



PRIMA INDUSTRIE

QUARTERLY REPORT AT 31 DECEMBER 2006

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Approved by the Board of Directors on February 13, 2007

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)

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 2005-2007
- ⁽⁴⁾ Appointed at the Stockholders' Meeting held on May 14, 2004 for the three-year period 2004-2006
- ⁽⁵⁾ Appointed by the Board of Directors on June 14, 2006 for the activities of *Merger & Acquisition* and external growth.

POWERS RELATING TO COMPANY APPOINTMENTS

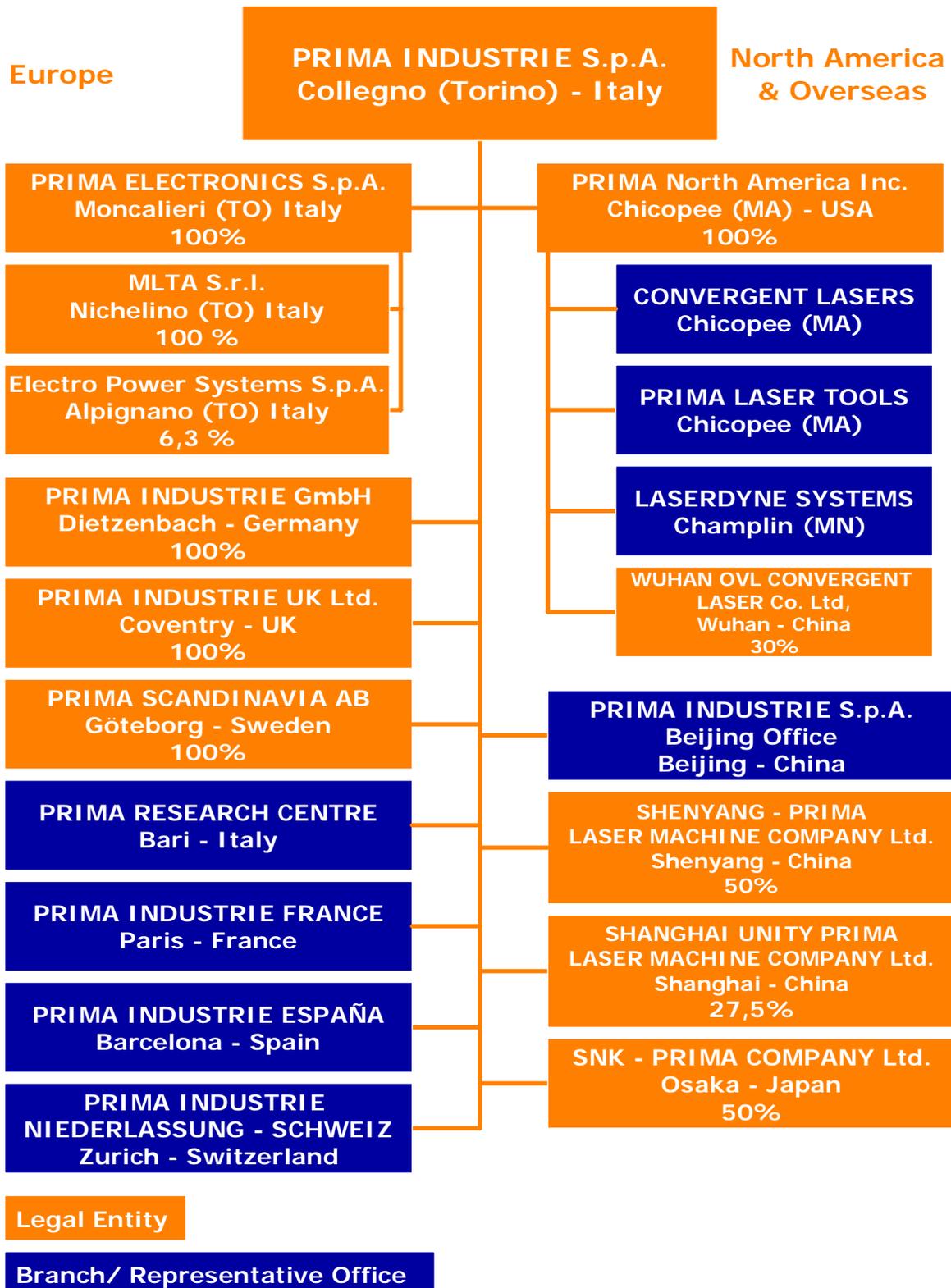
In terms of resolutions dated May 13 and June 7, 2005 the Board of Directors appointed Gianfranco Carbonato as the Chief Executive Officer and determined his powers.

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

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1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP



2. INTRODUCTION

NORMATIVE FRAMEWORK

In application of European Regulation No. 1606 dated July 19, 2002 and in accordance with section 82 of Issuers Regulation No. 11971, as amended by CONSOB resolution No. 14990 dated April 14, 2005 the PRIMA INDUSTRIE Group prepared the quarterly report at December 31, 2006, in accordance with the International Accounting Principles approved by the European Commission (hereinafter referred to individually as the IAS/IFRS or together, as IFRS).

In accordance with paragraph 8 of IAS 34 ("Interim Financial Statements"), the Quarterly report at 12/31/2006, includes the following:

- a) the summarized Balance Sheet
- b) the summarized Income Statement;
- c) the statement of Changes in Stockholders' Equity;
- d) the summarized Cash-Flow Statement and
- e) the specific explanatory notes required by paragraph 16 of IAS 34.

In addition, in accordance with the aforesaid section 82 of Issuers Regulation no. 11971 the quarterly report is also made up of the parent company's accounting statements, prepared in accordance with IAS/IFRS, because with effect from the 2006 financial year PRIMA INDUSTRIE S.p.A. is also obliged to prepare the Financial Statements in accordance with International Accounting Standards. The corresponding data relating to the previous financial period has thus been redetermined according to IAS/IFRS.

The quarterly information was not audited by the external auditors PriceWaterhouseCoopers S.p.A because no mandate was given to them, as there was no duty to submit the quarterly Financial Statements for audit.

This quarterly report was approved by the Board of Directors on February 13, 2007.

At 12/31/2006, the following companies were included in the area of consolidation.

SUBSIDIARIES	Head Office	Capital Stok	Stake	Consolidation method
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, Torino	€ 1.500.000	100%	Line-by-line method
PRIMA North America, Inc.	CONVERGENT LASERS Division & PRIMA LASER TOOLS Division: 711 East Main Street, Chicopee, MA 01020, U.S.A. LASERDYNE SYSTEMS Division: 8600, 109th Av. North, Champlin, MN 55316, U.S.A.	USD 24.000.000	100%	Line-by-line method
PRIMA INDUSTRIE GmbH	Lise-Meitner Strasse 5, Dietzenbach, Deutschland	€ 500.000	100%	Line-by-line method
PRIMA SCANDINAVIA AB	Mölnsdalsvägen 30 C, Göteborg, SE	SEK 100.000	100%	Line-by-line method
PRIMA INDUSTRIE UK LTD.	Unit 1, Phoenix Park, Bayton Road, Coventry CV7 9QN, UK	GBP 1	100%	Line-by-line method
M.L.T.A. S.r.l.	Via Cuneo, 31, 10042 Nichelino, Torino	€ 46.800	57,84%	Line-by-line method
ASSOCIATED COMPANIES & JOINT VENTURES	Head Office	Capital Stok	Stake	Consolidation method
Shenyang PRIMA Laser Machine Company Ltd	45 Huanghai Rd, Yuhong District	USD 2.000.000	50%	Equity method
SNK PRIMA Company Ltd	Misaki Plant Fuke, Misak 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.	V. don Sapino 134, 10040 Venaria - Fraz. Savonera, Torino	L./mil. 630	35,48%	Equity method

On 01/12/2006, the Group through its subsidiary company PRIMA ELECTRONICS S.p.A increased its holding in M.L.T.A. S.r.l. to 57.84%. (M.L.T.A. S.r.l. operates in the sector dealing with the electronics of power). Thus, with effect from 01/01/2006, MLTA entered the area of consolidation. Subsequently to the closing of the financial year (01/23/07) the holding in Prima Electronics went up to 100%.

ALTERNATIVE PERFORMANCE INDICATORS

In addition to the indicators provided for in the layout of the Financial Statement prepared in accordance with International Accounting Standards, the Group and the company also used EBITDA ("Earnings before interest, taxes, depreciation and amortization), to measure its income performance; EBITDA is determined by adding the Operating Income, as per the lay-out of the Financial Statements, to the item "Amortization, depreciation and writedowns".

3. BUSINESS TREND

REVENUES AND PROFITABILITY

Consolidated revenues for 2006, valued in accordance with IAS 18 (that provides for the recognition of revenue generally at the time of the end-customer's acceptance) amount to 147,536 thousand Euro, up 33% compared to 110,885 thousand Euro at 12/31/2005.

Revenues in the fourth quarter of 2006 were 47,057 thousand Euro, compared to 36,948 thousand Euro in the fourth quarter of 2005 (+27%).

	12 MONTHS 31/12/2006		12 MONTHS 31/12/2005		4 TH QUARTER 2006		4 TH QUARTER 2005	
	<i>thousands of euro</i>	%	<i>thousands of euro</i>	%	<i>thousands of euro</i>	%	<i>thousands of euro</i>	%
ITALY	35.761	24,2	30.050	27,1	12.349	26,2	5.505	14,9
EUROPE	68.400	46,4	45.574	41,1	22.353	47,5	17.698	47,9
NORTH AMERICA	29.412	19,9	21.179	19,1	7.850	16,7	8.683	23,5
ASIA & REST OF THE WORLD	13.963	9,5	14.082	12,7	4.505	9,6	5.062	13,7
TOTAL	147.536	100,0	110.885	100,0	47.057	100,0	36.948	100,0

The data show an increase of sales in Europe of around 50%. This important result derives from the overall improved situation in the economies of European countries and from the strong growth in the emerging countries of Eastern Europe (Poland, Czech Republic, Slovakia, Russia, Turkey). Also significant is the growth in Western Europe's markets, where the group has recently invested to improve its direct presence (Germany, Sweden, United Kingdom).

The Italian market, too, which was substantially stable until September, saw sales growing in the last quarter of the year bringing the year's increase to around 19%.

Also significant was the growth registered in North America (+38%) driven by the good trend in all three divisions (before the consolidation adjustments, the overall growth registered by PRIMA North America was c. 55%).

In Asia and the rest of the world, sales remained stable, owing to non-consolidation of proceeds from joint ventures in China and Japan in which the Group does not have a controlling stake. In particular, sales from Shanghai Unity Prima (around 100m RMB, without considering the value of directly imported lasers) were up more than 40% on the previous year).

At a product level, the expansion of sales in the 2D systems sector (in particular PLATINO and SYNCRONO) continued. This was accompanied by a satisfactory increase in the revenues from electronic products, after-sales services and spare parts and a substantial stability in the sales of 3D systems, where a growth in the aerospace segment was matched by a decline in the automobile sector because of the unfavorable business trend in this industry, mainly in the European and North American market.

The **value of production** at 12/31/2006 stood at 145,800 thousand Euro, 26% higher than the corresponding figure for the previous year (115,851 thousand Euro). For the fourth quarter the figure amounted to 44,600 Euro compared to the 35,809 thousand Euro of the same period in 2005 (+24.5%).

All the profitability ratios showed significant growth compared to the previous year's figures.

The Group's **EBITDA** amounting to 19,745 thousand Euro (13.4% of sales) more than doubled compared to 9,125 thousand Euro at 12/31/2005. The consolidated **EBIT** (18,414 thousand Euro, equal to 12.5% of sales) improved by more than 130% compared to 7,917 thousand Euro at 12/31/05.

As far as the fourth quarter of 2006 is concerned, the consolidated EBITDA and EBIT were equal respectively to 7,892 and 7,527 thousand Euro, as against 3,226 and 2,914 thousand Euro in the fourth quarter of 2005.

The increase in operating profit is reflected in the **profit before tax** at 12/31/2006 which amounted to 17,513 thousand Euro, compared to 7,113 thousand Euro at 12/31/2005. The value for the quarter was 7,217 thousand Euro (3,351 thousand Euro in the fourth quarter of 2005).

The Group's **net result** at 12/31/2006 stood at 13,586 thousand Euro, up 166% on the 5,108 thousand Euro at the same date in the previous period. The fourth quarter of 2006, in particular, made a significant contribution of 6,079 thousand Euro to this figure.

With regard to the tax burden, the tax rate was estimated on the basis of the information available today, also considering the fact that important fiscal changes were implemented at the end of 2006, many of which are still lacking indications needed for proper interpretation.

Results to 12/31/2006 benefit from a much-reduced tax burden, mainly due to utilization during the period of prior tax losses of PRIMA North America and, considering the favorable trend of this company, to the registration at 12/31/2006 of deferred taxes, corresponding to the prior tax losses not yet utilized at that date, amounting to 1,716 thousand Euro.

ORDER ACQUISITION AND THE ORDER BACKLOG

At 12/31/06 the **consolidated orders acquisition** amounted to 164,988 thousand Euro, with an increase of 40% compared to the 118,821 thousand Euro in 2005, thus continuing and reinforcing the favorable trend already observed from mid 2005.

Particularly for the fourth quarter, orders acquisition was at 49,209 thousand Euro, an increase of 35% compared to 36,787 thousand Euro in the fourth quarter of 2005.

The growth in the orders was evident in all sectors in which the company operates, but was particularly significant in the 2D systems sector, owing to the excellent performance of the PLATINO systems and the growing contribution of the new SINCRONO.

The orders portfolio at 12/31/06 was excellent standing at 55,568 thousand Euro, with an increase of almost 36% compared to the 40,742 thousand Euro at 12/31/05.

SALES ACTIVITY

In the period from October to December 2006, the group took part in important trade fairs in the main world markets: Fabtech (Atlanta – USA), Euroblech (Hannover – Germany), JIMTOF (Tokyo – Japan) and EMAF (Lisbon – Portugal).

In particular, on the occasion of the Euroblech fair held at the end of October, PRIMA INDUSTRIE S.p.A. presented the new 3D machine, the RAPIDO EVOLUZIONE, to the public; the machine is the most recent product of the Group's ongoing commitment to Research & Development to offer the market a range of products with improved performance which are at the forefront of technology.

The innovative features of the RAPIDO EVOLUZIONE are, in addition to the increased size of the work area, the high speed and precision of the cut, with a consequent drastic reduction in the times and, thus in the final manufacturing costs for the customer.

The introduction of this machine follows a few months after the launch of the new 2D system, the SINCRONO, which has revolutionized two-dimensional cutting in terms of acceleration, quality and cutting precision.

Lastly, in January 2007, the Group took part in the Steel Fab 2007 fair in the Arab Emirates, the largest fair for machine tools in the Middle East.

NET FINANCIAL POSITION

The Net Financial Position (3,059 thousand Euro at 12/31/06) became positive posting an improvement of 10.8 million Euro compared to 12/31/2005 (-7,733 thousand Euro) and by about 8.3 million Euro compared to 09/30/2006. The favorable trend in the quarter can be mainly attributed to the net cash flow from operating activities.

	31/12/06	30/09/06	31/12/05
CASH	20.954	13.956	11.767
SHORT TERM BORROWINGS FROM BANKS & OTHER LANDERS	(5.232)	(3.757)	(13.913)
LONG TERM BORROWINGS FROM BANKS & OTHER LANDERS	(12.663)	(15.476)	(5.587)
TOTAL NET EXPOSURE TO THE CREDIT SYSTEM	3.059	(5.277)	(7.733)

Financial indebtedness highlights an overall exposure towards credit institutions and other lenders and includes leasing installments and debt entries relating to Sabatini recourse loans for an overall 1,053 thousand Euro (compared to 1,348 thousand Euro at 09/30/06 and 1,827 thousand Euro at 12/31/05).

Compared to 12/31/2005 new medium/long-term loans were entered into for 13,674 thousand Euro (2,000 thousand in the fourth quarter), whereas loan installments totaling 15,121 thousand Euro were repaid (3,343 thousand Euro in the fourth quarter).

RESEARCH AND DEVELOPMENT

As usual, Research and Development carried out during the year, totaling 8,077 thousand Euro (7,723 thousand Euro at 12/31/05) was fully charged to the Income Statement and accounted for 5.5% of the year's turnover. Insofar as the fourth quarter is concerned, this item amounted to 1,966 thousand Euro compared to the 2,218 thousand Euro of the fourth quarter of 2005.

During the fourth quarter of 2006 the parent company PRIMA INDUSTRIE continued research aimed at the introduction, on new and existing products, of structures with new composite materials, which are light yet rigid, in order to obtain machines with increased acceleration and improved performance.

In particular, it continued development of the Rapido Evoluzione (the new machine officially presented to the market at the Euroblech fair in Hannover in October) with particular emphasis on completing the machine options requested by customers with the numerous orders already taken.

Furthermore, the 2D division completed the design of the new rotating axis, which will be installed in all 2D machines during the next year.

In addition, in collaboration with PRIMA ELECTRONICS, the migration of the 3D systems to the new P20L control, continued. This transition will be put into production by the start of 2007. Moreover, through the subsidiary MLTA, the development of a new and innovative High Voltage Power Supply (HVPS) continued for high power CO₂ laser sources.

Among the activities of PRIMA ELECTRONICS we can mention the development of a range of inverters for the generation of electrical energy starting from a primary source with fuel cells and completion of the intelligent model for remote supervision fitted with a CanOpen interface and a GSM/GPRS modem capable of sending SMS messages in the event of a service request by the equipment to which it is connected. In particular, the certifications were obtained needed to market the module on the European, US and Canadian markets.

The research and development activities of the American subsidiary PRIMA North America involved integration of new Convergent Laser sources for micro-piercing on Laserdyne 3D machines, destined for the aerospace market. Development was also carried on CO₂ lasers with 5kW or above power.

TREASURY STOCK AND THE STOCK TREND

At 12/31/06 PRIMA INDUSTRIE S.p.A. held 5,036 ordinary shares (equal to approximately 0.11% of the capital stock) at an average weighted price of 21.7552 Euro per share; these shares were acquired in the performance of the mandates granted by the Ordinary Shareholders' Meeting of 05/11/2006, which authorizes the purchase and sale of the Company's treasury stock up to a maximum of 200,000 shares (equal to approximately

4.3% of the subscribed and paid-up capital) for the duration of 18 months from the date of the resolution.

This resolution envisages a minimum buying and selling price of 2.5 Euro per share (equal to the par value) and a maximum buying price of € 30.00, whereas the maximum selling price can be determined on the basis of terms and conditions deemed expedient, from time to time. As far as off-market deals are concerned, the agreed price must in any event not give rise to any loss for the Company.

On 01/31/07 the portfolio dropped to 2,500 shares at a weighted price of 27.2083 Euro per share.

As the following graph shows, in the fourth quarter there was a continuation of the favorable share trend which enabled stock to progress by more than 75% during 2006, taking the value from 12.74 euro per share at 01/02/2006 at 22.46 euro per share at 12/28/2006 and achieving one of the best performances among listed companies in the STAR segment. This optimistic trend continued into the first weeks of 2007.

The stock trend and the STAR reference index for the period 01/01/2006 to 01/31/2007 are set out below.



EARNINGS PER SHARE AND DIVIDEND PER SHARE

(a) *Basic earnings per share*

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

During the year, the stock in circulation amounted to 4,600,000, shares, whereas the average treasury stock held during the period amounted to 5,861 shares; thus the earnings per share for the 2006 amounts to 2.96 Euro per share (compared to 1.11 Euro per share for 2005).

<i>Earning per share</i>	<i>December 31, 2006</i>	<i>December 31, 2005</i>
Earnings due to stockholders (Euro/1.000)	13.586	5.108
Weighted average – number of ordinary shares	4.594.139	4.588.553
Basic earnings per share (Euro)	2,96	1,11

(b) *Diluted earnings per share*

The diluted earnings per share are determined by dividing the profit due to the Shareholders 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 shares that can be subscribed for, at the exercise price, given the value of the option.

Because at 12/31/06 no subscription rights on PRIMA INDUSTRIE's shares were in circulation, the calculation of diluted profit per share was not applicable.

(c) *Earnings per share*

On 05/11/06 the Stockholders' 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 in portfolio amounted to 2,667 shares and thus the dividend to be distributed amounted to 1,287,253.24 Euro.

MINORITY INTEREST IN EPS (ELECTRO POWER SYSTEMS)

The minority interest (2.2%) acquired by PRIMA ELECTRONICS on June 7, 2006 in Electro Power Systems S.r.l. (formerly S.r.l.), a start-up concern operating in the power systems sector based on hydrogen fuel cell, progressed as follows:

- On 06/26/2006 the EPS Meeting resolved to transform the company from a limited liability company to a joint-stock company, making simultaneous provision for three successive capital increases.
- In October PRIMA ELECTRONICS subscribed for the first tranche of the said capital increase of 7,043 new shares with a disbursement of approximately 250 thousand Euro, thus bringing its holding in EPS to 4.38%.
- This holding increased to 6.34% in December 2006, when PRIMA ELECTRONICS paid the second tranche of the capital increase with a further payment of 250 thousand Euro.
- In June 2007, when another member will effect payment of the last tranche of the capital increase, PRIMA ELECTRONICS' holding in EPS will be established at 6.1%.

Within the scope of the collaboration between PRIMA ELECTRONICS and the company, which has been in existence since 2005, it is also anticipated that PRIMA ELECTRONICS will design the electronic components used in the fuel cell power systems.

SUBSEQUENT EVENTS

100% ACQUISITION OF M.L.T.A. S.r.l.

On 01/23/2007 the subsidiary PRIMA ELECTRONICS S.p.A., which already owned 57.84% of the stock capital of M.L.T.A., purchased the remaining shares from the company's shareholders (disbursing a total of 144 thousand Euro), bringing its stake in the company to 100%.

The agreed price corresponds to the overall evaluation of the company of 340 thousand Euro, obtained by applying a multiple of around 6 to the EBITDA forecast for 2006, net of the Net Financial Position.

The 100% acquisition of M.L.T.A. by PRIMA ELECTRONICS is part of the business development plan for the Group's electronics company, including sectors that are not currently covered and, through the acquisition of specific competences in power systems, contributes to increasing the company's know-how. As well as enabling full consolidation of the company's results, this operation is the first step towards full integration with PRIMA ELECTRONICS, with the aim of achieving greater synergy in existing technical relations.

RESOLUTION TO PURCHASE AND SELL TREASURY STOCK BY THE SUBSIDIARY PRIMA ELECTRONICS S.p.A.

On 02/06/2007 the Shareholders' meeting of the subsidiary PRIMA ELECTRONICS S.p.A. resolved to implement a program of purchase and sale of treasury stock of the parent company Prima Industrie S.p.A. This was done to allow the specialist (operator required for listed companies in the STAR segment of Borsa Italiana, who works with the treasury stock of Prima Industrie) to continue to operate, despite the fact that ongoing appreciation of the stock had raised the price above the maximum purchase price allowed by the resolution for purchase and sale of treasury stock approved by the Ordinary Shareholders' Meeting held on 11 May 2006.

By virtue of this resolution, PRIMA ELECTRONICS can purchase and sell treasury stock of the parent company at the following conditions:

- minimum purchase and sale price of 2.50 Euro (equal to face value)
- maximum purchase and sale price of 45 Euro, that is, the price established by the aforementioned resolution of the Shareholders' Meeting of PRIMA INDUSTRIE S.p.A. held on 05/11/06, increased by 50%;
- the maximum sale price may furthermore be established at a higher value than fixed, in accordance with the current market conditions;
- maximum quantity of shares that can be held in portfolio: 60.000 (1.3% of the stock capital of Prima Industrie)
- maximum overall countervalue for the purchase of shares: 2,700,000 Euro;
- duration of the program: 6 months from today's date and hence until 08/06/2007.

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 AT DECEMBER 31, 2006

	Stockholders' equity at 31/12/005	Capital Increase	Increase/decrease in Stockholders' equity	Net Result	Stockholders' equity at 31/12/2006
As per Parent Company's Financial Statements	30.187.102		(1.248.480)	3.019.801	31.958.423
Parent company shares held by Group companies			-		-
Fin. Statements of co.s consolidated using full consolidation method	14.658.345		(1.637.913)	11.510.214	24.530.646
Adjustments for adaption to the IAS-IFRS accounting standards:					
- Amortization of intangible fixed assets	(816.487)		85.123		(731.364)
- Adjustment to the value of the equity investment in MLTA held by Prima Electronics	(40.580)		68.950		28.370
Consolidation adjustments:					
- Elimination of book value of equity investments	(12.840.913)		(132.503)		(12.973.416)
- Reversal of the effect of infra-group margins & towards JV	(1.772.794)		114.790	(947.427)	(2.605.431)
- Reversal of Prima Electronics dividends	-		600.000	(600.000)	-
- Other minor adjustments	10.298		(10.298)	-	-
- Adjustment of JV valuation to Net Equity	532.378		(4.634)	250.368	778.112
- Net deferred taxes on consolidation adjustments	921.864			366.748	1.288.612
- Minority equity and profit			(46.322)	(13.944)	(60.266)
As per Consolidated Financial Statements	30.839.213		(2.211.287)	13.585.760	42.213.686

4. PERFORMANCE OF THE MAIN COMPANIES OF THE GROUP

□ **Accounting principles and general comment**

As referred to in paragraph 2 (Introduction - Normative Framework) with effect from the first quarter of 2006, the Financial Statements of the parent company PRIMA INDUSTRIE S.p.A were prepared using International Accounting Principles.

As highlighted in the table below, at 12/31/06, 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 55% (PRIMA North America) to 28% (PRIMA ELECTRONICS) and 23% PRIMA ELECTRONICS, whereas at a profitability level, they all showed positive results, with a clear improvement compared to 12/31/2005.

SUMMARY OF THE MOST SIGNIFICANT PARAMETERS AND INCOME RATIOS
(the data refer to the companies' reclassified financial statements based on IAS/IFRS principles)

	PRIMA INDUSTRIE S.p.A.				PRIMA ELECTRONICS S.p.A.				PRIMA North America Inc.				Other Subsidiaries Companies			
	31/12/2006		31/12/2005		31/12/2006		31/12/2005		31/12/2006		31/12/2005		31/12/2006 ⁽²⁾		31/12/2005 ⁽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	93.642	100	73.337	100	20.130	100	16.369	100	50.592	100	32.985	100	23.554	100	9.500	100
Gross Operating Margin (EBITDA)	7.437	7,9	6.279	8,6	3.292	16,4	2.243	13,7	8.960	17,7	2.993	9,1	890	3,8	326	3,4
Operating Income (EBIT) ⁽¹⁾	6.776	7,2	5.650	7,7	2.922	14,5	1.906	11,6	8.740	17,3	2.771	8,4	805	3,4	305	3,2

EXCHANGE RATES USED FOR THE CONVERSION OF NON-EURO CURRENCIES

CURRENCY	AVERAGE EXCHANGE RATE FOR THE PERIOD		CURRENT EXCHANGE RATE	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
US DOLLAR	1,2556	1,24409	1,317	1,1797
POUND STERLING	0,68173	0,683796	0,6715	0,6853
SWEDISH KRONA	9,25439	9,28219	9,0404	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, PRIMA SCANDINAVIA AB and PRIMA INDUSTRIE GmbH.

PRIMA INDUSTRIE S.p.A.

Sales at 12/31/2006 (93,642 thousand Euro) increased by 27.7% compared to 12/31/2005 (73,337 thousand Euro). The sales for the fourth quarter of 2006 amounted to 28,799 thousand Euro, compared to the 24,180 thousand Euro in the fourth quarter of 2005 (+19.1%).

Operating profit increased to 6,776 thousand Euro at 12/31/2006 thousand Euro from 5,649 thousand Euro at 12/31/2005. In the fourth quarter EBIT was 3,648 thousand Euro compared to 3,494 thousand Euro in the fourth quarter of 2005.

The net result went from 3,905 thousand Euro at 12/31/05 to 3,020 thousand Euro at 12/31/06; in particular the net profit for the fourth quarter was 2,321 thousand Euro (compared to 3,403 thousand Euro at 12/31/2005). This quarter was penalized, compared to the same period in 2005, by the partial recovery of the depreciated holding in PRIMA North America and by a higher tax burden (in 2005 Prima Industrie had benefited from prior tax losses).

The good performance of the parent company Prima Industrie should continue over the coming months thanks to the orders backlog from third-party customers, which at 12/31/2006 amounts to 32,531 thousand Euro - a growth of almost 65% compared to the 19,725 thousand Euro at 12/31/2005.

PRIMA ELECTRONICS S.p.A.

Sales increased to 20,130 thousand Euro compared to the 16,369 thousand Euro at 12/31/2005 (+23%); profitability was also markedly stronger with EBIT equal to 2,922 thousand Euro against the 1,906 thousand Euro at 12/31/2005 (+53%).

The data for the fourth quarter highlight respectively sales of 5,286 thousand Euro and EBIT of 603 thousand Euro (the figures for the fourth quarter of 2005 were respectively 4,236 and 366 thousand Euro).

PRIMA NORTH AMERICA Inc.

During the fourth quarter the very positive trend in PRIMA North America Inc. continued both in terms of sales as well as in terms of profitability. In fact, in 2006 PRIMA North America achieved sales of 63.5 million dollars compared to the 41 million in the same period of 2005 (+55%), with a positive EBIT of 10.9 million dollars, in excess of three times the figure compared to 3.4 million dollars at 12/31/2005.

There was even a significant improvement in percentage terms, which took the EBIT margin from 8.4% at 12/31/2005 to 17.3% at 12/31/2006.

In particular, in the fourth quarter of 2006, PRIMA North America recorded sales of 18.1 million and EBIT of 3.4 million dollars, compared to the 11.8 and 1.1 million dollars in the fourth quarter 2005.

The positive trend is common to all the business units as shown by the fact that all three reflected a positive operating return, gross of the adjustments arising from infra-company transactions.

OTHER SUBSIDIARY COMPANIES

Notwithstanding a lower turnover than in the corresponding period of the previous financial year (5.3m Euro against 6.1m euro), the subsidiary PRIMA INDUSTRIE UK, recorded an EBIT of 125 thousand Euro, that is 2.4% of sales.

Compared to 12/31/2005, the subsidiary PRIMA SCANDINAVIA recorded a sharp increase in sales of 7 million Euro and achieved an EBIT of 412 thousand Euro (5.8% of sales).

PRIMA INDUSTRIE GmbH, which, during the course of the second quarter of 2006, moved to its modern head office in Dietzenbach (Frankfurt), achieved sales during the financial year of 9.1 million Euro and a positive EBIT of 100 thousand Euro.

A comparison with the entire financial year 2005 is not relevant since PRIMA INDUSTRIE GmbH became operative on 07/01/2005.

Furthermore, all the European companies closed 2006 with a good orders backlog, confirming the vitality of their respective reference markets.

As regards M.L.T.A. S.r.l., which entered the area of consolidation at the start of 2006, sales and EBIT at 12/31/2006, re-determined in accordance with IAS-IFRS standards were respectively 2,130 thousand Euro and 137 thousand Euro (about 6.4% of sales).

ASSOCIATED COMPANIES AND JOINT VENTURES

Amongst the associated companies, the continued growth of the Chinese JV Shanghai Unity Prima, should be noted, which, during 2006, achieved sales of 100 million RMB (approx. 10 million Euro) with an increase of 40% compared to the 72.5 million RMB (approx. 7.1 million Euro) for 2005.

This value does not include sales for laser generators for importation delivered to customers together with systems manufactured internally, since these imports take place directly through trading companies.

Had this area been included, this would have doubled the volume sales compared to the values shown above.

Furthermore, the company reflects an interesting earnings performance that brought the net profit of the period to 10.7 million RMB (about 1.1 million Euro).

The Chinese JV Wuhan OVL, 30% of which is held by PRIMA North America, began activity, but is still in the start-up phase in that training of Chinese personnel at PRIMA North America has not been completed.

The Group decided to post the value of its stake in the joint venture as zero, since PRIMA North America's involvement will remain on a managerial basis (also because the license was not granted for exclusive use), and because, at the moment, the subscription fair value cannot be reliably revaluated since the JV is in the start-up phase.



PRIMA INDUSTRIE S.p.A.

**5. CONSOLIDATED FINANCIAL STATEMENTS AT
DECEMBER 31, 2006
ACCOUNTING STATEMENTS**

THE PRIMA INDUSTRIE GROUP, Consolidated Financial Statements at December 31, 06

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2006 AND DECEMBER 31, 2005

VALUES IN EURO	NOTE	12/31/2006	12/31/2005
Tangible fixed assets		6.426.312	5.778.520
Intangible fixed assets		2.511.075	2.738.927
Equity investments valued using the equity method		1.787.906	1.809.079
Equity investments valued using the cost method		801.885	51.832
Other financial assets		265.190	272.117
Tax assets - prepaid taxes		7.821.311	6.946.898
Other receivables		38.791	52.391
TOTAL NON CURRENT ASSETS		19.652.470	17.649.764
Inventories	1	33.870.201	36.319.402
Trade receivables	2	38.927.566	39.869.959
Other receivables	3	2.800.048	3.048.672
Other tax assets		2.303.339	1.357.085
Tax assets - prepaid taxes		-	4.595
Derivative financial instruments		-	-
Cash and cash equivalents		20.689.324	11.495.383
TOTAL CURRENT ASSETS		98.590.478	92.095.096
Non current assets held for sale		-	-
TOTAL ASSETS		118.242.948	109.744.860
Share Capital		11.500.000	11.500.000
Treasury stock		(109.034)	(92.872)
Treasury stock owned by subsidiaries		-	-
Other reserves		19.149.034	16.656.427
Conversion reserve		(604.499)	329.937
Profits (Losses) carried forward		(1.307.575)	(2.661.910)
Profit (loss) for the year		13.585.760	5.107.631
Total Group stockholders' equity		42.213.686	30.839.213
Minority interests		60.266	-
TOTAL NET EQUITY		42.273.952	30.839.213
Loans		12.657.033	5.570.596
Employee benefits		5.544.236	4.936.694
Deferred tax liabilities		2.626.856	2.502.156
Provision for risks and charges	5	33.500	29.110
Derivative financial instruments		6.071	15.970
TOTAL NON CURRENT LIABILITIES		20.867.696	13.054.526
Trade payables	4	26.078.881	23.089.151
Advances	4	7.387.989	18.371.290
Other payables	4	5.894.933	4.668.838
Amounts due to banks and i.r.o loans		5.231.281	13.918.168
Tax liabilities - current taxes		5.797.715	2.027.955
Provision for risks and charges	5	4.709.897	3.775.719
Derivative financial instruments		604	-
TOTAL CURRENT LIABILITIES		55.101.300	65.851.121
Liabilities due to non current assets held for sale		-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		118.242.948	109.744.860
		-	-

THE PRIMA INDUSTRIE GROUP - Consolidated Financial Statements at December 31, 2006
CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2006 AND DECEMBER 31 2005

VALUES IN EURO	31/12/06	31/12/05	IV quarter 06	IV quarter 05
Net revenues from sales and services	147.536.036	110.884.661	47.056.824	36.947.680
Other operating income	1.605.501	3.000.218	526.285	1.189.207
Changes in inventories of semifinished and finished products	(3.480.276)	1.903.152	(3.022.427)	(2.350.211)
Increases in fixed assets for internal work	138.510	62.886	39.660	22.705
Use of raw materials, consumables, supplies and goods	(64.203.110)	(55.422.679)	(18.747.907)	(16.715.210)
Personnel cost	(30.678.469)	(26.040.097)	(9.610.555)	(7.722.556)
Amortization & Depreciation	(1.331.182)	(1.208.232)	(364.995)	(312.057)
Impairment & Writedowns	-	-	-	-
Other operating costs	(31.173.508)	(25.263.299)	(8.350.240)	(8.145.389)
OPERATING INCOME	18.413.502	7.916.610	7.526.645	2.914.169
Financial income	663.702	475.513	235.082	114.098
Financial expenses	(1.574.415)	(1.638.575)	(363.911)	(81.874)
Net income from transactions in foreign exchange	(435)	22.758	(72.425)	10.045
Net income from associated companies & joint ventures	10.384	336.716	(108.069)	394.957
Net income from financial assets held for sale	-	-	-	-
INCOME BEFORE TAX	17.512.738	7.113.022	7.217.322	3.351.395
Current and deferred taxes	(3.913.034)	(2.005.391)	(1.131.642)	(547.505)
NET PROFIT	13.599.704	5.107.631	6.085.680	2.803.890
Income from assets held for disposal	-	-	-	-
NET PROFIT	13.599.704	5.107.631	6.085.680	2.803.890
- Group Stockholders' net profit	13.585.760	5.107.631	6.079.286	2.803.890
- Minorities net profit	13.944	-	6.394	-
EARNING PER SHARE (euro)	2,96	1,11	1,32	0,61

THE PRIMA INDUSTRIE GROUP - Consolidated Financial Statements at December 31, 2006

CHANGE IN CONSOLIDATED STOCKHOLDERS' EQUITY AT DECEMBER 31, 2005 AND DECEMBER 31, 2006

From January 1st, 2005 to December 31st, 2005

VALUES IN EURO	01/01/2005	Variation of Consolidation Area	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	Conversion Reserve	12/31/2005
Share Capital	11.500.000									11.500.000
Treasury stock	(170.606)		77.734							(92.872)
Treasury stock owned by Subsidiaries	-									0
Share premium reserve	15.664.893									15.664.893
Legal reserve	729.550					41.360				770.910
Other reserve	0		77.735			142.889				220.624
Conversion reserve	(173.718)								503.655	329.937
Profit / (loss) carried forward	(2.911.767)		(77.735)	123.176	(11.597)	216.013				(2.661.910)
Income for the period	1.043.212					(400.262)	(642.950)	5.107.631		5.107.631
Net Equity	25.681.564		77.734	123.176	(11.597)	-	(642.950)	5.107.631	503.655	30.839.213

From January 1st, 2006 to December 31st, 2006

VALUES IN EURO	01/01/2005	Variation of Consolidation Area	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	Conversion Reserve	12/31/2006
Share Capital	11.500.000									11.500.000
Treasury stock	(92.872)		(16.162)							(109.034)
Treasury stock owned by Subsidiaries	15.664.893									15.664.893
Legal reserve	770.910					1.529.090				2.300.000
Other reserve	220.624					963.517				1.184.141
Conversion reserve	329.937								(934.436)	(604.499)
Profit / (loss) carried forward	(2.661.910)	(28.370)		71.273	(16.339)	1.327.771				(1.307.575)
Income for the period	5.107.631					(3.820.378)	(1.287.253)	13.585.760		13.585.760
Net Equity	30.839.213	(28.370)	(16.162)	71.273	(16.339)	-	(1.287.253)	13.585.760	(934.436)	42.213.686
Minorities' interest										60.266
Total Net Equity										42.273.952

CONSOLIDATED CASH-FLOW STATEMENT AT DECEMBER 31, 06 AND DECEMBER 31, 05

THOUSAND OF EURO	12/31/2006	12/31/2005
Profit (Loss) before tax	17.512.738	7.113.022
Adjustments	1.404.195	2.753.959
Amortization for the financial year	1.331.182	1.208.232
Provisions raised to Employees' severance fund	993.675	742.139
Loss (Profit) on exchange rates for currency transactions	435	(22.758)
Loss (Income) from equity investments	(10.384)	(336.716)
Financial expenses	663.702	1.638.575
Financial (income)	(1.574.415)	(475.513)
	18.916.933	9.866.981
(Increase) /Decrease in trade and other receivables	183.890	785.423
(Increase) /Decrease in inventories	2.825.901	(3.174.596)
Increase / (Decrease) in trade payables	(8.445.008)	4.224.541
Increase / (Decrease) in other payables	(109.224)	1.170.024
Cash flow from typical activity	13.372.492	12.872.373
Interest payment	(663.702)	(1.570.730)
Tax payment	1.725.654	(1.465.060)
Cash flow derived from operating activity	14.434.444	9.836.583
Cash flow derived from investment activity		
Purchase of MLTA	(38.622)	-
Purchase of PRIMA GmbH	-	(969.515)
Purchase of tangible fixed assets	(1.899.046)	(902.608)
Purchase of intangible fixed assets	58.727	(362.842)
Sale /(Purchase) of financial assets (at cost)	(743.126)	(51.600)
Sale /(Purchase) investments in associates	31.557	(502.795)
Receipts from sales of fixed assets	167.063	68.239
Interest encashed	1.574.415	475.513
Net Cash flow derived from investment activity	(849.032)	(2.245.608)
Cash flow derived from investment activity		
Variation in the conversion reserve	(934.436)	503.655
(Purchase)/sale of treasury stock	38.772	189.313
Variation of other reserves	17.952	
Changes in balance- derivative instruments (FV)	(4.700)	254.984
Stipulation of loans and financing	13.674.366	7.842.106
Repayments of loans and financing	(15.120.949)	(9.657.420)
(Repayments)/ Raising of financial leases	(262.861)	(776.027)
(Repayments)/ Raising of Sabatini transactions	(512.362)	(257.535)
Dividends paid	(1.287.253)	(642.950)
Net Cash flow derived from financing activity	(4.391.471)	(2.543.874)
Increase (decrease) in the cash and cash equivalents	9.193.941	5.047.101
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	20.689.324	11.495.383

6. ILLUSTRATIVE NOTE

□ GROUP ACTIVITIES

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, design 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 licenses.

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, (incorporated in terms of German law), is primarily engaged in providing after-sales services. The company recommenced operations with effect from 07/01/2005 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 neighboring markets.

M.L.T.A. S.r.l.'s corporate object is the development, design, production, marketing and maintenance of electronic, naval and automotive 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 quarterly Financial Statements. In this regard, the reader is referred to the Annual Financial Statements for further information.

□ DISCLOSURE OF ACCOUNTING STATEMENTS FORMAT

As far as the format of the Financial Statements is concerned, the Company has elected to use the same format for both the Consolidated Financial Statements as well as the separate Financial Statements of the Parent Company.

More precisely:

- a) As regards the Balance Sheet the Company has adopted the format which reflects the assets and liabilities distinguishing between "current" (i.e. liquid/due within one year) and "non current" (i.e. liquid/due beyond one year);
- b) As regards the Income Statement, the company has adopted the format that provides for the allocation of costs according to their nature;
- c) As regards the statement of changes in Stockholders' Equity, the company has adopted the format that reconciles the opening and closing balances of each item of equity both for the period underway as well as for the previous one.
- d) As regards the Cash-flow Statement the Company elected the so-called "indirect" method, in which one determines the financial flow net of operating activities adjusting the profit and loss for the effects of:
 - non-monetary elements such as amortization, depreciation, profits and losses on exchange and associated unrealized items;
 - changes in the inventories, receivables and payables generated by the operating activities;
 - other elements where the financial flows are generated from investment and financing activities.

□ EXPLANATORY DETAILS

Details of the more important changes in the items of the Financial Statements are provided below.

Note 1.

Inventories	31/12/2006	31/12/2005
Raw materials	16.987.804	15.423.367
(Provision for writedown of raw materials)	(2.758.456)	(2.554.326)
Semi-finished products	9.769.767	6.877.487
(Provision for writedown of semi-finished products)		
Finished products	10.516.205	17.203.750
(Provision for writedown of finished products)	(645.119)	(630.876)
Material advances		
Total inventories	33.870.201	36.319.402

The breakdown of the inventories at 12/31/06 highlights, on the one hand, the increase in raw materials and semi-finished 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	31/12/2006	31/12/2005
Trade receivables	40.270.936	39.857.176
Allowance for doubtful accounts	(2.596.306)	(2.223.954)
Net Trade receivables	37.674.630	37.633.222
Amounts due by associated parties	1.252.936	2.236.737
Loans granted to associated parties	-	-
TOTAL	38.927.566	39.869.959

In the face of substantial stability in the trade receivables, the increase in the writedowns of receivables for about 372 thousand Euro and the marked reduction in the amounts due to associated companies are relevant.

Note 3.

Other receivables	31/12/2006	31/12/2005
Receivables for grants to be encashed	1.231.298	1.865.620
Other short-term receivables	1.404.876	1.076.995
Accrued income and prepaid expenses	163.874	106.057
Total other receivables	2.800.048	3.048.672

Compared to 12/31/2005, there has been a significant reduction (-635 thousand Euro) of the receivables for state grants to be collected.

Note 4.

Trade and other payables	31/12/2006	31/12/2005
Trade accounts payable	26.078.881	23.089.151
Amounts due to correlated parties		
Total trade payables	26.078.881	23.089.151
Advances from customers	7.387.989	18.371.290
Total advances from customers	7.387.989	18.371.290
Social security and welfare payables	1.445.012	1.090.953
Amts due to employees	2.929.833	2.625.638
Other short-term payables	464.710	257.633
Accrued expenses & deferred income	1.055.378	694.614
Total other payables	5.894.933	4.668.838
TOTAL	39.361.803	46.129.279

The main changes in this item include, firstly, the increase in trade payables (+2,990 thousand Euro), tied to the increase in production volumes and secondly, the reduction in the customer advances of 10,983 thousand Euro, which can be attributed to the increased number of machines that were already invoiced by PRIMA North America and PRIMA Industrie at 12/31/05, but accepted by customers during 2006.

Note 5.

Medium/long term provision for risks	Prov. for agents' cust. indemn.		Other minor items	Restructuring Provision	Others	Total
January 1, 2005	88.890	-	2.000	-		90.890
Amounts to the Income Statement:	-					-
- Provisions	8.758					8.758
- Re-transfer of excess provisions						-
Utilizations in the period	(68.538)	-	(2.000)	-		(70.538)
Amounts assumed through the acquisitions						-
Exchange differences						-
December 31, 2005	29.110	-	-	-	-	29.110
Amounts to the Income Statement:	-					-
- Provisions	5.500					5.500
- Re-transfer of excess provisions						-
Utilizations in the period	(1.110)		-			(1.110)
Amounts assumed through the acquisitions						-
Exchange differences						-
December 31, 2006	33.500	-	-	-	-	33.500
Shrt-term provisions for risks	Guarantee fund		Provision for profit sharing	Restructuring Provision	Others	Total
January 1, 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						-
Utilizations in the period	(3.744.219)	-		(5.125)	(376.702)	(4.126.046)
Amounts assumed through the acquisitions			46.000	150.000	350.000	546.000
Exchange differences	139.954					139.954
December 31, 2005	3.377.994	-	46.000	144.875	206.850	3.775.719
Amounts to the Income Statement:						-
- Provisions	3.396.794				6.488	3.403.282
- Re-transfer of excess provisions	-				-	-
Utilizations in the period	(2.335.846)		(11.000)	-	-	(2.346.846)
Amounts assumed through the acquisitions			-	-	-	-
Exchange differences	(122.258)					(122.258)
December 31, 2006	4.316.684	-	35.000	144.875	213.338	4.709.897

There has been an increase in the guarantee provision (+938 thousand Euro), due to the increased number of systems accepted by customers during 2006.

Note 6. Transactions with related parties

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

A summary of the financial effects of these transactions is set out hereunder.

Period: 01/01/06 to 12/31/2006

Related Parties Operations	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 31/12/2006	1.209.586	-	660	-	1.210.246
PAYABLES AT 12/31/2005	-	-	-	103.016	103.016
PAYABLES AT 12/31/2006	-	-	-	32.062	32.062
REVENUES 01/01/01 - 12/31/2006	1.257.130	-	-	-	1.257.130
COSTS 01/01/01 - 12/31/2006	-	-	-	1.843.551	1.843.551
RECEIVABLES VARIATIONS 01/01/01 - 12/31/2006	(833.386)	-	-	-	(833.386)
PAYABLES VARIATIONS 01/01/01 - 12/31/2006	-	-	-	(70.954)	(70.954)

Note 7. Significant non-recurring events

There were no significant transactions of a non-recurring nature during the period.

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

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

Note 9. Net Financial Position

The breakdown of the Net Financial Position is provided hereunder.

Kindly refer to the appropriate section of the Directors' Report on Operations for the relevant commentary.

	values in thousands of euro	31/12/2006	31/12/2005
A	CASH	20.689	11.495
B	OTHER CASH EQUIVALENTS	265	272
C	SECURITIES HELD FOR TRADING PURPOSES	0	0
D	CASH & EQUIVALENTS (A+B+C)	20.954	11.767
E	CURRENT FINANCIAL RECEIVABLES	0	5
F	CURRENT BANK BORROWINGS	413	1.036
G	CURRENT PORTION OF MEDIUM / LONG-TERM DEBT	4.258	12.534
H	OTHER CURRENT FINANCIAL PAYABLES	561	348
I	CURRENT FINANCIAL INDEBTNESS (F+G+H) (CASH & SECURITIES)	5.232	13.918
J	NET CURRENT FINANCIAL INDEBTNESS/ (CASH & SECURITIES) (I-E-D)	(15.722)	2.146
K	NONCURRENT BANK BORROWINGS (K+L+M)	10.623	2.331
L	BONDS PAYABLE	0	0
M	OTHER NONCURRENT PAYABLES	2.040	3.256
N	NONCURRENT FINANCIAL INDEBTEDNESS (K+L+M)	12.663	5.587
O	NET FINANCIAL INDEBTEDNESS (J+N)	(3.059)	7.733

Some of the medium-term loans in existence provide for covenants, normally based on the ratio between the Net Financial Position and the EBIT and on the ratio between the Net Financial Position and Stockholders' Equity. In this regard it must be noted that the company fully complies with these covenants.

Note 10. Information in terms of § 116 et seq. of the IAS-IFRS 1

The preparation of the Financial Statements requires Management to make a series of subjective assumptions and estimates based on past experience.

The application of these estimates and assumptions influences the amount of the assets and liabilities recorded in the Balance Sheet, as well as the costs and income disclosed in the Income Statement. The actual results can differ significantly from the estimate made, in view of the natural uncertainty that surrounds the assumptions and the conditions on which the estimates are based.

We set out hereunder a list of the main accounting entries whose formulation required management to formulate to a greater extent subjective assumptions and estimates.

Impairment of goodwill

The goodwill relative to the Laserdyne and Convergent Lasers divisions of PRIMA North America is periodically subject to the impairment test on the basis of the forecasted cash flows generated by the said business units.

The estimates of the cash-flows are based on the best forecast of the future results and require a series of assumptions relative to the trend of the reference markets, the competitive scenario and the costs of production.

In the event that the estimate is found to be inadequate, a re-determination of the value of the goodwill recorded in the Financial Statements will be made, with possible negative effects on income.

Deferred taxes

The deferred tax assets and liabilities recorded in the Financial Statements are determined by applying to the differences between the value attributed to an asset or a liability according to Statutory criteria and the value attributed to that asset or liability for tax purpose, the tax rates that one presumes will be applicable in the different countries in the year in which one expects the timing difference to cease.

The deferred taxes relating to fiscal losses that can be carried forward to future financial years are recorded in the Financial Statements only if and to the extent that management believes that in future financial years the company concerned will achieve a positive tax result that will allow the deferred tax loss to be absorbed.

If, after the estimate was made, circumstances intervene that result in a change to the estimates or the rate used for the calculation of the deferred taxes, the items recorded in the Financial Statements will be adjusted.

Allocation of the value of the assets and liabilities derived from business combinations

In the case of a business combination the purchaser is required to effect a valuation of the assets and liabilities acquired, attributing a fair value to them, which value may differ significantly from their book value.

In determining the fair value the purchaser is required to make a series of valuations that take into account the future cash flows, the economic and market outlook and a series of factors that may reveal themselves to be useful in order to determine the correct value.

The actual results may differ materially from the estimates made, thus requiring an adjustment to the amounts recorded in the Financial Statements in relation to the assets and liabilities acquired.

Provisions for inventory obsolescence

In determining the provision for inventory obsolescence the Group companies effect a series of estimates relative to the future demand for the various types of products and materials in stock, on the basis of the production plan and past experience of customer demand.

If these estimates are found to be inappropriate, this will be translated into an adjustment to the provision for obsolescence with the relative impact on Profit and Loss.

Provisions raised to the allowance for doubtful debts

The provisions raised to the allowance for doubtful debts are determined on the basis of an analysis of the individual debt positions in the light of the relationships with the individual customers.

If there is an unexpected worsening of the income-financial condition of an important customer, this could result in the need to adjust the allowance for doubtful debts, with the consequent negative effects on the Income Statement.

Employee benefits

In many companies of the Group (particularly in Italy and Germany) benefit programs, prescribed by labor agreements or by law, are in existence; these benefits will be received on the termination of the working relationship.

The determination of the amount to be recorded in the Financial Statements requires actuarial estimates to be made that take into account a series of presumptions relating to parameters such as the annual rate of inflation, the growth in wages, the annual rate of staff turnover and other variables.

Any changes in these parameters require a re-adjustment of the actuarial estimates and consequently the amounts disclosed in the Financial Statements.

□ **SEGMENT REPORT**

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

An analysis of the two business sectors shows that the "Laser systems" segment recorded an increase of 33.3% at 12/31/2006 compared to 12/31/2005, while the "Electronics" segment had 31.2% growth, net of infra-sector revenues.

(values in thousands of euro)

Segment result - 31/12/2006	Laser systems	Electronics	Unallocated	Group
Total segment revenues	131.002	21.592	-	152.594
(Infra-segment revenues)		(5.058)	-	(5.058)
Income	131.002	16.534	-	147.536
Operating profit/loss	16.753	1.661	-	18.414
Net financial income/expenses	(881)	(30)	-	(911)
Income/exp. from assoc. co. & Joint Ventures	10	-	-	10
Profit/loss before tax				17.513
Taxes				(3.913)
Net profit/loss				13.600

Segment result - 31/12/2005	Laser systems	Electronics	Unallocated	Group
Total segment revenues	98.287	16.369		114.656
(Infra-segment revenues)		(3.771)		(3.771)
Income	98.287	12.598	-	110.885
Operating profit/loss	6.901	1015		7.916
Net financial income/expenses	(1.114)	(26)		(1.140)
Income/exp. from assoc. co. & Joint Ventures	337			337
Profit/loss before tax				7.113
Taxes				(2.005)
Net profit/loss				5.108

(values in thousands of euro)

Segment information - 12/31/2006	Laser systems	Electronics	Unallocated	Group
Depreciation tangible fixed assets	806	353		1.159
Amortisation of intangible fixed assets	116	56		172
Total	922	409		1.331

Segment information - 12/31/2005	Laser systems	Electronics	Unallocated	Group
Depreciation tangible fixed assets	787	285		1.072
Amortisation of intangible fixed assets	84	52		136
Total	871	337		1.208

Assets and liabilities - 12/31/2006	Laser systems	Electronics	Unallocated	Group
Assets	68.520	16.054	31.079	115.653
Associated companies & Joint Ventures	2.590	-	-	2.590
Total assets	71.110	16.054	31.079	118.243
Liabilities	41.880	7.769	26.320	75.969

Assets and liabilities - 31/12/2005	Laser systems	Electronics	Unallocated	Group
Assets	82.491	12.264	13.129	107.884
Associated companies & Joint Ventures	1.793	68	-	1.861
Total assets	84.284	12.332	13.129	109.745
Liabilities	48.622	6.249	24.035	78.906

On behalf of the Board of Directors
The Chairman



Gianfranco Carbonato



PRIMA INDUSTRIE S.p.A.

7. FINANCIAL STATEMENTS AT 31 DECEMBER 2006

FINANCIAL STATEMENTS AT 31 DECEMBER 2006

BALANCE SHEET AT DECEMBER 31, 2006 AND DECEMBER 31, 2005

VALUES IN EURO	12/31/2006	12/31/2005
Tangible fixed assets	3.152.994	3.038.861
Intangible fixed assets	161.036	98.697
Equity investments in subsidiaries	12.840.913	12.840.913
Equity investments valued using the equity method	1.009.794	1.249.778
Equity investments valued using the cost method	51.832	51.832
Loans to related parties	626.000	2.898.962
Other financial assets	265.190	258.484
Tax assets - prepaid taxes	2.784.449	3.859.224
Other receivables	8.800	9.446
TOTAL NON CURRENT ASSETS	20.901.008	24.306.197
Inventories	19.957.839	18.081.051
Trade receivables	33.633.713	33.397.642
Other receivables	2.337.180	2.652.279
Other tax assets	2.252.360	1.264.262
Derivative financial instruments		4.595
Cash and cash equivalents	14.456.777	7.138.093
TOTAL CURRENT ASSETS	72.637.869	62.537.922
	-	-
TOTAL NET EQUITY	93.538.877	86.844.119
Share Capital	11.500.000	11.500.000
Treasury stock	(109.034)	(92.872)
Other reserves	19.149.034	16.656.427
Profits (Losses) carried forward	(1.601.378)	(1.781.405)
Profit (loss) for the year	3.019.801	3.904.952
Total Group Stockholders' equity	31.958.423	30.187.102
TOTAL NET EQUITY	31.958.423	30.187.102
Loans	11.680.253	4.535.931
Employee benefits	3.935.385	3.616.835
Provision for risks and charges	33.500	28.000
Deferred tax liabilities	1.661.121	2.014.840
Derivative financial instruments	6.071	15.970
TOTAL NON CURRENT LIABILITIES	17.316.330	10.211.576
Trade payables	23.789.656	20.521.385
Advances	5.299.076	8.726.329
Other payables	3.435.738	2.510.061
Amounts due to banks and i.r.o loans	4.982.898	11.386.273
Tax liabilities - current taxes	4.398.152	1.405.393
Provision for risks and charges	2.358.000	1.896.000
Derivative financial instruments	604	-
TOTAL CURRENT LIABILITIES	44.264.124	46.445.441
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	93.538.877	86.844.119

FINANCIAL STATEMENTS AT 31 DECEMBER 2006

INCOME STATEMENT AT DECEMBER 31, 2006 AND DECEMBER 31 2005

VALUES IN EURO	12/31/2006	12/31/2005	IV quarter 2006	IV quarter 2005
Net revenues from sales and services	93.642.491	73.336.941	28.799.038	24.180.495
Other operating income	1.529.371	2.720.284	443.233	1.119.802
Changes in inventories of semifinished and finished products	(57.291)	442.382	(1.095.310)	(2.963.990)
Increases in fixed assets for internal work	97.298	27.776	22.448	6.595
Use of raw materials, consumables, supplies and goods	(50.219.106)	(39.451.173)	(14.473.115)	(10.593.290)
Personnel cost	(15.825.064)	(14.047.067)	(4.606.540)	(4.128.155)
Amortization & Depreciation	(654.815)	(628.539)	(184.070)	(160.109)
Impairment and writedowns		2.037.436	-	2.106.729
Other operating costs	(21.737.364)	(18.788.133)	(5.257.250)	(6.074.290)
OPERATING INCOME	6.775.520	5.649.907	3.648.434	3.493.787
Financial income	1.298.099	1.192.703	858.857	741.592
Financial expenses	(1.409.280)	(1.264.384)	(358.684)	12.402
Net income from transactions in foreign exchange	90.039	(4.922)	(52.912)	(120.412)
Net income from associated companies & joint ventures	(239.984)	(124.677)	(239.984)	(66.436)
Net income from transactions in foreign exchange				
INCOME BEFORE TAX	6.514.394	5.448.627	3.855.711	4.060.933
Current and deferred taxes	(3.494.593)	(1.543.675)	(1.534.942)	(657.619)
NET PROFIT	3.019.801	3.904.952	2.320.769	3.403.314

FINANCIAL STATEMENTS AT 31 DECEMBER 2006

CHANGE IN STOCKHOLDERS' EQUITY AT DECEMBER 31, 2005 AND DECEMBER 31, 2006

From January 1st, 2005 to December 31st, 2005

VALUES IN EURO	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	12/31/2005
Share Capital	11.500.000							11.500.000
Treasury stock	(170.606)	77.734						(92.872)
Treasury stock owned by Subsidiaries	-							0
Share premium reserve	15.664.893							15.664.893
Legal reserve	729.550				41.360			770.910
Other reserve	0	77.734			142.890			220.624
Conversion reserve								0
Profit / (loss) carried forward	(1.919.776)	(77.734)	123.176	(11.606)	104.535			(1.781.405)
Income for the period	931.735				(288.785)	(642.950)	3.904.952	3.904.952
Net Equity	26.735.796	77.734	123.176	(11.606)	-	(642.950)	3.904.952	30.187.102

From January 1st, 2006 to December 31st, 2006

VALORI IN EURO	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	12/31/2006
Share Capital	11.500.000							11.500.000
Treasury stock	(92.872)	(16.162)						(109.034)
Treasury stock owned by Subsidiaries	15.664.893							15.664.893
Legal reserve	770.910				1.529.090			2.300.000
Other reserve	220.624				963.517			1.184.141
Conversion reserve	-							-
Profit / (loss) carried forward	(1.781.405)		71.273	(16.338)	125.092			(1.601.378)
Income for the period	3.904.952				(2.617.699)	(1.287.253)	3.019.801	3.019.801
Net Equity	30.187.102	(16.162)	71.273	(16.338)	-	(1.287.253)	3.019.801	31.958.423

FINANCIAL STATEMENTS AT 31 DECEMBER 2006

CASH-FLOW STATEMENT AT DECEMBER 31, 2006 AND DECEMBER 31, 2005

VALUES IN EURO THOUSAND	12/31/2006	12/31/2005
Profit (Loss) before tax	6.514.394	5.448.627
Adjustments	1.413.479	(826.244)
Amortization for the financial year	654.815	628.539
Provisions raised to Employees' severance fund	497.538	381.373
Loss (Profit) on exchange rates for currency transactions	(90.039)	4.922
Loss (Income) from equity investments	239.984	(1.912.759)
Financial expenses	1.409.280	1.264.384
Financial (income)	(1.298.099)	(1.192.703)
	7.927.873	4.622.383
(Increase) /Decrease in trade and other receivables	166.351	1.229.863
(Increase) /Decrease in inventories	(1.876.788)	(853.549)
Increase / (Decrease) in trade payables	(158.982)	781.191
Increase / (Decrease) in other payables	2.084.290	444.662
Cash flow from typical activity	8.142.744	6.224.550
Interest payment	(1.319.241)	(1.269.306)
Tax payment	(1.725.654)	(603.765)
Cash flow derived from operating activity	5.097.849	4.351.479
Cash flow derived from investing activity		
Purchase of tangible fixed assets	(672.310)	(364.436)
Purchase of intangible fixed assets	(178.499)	(93.110)
Sale /(Purchase) of financial assets (at cost)	(6.706)	(9.006)
Sale /(Purchase) investments in associates	-	(2.518.150)
Receipts from sales of fixed assets	19.522	2.743
Interest encashed	1.298.099	1.192.703
Cash flow derived from investing activity	460.106	(1.789.256)
Cash flow derived from financing activity		
Variation in the conversion reserve	-	-
(Purchase)/sale of treasury stock	38.773	189.304
Changes in balance- derivative instruments (FV)	(4.700)	284.331
Stipulation of loans and financing	13.674.366	7.922.197
Repayments of loans and financing	(12.158.186)	(6.651.335)
(Repayments)/ Raising of financial leases	(262.871)	(257.535)
(Repayments)/ Raising of Sabatini transactions	(512.362)	(776.027)
(Repayments)/ Raising of infragroup financing	2.272.962	1.366.722
Dividends paid	(1.287.253)	(642.950)
Net Cash flow derived from financing activity	1.760.729	1.434.707
Increase (decrease) in the cash and cash equivalents	7.318.684	3.996.930
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	14.456.777	7.138.093

On behalf of the Board of Directors
The Chairman


Gianfranco Carbonato