfer of excess provisions						-
Draw-downs for the period	(3.744.219)			(5.125)	(376.702)	(4.126.046)
Amts assumed through acquisitions		46.000		150.000	350.000	546.000
Exchange differences	139.954					139.954
12/31/2005	**3.377.994**	**46.000**	**-**	**144.875**	**206.850**	**3.775.719**
Amounts to the Income Statement:						-
- Provisions	*2.808.687*				*120.437*	2.929.124
- Re-transfer of excess provisions	-				-	-
Draw-downs for the period	(1.937.719)	(46.000)			(163.850)	(2.147.569)
Amts assumed through acquisitions		-		-	-	-
Exchange differences	(86.190)					(86.190)
06/30/2006	**4.162.772**	**-**	**-**	**144.875**	**163.437**	**4.471.084**

There has been a significant increase in the guarantee provision (+785 thousand euro), due to the increased number of systems accepted by customers in the first half of 2006.

Note 6.

Related parties operations mainly regard the laser systems and components supplies to Far East Joint Ventures. Such supplies were made at market prices.

The table summarising the effects of operations with related parties on balance sheet, income statement and cash flow is illustrated below.

PERIOD: 01 / 01 / 06 ÷ 06 / 30 / 2006

	SHENYANG PRIMA LASER MACHINE CO.LTD	SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD	SNK PRIMA CO. LTD	KEY MANAGEMENT	TOTAL
RECEIVABLES AT 12/31/2005	2.042.972	-	660	-	2.043.632
RECEIVABLES AT AT 06/30/2006	1.417.693	-	660		1.418.353
			-	-	
PAYABLES AT 12/31/2005	-	-		51.750	51.750
PAYABLES AT 06/30/2006	-	-	-	90.203	90.203
REVENUES 01/01/01 - 06/30/2006	790.170	1.059.480	-		1.849.650
COSTS 01/01/01 - 06/30/2006	-	-	-	1.089.317	1.089.317
RECEIVABLES VARIATIONS	(625.279)	-	-		(625.279)
01/01/01 - 06/30/2006		-	-		-
					-
PAYABLES VARIATIONS	-	-	-	(38.453)	(38.453)
01/01/01 - 06/30/2006	-	-	-		-

Note 7. Significant non-recurring events and transactions

No significant non-recurring transactions took place during the period.

Note 8. Atypical and/or unusual positions or transactions in the period

There were no typical and/or unusual positions or transactions during the period.

Note 9. Net Financial Position

The breakdown of the Group's net financial position is illustrated below.
For comments, see the appropriate section of the Report on Operations.

Several of the Group's medium/long-term loan agreements involve restrictive covenants, which are normally based on the net debt to EBITDA ratio and the debt to equity ratio.

The Group is currently in full compliance with these covenants.

		30/06/2006	31/12/2005
A	CASH	14.979	11.495
B	OTHER CASH EQUIVALENTS	259	272
C	SECURITIES HELD FOR TRADING PURPOSES	0	0
D	**CASH AND EQUIVALENTS (A+B+C)**	**15.238**	**11.767**
E	**CURRENT FINANCIAL RECEIVABLES**	0	5
F	CURRENT BANK BORROWINGS	1.794	1.036
G	CURRENT PORTION OF MEDIUM/LONG-TERM DEBT	5.353	12.534
H	OTHER CURRENT FINANCIAL PAYABLES	145	348
I	**CURRENT FINANCIAL INDEBTEDNESS (F+G+H) (CASH AND SECURITIES)**	**7.292**	**13.918**
J	**NET CURRENT FINANCIAL INDEBTEDNESS / (CASH AND SECURITIES)(I-E-D)**	**(7.946)**	**2.146**
K	NONCURRENT BANK BORROWINGS	12.291	2.331
L	BONDS PAYABLE	0	0
M	OTHER NONCURRENT PAYABLES	3.031	3.256
N	**NONCURRENT FINANCIAL INDEBTEDNESS (K+L+M)**	**15.322**	**5.587**
O	**NET FINANCIAL INDEBTEDNESS (J+N)**	**7.376**	**7.733**

Note 10. Disclosure as required by paragraphs 116*ff* of IAS-IFRS 1

In preparing financial statements, management is required to make subjective assumptions and estimates based on past experience.
Applying such estimates and assumptions can affect the carrying value of assets and liabilities stated on the balance sheet, as well as the expenses and revenues shown in the income statement. In view of the natural uncertainty surrounding management assumptions and the conditions on which estimates are based, actual results may differ, in some cases materially, from estimated figures.

The major items for which management was required to exercise subjective judgement and formulate estimates are detailed below.

Impairment of goodwill.

Regular impairment tests are performed for the goodwill stated for PRIMA North America's Laserdyne and Convergent Laser divisions. These reviews are based on the estimated future cash flows generated by said business units.
Cash flow estimates are based on the most reliable possible forecasts of future results, and call for a series of assumptions and judgements regarding key market trends, the competition scenario and production costs.
Should these estimates prove inaccurate, it will be necessary to restate the carrying value of goodwill, which could potentially have negative repercussions on operating results.

Deferred taxation

Deferred tax assets and liabilities are recognized in the financial statements in cases where there are temporary differences between the carrying amount of an asset or a liability and its tax base, and are measured at the tax rates that are expected to apply in the countries concerned in the year in which it is presumed that the temporary differences will be reversed.
Deferred tax assets are recognized for unused tax loss carryforwards only if, and to the extent that, management considers it probable that the company concerned will have sufficient future taxable profit against which the loss carryforward can be utilized.
The carrying value of deferred tax assets and liabilities are reviewed and adjusted whenever circumstances arise that make it advisable to reconsider the estimates on which they were based, or when the tax rates used to measure them change.

Recognition and measurement of assets and liabilities deriving from a business combination

In the event of a business combination, the acquirer is asked to measure each recognized asset acquired and each liability assumed at its fair value, which may differ materially from its carrying value.
In determining the fair value, the acquirer makes a number of estimates and judgements that take expected future cash flows into consideration together with economic and market prospects and a series of additional factors regarded as instrumental in arriving to a correct valuation.
As actual results may differ materially from estimates, it may be necessary to make subsequent adjustments to the carrying values of acquired assets and assumed liabilities.

Provisions for inventory obsolescence

In setting aside provisions for inventory obsolescence, Group companies make a series of estimates regarding their future needs for the various types of products and materials held in inventory on the basis of their production plans and past experience of customer demand.
Provisions for inventory obsolescence will be adjusted should these estimates prove inaccurate, which will have an impact on profit and loss.

Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are set aside on the basis of an analysis of all receivables and in the light of past experience in debt collection and the relationships with individual customers.
Unforeseen setbacks affecting the economic and financial standing of a major customer may require additional provisions to be made for bad and doubtful debts, with the negative repercussions on economic results which this will entail.

Employee benefits

Many Group companies (those in Italy and Germany in particular) are required by law or collective bargaining agreements to implement post-retirement employee benefit plans.
The carrying amount of these employee benefit liabilities is determined by means of actuarial estimates based on a series of assumptions regarding parameters such as annual rates of inflation, wage increases, employee turnover and a number of other variables.
Any changes in these parameters will require that the actuarial estimates be reformulated and the carrying values be adjusted accordingly.

❑ SECTOR REPORTING

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

Sector result - 06/30/2006

	Laser systems	Electronics	Unallocated	Group
Total sector revenues	58.771	10.644	-	69.415
Infra-sector revenues		(2.738)	-	(2.738)
Income	**58.771**	**7.906**	**-**	**66.677**
Operating profit/loss	5.968	737		6.705
Net financial income/expenses	(439)	(28)		(467)
Income/exp. from assoc. co. & Joint Ventures	(20)	-	-	(20)
Operating profit/loss before tax				6.218
Taxes				(1.725)
Net profit/loss				4.493

Sector result - 06/30/2005

	Laser Systems	Electronics	Unallocated	Group
Total sector revenues	39.949	8.213		48.162
(Infra-sector revenues)		(1.792)		(1.792)
Income	**39.949**	**6.421**	**-**	**46.370**
Operating profit/loss	1.499	782		2.281
Net financial income/expenses	(447)	18		(429)
Income/exp. from assoc. co. & Joint Ventures	(103)			(103)
Operating profit/loss before tax				**1.749**
Taxes				(972)
Net profit/loss				**777**

Sector information - 6/30/2006

	Laser Systems	Electronics	Group
Depreciation tangible fixed assets	396	172	568
Amortisation of intangible fixed assets	48	27	75
Total	**444**	**199**	**643**

Sector information - 6/30/2005

	Laser Systems	Electronics	Group
Depreciation tangible fixed assets	374	140	514
Amortisation of intangible fixed assets	40	26	66
Total	**414**	**166**	**580**

Assets and liabilities - 06/30/2006

	Laser Systems	Electronics	Unallocated	Group
Assets	74.596	16.344	23.138	114.078
Associated companies & Joint Ventures	1.763	-		1.763
Total assets	**76.359**	**16.344**	**23.138**	**115.841**
Liabilities	46.028	8.234	28.167	82.429

Assets and liabilities - 06/30/2005

	Laser Systems	Electronics	Unallocated	Group
Assets	74.837	12.996	19.078	106.911
Associated companies & Joint Ventures	855	11		866
Total assets	**75.692**	**13.007**	**19.078**	**107.777**
Liabilities	45.610	7.057	29.111	81.778

❑ BUSINESS COMBINATION

On January 12, 2006 PRIMA ELECTRONICS S.p.A. through an increase in capital stock reserved for the company, increased its stake in M.L.T.A. S.r.l., to 57.84%. The company, thus obtained a controlling interest in M.L.T.A. S.r.l, which company operates in the sector dealing with the electronics of power. Thus with effect from 1/1/2006 M.L.T.A. entered into the area of consolidation of the PRIMA INDUSTRIE Group.

Even though PRIMA ELECTRONICS increased its holding in M.L.T.A. at different stages, the goodwill relative to the various stock acquisitions has not been determined, because the relatively minor amounts paid would not have resulted in significantly different results compared to the determination of the goodwill with reference to a single stock acquisition transaction.
The buying price of 57.84%, net of prior value adjustments to the equity investment and to the applicable share of the increase in stockholders' equity resulting from the reserved increase in capital subscribed for in January 2006, amounts to 54 thousand Euro.

In accordance with the provisions of IFRS 3 paragraph 67, we set out the breakdown of the assets and liabilities acquired and, as a difference, the balance of the net assets:

ASSETS (thousands of euro)	
Intangible fixed assets	3
Tangible fixed assets	78
Financial fixed assets (at cost)	3
Inventories of finished products and raw materials	377
Trade and other receivables	787
Cash	6
TOTAL ASSETS	**1.254**

LIABILITIES (thousands of euro)	
Deferred liabilities to employees-defined benefit (TFR)	117
Financial borrowings	
current	493
non current	128
Trade and other payables	451
TOTAL LIABILITIES	**1.189**
NET BALANCE OF ACQUIRED ASSETS	**65**

The analysis required by IFRS 3 relative to the recordability in the Financial Statements of the various classes of assets and liabilities has resulted in the following:

ASSETS (thousands of euro)	
Intangible fixed assets	3
Tangible fixed assets	75
Financial fixed assets (at cost)	0
Inventories of finished products and raw materials	377
Trade and other receivables	787
Deferred taxes	13
Cash	6
TOTAL ASSETS	**1.261**

LIABILITIES (thousands of euro)	
Employees benefits-defined benefit (TFR)	108
Financial borrowings	
current	493
non current	128
Trade and other payables	452
Deferred taxes	3
Provisions for risks	32
TOTAL LIABILITIES	**1.216**
NET BALANCE OF ACQUIRED ASSETS	**45**

The difference between the 45 thousand Euro and the balance of the net assets as per the Financial Statements (65 thousand Euro) can mainly be ascribed to the recording of a provision for risks for additional expenses vis-a-vis employees, as well as the tax effect of the changes made. Certain tangible and financial fixed assets were eliminated where they lacked the requirements necessary for recording in terms of IAS/IFRS.
From this analysis, an excess of 28 thousand Euro emerged, being the difference between the purchase price paid by PRIMA ELECTRONICS, net of prior writedowns of the equity investment (54 thousand Euro) and the share of the net balance of the assets and liabilities, which can be recorded in the Consolidated Financial Statements of the Prima Group (26 thousand Euro), to be considered as *goodwill*.

During the course of the first half of 2006, which is the first period in which the financial results of the branch of the business were considered in the Group's Financial Statements, M.L.T.A. showed a negative operating result (EBIT) of 29 thousand Euro, with turnover of 852 thousand Euro. The sales and results were determined in accordance with IAS-IFRS.

per il Consiglio di Amministrazione
Il Presidente

ing. Gianfranco Carbonato

PRIMA INDUSTRIE S.p.A.

FINANCIAL STATEMENTS AT JUNE 30, 2006
FIRST –TIME ADOPTION OF IAS-IFRS

FINANCIAL STATEMENTS AT JUNE 30, 2006

BALANCE SHEET AT JUNE 30, 2006 & DECEMBER 31, 2005

(VALUES IN EURO)	30/06/06	31/12/05
Tangible fixed assets	3.095.525	3.038.861
Intangible fixed assets	167.728	98.697
Equity investments in subsidiaries	12.840.913	12.840.913
Equity investments valued using the equity method	1.249.778	1.249.778
Equity investments valued using the cost method	51.832	51.832
Loans to related parties	3.037.541	2.898.962
Other financial assets	258.484	258.484
Tax assets - prepaid taxes	3.647.549	3.859.224
Other receivables	9.213	9.446
TOTAL NON CURRENT ASSETS	**24.358.563**	**24.306.197**
Inventories	22.397.141	18.081.051
Trade receivables	34.706.808	33.997.642
Other receivables	2.460.853	2.652.279
Other tax assets	748.152	1.264.262
Derivative financial instruments		4.595
Cash and cash equivalents	11.887.676	7.138.093
TOTAL CURRENT ASSETS	**72.200.630**	**63.137.922**
TOTAL ASSETS	**96.559.193**	**87.444.119**
Capital stock	11.500.000	11.500.000
Treasury stock	(144.265)	(92.872)
Other reserves	19.150.373	16.656.427
Profits (Losses) carried forward	(1.024.252)	(1.181.405)
Profit (loss) for the year	598.265	3.904.952
Total Group stockholders' equity	30.080.121	30.787.102
TOTAL NET EQUITY	**30.080.121**	**30.787.102**
Loans	14.322.499	4.535.931
Employee benefits	3.530.401	3.616.835
Provision for risks and charges	28.000	28.000
Deferred tax liabilities	2.014.260	2.014.840
Derivative financial instruments	3.960	15.970
TOTAL NON CURRENT LIABILITIES	**19.899.120**	**10.211.576**
Trade payables	26.753.610	20.521.385
Advances	7.523.578	8.726.329
Other payables	2.570.708	2.510.061
Amounts due to banks and i.r.o loans	5.567.263	11.386.273
Tax liabilities - current taxes	1.752.593	1.405.393
Provision for risks and charges	2.412.200	1.896.000
Derivative financial instruments		-
TOTAL CURRENT LIABILITIES	**46.579.952**	**46.445.441**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**96.559.193**	**87.444.119**

FINANCIAL STATEMENTS AT JUNE 30, 2006

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST, 2005 & 2006

(VALUES IN EURO)	30/06/06	30/06/05
Net revenues from sales and services	43.751.889	30.566.626
Other operating income	785.858	989.337
Changes in inventories of semifinished and finished products	1.126.439	2.478.986
Increases in fixed assets for internal work	29.399	15.631
Use of raw materials, consumables, supplies and goods	(24.778.446)	(18.096.054)
Personnel cost	(7.790.973)	(6.845.740)
Amortization & Depreciation	(312.313)	(303.285)
Impairment and writedowns		(60.576)
Other operating costs	(10.655.682)	(7.964.075)
OPERATING INCOME	**2.156.171**	**780.850**
Financial income	193.253	374.276
Financial expenses	(581.757)	(769.722)
Net income from transactions in foreign exchange	132.783	173.140
Net income from associated companies & joint ventures		(103.449)
Net income from transactions in foreign exchange		
INCOME BEFORE TAX	**1.900.450**	**455.095**
Current and deferred taxes	(1.302.185)	(647.995)
NET RESULT	**598.265**	**(192.900)**

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AT JUNE 30, 2006 & JUNE 30, 2005

FROM JANUARY 30, 2005 TO JUNE 30, 2005

	01/01/2005	Purchase / Sale of Treasury Stock	Gains on disposal of treasury stock	Losses on disposal of treasury stock	Allocation of result- Previous financial year	Distribution Dividends	Profit of the period	30/06/2005
Capital stock	11.500.000							11.500.000
Treasury stock	(170.606)	(63.336)						(233.942)
Treasury sock held by subsidiaries	0							0
Share premium reserve	15.664.893							15.664.893
Legal reserve	729.550				41.360			770.910
Other reserves	0	(63.336)			142.890			79.554
Conversion reserve	0							0
Profits (losses) carried forward	(1.319.776)	63.336	19.090	(3.447)	104.535			(1.136.262)
Income (loss) for the period	931.735				(288.785)	(642.950)	(192.900)	(192.900)
Net Equity	**27.335.796**	**(63.336)**	**19.090**	**(3.447)**	**0**	**(642.950)**	**(192.900)**	**26.452.253**

FROM JANUARY 30, 2006 TO JUNE 30 2006

	01/01/2006	Purchase / Sale of Treasury Stock	Gains on disposal of treasury stock	Losses on disposal of treasury stock	Allocation of result- Previous financial year	Distribution Dividends	Profit of the period	30/06/2006
Capital stock	11.500.000							11.500.000
Treasury stock	(92.872)	(51.393)						(144.265)
Share premium reserve	15.664.893							15.664.893
Legal reserve	770.910				1.529.090			2.300.000
Other reserves	220.624				964.856			1.185.480
Conversion reserve	0							0
Profits (losses) carried forward	(1.181.405)		39.805	(7.744)	125.092			(1.024.252)
Income (loss) for the period	3.904.952				(2.619.038)	(1.285.914)	598.265	598.265
Net Equity	**30.787.102**	**(51.393)**	**39.805**	**(7.744)**	**0**	**(1.285.914)**	**598.265**	**30.080.121**

FINANCIAL STATEMENTS AT JUNE 30, 2006

CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1ST TO JUNE 30TH 2006 & 2005

(Values in euro)	30/06/2006	30/06/2005
Cash flow derived from operating activity		
Profit (Loss) before tax	**1.900.450**	**455.095**
Adjustments	**779.820**	**811.515**
Amortization for the financial year	312.313	303.285
Provisions raised to Employees' severence fund	211.786	182.475
Loss (Income) on exchange rates for currency transactions	(132.783)	(173.140)
Loss (Income) from equity investments	0	103.449
Financial expenses	581.757	769.722
(Financial income)	(193.253)	(374.276)
	2.680.270	1.266.610
(Increase) /Decrease in trade and other receivables	210.045	3.588.793
(Increase) /Decrease in inventories	(4.316.090)	(4.159.038)
Increase / (Decrease) in trade payables	5.029.474	3.537.605
Increase / (Decrease) in other payables	(483.693)	(711.954)
Cash flow from typical activity	3.120.006	3.522.016
Interest payment	(538.926)	(873.587)
Tax payment	(103.060)	-
Cash flow derived from operating activity	**2.478.020**	**2.648.429**
Cash flow derived from investment activity		
Purchase of tangible fixed assets	(340.507)	(193.180)
Purchase of intangible fixed assets	(117.023)	(82.510)
Sale /(Purchase) of financial assets (at cost)	(138.579)	(893.485)
Sale /(Purchase) investments in associates		
Receipts from sales of fixed assets	19.522	2.743
Interest encashed	193.253	374.276
Net Cash flow derived from investment activity	**(383.334)**	**(792.156)**
Cash flow derived from financing activity		
Variation in the conversion reserve		
(Purchase) /Sale of treasury stock	(19.332)	(47.693)
Other changes in net equity	-	-
Changes in balance- derivative instruments (FV)	(7.415)	476.703
Stipulation of loans and financing	11.000.000	5.192.796
Repayments of loans and financing	(6.834.768)	(1.974.141)
(Repayments)/ Raising of financial leases	(117.777)	(113.057)
(Repayments)/ Raising of Sabatini transactions	(79.897)	(400.628)
Dividends paid	(1.285.914)	(642.950)
Net Cash flow derived from financing activity	**2.654.897**	**2.491.030**
Increase (decrease) in the cash and cash equivalents	**4.749.583**	**4.347.303**
Cash and cash equivalents at the start of the period	**7.138.093**	**3.141.163**
Cash and cash equivalents at the end of the period	**11.887.676**	**7.488.466**

On behalf of the Board of Directors
Chairman

Gianfranco Carbonato

PRIMA INDUSTRIE S.p.A.

PRIMA INDUSTRIE S.p.A. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

o APPLICATION OF IFRS 1 "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS"

The first PRIMA INDUSTRIE S.p.A. Annual Report prepared in accordance with IFRS will be the Financial Statements at December 31, 2006. The interim report at June 30, 2006 was drawn up by applying IFRS 1.

The Group has prepared the reconciliations required by paragraphs 39 and 40 of IFRS 1. The Group adopted IFRS on January 1, 2006.
In adopting IAS-IFRS, the Group has elected to apply the mandatory exceptions and certain optional exemptions from full retrospective application of all IFRS.

o OPTIONAL EXEMPTIONS FROM RETROSPECTIVE APPLICATION OF IFRS

The Group's actions in regard to the optional exemptions are described below. More detailed information is given in the following paragraphs.

(a) Business combinations and scope of consolidation

This exemption is not applicable to the parent company's financial statements.

In accordance with paragraph 37 of IAS 27, the Group's investments in subsidiaries, jointly controlled entities and associates are accounted for at cost, net of any impairment.

(b) Fair value as deemed cost

The Group elected to apply the optional exemption provided for by IFRS 1 (Fair value as deemed cost). For certain real estate asset categories, the revalued cost determined on the basis of appraisals by independent experts was used.

(c) Employee benefits

The Group elected to use the corridor approach for its defined benefit plans. Accordingly, and independently of the exemption permitted by IFRS 1, all cumulative actuarial gains and losses at the transition date were recognized in the appropriate equity category, while the corridor approach will be applied for later actuarial gains and losses.

(d) Cumulative translation differences

The Group decided to make use of the exemption from retrospective application of IAS 21. Accordingly, all cumulative gains and losses resulting from conversion of foreign subsidiaries' financial statements were set to zero and restated as retained earnings. Previously, the exchange differences resulting from translation of subsidiaries' equity from local currency into euro (the Group's functional currency) were reflected in stockholders' equity as 'cumulative translation differences'.

(e) Compound financial instruments

The Group has issued no compound instruments. This exemption is not applicable.

(f) Assets and liabilities of subsidiaries, associates and joint ventures

This exemption is not applicable to the parent company's separate financial statements

(g) Comparatives for financial instruments

This exemption is not applicable, as the Group has applied IAS 32 and 39 since January 1, 2006.

(h) Designation of previously recognized financial instruments

This exemption is not applicable, as the Group has applied IAS 32 and 39 since January 1, 2006.

(i) Share-based payments

As the stock option plan introduced by the Group in 1999 expired in 2004, there are no current plans to which IFRS 2 is applicable.

(k) Insurance contracts

As the Group does not issue insurance contracts, this exemption is not applicable.

(l) Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment

This exemption is not applicable, as the Group has no liabilities for decommissioning, restoration liabilities or the like.

(m) Fair value measurement of financial assets and financial liabilities at initial recognition

This exemption is not applicable.

o MANDATORY EXCEPTIONS FROM RETROSPECTIVE APPLICATION OF IFRS

(a) Derecognition of financial assets and financial liabilities

Financial assets and liabilities that do not meet IAS 39 derecognition criteria but were derecognized prior to the transition date are not re-recognized.

(b) Hedge accounting

The group is required to apply hedge accounting to transactions that satisfy IAS 39 criteria prospectively after the IAS 32/39 transition date.

(c) Estimates

Estimates made by the Group at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP (which may be revised only to correct for changes in accounting policy), unless there is objective evidence of an error.

(d) Non-current assets held for sale and discontinued operations

The Group had no non-current assets or disposal groups that met the held-for-sale criteria during the period presented. No adjustment is required.

- AUDITS OF IFRS RECONCILIATIONS

In Communication No. 6064313 of July 28, 2006, CONSOB emphasized that it is advisable that publicly quoted issuers arrange to have a complete audit carried out of the balances indicated in the IFRS reconciliation schedules presented in the parent company's separate financial statements.

PriceWaterhouseCoopers S.p.A. was empowered for a mandate of full audit of the reconciliation of Company's Net Equity at January 1st 2005 and at December 31st 2005 as well as of the Company's result for the yearly period closed at December 31st 2005 and the corresponding Illustrative Notes.

The annexed reports include the results of the work performed by PriceWaterhouseCoopers S.p.A.

- RECONCILIATION OF FINANCIAL STATEMENTS ACCORDING TO IFRS AND ITALIAN GAAP

The reconcilations contained in enclosed Tables 1 to 3 highlight the effects of the transition to IFRS on the parent company's separate financial statements.

TABLE 1: Reconciliation of net equity (in the assets and liabilities format) at January 1, 2005.

TABLE 2: Reconciliation of net equity (in the assets and liabilities format) at December 31, 2005.

TABLE 3: Reconciliation of Income Statement

Explanations of the adjustments shown in these tables are provided in the following paragraphs.

No reconciliation for the cash flow statement at December 31, 2005 is presented, as the adjustments made under IFRS had no impact on reported cash and equivalents.

TABLE 1 - Reconciliation of net equity at January 1, 2005

(Amounts in thousands of euro)	Notes	Italian GAAP 1/1/2005	IFRS reclassification	IFRS adjustments	IFRS 1/1/2005
Tangible fixed assets	**a**	1.631		1.591	3.221
Intangible fixed assets	**b**	487		(398)	90
Investments in subsidiaries		8.753			8.753
Holdings accounted for under the equity method		959			959
Holdings valued at cost					-
Other financial fixed assets		4.266			4.266
Financial assets held for sale		249			249
Other receivables		31			31
Derivative financial instruments					-
TOTAL NONCURRENT ASSETS		**16.375**	**-**	**1.193**	**17.568**
Inventories	**c**	10.926		6.302	17.228
Trade receivables	**d**	32.133		1.672	33.805
Other receivables	**e**	3.416	(171)	(396)	2.849
Tax assets - current taxes		1.972			1.972
Tax assets - prepaid taxes	**f**	2.923		1.432	4.355
Derivative financial instruments	**g**			310	310
Cash and equivalents		3.141			3.141
TOTAL CURRENT ASSETS		**54.511**	**(171)**	**9.320**	**63.660**
TOTAL ASSETS		**70.887**	**(171)**	**10.513**	**81.229**
Capital stock	**h**	11.500	(171)	-	11.329
Other reserves	**h**	16.565		(171)	16.394
Profits (losses) carried forward				(1.319)	(1.319)
Profit (loss) for the year		827		105	932
Total Group stockholders' equity		*28.892*	*(171)*	*(1.385)*	*27.336*
Total stockholders' equity		**28.892**	**(171)**	**(1.385)**	**27.336**
Loans	**i**	7.102		2.665	9.767
Employee benefits	**j**	2.974		314	3.288
Provisions for risks and charges	**k**	337		(108)	229
Derivative financial instruments		-		37	37
TOTAL NONCURRENT LIABILITIES		**10.413**	**-**	**2.907**	**13.320**
Trade payables		18.380			18.380
Advances	**l**	916		9.171	10.087
Other payables	**m**	2.170		(92)	2.078
Amounts due to banks and in respect of loans	**i**	5.722		196	5.918
Tax liabilities - deferred taxes	**n**	1.198		583	1.781
Tax liabilities - current taxes		1.335			1.335
Provision for risks and charges	**k**	1.861		(867)	994
Derivative financial instruments		-			-
TOTAL CURRENT LIABILITIES		**31.582**	**-**	**8.991**	**40.573**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**70.887**	**(171)**	**10.513**	**81.229**

TABLE 2 - Reconciliation of net equity at December 31, 2005

(Amounts in thousands of euro)	Notes	Italian GAAP 12/31/2005	IFRS reclassification	IFRS adjustments	IFRS 12/31/2005
Tangible fixed assets	**a**	1.597		1.442	3.039
Intangible fixed assets	**b**	464		(365)	99
Investments in subsidiaries		12.841			12.841
Holdings accounted for under the equity method		1.250			1.250
Holdings valued at cost		52			52
Other financial fixed assets		2.899			2.899
Financial assets held for sale		258			258
Other receivables		9			9
Derivative financial instruments		-			-
TOTAL NONCURRENT ASSETS		**19.370**	**-**	**1.077**	**20.447**
Inventories	**c**	12.726		5.355	18.081
Trade receivables	**d**	33.101		897	33.998
Other receivables	**e**	2.845	(6)	(189)	2.650
Tax assets - current taxes		1.266			1.266
Tax assets - prepaid taxes	**f**	2.608		1.251	3.859
Derivative financial instruments	**g**			5	5
Cash and equivalents		7.138			7.138
TOTAL CURRENT ASSETS		**59.684**	**(6)**	**7.319**	**66.997**
TOTAL ASSETS		**79.054**	**(6)**	**8.396**	**87.444**
Capital stock	**h**	11.500		(93)	11.407
Other reserves	**h**	16.749		(93)	16.656
Profits (losses) carried forward				(1.181)	(1.181)
Profit (loss) for the year		3.780		125	3.905
Total Group stockholders' equity		*32.029*	*-*	*(1.242)*	*30.787*
Total stockholders' equity		**32.029**	**-**	**(1.242)**	**30.787**
Loans	**i**	2.971		1.564	4.535
Employee benefits	**j**	3.370		247	3.617
Provisions for risks and charges	**k**	28			28
Derivative financial instruments				16	16
TOTAL NONCURRENT LIABILITIES		**6.369**	**-**	**1.827**	**8.196**
Trade payables		20.526		(4)	20.522
Advances	**l**	836		7.890	8.726
Other payables	**m**	2.581		(71)	2.510
Amounts due to banks and in respect of loans	**i**	11.123		264	11.387
Tax liabilities - deferred taxes	**n**	1.483		532	2.015
Tax liabilities - current taxes		1.411	(6)		1.405
Provision for risks and charges	**k**	2.695		(799)	1.896
Derivative financial instruments		-			-
TOTAL CURRENT LIABILITIES		**40.655**	**(6)**	**7.811**	**48.460**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**79.054**	**(6)**	**8.396**	**87.444**

TABLE 3 - Reconciliation of Income Statement at December 31, 2005

(Amounts in thousands of euros)	Notes	Italian GAAP 12/31/2005	IFRS reclassification	Effect of transition to IFRS	IFRS 12/31/2005
Net revenues from sales and services	**a**	72.716		621	73.337
Other operating income		2.720			2.720
Changes in inventories of semifinished and finished products	**b**	1.389		(946)	443
Additions to assets produced internally		28			28
Raw materials, supplies and merchandise	**c**	(40.075)		624	(39.451)
Personnel	**d**	(14.249)		202	(14.047)
Amortization and depreciation	**e**	(611)		(18)	(629)
Impairment and writedowns	**f**	-	2.037		2.037
Other operating costs	**g**	(18.614)	(110)	(64)	(18.788)
OPERATING INCOME		**3.304**	**1.927**	**419**	**5.650**
Financial income	**h**	1.194	-	(1)	1.193
Financial expenses	**h**	(1.095)		(169)	(1.264)
Gains (losses) on foreign exchange	**i**	(11)		5	(6)
Gains (losses) from associates and joint ventures	**j**	1.913	(2.037)		(124)
Gains (losses) from financial assets held for sale					-
INCOME (LOSS) BEFORE TAX		**5.305**	**(110)**	**254**	**5.449**
Current and deferred taxes	**k**	(1.525)	110	(129)	(1.544)
NET PROFIT		**3.780**	**-**	**125**	**3.905**

o EXPLANATIONS OF THE IFRS ADJUSTMENTS MADE TO NET EQUITY AT JANUARY 1 AND DECEMBER 31 2005

a. Tangible fixed assets

	January 1, 2005	December 31, 2005
Optional exemption - IFRS 1, p.16-19 Collegno facility	1.493	1.457
Optional exemption - IFRS 1, p. 16-19 Coventry facility	(56)	(51)
Leased electronic office equipment	154	36
Total	**1.591**	**1.442**

Optional exemption – IFRS 1, p. 16-19

The Company applied the optional exemption under IFRS 1, p. 16-19 ("Fair value as deemed cost") in order to separate the land element from the building element in the following real estate complexes:

- Collegno (held by the Group under a finance lease accounted for under IAS 17, p. 10)

- Coventry (owned by PRIMA INDUSTRIE S.p.A. and leased to the subsidiary Prima UK).

In the financial statements drawn up prior to transition to IFRS, the lot on which the building stands was included under the heading "Land and buildings" and was depreciated accordingly.
The fair value of the land and buildings at the transition date was appraised by an independent expert.
The tax effect (i.e., the deferred tax liability) was calculated from the difference between the property's recoverable value and its carrying value in accordance with SIC 21 (Income Taxes - Recovery of Revalued Non-Depreciable Assets).

Leased electronic office equipment

Adjustments were made to the accounting treatment for certain lease contracts for electronic office equipment, where lease assets and liabilities are now measured as required by IAS 17, p. 20. In accordance with IAS 12, the deferred tax liability resulting from this adjustment is recognized and measured as the difference between recoverable value and carrying value.

b. Intangible fixed assets

	January 1, 2005	December 31, 2005
Elimination of renovation expenses for leasehold property	(322)	(271)
Elimination of patent expenses	(70)	(90)
Elimination of trademark expenses	(5)	(4)
Total	**(397)**	**(365)**

Elimination of deferred charges expected to benefit future periods

Deferred charges which are expected to benefit future periods but do not meet the capitalized cost recognition criteria of IAS 38, p. 10 were eliminated. These charges included miscellaneous construction work on buildings owned or leased by the company, maintenance expenses, and expenses for patent and trademark protection. In accordance with IAS 12, the tax effect of this adjustment (i.e., the unused tax credit) was recognized and measured as the difference between recoverable value and carrying value.

c. Inventories

Under IAS 18, p. 16c, revenues from sales of laser systems are recognized at the time of acceptance by the end customer. In general, acceptance is considered to take place at the time the runoff report is signed.

By contrast, systems are invoiced at the time they are made available to the carrier: under Incoterms, this is when risks and responsibilities for transportation pass from the seller to the buyer.

Because of the difference between the billing date and the date on which revenues are recognized under IAS 18, p. 16c, the IFRS financial statements show the value of machines invoiced but not yet accepted by the customer under “Inventories of finished products”, net of the sales margin, and under “Advances” in the liabilities section. This adjustment amounted to 6,302 thousand euro at January 1, 2005 and 5,355 thousand euro at December 31, 2005.

This accounting treatment fairly presents the contractual relationships underlying these transactions.

Consequently, the amounts set aside for warranty obligations on machines that have been invoiced but not yet subjected to runoff inspection in “Provisions for risks and charges” have been eliminated (also see paragraph k, “Provision for risks and charges”).

The tax effect of these adjustments was calculated in accordance with IAS 12.

d. Trade receivables

The Company's previous GAAP financial statements recorded receivables from sales benefiting from vendor-guaranteed financing as contemplated by Law 1329/65 (the so-called Sabatini Act). Under the terms of this legislation, the buyer signs a series of bills of exchange at the time of the sale, which the vendor can then remit to the bank for discount. If the buyer defaults on his obligations to the bank, however, the bank has rights of recourse to PRIMA Industrie.

The vendor's expenses for discounting the bills of exchange are offset by the interest charged to the purchaser.

In accordance with the substance-over-form principle of IFRS, the trade receivables arising from these sales are recognized as assets, and the amounts payable to the bank are stated as liabilities, given that PRIMA Industrie continues to bear the risks of the transaction.

e. Other receivables

	January 1, 2005	December 31, 2005
Reclassification of treasury stock	(171)	(93)
Adjustments to fair value of derivative instruments fair value	(275)	(64)
Accrued interest income on Sabatini Act sales	(91)	
Other minor items	(30)	(38)
Total	**(567)**	**(195)**

Treasury stock

In previous GAAP financial statements, treasury stock was classified as working capital and valued at the lesser of cost or market. Under Italian law, the Company was required to include a "Buy-back reserve" for treasury stock in equity. The economic effects of transactions in the Company's own stock were recognized in the income statement.

Under IAS 32, p. 33, treasury stock, like any other gains or losses on securities trading, is presented as a deduction from equity. The "Buy-back reserve" has been reclassified as retained earnings under "Profits (losses) carried forward".

Derivative financial instruments

Forward transactions shown on previous GAAP financial statements were eliminated and restated in the IFRS financial statements as "Financial assets and financial liabilities at fair value through profit or loss", with changes in fair value recorded in the income statement (see paragraph g, "Derivative financial instruments").

Accrued interest income on subsidized sales made under the terms of the Sabatini Act

Accrued interest income on subsidized sales made under the terms of the Sabatini Act was eliminated (for further details, see paragraph d, “Trade receivables”).

f. Tax assets – Prepaid taxes

Adjustments to this heading reflect the tax effect of a number of the other adjustments made in the process of transition to IFRS described above and in the following paragraphs. Thus, deferred tax assets are recognized for unused tax credits in accordance with IAS 12, p. 24, as it is probable that there will be sufficient future taxable profit against which temporary differences can be utilized. Under IAS 12, p. 47, deferred tax assets are measured at the tax rates that are expected to apply in the year when the asset concerned is realized.

g. Derivative financial instruments

Under IAS 39, p. 46, such derivative financial instruments as interest rate swaps on loan agreements and US dollar currency options used as cash flow hedges against changes in euro/dollar exchange rates are recognized at fair value. These financial instruments, though not categorized as held for trading, do not qualify for hedge accounting (IAS 39, p. 85-102) under the specific rules in IAS 39, p. 88
As required by IAS 39, p. 46, they are thus classified as “Financial assets at fair value through profit or loss”, with changes in the fair value recorded in the income statement.
For further details, see the discussion of financial risk management in the section covering Accounting Policies.

h. Stockholders’ equity

Capital stock

Under IAS 32, p. 33, treasury stock was deducted from capital stock. For further information on this adjustment, see paragraph “e. Other receivables”.

Other reserves

Amounts included in other reserves were adjusted, deducting the buy-back reserve which was reclassified as retained earnings under “Profits (losses) carried forward”. For further information, see paragraph “f. Other receivables”.

Profits (losses) carried forward

Adjustments to “Profits (losses) carried forward ”reflect the adjustments indicated in Tables 1 and 2. Explanations for each item are provided in the appropriate paragraphs.

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

	January 1, 2005	December 31, 2005
Liabilities under finance leases as per IAS 17	1.189	932
Liabilities for sales under the Sabatini Act	1.672	896
Total	**2.861**	**1.828**

Amounts due to banks and in respect of loans were adjusted to reflect the change in accounting treatment for certain lease contracts for electronic office equipment which meet the criteria of IAS 17, p. 10 and can thus be regarded as finance leases and measured accordingly (IAS 17, p. 22). Adjustments were also made to reflect recognition of liabilities for sales made under the terms of Law 1329/65, the so-called Sabatini Act (for further details, see paragraph “d. Trade receivables”).

j. Post-employment benefits

	January 1, 2005	December 31, 2005
Reserves for employee termination indemnities (TFR)	(92)	(185)
Long-service bonuses	406	432
Total	**314**	**247**

Reserves for employee termination indemnities

Under Italian GAAP, reserves for employee termination indemnities were calculated as outlined in Article 2120 of the Italian Civil Code. Under IAS 19, these reserves must be recognized as liabilities under defined benefit retirement plans, and as such must be measured using the projected unit credit method required by IAS 19, p. 68. Thus, defined benefit obligations were calculated by an independent actuary registered to practice in Italy. The tax effect of this adjustment was calculated on the basis of IAS 12.

Long-service benefit

A long-service bonus equivalent to two gross monthly salary payments is awarded to Prima Industrie S.p.A. employees upon completion of 20, 30 and 35 years of service. The present value of liabilities for these bonuses was adjusted under IFRS, and was calculated by an independent actuary registered to practice in Italy. The tax effect of this adjustment was calculated on the basis of IAS 12.

k. Provision for risks and charges

	January 1, 2005	December 31, 2005
Provisions for warranty obligations	(867)	(799)
Provisions for probable tax liabilities	(108)	-
Total	**(975)**	**(799)**

Provisions for warranty obligations

See paragraph “c. Inventories” for further information.

Provisions for probable tax liabilities

Previous GAAP financial statements included provisions for probable tax liabilities set aside following the tax reassessment by the Guardia di Finanza regarding failure to account for interest received on loans granted to Prima North America Inc. and other minor irregularities issued at the end of an audit of fiscal year 2000 which took place in the second half of 2002. These provisions were eliminated.

l. Advances

Adjustments to advances are fully described in paragraph “c. Inventories”

m. Other payables

Other payables were adjusted to eliminate accrued interest expenses on subsidized sales made under the terms of the Sabatini act (for further details, see paragraph “d. Trade receivables”).

n. Tax liabilities – Deferred taxes

Adjustments to this heading reflect the tax effect of a number of the other adjustments made in the process of transition to IFRS described above and in the following paragraphs. Thus, deferred tax liabilities are recognized for taxable temporary differences in accordance with IAS 12, p. 15, and are measured as required by IAS 12, p. 47, viz., at the tax rates that are expected to apply in the year when the liability concerned is settled.

o EXPLANATIONS OF THE IFRS ADJUSTMENTS MADE TO THE INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2005 FOR THE PERIOD FROM JANUARU 1ST TO DECEMBER 31ST 2005

a. Revenues

The amount stated under "Net revenues from sales and services" was increased by 621 thousand euro to reflect the effect on income of recognizing revenues from sales of laser systems at the time of acceptance by the end customer under IAS 18, p. 16c, rather than at the time the systems are invoiced (See paragraph "e. Inventories" for further information).

b. *Changes in inventories of semifinished and finished products*

This item was adjusted downwards by 946 thousand euro to reflect the effect of recognizing revenues from sales of laser systems at the time of acceptance by the end customer under IAS 18, p. 16c, rather than at the time the systems are invoiced.

c. Raw materials, supplies and merchandise

This item was adjusted by 624 thousand euro, the purchase price of a Laserdyne system produced by PRIMA North America and sold by PRIMA Industrie which has not yet been accepted by the end customer. The amount in question has thus been reclassified under changes in inventories of finished products.

d. Personnel

	December 31, 2005
Reserves for employee termination indemnities (TFR)	(228)
Long-service bonuses	26
Total	**(202)**

This adjustment reflects the effect on income of recognizing reserves for employee termination indemnities as liabilities under defined benefit retirement plans under IAS 19, and of setting aside provisions for long-service bonuses. For further information, see paragraph "j. Post-employment benefits", in the section on adjustments to Net equity,

e. Amortization and depreciation

	December 31, 2005
Elimination of amortization adjustments for deferred charges	(121)
Elimination of depreciation on land ammortamento terreno	(6)
Amortization on finance leases	145
Total	**18**

Elimination of amortization adjustments for deferred charges expected to benefit future periods

See paragraph "b. Intangible fixed assets", in the section on adjustments to Net equity.

Elimination of depreciation on land

Depreciation charges calculated under previous Italian GAAP were eliminated for the land element of the Coventry (UK) property. For further details, see paragraph "a. Tangible fixed assets", in the section on adjustments to Net equity,

f. Impairment and writedowns

This item was adjusted downwards by 171 thousand euro to reflect the reclassification of written-down equity investments in PRIMA Scandinavia and PRIMA GmbH, and upwards by 2,208 thousand euro to correct writedowns made in previous years on the Company's investment in PRIMA North America.

g. Other operating costs

	December 31, 2005
Reclassification of tax consolidation agreement charges	(110)
Elimination of capitalized deferred charges	(89)
Adjustments for finance lease expenses	276
Elimination of commissions on machines not yet accepted by customer	37
Adjustments to provisions for warranty obligations	(68)
Elimination of use of provisions for probable tax liabilities	(108)
Elimination of gains on disposals of treasury stock	(123)
Elimination of losses on disposals of treasury stock	11
Total	**(174)**

Reclassification of tax consolidation agreement charges

The charges arising from a tax consolidation agreement between PRIMA INDUSTRIE and PRIMA ELECTRONICS, which had been stated under taxes, were reclassified as operating costs.

Elimination of capitalized deferred charges

Certain previously capitalized deferred charges which do not meet the recognition criteria of IAS 38, p. 10 were eliminated.

Adjustments for finance lease expenses

These adjustments reflect the effect on income of the accounting treatment required by IAS 17, p. 20 for certain lease contracts for electronic office equipment, which were not recognized as finance leases under previous Italian GAAP.

Elimination of commissions on machines not yet accepted by the customer

Commissions were eliminated as a result of the changes in revenue recognition (see paragraph “c. Raw materials, supplies and merchandise” in this section).

Adjustments to provisions for warranty obligations

These adjustments represent the net effect of changes in revenue recognition (see paragraph “c. Inventories”, in the section on adjustments to Net equity), and were calculated on the basis of the difference in opening and closing balances.

Elimination of use of provisions for probable tax liabilities

Use of provisions for probable tax liabilities was eliminated, as said provisions had been deducted from Net equity at the transition date. For further information, see paragraph "k. Provisions for risks and charges", in the section on adjustments to Net equity.

Elimination of gains on disposals of treasury stock

As required under IAS 32, p. 33, gains on the sale of treasury stock were eliminated. For further information, see paragraph "e. Other receivables", in the section on adjustments to Net equity.

Elimination of losses on disposals of treasury stock

As required under IAS 32, p. 33, losses on the sale of treasury stock were eliminated. For further information, see paragraph "e. Other receivables", in the section on adjustments to Net equity.

h. Financial income and financial expenses

	December 31, 2005
Interest expenses on finance leases	(26)
Interest expenses on employee benefit plans	(135)
Changes in the fair value of derivative financial instruments	(9)
Total	**(170)**

Interest expenses on finance leases

This item represents interest expenses on certain lease contracts for electronic equipment, which are recognized as finance leases under IAS 17.

Interest expenses on employee benefit plans

This adjustment represents the interest expenses resulting from recognizing reserves for employee termination indemnities as liabilities under defined benefit retirement plans as required by IAS 19.

Changes in the fair value of derivative financial instruments

Adjustments were made for changes in the fair value of derivative financial instruments. For further details, see paragraph "g. Derivative financial instruments", in the section on adjustments to Net equity.

i. Gains (losses) on foreign exchange

This item was adjusted for changes in the fair value of derivative financial instruments used to hedge foreign exchange risk. For further details, see paragraph "g. Derivative financial instruments", in the section on adjustments to Net equity.

j. Gains (losses) from associates and joint ventures

This reclassification corresponds to the adjustments made under the heading "Impairment and writedowns", and represents the 171 thousand euro writedown on equity investments in PRIMA Scandinavia and PRIMA GmbH, and the 2,208 thousand euro correction for writedowns made in previous years on the investment in PRIMA North America.

k. *Current and deferred taxes*

	December 31, 2005
Reclassification of tax consolidation agreement charges	110
Deferred taxes on IAS/IFRS adjustments	(129)
Total	**(19)**

The table above illustrates the reclassification discussed in paragraph "g. Other operating costs" and the effects on income of the changes in deferred tax liabilities resulting from the IAS/IFRS adjustments described in the foregoing paragraphs.

per il Consiglio di Amministrazione
Il Presidente

ing. Gianfranco Carbonato.

PRIMA INDUSTRIE GROUP

REPORT OF THE BOARD OF STATUTORY AUDITORS

ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE 30, 2006

The Board of Statutory Auditors has examined the Prima Industrie Group Report on Operations for the first half of 2006, and can state that:

1. The Report was prepared in accordance with section 81 of Regulation No. 11971/1999 on Issuers, as amended, and in compliance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) approved by the European Commission following the adoption of EC Regulation 1606 of July 19, 2002;
2. The Report complies with legislative, regulatory and statutory provisions governing the criteria for its preparation, and permits full comparison of the information contained with that for the same period in past years;
3. As contemplated by section 81 of the Issuers Regulation, the interim report includes financial information for the parent company prepared in accordance with IAS/IFRS, given that the parent company will adopt these standards in preparing its annual report and financial statements at December 31, 2006;
4. As expressly directed by CONSOB in Communication No. DEM/6064313 of July 28, 2006, a special section of the interim report provides the information on first-time adoption of International Financial Reporting Standards for the Prima Industrie S.p.A. financial statements required by IFRS 1;
5. A limited audit of the interim report was conducted by the external auditors PricewaterhouseCoopers S.p.A., whose opinion is now being prepared and is expected to be unqualified. For the parent company, PricewaterhouseCoopers SpA has also audited the information disclosed under IFRS 1;
6. Companies falling within the scope of consolidation were consolidated on a line-by-line basis. The scope of consolidation has changed since the year ended December 31, 2005, as it now includes M.L.T.A. S.r.l., a company in which the subsidiary Prima Electronics S.p.A now holds a 57.84% interest;
7. No atypical and/or unusual transactions or transactions that could potentially create a conflict of interest came to light; and
8. The Board has received no complaints lodged by stockholders as contemplated by Article 2408 of the Italian Civil Code regarding improper transactions or irregularities.

Important events and transactions occurring in the first six months of 2006 and in the immediately preceding period

In discharging its oversight responsibilities, the Board of Statutory Auditors received detailed information from management concerning the main events and operating, financial and assets transactions, including those of an extraordinary nature, carried out by Prima Industrie S.p.A. and its subsidiaries. In this connection, we determined that all pending or completed transactions comply with all pertinent provisions of the law and the corporate bylaws, are not in conflict with any resolutions adopted by the stockholders' meeting, and are consistent with the principles of good management.

- *Dealings with external auditors*

  During the period, the Board of Statutory Auditors met with representatives of the external auditors, with whom the Board exchanged information and views as envisaged by Article 150, indent 3 of Legislative Decree 58/1998, as amended. In these exchanges, the external auditors did not indicate that any improper transactions had come to light.

- *Approval of new regulations concerning Internal Dealing and Market Abuse*

  In its meeting of March 21, 2006, the Board of Directors approved new internal procedures regarding market abuse and illicit use of inside information, and regarding internal dealing. As envisaged by the new Article 115 *bis* of the Consolidated Law on Financial Intermediation, the Group now maintains lists of persons having access to inside information in the exercise of their employment, profession or duties, and of persons having access to inside information regarding specific projects or events. As of March 14, 2006, moreover, the Group has complied with the provisions of the new Corporate Governance Code for Italian listed companies presented by Borsa Italiana S.p.A. as regards the classification of its executive and independent directors.

- *Business performance*

  In the first half of 2006, the Prima Industrie Group's consolidated revenues increased by 43.8% over the same period in 2005, totaling 66,677 thousand euro as against 46,370 thousand euro.

  The Group's profitability rose significantly, thanks to the strong performance shown by subsidiaries.
  Consolidated net profit for the first half of 2006 benefited from a lower tax burden, largely because the subsidiary Prima North America Inc. was able to recover unused tax loss carryforwards.

  The Group's net financial position also improved appreciably, with total net indebtedness dropping to 7,376 thousand euro as against 14,627 thousand euro at June 30, 2005 and 7,733 thousand euro at December 31, 2005.

- *Research*

  Research costs for the first half of 2006 totaled 4,106 thousand euro, compared with 3,729 thousand euro for the same period in 2005. As usual, all expenditures for the period were charged directly against income statement.

- *Acquisitions*

On January 12, 2006, the subsidiary Prima Electronics S.p.A. subscribed to a 65,000 euro share issue whereby it increased its holdings in M.L.T.A. S.r.l. from 41.63% to 57.84%. This amount was approved and paid by an extraordinary stockholders' meeting called for the purpose.
M.L.T.A. S.r.l. has extensive expertise in power electronics for laser sources. As indicated above, the company was included in the scope of consolidation for the current year.

On June 7, 2006, Prima Electronics S.p.A. acquired 2.2% of the capital stock of Electro Power Systems S.r.l., a recent start-up specializing in fuel cell power systems.
Prima Electronics S.p.A. acquired no. 1,121 shares of Electro Power Systems S.r.l. stock at par value, and also made a 248,879 capital contribution. The total investment thus amounted to 250,000 euro. The agreements between the companies also envisage that Prima Electronics S.p.A. will subscribe to a 500,053 euro capital increase by September 30, 2006, effecting payment no later than December 21, 2006. After this capital increase, Prima Electronics S.p.A will hold 6,1% of Electro Power Systems S.r.l. capital stock.

- *New joint venture in China*

The Group's third joint venture in China, Wuhan OVL Convergent Laser Co. Ltd., was set up on April 24, 2006 after completion of the authorization process. The subsidiary Prima North America and Wuhan Optics Valley Laser Technology respectively hold 30% and 70% of the new joint venture's capital stock, which will amount to USD 6.800.000. Wuhan OVL Convergent Laser Co. Ltd. will produce low- and high-power CO_2 laser sources for sale on Asian markets. The joint venture is expected to start business by the end of 2006.

- *Treasury stock*

As of June 30, 2006, the Board of Statutory Auditors determined that Prima Industrie S.p.A. held 8,145 shares of its own common stock (equivalent to 0.18% of capital stock) at a weighted average price of 17.7120 euro each.

- *Stockholders' meeting*

The Ordinary Stockholders' Meeting of May 11, 2006 approved the Annual Report for the year ended December 31, 2005, took note of the consolidated financial statements at December 31, 2005, and resolved to distribute a dividend of 0.28 euro per share payable from May 25, 2006 following coupon presentation on May 22, 2006.

The same meeting also revoked the prior mandate to buy and sell treasury stock granted on September 8, 2005, and resolved to empower the Board of Directors to buy and sell shares of Prima Industrie S.p.A. stock up to a maximum number of 200,000 shares or around 4.3% of capital stock for a period of 18 months from the date of the resolution.
The new buyback resolution establishes a minimum buying and selling price of 2.5 euro per share (the par value) and a maximum buying price of 30 euro, while the maximum selling price can be determined using whatever terms and procedures are deemed expedient for each individual sale.
For off-market sales, the selling price may under no circumstances be such as to result in losses for the company.
The resolution adopted by the Ordinary Stockholders' Meeting of May 11, 2006 was necessary as a result of the rise in the price of company stock, which had exceeded the maximum buying price of 17.533 euro per share established by the resolution of September 8, 2005 and thus made further buybacks impossible. In this connection, the Stockholders' Meeting of the subsidiary Prima Electronics S.p.A. resolved on March 9, 2006 to authorize purchases and sales of stock in the parent company Prima Industrie S.p.A. pursuant to Article 2359 *bis* of the Italian Civil Code, Article 132 of the Consolidated Law on Financial Intermediation, and section 144 *bis* of the Issuers Regulation. The Prima Electronics S.p.A. stockholders' meeting resolved to empower the Board of Directors to buy and sell shares of stock in the parent company Prima Industrie S.p.A. up to a maximum number of 110,000 shares at a minimum price of 2.5 euro each and a maximum price of 26.375 euro each for a period of three months from the date of the resolution.

At June 30, 2006, the subsidiary Prima Electronics held 8,000 shares in Prima Industrie S.p.A. (0.17% of share capital) at a weighted average price of 19.9042 euro each.

- *Loans to subsidiaries*

As for financial transactions with subsidiaries, the only change relative to the situation at December 31, 2005 that took place in the first half of 2006 was the 300 thousand euro loan extended to PRIMA INDUSTRIE GmbH.

- *New loans*

In its meeting of May 12, 2006, the Board of Directors vested the chairman and managing director Mr. Gianfranco Carbonato with all necessary powers to take out one or more medium/long-term loans for a maximum amount of 15 million euro with amortization installments of 10.3 million euro due during the year. As of June 30, 2006, new medium-term loans amounting to 11,000 thousand euro had been taken out, while loan repayments totaled 8,303 thousand euro.

- *Resignation of an independent director*

Following the resignation of Mr. Marco Pinciroli from the Prima Industrie S.p.A Audit

and Compensation Committees, the Board of Directors in its meeting of April 19, 2006 appointed the independent director Mr. Mario Mauri to take Mr. Pinciroli's place in these two committees.
The committees currently consist of the following members:

Audit Committee
Pio Pellegrini – Chairman
Sandro Disdoro
Mario Mauri
Compensation Committee
Mario Mauri - Chairman
Sandro Disdoro
Pio Pellegrini

- *Powers and responsibilities granted to directors*

  In its meeting of June 14, 2006, the Board of Directors unanimously resolved to empower Mr. Marco Pinciroli to arrange for the acquisitions necessary for the Group's external growth.

- *Interim report of the Audit Committee*

  As required by the Corporate Governance Code, the Audit Committee will present an interim report on its activities during the first six months of the year to the forthcoming meeting of the Board of Directors scheduled for next September 21.

During the first six months of 2006, the Board of Statutory Auditors attended five meetings of the Board of Directors, held on February 27, 2006, March 21, 2006, April 19, 2006, May 12, 2006 and June 14, 2006. The statutory auditors also attended two subsequent meetings of the Board of Directors held on July 11, 2006 and August 8, 2006. During the period, the Board of Statutory Auditors attended the Ordinary Stockholders' Meeting on May 11, 2006.
The Compensation Committee met three times, on February 27, 2006, May 5, 2006 and June 12, 2006.
The Audit Committee met twice, on January 31, 2006 and on July 11, 2006. The Audit Committee's meeting were attended by Mr. Roberto Petrignani, regular auditor of the company, who was appointed to do so by the Chairman of the Board of Statutory Auditors, Mr. Riccardo Formica.

The Board of Statutory Auditors also announces that the interim report will be published within 120 days of the end of the first six months of the fiscal year as required by section 81 of Consob Regulation No. 11971/1999, as amended, and that the report for the second quarter of 2006 was approved by the Board of Directors on August 3, 2006 and published as envisaged by law and by the regulations applying to the securities markets organized and managed by Borsa Italiana S.p.A..

Torino, September 20, 2006

The Board of Statutory Auditors

(Riccardo Formica)

(Andrea Mosca)

(Roberto Petrignani)

PRICEWATERHOUSECOOPERS

PRIMA INDUSTRIE SPA

AUDITOR'S REPORT ON THE STATEMENTS OF RECONCILIATION TO IFRS (SEPARATE ACCOUNTS "NOT CONSOLIDATED") INCLUDING THE EXPLANATORY NOTES OF THE EFFECT OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

AUDITOR'S REPORT ON THE STATEMENTS OF RECONCILIATION TO IFRS (SEPARATE ACCOUNTS "NOT CONSOLIDATED") INCLUDING THE EXPLANATORY NOTES OF THE EFFECT OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

To the Board of Directors
of Prima Industrie SpA

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of Prima Industrie SpA, consisting of the balance sheet as of 1 January 2005 and 31 December 2005, the income statement for the year ended 31 December 2005 and the related explanatory notes prepared in accordance with the CONSOB resolution n. 6064313 of 28 July 2006, included in the section named "Financial Statements at June 30, 2006 First Time Adoption of IAS-IFRS" of the interim financial statements for the six-month period ended 30 June 2006 (hereinafter, the "IFRS Reconciliation Statements"). These IFRS Reconciliation Statements derive from the financial statements of Prima Industrie SpA as of 31 December 2005, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated 14 March 2006. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Directors of Prima Industrie SpA. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards. In accordance with such standards our audit was planned and performed to obtain the necessary assurance about whether the IFRS Reconciliation Statements are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1 above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in the CONSOB resolution n. 6064313 of 28 July 2006.

4. We draw your attention to the fact that the IFRS Reconciliation Statements have been prepared solely for the purpose of the transition project for the preparation of the first annual financial statements compliant with the IFRS endorsed by the European Commission. For this reason they do not include the comparative figures and explanatory notes that would be required in order to fairly present the financial position and the result of operations of Prima Industrie SpA in compliance with IFRS. The IFRS Reconciliation Statements will represent the published comparative figures in the first annual financial statements compliant with the IFRS as of 31 December 2006; these figures could be modified should there be any amendments or changes to the existing set of the International Financial Reporting Standards before the publication of the first annual financial statements compliant with the IFRS.

Turin, 21 September 2006

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

PRICEWATERHOUSECOOPERS

PRIMA INDUSTRIE SPA

AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the Shareholders of
Prima Industrie SpA

1. We have performed a limited review of the consolidated financial statements consisting of balance sheet, income statement, changes in shareholders' equity and cash flows (hereinafter "Accounting Statements") and related illustrative notes included in the interim financial reporting of Prima Industrie SpA for the six-month period ended 30 June 2006. The interim financial reporting is the responsibility of Prima Industrie SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.

2. Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

3. Regarding the comparative data of the prior year consolidated financial statements and of the prior year interim financial reporting presented in the Accounting Statements, reference should be made to our reports dated 14 March 2006 and 30 September 2005.

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4. Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated Accounting Statements and related illustrative notes, identified in paragraph 1 of this report, in order to make them consistent with the international accounting standard IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Turin, 21 September 2006

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into the English language solely for the convenience of international readers.