



# **PRIMA INDUSTRIE**

**QUARTERLY REPORT AT MARCH 31, 2006**

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**Approved by the Board of Directors on May 12, 2006**

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**PRIMA INDUSTRIE S.p.A.**

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

Registered offices: Via Antonelli, 32  
Collegno (Turin)  
Web site: <http://www.primaindustrie.com>  
e-mail: [prima.dg@primaindustrie.com](mailto:prima.dg@primaindustrie.com)

**BOARD OF DIRECTORS <sup>(1)</sup>**

***Chairman and Chief Executive Officer***  
Gianfranco Carbonato

***Directors***

Sandro D'Isidoro  
Fabrizio Lugaresi <sup>(2)</sup>  
Mario Mauri <sup>(2)</sup>  
Domenico Peiretti  
Pio Pellegrini <sup>(2) (3)</sup>  
Marco Pincioli <sup>(2)</sup>

***Secretary***

Massimo Ratti

**General Manager**

Ezio Basso

**BOARD OF STATUTORY AUDITORS <sup>(4)</sup>**

***Chairman***  
Riccardo Formica

***Statutory Auditors***

Andrea Mosca  
Roberto Petrignani

***Alternate Auditors***

Roberto Coda  
Gianluigi Frigerio

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers S.p.A.

<sup>(1)</sup> Appointed at the Stockholders' Meeting held on May 13, 2005 for the three-year period 2005-2007

<sup>(2)</sup> Independent director

<sup>(3)</sup> Appointed at the Stockholders' Meeting held on September 8, 2005 for the three-year period 2005-2007

<sup>(4)</sup> Appointed at the Stockholders' Meeting held on May 14, 2004 for the three-year period 2004-2006

**POWERS RELATING TO COMPANY APPOINTMENTS**

In terms of resolutions dated May 13 and June 7, 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 the Chief Executive Officer is the legal representative of the company.

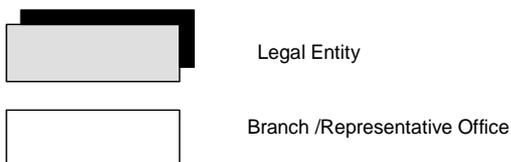
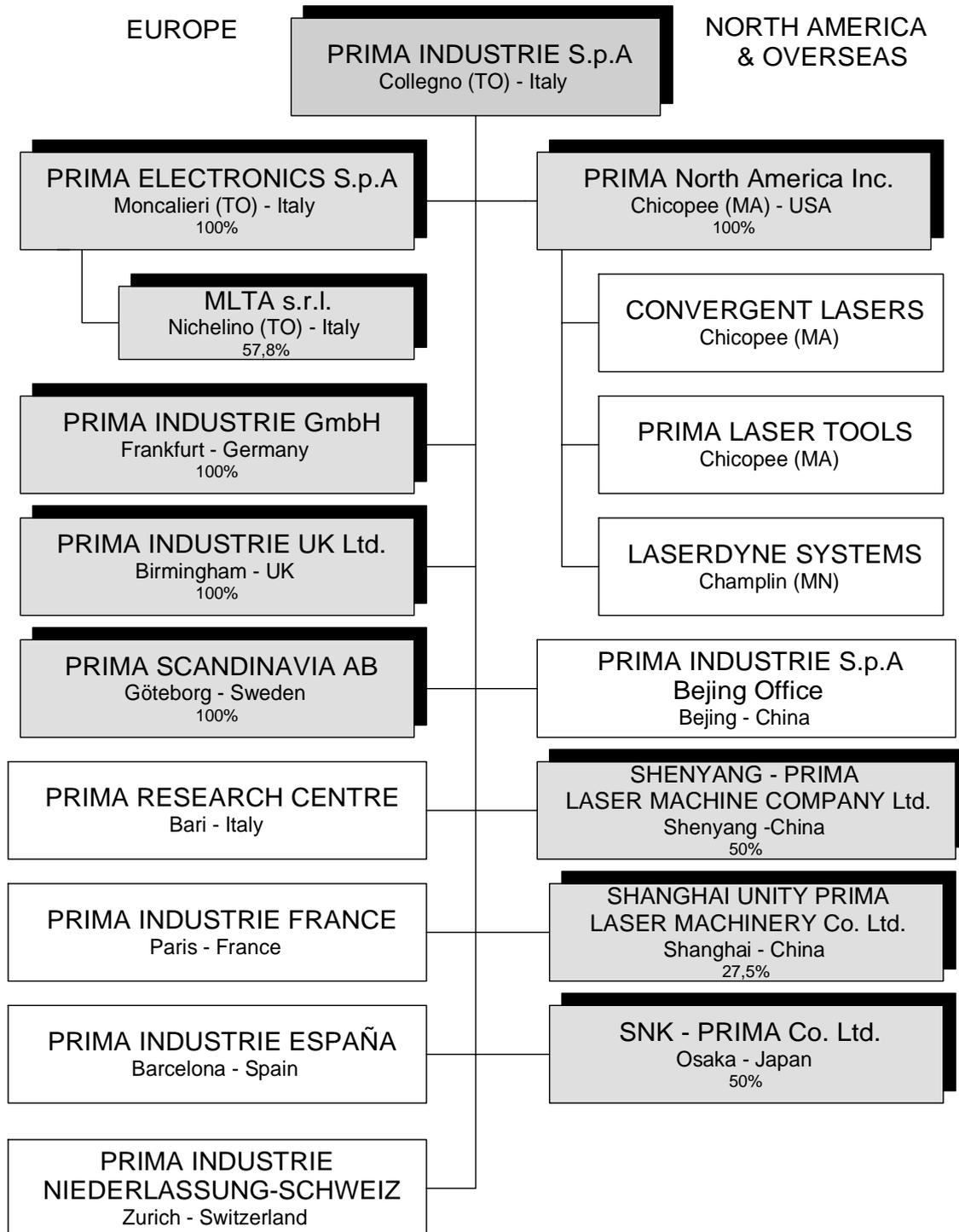
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# 1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP



## 2. INTRODUCTION

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### NORMATIVE FRAMEWORK

In the application of European Regulation No.1606 dated July 19, 2002 and in accordance with section 81 of Issuer's Regulation No. 11971, as amended by Consob resolution No.14990 of April 14, 2005, PRIMA INDUSTRIE Group prepared the quarterly report at March 31, 2006 in conformity with the International Accounting Standards approved by the European Commission (hereinafter referred to individually as IAS/IFRS or together, as IFRS).

The quarterly report at 03/31/06, in compliance with paragraph 8 of IAS 34 ("Interim Financial Statements"), includes the following minimum components:

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

In addition, in terms of section 81, paragraph 3 of Issuer's Regulation No. 11971 the quarterly report also consists of the Parent Company's accounting schedules, prepared in accordance with IAS/IFRS because, with effect from the 2006 financial year, PRIMA INDUSTRIE S.p.A is also obliged to draw up the annual Financial Statements in accordance with International Accounting Standards. The corresponding information of the previous financial year has thus been redetermined in accordance with IAS/IFRS.

It should be noted that the quarterly information has not been examined by the external auditors PriceWaterhouseCoopers S.p.A., insofar as no appointment was made in this regard, (the company having no obligation to do so).

At 03/31/2006 the under mentioned companies were included in the consolidation:

| <b>SUBSIDIARIES</b>                          |                                                                                                                | <b>STAKE</b>                                                                          | <b>CONSOLIDATION METHOD</b>       |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------|
| PRIMA ELECTRONICS                            | Strada Carignano 48/2<br>10024 Moncalieri (Turin)                                                              | 100%                                                                                  | Full consolidation method         |
| PRIMA North America, Inc.                    | Convergent Lasers Divison &<br>PRIMA Laser Tools Division:<br>711 East Main Street Chicopee,<br>MA 01020 (USA) | Lasergyne Systems<br>Division:<br>8600 109th Av. North<br>Champlin, MN 55316<br>(USA) | 100%<br>Full consolidation method |
| PRIMA INDUSTRIE GmbH                         | Shöne Aussicht 5a<br>Kronberg (D)                                                                              | 100%                                                                                  | Full consolidation method         |
| PRIMA SCANDINAVIA AB                         | Mölnålsvägen 30c<br>SE-412 63 Goteborg (S)                                                                     | 100%                                                                                  | Full consolidation method         |
| PRIMA INDUSTRIE UK LTD.                      | Unit 1, Phoenix Park<br>Bayton Road<br>Coventry CV7 9DN<br>UK                                                  | 100%                                                                                  | Full consolidation method         |
| M.L.T.A. Srl                                 | Via Cuneo, 31<br>10042 Nichelino (Turin)                                                                       | 57,48                                                                                 | Full consolidation method         |
| <b>ASSOCIATED COMPANIES</b>                  |                                                                                                                |                                                                                       |                                   |
| Shenyang PRIMA Laser Machine Company Ltd     | Shenyang Liaoning Province, China<br>45 Huanghai Rd, Yuhong District                                           | 50%                                                                                   | Equity method                     |
| SNK PRIMA Company Ltd (**)                   | Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka -<br>Japan, Shanghai 201111 - China                           | 50%                                                                                   | Equity method                     |
| Shanghai Unity PRIMA Laser Machinery Co Ltd. | 2019, Konyang Rd., Shanghai 201111 - China                                                                     | 27,50%                                                                                | Equity method                     |

## GENERAL INFORMATION

PRIMA INDUSTRIE S.p.A. ("the company") was founded in 1977. The company designs, manufactures and markets high-power laser systems for cutting, micro-drilling and welding of three-dimensional (3D) and flat (2D) components.

During the period 1995-2001, after focusing the strategic business on laser systems for industrial applications, the company continuously recorded double-digit growth rates, at the same time becoming a leader in the laser systems market. More recently, whilst maintaining its leadership in three-dimensional applications, PRIMA INDUSTRIE has also become an important manufacturer of laser cutting systems for flat surfaces, thanks to the strong commitment to innovation and its extensive sales and customer service network.

Together with its subsidiary, PRIMA ELECTRONICS S.p.A., PRIMA INDUSTRIE has obtained significant skill and know-how in the industrial electronics field, as well as in control technology and real-time software, success factors in the ongoing product innovation required to maintain its leadership in a high-tech sector with highly evolved development dynamics.

In May 2000, the Company acquired Convergent Energy Inc. in America. Through this acquisition the PRIMA Group integrated the knowledge required to internationalize design and manufacturing of CO<sub>2</sub> and solid-state lasers, in addition to strengthening its own presence on the US market.

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

In 2002, the USA activities were combined and consolidated into a single legal entity - PRIMA North America Inc.-located in two operational premises: Chicopee in Massachusetts (CONVERGENT LASERS and PRIMA LASER TOOLS) and Champlin in Minnesota (LASERDYNE SYSTEMS).

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

During the period 2004-2005, the Company further consolidated its sales and service structures in Europe through the incorporation of PRIMA SCANDINAVIA AB and PRIMA INDUSTRIE UK Ltd., as well as through PRIMA INDUSTRIE GmbH's acquisition of the activities of the previous German distributor with effect from 07/01/2005. In addition to the three companies referred to above, the Group has branch offices in Spain, France, Switzerland and China, as well as a research and development centre in Bari, established in 2003.

On January 12, 2006, the Group through its subsidiary, PRIMA ELECTRONICS S.p.A, increased its stake in M.L.T.A. S.r.l., to 57.84%; the latter company operates in the sector dealing with the electronics of power. Thus, with effect from 1/1/2006 M.L.T.A. is included in consolidation area.

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

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

This quarterly report was approved by the Board of Directors on May 12, 2006.

### 3. BUSINESS TREND

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#### REVENUES AND PROFITABILITY

Consolidated revenues for the first quarter of 2006, valued in accordance with IAS 18 (which provides for the recognition of revenues generally on the end-customer's acceptance) amount to 33,462 thousand Euro.

This figure, which increased by 26.6% compared to 03/31/05 (26,422 thousand Euro) was achieved as follows: 15.5% in Italy (28.8% at 03/31/05), 44.1% in Europe (43.5% at 03/31/05) 32.4% in North America (14.4% at 03/31/05) and 7.9% in Asia and the rest of the world (13.2% at 03/31/05). As usual, these revenues do not consolidate the turnover of the Japanese and Chinese Joint Ventures, where the Group does not hold a controlling interest.

The decrease in the Italian market is more than compensated for by the trend in the European markets, which have increased both in absolute, as well as in percentage terms, so confirming the recovery of the continental market in investment goods and the ongoing efforts to internationalize the business, which have, for example, been translated into a direct presence on the German market.

The large growth in the USA's share is attributable to the excellent performance of PRIMA North America, which performed particularly well in the 3D systems sector. This applies to both the LASERDYNE systems, destined for the aerospace industry, as well as the systems marketed by PRIMA LASER TOOLS. From the point of view of revenues and profitability, it must be pointed out that the first quarter of 2006 benefited from a high number of LASERDYNE systems, which had been delivered in 2005 but where the customer's acceptance occurred in the first quarter, as well as from a more favorable average exchange rate of Euro in respect of the Dollar, compared to the corresponding period in 2005.

Over and above the increased business carried out directly by the Chinese joint ventures, which were not included in the area of consolidation, the percentage decline in the Overseas markets is attributable to the particularly favorable trend of certain markets in the first quarter of 2005.

Consequently, even the value of production at 3/31/06, equal to 31,883 thousand Euro, is up (+24.9%) when compared to the previous year's figure (it was in fact 25,531 thousand Euro at 03/31/05).

All the profitability ratios showed significant growth compared to the corresponding values of the previous year. The Group's EBITDA, equal to 4,346 thousand Euro, grew by 69.2% compared to the 2,568 thousand Euro at 3/31/05, whereas the consolidated EBIT (4,041 thousand Euro, equal to about 12.1% of sales) improved by 76.2% compared to the previous year (2,293 thousand Euro at 3/31/05 equal to 8.7% of sales).

The income before tax for the period was 3,670 thousand Euro, with an increase of 98.6%, compared to the 1,863 thousand Euro at 03/31/05.

The increase in the net profit, fixed at 3,044 thousand Euro (up 330.7%) was particularly significant, compared to the 707 thousand Euro of the corresponding period of the previous financial year. The first quarter of 2006, compared to the first quarter of 2005,

was in fact able to benefit from a reduced tax burden, which was largely due to PRIMA North America's increased contribution to the consolidated result. The latter company was able to benefit from carry forward tax losses, which were used during the period.

It follows that the profit per share for the period, attributable to the Parent Company's stockholders, taking into account the average number of treasury stock held in the quarter, amounts to 0.67 Euro per share (compared to 0.15 Euro per share at 03/31/05).

## ORDER ACQUISITION AND THE ORDERS BACKLOG

As at 3/31/06 the consolidated order acquisition amounted to 36,757 thousand Euro, a growth of 48.8% compared to the 24,697 thousand Euro of the first quarter of 2005; this continues and reinforces the favorable trend already experienced from mid-2005.

The growth in orders particularly relates to the 2D systems sector, thanks to the excellent performance of the PLATINO systems and to the growing contribution of the new SINCRONO.

The orders backlog at 3/31/2006 totalled 44,869 thousand Euro, increasing by 42.6% compared to the 31,455 thousand Euro at 3/31/05.

## NET FINANCIAL POSITION

|                                                                         | <b>03/31/06</b> | <b>12/31/05</b> |
|-------------------------------------------------------------------------|-----------------|-----------------|
| CASH AND CASH EQUIVALENTS                                               | 10,159          | 11,495          |
| SHORT-TERM BORROWINGS FROM BANKS AND OTHER LENDERS                      | (12,996)        | (13,913)        |
| MEDIUM/LONG-TERM BORROWINGS FROM BANKS AND OTHER LENDERS <sup>(1)</sup> | (6,997)         | (5,315)         |
| TOTAL NET EXPOSURE TO THE CREDIT SYSTEM                                 | (9,834)         | (7,733)         |

<sup>(1)</sup> Also includes leasing charges and the debt entries relating to the Sabatini pro-solvendo transactions in existence. These items amount to 1,579 thousand Euro at 03/31/06 (they were 1,827 thousand Euro at 12/31/05).

The net financial position highlights the overall exposure to credit institutions and other lenders (including the Ministry of Productive Activities and leasing companies).

The net financial position (-9,834 thousand Euro at 03/31/06) reflects an increase of approximately 2.1 million Euro compared to 12/31/05 (-7,733 thousand Euro). This trend can be explained as follows: the payment to MATRA of the purchase price in respect of the branch of the business for the distribution of PRIMA machines in Germany (0.9 million Euro); M.L.T.A.'s financial borrowings being included in the area of consolidation (0.6 million Euro); changed payment terms in favour of an important customer, which had an effect of 0.8 million Euro. The cash flow from operating activities on the other hand generated liquidity, notwithstanding the increase in turnover, which partially compensated for the increased borrowings set out above.

Compared to 12/31/2005 new medium/long-term loans for 2,000 thousand Euro were entered into, whereas during the quarter loan installments totalling 1,965 thousand Euro were paid.

The ratio between the net financial position (mainly made up of medium/long-term loans inclusive of the installments falling due within 12 months) and stockholders' equity valued on the basis of IAS/IFRS principles is fixed at 0.29 compared to 0.25 at 12/31/05.

## RESEARCH

As usual, the Research charges during the six-month period, totaling 2,097 thousand Euro (1,808 thousand Euro at 03/31/05) were charged to in the Income Statement.

During the first quarter of 2006 the Parent Company made certain important deliveries and installations of innovative systems in cutting and welding applications in the three-dimensional sphere, like, for example an OPTIMO system fitted with a new wire welder for welding in inox and in aluminum. In addition, a completely automated, highly flexible line was put into production, for the manufacturing of motor spares, which integrates with a series of molding presses two RAPIDO machines and an OPTIMO, dedicated to the cutting of the parts.

In the sphere of bi-dimensional applications, delivery and installation to end-customers commenced of both the revolutionary 2D SINCRONO machine, presented for the first time at the EMO fair in Hanover in September 2005, and the COMPACT SERVER loading-unloading systems. Finally, in collaboration with the subsidiary, PRIMA ELECTRONICS, the 2.0.0 software version of the Primach 20L numeric controller was decided upon with new important functions like the acceleration of the HMI and the laser parameters tables on board CN (T.O.B.)

The following research activity of PRIMA ELECTRONICS during the first quarter of 2006 were particularly significant: the completion of the first software version of the P20L controller for 3D machines, to which the PRIMA INDUSTRIE technicians of the Bari office made an important contribution; the design of a device using GSM technology to send pre-recorded SMS messages from industrial equipment to a cellular telephone in case of machine stoppage due to a breakdown, or to request maintenance.

As far as PRIMA North America's activities are concerned, the US subsidiary continued with the development of laser sources with power greater than 4 kW, which should become available in series by the end of this year.

## TREASURY STOCK AND THE STOCK TREND

As at 03/31/06 PRIMA INDUSTRIE S.p.A. held 2,255 ordinary shares (equal to approximately 0.05% of the capital stock) at a weighted average price of 17.4453 Euro per share; these shares were acquired as per the mandate granted by the Ordinary Stockholders' Meeting held on September 8, 2005, 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-in capital) for a 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 (the par value) and a maximum buying and selling price of 17.533 Euro, whereas the maximum selling price can be determined on the basis of terms and conditions deemed to be most suitable from time to time. As far as off-market deals are concerned, the agreed price must not in any event give rise to any loss for the Company.

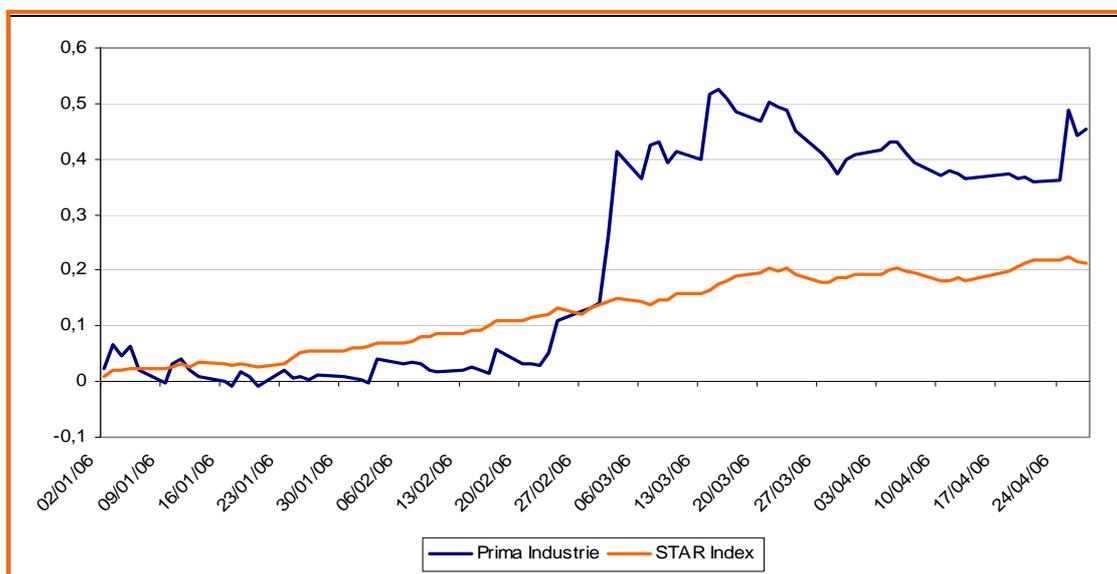
Precisely because the stock trend has shown strong appreciation from the end of February, the abovementioned resolution risked becoming useless, with inevitable effects on the specialist activities carried out by the Banca Intermobiliare using treasury stock of PRIMA INDUSTRIE. Consequently, on 03/9/2006, the Stockholders' meeting of PRIMA ELECTRONICS, a wholly-owned subsidiary of PRIMA INDUSTRIE, adopted a purchase and sale resolution in respect of the holding company, for a maximum of 110,000 shares (equal to 2.39% of the capital stock), with a minimum buying and selling price of € 2.5 per share (the par value) and a maximum buying price of € 26.375, whereas the maximum selling price can be determined on the basis of terms and conditions deemed to be most suitable from time to time. As far as off-market deals are concerned, the agreed price must not in any event give rise to any loss for the Company.

As at 03/31/2006 PRIMA ELECTRONICS held 10,500 PRIMA INDUSTRIE shares (equal to 0.23 of the capital stock) at a weighted average price of 18.2984 Euro per share. The aforesaid portfolio decreased at 04/30/2006 to 8,000 shares with a weighted average price of 18,4298 Euro per share.

Insofar as the treasury stock held by PRIMA INDUSTRIE is concerned, as at 04/30/06 the portfolio decreased to 2,667 shares, at a weighted average price of 17,4152 Euro per share.

During the course of the first quarter of 2006, also as a consequence of the good result in the 2005 financial year, the favorable trend in the stock price continued. The same trend continued during April.

The stock trend and the STAR index of reference for the period 01/01 to 04/30/2006 is set out below.



## ***Earnings and dividends 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 first three months of the year the stock in circulation amounted to 4,600,000, whereas the average treasury stock held during the period amounted to 6,168; thus the earnings per share in respect of the period January-March 2006 amounts to 0.67 Euro per share (compared to 0.15 Euro per share for the first three months of 2005).

| <b><i>Earnings per share</i></b>             | <b><i>March 31, '06</i></b> | <b><i>March 31, '05</i></b> |
|----------------------------------------------|-----------------------------|-----------------------------|
| Earnings due to stockholders (Euro/1.000)    | 3,081                       | 707                         |
| Weighted average - number of ordinary shares | 4,593,832                   | 4,592,900                   |
| Basic earnings per share (Euro)              | 0.67                        | 0.15                        |

### *(b) Diluted profit per share*

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

Because at 03/31/06 no subscription rights on PRIMA INDUSTRIE' s shares were in circulation, the calculation of diluted profit per share was not applicable.

### *(c) Dividend per share*

On 05/11/06 the 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, as at the cut-off date for the said dividend. At 05/11/06 the treasury stock held amounted to 2,255 shares and thus the amount of the dividend to be paid equaled 1,287,368.60 Euro.

## **SUBSEQUENT EVENTS**

No significant events occurred after the end of the first quarter of 2006.

#### **4. TREND OF THE MAIN COMPANIES OF THE GROUP**

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##### **□ Accounting principles and general comment**

As referred to in paragraph 2 (Introduction - Normative Framework) the Financial Statements of the Parent Company PRIMA INDUSTRIE S.p.A, and those of PRIMA ELECTRONICS S.p.A., were prepared, with effect from the first quarter of 2006, using International Accounting Standards.

Insofar as PRIMA North America in particular is concerned, it must be borne in mind that with effect from 2005 the recognition of revenues takes place at the time of the end-customer's acceptance, instead of at the time of delivery (as was the situation in the past).

As highlighted in the tables below, at 03/31/06 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 in the previous financial year, with increases ranging from 5.4% in PRIMA INDUSTRIE to 126.4% in PRIMA North America; at a profitability level the companies all show positive results, which are a net improvement compared to 03/31/05 (in particular PRIMA North America, which recorded an operating result for the period of 3.5 million USD).

## SUMMARY OF THE MOST SIGNIFICANT INCOME RATIOS AND INDICES

(AMOUNTS EXPRESSED IN THOUSANDS OF EURO)

|                                        | PRIMA INDUSTRIE S.p.A. |     |                   |     | PRIMA ELECTRONICS S.p.A. |      |                   |      | PRIMA North America Inc. |      |                   |      | Other subsidiary companies |     |                         |     |
|----------------------------------------|------------------------|-----|-------------------|-----|--------------------------|------|-------------------|------|--------------------------|------|-------------------|------|----------------------------|-----|-------------------------|-----|
|                                        | 03/31/06               |     | 03/31/05          |     | 03/31/06                 |      | 03/31/05          |      | 03/31/06                 |      | 03/31/05          |      | 03/31/06 <sup>(2)</sup>    |     | 03/31/05 <sup>(3)</sup> |     |
|                                        | 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                                  | 18,446                 | 100 | 17,506            | 100 | 5,145                    | 100  | 3,856             | 100  | 15,964                   | 100  | 7,052             | 100  | 3,884                      | 100 | 1,126                   | 100 |
| Gross Operating margin (EBITDA)        | 986                    | 5.3 | 1,116             | 6.4 | 873                      | 17.0 | 548               | 14.2 | 2,962                    | 18.6 | 787               | 11.2 | 185                        | 4.8 | 41                      | 3.7 |
| Operating profit (EBIT) <sup>(1)</sup> | 836                    | 4.5 | 973               | 5.6 | 791                      | 15.4 | 470               | 12.2 | 2,903                    | 18.2 | 729               | 10.3 | 169                        | 4.4 | 39                      | 3.4 |

### 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 |          |
|----------------|--------------------------------------|----------|------------------------------------------------|----------|
|                | 03/31/06                             | 03/31/05 | 03/31/06                                       | 12/31/05 |
| US DOLLAR      | 1.20205                              | 1.31114  | 1.2104                                         | 1.1797   |
| POUND STERLING | 0.68610                              | 0.69356  | 0.6964                                         | 0.6853   |
| SWEDISH KRONE  | 9.5139                               | 9.07375  | 9.4315                                         | 9.3885   |

(1) THE SUM OF THE INDIVIDUAL OPERATING PROFITS (AS SHOWN IN THE TABLE) DIFFERS FROM THE CONSOLIDATED OPERATING PROFIT AS A RESULT OF THE CONSOLIDATION ADJUSTMENTS AND DUE TO THE LACK OF UNIFORMITY IN THE ACCOUNTING STANDARDS OF REFERENCE;

(2) THE INFORMATION RELATES TO PRIMA INDUSTRIE UK LTD., PRIMA SCANDINAVIA AB AND PRIMA INDUSTRIE GMBH;

(3) THE INFORMATION RELATES TO PRIMA INDUSTRIE UK LTD. AND PRIMA SCANDINAVIA AB.

## PRIMA INDUSTRIE S.p.A.

The sales for the period (18,446 thousand Euro) reflect a growth of 5.4% compared to the same period of the previous financial year (17,506 thousand Euro).

The operating profit reduced to 836 thousand Euro as against 973 thousand Euro at 03/31/05 which was mainly due to the effect of the precautionary provisions that were raised to the allowance for doubtful accounts.

The Parent Company's good performance should continue thanks to the orders backlog from third-party customers, which at 03/31/06 amounts to 27,096 thousand Euro a marked growth compared to the 18,821 thousand Euro at 03/31/05.

## PRIMA ELECTRONICS S.p.A.

Sales increased to 5,145 thousand Euro compared to the 3,856 thousand Euro at 03/31/2005 (up 33.4%); profitability also showed a marked growth, with EBIT equal to 792 thousand Euro as against the 470 thousand Euro at 03/31/05.

## PRIMA North America Inc.

During the quarter the positive trend of PRIMA North America Inc., already evident at 12/31/05, continued in terms of both sales and profitability. During the first 3 months of 2006 PRIMA North America achieved sales of approximately 19.2 million Dollars compared to the 9.2 million for the same period in 2005 (up 107.6%), with a positive EBIT of 3.5 million Dollars compared to the 0.96 million Dollars at 03/31/2005.

At a divisions level, the improvement in all three business units compared to the corresponding quarter in 2005, is significant; in particular CONVERGENT LASERS recorded sales and EBIT of 6.6 and 1.3 million Dollars respectively (4.1 and 0.5 million Dollars at 03/31/2005), whereas LASERDYNE recorded sales and EBIT of 8 and 1.8 million Dollars respectively (3.7 and 0.8 million Dollars at 03/31/2005). Finally, the PRIMA LASER TOOLS divisions reflected sales and EBIT of 5.2 and 0.5 million Dollars respectively for the quarter, compared to 2.7 and -0.1 million Dollars in the first quarter of 2005.

As mentioned previously the excellent performance of LASERDYNE in terms of sales and profitability compared to the corresponding period of the previous year is largely attributable to the fact that several systems delivered in 2005 were accepted by the customers (and thus recognised as revenue) during the first quarter of 2006.

## OTHER SUBSIDIARY COMPANIES

The subsidiary PRIMA INDUSTRIE UK generated a positive return in the quarter, even though it was lower when compared to the corresponding period of the previous year.

Compared to 03/31/2005, the subsidiary PRIMA SCANDINAVIA recorded a strong increase in sales and consequently in profitability.

During the first quarter of 2006 PRIMA INDUSTRIE GmbH recorded sales of 1,384 thousand Euro, with a particularly satisfactory EBIT, thanks to the mix of systems sold. During the first quarter of 2005 PRIMA INDUSTRIE GmbH was substantially inoperative.

Insofar as M.L.T.A. S.r.l. is concerned, the company was included in the area of consolidation in the first quarter of 2006 and reference should be made to the contents of Chapter 6, in relation to "Business Combination".



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## **5. CONSOLIDATED FINANCIAL STATEMENTS**

**AT MARCH 31, 2006**

**ACCOUNTING STATEMENTS**

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**PRIMA INDUSTRIE GROUP, CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 06 & 05**

**CONSOLIDATED BALANCE SHEET**

(Amounts in euro)

|                                                     | <b>31/03/06</b>    | <b>31/12/05</b>    |
|-----------------------------------------------------|--------------------|--------------------|
| Tangible fixed assets                               | 5.956.612          | 5.778.520          |
| Intangible fixed assets                             | 2.788.250          | 2.738.927          |
| Equity investments valued using the equity method   | 1.792.247          | 1.809.079          |
| Equity investments valued using the cost method     | 51.832             | 51.832             |
| Other financial assets                              | 272.117            | 272.117            |
| Other receivables                                   | 50.058             | 52.391             |
| <b>TOTAL NON CURRENT ASSETS</b>                     | <b>10.911.116</b>  | <b>10.702.866</b>  |
| Inventories                                         | 37.850.719         | 36.319.402         |
| Trade receivables                                   | 33.683.695         | 39.869.959         |
| Other receivables                                   | 3.959.943          | 3.048.672          |
| Other tax assets                                    | 2.182.913          | 1.357.085          |
| Tax assets - prepaid taxes                          | 6.601.882          | 6.946.898          |
| Derivative financial instruments                    | -                  | 4.595              |
| Cash and cash equivalents                           | 10.159.133         | 11.495.383         |
| <b>TOTAL CURRENT ASSETS</b>                         | <b>94.438.285</b>  | <b>99.041.994</b>  |
| non current assets held for sale                    | -                  | -                  |
| <b>TOTAL ASSETS</b>                                 | <b>105.349.401</b> | <b>109.744.860</b> |
| Capital stock                                       | 11.500.000         | 11.500.000         |
| Treasury stock                                      | (39.339)           | (92.872)           |
| Treasury stock owned by subsidiaries                | (192.134)          | -                  |
| Other reserves                                      | 16.656.427         | 16.656.427         |
| Conversion reserve                                  | 155.966            | 329.937            |
| Profits (Losses) carried forward                    | 2.477.558          | (2.661.910)        |
| Profit (loss) for the year                          | 3.081.383          | 5.107.631          |
| <i>Total Group stockholders' equity</i>             | <i>33.639.861</i>  | <i>30.839.213</i>  |
| Minority interests                                  | 9.169              | -                  |
| <b>TOTAL NET EQUITY</b>                             | <b>33.649.030</b>  | <b>30.839.213</b>  |
| Loans                                               | 7.258.326          | 5.570.596          |
| Employee benefits                                   | 4.838.473          | 4.936.694          |
| Provision for risks and charges                     | 29.110             | 29.110             |
| Derivative financial instruments                    | 10.617             | 15.970             |
| <b>TOTAL NON CURRENT LIABILITIES</b>                | <b>12.136.526</b>  | <b>10.552.370</b>  |
| Trade payables                                      | 23.584.399         | 23.089.151         |
| Advances                                            | 9.103.066          | 18.371.290         |
| Other payables                                      | 4.814.120          | 4.668.838          |
| Amounts due to banks and i.r.o loans                | 12.988.569         | 13.918.168         |
| Tax liabilities - deferred taxes                    | 2.211.025          | 2.502.156          |
| Tax liabilities - current taxes                     | 2.785.577          | 2.027.955          |
| Provision for risks and charges                     | 4.069.694          | 3.775.719          |
| Derivative financial instruments                    | 7.395              | -                  |
| <b>TOTAL CURRENT LIABILITIES</b>                    | <b>59.563.845</b>  | <b>68.353.277</b>  |
| Liabilities due to non current assets held for sale | -                  | -                  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>105.349.401</b> | <b>109.744.860</b> |

**PRIMA INDUSTRIE GROUP, CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31 '06 & '05**

**CONSOLIDATED INCOME STATEMENT**

*(Amounts in euro)*

|                                                              | <b>Period</b><br><b>1/01/06-31/03/06</b> | <b>Period</b><br><b>1/01/05-31/03/05</b> |
|--------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Net revenues from sales and services                         | 33.462.128                               | 26.422.176                               |
| Other operating income                                       | 467.920                                  | 470.100                                  |
| Changes in inventories of semifinished and finished products | (2.073.534)                              | (1.376.753)                              |
| Increases in fixed assets for internal work                  | 26.736                                   | 15.216                                   |
| Use of raw materials, consumables, supplies and goods        | (13.302.890)                             | (11.657.699)                             |
| Personnel cost                                               | (7.253.830)                              | (5.995.031)                              |
| Amortization & Depreciation                                  | (305.134)                                | (275.137)                                |
| Other operating costs                                        | (6.980.370)                              | (5.310.002)                              |
| <b>OPERATING INCOME</b>                                      | <b>4.041.026</b>                         | <b>2.292.870</b>                         |
| Financial income                                             | 89.161                                   | 154.599                                  |
| Financial expenses                                           | (419.723)                                | (549.348)                                |
| Net income from transactions in foreign exchange             | (21.089)                                 | (35.588)                                 |
| Net income from associated companies & joint ventures        | 10.185                                   | -                                        |
| <b>INCOME BEFORE TAX</b>                                     | <b>3.699.560</b>                         | <b>1.862.533</b>                         |
| Current and deferred taxes                                   | (655.330)                                | (1.155.805)                              |
| <b>NET RESULT</b>                                            | <b>3.044.230</b>                         | <b>706.728</b>                           |
| <b>Income from assets held for disposal</b>                  | -                                        | -                                        |
| <b>NET PROFIT</b>                                            | <b>3.044.230</b>                         | <b>706.728</b>                           |
| - <i>Group stockholders' net profit</i>                      | <b>3.081.383</b>                         | <b>706.728</b>                           |
| - <i>Minorities net profit</i>                               | (37.153)                                 | -                                        |

**PRIMA INDUSTRIE GROUP - CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31 2006 AND 2005**

**STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY**

(Amounts in euro)

From January 1, 2005 to March 31, 2005

|                                      | 01/01/2005        | Purchase / sale<br>of treasury stock | Gains on<br>disposal of<br>treasury stock | Losses on<br>disposal of<br>treasury stock | Allocation of<br>result - Previous<br>financial year | Distribution<br>dividends | Profit for the<br>period | Conversion<br>reserve | 31/03/2005        |
|--------------------------------------|-------------------|--------------------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------------------|---------------------------|--------------------------|-----------------------|-------------------|
| Capital stock                        | 11.500.000        |                                      |                                           |                                            |                                                      |                           |                          |                       | 11.500.000        |
| Treasury stock                       | (170.606)         | 72.548                               |                                           |                                            |                                                      |                           |                          |                       | (98.058)          |
| Treasury stock owned by subsidiaries | -                 |                                      |                                           |                                            |                                                      |                           |                          |                       | -                 |
| Share premium reserve                | 15.664.893        | 72.548                               |                                           |                                            |                                                      |                           |                          |                       | 15.737.441        |
| Legal reserve                        | 729.550           |                                      |                                           |                                            |                                                      |                           |                          |                       | 729.550           |
| Other reserves                       | 0                 |                                      |                                           |                                            |                                                      |                           |                          |                       | 0                 |
| Conversion reserve                   | (173.718)         |                                      |                                           |                                            |                                                      |                           |                          | 94.028                | (79.690)          |
| Profits (losses) carried forward     | (2.911.767)       | (72.548)                             | 12.108                                    | (2.146)                                    | 1.043.212                                            |                           |                          |                       | (1.931.141)       |
| Income (Loss) for the period         | 1.043.212         |                                      |                                           |                                            | (1.043.212)                                          |                           | 706.728                  |                       | 706.728           |
| <b>Group stockholders' Equity</b>    | <b>25.681.564</b> | <b>72.548</b>                        | <b>12.108</b>                             | <b>(2.146)</b>                             | <b>-</b>                                             | <b>-</b>                  | <b>706.728</b>           | <b>94.028</b>         | <b>26.564.830</b> |
| Minorities interest                  |                   |                                      |                                           |                                            |                                                      |                           |                          |                       | 0                 |
| <b>Total Net Equity</b>              |                   |                                      |                                           |                                            |                                                      |                           |                          |                       | <b>26.564.830</b> |

From January 1, 2006 to March 31, 2006

|                                      | 01/01/2006        | Purchase / sale<br>of treasury stock | Gains on<br>disposal of<br>treasury stock | Losses on<br>disposal of<br>treasury stock | Allocation of<br>result - Previous<br>financial year | Distribution<br>dividends | Profit for the<br>period | Conversion<br>reserve | 31/03/2006        |
|--------------------------------------|-------------------|--------------------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------------------|---------------------------|--------------------------|-----------------------|-------------------|
| Capital stock                        | 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 reserves                       | 220.624           |                                      |                                           |                                            |                                                      |                           |                          |                       | 220.624           |
| Conversion reserve                   | 329.937           |                                      |                                           |                                            |                                                      |                           |                          | (173.971)             | 155.966           |
| Profits (losses) carried forward     | (2.661.910)       |                                      | 33.018                                    | (1.181)                                    | 5.107.631                                            |                           |                          |                       | 2.477.558         |
| Income (Loss) for the period         | 5.107.631         |                                      |                                           |                                            | (5.107.631)                                          |                           | 3.081.383                |                       | 3.081.383         |
| <b>Group stockholders' Equity</b>    | <b>30.839.213</b> | <b>(138.601)</b>                     | <b>33.018</b>                             | <b>(1.181)</b>                             | <b>-</b>                                             | <b>-</b>                  | <b>3.081.383</b>         | <b>(173.971)</b>      | <b>33.639.861</b> |
| Minorities interest                  |                   |                                      |                                           |                                            |                                                      |                           |                          |                       | 9.169             |
| <b>Total Net Equity</b>              |                   |                                      |                                           |                                            |                                                      |                           |                          |                       | <b>33.649.030</b> |

**PRIMA INDUSTRIE GROUP –  
CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31 2006 AND 2005**

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**CONSOLIDATED CASHFLOW STATEMENT**

| <i>(Amounts in euro thousand)</i>                           | <b>31/03/06</b> | <b>31/03/05</b> |
|-------------------------------------------------------------|-----------------|-----------------|
| <b>Cash flow derived from operating activity</b>            |                 |                 |
| <b>Profit (Loss) before tax</b>                             | <b>3.700</b>    | <b>1.863</b>    |
| <b>Adjustments</b>                                          | <b>1.072</b>    | <b>870</b>      |
| Amortization for the financial year                         | 305             | 275             |
| Provisions raised to Employees' severance fund              | 425             | 165             |
| Loss (Profit) on exchange rates for currency transactions   | 21              | 36              |
| Loss (Income) from equity investments                       | (10)            | -               |
| Financial expenses                                          | 420             | 549             |
| Financial (income)                                          | (89)            | (155)           |
|                                                             | 4.771           | 2.733           |
| (Increase) /Decrease in trade and other receivables         | 5.597           | 6.129           |
| (Increase) /Decrease in inventories                         | (1.154)         | (1.142)         |
| Increase / (Decrease) in trade payables                     | (9.224)         | (4.173)         |
| Increase / (Decrease) in other payables                     | (488)           | (908)           |
| <b>Cash flow from typical activity</b>                      | <b>(499)</b>    | <b>2.639</b>    |
| Interest payment                                            | (369)           | (505)           |
| Tax payment                                                 | -               | -               |
| Cash flow derived from operating activity                   | <b>(868)</b>    | <b>2.133</b>    |
| <b>Cash flow derived from investment activity</b>           |                 |                 |
| Purchase of MLTA                                            | (39)            | -               |
| Purchase of tangible fixed assets                           | (370)           | (95)            |
| Purchase of intangible fixed assets                         | (84)            | (130)           |
| Sale /(Purchase) of financial assets (at cost)              | -               | (16)            |
| Sale /(Purchase) investments in associates                  | 27              | -               |
| Receipts from sales of fixed assets                         | -               | 4               |
| Interest collected                                          | 89              | 155             |
| <b>Net Cash flow derived from investment activity</b>       | <b>(377)</b>    | <b>(83)</b>     |
| <b>Cash flow derived from financing activity</b>            |                 |                 |
| Variation in the conversion reserve                         | (174)           | 94              |
| (Purchase)/sale of treasury stock                           | (107)           | 83              |
| Variation of other reserves                                 | 46              | -               |
| Changes in balance of derivative instruments (FV)           | 7               | 110             |
| Stipulation of loans and financing                          | 2.000           | 2.000           |
| Repayments of loans and financing                           | (1.614)         | (1.421)         |
| (Repayments)/ Raising of financial leases                   | (59)            | (65)            |
| (Repayments)/ Raising of Sabatini transactions              | (190)           | (213)           |
| Dividends paid                                              | -               | -               |
| <b>Net Cash flow derived from financing activity</b>        | <b>(91)</b>     | <b>587</b>      |
| <b>Increase (decrease) in the cash and cash equivalents</b> | <b>(1.336)</b>  | <b>2.638</b>    |
| <b>Cash and cash equivalents at the start of the period</b> | <b>11.495</b>   | <b>6.448</b>    |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>10.159</b>   | <b>9.086</b>    |

## **6. NOTES TO THE FINANCIAL STATEMENTS**

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### **□ 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, planning and organizational nature in the field relating to the production of capital goods and industrial automation.

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

PRIMA ELECTRONICS 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, specialized in the use of lasers for the production of components for aeronautic engines and turbines for the generation of energy.
- **PRIMA LASER TOOLS DIVISION:** which is engaged in the sale and installation in North America of PRIME INDUSTRIE's products, as well as the provision of technical assistance in respect thereof.

PRIMA INDUSTRIE GmbH, (a company incorporated in terms of German law), is primarily engaged in providing after-sales services. The company recommenced operations with effect from 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 promotional activities and assistance activities for PRIMA INDUSTRIE' s products on the English and neighboring markets.

### **□ VALUATION CRITERIA**

The same accounting principles that were used for the preparation of the Annual Consolidated Financial Statements at December 31, 2005, were used for the preparation of the quarterly Financial Statements. The reader is referred to such Financial Statements for further information.

## □ EXPLANATORY NOTES

We provide some detail relative to the most important changes in the items of the Financial Statements.

### Inventories

|                                                    | <u>03/31/2006</u> | <u>12/31/2005</u> |
|----------------------------------------------------|-------------------|-------------------|
| Raw materials                                      | 18.994.544        | 15.423.367        |
| (Provision for writedown of raw materials)         | (2.649.741)       | (2.554.326)       |
| Semifinished products                              | 9.197.335         | 6.877.487         |
| (Provision for writedown of semifinished products) |                   |                   |
| Finished products                                  | 12.930.120        | 17.203.750        |
| (Provision for writedown of finished products)     | (621.539)         | (630.876)         |
| Inventory advances                                 |                   |                   |
|                                                    | <u>37.850.719</u> | <u>36.319.402</u> |

The composition of the inventories at 03/31/06 shows an increase in the value of raw materials and semi-finished products, which is tied to the increase in the orders in backlog and to the periodicity of the manufacturing process; there was also a decrease in the inventories of finished products, due to the increased number of machines already delivered but not yet accepted by customers at 12/31/2005.

### Trade receivables

|                                 | <u>03/31/2006</u> | <u>12/31/2005</u> |
|---------------------------------|-------------------|-------------------|
| Trade receivables               | 34.269.653        | 39.857.176        |
| Allowance for doubtful accounts | (2.257.079)       | (2.223.954)       |
| Net trade receivables           | <u>32.012.574</u> | <u>37.633.222</u> |
| Receivables - related parties   | 1.671.121         | 2.236.737         |
| Loans made to related parties   | -                 | -                 |
|                                 | <u>33.683.695</u> | <u>39.869.959</u> |

Trade receivables show a decrease of 6,186 thousand Euro due to the increased volume of sales at the end of 2005; the related collection of these receivables took place during the first quarter of 2006.

### Other receivables

|                                     | <u>03/31/2006</u> | <u>12/31/2005</u> |
|-------------------------------------|-------------------|-------------------|
| Receivables - grants to be received | 2.114.618         | 1.865.620         |
| Other short-term receivables        | 1.393.772         | 1.076.995         |
| Accrued income and prepaid expenses | 451.553           | 106.057           |
| <b>Total other payables</b>         | <u>3.959.943</u>  | <u>3.048.672</u>  |

## Trade and other payables

|                                      | <u>03/31/2006</u>        | <u>12/31/2005</u>        |
|--------------------------------------|--------------------------|--------------------------|
| Trade accounts payable               | 23.584.399               | 23.089.151               |
| Amounts due to related parties       |                          |                          |
| <b>Total trade payables</b>          | <b>23.584.399</b>        | <b>23.089.151</b>        |
| Advances from customers              | 9.103.066                | 18.371.290               |
| <b>Total advances from customers</b> | <b>9.103.066</b>         | <b>18.371.290</b>        |
| Social security and welfare payables | 1.177.180                | 1.090.953                |
| Amts due to employees                | 2.719.561                | 2.625.638                |
| Other short-term payables            | 255.936                  | 257.633                  |
| Accrued expenses and deferred income | 661.443                  | 694.614                  |
| <b>Total other payables</b>          | <b>4.814.120</b>         | <b>4.668.838</b>         |
| <b>TOTAL</b>                         | <b><u>37.501.585</u></b> | <b><u>46.129.279</u></b> |

Amongst the changes in payables, we highlight the reduction in the advances from customers for 9,268 thousand Euro due to the increased number of machines already invoiced at 12/31/05 and accepted by customers in the first quarter of 2006; this event can be attributed in particular to PRIMA North America and to a lesser extent to PRIMA INDUSTRIE.

## Provisions for Risks

|                                    | <b>Provision<br/>for agents'<br/>customer<br/>indemnity</b> | <b>Provision for<br/>litigation risks</b> | <b>Other<br/>minor<br/>items</b> | <b>Restructuring<br/>provision</b> | <b>Total</b>  |
|------------------------------------|-------------------------------------------------------------|-------------------------------------------|----------------------------------|------------------------------------|---------------|
| <b>01/01/2005</b>                  | 88.890                                                      | -                                         | 2.000                            | -                                  | 129.243       |
| 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)      |
| Amts assumed through acquisitions  |                                                             |                                           |                                  |                                    | -             |
| Exchange differences               |                                                             |                                           |                                  |                                    | -             |
|                                    |                                                             |                                           |                                  |                                    | -             |
| <b>12/31/2005</b>                  | <b>29.110</b>                                               | <b>-</b>                                  | <b>-</b>                         | <b>-</b>                           | <b>67.463</b> |
| Amounts to the Income Statement:   | -                                                           |                                           |                                  |                                    | -             |
| - Provisions                       | -                                                           |                                           |                                  |                                    | -             |
| - Re-transfer of excess provisions |                                                             |                                           |                                  |                                    | -             |
| Utilizations in the period         | -                                                           |                                           | -                                |                                    | -             |
| Amts assumed through acquisitions  |                                                             |                                           |                                  |                                    | -             |
| Exchange differences               |                                                             |                                           |                                  |                                    | -             |
| <b>03/31/2006</b>                  | <b>29.110</b>                                               | <b>-</b>                                  | <b>-</b>                         | <b>-</b>                           | <b>67.463</b> |

### Short term provisions for risks

|                                    | <b>Warranty<br/>fund</b> | <b>Provision for<br/>exchange rate<br/>fluctuations</b> | <b>Provision<br/>for profit<br/>sharing</b> | <b>Restructuring<br/>Provision</b> | <b>Others</b>  | <b>Total</b>     |
|------------------------------------|--------------------------|---------------------------------------------------------|---------------------------------------------|------------------------------------|----------------|------------------|
| <b>01/01/2005</b>                  | 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)      |
| Amts assumed through acquisitions  |                          |                                                         | 46.000                                      | 150.000                            | 350.000        | 546.000          |
| Exchange differences               | 139.954                  |                                                         |                                             |                                    |                | 139.954          |
|                                    |                          |                                                         |                                             |                                    |                | -                |
| <b>12/31/2005</b>                  | <b>3.377.994</b>         | <b>-</b>                                                | <b>46.000</b>                               | <b>144.875</b>                     | <b>206.850</b> | <b>3.775.719</b> |
| Amounts to the Income Statement:   |                          |                                                         |                                             |                                    |                | -                |
| - Provisions                       | 1.905.493                |                                                         |                                             |                                    | -              | 1.905.493        |
| - Re-transfer of excess provisions | -                        |                                                         |                                             |                                    | -              | -                |
| Utilizations in the period         | (1.464.678)              |                                                         | (26.000)                                    | -                                  | -              | (1.580.278)      |
| Amts assumed through acquisitions  |                          |                                                         | -                                           | -                                  | -              | -                |
| Exchange differences               | (31.240)                 |                                                         |                                             |                                    |                | (31.240)         |
| <b>03/31/2006</b>                  | <b>3.787.569</b>         | <b>-</b>                                                | <b>20.000</b>                               | <b>144.875</b>                     | <b>206.850</b> | <b>4.069.694</b> |

The only increase of any significance relates to the warranty fund that increased due to the increased number of machines accepted by customers in the first quarter of 2006.

## □ BUSINESS COMBINATION

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

Even though PRIMA ELECTRONICS increased its holding in M.L.T.A. at different stages, the goodwill relative to the various stock acquisitions has not been determined, because the relatively minor amounts paid would not have resulted in significantly different results compared to the determination of the goodwill with reference to a single stock acquisition transaction.

The buying price of 57.84%, net of prior value adjustments to the equity investment and to the applicable share of the increase in stockholders' equity resulting from the reserved capital increase subscribed for in January 2006, amounts to 54 thousand Euro.

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

| <b>ASSET</b>                                              | <i>(thousands of Euro)</i> |
|-----------------------------------------------------------|----------------------------|
| Intangible fixed assets                                   | 3                          |
| Tangible fixed assets                                     | 78                         |
| Financial fixed assets (at cost)                          | 3                          |
| Inventories - finished products & raw mats                | 377                        |
| Trade and other receivables                               | 787                        |
| Cash                                                      | 6                          |
| <b>TOTAL ASSETS</b>                                       | <b>1.254</b>               |
| <b>LIABILITIES</b>                                        |                            |
| Deferred liabilities to employees - defined benefit (TFR) | 117                        |
| Financial payables                                        | 493                        |
| Current                                                   |                            |
| Non current                                               | 128                        |
| Trade and other payables                                  | 451                        |
| <b>TOTAL LIABILITIES</b>                                  | <b>1.189</b>               |
| <b>NET ACQUIRED ASSETS</b>                                | <b>65</b>                  |

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

| <b>ASSETS</b>                                                         | <i>(thousands of Euro)</i> |
|-----------------------------------------------------------------------|----------------------------|
| Intangible fixed assets                                               | 3                          |
| Tangible fixed assets                                                 | 75                         |
| Financial fixed assets (at cost)                                      | 0                          |
| Inventories of finished products and raw materials                    | 377                        |
| Trade and other receivables                                           | 787                        |
| Deferred taxes                                                        | 13                         |
| Cash                                                                  | 6                          |
| <b>TOTAL ASSETS</b>                                                   | <b>1.261</b>               |
| <b>LIABILITIES</b>                                                    |                            |
| Deferred liabilities to employees - defined benefit (TFR)             | 108                        |
| Financial payables                                                    | 493                        |
| Current                                                               |                            |
| Non current                                                           | 128                        |
| Trade and other payables                                              | 452                        |
| Deferred taxes                                                        | 3                          |
| Provisions for risks                                                  | 32                         |
| <b>TOTAL LIABILITIES</b>                                              | <b>1.216</b>               |
| <b>NET ACQUIRED ASSETS AND RECORDABLE IN THE FINANCIAL STATEMENTS</b> | <b>45</b>                  |

The difference between the 45 thousand Euro and the balance of the net assets as per the Financial Statements (65 thousand Euro) can mainly be ascribed to the recording of a provision for risks for additional expenses vis-a-vis employees, as well as the tax effect of the changes made. Certain tangible and financial fixed assets were eliminated where they lacked the requirements necessary for recording in terms of IAS/IFRS.

From this analysis, an excess of 28 thousand Euro emerged, being the difference between the purchase price paid by PRIMA ELECTRONICS, net of prior writedowns of the equity investment (54 thousand Euro) and the share of the net balance of the assets and liabilities, which can be recorded in the Consolidated Financial Statements of the Prima Group (26 thousand Euro), to be considered as *goodwill*.

During the course of the first quarter of 2006, which is the first period in which the financial results of the branch of the business were considered in the Group's Financial Statements, M.L.T.A. showed a negative operating result (EBIT) of 67 thousand Euro, with turnover of 372 thousand Euro. The sales and results were determined in accordance with IAS-IFRS. The negative result of the period is mainly due to periodicity of the revenues that penalize the first quarter, as well as certain other expenses relating to staff.

□ **SEGMENT REPORTING**

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

**Segment information - 03/31/2006**

|                                                 | <u>Laser<br/>systems</u> | <u>Electronics</u> | <u>Unallocated</u> | <u>Group</u>  |
|-------------------------------------------------|--------------------------|--------------------|--------------------|---------------|
| Total segment revenues                          | 29.378                   | 5.397              | -                  | 34.775        |
| (Infra-sector revenues)                         |                          | (1.313)            | -                  | (1.313)       |
| <b>Revenues</b>                                 | <b>29.378</b>            | <b>4.084</b>       | -                  | <b>33.462</b> |
| Operating result                                | 3.681                    | 360                | -                  | 4.041         |
| Net financial income/expenses                   | (340)                    | (12)               | -                  | (352)         |
| Income/expenses from assoc.cos & joint ventures | 10                       | -                  | -                  | 10            |
| <b>Result before tax</b>                        |                          |                    |                    | <b>3.699</b>  |
| Taxes                                           |                          |                    |                    | (655)         |
| <b>Net profit/loss</b>                          |                          |                    |                    | <b>3.044</b>  |

**Segment information - 03/31/2005**

|                                                 | <u>Laser<br/>systems</u> | <u>Electronics</u> | <u>Unallocated</u> | <u>Group</u>  |
|-------------------------------------------------|--------------------------|--------------------|--------------------|---------------|
| Total segment revenues                          | 23.411                   | 3.856              | -                  | 27.267        |
| (Infra-sector Revenues)                         |                          | (845)              | -                  | (845)         |
| <b>Revenues</b>                                 | <b>23.411</b>            | <b>3.011</b>       | -                  | <b>26.422</b> |
| Operating result                                | 2.100                    | 193                | -                  | 2.293         |
| Net financial income/expenses                   | (423)                    | (7)                | -                  | (430)         |
| Income/expenses from assoc.cos & joint ventures | -                        |                    |                    | -             |
| <b>Result before tax</b>                        |                          |                    |                    | <b>1.863</b>  |
| Taxes                                           |                          |                    |                    | (1.156)       |
| <b>Net profit/loss</b>                          |                          |                    |                    | <b>707</b>    |

**Amortisation, Depreciation and writedowns - 03/31/2006**

|                                        | <b>Laser<br/>systems</b> | <b>Electronics</b> | <b>Unallocated</b> | <b>Group</b> |
|----------------------------------------|--------------------------|--------------------|--------------------|--------------|
| Depreciation - tangible fixed assets   | 189                      | 78                 | -                  | 267          |
| Amortisation - intangible fixed assets | 25                       | 13                 | -                  | 38           |
| <b>Total</b>                           | <b>214</b>               | <b>91</b>          | <b>-</b>           | <b>305</b>   |

**Amortisation, depreciation and writedowns - 03/31/2005**

|                                        | <b>Laser<br/>systems</b> | <b>Electronics</b> | <b>Unallocated</b> | <b>Group</b> |
|----------------------------------------|--------------------------|--------------------|--------------------|--------------|
| Depreciation - tangible fixed assets   | 182                      | 66                 | -                  | 248          |
| Amortisation - intangible fixed assets | 15                       | 12                 | -                  | 27           |
| <b>Total</b>                           | <b>197</b>               | <b>78</b>          | <b>-</b>           | <b>275</b>   |

**Assets and liabilities - 03/31/2006**

|                                         | <b>Laser<br/>systems</b> | <b>Electronics</b> | <b>Unallocated</b> | <b>Group</b>   |
|-----------------------------------------|--------------------------|--------------------|--------------------|----------------|
| Assets                                  | 68.942                   | 15.399             | 19.216             | 103.557        |
| Associates companies and joint ventures | 1.792                    | -                  | -                  | 1.792          |
| <b>Total assets</b>                     | <b>70.734</b>            | <b>15.399</b>      | <b>19.216</b>      | <b>105.349</b> |
| Liabilities                             | 39.018                   | 7.420              | 25.262             | 71.700         |

**Assets and liabilities - 03/31/2005**

|                                         | <b>Laser<br/>systems</b> | <b>Electronics</b> | <b>Unallocated</b> | <b>Group</b>  |
|-----------------------------------------|--------------------------|--------------------|--------------------|---------------|
| Assets                                  | 65.851                   | 12.502             | 18.108             | 96.461        |
| Associates companies and joint ventures | 918                      | 68                 | -                  | 986           |
| <b>Total assets</b>                     | <b>66.769</b>            | <b>12.570</b>      | <b>18.108</b>      | <b>97.447</b> |
| Liabilities                             | 37.220                   | 6.508              | 27.154             | 70.882        |

*On behalf of the Board of Directors*

*The Chairman*



*Gianfranco Carbonato*



**PRIMA INDUSTRIE S.p.A.**

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**7. FINANCIAL STATEMENTS AT MARCH 31, 2006**

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## FINANCIAL STATEMENTS AT MARCH 31, 2006 and DECEMBER 31, 2005

### BALANCE SHEET

(Amounts in euro)

|                                                     | 31/03/06          | 31/12/05          |
|-----------------------------------------------------|-------------------|-------------------|
| Tangible fixed assets                               | 3.026.698         | 3.038.861         |
| Intangible fixed assets                             | 192.547           | 98.697            |
| Equity investments in subsidiaries                  | 12.840.913        | 12.840.913        |
| Equity investments valued using the equity method   | 1.249.778         | 1.249.778         |
| Equity investments valued using the cost method     | 51.832            | 51.832            |
| Loans to related parties                            | 3.141.866         | 2.898.962         |
| Other financial assets                              | 258.484           | 258.484           |
| Other receivables                                   | 9.232             | 9.446             |
| <b>TOTAL NON CURRENT ASSETS</b>                     | <b>20.771.350</b> | <b>20.446.973</b> |
| Inventories                                         | 21.653.531        | 18.081.051        |
| Trade receivables                                   | 28.754.474        | 33.997.642        |
| Other receivables                                   | 3.426.727         | 2.652.279         |
| Other tax assets                                    | 2.085.666         | 1.264.262         |
| Tax assets - prepaid taxes                          | 3.625.029         | 3.859.224         |
| Derivative financial instruments                    |                   | 4.595             |
| Cash and cash equivalents                           | 7.175.758         | 7.138.093         |
| <b>TOTAL CURRENT ASSETS</b>                         | <b>66.721.185</b> | <b>66.997.146</b> |
| Non current assets held for sale                    | -                 | -                 |
| <b>TOTAL ASSETS</b>                                 | <b>87.492.535</b> | <b>87.444.119</b> |
| Capital stock                                       | 11.500.000        | 11.500.000        |
| Treasury stock                                      | (39.339)          | (92.872)          |
| Other reserves                                      | 16.656.427        | 16.656.427        |
| Conversion reserve                                  |                   |                   |
| Profits (Losses) carried forward                    | 2.755.388         | (1.181.405)       |
| Profit (loss) for the year                          | 114.320           | 3.904.952         |
| <i>Total Group stockholders' equity</i>             | <i>30.986.796</i> | <i>30.787.102</i> |
| Minority interests                                  | -                 | -                 |
| <b>TOTAL NET EQUITY</b>                             | <b>30.986.796</b> | <b>30.787.102</b> |
| Loans                                               | 6.095.667         | 4.535.931         |
| Employee benefits                                   | 3.390.507         | 3.616.835         |
| Provision for risks and charges                     | 28.000            | 28.000            |
| Derivative financial instruments                    | 10.617            | 15.970            |
| <b>TOTAL NON CURRENT LIABILITIES</b>                | <b>9.524.791</b>  | <b>8.196.736</b>  |
| Trade payables                                      | 22.676.338        | 20.521.385        |
| Advances                                            | 6.183.672         | 8.726.329         |
| Other payables                                      | 2.621.747         | 2.510.061         |
| Amounts due to banks and i.r.o loans                | 9.627.763         | 11.386.273        |
| Tax liabilities - deferred taxes                    | 2.043.424         | 2.014.840         |
| Tax liabilities - current taxes                     | 1.862.809         | 1.405.393         |
| Provision for risks and charges                     | 1.957.800         | 1.896.000         |
| Derivative financial instruments                    | 7.395             | -                 |
| <b>TOTAL CURRENT LIABILITIES</b>                    | <b>46.980.948</b> | <b>48.460.281</b> |
| Liabilities due to non current assets held for sale | -                 | -                 |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>87.492.535</b> | <b>87.444.119</b> |

## FINANCIAL STATEMENTS AT MARCH 31, 2006 and 2005

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### INCOME STATEMENT

|                                                              | <b>31/03/06</b> | <b>31/03/05</b>  |
|--------------------------------------------------------------|-----------------|------------------|
| Net revenues from sales and services                         | 18.445.764      | 17.506.309       |
| Other operating income                                       | 476.059         | 458.272          |
| Changes in inventories of semifinished and finished products | 819.694         | (620.806)        |
| Increases in fixed assets for internal work                  | 20.736          | 8.216            |
| Use of raw materials, consumables, supplies and goods        | (10.328.947)    | (8.779.706)      |
| Personnel cost                                               | (3.864.685)     | (3.252.649)      |
| Amortization & Depreciation                                  | (149.916)       | (142.917)        |
| Impairment and writedowns                                    |                 | (93.483)         |
| Other operating costs                                        | (4.582.890)     | (4.110.381)      |
| <b>OPERATING INCOME</b>                                      | <b>835.815</b>  | <b>972.855</b>   |
| Financial income                                             | 111.384         | 158.887          |
| Financial expenses                                           | (356.649)       | (464.567)        |
| Net income from transactions in foreign exchange             | (888)           | (88.264)         |
| <b>INCOME BEFORE TAX</b>                                     | <b>589.662</b>  | <b>578.911</b>   |
| Current and deferred taxes                                   | (475.342)       | (728.755)        |
| <b>NET RESULT</b>                                            | <b>114.320</b>  | <b>(149.844)</b> |
| Income from assets held for disposal                         | -               | -                |
| <b>NET PROFIT</b>                                            | <b>114.320</b>  | <b>(149.844)</b> |
| <i>Stockholders' net profit</i>                              | <b>114.320</b>  | <b>(149.844)</b> |
|                                                              | -               | -                |
|                                                              | -               | -                |

## FINANCIAL STATEMENTS AT MARCH 31, 2006

### STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

(Amounts in euro)

From January 1, 2005 to March 31, 2005

|                                  | 01/01/2005        | Purchase /<br>Sale<br>of treasury<br>stock | Gains on<br>disposal of<br>treasury stock | Looses on<br>disposal<br>treasury stock | Allocation of<br>Results -<br>Previous<br>financial year | Distribution<br>Dividends | Profit for the<br>period | 31/03/2005        |
|----------------------------------|-------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|----------------------------------------------------------|---------------------------|--------------------------|-------------------|
| Capital stock                    | 11.500.000        |                                            |                                           |                                         |                                                          |                           |                          | 11.500.000        |
| Treasury stock                   | (170.606)         | 72.548                                     |                                           |                                         |                                                          |                           |                          | (98.058)          |
| Share premium reserve            | 15.664.893        | 72.548                                     |                                           |                                         |                                                          |                           |                          | 15.737.441        |
| Legal reserve                    | 729.550           |                                            |                                           |                                         |                                                          |                           |                          | 729.550           |
| Other reserves                   | 0                 |                                            |                                           |                                         |                                                          |                           |                          | 0                 |
| Conversion reserve               | -                 |                                            |                                           |                                         |                                                          |                           |                          | 0                 |
| Profits (losses) carried forward | (1.319.776)       | (72.548)                                   | 12.108                                    | (2.146)                                 | 931.735                                                  |                           |                          | (450.627)         |
| Income (Loss) for the period     | 931.735           |                                            |                                           |                                         | (931.735)                                                |                           | (149.844)                | (149.844)         |
| <b>Net Equity</b>                | <b>27.335.796</b> | <b>72.548</b>                              | <b>12.108</b>                             | <b>(2.146)</b>                          | <b>-</b>                                                 | <b>-</b>                  | <b>(149.844)</b>         | <b>27.268.462</b> |

From January 1, 2006 to March 31, 2006

|                                  | 01/01/2006        | Purchase /<br>Sale<br>of treasury<br>stock | Gains on<br>disposal of<br>treasury stock | Looses on<br>disposal<br>treasury stock | Allocation of<br>Results -<br>Previous<br>financial year | Distribution<br>Dividends | Profit for the<br>period | 31/03/2006        |
|----------------------------------|-------------------|--------------------------------------------|-------------------------------------------|-----------------------------------------|----------------------------------------------------------|---------------------------|--------------------------|-------------------|
| Capital stock                    | 11.500.000        |                                            |                                           |                                         |                                                          |                           |                          | 11.500.000        |
| Treasury stock                   | (92.872)          | 53.533                                     |                                           |                                         |                                                          |                           |                          | (39.339)          |
| Share premium reserve            | 15.664.893        |                                            |                                           |                                         |                                                          |                           |                          | 15.664.893        |
| Legal reserve                    | 770.910           |                                            |                                           |                                         |                                                          |                           |                          | 770.910           |
| Other reserves                   | 220.624           |                                            |                                           |                                         |                                                          |                           |                          | 220.624           |
| Conversion reserve               | -                 |                                            |                                           |                                         |                                                          |                           |                          | 0                 |
| Profits (losses) carried forward | (1.181.405)       |                                            | 33.018                                    | (1.177)                                 | 3.904.952                                                |                           |                          | 2.755.388         |
| Income (Loss) for the period     | 3.904.952         |                                            |                                           |                                         | (3.904.952)                                              |                           | 114.320                  | 114.320           |
| <b>Net Equity</b>                | <b>30.787.102</b> | <b>53.533</b>                              | <b>33.018</b>                             | <b>(1.177)</b>                          | <b>-</b>                                                 | <b>-</b>                  | <b>114.320</b>           | <b>30.986.796</b> |

**FINANCIAL STATEMENTS AT MARCH 31, 2006 and 2005****CASH FLOW STATEMENT AT 03/31/2005 and 03/31/2006***(Amounts in euro thousand)*

|                                                             | <u>31/03/2006</u>   | <u>31/03/2005</u>   |
|-------------------------------------------------------------|---------------------|---------------------|
| <b>Cash flow derived from operating activity</b>            |                     |                     |
| <b>Profit (Loss) before tax</b>                             | <b>590</b>          | <b>579</b>          |
| <b>Adjustments</b>                                          | <b>504</b>          | 741                 |
| Amortization for the financial year                         | 150                 | 143                 |
| Provisions raised to Employees' severance fund              | 108                 | 110                 |
| Loss (Profit) on exchange rates for currency transactions   | 1                   | 88                  |
| Loss (Income) from equity investments                       | 0                   | 93                  |
| Financial expenses                                          | 357                 | 465                 |
| Financial (income)                                          | <u>(111)</u>        | <u>(159)</u>        |
|                                                             | 1.094               | 1.320               |
| (Increase) /Decrease in trade and other receivables         | 3.647               | 4.182               |
| (Increase) /Decrease in inventories                         | (3.572)             | (352)               |
| Increase / (Decrease) in trade payables                     | (388)               | (2.145)             |
| Increase / (Decrease) in other payables                     | 33                  | (247)               |
| Cash flow from typical activity                             | 814                 | 2.758               |
| Interest payment                                            | (307)               | (509)               |
| Tax payment                                                 | 0                   | 0                   |
| <b>Cash flow derived from operating activity</b>            | <u><b>507</b></u>   | <u><b>2.249</b></u> |
| <b>Cash flow derived from investment activity</b>           |                     |                     |
| Purchase of tangible fixed assets                           | (114)               | (23)                |
| Purchase of intangible fixed assets                         | (118)               | (17)                |
| Sale /(Purchase) of financial assets (at cost)              | (243)               | (146)               |
| Sale /(Purchase) investments in associates                  |                     |                     |
| Receipts from sales of fixed assets                         | 0                   | -                   |
| Interest collected                                          | 111                 | 159                 |
| <b>Net Cash flow derived from investment activity</b>       | <u><b>(363)</b></u> | <u><b>(27)</b></u>  |
| <b>Cash flow derived from financing activity</b>            |                     |                     |
| Variation in the conversion reserve                         |                     |                     |
| (Purchase)/sale of treasury stock                           | 85                  | 83                  |
| Changes in balance- derivative instruments (FV)             | 7                   | 139                 |
| Stipulation of loans and financing                          | 2.000               | 2.000               |
| Repayments of loans and financing                           | (2.009)             | (1.035)             |
| (Repayments)/ Raising of financial leases                   | (190)               | (213)               |
| (Repayments)/ Raising of Sabatini transactions              |                     |                     |
| Dividends paid                                              | 0                   | 0                   |
| <b>Net Cash flow derived from financing activity</b>        | <u><b>(107)</b></u> | <u><b>973</b></u>   |
| <b>Increase (decrease) in the cash and cash equivalents</b> | <b>38</b>           | <b>3.195</b>        |
| <b>Cash and cash equivalents at the start of the period</b> | <b>7.138</b>        | <b>3.141</b>        |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>7.176</b>        | <b>6.336</b>        |

*On behalf of the Board of Directors  
The Chairman*



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*Gianfranco Carbonato.*