



PRIMA INDUSTRIE

QUARTERLY REPORT AT 31 MARCH 2007

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Approved by the Board of Directors on 14 May 2007

PRIMA INDUSTRIE S.p.A.

Fully-paid share capital 11,500,000 euros

Registry of Business Enterprises of Turin
under no. 03736080015
Turin R.E.A. no. 582421

Registered offices in Collegno (Turin)
Via Antonelli, 32
Website: <http://www.primaindustrie.com>
e-mail: ir@primaindustrie.com

BOARD OF DIRECTORS ⁽¹⁾***Chairman and Managing Director***

Gianfranco Carbonato

DirectorsStefano Devescovi ⁽²⁾ ⁽⁶⁾

Sandro D'Isidoro

Michael R. Mansour ⁽⁶⁾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 Petrigani

Alternate Auditors

Roberto Coda

Franco Nada

AUDITING COMPANY

PricewaterhouseCoopers S.p.A.

⁽¹⁾ Appointed at the Shareholders' Meeting held on 13 May 2005 for the three-year period 2005-2007

⁽²⁾ Independent director

⁽³⁾ Appointed at the Shareholders' Meeting held on 8 September 2005 for the three-year period '05-'07

⁽⁴⁾ Appointed at the Shareholders' Meeting held on 14 May 2007 for the three-year period 2007-2009

⁽⁵⁾ Appointed by the Board of Directors on 14 June 2006 for the activities of Merger & Acquisition and external growth.

⁽⁶⁾ Appointed at the Shareholders' Meeting held on 14 May 2007 until approval of the financial 2007 statements

POWERS RELATING TO COMPANY APPOINTMENTS

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

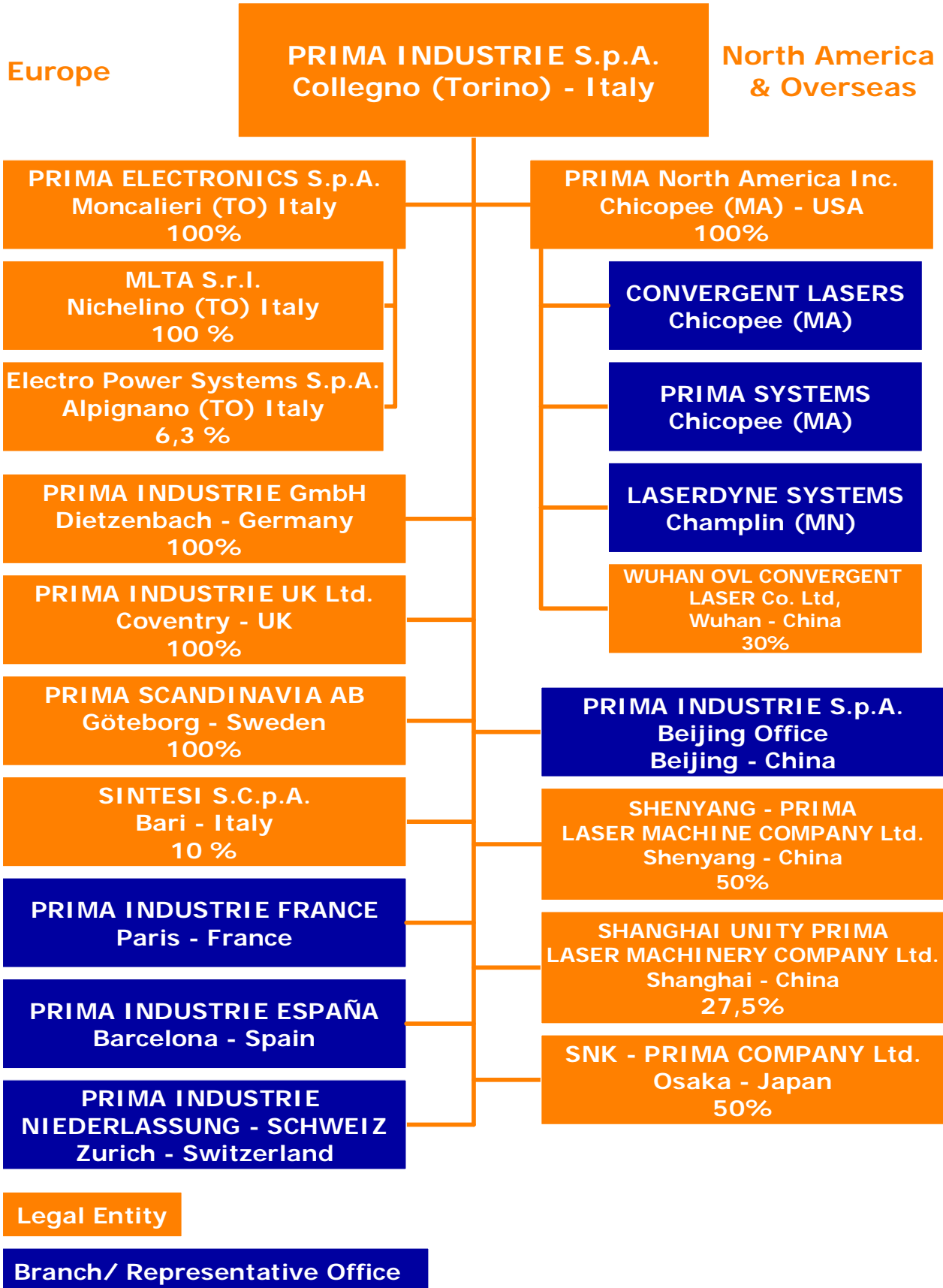
In terms of clause 25 of the Articles of Association, the Chairman and Chief Executive Officer is the legal representative of the company.

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1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP



2. INTRODUCTION

NORMATIVE FRAMEWORK

In application of European Regulation No. 1606 dated 19 July 2002 and in accordance with article 82 of Issuer Regulation No. 11971, as amended by CONSOB resolution No. 14990 dated 14 April 2005, the PRIMA INDUSTRIE Group prepared the quarterly report to 31 March 2007, 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 Reporting"), the quarterly report at 31/03/2007, includes the following minimum components:

- a) the summarized Balance Sheet
- b) the summarized Profit and Loss 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, as, 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 for the previous financial period have thus been redetermined according to IAS/IFRS.

The quarterly information was not audited by the external auditors PriceWaterhouseCoopers S.p.A and 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 14 May 2007.

At 31/03/2007, the following companies were included in the area of consolidation:

SUBSIDIARIES	Registered office	Share Capital	Stake	Consolidation method
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2, 10024 Moncalieri, Turin, Italy	€ 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	Mölnålsvägen 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, Italia	€ 46.800	100%	Line-by-line method

ASSOCIATED COMPANIES AND JOINT VENTURES	Registered office	Share Capital	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, Misaki 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 liquidation)	V. don Sapino 134, 10040 Venaria - Fraz. Savonera, Torino, Ital	ITL 630 million	35,48%	Equity method

On 23/01/2007, the Group through its subsidiary company PRIMA ELECTRONICS S.p.A increased its holding in M.L.T.A. S.r.l. to 100%. M.L.T.A. S.r.l. operates in the power electronics sector. Subsequently, at the close of the quarter (on 05/04/2007) the Extraordinary Meeting Of Shareholders of PRIMA ELECTRONICS and M.L.T.A. resolved the merger of the latter into PRIMA ELECTRONICS, with fiscal and accounting effect backdated to 01/01/2007.

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 layout of the Financial Statements, to the item "Amortization, depreciation and writedowns", and the Operational Working Capital, calculated as the sum of "Inventories" and "Trade receivable" net of "Trade payables" and "Advances".

3. BUSINESS TREND

REVENUES AND PROFITABILITY

Consolidated revenues in the first quarter of 2007, valued in accordance with IAS 18 (which recognises revenues at the time of acceptance by the final customer), amount to €35.026m, up 4,7% on €33.462m at 31/03/2006.

	1 ST QUARTER 2007		1 ST QUARTER 2006	
	<i>thousands of Euro</i>	%	<i>thousands of Euro</i>	%
ITALY	9,325	26.6	5,184	15.5
EUROPE	14,993	42.8	14,768	44.1
NORTH AMERICA	7,706	22.0	10,850	32.4
ASIA AND REST OF WORLD	3,002	8.6	2,660	8.0
TOTAL	35,026	100	33,462	100

The data show a significant increase in volumes (c. +80% on the first quarter of 2006) and in percentage weight of turnover in Italy, thanks to the excellent performance of the parent company PRIMA INDUSTRIE S.p.A.

Against the largely stable performance of turnover volumes in Europe in the quarter, comes a contraction in sales in North America, which is mainly attributed to the fact that the first quarter of 2006 had seen a high number of Laserdyne systems delivered in 2005 but only accepted by customers, and hence recorded as revenues, in 2006. These systems accounted for around 10% of consolidated turnover in the first quarter of 2006.

There was also a moderate increase in turnover in Asia and the rest of the world, despite non-consolidation of the Chinese joint ventures.

In particular, sales by Shanghai Unity Prima (31.5m RMB, around €3.1m, without considering the value of directly imported lasers) went up around 50% on the previous year.

At product level, while sales continued to expand in the 2D systems sector, accompanied by a good increase in revenues from electronic products, after-sales services and spare parts, sales remained largely stable the 3D systems sector, which, however, also displayed encouraging signs of recovery in the automobile market.

The **value of production** at 31/03/2007 stood at €40,571,000, 27,2% higher than the corresponding figure for the previous year (€31,883,000), thanks to the volume of laser systems that had been delivered, but not yet accepted at 31/03/2007.

All the profitability ratios showed significant growth compared to the previous year's figures. This was also a consequence of the operating leverage, of economies of scale and learning obtained during the quarter.

Group **EBITDA** at €4.823m (13.8% of turnover) increased by 11% compared to €4.346m at 31/03/2006 (13% of turnover).

Consolidated **EBIT** (€4,498m, 12.8% of turnover) grew by 11,3% compared to €4,041m at 31/03/2006.

The increase in operating profit is reflected in the **profit before tax** at 31/03/2007, which amounted to €4,096m, compared to €3,700m at 31/03/2006 (+10,7%).

The Group's **net result** at 31/03/2007 stood at €2.136m, compared to €3.044m at 31/03/2006, owing to an increase in taxes compared to the same period of the previous year, which was still benefiting from the considerable prior tax losses of PRIMA North America.

ORDERS ACQUISITION AND THE ORDERS BACKLOG

At 31/03/2007 the **consolidated order acquisition** amounted to €41.165m, with an increase of 12% compared to the €36.759m of the same period in 2006, thus continuing and reinforcing the favourable trend already observed from the middle of 2005.

The growth in orders in the first months of the year particularly affected the 3D machines sector, against the most recent trend whereby growth had manifested more markedly in the 2D machine sector.

The **orders backlog** at 31/03/2007 was excellent standing at €61.520m, with an increase of almost 37.1% compared to €44.868m at 31/03/2006 and an increase of almost 10.7% compared to €55.568m at 31/12/2006.

SALES ACTIVITY

In the period from January to March 2007, the Group took part in important trade fairs:

- Steel Fab 2007 (Sharjah – Arab Emirates)
- Venmec (Padua - Italy)
- Maquitech (Barcelona – Spain)

After the close of the quarter, from 19-21 April 2007, PRIMA INDUSTRIE S.p.A. celebrated its thirtieth anniversary since its foundation, with an open house, which was very successful among visitors (around a hundred customers) and was an opportunity to take numerous orders.

NET FINANCIAL POSITION

The net financial position (€6,015m at 31/03/2007) recorded a further boost of €2.9m compared to 31/12/2006 (€3.076m) and about €15.8m compared to 31/03/2006. The quarter's positive trend is mainly due to the net cash flow of operational activities.

	31/03/07	31/12/06	31/03/06
CASH	24,309	20,971	10,159
SHORT-TERM BORROWINGS	(4,261)	(5,232)	(12,996)
MEDIUM- LONG-TERM BORROWINGS	(14,033)	(12,663)	(6,997)
TOTAL NET EXPOSURE	6,015	3,076	(9,834)

Financial indebtedness highlights an overall exposure towards credit institutions and other lenders and includes leasing instalments and debt entries relating to Sabatini recourse loans for an overall € 0.853m (compared to €1.579m at 31/03/2007 and €1.053m at 31/12/2006).

Compared to 31/12/2006, new loans were entered into for €2.000m, whereas loan instalments totalling €1.601m were repaid.

RESEARCH

As usual, Research and Development carried out during the quarter, totalling €2.338m (€2.097m at 31/03/2006) was fully charged to Profit and Loss and accounted for 6.7% of the turnover for the quarter.

During the first quarter of 2007 the parent company PRIMA INDUSTRIE completed its development of a new 3.75" nozzle for Sincrono, which enables higher cutting speeds than those previously obtained with the 5" nozzle.

Development continued in association with PRIMA ELECTRONICS, of the DOMINO machine with the new P20L control and good performance results. The new machine, which performs better and has a more attractive design, will be presented during the year.

The P20L numerical control was completed in association with PRIMA INDUSTRIE for application on the DOMINO machines, for which production is due to start this year.

In particular, in order to further improve the performance of this machine, development has begun of an inertial torque compensation function to counteract disruption to the head axes when the main Cartesian axes undergo rapid acceleration.

Design was started on a series of electronic cards controlling the new CV5000 laser. Development of the first of these cards, used to manage the interface with the high-tension supply unit, has already been completed and the first prototypes have been supplied to PRIMA North America.

R&D at CONVERGENT LASERS focused on completing and testing the first units of the CV 5000 laser source. As the initial results of this testing phase have been positive, and hence the company intends shortly to install the first demonstration units on PRIMA INDUSTRIE machines for a period of further testing and presentation to potential customers.

Activity at LASERDYNE SYSTEMS included assembly and testing of a new BeamDirector®. The new BeamDirector, due to be installed on the Group's 3D cutting, drilling and welding machines, will be faster and more precise than the heads currently in use.

TREASURY SHARES AND THE SHARE TREND

At 31/03/2007 PRIMA INDUSTRIE S.p.A. held 3,000 ordinary shares (equal to approximately 0.07% of the share capital) at an average weighted price of €29.2934 per share; these shares were acquired in the performance of the mandates granted by the Ordinary Shareholders' Meeting of 11/05/2006, which authorizes the purchase and sale of the Company's treasury shares 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 involves a minimum buying and selling price of €2.5 per share (equal to the par value) and a maximum buying price of €30, whereas the maximum selling price can be determined on the basis of terms and conditions deemed appropriate on a case-by-case basis.

Following the continuing stock exchange appreciation of the company's shares, given that the aforesaid resolution for the sale and purchase of treasury shares was under threat, in the event of a market price that was higher than the maximum buying price (€30), thus preventing the activities of the Specialist, Banca Intermobiliare, which does not act on its own behalf, but rather with the treasury shares of the company, the shareholders' meeting of PRIMA ELECTRONICS resolved on 06/02/07 and, subsequently, on 23/02/07 to purchase and sell shares in the parent company PRIMA INDUSTRIE, raising the maximum buying price first to €45 and later to €60 per share.

By virtue of this latest resolution (valid until 06/08/2007), which revokes the previous resolution on the same matter, PRIMA ELECTRONICS can hold up to 50,000 shares in the parent company (1.1% of the share capital of PRIMA INDUSTRIE).

Thus, on 31/03/2007, the portfolio of shares held by PRIMA ELECTRONICS S.p.A. stood at 2030 shares at an average weighted price of €38,6552 per share. At 30 April 2007 this number increased to 2,800 shares held with a total average price of €38.5506.

As the following graph shows, in the fourth quarter there was a continuation, or rather an boost to the favourable share trend which enabled shares to progress by more than 70% during the quarter, taking the value from €22.52 per share at 02/01/2007 to €38.26 per share at 30/03/2007 and achieving one of the best performances among listed companies in the STAR segment.

The share trend was further boosted by the announcement of the 2006 results on 13/02/2007, reaching a maximum value for the period of €42.44 (on 21/02/2007) and achieving continuous value for its shareholders.

The share trend and the STAR reference index for the period 01/01/2006 to 07/05/2007 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 shareholders of the Parent Company, by the average number of shares in circulation during the period, excluding the ordinary shares acquired by the Parent Company, held as treasury shares in portfolio.

During the quarter, the shares in circulation amounted to 4,600,000 shares, whereas the average treasury shares held during the period amounted to 2,833 shares; thus the earnings per share for the first quarter of 2007 amounts to €0.46 per share (compared to €0.67 per share during the first quarter of 2006).

<i>Earnings per share</i>	<i>31 March 2007</i>	<i>31 March 2006</i>
Earnings due to shareholders (Euro/1000)	2,136	3,081
Weighted average - number of ordinary shares	4,597,167	4,593,832
Basic earnings per share (Euro)	0.46	0.67

(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 pre-emptive rights. 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.

As at 31/03/2007 no subscription rights were in circulation on PRIMA INDUSTRIE's shares, the calculation of diluted profit per share was not applicable.

(c) *Dividend per share*

On 14/05/2007 the Shareholders' Meeting resolved to pay a gross dividend of €0.65 per share on the 2006 profit, to be paid for all the shares in circulation, excluding treasury shares held in portfolio at the cut-off date for the payment of the said dividend. On that date, the treasury shares in portfolio stood at 3,000 shares and thus the dividend to be distributed was €2,988.050.

The dividend cut-off date and payment date are 28/05/2007 and 31/05/2007 respectively.

ACQUISITION OF OSAI S.p.A.

On 27/03/2007, the Board of Directors of PRIMA ELECTRONICS S.p.A. – a member of the PRIMA INDUSTRIE Group, operating in the design and production of industrial grade electronics to the specifications of customers in the automation, energy, CNC and motion control – resolved to buy 100% of the share capital of OSAI S.p.A (Barone Canavese – Turin), leader in the field of numerical control applications, particularly for marble, wood and glass working machines, which are complementary sectors to those of the parent company PRIMA INDUSTRIE S.p.A..

Later the same day of the resolution, the preliminary share sale agreement was signed with the sellers.

The shares will be transferred on 2 July 2007.

OSAI S.p.A. operating in the niche sector of numerical control for machine tools for the processing of materials other than metals (particularly wood, marble and glass), with an Italian market worth around €40m a year and has a very high growth rate due to its being in a market that is still a long way from maturity. Furthermore, unlike the market for sheet metal machinery, this market is mainly focused in western countries, particularly Italy and Germany where OSAI is present.

OSAI S.p.A. heads a Group of three companies, over which it has 100% control: OSAI USA Llc in the United States (trading company), OSAI GmbH in Germany (trading company), and Techmark S.r.l. in Italy which in turn has a 61% stake in e-motion Gesellschaft für Antriebstechnik mbH (hereafter e-motion GmbH), a Germany company specialising in the production and sale of small servodrives and automation control systems; OSAI S.p.A., also owns 82% of OSAI – UK Ltd, the Group's commercial and technical assistance branch in Great Britain.

In 2005 (last approved financial data) OSAI S.p.A. had sales of around €18m with EBITDA of €1.2m (or 6.5% of turnover) and EBIT of €0.7m (3.8% of turnover). The preliminary data for 2006 confirm the company's sound growth.

This operation has strengthened the PRIMA INDUSTRIE Group's industrial grade electronics segment, bringing its pro-forma figures to around €41m at 31/12/2006.

The other advantages of this acquisition lie in a wider share in a low cycle rate segment, in its capacity to strengthen the Group's strategy to improve its leadership status in a sector to which it already belongs and where it already possesses high competency, while acquiring complementary products and know-how, as well as gaining a direct presence and a customer service network in the USA, UK and Germany, with the advantage of improving worldwide marketing possibilities for PRIMA ELECTRONICS products.

At full capacity (around 18 months from acquisition) €1m of EBITDA synergy is expected from Purchasing (greater bargaining power in the procurement of electronic components), Production (electronic cards insourced through OSAI), Marketing and Sales (joint sales force with a wider product portfolio), and product optimisation in Research and Development and structural savings.

Based on the expected results of the 2006 financial statements and the Net Financial Position at 31/12/2006 (estimated as positive at around €0.8m), the acquisition price is estimated at €8.5m, and will be finalized according to the data for the consolidated financial statements at 31/12/2006.

Earn-out is also to be paid at 3 times the difference between the 2006 and 2007 EBITDA, with a zero floor and cap of €1.5m.

The amount will be paid in cash on the date of execution, coinciding with the start of the second half of 2007 (following approval of the consolidated financial statements of OSAI), at the same time as transfer of shares, while integration will be paid within fifteen days of approval of the OSAI consolidated financial statements for 2007.

SUBSEQUENT EVENTS

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

On 23/01/2007, the Group through its subsidiary company PRIMA ELECTRONICS S.p.A increased its holding in M.L.T.A. S.r.l. to 100%. M.L.T.A. S.r.l. operates in the power electronics sector.

Subsequently, at the close of the quarter (on 05/04/07) the Extraordinary Meeting Of Shareholders of PRIMA ELECTRONICS and M.L.T.A. resolved the merger of the latter into PRIMA ELECTRONICS, with fiscal and accounting effect backdated to 01/01/2007.

The entire operation is part of the business development plan for the Group's electronics company, including in sectors that are not currently covered and, in order to obtain specific skills in the area of electronic power systems, increase the company's know-how and achieve greater synergy from the existing technical collaboration.

RESOLUTION FOR THE PURCHASE AND SALE OF TREASURY SHARES

On 14/05/2007 the shareholders meeting of PRIMA INDUSTRIE S.p.A. resolved to revoke the resolution made on 11 May 2006 for the purchase and sale of treasury shares and the consequent adoption of a new resolution in this matter.

Please see the paragraph entitled "treasury shares and the share trend" for the reasons for this resolution.

On 14/05/2007 the shareholders' meeting of PRIMA INDUSTRIE S.p.A. thus resolved a proposal to authorise the purchase and sale of treasury shares in accordance with article 2347b of the Italian Civil Code, with the following characteristics:

- minimum purchase and sale price of €2.50 (par value)
- maximum purchase and sale price of €60, around one third higher than the maximum value over the last 12 months;
- the maximum sale price may furthermore be established at a higher value than fixed, in accordance with current market conditions;
- maximum quantity of shares that can be held in portfolio: 200,000 (4.3% of the share capital of PRIMA INDUSTRIE)
- maximum overall countervalue for the purchase of shares: €12,000,000;

- duration of the programme: 18 months from today's date and hence until 14/11/2008;
- shares may be sold at any time, wholly or partially, in one or more sessions, by transfer, including outside of the regulated market. Sales taking place outside the regulated market can also take place as part of share exchanges during extraordinary strategic transactions, however this must not involve capital losses for the company.

The purchase of treasury shares by the company is a sign of high confidence in the economic principles of the company and hence could be viewed positively by the arena of current and potential investors.

In addition to allowing the company to intervene in the market situation, when necessary or opportune, and stabilize it as far as possible and legal and issue the share quotation, the operation would also enable it:

- to gain an investment instrument for liquid funds
- to sustain possible stock option plans
- to use the purchased shares on the market as part of share exchanges during extraordinary strategic transactions.

DISTRIBUTION OF DIVIDENDS BY SUBSIDIARIES

On 05/04/2007 the subsidiary company PRIMA ELECTRONICS S.p.A. resolved to distribute a dividend, based on the results for 2006, with an overall value of €600,000 to the parent company PRIMA INDUSTRIE S.p.A.

Similarly, on 22/02/2007, the subsidiary company PRIMA North America Inc. resolved to distribute an overall dividend of \$3m to the parent company PRIMA INDUSTRIE S.p.A.

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 31 MARCH 2007

	Shareholders' Equity at 31/12/2006	Increase in Share Capital	Increases/decreases Shareholders' Equity	Earnings	Shareholders' Equity at 31/03/2007
As per the financial statements of the parent company	32.096.622		45.008	3.109.562	35.251.192
Parent company shares owned by Group companies			(77.809)		(77.809)
Financial statements of fully consolidated companies	24.530.646		(2.451.658)	1.851.966	23.930.954
					-
Adjustments for adoption of IAS-IFRS:					
- Adjustments on intangible fixed assets and amortization	(731.364)		8.127		(723.237)
- Value adjustment on MLTA shareholding held by PRIMA ELECTRONICS	28.370		112.276		140.646
Consolidation adjustments:					
- Elimination of book value of shareholdings	(12.973.416)		(144.172)		(13.117.588)
- Reversal of effect of intragroup and JV margins	(2.605.431)		23.402	(1.080.432)	(3.662.461)
- Reversal of dividends from group companies	-		2.252.589	(2.252.589)	-
- Other minor adjustments	-				-
- Adjustment of valuation of JV to Shareholders' Equity	778.112		(1.465)	106.447	883.094
- Net deferred taxes on consolidation adjustments	1.235.536		(2.692)	400.744	1.633.588
- Minority interest in equity and earnings	(60.266)		60.266		-
As per consolidated financial statements	42.298.809		(176.128)	2.135.698	44.258.379

4. PERFORMANCE OF THE MAIN GROUP COMPANIES

Accounting principles and general comment

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

As highlighted in the table below, at 31/03/2007, the Group's Italian companies (PRIMA INDUSTRIE and PRIMA ELECTRONICS) had recorded excellent sales, significantly higher compared to the same period of the previous financial year, with increases of 33.2% for the parent company and 17.5% for PRIMA ELECTRONICS. Profit margins had doubled for PRIMA INDUSTRIE and were on the increase for PRIMA ELECTRONICS.

As already stated, the trend for PRIMA North America was affected by the fact that in the first quarter of 2006 the company still had a high number of Laserdyne systems (high profit margin) delivered in 2005, but only accepted by customers, and hence entered among revenues, in 2006.

SUMMARY OF THE MOST SIGNIFICANT INCOME PARAMETERS AND 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 subsidiary companies			
	31/03/2007		31/03/2006		31/03/2007		31/03/2006		31/03/2007		31/03/2006		31/03/2007 ⁽²⁾		31/03/2006 ⁽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	24,576	100	18,446	100	6,043	100	5,145	100	12,314	100	15,964	100	4,047	100	3,884	100
EBITDA	2,706	11.0	986	5.3	1,056	17.5	906	17.6	2,263	18.4	2,962	18.6	(160)	(4.0)	185	4.8
EBIT ⁽¹⁾	2,533	10.3	836	4.5	977	16.2	824	16.0	2,211	18.0	2,903	18.2	(182)	(4.5)	169	4.4

EXCHANGE RATES USED FOR THE CONVERSION OF NON-EURO CURRENCIES

CURRENCY	AVERAGE EXCHANGE RATE FOR THE PERIOD		CURRENT EXCHANGE RATE AT THE END OF THE PERIOD	
	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	US DOLLAR	1.31049	1.20205	1.3318
POUND STERLING	0.670540	0.68610	0.6798	0.6964
SWEDISH KRONA	9.189427	9.5139	9.3462	9.4315

- (1) The sum of the individual operating results (as per the table) differs from the consolidated operating results due to the effects of consolidation adjustments and because of differences between the reference accounting principles;
- (2) The values refer to PRIMA INDUSTRIE UK Ltd, PRIMA SCANDINAVIA AB, PRIMA INDUSTRIE GmbH and M.L.T.A. S.r.l.;
- (3) The values refer to PRIMA INDUSTRIE UK Ltd, PRIMA SCANDINAVIA AB and PRIMA INDUSTRIE GmbH.

PRIMA INDUSTRIE S.p.A.

The parent company PRIMA INDUSTRIE S.p.A. recorded a further sharp improvement in turnover and profit margin.

Sales at 31/03/2007 (€24.576m) were up 33.2% compared to 31/03/2006 (€18.446m).

The operating return also rose to €2.533m at 31/03/2007 from €836,000 at 31/03/2006.

€0.5m of this improvement of €1.7m can be attributed to the reduced burden of the Employees' Severance Fund, which was recalculated in accordance with IAS 19, following the introduction of recent legislation, while the remaining €1.2m can be attributed to improved margins on systems sold.

The net result rose from €114,000 at 31/03/2006 to €3.110m at 31/03/2007. This result is affected on the negative side by the full writedown of the €346,000 stake in Shenyang PRIMA Laser Machine Company (the reasons for which can be found in the paragraph "associated companies and Joint Ventures"), and on the positive side by €2.268m in dividends distributed by PRIMA North America and by the low tax rate applied to these (5% compared to a mean tax rate of over 50%).

The good performance of the parent company PRIMA INDUSTRIE S.p.A. should continue into the coming months thanks to the orders backlog from third-party customers, which at 31/03/2007 amounts to €35.202m, an increase of almost 30% compared to the €27.096 m of 31/03/2007.

PRIMA ELECTRONICS S.p.A.

Turnover in the first quarter was up 17.5% to €6.043m against €5.145m at 31/03/2006; these data show a strong improvement in profit margins with EBIT at €977,000 against €824,000 at 31/03/2006 (+18.6%).

The excellent trend shown by PRIMA ELECTRONICS should also continue into the coming months, since the company's third-party orders at 31/03/2007 stood at €9.190m, an increase of 36.6% over €6.729m at 31/03/2006.

PRIMA NORTH AMERICA Inc.

During the first quarter, PRIMA North America Inc. had sales of \$16.1m compared to \$19.2m in the same period of 2006. This is due to customers' acceptance (and hence of their entry into revenues), during the first quarter of 2006, of numerous Laserdyne machines that had been delivered at the end of 2005.

EBIT stood at \$2.9m (18% of turnover), against \$3.5m at 31/03/2006 (18.2% of sales).

OTHER SUBSIDIARY COMPANIES

The subsidiary PRIMA INDUSTRIE UK recorded a higher turnover than in the corresponding period of the previous financial year (€1.8m against €0.8m), with EBIT of €13,000 against €34,000 at 31/03/2006.

The subsidiary PRIMA SCANDINAVIA had sales of €236,000 at 31/03/2007 with slightly negative EBIT of €77,000, due to deliveries postponed to the next quarter.

After moving to new modern premises in Dietzenbach (Frankfurt) during 2006, PRIMA INDUSTRIE GmbH achieved sales of €1.4m in the first quarter (stable compared to 31/03/2006) and negative EBIT of €157,000, owing to a high number of systems delivered but not yet accepted at 31/03/2007.

All the European companies (and particularly PRIMA INDUSTRIE GmbH) had good orders at 31/03/2007, confirming the good state of health of their respective markets.

M.L.T.A. S.r.l., which entered the area of consolidation at the start of 2006, had sales at 31/03/2007 of €611,000 and EBIT of €39,000 (around 6.4% of turnover).

ASSOCIATED COMPANIES AND JOINT VENTURES

With regards to our associated companies, in particular the strong growth continues at the Chinese joint venture, Shanghai Unity PRIMA, which had 2007 first quarter turnover of 31.5m RMB (about €3.1m) with an increase of around 50% compared to 20.9m RMB (c. €2.1m) in the same period of 2006.

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, the volume sales would have doubled compared to the values shown above.

Furthermore, the company reflects an interesting earnings performance that brought the earnings for the period to 4.7m RMB (about €0.5m).

With a drop in turnover to 531,000 RMB (about \$66,000), the joint venture Shenyang PRIMA Laser Machine Company, generated net losses of 688,000 RMB, (about \$86,000). As already stated, the continuing negative trend and unlikelihood of a positive outlook led PRIMA INDUSTRIE S.p.A., 50% partner in the joint venture to prudentially write down its stake, entering it in the financial statements at a negative amount of € 346,000.

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 nil, since PRIMA North America's involvement will remain on a managerial basis (also because the licence 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 31 MARCH 2007~
ACCOUNTING STATEMENTS**

THE PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2007

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2007 AND 31 DECEMBER 2006

VALUES IN EURO	NOTE	31/03/2007	31/12/2006
Tangible fixed assets		6.524.673	6.427.108
Intangible fixed assets		2.632.020	2.511.075
Equity investments valued using the equity method		1.547.229	1.787.906
Equity investments valued using the cost method		801.885	801.885
Other financial assets		267.999	267.999
Tax assets for prepaid taxes		8.179.329	7.525.805
Other receivables		24.762	38.791
TOTAL NON CURRENT ASSETS		19.977.897	19.360.569
Inventories		42.332.368	33.870.201
Trade receivables		41.866.496	38.960.582
Other receivables		2.884.403	2.802.967
Other tax assets		2.416.314	1.643.701
Derivative financial instruments		-	-
Trading securities valued at fair value		-	-
Cash and cash equivalents		24.040.922	20.702.707
TOTAL CURRENT ASSETS		113.540.503	97.980.158
Non current assets held for sale		-	-
TOTAL ASSETS		133.518.400	117.340.727
Share Capital		11.500.000	11.500.000
Treasury stock		(87.880)	(109.034)
Treasury stock owned by subsidiaries		(77.809)	-
Legal reserve		2.300.000	2.300.000
Other reserves		16.849.034	16.849.034
Conversion reserve		(819.406)	(639.537)
Profits (Losses) carried forward		12.458.742	(1.307.575)
Profit (losses) for the year		2.135.698	13.705.921
Total Group stockholders' equity		44.258.379	42.298.809
Minority interests		-	60.266
TOTAL NET EQUITY		44.258.379	42.359.075
Loans		14.026.051	12.657.033
Employee benefits		4.893.331	5.544.236
Deferred tax liabilities		3.313.185	2.384.507
Provisions for risks and charges		26.988	33.500
Derivative financial instruments		6.456	6.071
TOTAL NON CURRENT LIABILITIES		22.266.011	20.625.347
Trade payables		33.317.243	26.054.651
Advances		12.544.167	7.387.989
Other payables		5.823.534	5.905.438
Amounts due to banks and in respect of loans		4.261.506	5.231.281
Tax liabilities - current taxes		6.550.578	5.066.445
Provision for risks and charges		4.496.834	4.709.897
Derivative financial instruments		148	604
TOTAL CURRENT LIABILITIES		66.994.010	54.356.305
Liabilities due to non current assets held for sale		-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		133.518.400	117.340.727

THE PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2007

CONSOLIDATED INCOME STATEMENT AT 31 MARCH 2007 AND 31 MARCH 2006

VALUES IN EURO	31/03/2007	31/03/2006
Net revenues from sales and services	35.025.870	33.462.128
Other operating income	874.991	467.920
Changes in inventories of semifinished and finished products	4.614.616	(2.073.534)
Increases in fixed assets for internal work	55.148	26.736
Use of raw materials, consumables, supplies and goods	(19.363.713)	(13.302.890)
Personnel cost	(7.941.669)	(7.253.830)
Amortization & Depreciation	(325.462)	(305.134)
Impairment & Writedowns	-	-
Other operating costs	(8.441.400)	(6.980.370)
OPERATING INCOME	4.498.381	4.041.026
Financial income	138.281	89.161
Financial expenses	(289.839)	(419.723)
Net income from transactions in foreign exchange	(11.385)	(21.089)
Net income from associated companies & joint ventures	(239.212)	10.185
Risultato netto derivante da attività finanziarie disponibili per la vendita	-	-
INCOME BEFORE TAX	4.096.226	3.699.560
Current and deferred taxes	(1.960.528)	(655.330)
NET PROFIT	2.135.698	3.044.230
NET PROFIT	2.135.698	3.044.230
- Group Stockholders' net profit	2.135.698	3.081.383
- Minorities net profit	-	(37.153)
EARNING PER SHARE (euro)	0,46	0,67

THE PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2007

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 MARCH 2006 AND 31 MARCH 2007

From 1st January 2006 to 31st March 2006

VALUES IN EURO	01/01/2006	Variation of Consolidation Area	Purchase/ Sale of treasury stock	Gains on disposal of treasury stock	Losses on disposal of treasury stock	Allocation of Previous Financial Year's income	Dividends Distribution	Profit of the period	Other	Conversion Reserve	31/03/2006
Share Capital	11.500.000										11.500.000
Treasury stock	(92.872)		53.533								(39.339)
Treasury stock owned by Subsidiaries	-		(192.134)								(192.134)
Share premium reserve	15.664.893										15.664.893
Legal reserve	770.910										770.910
Other reserve	220.624										220.624
Conversion reserve	329.937									(173.971)	155.966
Profit / (loss) carried forward	(2.661.910)	-		33.018	(1.181)	5.107.631					2.477.558
Income for the year	5.107.631					(5.107.631)		3.081.383			3.081.383
Net Equity	30.839.213		(138.601)	33.018	(1.181)	-	-	3.081.383		(173.971)	33.639.861
Minorities'interest	0										9.169
Total Net Equity	30.839.213										33.649.030

From 1st January 2007 to 31st March 2007

VALUES IN EURO	01/01/2007	Variation of Consolidation Area	Purchase/ Sale of treasury stock	Gains on disposal of treasury stock	Losses on disposal of treasury stock	Allocation of Previous Financial Year's income	Dividends Distribution	Profit of the period	Other	Conversion Reserve	31/03/2007
Share Capital	11.500.000										11.500.000
Treasury stock	(109.034)		21.154								(87.880)
Treasury stock owned by Subsidiaries	-		(77.809)								(77.809)
Share premium reserve	15.664.893										15.664.893
Legal reserve	2.300.000										2.300.000
Other reserve	1.184.141										1.184.141
Conversion reserve	(639.537)									(179.869)	(819.406)
Profit / (loss) carried forward	(1.307.575)			25.000	(1.146)	13.705.921			36.542		12.458.742
Income for the year	13.705.921					(13.705.921)		2.135.698			2.135.698
Net Equity	42.298.809	-	(56.655)	25.000	(1.146)	-	-	2.135.698	36.542	(179.869)	44.258.379
Minorities'interest	60.266								(60.266)		0
Total Net Equity	42.359.075										44.258.379

THE PRIMA INDUSTRIE GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2007

CONSOLIDATED CASH-FLOW STATEMENT AT 31 MARCH 2007 AND 31 MARCH 2006

THOUSAND OF EURO	31/03/2007	31/03/2006
Profit (Loss) before tax	4.096.226	3.699.560
Adjustments for non-monetary elements	755.740	908.089
Amortization for the financial year	325.462	305.134
Provisions raised to Employees' severance fund	28.123	261.489
Loss (Profit) on foreign currency transactions	11.385	21.089
Loss (Income) from equity investments	239.212	(10.185)
Financial expenses	289.839	419.723
Financial (income)	(138.281)	(89.161)
	4.851.966	4.607.649
(Increase) /Decrease in trade and other receivables	(4.399.458)	5.596.514
(Increase) /Decrease in inventories	(8.462.167)	(1.154.317)
Increase / (Decrease) in trade payables	12.418.770	(9.223.976)
Increase / (Decrease) in other payables	(588.370)	(324.950)
Cash flow from typical activity	3.820.741	(499.081)
Interest payment	(241.078)	(369.153)
Tax payment	-	-
Cash flow derived from operating activity	3.579.663	(868.234)
Cash flow derived from investment activity	-	-
Purchase of MLTA S.r.l.	-	(38.622)
Purchase of PRIMA INDUSTRIE GmbH	(388.212)	(370.714)
Purchase of tangible fixed assets	(83.906)	(28.370)
Purchase of intangible fixed assets	(86.608)	(55.685)
Sale /(Purchase) of financial assets (at cost)	-	-
Sale /(Purchase) investments in associates	1.465	27.017
Receipts from sales of fixed assets	14.754	-
Interest encashed	138.281	89.161
Net Cash flow derived from investment activity	(404.226)	(377.213)
Cash flow derived from financing activity		
Variation in the conversion reserve	(179.869)	(174.140)
(Purchase)/sale of treasury stock	(32.801)	(106.801)
Variation of other reserves	(23.724)	46.371
Changes in balance- derivative instruments (FV)	(71)	6.637
Loan agreements	2.000.000	2.000.000
Repayments of loans and financing	(1.281.569)	(1.613.709)
(Repayments)/ Raising of financial leases	(262.861)	(58.897)
(Repayments)/ Raising of Sabatini transactions	(56.327)	(190.264)
Dividends paid	-	-
Net Cash flow derived from financing activity	162.778	(90.803)
Increase (decrease) in the cash and cash equivalents	3.338.215	(1.336.250)
Cash and cash equivalents at start of year	20.702.707	11.495.383
Cash and cash equivalents at year end	24.040.922	10.159.133

FOLLOWING THE CHANGE IN THE EMPLOYEE SEVERANCE LAW, THE FINANCIAL FLOWS RELATED TO THIS ITEM WERE RECLASSIFIED.

6. EXPLANATORY NOTES

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 of 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 motors and turbines for the generation of energy.
- PRIMA SYSTEMS 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 01/07/2005 pursuant to the acquisition of the branch of the business from Matra, responsible for distributing 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 ending 31 December 2006 were applied for the preparation of the quarterly Financial Statements. The reader is referred to the Annual Financial Statements for further information.

DISCLOSURE OF ACCOUNTING STATEMENT FORMAT

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

More precisely:

- a) For the Balance Sheet the Company has adopted the layout which reflects the assets and liabilities distinguishing between "current" (i.e. liquid/due within one year) and "non current" (i.e. liquid/due after one year);
 - b) For the Profit and Loss Statement, the company has adopted the layout that allocates costs according to their nature;
 - c) For the statement of changes in Shareholders' Equity, the company has adopted the layout that reconciles the opening and closing balances of each item of equity both for the current period and for the previous period.
 - d) As regards the Cash-flow Statement the Company elected the so-called "indirect" method, in which financial flow is determined net of operating activities adjusting the earnings and losses for:
 - 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 most important changes in the items of the Financial Statements are provided below.

Note 1.

Stock	31/03/2007	31/12/2006
Raw materials	20.978.026	16.987.804
(Provision for writedown of raw materials)	(2.843.080)	(2.758.456)
Semi-finished products	13.674.324	9.769.767
(Provisions for writedown of semifinished products)		
Finished products	11.179.181	10.516.205
(Provision for writedown of finished products)	(656.083)	(645.119)
Stock advances		
Total inventories	42.332.368	33.870.201

The breakdown of inventories at 31/03/07 shows an increase in all items as a consequence of the Group's activities and production.

Note 2.

Trade receivables	31/03/2007	31/12/2006
Trade receivables	43.505.945	40.303.952
Provision for doubtful debts	(2.743.107)	(2.596.306)
Net trade receivables	40.762.838	37.707.646
Receivables due from related parties	1.103.658	1.252.936
Loans issued to related parties	-	-
TOTAL	41.866.496	38.960.582

With an 8% increase in net trade receivables, there was a slight decrease in receivables from related parties (about -12%)

Note 3.

Other receivables	31/03/2007	31/12/2006
Receivables due for grants	919.207	1.231.298
Other short-term receivables	1.662.927	1.404.876
Accruals and deferrals	302.927	166.793
Total other receivables	2.885.061	2.802.967

Compared to 31/12/06, there has been a significant reduction (- €312,000) in the receivables for state grants to be collected, in addition to an increase in sundry receivables largely due to higher business volumes.

Note 4.

Trade and other payables	31/03/2007	31/12/2006
Trade payables	33.317.243	26.054.651
Payables due to related parties		
Total accounts payable	33.317.243	26.054.651
Advances from customers	12.544.167	7.387.989
Total advances from customers	12.544.167	7.387.989
Social security payables	1.444.696	1.445.012
Amounts due to employees	2.953.538	2.932.756
Short-term payables	549.539	465.321
Accruals and deferrals	875.761	1.062.340
Total other payables	5.823.534	5.905.429
TOTAL	51.684.944	39.348.069

The main changes in this item include, firstly, the strong increase in trade payables (€7.262m), linked to an increase in production volumes and secondly, a significant increase in customer advances of €5.156m, which can be attributed to the increased number of machines already delivered and invoiced but as yet not accepted by customers at 31/03/2007.

Note 5.

Medium/long-term provisions for risks	Cust. agent. ind. provision	Provision for litigation risk	Other minor provisions	Restructuring provisions	E provision	Total
01/01/2006	29.110					29.110
Profit and Loss:						-
- Allocations	5.500					5.500
- Reversal of surplus provisions						-
Utilizations in the period	(1.110)					(1.110)
Sums acquired through acquisitions						-
Exchange rate differences						-
31/12/2006	33.500					33.500
Profit and Loss:						-
- Allocations						-
- Reversal of surplus provisions						-
Utilizations in the period	(6.512)		-			(6.512)
Sums acquired through acquisitions						-
Exchange rate differences						-
31/12/2006	26.988	-	-	-	-	26.988

Short-term provisions for risks	Guarantee fund	Exch. rate fluct. reserve	Profit sharing provisions	Restructuring provisions	Other	Total
01/01/2006	3.377.994		46.000	144.875	206.850	3.775.719
Profit and Loss:						-
- Allocations	3.396.794				6.488	3.403.282
- Reversal of surplus provisions						-
Utilizations in the period	(2.335.846)		(11.000)			(2.346.846)
Sums acquired through acquisitions						-
Exchange rate differences	(122.258)					(122.258)
31/12/2006	4.316.684		35.000	144.875	213.338	4.709.897
Profit and Loss:						-
- Allocations	1.803.380					1.803.380
- Reversal of surplus provisions						-
Utilizations in the period	(1.982.028)				(15.817)	(1.997.845)
Sums acquired through acquisitions			-	-	-	-
Exchange rate differences	(18.598)					(18.598)
31/12/2006	4.119.438	-	35.000	144.875	197.521	4.496.834

There was a slight drop in the guarantee fund (down €198,000) related to greater utilizations due to a series of expenses owed on invoices of previous period and not to be repeated in the next quarter.

Note 6. Transactions with related parties

In addition to fees for strategic management, transactions with related parties were mainly connected to the supply of laser systems and components to the Joint Ventures in the Far East. These supplies were made at market price.

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

Period: 1/01/07 ÷ 31/03/07

Transactions with related parties	SHENYANG PRIMA LASER MACHINE CO.LTD	SHANGHAI UNITY PRIMA LASER MACHINERY CO. LTD	SNK PRIMA CO. LTD	STRATEGIC MANAGEMENT	TOTAL
RECEIVABLES AT 01/01/07	1.209.586	-	660	-	1.210.246
RECEIVABLES AT 31/03/2007	1.060.308	-	660	-	1.060.968
PAYABLES AT 01/01/2007	-	-	-	165.937	165.937
PAYABLES AT 31/03/07	-	-	-	89.791	89.791
REVENUES 01/01/07 - 31/03/2007	10.917	-	-	-	10.917
COSTS 01/01/07 - 31/03/2007	-	-	-	312.645	312.645
CHANGES IN RECEIVABLES 01/01/07 - 31/03/2007	(149.278)	-	-	-	(149.278)
CHANGES IN PAYABLES 01/01/07 - 31/03/2007	-	-	-	(76.146)	(76.146)

Note 7. Significant non-recurring events

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

Note 8. Transactions deriving from atypical and/or unusual operations

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 below.

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

values in thousands of euros	31/03/2007	31/12/2006
A CASH	24.041	20.703
B OTHER CASH EQUIVALENTS	268	268
C SECURITIES HELD FOR TRADING	0	0
D CASH (A+B+C)	24.309	20.971
E CURRENT FINANCIAL RECEIVABLES	0	0
F CURRENT BANK LOANS	466	413
G CURRENT PORTION OF NON-CURRENT INDEBTEDNESS	3.411	4.258
H OTHER CURRENT FINANCIAL PAYABLES	384	561
I CURRENT FINANCIAL INDEBTEDNESS (F+G+H) (LIQUID FUNDS)	4.261	5.232
J CURRENT NET FINANCIAL INDEBTEDNESS (LIQUID FUNDS)(I+E+D)	(20.048)	(15.739)
K NON-CURRENT BANK LOANS	12.202	10.623
L BONDS ISSUED	0	0
M OTHER NON-CURRENT PAYABLES	1.831	2.040
N NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)	14.033	12.663
O NET FINANCIAL INDEBTEDNESS (J+N)	(6.015)	(3.076)

Some of the medium-term loans in existence provide for covenants, normally based on the ratio between the Net Financial Position and EBITDA and on the ratio between the Net Financial Position and Shareholders' Equity. The company fully complies with these covenants.

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

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

These estimates and assumptions influence the amounts for assets and liabilities recorded in the Balance Sheet, as well as the costs and income disclosed in the Profit and Loss 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 greater subjective assumptions and estimates on the part of management.

Impairment of goodwill

The goodwill relating 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 cash flow estimates are based on the best forecast of the future results and require a series of assumptions on the trend in the reference markets, the competitive scenario and the cost 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

Deferred tax assets and liabilities recorded in the Financial Statements are determined by applying the tax rates applicable in a given country in the year in which the temporary differences are expected to cease to the differences between the statutory values and fiscal values attributed to an asset or a liability.

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

Allocation of the value of the assets and liabilities deriving 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 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 future cash flows, the economic and market outlook and a series of factors that may be useful for determining the correct value.

The actual results may differ significantly 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 make a series of estimates regarding 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 associated effect on the Profit and Loss Statement.

Provisions for doubtful debts

Provisions for doubtful debts are determined from an analysis of the individual debt positions, on the basis of past experience of debt recovery and relationships with individual customers.

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

Employee benefits

In many Group companies (particularly in Italy and Germany) benefit programmes are in place, as prescribed by labour agreements or by law; employees receive these benefits on termination of the working relationship.

The amount recorded in the Financial Statements is determined through actuarial estimates made by making assumptions regarding a number of parameters such as the annual inflation rate, wage growth, the annual staff turnover rate 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.

BUSINESS COMBINATIONS

On 23/01/2007, PRIMA ELECTRONICS S.p.A increased its holding in M.L.T.A. S.r.l. from 57.84% to 100%. M.L.T.A. S.r.l.. The acquisition price of the remaining 42.16% minority shares was €144,000.

As the acquisition took place over several phases, goodwill was redetermined in accordance with IFRS 3.

In accordance with IFRS 3 paragraph 67, below is a breakdown of the assets and liabilities acquired, and to contrast, the balance of net assets (referring to 100% of the company):

ASSETS	(thousands of Euros)
Intangible fixed assets	3
Tangible fixed assets	54
Financial fixed assets (at cost)	2
Finished product and raw material inventories	348
Trade and other receivables	1.027
Cash	89
TOTAL ASSETS	1.523
LIABILITIES	(thousands of Euros)
Deferred payables due to employees for defined benefit plan (Severance Fund)	128
Financial payables:	
- current	247
- non-current	325
Trade and other payables	683
TOTAL LIABILITIES	1.383
ACQUIRED NET ASSETS	140

Here are the results of the analysis required by IFRS 3 for entry of various asset and liability classes into the financial statements:

ASSETS	(thousands of Euros)
Intangible fixed assets	1
Tangible fixed assets	54
Financial fixed assets (at cost)	-
Finished product and raw material inventories	348
Trade and other receivables	1.027
Deferred taxes	-
Cash	89
TOTAL ASSETS	1.519
LIABILITIES	(thousands of Euros)
Deferred payables due to employees for defined benefit plan (Severance Fund)	119
Financial payables:	
- current	325
- non-current	247
Trade and other payables	683
Deferred taxes	3
Provision for risks	-
TOTAL LIABILITIES	1.377
NET ASSETS ACQUIRED AND ENTERED IN FINANCIAL STATEMENTS	142

The difference between net assets resulting from the financial statements and those to be recorded in the statements (€2,000) is due to elimination of a number of tangible and financial assets that lacked IAS/IFRS criteria, to redetermination of Employee Severance liabilities, recalculated in accordance with IAS 19, and to the tax effect of these changes.

This analysis revealed a surplus of €84,000 between the purchase price of €144,000 paid for the remaining 42.16% of the company, and the net balance of net assets entered into the consolidated financial statements of the PRIMA Group. This difference is taken as goodwill.

During the first quarter of 2007, M.L.T.A. achieved EBIT of €39,000, with sales of €611,000. Turnover and earnings were determined in accordance with IAS/IFRS.

SEGMENT REPORT

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 2.2% at 31/03/2007 compared to 31/03/2006, while the “Electronics” segment had 22.7% growth, net of infra-sector revenues.

(values in thousands of euro)

Segment results - 31/03/2007	Laser systems	Electronics	Not allocated	Group
Total sector revenues	30.013	6.482	-	36.495
(inter-sector revenues)		(1.469)	-	(1.469)
Revenues	30.013	5.013	-	35.026
EBIT	3.900	598	-	4.498
Net financial income/expenses	(169)	6	-	(163)
Income/expenses from associated companies and joint ventures	(239)	-	-	(239)
Earnings (loss) before tax				4.096
Tax				(1.960)
Net earnings (loss)				2.136
Segment results - 31/03/2006	Laser systems	Electronics	Not allocated	Group
Total sector revenues	29.378	5.397	-	34.775
(inter-sector revenues)		(1.313)	-	(1.313)
Revenues	29.378	4.084	-	33.462
EBIT	3.681	360	-	4.041
Net financial income/expenses	(340)	(12)	-	(352)
Income/expenses from associated companies and joint ventures	10	-	-	10
Earnings (loss) before tax				3.699
Tax				(655)
Net earnings (loss)				3.044

(values in thousands of euro)

Segment information - 31/03/2007	Laser systems	Electronics	Not allocated	Group
Depreciation of tangible fixed assets	191	85		276
Depreciation of intangible fixed assets	48	1		49
Total	239	86		325

Segment information - 31/03/2006	Laser systems	Electronics	Not allocated	Group
Depreciation of tangible fixed assets	189	78		267
Depreciation of intangible fixed assets	25	13		38
Total	214	91		305

Assets and liabilities - 31/03/2007	Laser systems	Electronics	Not allocated	Group
Assets	79.677	17.390	34.904	131.971
Associated companies & joint ventures	1.547	-	-	1.547
Total assets	81.224	17.390	34.904	133.518
Liabilities	52.141	8.961	28.158	89.260

Assets and liabilities - 31/03/2006	Laser systems	Electronics	Not allocated	Group
Assets	68.942	15.399	19.216	103.557
Associated companies & joint ventures	1.792	-	-	1.792
Total assets	70.734	15.399	19.216	105.349
Liabilities	39.018	7.420	25.262	71.700

*On behalf of the Board of Directors
The Chairman*



Gianfranco Carbonato



PRIMA INDUSTRIE S.p.A.

7. FINANCIAL STATEMENTS AT 31 MARCH 2007

FINANCIAL STATEMENTS AT 31 MARCH 2007

BALANCE SHEET AT 31 MARCH 2007 AND 31 DECEMBER 2006

VALUES IN EURO	31/03/2007	31/12/2006
Tangible fixed assets	3.149.758	3.153.790
Intangible fixed assets	194.806	161.036
Equity investments in subsidiaries	12.840.913	12.840.913
Equity investments valued using the equity method	664.135	1.009.794
Equity investments valued using the cost method	51.832	51.832
Loans to related parties	626.000	626.000
Other financial assets	267.999	267.999
Tax assets for prepaid taxes	2.663.976	2.784.368
Other receivables	-	8.800
TOTAL NON CURRENT ASSETS	20.459.419	20.904.532
Inventories	25.059.285	19.957.839
Trade receivables	36.286.125	33.666.729
Other receivables	2.176.709	2.340.099
Other tax assets	2.351.413	1.592.722
Derivative financial instruments		
Cash and cash equivalents	16.852.246	14.470.160
TOTAL CURRENT ASSETS	82.725.778	72.027.549
Non current assets held for sale	-	-
TOTAL NET EQUITY	103.185.197	92.932.081
Share Capital	11.500.000	11.500.000
Treasury stock	(87.880)	(109.034)
Legal reserves	2.300.000	2.300.000
Other reserve	16.849.034	16.849.034
Profits (Losses) carried forward	1.580.476	(1.601.378)
Profit (loss) for the year	3.109.562	3.158.000
Total Group Stockholders' equity	35.251.192	32.096.622
TOTAL NET EQUITY	35.251.192	32.096.622
Loans	13.148.883	11.680.253
Employee benefits	3.392.848	3.935.385
Provision for risks and charges	26.988	33.500
Deferred tax liabilities	1.747.382	1.661.121
Derivative financial instruments	6.456	6.071
TOTAL NON CURRENT LIABILITIES	18.322.557	17.316.330
Trade payables	28.293.814	23.765.426
Advances	7.169.746	5.299.076
Other payables	3.405.783	3.446.243
Amounts due to banks and in respect of loans	3.902.643	4.982.898
Tax liabilities for current taxes	4.574.714	3.666.882
Provision for risks and charges	2.264.600	2.358.000
Derivative financial instruments	148	604
TOTAL CURRENT LIABILITIES	49.611.448	43.519.129
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	103.185.197	92.932.081

FINANCIAL STATEMENTS AT 31 MARCH 2007

INCOME STATEMENT AT 31 MARCH 2007 AND 31 MARCH 2006

VALUES IN EURO	31/03/2007	31/03/2006
Net revenues from sales and services	24.576.056	18.445.764
Other operating income	908.509	476.059
Changes in inventories of semifinished and finished products	2.341.127	819.694
Increases in fixed assets for internal work	38.148	20.736
Use of raw materials, consumables, supplies and goods	(14.533.610)	(10.328.947)
Personnel cost	(4.280.599)	(3.864.685)
Amortization & Depreciation	(172.723)	(149.916)
Impairment and writedowns	-	-
Other operating costs	(6.344.146)	(4.582.890)
OPERATING INCOME	2.532.762	835.815
Financial income	2.379.970	111.384
Financial expenses	(265.243)	(356.649)
Net income from transactions in foreign exchange	18.871	(888)
Net income from associated companies & joint ventures	(345.659)	-
Net income from transactions in foreign exchange	-	-
INCOME BEFORE TAX	4.320.701	589.662
Current and deferred taxes	(1.211.139)	(475.342)
NET PROFIT	3.109.562	114.320

FINANCIAL STATEMENTS AT 31 MARCH 2007

CHANGE IN SHAREHOLDERS' EQUITY AT 31 MARCH 2006 AND 31 MARCH 2007

From 1st January 2006 to 31st March 2006

VALUES IN EURO	01/01/2006	Purchase/ Sale of treasury stock	Gains on disposal of treasury stock	Losses on disposal of treasury stock	Allocation of Previous Financial Year' income	Dividends Distribution	Profit of the period	31/03/2006
Share Capital	11.500.000	-	-	-	-	-	-	11.500.000
Treasury stock	(92.872)	53.533	-	-	-	-	-	(39.339)
Treasury stock owned by Subsidiaries	-	-	-	-	-	-	-	-
Share premium reserve	15.664.893	-	-	-	-	-	-	15.664.893
Legal reserve	770.910	-	-	-	-	-	-	770.910
Other reserve	220.624	-	-	-	-	-	-	220.624
Conversion reserve	-	-	-	-	-	-	-	-
Profit / (loss) carried forward	(1.181.405)	-	33.018	(1.177)	3.904.952	-	-	2.755.388
Income for the year	3.904.952	-	-	-	(3.904.952)	-	114.320	114.320
Net Equity	30.787.102	53.533	33.018	(1.177)	-	-	114.320	30.986.796

From 1st January 2007 to 31st March 2007

VALUES IN EURO	01/01/2007	Purchase/ Sale of treasury stock	Gains on disposal of treasury stock	Losses on disposal of treasury stock	Allocation of Previous Financial Year' income	Dividends Distribution	Profit of the period	31/03/2007
Share Capital	11.500.000	-	-	-	-	-	-	11.500.000
Treasury stock	(109.034)	21.154	-	-	-	-	-	(87.880)
Treasury stock owned by Subsidiaries	15.664.893	-	-	-	-	-	-	15.664.893
Legal reserve	2.300.000	-	-	-	-	-	-	2.300.000
Other reserve	1.184.141	-	-	-	-	-	-	1.184.141
Conversion reserve	-	-	-	-	-	-	-	-
Profit / (loss) carried forward	(1.601.378)	-	25.000	(1.146)	3.158.000	-	-	1.580.476
Income for the year	3.158.000	-	-	-	(3.158.000)	-	3.109.562	3.109.562
Net Equity	32.096.622	21.154	25.000	(1.146)	-	-	3.109.562	35.251.192

FINANCIAL STATEMENTS AT 31 MARCH 2007

CASH-FLOW STATEMENT AT 31 MARCH 2007 AND 31 MARCH 2006

VALUES IN EURO THOUSAND	31/03/2007	31/03/2006
Profit (Loss) before tax	4.320.701	589.662
Adjustments	(1.597.219)	504.269
Amortization for the financial year	172.723	149.916
Provisions raised to Employees' severance fund	17.997	108.200
Loss (Profit) on exchange rates for currency transactions	(18.871)	888
Loss (Income) from equity investments	(1.922.600)	-
Financial expenses	265.243	356.649
Financial (income)	(111.711)	(111.384)
	2.723.482	1.093.931
(Increase) /Decrease in trade and other receivables	(1.585.505)	3.647.316
(Increase) /Decrease in inventories	(5.101.446)	(3.572.480)
Increase / (Decrease) in trade payables	6.399.058	(387.704)
Increase / (Decrease) in other payables	(917.952)	33.241
Cash flow from typical activity	1.517.637	814.304
Interest payment	(246.372)	(306.967)
Tax payment	-	-
Cash flow derived from operating activity	1.271.265	507.337
Cash flow derived from investing activity		
Purchase of tangible fixed assets	(120.465)	(113.683)
Purchase of intangible fixed assets	(81.996)	(117.920)
Sale /(Purchase) of financial assets (at cost)	-	(242.690)
Sale /(Purchase) investments in associates	-	-
Receipts from sales of fixed assets	-	-
Dividends encashed	2.268.259	-
Interest encashed	111.711	111.384
Net Cash flow derived from investment activity	2.177.509	(362.909)
Cash flow derived from financing activity		
Variation in the conversion reserve	-	-
(Purchase)/sale of treasury stock	45.008	85.374
Changes in balance- derivative instruments (FV)	(71)	6.637
Stipulation of loans and financing	2.000.000	2.000.000
Repayments of loans and financing	(1.411.922)	(2.008.510)
(Repayments)/ Raising of financial leases	(56.327)	(190.264)
(Repayments)/ Raising of Sabatini transactions	(143.376)	-
(Repayments)/ Raising of infragroup financing	(1.500.000)	-
Dividends paid	-	-
Net Cash flow derived from financing activity	(1.066.688)	(106.763)
Increase (decrease) in the cash and cash equivalents	2.382.086	37.665
Cash and cash equivalents at the start of the period	14.470.160	7.138.093
Cash and cash equivalents at the end of the period	16.852.246	7.175.758

On behalf of the Board of Directors
The Chairman



Gianfranco Carbonato.