



# **PRIMA INDUSTRIE**

**QUARTERLY REPORT AT JUNE 30, 2006**



**Approved by the Board of Directors on August 3, 2006**

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

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

Registered offices in Collegno (Turin)  
Via Antonelli, 32  
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**BOARD OF DIRECTORS <sup>(1)</sup>**

***Chairman and Managing Director***  
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 Pinciroli (Managing Director)

***Secretary***

Massimo Ratti

**General Manager**

Ezio Basso

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

Riccardo Formica

***Auditors***

Andrea Mosca  
Roberto Petriagnani

***Alternate auditors***

Roberto Coda  
Gianluigi Frigerio

**AUDITING COMPANY**

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 2005-07

<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 are the legal representatives of the company.

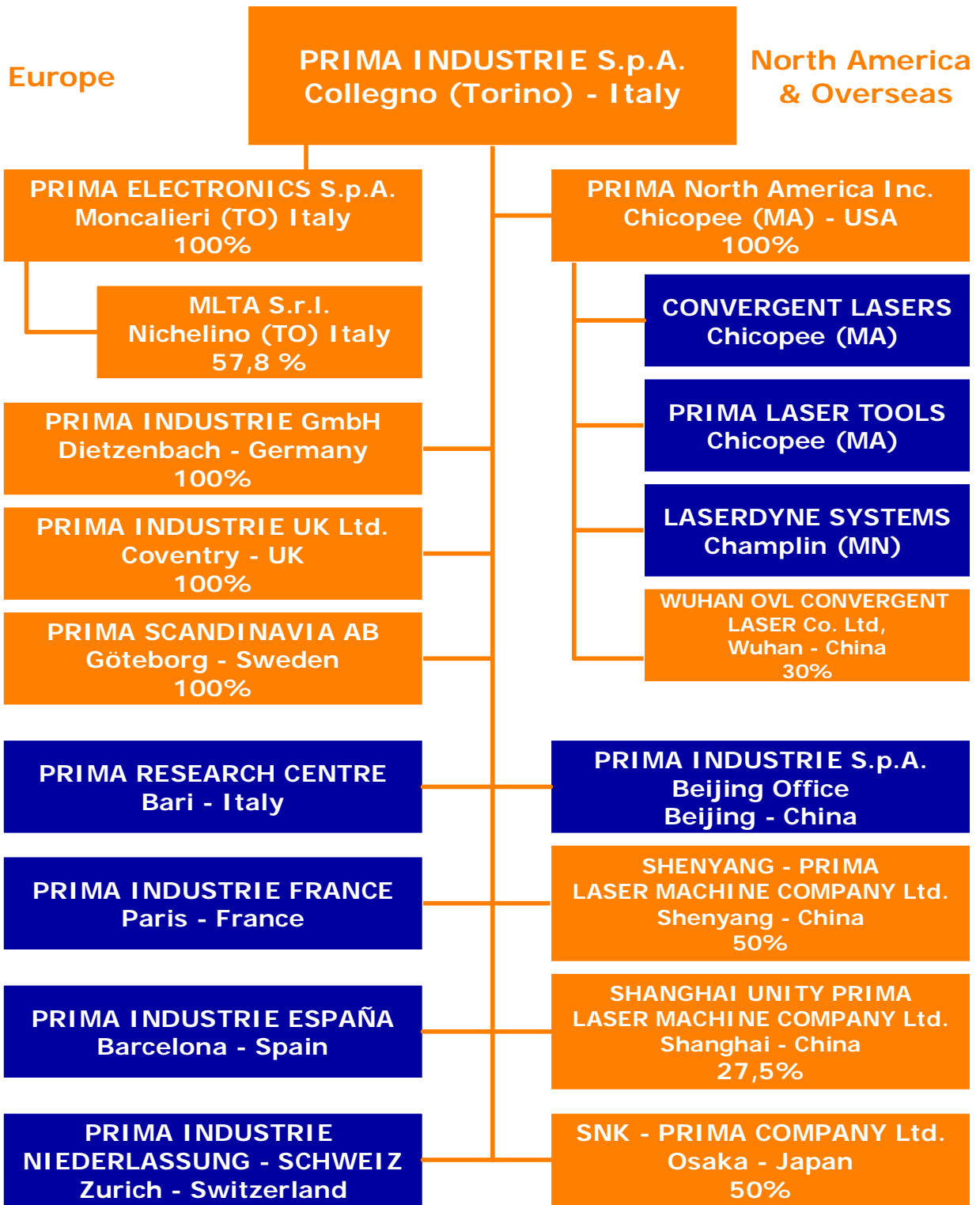
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# 1. STRUCTURE OF THE PRIMA INDUSTRIE GROUP



Legal Entity

Branch/ Representative Office

## 2. INTRODUCTION

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### NORMATIVE FRAMEWORK

In the application of european Regulation No.1606 dated July 19, 2002 and in accordance with Issuers Regulation No. 11971, as amended by CONSOB regulation No.14990 dated April 14, 2005 the PRIMA INDUSTRIE Group prepared the quarterly report at June 30, 2006, in accordance with the International Accounting Principles approved by the european Commission (hereinafter referred to individually as the IAS/IFRS or together, as IFRS).

In accordance with paragraph 8 of IAS 34 ("Interim Financial Statements"), the Quarterly report at 06/30/2006, includes the following:

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

In addition, in accordance with section 81, paragraph 3 of Issuers Regulation no. 11971 the quarterly report is also made up of the parent company's accounting statements, prepared in accordance with IAS/IFRS, because with effect from the 2006 financial year PRIMA INDUSTRIE S.p.A. is also obliged to prepare the Financial Statements in accordance with International Accounting Standards. The corresponding data relating to the previous financial period has thus been redetermined according to IAS/IFRS.

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

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

<b>SUBSIDIARY COMPANIES</b>		<b>STAKE</b>	<b>CONSOLIDATION METHOD</b>
PRIMA ELECTRONICS S.p.A.	Strada Carignano 48/2 10024 Moncalieri (TURIN)	100%	Line-by-line method
PRIMA North America, Inc.	Convergent Lasers Division & The PRIMA Laser Tools Division: 711 East Main Street Chicopee, MA 01020 (USA)  Lasergyne Systems Division: 8600 109th Av. North Champlin, MN 55316 (USA)	100%	Line-by-line method
PRIMA INDUSTRIE GmbH	Shöne Aussicht 5a Kronberg (D)	100%	Lyne-by-line method
PRIMA SCANDINAVIA AB	Möndalsvägen 30c SE-412 63 Goteborg (S)	100%	Line-by-line method
PRIMA INDUSTRIE UK LTD	Unit 1, Phoenix Park Bayton Road Coventry CV7 90N, UK	100%	Line-by-line method
M.L.T.A. S.r.l.	Via Cuneo, 31 10042 Nichelino (Turin)	57,48%	Line-by-line method

<b>ASSOCIATED COMPANIES</b>		<b>STAKE</b>	<b>CONSOLIDATION METHOD</b>
Shenyang PRIMA Laser Machine Company Ltd	Shenyang Liaoning Province, China 45 Huanghai Rd, Yuhong District	50%	Equity method
SNK PRIMA Company Ltd	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka Japan, Shanghai 201111 - China	50%	Equity method
Shanghai Unity Prima Laser Machinery co Ltd.	2019, Kunyang Rd., Shanghai 201111 - China	27,50%	Equity method
Wuhan OVL Convergent Laser Co., Ltd.	Building No.1, Great Wall Technology Industry Park, No.1, Townson Lake Road Wuhan East Lake High-Tech Development Zone Wuhan, 430223, Hubei, P.R. China	30%	Equity method

## GENERAL INFORMATION

Founded in 1977, PRIMA INDUSTRIE S.p.A. (“the company”) designs, manufactures and markets very powerful laser systems for cutting, micro-boring 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 has continuously recorded double-digit growth rates, at the same time becoming one of the leaders in the laser systems market. More recently, whilst maintaining its own leadership in three-dimensional applications, PRIMA INDUSTRIE has also become an important manufacturer in the market, relating to the laser cutting of flat surfaces, thanks to its strong commitment to product innovation and its extensive sales and customer service network.

Together with its subsidiary company PRIMA ELECTRONICS S.p.A., PRIMA INDUSTRIE has accumulated significant skill and expertise in the industrial electronics field, as well as in control technology and real-time software, success factors in the ongoing product innovation needed to maintain its leadership in a high-tech sector with highly developmental dynamics.

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

In April 2001, the Company acquired the assets of the Laserdyne Division from GSI Lumonics – the division is a leader in the design, manufacture and sale of multi-axis laser systems, especially in the field of precision micro-boring, cutting and welding for the 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 at two operational premises: Chicopee in Massachusetts (CONVERGENT LASERS and PRIMA LASER TOOLS) and Champlin in Minnesota (LASERDYNE SYSTEMS).

The Company's presence on the Asian market is particularly significant, where it operates through four Joint Ventures - three in China (the most recent, Wuhan OVL Convergent Laser Co. Ltd, was established in April 2006) and one in Japan.

During the period 2004-2005, the Company further consolidated its sales and service structures in Europe through the incorporation of PRIMA SCANDINAVIA AB and PRIMA INDUSTRIE UK Ltd, as well as through the acquisition by PRIMA INDUSTRIE GmbH of the business of the previous German distributor, with effect from 7/01/2005. In addition to the three companies mentioned above the Group also has branch offices in Spain, France, Switzerland and China, as well as the Research and Development centre in Bari established in 2003.

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

The company's policy directed at significant investment in Research and Innovation, the improvement of the international sales coverage and the strengthening of the reference market after the period of stagnation that occurred after September 11, 2001 have permitted the Group to return to significant growth rates with effect from 2004, together with a constant, gradual improvement of the company's profitability.

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

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

The current quarterly report was approved by the Board of Directors on August 3, 2006.



### 3. BUSINESS TREND

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#### SALES AND PROFITABILITY

Consolidated revenues for the first six months of 2006, valued in accordance with IAS 18 (that provides for the recognition of revenue generally at the time of the end-customer's acceptance) amount to 66,677 thousand euro.

This figure, which increased by 43.8% compared to 6/30/05 (when it was 46,370 thousand euro) was achieved as follows: 23.2% in Italy (28.4% at 06/30/05); 44% in Europe (42.6% at 06/30/05); 22.3% in North America (16.9% at 06/30/05) and 10.5% in Asia and the rest of the world (12.1% at 30/06/05). 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.

Revenues in the second quarter amounted to 33,215 thousand euro, compared to 19,948 thousand euro in the second quarter of 2005 (up 66.5%). The geographical breakdown of the sales is as follows: 31% in Italy (27.9% in the second quarter of 2005); 44% in Europe (41.4% in the second quarter of 2005); 12% in North America (20.2% in the second quarter of 2005) and 13% in Asia and the rest of the world (10.5% in the second quarter of 2005).

An examination of this information highlights an increase in sales on the Italian market in the second quarter of 2006; thus, even though sales were lower on a percentage basis, during the six-month period the sales on the domestic market increased by 17.6% compared to the same period in 2005.

The European markets confirmed the excellent trend already observed in the first quarter; consequently, the sales in the first six months of 2006 increased by 48.7% compared to the first half of 2005. This was due to the general growth in all the markets and in particular certain markets like Sweden and Germany where the Group, over the past two years invested to obtain a direct Customer Service.

During the course of the second quarter of the year, the impact of the USA reduced compared to 3/31/2006. This latter period benefited from an increased number of LASERDYNE systems delivered in 2005 but accepted by the customer in the first quarter of 2006. Compared to 6/30/2005 the sales in the USA grew by 89.5% not only as a result of LASERDYNE, but also due to the increased sales of the PRIMA LASER TOOLS division (about 28% more).

The percentage decline in the Overseas markets, largely due to the activities carried out *in loco* by the Chinese Joint Ventures, was matched by an increase in absolute terms of about 1.4 million euro (+24.2% compared to the first half of 2005).

At product level, a strong growth in the sales of 2D systems (in particular PLATINO and SINCRONO) was supported by a good increase in the revenues from electronic products and income from after-sales services and spare parts while remained substantially stable sales of 3D systems.

In this sector a growth in the aerospace segment was matched by a decline in the automobile sector because of the unfavourable business trend in this industry both in Europe as well as in North America

To the growth in sales corresponded a growth in the value of production, which, at 06/30/06 amounted to 68,490 thousand euro - 36.1% higher than the corresponding figure for the previous year (50,310 thousand euro). At the end of the second quarter the figure amounted to 36,606 euro compared to the 24,779 thousand euro of the same period in 2005 (+47.7%).

All the profitability ratios showed significant growth compared to the previous years' figures. The Group's EBITDA amounting to 7,348 thousand euro and grew by 157% compared to the 2,861 thousand euro at 06/30/05. The consolidated EBIT (6,705 thousand euro, equal to 10% of sales) improved by 194% compared to the 2,281 thousand euro at 6/30/05.

As far as the second quarter of 2006 is concerned, the consolidated EBITDA and EBIT, were equal respectively to 3,002 and 2,664 thousand euro, as against 293 and -12 thousand euro in the second quarter of 2005.

The increase in operating profit is reflected in the profit before tax at 6/30/2006 that amounted to 6,218 thousand euro, a growth of 255%, compared to the 1,749 thousand euro at 06/30/05. The figure for the quarter amounted to 2,518 thousand euro (-114 thousand euro in the second quarter of 2005).

The net profit at 6/30/2006 amounted to 4,494 thousand euro compared to the 777 thousand euro at 6/30/2005 (+478%). In particular, the second quarter of 2006, contributed a sum of 1,449 thousand euro to this figure, compared to the 70 thousand euro for the second quarter of 2005.

In this regard, it should be borne in mind that the results at 6/30/2006 benefited from a reduced tax burden, largely due to an increased contribution to the consolidated result made by PRIMA North America that was able to benefit from prior year tax losses that could be utilised in the period.

It follows that the profit per share at 6/30/2006, attributable to the stockholders of the parent company, taking into account the average number of treasury stock held in the six months, amounted to 0.98 euro per share (compared to 0.17 euro per share at 6/30/05).

## ORDERS ACQUISITION AND THE ORDERS BACKLOG

At 6/30/06 the consolidated orders acquisition amounted to 82,217 thousand euro, with an increase of about 60% compared to the 51,417 thousand euro of the first half of 2005, thus continuing and reinforcing the favourable trend already observed from mid 2005.

In relation to the second quarter, the orders acquisition amounts to 45,460 thousand euro, compared to the 26,720 thousand euro of the second quarter of 2005.

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

The orders backlog at 6/30/06 amounted to 56,545 thousand euro, with an increase of 44.7% compared to the 39,073 thousand euro at 6/30/05 and an increase of 26% compared to the 44,869 thousand euro at 3/31/2006.

## NET FINANCIAL POSITION

	<b>06/30/06</b>	<b>12/31/05</b>
CASH	14,979	11,495
SHORT-TERM BORROWINGS FROM BANKS AND OTHER LENDERS	(7,292)	(13,913)
MEDIUM/LONG-TERM BORROWINGS FROM BANKS AND OTHER LENDERS <sup>(1)</sup>	(15,322)	(5,315)
TOTAL NET EXPOSURE TO THE CREDIT SYSTEM	(7,635)	(7,733)

<sup>(1)</sup> Also includes the leasing charges and the debt entries relating to the Sabatini with recourse transactions in existence. This item amounts to 1,630 thousand euro at 6/30/06 (it was 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 (-7,635 thousand euro at 6/30/06) decreased by about 0.1 million euro compared to 12/31/05 (-7,733 thousand euro) and by about 2.2 million euro compared to 3/31/2006. The favourable trend in the quarter can be attributed to the net cash flow from operating activities that more than compensated for the cash out for investments (0.6 million euro) and for the dividend distribution (1.3 million euro).

Compared to 12/31/2005 new medium/long-term loans were entered into for 11,000 thousand euro (9,000 thousand in the second quarter), whereas loan instalments totalling 8,303 thousand euro were repaid (6,294 thousand euro in the second quarter).

The ratio between the net financial position (mainly made up of medium/long-term loans including the instalments falling due within 12 months) and stockholders' equity estimated on the basis of IAS/IFRS principles is 0.23 compared to 0.25 at 12/31/05.

## RESEARCH

As usual, the research costs borne during the six months, totalling 4,106 thousand euro (3,729 thousand euro at 6/30/06) were fully charged to the Income Statement. Insofar as the second quarter is concerned this item amounted to 2,009 thousand euro compared to the 1,921 thousand euro of the second quarter of 2005.

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

In addition, in collaboration with PRIMA ELECTRONICS, the migration of the 3D systems to the new P20L control, continued. This transition ought to be completed by the end of the current year.

Over and above the activities mentioned above PRIMA ELECTRONICS continued with the engineering and development of the range of inverters for the control of asynchronous motors, (integrated in the motor itself) and the engineering and prototyping of high power motors for air-conditioning applications.

Through the subsidiary M.L.T.A. the development of a new High Voltage Power Supply (HVPS) continued for CO<sub>2</sub> lasers.

The American subsidiary PRIMA North America, on the other hand, continued with the development of the new line of "CV" Co2 laser sources with power exceeding of 4kW.

## TREASURY STOCK AND THE STOCK TREND

At 6/30/06 PRIMA INDUSTRIE S.p.A. held 8,145 ordinary shares (equal to approximately 0.18% of the capital stock) at an average weighted price of 17.7120 euro per share; these shares were acquired in compliance with the mandates granted by the Ordinary Stockholders' Meeting of 9/08/2005, 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-up 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 (equal to the par value) and a maximum buying price of € 30.00, whereas the maximum selling price can be determined on the basis of terms and conditions deemed expedient, from time to time. As far as off-market deals are concerned, the agreed price must in any event not give rise to any loss for the Company.

In addition, at 6/30/2006, 8000 shares of PRIMA INDUSTRIE were available to the subsidiary company, PRIMA ELECTRONICS (equal to about 0.17% of the capital stock), at a weighted average price of 19.9042 euro per share; these shares were those that remained at the end of the buying and selling programme of parent company stock, which ended on 6/09/2006.

As regards the treasury stock held by PRIMA INDUSTRIE, at 7/31/06 the portfolio decreased to 6,943 shares at a weighted average price of 17,5742 euro per share.

During the course of the first six months of 2006, also as a result of the favourable results of the 2006 financial year, the favourable trend in the stock price continued.

The stock trend and the STAR reference index for the period 1/01/06 to 07/25/06 are set out below.



### ***Earnings per share and dividend per share***

#### ***(a) Basic earnings per share***

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

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

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

*(b) Diluted earnings per share*

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

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

*(c) Dividend per share*

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

#### ESTABLISHMENT OF A JOINT-VENTURE IN CHINA

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

The new company will have a capital stock of USD 6,800,000 and will produce CO<sub>2</sub> laser sources (with power of 1.8 to 2.5 kW) developed by Wuhan Optics and CO<sub>2</sub> laser sources (with power of 3 to 4 kW) developed by PRIMA North America, destined for sale on the Asian markets in general and China in particular.

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

## ACQUISITION OF A MINORITY STOCKHOLDING

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

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

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

Within the scope of the collaboration between PRIMA ELECTRONICS and the company, which has been in existence since 2005, it is also anticipated that PRIMA ELECTRONICS will design the electronic components used in the fuel cell “power systems” for a sum of 500,000 euro.



## 4. PERFORMANCE 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) with effect from the first quarter of 2006, the Financial Statements of PRIMA INDUSTRIE S.p.A, the parent company, and those of PRIMA ELECTRONICS S.p.A., were prepared using International Accounting Principles.

Insofar as PRIMA North America is concerned, it should be noted that with effect from the 2005 financial year, revenues are recognised at the time that the end-customer accepts the product as opposed to at the time of delivery, as in the past.

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



## SUMMARY OF THE MOST SIGNIFICANT INCOME PARAMETERS AND RATIOS

(IN THOUSANDS OF EURO)

	PRIMA INDUSTRIE S.p.A.				PRIMA ELECTRONICS S.p.A.				PRIMA North America Inc.				Other subsidiary companies			
	06/30/06		06/30/05		06/30/06		06/30/05		06/30/06		06/30/05		06/30/06 <sup>(2)</sup>		06/30/05	
	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%	THOUSANDS OF EURO	%
Sales	43,752	100.0	30,567	100.0	10,043	100.0	8,213	100.0	25,040	100.0	13,568	100.0	8,222	100.0	1,669	
MOL (EBITDA)	2,468	5.6	1,084	3.5	1,679	16.7	1,225	14.9	4,118	16.4	761	5.6	90	1.1	(70)	
Operating income (EBIT) <sup>(1)</sup>	2,156	4.9	781	2.6	1,500	14.9	1,059	12.9	4,002	16.0	655	4.8	53	0.6	(69)	

### EXCHANGE RATES USED FOR THE CONVERSION OF NON-EURO CURRENCIES

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

(1) THE SUM OF THE INDIVIDUAL OPERATING RESULTS (AS PER THE TABLE) DIFFERS FROM THE CONSOLIDATED OPERATING RESULTS DUE TO THE EFFECTS OF THE CONSOLIDATION ADJUSTMENTS AND BECAUSE OF THE LACK OF UNIFORMITY IN THE ACCOUNTING PRINCIPLES OF REFERENCE;

(2) THE VALUES RELATE TO PRIMA INDUSTRIE UK LTD., PRIMA SCANDINAVIA AB, PRIMA INDUSTRIE GMBH AND M.L.T.A. S.R.L.;

(3) THE VALUES RELATE TO PRIMA INDUSTRIE UK LTD. AND PRIMA SCANDINAVIA AB.

## PRIMA INDUSTRIE S.p.A.

Sales at 6/30/2006 (43,752 thousand euro) increased by 43.1% compared to 6/30/2005 (30,567 thousand euro). The sales for the second quarter of 2006 amounted to 25,306 thousand euro, compared to the 13,060 thousand euro of the second quarter of 2005 (+93,7%).

The increase in the operating return was more than proportionate to the increase in sales, rising from 2,156 thousand euro compared to 781 thousand euro at 6/30/05, even though provisions were raised to the allowance for doubtful debts of 250 thousand euro, which did not exist at 6/30/2005. As regards the second quarter, the EBIT amounted to 1,320 thousand euro compared to the -192 thousand euro of the second quarter of 2005.

The net result went from - 193 thousand euro at 6/30/05 to 598 thousand euro at 6/30/06; in particular the net profit for the second quarter was 484 thousand euro compared to a loss of 43 thousand euro in the second quarter of 2005.

The good performance of the parent company should continue thanks to the orders backlog from third party customers that at 6/30/06 amounts to 31,719 thousand euro - a marked increase compared to the 19,498 thousand euro at 6/30/05 and the 27,096 thousand euro at 3/31/2006.

## PRIMA ELECTRONICS S.p.A.

Sales increased to 10,042 thousand euro compared to the 8,213 thousand euro at 6/30/2005 (+22,3%); profitability was also markedly stronger with an EBIT equal to 1,500 thousand euro against the 1,059 thousand euro at 6/30/05 (+50,4%).

The data for the second half of 2006 highlights respectively, sales of 4,897 thousand euro and EBIT of 709 thousand euro (the figures for the second quarter of 2005 were respectively 4,357 and 589 thousand euro).

## PRIMA North America Inc.

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

In the second quarter of 2006, PRIMA North America recorded sales of 11.6 million and reflected EBIT of 1.5 million Dollars, compared to the 8.2 and -0.1 million Dollars of the second quarter 2005.

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

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

## OTHER SUBSIDIARY COMPANIES

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

Compared to 6/30/2005 the subsidiary PRIMA SCANDINAVIA recorded sales that were more than 10 times higher and consequently achieved a positive operating profit, in excess of 5% of sales.

PRIMA INDUSTRIE GmbH, which during the course of the second quarter of 2006, moved to its modern head office in Dietzenbach (Frankfurt), achieved sales in the same period of 2,170 thousand euro and EBIT which was marginally positive. The good level of the orders backlog should allow PRIMA GmbH to improve its own results in terms of sales and profitability during the second part of 2006.

A comparison with the first half of 2005 is not relevant in that during that period PRIMA INDUSTRIE GmbH was not operational.

As regards M.L.T.A. S.r.l., which entered the area of consolidation in 2006, sales and EBIT at 6/30/2006 redetermined in accordance with IAS-IFRS standards were respectively 852 thousand euro and -29 thousand euro, owing to the fact that the second quarter reflected an improved performance compared to the first quarter of the year.



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

**5. CONSOLIDATED FINANCIAL STATEMENTS  
AT JUNE 30, 2006  
ACCOUNTING STATEMENTS**

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**PRIMA INDUSTRIE GROUP, CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30 2006**

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

(Amounts in euro)

	Note	30/06/06	31/12/05
Tangible fixed assets		6.238.123	5.778.520
Intangible fixed assets		2.629.576	2.738.927
Equity investments valued using the equity method		1.762.556	1.809.079
Equity investments valued using the cost method		301.832	51.832
Other financial assets		258.668	272.117
Other receivables		48.307	52.391
<b>TOTAL NON CURRENT ASSETS</b>		<b>11.239.062</b>	<b>10.702.866</b>
Inventories	1	40.380.925	36.319.402
Trade receivables	2	38.370.917	39.869.959
Other receivables	3	2.972.003	3.048.672
Other tax assets		851.527	1.357.085
Tax assets - prepaid taxes		7.048.133	6.946.898
Derivative financial instruments		-	4.595
Cash and cash equivalents		14.978.872	11.495.383
<b>TOTAL CURRENT ASSETS</b>		<b>104.602.377</b>	<b>99.041.994</b>
Non current assets held for sale		-	-
<b>TOTAL ASSETS</b>		<b>115.841.439</b>	<b>109.744.860</b>
Capital stock		11.500.000	11.500.000
Treasury stock		(144.265)	(92.872)
Treasury stock owned by subsidiaries		(145.096)	
Other reserves		19.150.373	16.656.427
Conversion reserve		(158.091)	329.937
Profits (Losses) carried forward		(1.330.450)	(2.661.910)
Profit (loss) for the year		4.520.870	5.107.631
Total Group stockholders' equity		33.393.341	30.839.213
Minority interests		18.820	-
<b>TOTAL NET EQUITY</b>		<b>33.412.161</b>	<b>30.839.213</b>
Loans		15.318.029	5.570.596
Employee benefits		5.009.047	4.936.694
Provision for risks and charges	5	29.110	29.110
Derivative financial instruments		3.960	15.970
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>20.360.146</b>	<b>10.552.370</b>
Trade payables	4	28.152.717	23.089.151
Advances	4	12.004.347	18.371.290
Other payables	4	4.596.473	4.668.838
Amounts due to banks and i.r.o loans		7.291.552	13.918.168
Tax liabilities - deferred taxes		2.554.729	2.502.156
Tax liabilities - current taxes		2.998.230	2.027.955
Provision for risks and charges	5	4.471.084	3.775.719
Derivative financial instruments		-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>62.069.132</b>	<b>68.353.277</b>
Liabilities due to non current assets held for sale		-	-
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>115.841.439</b>	<b>109.744.860</b>

**PRIMA INDUSTRIE GROUP, CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30 2006**

**CONSOLIDATED INCOME STATEMENT AT JUNE 30, 2006 & JUNE 30, 2005**

(VALUES IN EURO)

	<b>30/06/06</b>	<b>30/06/05</b>	<b>II quarter 06</b>	<b>II quarter 05</b>
Net revenues from sales and services	66.677.018	46.369.757	33.214.890	19.947.581
Other operating income	784.628	1.021.985	316.708	551.885
Changes in inventories of semifinished and finished products	977.617	2.885.538	3.051.151	4.262.291
Increases in fixed assets for internal work	50.399	32.631	23.663	17.415
Use of raw materials, consumables, supplies and goods	(31.693.448)	(24.269.681)	(18.390.558)	(12.611.982)
Personnel cost	(14.540.313)	(12.483.164)	(7.286.483)	(6.488.133)
Amortization & Depreciation	(642.669)	(580.105)	(337.535)	(304.968)
Other operating costs	(14.907.960)	(10.696.337)	(7.927.590)	(5.386.335)
<b>OPERATING INCOME</b>	<b>6.705.272</b>	<b>2.280.624</b>	<b>2.664.246</b>	<b>(12.246)</b>
Financial income	165.371	327.055	76.210	172.456
Financial expenses	(720.678)	(956.709)	(300.955)	(407.361)
Net income from transactions in foreign exchange	88.075	201.428	109.164	237.016
Net income from associated companies & joint ventures	(20.120)	(103.449)	(30.305)	(103.449)
<b>INCOME BEFORE TAX</b>	<b>6.217.920</b>	<b>1.748.949</b>	<b>2.518.360</b>	<b>(113.584)</b>
Current and deferred taxes	(1.724.553)	(972.058)	(1.069.223)	183.747
<b>NET RESULT</b>	<b>4.493.367</b>	<b>776.891</b>	<b>1.449.137</b>	<b>70.163</b>
Income from assets held for disposal	-	-	-	-
<b>NET PROFIT</b>	<b>4.493.367</b>	<b>776.891</b>	<b>1.449.137</b>	<b>70.163</b>
- Group stockholders' net profit	<b>4.520.870</b>	<b>776.891</b>	<b>1.439.487</b>	<b>70.163</b>
- Minorities net profit	(27.503)	-	9.650	-
<b>Earning per share (euro)</b>	<b>0,98</b>	<b>0,17</b>	<b>0,31</b>	<b>0,02</b>

**PRIMA INDUSTRIE GROUP, CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2006**

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

*amounts in euro*

**FROM JANUARY 1<sup>ST</sup> 2005 TO JUNE 30<sup>TH</sup> 2005**

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

**FROM JANUARY 1<sup>ST</sup>, 2006 TO JUNE 30<sup>TH</sup>, 2006**

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

**PRIMA INDUSTRIE GROUP, CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30 06 & 05**  
**CONSOLIDATED CASHFLOW STATEMENT AT JUNE 30, 2006 & JUNE 30, 2005**

*(Amounts in euro thousand)*

	<b>30/06/2006</b>	<b>30/06/2005</b>
<b>Cash flow derived from operating activity</b>		
<b>Profit (Loss) before tax</b>	<b>6.218</b>	<b>777</b>
<b>Adjustments</b>	<b>1.737</b>	<b>1.441</b>
Amortization for the financial year	643	580
Provisions raised to Employees' severance fund	607	329
Loss (Profit) on exchange rates for currency transactions	(88)	(201)
Loss (Income) from equity investments	20	103
Financial expenses	721	957
Financial (income)	(165)	(327)
	<b>7.955</b>	<b>2.218</b>
(Increase) /Decrease in trade and other receivables	2.784	3.624
(Increase) /Decrease in inventories	(3.685)	(7.397)
Increase / (Decrease) in trade payables	(1.754)	4.262
Increase / (Decrease) in other payables	(609)	31
<b>Cash flow from typical activity</b>	<b>4.691</b>	<b>2.738</b>
Interest payment	(678)	(874)
Tax payment	(103)	-
Cash flow derived from operating activity	<b>3.910</b>	<b>1.864</b>
<b>Cash flow derived from investment activity</b>		
Purchase of MLTA	(39)	-
Purchase of tangible fixed assets	(953)	(662)
Purchase of intangible fixed assets	38	(371)
Sale /(Purchase) of financial assets (at cost)	(237)	(17)
Sale /(Purchase) investments in associates	26	-
Receipts from sales of fixed assets	-	111
Interest encashed	165	327
<b>Net Cash flow derived from investment activity</b>	<b>(998)</b>	<b>(612)</b>
<b>Cash flow derived from financing activity</b>		
Variation in the conversion reserve	(488)	231
(Purchase)/sale of treasury stock	(164)	(47)
Variation of other reserves	18	-
Changes in balance- derivative instruments (FV)	(7)	447
Stipulation of loans and financing	11.000	5.000
Repayments of loans and financing	(8.303)	(1.837)
(Repayments)/ Raising of financial leases	(118)	(113)
(Repayments)/ Raising of Sabatini transactions	(80)	(401)
Dividends paid	(1.286)	(643)
<b>Net Cash flow derived from financing activity</b>	<b>571</b>	<b>2.637</b>
<b>Increase (decrease) in the cash and cash equivalents</b>	<b>3.483</b>	<b>3.889</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>14.979</b>	<b>10.337</b>



## 6. EXPLANATORY NOTES

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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 main activity is focused in the cutting and welding laser machines sector.

PRIMA ELECTRONICS SpA's corporate mission is the design, manufacture and sale of mechanical, electrical and electronic equipment, systems and installations and the relevant software programs).

The company may also acquire and grant manufacturing licences.

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

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

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

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

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

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

## □ VALUATION CRITERIA

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

## □ EXPLANATORY DETAILS

Some details relative to the more important changes in the items of the Financial Statements is provided below.

### Note 1. Inventories

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

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

### Note 2. Trade receivables

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

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

### Note 3. Other receivables

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

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

### Note 4. Trade and other payables

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

The main changes in this item include the increase in trade payables (+5,063 thousand euro), tied to the increase in production volumes and the reduction in the customer advances of 6,367 thousand euro, which can be attributed to the increased number of machines that were already invoiced by PRIMA North America and PRIMA Industrie at 12/31/05, but accepted by customers in the first half of 2006.

## Note 5. Provision for risks

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

## Short-term provisions for risks

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

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

□ **SECTOR REPORT**

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

**Sector result - 06/30/2006**

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

**Sector result - 06/30/2005**

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

**Sector information - 6/30/2006**

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

**Sector information - 6/30/2005**

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

**Assets and liabilities - 06/30/2006**

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

**Assets and liabilities - 30/06/2005**

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

*On behalf of the Board of Directors*

*Chairman*



*Gianfranco Carbonato*



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

## **7. FINANCIAL STATEMENTS AT JUNE 30, 2006**

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**FINANCIAL STATEMENTS AT JUNE 30, 2006**  
**BALANCE SHEET AT JUNE 30, 2006 & DECEMBER 31, 2005**

<i>(VALUES IN EURO)</i>	<b>30/06/06</b>	<b>31/12/05</b>
Tangible fixed assets	3.095.525	3.038.861
Intangible fixed assets	167.728	98.697
Equity investments in subsidiaries	12.840.913	12.840.913
Equity investments valued using the equity method	1.249.778	1.249.778
Equity investments valued using the cost method	51.832	51.832
Loans to related parties	3.037.541	2.898.962
Other financial assets	258.484	258.484
Other receivables	9.213	9.446
<b>TOTAL NON CURRENT ASSETS</b>	<b>20.711.014</b>	<b>20.446.973</b>
Inventories	22.397.141	18.081.051
Trade receivables	34.706.808	33.997.642
Other receivables	2.460.853	2.652.279
Other tax assets	748.152	1.264.262
Tax assets - prepaid taxes	3.647.549	3.859.224
Derivative financial instruments		4.595
Cash and cash equivalents	11.887.676	7.138.093
<b>TOTAL CURRENT ASSETS</b>	<b>75.848.179</b>	<b>66.997.146</b>
Non current assets held for sale	-	-
<b>TOTAL ASSETS</b>	<b>96.559.193</b>	<b>87.444.119</b>
Capital stock	11.500.000	11.500.000
Treasury stock	(144.265)	(92.872)
Other reserves	19.150.373	16.656.427
Conversion reserve		
Profits (Losses) carried forward	(1.024.252)	(1.181.405)
Profit (loss) for the year	598.265	3.904.952
<i>Total Group stockholders' equity</i>	<i>30.080.121</i>	<i>30.787.102</i>
Minority interests	-	-
<b>TOTAL NET EQUITY</b>	<b>30.080.121</b>	<b>30.787.102</b>
Loans	14.322.499	4.535.931
Employee benefits	3.530.401	3.616.835
Provision for risks and charges	28.000	28.000
Derivative financial instruments	3.960	15.970
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>17.884.860</b>	<b>8.196.736</b>
Trade payables	26.753.610	20.521.385
Advances	7.523.578	8.726.329
Other payables	2.570.708	2.510.061
Amounts due to banks and i.r.o loans	5.567.263	11.386.273
Tax liabilities - deferred taxes	2.014.260	2.014.840
Tax liabilities - current taxes	1.752.593	1.405.393
Provision for risks and charges	2.412.200	1.896.000
Derivative financial instruments		-
<b>TOTAL CURRENT LIABILITIES</b>	<b>48.594.212</b>	<b>48.460.281</b>
Liabilities due to non current assets held for sale	-	-
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>96.559.193</b>	<b>87.444.119</b>



## FINANCIAL STATEMENTS AT JUNE 30, 2006

### INCOME STATEMENT AT JUNE 30, 2006 AND JUNE 30, 2005

(Values in euro)

	30/06/06	30/06/05	II quarter 2006	II quarter 2005
Net revenues from sales and services	43.751.889	30.566.626	25.306.125	13.060.317
Other operating income	785.858	989.337	309.799	531.065
Changes in inventories of semifinished and finished products	1.126.439	2.478.986	306.745	3.099.792
Increases in fixed assets for internal work	29.399	15.631	8.663	7.415
Use of raw materials, consumables, supplies and goods	(24.778.446)	(18.096.054)	(14.449.499)	(9.316.348)
Personnel cost	(7.790.973)	(6.845.740)	(3.926.288)	(3.593.091)
Amortization & Depreciation	(312.313)	(303.285)	(162.397)	(160.368)
Impairment and writedowns		(60.576)		32.907
Other operating costs	(10.655.682)	(7.964.075)	(6.072.792)	(3.853.694)
<b>OPERATING INCOME</b>	<b>2.156.171</b>	<b>780.850</b>	<b>1.320.356</b>	<b>(192.005)</b>
Financial income	193.253	374.276	81.869	215.389
Financial expenses	(581.757)	(769.722)	(225.108)	(305.155)
Net income from transactions in foreign exchange	132.783	173.140	133.671	261.404
Net income from associated companies & joint ventures		(103.449)		(103.449)
Net income from transactions in foreign exchange				
<b>INCOME BEFORE TAX</b>	<b>1.900.450</b>	<b>455.095</b>	<b>1.310.788</b>	<b>(123.816)</b>
Current and deferred taxes	(1.302.185)	(647.995)	(826.843)	80.760
<b>NET RESULT</b>	<b>598.265</b>	<b>(192.900)</b>	<b>483.945</b>	<b>(43.056)</b>
Income from assets held for disposal	-	-	-	-
<b>NET PROFIT</b>	<b>598.265</b>	<b>(192.900)</b>	<b>483.945</b>	<b>(43.056)</b>
<i>Stockholders' net profit</i>	<b>598.265</b>	<b>(192.900)</b>	<b>483.945</b>	<b>(43.056)</b>

## FINANCIAL STATEMENTS AT JUNE 30, 2006

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

#### FROM JANUARY 1<sup>st</sup>, 2005 TO JUNE 30<sup>th</sup>, 2005

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

#### FROM JANUARY 1<sup>st</sup>, 2006 TO JUNE 30<sup>th</sup>, 2006

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

**FINANCIAL STATEMENTS AT JUNE 30, 2006****CASH FLOW STATEMENT AT JUNE 30, 2006 AND JUNE 30 2005***(Amounts in euro thousand)*

	<u>30/06/2006</u>	<u>30/06/2005</u>
<b>Cash flow derived from operating activity</b>		
<b>Profit (Loss) before tax</b>	<b>1.900</b>	<b>455</b>
<b>Adjustments</b>	<b>780</b>	<b>812</b>
Amortization for the financial year	312	303
Provisions raised to Employees' severance fund	212	182
Loss (Profit) on exchange rates for currency transactions	(133)	(173)
Loss (Income) from equity investments	-	103
Financial expenses	582	770
Financial (income)	(193)	(374)
	<u>2.680</u>	<u>1.267</u>
(Increase) /Decrease in trade and other receivables	210	3.589
(Increase) /Decrease in inventories	(4.316)	(4.159)
Increase / (Decrease) in trade payables	5.029	3.538
Increase / (Decrease) in other payables	(484)	(712)
	<u>3.120</u>	<u>3.522</u>
<i>Cash flow from typical activity</i>		
Interest payment	(539)	(874)
Tax payment	(103)	-
	<u>2.478</u>	<u>2.648</u>
<b>Cash flow derived from operating activity</b>		
<i>Cash flow derived from investment activity</i>		
Purchase of tangible fixed assets	(341)	(193)
Purchase of intangible fixed assets	(117)	(83)
Sale /(Purchase) of financial assets (at cost)	(139)	(893)
Sale /(Purchase) investments in associates		
Receipts from sales of fixed assets	20	3
Interest encashed	193	374
	<u>(383)</u>	<u>(792)</u>
<b>Net Cash flow derived from investment activity</b>		
<b>Cash flow derived from financing activity</b>		
Variation in the conversion reserve	(19)	(48)
Changes in balance- derivative instruments (FV)	(7)	477
Stipulation of loans and financing	11.000	5.193
Repayments of loans and financing	(6.835)	(1.974)
(Repayments)/ Raising of financial leases	(118)	(113)
(Repayments)/ Raising of Sabatini transactions	(80)	(401)
	<u>(1.286)</u>	<u>(643)</u>
<b>Net Cash flow derived from financing activity</b>	<b>2.655</b>	<b>2.491</b>
<b>Increase (decrease) in the cash and cash equivalents</b>	<b>4.750</b>	<b>4.347</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>11.888</b>	<b>7.488</b>

On behalf of the Board of Directors  
Chairman



Gianfranco Carbonato