



2001 FACTS AND FIGURES

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## Profile

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Established in 1977, Prima Industrie celebrates in 2002 its 25<sup>th</sup> anniversary.

Since its incorporation, Prima Industrie S.p.A. has been active in designing, manufacturing, selling and servicing advanced technology industrial products with high content of electronics, software and mechanical know-how. A three-dimensional laser system was one of the first products to be successfully designed and installed.

As from 1995, after the Company implemented the strategy to focus its main business on laser systems, a regular and strong two-digit growth was achieved, thus making Prima Industrie one of the major European players in its business. Keeping its leadership in three-dimensional applications, during the last years Prima Industrie has been achieving an important position also in flat laser cutting systems, thanks to its remarkable investments in new innovating products and in wider marketing coverage.

Together with its controlled company Prima Electronics S.p.A., Prima Industrie has development skills in the areas of industrial electronics and real time software to the benefit of its strong push to product innovation.

During 1999 the Company has successfully completed its IPO on the Nuovo Mercato – Borsa Italiana.

Through its fully controlled U.S. subsidiary Prima U.S., the Company during 2000 acquired 80% of Convergent Energy Inc. in U.S.A. (now Convergent Prima). Through this acquisition, Prima Group has achieved insourcing of both CO<sub>2</sub> and solid state lasers know-how as well as broader presence in the U.S. market and entry in new industrial laser markets as aerospace and microelectronics.

During 2001 Prima U.S. acquired the assets of the Laserdyne division of GSI Lumonics in the U.S. and changed its name in Laserdyne Prima.

Laserdyne is among the world leader in multiaxis laser systems, particularly destined to drilling applications of aerospace components. Thanks to its acquisition, Prima Group has expanded its leadership to North America and in the aerospace market.

Active in a high technology – high growth market, Prima Industrie mission is to grow as a world-wide player in quality laser systems for industrial applications.



**Listed**



ISO 9001 - Cert. n° 0758

**Certified**



**Audited**



**Member**

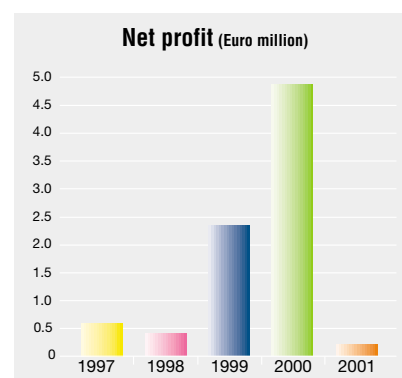
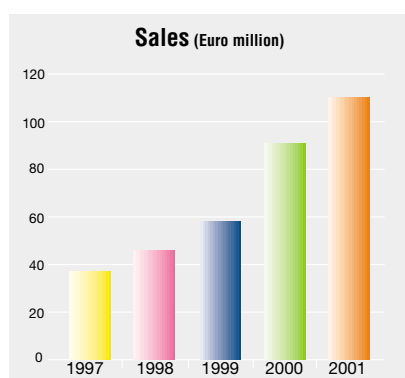
# Financial Highlights

Year ended December 31<sup>st</sup>, (Euro thousand, except per share data)

	2001	2000	1999	1998	1997
<b>PROFIT AND LOSS STATEMENT</b>					
Net Sales	111,895 <sup>(1)</sup>	89,971 <sup>(4)</sup>	59,529	46,088	38,490
Operating Margin (EBITDA)	4,313 <sup>(1)</sup>	10,698	7,058	5,140	2,920
Operating Profit (EBIT)	2,113 <sup>(1)</sup>	8,554	5,678	3,886	1,664
Profit Before Taxes (EBT)	1,471 <sup>(1)</sup>	9,049	4,892	1,962	1,275
Minority Interests	(48)	(548)	(378)	(288)	(140)
Group Net Profit	197	4,865	2,374	432	558
<b>BALANCE SHEET</b>					
Fixed Assets (net)	14,358	10,301	4,450	3,855	3,914
Working Capital (net)	51,912	35,252	20,165	18,889	14,104
Shareholders' Equity and Minority Interests	33,863	28,303	18,667	7,997	7,361
Financial Position (net)	29,203	14,425	3,466	12,240	8,305
Employees' severance indemnity	3,204	2,825	2,482	2,507	2,352
<b>PER SHARE DATA<sup>(2)</sup></b>					
Number of outstanding shares	4,150,000	3,600,000	3,428,000	2,228,000	2,228,000
Weighted average outstanding shares	3,760,833	3,494,000	2,428,000	2,228,000	2,228,000
Net Profit per share (on weighted average of shares)	0.05	1.39	0.98	0.19	0.25
Book value per share (on weighted average of shares)	8.62	7.27	7.27	3.25	3.06
<b>RATIOS</b>					
Operating Income/Net Sales (ROS)	1.9%	9.5%	9.5%	8.4%	4.3%
Operating Income/Invested Capital (ROI)	3.3%	20.0%	25.7%	19.2%	10.6%
Net Income/Stockholders' Equity (ROE) <sup>(3)</sup>	0.7%	25.5%	29.6%	18.9%	6.0%
<b>OTHER KEY INFORMATION</b>					
Research and Development Expenses	6,119	4,132	2,503	2,100	1,908
Year-end Order Backlog	30,006	34,189	25,616	14,099	8,967
Number of employees	470	379	256	230	210

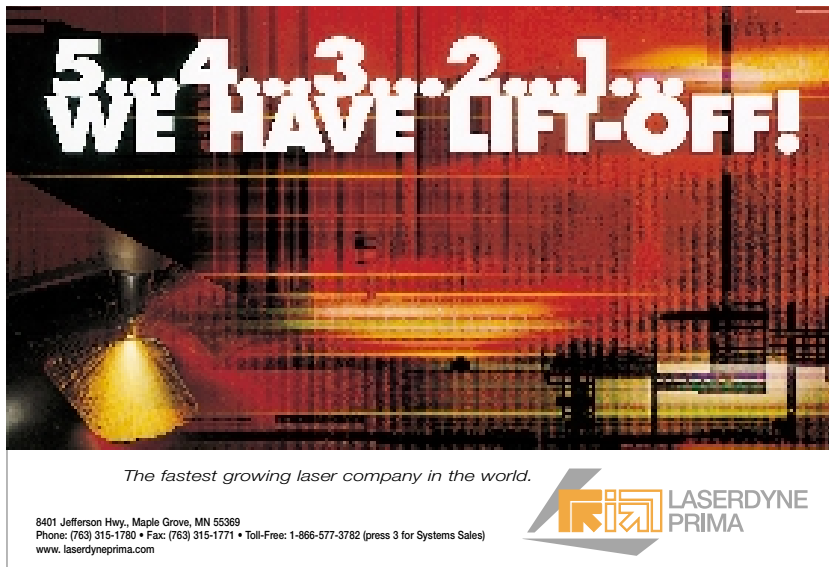
NOTES: (1) Proforma not including U.S. operations:  
Net Sales 80.5  
EBITDA 8.6  
EBIT 7.5  
EBT 7.5

(2) Number of shares as per split executed on June 4, 2001  
(3) ROE is calculated on average Stockholders' Equity  
(4) Including Convergent Prima, acquired May 1, 2000



(5) Proforma not including U.S. operations

## To our Shareholders



Ladies and Gentlemen,  
as all of you know, 2001 has been a rather difficult year for the world economy.

In Europe GDP dropped from 3.4% to around 1.5% with our two major markets, Italy and Germany, slowing down from 2.9% to 1.8% and from 3.0% to 0.6%, respectively.

The situation was worse in the U.S.A. (where a slowdown was showing up already in the last part of 2000) where GDP growth sharply dropped from 4.1% to 1.0% and then became negative at the end of the year after the tragic September 11<sup>th</sup> events.

Finally, Japan has experienced a recession year (- 0.4%) and only China, among the most important world markets, enjoyed once again a healthy 7% growth.

Despite this scenario your Company has once more registered a noticeable sale growth of 24.4%, of which 10% internal and the rest due to the consolidation of Laserdyne effective April 1<sup>st</sup>, 2001.

It is certainly the acquisition of Laserdyne the most important event of the year both from the positive perspective represented by the strengthening of our leadership in 3-dimensional laser applications as

well as the negative impact that this acquisition has had on our 2001 consolidated accounts. We should recall indeed, that Laserdyne is serving mostly the aerospace and energy markets with a leading position in its niche (laser drilling of air-engine and land-based turbines components). Unfortunately, the civil aerospace market has experienced a sudden and unexpected strike by the September 11<sup>th</sup> attacks after having earlier enjoyed a rather positive trend. The combination of the difficult situation of the U.S. economy together with some delays incurred in developing the new Convergent Prima products has caused both Laserdyne Prima and Convergent Prima to suffer substantial losses. These offset most of the profits generated by Prima Industrie and Prima Electronics, which have instead shown satisfactory results.

Looking at the geographical distribution of our sales in 2001 it is noted that 77% was either exported or directly generated by our foreign companies. Italy and U.S.A., where our manufacturing entities are based, represent 23% and 22% respectively of our turnover. Among the other countries, it has been remarkable our growth in Germany (from 9% to 11% in a difficult year) and even more in the Far East (China and Japan) where we have enjoyed a strong growth (from 5%

to 10%), thanks to the marketing investments made in those countries. After the Joint Venture established in China in 1999, during 2001 we have set indeed a partnership in Japan with two large local companies: SNK, a leading machine tool manufacturer, and HANWA, a major trading company with a particular strength in sheet metal sales. Due to this move, also Japan has joined the group of 35 countries where we have sold products and services last year.

As mentioned above, during 2001 we have experienced an unsatisfactory profitability, mainly because of the U.S. operations. The operating margin (EBITDA) was of € 4.3 million as against € 10.7 million in 2001 after having charged to profit and loss over € 6.1 million for Research and Development expenses (50% more than the € 4.1 million of 2000).

We are indeed convinced that a high-tech Company, as yours, must invest in new products and technologies even more when market conditions are unfavourable. During 2001 we have extensively worked for the improvement and widening of our product line, including several new products which will be introduced to the market during 2002.

Some of these new laser applications in the future should generate additional revenues. In particular, for two of these new products we have established technical and marketing partnerships to better pursue their potential in the future.

Due to the above situation also our operating profit (EBIT) for the year dropped to € 2.1 million as against € 8.5 of 2000.

We point out however that, without U.S. operations, pro-forma EBIT would have been € 7.5 million and therefore close to the excellent result made in a very positive year, like 2000.

Finally, net profit for the year has been € 0.2 million as against € 4.9 million of 2000.

Total outstanding shares are at present 4,150,000 as against 3,600,000 (900,000 before the 1:4 split) at 31/12/99 as a consequence of the following actions:

- 1:4 split executed on June 4<sup>th</sup>, 2001
- capital increase of 260,000 new shares resolved on June 5<sup>th</sup>, 2001 to partially finance the acquisition of Laserdyne (investment of U.S. Dollars 8.5 million) with a dilution of 6.74%
- issue on July 10<sup>th</sup>, 2001 of 50,000 new shares according to the management stock option plan for the year 2000
- capital increase of 240,000 new shares, resolved on December 4<sup>th</sup>, 2001 reserved to minority Prima Electronics shareholders, with a consequent increase of Prima Industrie ownership from 60% to 100% and a dilution of 5.78%.

As a general comment to the above, we point out that the acquisition of Laserdyne has also required additional funds for working capital financing. Thanks to the capital increase we have limited the inevitable debt/equity ratio growth to a value of 0.88, which is appropriate in our type of business which requires pretty high working capital investment.

As for the Prima Electronics pull up, this was considered highly strategic for the Group both from a technological viewpoint (software and hardware of our systems are developed and manufactured by Prima Electronics) as well as financially (high past, present and expected profitability).

We are of course not happy of the market performance of our stock during 2001. Although performing better than Nuovo Mercato average index, our stock has lost about 50% during last year because of negative market conditions and, we believe, because of our lower profitability in 2001 for the contingent reasons above explained.

As a consequence of the situation in the U.S.A. we have started in late November 2001 an extensive re-organisation of our U.S. operations, which is today close to its completion. The target is to better focus all efforts to our strategic goals, to reduce the break even point of our companies and to maximise synergies among them.

I would like to assure you all that the

above actions will gradually but definitely improve our performance in the U.S.A. in the second part of this year, though in presence of the actual sluggish market conditions. Moreover, a recovery of the U.S. economy before the end of the year is now expected by all analysts.

We look forward to the 2002 as a transitional year to a more positive economic cycle. We have started the year with a reasonable backlog (over € 30 million, slightly lower than the record € 34 million at 1/1/2001) and will do our best to perform better than in 2001, mainly improving our U.S. results.

We are looking to a moderate growth, to improve our cash flow and to be ready and stronger to pick up the expected market rebound.

It remains however the fact that the purpose of our U.S. acquisitions was and still is a medium term strengthening of your Group, through technological insource and global market expansion. We consequently remain very confident of the correctness of our choices and of the strong potential growth of your Group for the future.

Many thanks to you all for your continuing support and understanding.

Sincerely



Gianfranco Carbonato  
Chief Executive Officer



## The Acquisition of Laserdyne (now Laserdyne Prima)

Laserdyne is active since over 20 years in the laser system business, where it enjoys a leadership position in multi-axis applications, mainly in North America.

In 1987 the Company became part of Lumonics Group.

After the merging of Lumonics with General Scanning in 1999, the new Group GSI Lumonics (Nasdaq: GSLI) decided to focus its activities on the telecommunication and semiconductor markets and the Laserdyne division was put for sale.

The complementarity between Laserdyne and Prima as far as their geographic markets in the field of three-dimensional laser processing, is so evident that it can be defined as a "perfect fit".

The leadership of Prima in Europe, with over 300 3D laser systems in field, and the leadership of Laserdyne in the U.S., with over 200 3D systems installed, make now Prima Group the world-wide market leader in this segment.

In particular, Laserdyne has gained its leadership in 3D laser drilling applications for the aerospace and energy markets with an outstanding customer reference list, including Pratt & Whitney, Northrop Grumman, Lockheed Martin, Rolls Royce, Aérospatiale, Snecma, Siemens, Mitsubishi Heavy Industry, Japan Airlines and many others.

The acquisition was agreed effective April 1, 2001 in the form of an asset deal.

Our U.S. subsidiary, Prima U.S., purchased from GSI Lumonics the assets related to the Laserdyne division (inventory, demo machines, know how, patents) and then it changed its name into Laserdyne Prima.

The deal represented an investment of US\$ 8.5 million which was partially financed through a Prima Industrie capital

increase of 260,000 new shares, reserved to an institutional investor with a net proceed of about € 5.5 million.

The difference, as well as the subsequent working capital funding (no receivables nor payables were part of the deal) was financed through short and medium term borrowing.



LASERDYNE BEAMDIRECTOR®



LASERDYNE PRIMA FACILITIES IN MAPLE GROVE (MN) - U.S.A.



With the acquisition Prima has hired about 80 employees, most of them with high technical skills in laser systems and applications.

The unfortunate events of September 11, have compelled us to reduce Laserdyne staff in two steps, one performed in November 2001 and the second at the beginning of March 2002, to the actual

number of about 50 employees, including a few previously belonging to Prima U.S.

The slowdown of the civil aerospace market should however be temporary. On the contrary, as soon as the psychological turmoil is over, we expect a growth in the defence and energy sectors, where Laserdyne also enjoys a leadership position.

As a matter of fact, the last quarter of 2001 and the beginning of 2002 have been critical for our new acquired entity and the above mentioned reorganisation has been necessary to reduce the Company operating expenses and break even point.

Among Laserdyne products it is worth mentioning the new Laserdyne 790 system, a high accuracy 5-axis workstation, equipped with a rotary table and with the well known BeamDirector®, the two-rotation head which has become a world-wide standard in laser drilling applications.

Equipped with an extensive set of application software libraries (Fire-on-the-Fly, Teachvision™, OFC Optical Focus Control™, Waterline control, etc.), Laserdyne systems are ideal for drilling turbine blades and vanes, engine combustors as well as for cutting and welding three dimensional aerospace and automotive parts requiring high accuracy.

Laserdyne 790 has been equipped with the Convergent Prima P50 which is the pulsed Nd:YAG laser considered the market leader in high power drilling applications. Thanks to this important synergy between our two U.S. companies, Laserdyne Prima and Convergent Prima, our Group has today available a product range (Laserdyne 790-P50) which is by far the leader in its application market.

Laserdyne products are marketed and serviced in Europe by Prima Industrie which has hired a group of Laserdyne technicians through its U.K. branch office in Coventry.

In Japan Laserdyne systems (over 20 are already in field) are distributed and serviced by Sumitomo Heavy Industry.

The main purpose of this acquisition is however the strengthening of our position in the United States, where we are currently exploiting the many synergies among Prima, Laserdyne and Convergent organisations in order to serve at best the market which is, beyond the present difficulties, the biggest national market in the world.



LASERDYNE 790 - BD



SHALLOW - ANGLE LASER DRILLING



## Sales Revenue Analysis

Net sales of the year 2001 have been € 112 million, with an increase of over 24% compared to 2000.

Not including the consolidation of Laserdyne the growth on previous year would have been 10%, which represents a remarkable increment in consideration of the rather difficult market conditions, particularly in the second part of the year.

The sales breakdown by product shows 3D systems at 34% in spite of the slowdown of the automotive market (and thanks to the growth in aerospace due to Laserdyne) and 2D systems at 29%. Both 3D and 2D systems registered a growth in 2001.

Remarkable has been the increase of the after sale revenues which now represent 19% of the total, thanks to the increase of installed base, also due to the acquisitions.

During the year a total of 176 systems have been delivered as against 154 in the year 2000.

By geography, Italy and U.S.A. are now our two major markets representing 23% and 22% respectively of our sales. In Europe a positive performance has been reached in Germany, which is now at 11% and an expansion has been also registered in the Eastern Europe markets.

Very significant has been our growth in China and Japan which now together represent 10% of our consolidated sales.

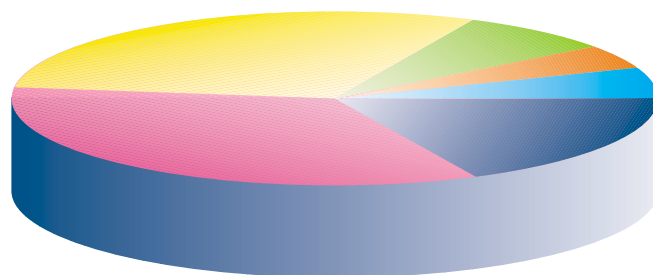
As a whole Europe represents today about 2/3 of our sales, while America and Asia cover the remaining 1/3.

Considering that overseas markets were at only 10% two years ago, we may say that a good progress has been made in the direction of the globalisation of our business,

both internally and through acquisitions and joint ventures, as it was expected.

By destination markets, sheet metal processing represents 30%, automotive 21%, aerospace and energy 16%, electronics 14% and other markets 19%. Compared to the previous year, automotive has registered a slowdown due to market conditions.

**2001 revenues by product**  
(Laserdyne Prima consolidated as from April 1<sup>st</sup>, 2001)



3D laser systems: 34%	Electronic products: 10%
2D laser systems: 29%	Laser generators & Convergent systems: 4%
After sales services: 19%	Other laser systems: 4%



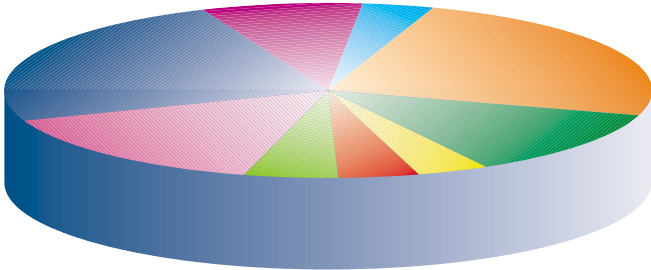
OPTIMO

Very promising has been the growth in the aerospace market, thanks to the Laserdyne acquisition, before it was suddenly stopped by the September 11<sup>th</sup> events. The sale breakdown by destination markets shows however a better balanced situation as none of them represents more than 30% of our turnover.

Because of the negative performance of our U.S. companies, operating margin (EBITDA) of the year has declined to € 4.3 million as against € 10.7 million of the year 2000.

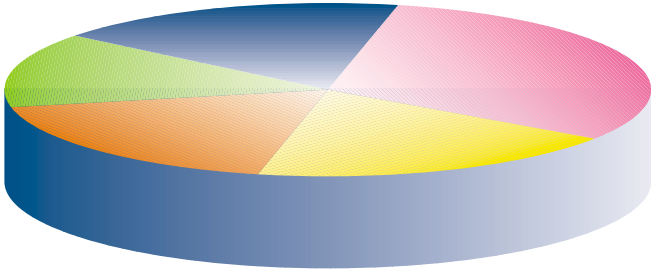
However, the operating margin (EBITDA) generated by the two Italian companies (Prima Industrie and Prima Electronics) has maintained a sound level at € 8.6 million before being strongly diluted at consolidated level by the losses accumulated in Laserdyne Prima and Convergent Prima.

**2001 revenues by geography**  
(Laserdyne Prima consolidated as from April 1<sup>st</sup>, 2001)



- Italy: 23%
- U.S.A.: 22%
- R.O.E.: 16%
- Germany: 11%
- China & Japan: 10%
- U.K.: 5%
- Spain: 5%
- France: 4%
- R.O.W.: 4%

**2001 revenues by markets**  
(Laserdyne Prima consolidated as from April 1<sup>st</sup>, 2001)



- Sheet metal processing: 30%
- Automotive: 21%
- Aerospace & Energy: 16%
- Electronics: 14%
- Other: 19%



TOWERSERVER

## Marketing and Sales

Order acquisition of the year 2001 has been still positive for Prima Industrie (€ 68.1 million as against € 62.7 million of 2000). In spite of the slowdown of the U.S. economy, the overall backlog at the end of the year amounts to € 30.0 million, with a limited reduction compared to the record level of € 34.2 million of the previous year.

We have registered a substantial hold of the market of sheet metal processing while automotive market has been quite critical during the year.

Aerospace was, on its turn, enjoying good performance till September.

It is a matter of fact that also the markets which show today a critical situation, as automotive and aerospace,

will be certainly growing in the future in consideration of the huge advantages of laser processing against conventional technologies.

Reduced energy and fuel consumption, improved product safety, superior flexibility and product quality will make certainly motorcars and aircrafts more and more "laser intensive" in the future.

In Europe the biggest event of the year has been the EMO 2001 in Hannover where we have introduced our new highspeed Platino with the new generation CNC Primach-20L designed and manufactured by Prima Electronics. Also Optimo and Domino have been exhibited there, together with the brand new Laserdyne 790 system equipped with the Convergent Prima P50 Nd:YAG laser.

Overseas we have shown our products in Chicago at Fabtech 2001, in Beijing at CIMT 2001 and in São Paulo at Feimafe.

A particular effort has been performed during the year to strengthen our sales and service subsidiaries in France and U.K.

They have been both moved to wider facilities which are also equipped with demonstration machines to better serve two of our most important European markets.

Our showrooms are now operational in Italy, Germany, France, U.K., U.S.A., China and Japan where we can invite customers to see and use our laser systems to solve their specific manufacturing problems.



INAUGURATION OF NEW PLANT  
AT BABOCK HYDROFORM -  
GERMANY





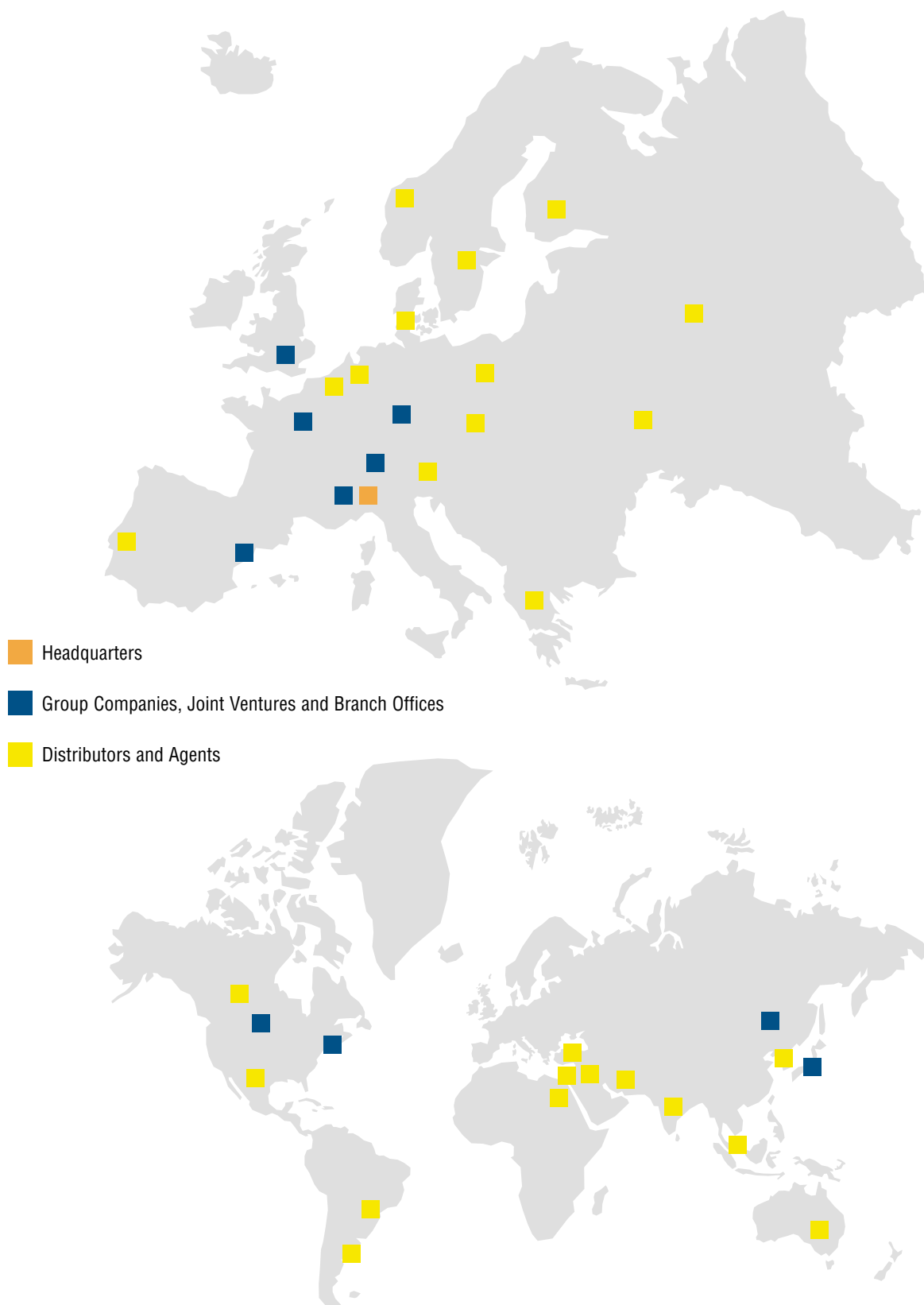
EMO - GERMANY



FABTECH - U.S.A.

## Worldwide Coverage

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## Italy

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

Via Antonelli, 32 - 10097 Collegno (To) ITALIA  
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## Europe

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### **PRIMA INDUSTRIE GmbH**

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### **PRIMA INDUSTRIE SCHWEIZ**

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## Overseas

### **CONVERGENT PRIMA Inc., MASSACHUSETTS**

1 Picker Road - Sturbridge - MA 01566 U.S.A.  
Tel. ++1/508-347-2681 - Fax ++1/508-347-5134 <http://www.convergentprima.com>

### **LASERDYNE PRIMA, Inc., MINNESOTA**

8401, Jefferson Highway - Maple Grove, MN 55369 U.S.A.  
Tel. ++1/763-315-1780 - Fax ++1/763-315-1770 <http://www.laserdyneprima.com>

### **SHENYANG-PRIMA LASER MACHINE COMPANY LTD.**

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### **SNK-PRIMA COMPANY LTD.**

c/o SNK - Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka JAPAN  
Tel. ++81-3-32720371 - Fax ++81-3-32788077



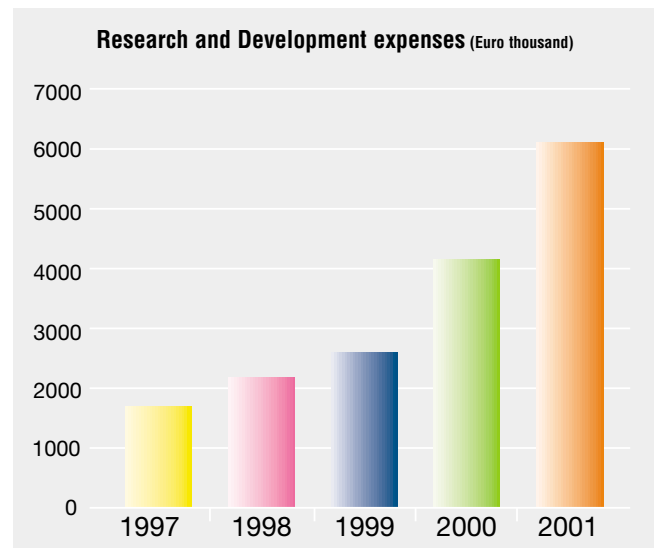
## Research and Development

A rather exceptional R&D investment has been made in 2001 in all Group companies with the purpose of strengthening and widening our product line and to be ready to the market rebound which is expected within the current year.

Total amount of R&D expenses charged to the consolidated P/L has been over € 6.1 million as against € 4.1 million of the previous year.

In Prima Industrie the R&D activity has been focused on:

- the new version of Maximo, called Maximo 5, for the processing of very large 3D parts and bevel cutting of large plates
- the follow up of the Eureka PUBLICS project for sensor based laser processing where faster piercing and adaptive cutting based on plasma sensors have been developed
- the new version of Platino, called HS (High Speed) with exceptionally high operating speed, also thanks to the new Primach-20L CNC
- the bigger 2x4 meter Platino, called Platino 2040
- the bigger 1.5x3 meter Domino, called Domino 1530
- a new line of loading/unloading and storage systems for unmanned operation called TowerServer and MiniServer

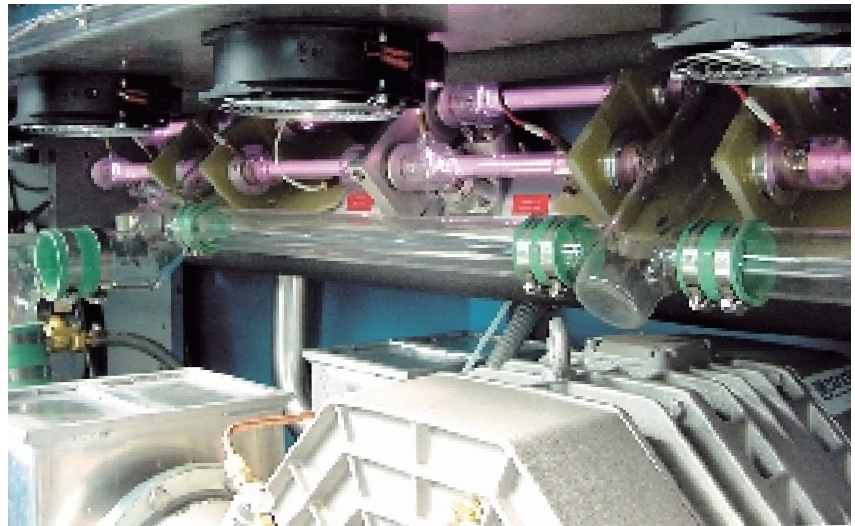


PLATINO 1530 HS



- a brand new ultra high speed cutting system based on linear motor technology - which has been developed at prototype level and will be introduced to the market in the current year
- the project RESALT (REmote welding Systems with Advanced Laser Technology) which was presented and formally approved by MIUR (Italian Ministry for Instruction, University and Research) for the development of products dedicated to laser welding for automotive and sheet metal markets.

In Prima Electronics the 2D version of the new Primach-20L controller has been completed and is now available, together with the new VFD line of intelligent servodrives, on the Platino HS product line.



CP 4000

In Convergent Prima the activity has been focused on two main projects:

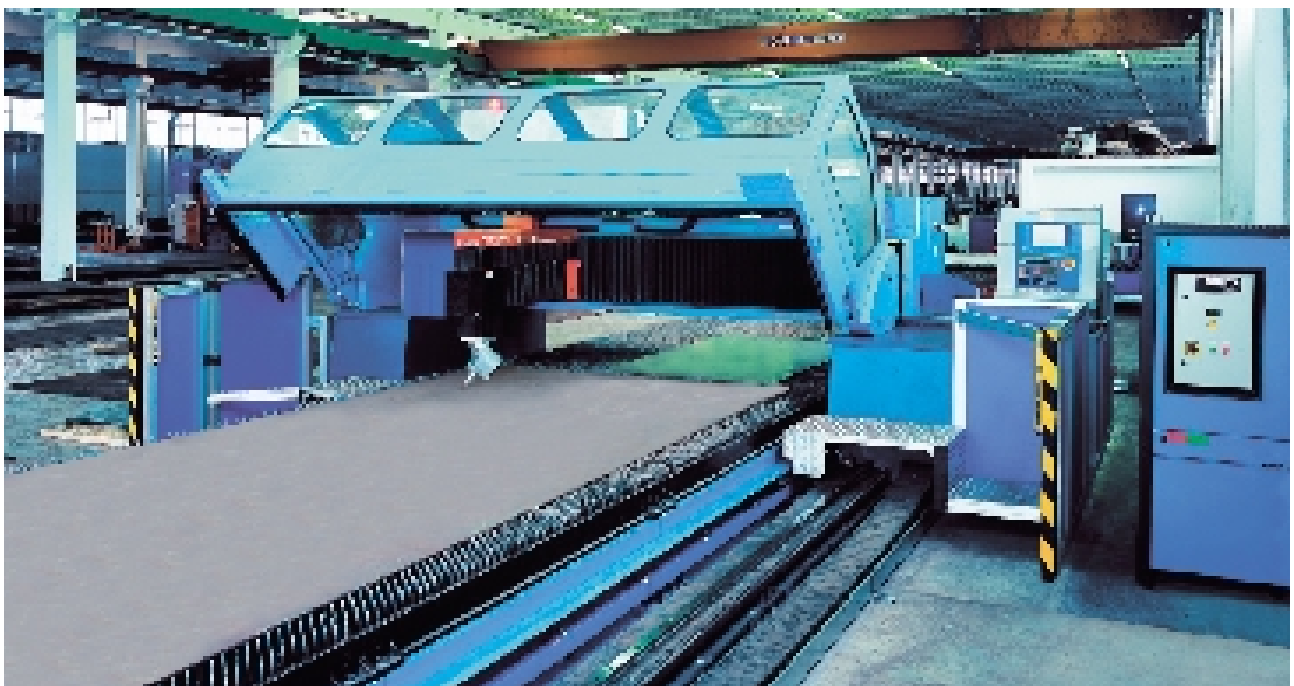
- CP 4000: our new high power/high mode quality laser generator, which will be available on our CO<sub>2</sub> systems from mid 2002;

- Via drilling systems, developed in co-operation with ACD Technologies - (Pluritec Division).

A new family of CO<sub>2</sub> and Nd:YAG PCB laser drilling systems will be introduced to the market in Spring 2002.

Finally, in our last acquired company, Laserdyne Prima, the R&D activity has been focused on the integration of the P50 laser with the Laserdyne 790 systems and on a new version of the BeamDirector®, whose development continues in the current year.

## MAXIMO 5



## Personnel and Organization

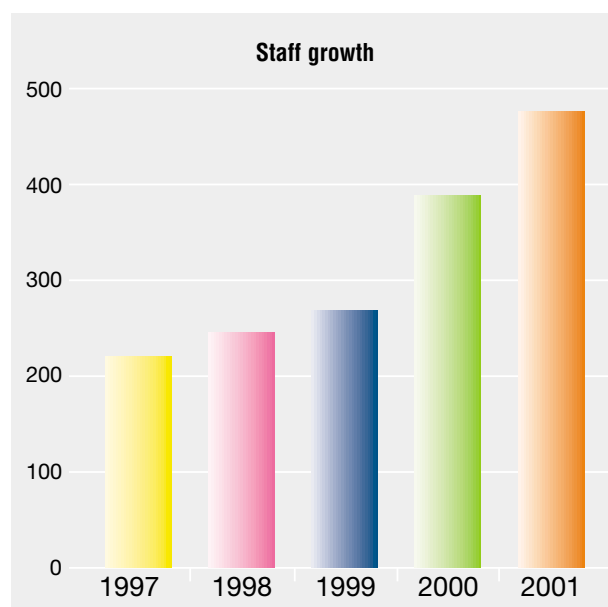
At the end of 2001, after the acquisition of Laserdyne, total personnel headcount was of 470 units.

As mentioned before, after the reduction made, in our U.S. companies during the first quarter of 2002 the actual headcount is around 440 units.

	31/12/2001	31/12/2000
Prima Industrie - Italy	213	197
Prima Electronics	76	68
Convergent Prima	80	84
Laserdyne Prima (Prima US)	74	8
European Branch offices	27	22
<b>Total</b>	<b>470</b>	<b>379</b>
Shenyang Prima*	8	8
SNK Prima**	-	-

\*not included in the total as non consolidated

\*\*The Joint Venture in Japan is a paper Company at present, using partners personnel for its operations

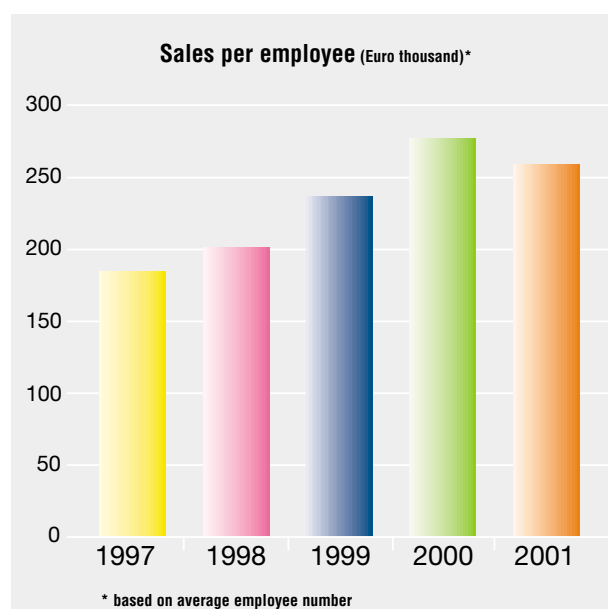


The assignment of main group functions is as follows:

	31/12/2001	31/12/2000
Management and G&A	53	43
Marketing and Sales	52	42
R&D and Engineering	86	60
Operations/ Manufacturing	210	178
After Sale Service	69	56
<b>Total</b>	<b>470</b>	<b>379</b>

In consideration of the bigger size and wider complexity of the Group, a new top management organisation has been defined with a clear separation between operating companies and group co-ordination activities in order to better manage and control the activities of the whole Group.

Considering the increased amount of intercompany sales, as represented in the chart on page 18, also a clear procedure for intercompany exchange prices and conditions was defined and implemented.





PRIMA INDUSTRIE FRANCE

PRIMA INDUSTRIE U.K.



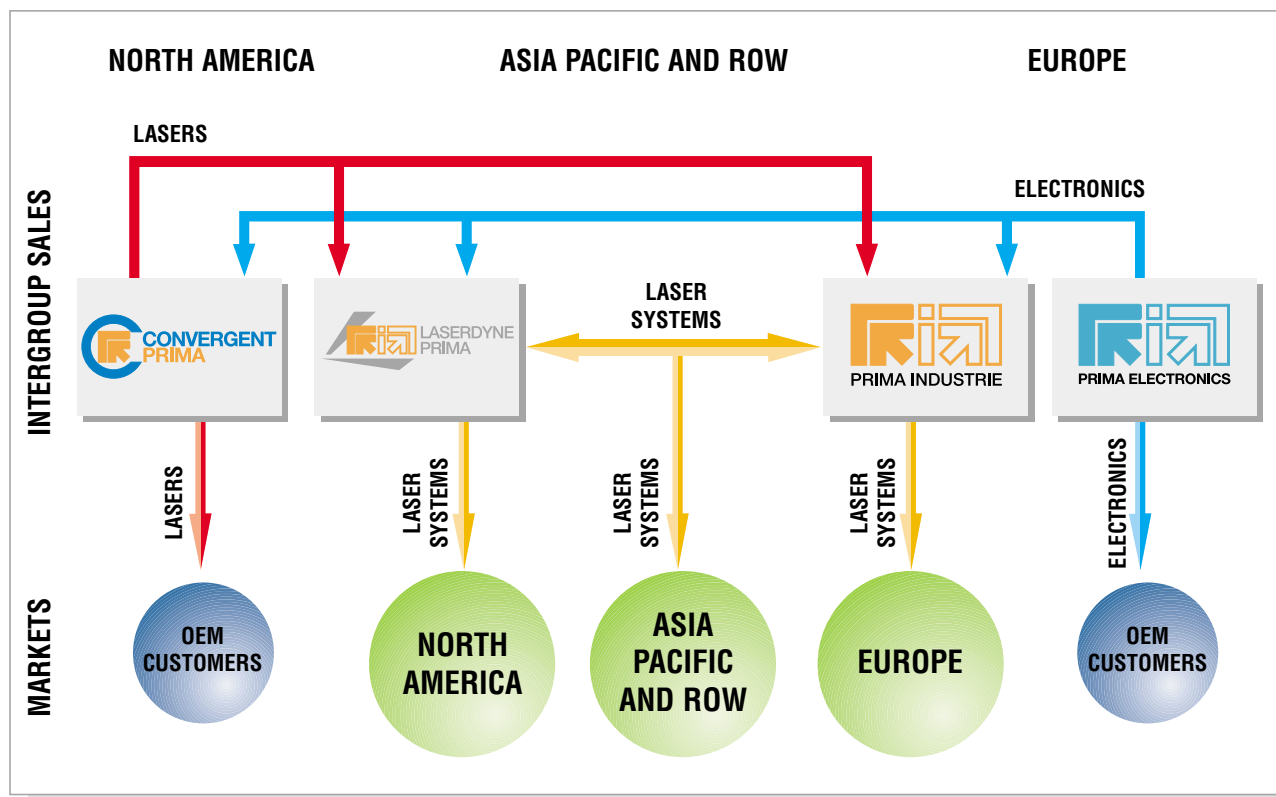
## Group Activities

The Prima Group is made of four main Companies: two located in Italy (Prima Industrie, which also has branch offices all over Europe, and Prima Electronics) and two in the U.S. (Laserdyne Prima and Convergent Prima).

Each Company plays a significant and clear role within the Group structure.

Prima Industrie and Laserdyne Prima are suppliers of laser systems for their reference markets (mainly automotive and sheet metal processing for Prima Industrie and aerospace and energy for Laserdyne Prima) and cover the industrial markets of Europe and North America as well as other overseas markets. Each one sells directly its line of products to its main market (Europe for Prima Industrie and North America for Laserdyne Prima) and they transfer to each other the systems destined to the other Company's major geographical market.

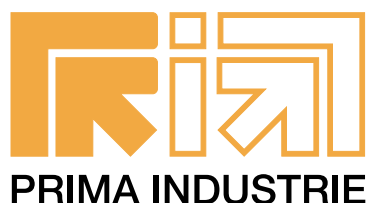
Prima Electronics and Convergent Prima, manufacturers of the highest added value components of laser systems (numerical controls and laser sources respectively), are at the same time suppliers for the Group Companies (Prima Industrie and Laserdyne Prima) and suppliers for their own other world-wide OEM customers.











**PRIMA INDUSTRIE S.P.A.**  
**Collegno (Torino) - ITALY**

For the year 2001, Prima Industrie registered an increase of 6.4% in its sales to € 67.5 million (€ 63.4 million in 2000).

Operating profit amounts to € 5.5 million (as against € 6.7 million in 2000). In percentage this is 8.2% of turnover (10.6% in 2000).

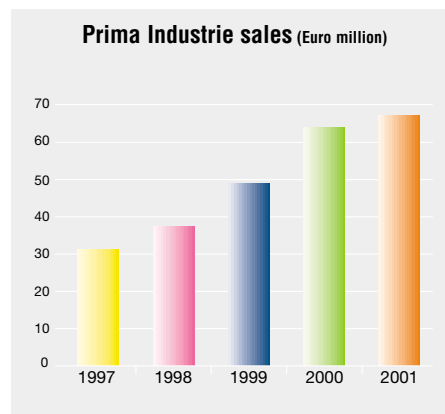
Net profit has been € 1.1 million (as against € 4.2 million in 2000, when the Company benefited also from extraordinary revenues from R&D contribution of almost € 1.2 million), mostly due to the U.S. Group Companies losses which amount to € 4.3 million.

Order acquisition increased to € 68.1 million (+8.6% on 2000) also thanks to the excellent number of orders received during the last part of the year, which provides us with a satisfactory backlog for the coming year 2002 of almost € 20 million.

Employees at year end were 240, of which 27 in our European branches of France, U.K., Spain and Switzerland, with an increase on 2000 of 22 units (16 in Italy and 6 in Europe).

In terms of R&D the year 2001 has been very binding for the many important projects developed.

The investment (€ 2.5 million) has been made in order to strengthen and widen our product lines and be so able to seize the upcoming market opportunities with both new and upgraded products.

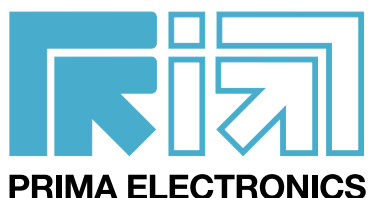


(Euro million)	2001	2000	1999	1998	1997
Net Sales	67.5	63.4	49.3	37.4	31.2
Operating Profit	5.5	6.7	4.0	2.6	1.1
Net Profit	1.1 <sup>(1)</sup>	4.2	1.3	0.5	0.9
Order booking	68.1	62.7	61.2	42.0	32.5
Research and Development expenses	2.5	2.2	1.9	1.6	1.3
Number of employees	240	218	191	171	156

(1) Diluted by U.S. Group Companies losses

DOMINO 1530 - HEAVY DUTY





**PRIMA ELECTRONICS S.P.A.**  
**Moncalieri (Torino) - ITALY**

For Prima Electronics 2001 has been another good year with sales up 9% from € 14.7 million to € 16.1 million.

Operating profit is a satisfactory 14.8% on turnover (it was 16.2% in 2000) at € 2.4 million (same as 2000), while net profit amounts to € 1.2 million (7.2% on turnover) as against € 1.3 million of 2001 (9.1% on turnover).

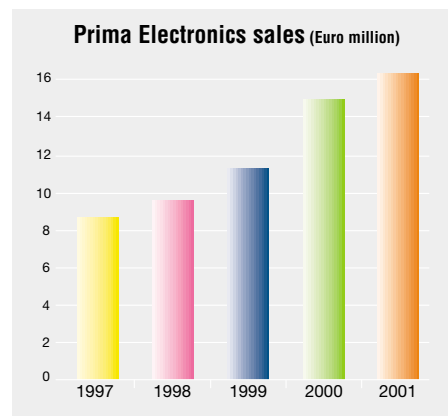
This percentage decrease is the consequence of a different product mix and it is related to new customer jobs which bring lower margins in their start-up phase.

From a commercial point of view, the non-favourable international economic situation caused a slowdown that resulted in an order acquisition of € 13.9 million as against € 18.1 million in 2000.

Order backlog at year end was however at the safe level of € 6.6 million.

The Company effort in terms of R&D has been very strong in 2001 (€ 1 million fully charged to P/L).

The two main R&D projects have been a new family of fully digital and modular drives for brushless motors and a new numerical control platform, introduced to the public at the Hannover Tradeshow in September 2001.



(Euro million)	2001	2000	1999	1998	1997
Net Sales	16.1	14.7	11.3	9.7	8.5
Operating Profit	2.4	2.4	2.0	1.1	0.6
Net Profit	1.2	1.3	1.1	0.6	0.2
Order booking	13.9	18.1	11.8	11.1	8.7
Research and Development expenses	1.0	0.6	0.6	0.5	0.6
Number of employees	76	68	59	53	49

PRIMACH-20L CNC



## Group Companies



**CONVERGENT PRIMA Inc.**  
Sturbridge - Massachusetts - U.S.A.

The Company, part of our Group since 5/01/00, is directly controlled by Laserdyne Prima Inc. (which owns 80%, while the remaining 20% is owned by our partner ACD Technologies S.p.A., Pluritec Division).

Total sales for 2001 amount to \$ 15.7 million (as against \$ 11.3 million for the 8 months consolidated in 2000). Operating result realized a loss of \$ 1.4 million (it was break-even in 2000), mostly due to the important investments in R&D. Net loss has been \$ 1.4 million.

Order acquisition increased from \$ 11.8 million in 2000 to \$ 12.1 million while the backlog at the end of the year was \$ 3.3 million.

Currently the Company employs 80 people in the U.S.

The R&D activity has been fully charged to P/L for an amount of \$ 1.0 million and mainly consists in the development of the CP series of fast flow CO<sub>2</sub> lasers and of a line of advanced VIA drilling systems.

**What do 95% of all U.S. jet engines have in common?**

**Cooling holes drilled with CONVERGENT PRIMA Lasers!**

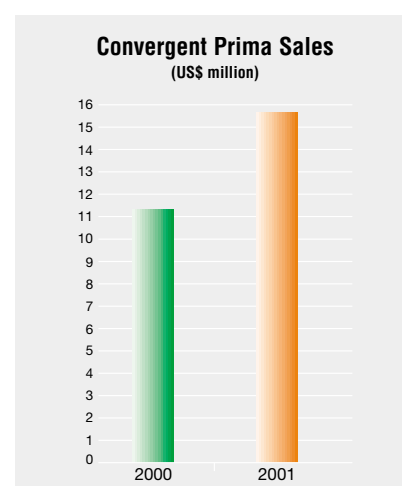
Convergent Prima P50L Lasers deliver the most power through the broadest operating range of any laser available today. This means outstanding capability for precision drilling, both percussion and trepanning. Low pulse duration allows drilling of cooling holes in turbine engine casings and land preparation in aerospace. CW lasers permit drilling of precision holes in aircraft and other applications. High quality finished holes of 0.015 inch diameter.

**Convergent provides systems and turn-key turnkey facilities:**

- Precision laser systems for drilling of cooling holes in turbine engine casings and land preparation in aerospace.
- CW laser systems for drilling of precision holes in aircraft and other applications.
- Precision laser systems for drilling of cooling holes in turbine engine casings and land preparation in aerospace.
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- Precision laser systems for drilling of cooling holes in turbine engine casings and land preparation in aerospace.
- CW laser systems for drilling of precision holes in aircraft and other applications.

**CONVERGENT PRIMA**  
Convergent Prima, Inc.  
11000 E. 1st St.  
Sturbridge, MA 01566  
Tel: 413/339-1100  
Fax: 413/339-1101

(US\$ million)	2001	2000
Net Sales	15.7	11.3
Operating Profit	(1.4)	0
Net Profit	(1.4)	(0.2)
Order Booking	12.1	11.8
Research and Development expenses	1.0	0.7
Number of employees	80	84







**LASERDYNE PRIMA Inc.**  
**(formerly PRIMA U.S. Inc.)**  
**Maple Grove – Minnesota – U.S.A.**

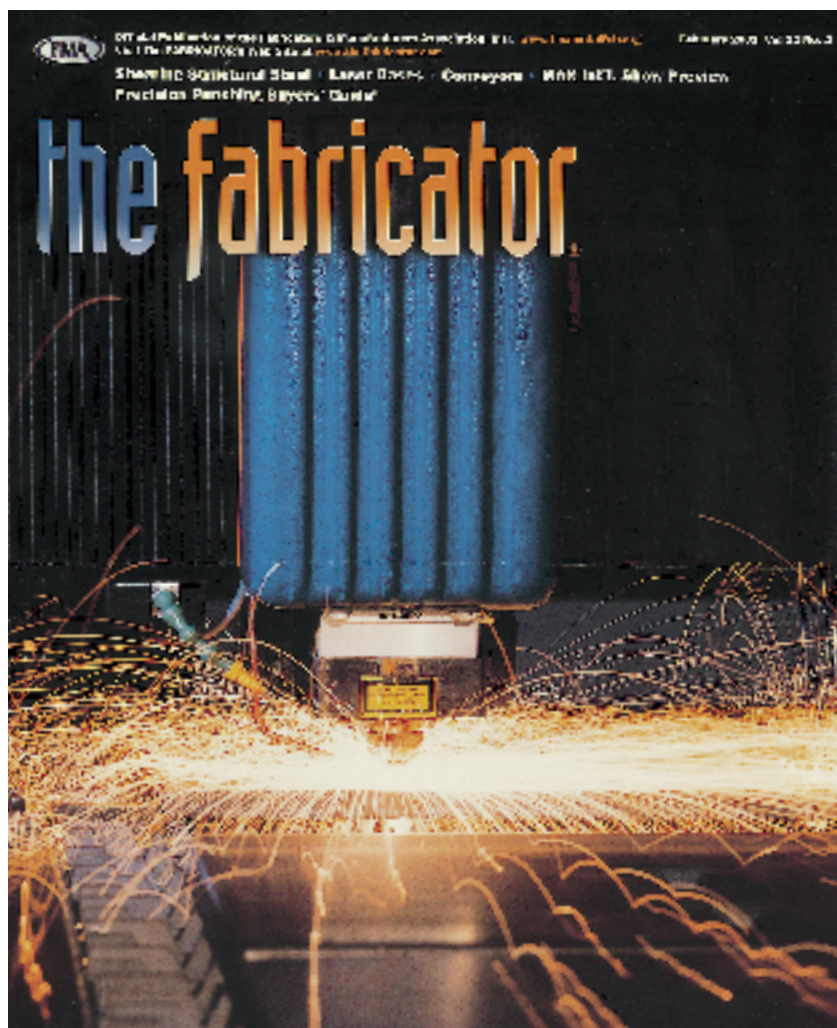
Both activity and structure of this Company have deeply changed during 2001 after the acquisition of the Laserdyne product line from GSI Lumonics (effective 4/01/01). The economic figures are therefore not comparable with those of the previous years.

Since Laserdyne activity is mostly linked to the aerospace market, the Company has heavily suffered in the last part of the year from the turmoil generated by the tragic September, 11th events.

The Company turnover was of \$ 17.7 million (\$ 5.1 million in 2000), of which \$ 3.7 million of Prima products and \$ 14 million of Laserdyne products. At operating level Laserdyne Prima experienced a loss of \$ 3.1 million as a consequence of insufficient sales amount compared to fixed costs structure. The Company net loss was \$ 3.9 million (\$ 0.4 million in 2000), including \$ 1.2 million of depreciation of the investment in its subsidiary Convergent Prima.

The Company charged to P/L \$ 1.4 million for R&D expenses, mainly consisting in the integration of the P50 laser on the Laserdyne 790 platform.

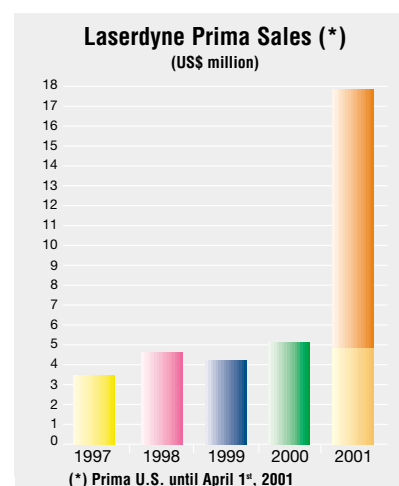
The Group employed 74 people at 12/31/01, reduced in March 2002 to about 50 units, as a consequence of the restructuring program still in progress.



(US\$ million)	2001	2000	1999	1998	1997
Net Sales	17.7	5.0	4.2	4.6	3.5
Operating Profit	(3.1)	(0.4)	0	(0.1)	(0.4)
Net Profit	(3.9) <sup>(1)</sup>	(0.4)	0	(0.1)	(0.5)
Order Booking	13.1 <sup>(2)</sup>	5.0	4.2	4.6	3.5
Research and Development expenses	1.4	-	-	-	-
Number of employees	74	8	6	6	5

(1) Including consolidation of Convergent Prima loss

(2) Plus backlog acquired from GSI: \$ 6.4 million



## Group Companies

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### **SNK - PRIMA COMPANY LTD** **Osaka - JAPAN**

The JV is participated by Prima Industrie S.p.A. (40%), SNK (40%) and Hanwa-HTS (20%). SNK-Prima has been formally incorporated in September 2001 with a share capital of Yen 90 million.

The activity of the JV, which is based in Osaka, consists in the manufacturing, sale and service of 3D laser systems and Mosaico welding systems.

Prima Industrie will supply to the JV the technological components (laser, numerical control, software).

SNK-Prima will exclusively market its products in Japan as well as non-exclusively in Korea and Taiwan.

The fiscal year end is March, 31<sup>st</sup>, therefore accounts at 12/31/01 show only start-up costs.

MOSAICO AT WORK AT SNK-PRIMA





**SHENYANG-PRIMA LASER MACHINE  
COMPANY LTD.**  
**Shenyang - People's Republic of China**

During the year 2001 the activity of our JV has much intensified, also in connection with the favourable trend of the Chinese market.

SPLM assembled and sold several Platino systems in its different versions, whilst more laser systems have been sold directly by Prima Industrie to Chinese customers for a total of 10 systems installed in China in 2001.

Total sales for the year increased from \$ 0.2 million at 12/31/00 to \$ 1.2 million at 12/31/01, allowing the Company to become profitable.

In Spring 2001 the JV attended CIMT tradeshow in Beijing in order to increase its brand recognition within this wide and fast growing market.

PLATINO ASSEMBLY AT SHENYANG-PRIMA





## Our Stock Market Performance

For the whole year 2001, the international stock markets went through a “bear phase” which reached its lowest level after the events of September 11<sup>th</sup>, 2001. A phase of slight rebound followed, more evident on the technological stock markets, such as Nasdaq, Neuer Markt and, in Italy, Nuovo Mercato of the Italian Stock Exchange.

As officially stated by Borsa Italiana in their “Nuovo Mercato News”, our stock market price was € 12.86 as at December 28<sup>th</sup>, 2001 (+71.5% on IPO) as against € 23.9 (+219.7% on IPO) as at 12/31/2000.

Minimum and maximum prices during 2001 have been € 9.61 and € 26.43.

Considering the performance since the IPO (€ 7.5), we are among the very few Companies that still benefit from a stock market price higher than the Public Offering.

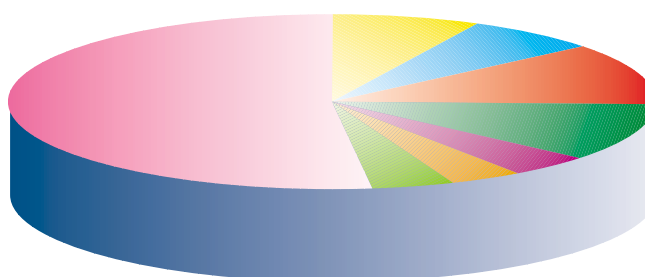
The following chart shows our stock trend since October 2000 (18 months ago), outlining the higher stability of Prima Industrie's stocks compared to its reference market index.

We also believe that the higher stability of our stock market price is a sign of the market appreciation of our strong growth and of our future business development perspectives.

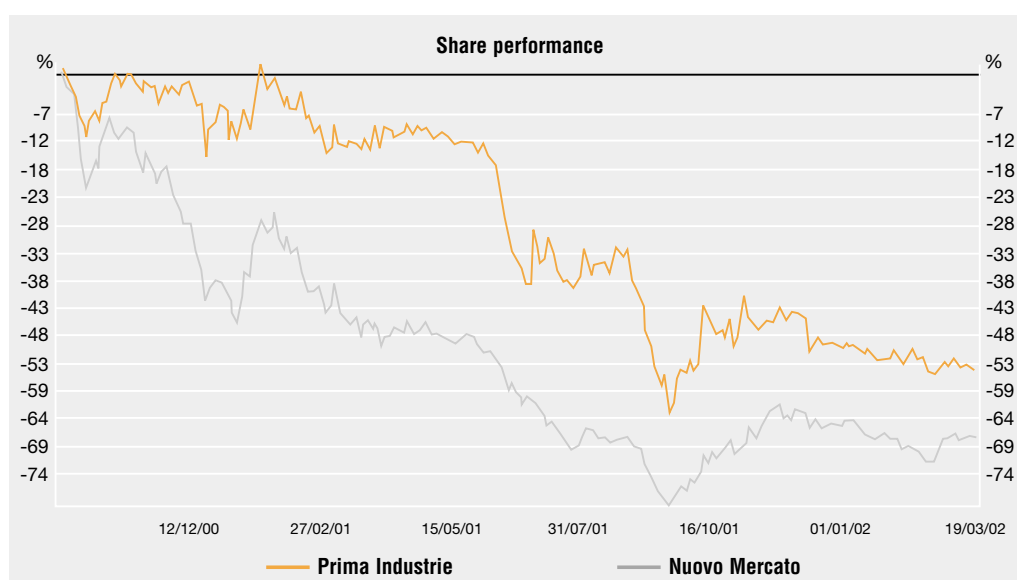
We would like to recall that the Prima Industrie Board of Directors was offered a proxy by the Shareholders Meeting

held on 12/4/01 for the possible buy-back of up to 200,000 of the Company's own shares (almost 4.8% of the Company's share capital). The Company shall use such a proxy, effective for 18 months starting from the Shareholders' resolution, whenever the stock market conditions should make it necessary.

**Shareholders' Structure**  
(as at December 31, 2001)



51.81% Market	7.29% Almond International S.A.
10.02% Helios Private Equity S.A.	5.20% Management P.E.
8.71% Erste International Holding S.A.	4.47% Investire Partecipazioni
8.19% Lestri Holding B.V.	4.31% Gianfranco Carbonato



### Board of Directors

Aldo PALMERI	Chairman
Gianfranco CARBONATO	Chief Executive Officer
Giulia DELLA ROSA	Director
Sandro D'ISIDORO	Director
Francesco TAKANEN	Director
Giuseppe MORFINO	Independent Director
Paolo MAZZOTTO	Independent Director

### Statutory Auditors Committee

Riccardo FORMICA	President
Andrea MOSCA	Effective Auditor
Roberto PETRIGNANI	Effective Auditor

### Management

Gianfranco CARBONATO	CORPORATE	Chief Executive Officer
Alberto DELLE PIANE	CORPORATE	General Manager
Michele BERGERO	CORPORATE	Chief Financial Officer
Ezio BASSO	PRIMA INDUSTRIE	General Manager
Domenico APPENDINO	PRIMA INDUSTRIE	Marketing and Overseas Operations
Claudio BANCHI	PRIMA INDUSTRIE	Europe Sales
Roberto DELPIANO	PRIMA INDUSTRIE	Procurement
Maurizio GATTIGLIO	PRIMA INDUSTRIE	Research and Development
Salvatore LIBRERA	PRIMA INDUSTRIE	Manufacturing
Domenico PEIRETTI	PRIMA ELECTRONICS	Managing Director
Paolo CIGNA	CONVERGENT PRIMA - LASERDYNE PRIMA	President
Mark BARRY	CONVERGENT PRIMA - LASERDYNE PRIMA	North America Marketing and Sales
Michael T. CHENEY	CONVERGENT PRIMA - LASERDYNE PRIMA	Financial Officer
Glenn KLINE	LASERDYNE PRIMA	North America Marketing and Sales Prima Products
Randy THOMPSON	CONVERGENT PRIMA	Research and Development

# Consolidated Financial Statements

## CONSOLIDATED INCOME STATEMENT

Year ended December 31<sup>st</sup>, (Euro thousand, except per share data)

	2001	2000	1999	1998	1997
<b>PRODUCTION VALUE</b>					
Revenues from sales and services (Net Sales)	111,895	89,971	59,529	46,088	38,490
Changes in work-in-progress, semi-finished and finished goods	2,882	(1,032)	1,771	1,473	674
Increase from internal work (assets)	75	277	343	484	365
Other revenues and income	1,844	2,204	1,132	1,116	977
<b>TOTAL PRODUCTION VALUE</b>	<b>116,696</b>	<b>91,420</b>	<b>62,775</b>	<b>49,161</b>	<b>40,506</b>
<b>PRODUCTION COSTS</b>					
Purchases of raw material, consumables and supplies, net of inventory variation	(63,841)	(44,778)	(30,943)	(23,406)	(19,841)
Service expenses	(21,626)	(16,710)	(11,901)	(9,560)	(7,326)
Lease and rent costs	(1,725)	(1,071)	(623)	(664)	(558)
Other expenses	(1,076)	(1,250)	(1,074)	(633)	(759)
<b>TOTAL PRODUCTION COSTS</b>	<b>(88,268)</b>	<b>(63,809)</b>	<b>(44,541)</b>	<b>(34,263)</b>	<b>(28,484)</b>
<b>ADDED VALUE</b>	<b>28,428</b>	<b>27,611</b>	<b>18,234</b>	<b>14,898</b>	<b>12,022</b>
Personnel expenses	(24,115)	(16,913)	(11,176)	(9,758)	(9,102)
<b>EBITDA</b>	<b>4,313</b>	<b>10,698</b>	<b>7,058</b>	<b>5,140</b>	<b>2,920</b>
Amortisation and depreciation	(2,200)	(2,144)	(1,380)	(1,254)	(1,256)
<b>OPERATING PROFIT (EBIT)</b>	<b>2,113</b>	<b>8,554</b>	<b>5,678</b>	<b>3,886</b>	<b>1,664</b>
Financial income and expenses	(447)	(574)	(514)	(697)	(536)
Adjustments to financial assets	(195)	(108)	(119)	(294)	-
Extraordinary items	-	1,177	(153)	(933)	147
<b>PROFIT BEFORE INCOME TAXES (EBT)</b>	<b>1,471</b>	<b>9,049</b>	<b>4,892</b>	<b>1,962</b>	<b>1,275</b>
Income taxes	(1,226)	(3,636)	(2,140)	(1,242)	(577)
<b>NET PROFIT FOR THE YEAR</b>	<b>245</b>	<b>5,413</b>	<b>2,752</b>	<b>720</b>	<b>698</b>
Minority interests	(48)	(548)	(378)	(288)	(140)
<b>NET PROFIT FOR THE YEAR-GROUP</b>	<b>197</b>	<b>4,865</b>	<b>2,374</b>	<b>432</b>	<b>558</b>
<b>EARNINGS PER SHARE<sup>(1)</sup></b>	<b>0.05</b>	<b>1.39</b>	<b>0.98</b>	<b>0.19</b>	<b>0.25</b>

(1) Calculated on weighted average number of shares after split executed on June 4, 2001.

## CONSOLIDATED BALANCE SHEET

Year ended December 31<sup>st</sup>, (Euro thousand)

	2001	2000	1999	1998	1997
<b>FIXED ASSETS (NET)</b>	<b>14,358</b>	<b>10,301</b>	<b>4,450</b>	<b>3,855</b>	<b>3,914</b>
Intangible assets	6,443	3,629	1,058	1,224	1,320
Tangible assets	5,829	5,157	2,123	1,831	1,299
Financial assets	2,086	1,515	1,269	800	1,295
<b>EMPLOYEES' SEVERANCE INDEMNITY</b>	<b>3,204</b>	<b>2,825</b>	<b>2,482</b>	<b>2,507</b>	<b>2,352</b>
<b>NET WORKING CAPITAL</b>	<b>51,912</b>	<b>35,252</b>	<b>20,165</b>	<b>18,889</b>	<b>14,104</b>
Inventories	33,040	21,197	12,085	10,684	7,544
Trade receivables	43,778	38,452	29,586	23,493	17,969
Other receivables	9,472	7,113	3,791	3,209	3,238
Accrued income and prepaid expenses	171	498	409	93	198
Trade payables	(23,973)	(21,877)	(19,166)	(14,502)	(11,902)
Other payables	(9,441)	(9,308)	(5,965)	(3,700)	(2,608)
Accrued liabilities and deferred income	(1,135)	(823)	(575)	(388)	(335)
<b>FINANCIAL POSITION (NET)</b>	<b>29,203</b>	<b>14,425</b>	<b>3,466</b>	<b>12,240</b>	<b>8,305</b>
Cash and banks	(8,173)	(4,421)	(8,950)	(1,437)	(1,119)
Bank borrowings	20,608	6,741	2,745	12,760	8,538
Borrowing from other financial institutions	16,768	12,105	9,671	917	886
<b>TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY</b>	<b>33,863</b>	<b>28,303</b>	<b>18,667</b>	<b>7,997</b>	<b>7,361</b>
Minority interests	1,430	2,918	1,022	753	547
Shareholders' equity-group	32,433	25,385	17,645	7,244	6,814

## SHAREHOLDERS' EQUITY

	Share capital	Reserves	Net profit for the year	Total
31.12.1997	5,750	506	558	6,814
Appropriation 1997 results	-	558	(558)	-
Translation adjustment	-	(1)	-	(1)
Net profit 1998	-	-	432	432
31.12.1998	5,750	1,063	432	7,245
Appropriation 1998 results	-	432	(432)	-
Equity increase for listing	3,099	5,811	-	8,910
IPO costs	-	(1,129)	-	(1,129)
Translation and other adjustments	3	242	-	245
Net profit 1999	-	-	2,374	2,374
31.12.1999	8,852	6,419	2,374	17,645
Appropriation 1999 results	-	2,374	(2,374)	-
Equity increases	444	2,705	-	3,149
Translation and other adjustments	-	(275)	-	(275)
Net profit 2000	-	-	4,865	4,865
31.12.2000	9,296	11,223	4,865	25,384
Appropriation 2000 results	-	4,865	(4,865)	-
Company capital translation into Euro	(296)	296	-	-
Equity increases	1,375	5,529	-	6,904
Translation and other adjustments	-	(52)	-	(52)
Net profit 2001	-	-	197	197
31.12.2001	10,375	21,861	197	32,433

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 <sup>st</sup> , (Euro thousand)	2001	2000	1999	1998	1997
<b>A) NET FINANCIAL POSITION AT 01.01</b>	<b>(14,425)</b>	<b>(3,466)</b>	<b>(12,246)</b>	<b>(8,305)</b>	<b>(9,989)</b>
<b>B) CASH-FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,596</b>	<b>10,099</b>	<b>4,036</b>	<b>3,357</b>	<b>2,270</b>
Consolidated net income	197	4,865	2,374	720	698
Amortisation/depreciation of tangible/intangible assets	2,349	1,595	955	999	1,167
Accrual of employees' severance indemnity, net of payments	379	343	(25)	155	316
Accrual to bad debt and other funds	476	3,189	613	255	89
Depreciation of financial assets	195	107	119	1,228	-
<b>B-BIS) EQUITY VARIATIONS</b>	<b>5,364</b>	<b>4,096</b>	<b>8,299</b>	<b>(84)</b>	<b>(36)</b>
Equity increase	5,896	4,204	9,536	-	(36)
IPO costs (effect net from taxation)	-	-	(1,129)	-	-
Dividend paid to third parties	(532)	(108)	(108)	(84)	-
<b>C) CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>(17,136)</b>	<b>(18,434)</b>	<b>(1,938)</b>	<b>(5,039)</b>	<b>802</b>
(Increase) decrease in inventories	(11,843)	(9,112)	(1,401)	(3,140)	(1,210)
(Increase) decrease in trade receivables	(5,239)	(8,777)	(6,274)	(5,779)	(1,459)
(Increase) decrease in other receivables	(2,298)	(3,960)	(204)	29	1,772
(Increase) decrease in short-term accruals (net)	639	158	(292)	158	324
Increase (decrease) in payables to suppliers	2,095	3,735	2,918	2,600	803
Increase (decrease) in other payables	(490)	(478)	3,315	1,093	572
<b>D) CASH-FLOW PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(6,602)</b>	<b>(6,720)</b>	<b>(1,617)</b>	<b>(2,169)</b>	<b>(1,352)</b>
(Additions) to intangible assets	(4,048)	(3,417)	(353)	(566)	(531)
(Additions) to tangible assets	(1,788)	(2,949)	(731)	(894)	(339)
(Additions) to financial assets	(766)	(354)	(533)	(1,058)	(975)
Proceeds from sale of fixed assets	-	-	343	493	-
<b>E) NET FINANCIAL POSITION AT 31.12</b>	<b>(29,203)</b>	<b>(14,425)</b>	<b>(3,466)</b>	<b>(12,246)</b>	<b>(8,305)</b>

## BUSINESS OF THE GROUP

Prima Industrie SpA designs, manufactures and sells machines and mechanical, electric and electronic engineering systems and the related software for use in industrial automation. The Company provides also technical services in the same field.

The main business of the Company focuses on laser sheet metal cutting and welding machines.

Prima Electronics SpA designs, manufactures and sells apparatus, instruments, machines and mechanical, electric and electronic engineering systems and the related software.

Laserdyne Prima Inc. operates in the North American market. It designs, manufactures and sells its own machines for aerospace industrial applications and imports Prima Industrie machines for their subsequent sale. Laserdyne Prima Inc. also provides after-sales service.

Convergent Prima Inc. designs, manufactures and sells lasers and laser systems for industrial applications.

Prima Industrie GmbH is a non-operating Group Company (commercial and financial one).

Prima Industrie International BV has provided the parent company for some marketing and commercial services.

## FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles adopted in the preparation of the consolidated financial statements are the same as those adopted in the statutory financial statements of Prima Industrie SpA. Such accounting principles have been applied on a consistent basis over the years. Assets and liabilities are valued using uniform criteria.

The above mentioned Companies are included in consolidation on the line-by-line consolidation method.

The date of reference for the consolidated financial statements coincides with the closing date of the financial statements of the Group holding Company.

The financial statements used in consolidation are those approved by the legal bodies governing the individual Companies. Such financial statements have been reclassified and, where necessary, adjusted to conform to the accounting principles used by the entire Group.

## PRINCIPLES OF CONSOLIDATION

The consolidated subsidiaries are those in which Prima Industrie holds a direct interest of more than 50 per cent of that company's share capital.

The minority interest in the share capital and reserves of subsidiaries are recorded separately under "minority interests" in Shareholders' equity, and the minority interest in the consolidated results for the year are recorded under "minority interests" in the income statement.

The main adjustments in arriving at the consolidation of the balance sheets and income statements from a simple aggregation, are the following:

- elimination of the carrying value of the investments against the underlying share of net equity;
- elimination of intercompany receivables and payables and income and expenses arising from intercompany transactions;
- elimination of the valuation adjustments and accruals made solely for tax purposes, taking into account, where applicable, the related tax effect;
- the translation of financial statements expressed in foreign currencies has been effected by applying the average rate for the year to the income statement and the year-end rate to the balance sheet. Exchange differences arising from the translation of the net investment in foreign subsidiaries, associated undertakings and borrowings which hedge such investments are recorded in "Cumulative translation adjustments" in Shareholders' equity.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Intangible assets

Intangible assets are stated at purchase cost and reduced by amortisation.

Among them, research and development are expensed to the income statement of the year incurred.

Advertising costs are entirely charged to the income statement in the year incurred.

Goodwill arising from the acquisition of Subsidiaries is amortized over a ten-year period.

Other intangible assets are recorded with the agreement of the Board of Statutory Auditors and are amortised over a period of five years, with the exception of leasehold improvements and extraordinary maintenance on factory leaseholds which are amortised over the period of the lease contract.

Intangible assets are amortised as follows:

- Research and development 5 years
- Industrial patents, intellectual property and similar rights 5 years
- Other 5 years/over the contract period

With respect to the above:

- the amortisation of industrial patents, intellectual properties and similar rights is considered sufficient in view of the estimated period of future benefit of the assets;
- the amortisation of "other" intangible assets depends on the costs capitalised:
  - 5 years for extraordinary maintenance and deferred charges;
  - over the life of the lease contract for leasehold improvements.

### Tangible assets

Tangible assets are stated at purchase or production cost. Cost includes expenses directly chargeable to the asset.

Tangible assets are depreciated on the straight-line method over the estimated useful lives of the assets.

Ordinary maintenance is charged to the income statement when incurred. Maintenance costs which extend the life of the assets are charged to tangible assets and depreciated over the remaining life of the assets to which they refer.



# Notes to the Consolidated Financial Statements

Depreciation rates are as follows:

• Light structures	10%
• Plant and machinery	10-15.50%
• Equipment and tools	25%
• Electronic office equipment	20%
• Office furniture machines and fixtures	12%
• Internal transport vehicles	20%
• Motor vehicles	25%
• Cellular phones	20%

Additions during the year are depreciated at half of the normal rate.

## Assets under financial leases

Assets acquired under financial leases, if significant, are accounted for by recording the assets under tangible assets and the lease obligation under liabilities and are depreciated on the straight-line method over the estimated useful lives of the assets.

Assets under financial leases are depreciated on the straight-line method over the estimated useful lives of the assets. The depreciation rates are in line with those used to depreciate tangible assets. Lease instalments are recorded in financial expenses and as reduction of the residual lease payable.

## Investments and securities recorded in financial assets

Unconsolidated investments are stated at cost, determined in relation to the purchase or subscription price, adjusted for any permanent diminution in value.

Fixed rate securities are recorded in "Financial Assets" at face value.

## Inventories

Inventory is stated at the lower between cost and net realisable value.

Raw materials are valued at the weighted average purchase cost during the year, adjusted to realisable value by an allowance for write-downs.

Contract work in progress is valued at the weighted average purchase cost of materials during the year at the time the materials are used in production, plus the average hourly production labour cost

and the purchase cost of external work.

Finished goods are valued in the same way as contract work in progress.

## Receivables

Receivables are stated at nominal value and reduced to estimated realised value by an allowance for doubtful receivables.

## Prepayments and accruals

Accruals are portions of income or expenses to be received or paid in future periods but referring the current year. Prepayments are portions of costs or income paid or received in the current year but referring to future periods.

## Provisions for liabilities and expenses

The provisions for liabilities and expenses include accruals relating to losses or liabilities likely to be incurred but uncertain as to the amount or as to the date on which they will arise.

## Employees' severance indemnity

Employees' severance indemnity covers the entire liability accrued on behalf of employees in conformity with existing legislation, collective national labour contracts and supplementary corporate agreements. This liability is subject to revaluation based on indices.

## Employees' benefit programs

U.S. Companies have a defined contribution plan covering their employees. Furthermore, companies sponsor a medical plan and provide a dental plan disability and life insurance benefits.

## Recognition of revenues

Revenues for the sale of goods are recognised at the time of the transfer of ownership, which generally coincides with delivery.

## Grants

Operating grants received from the state or other public body to cover specific operating costs are credited to the income statement when legal certainty of the receipt of the contribution has been

ascertained, or when the body disbursing the grant has issued a resolution approving the payment order.

## Income taxes

Income taxes are calculated on the basis of estimated taxable income applying existing laws and taking into account any tax exemptions.

Deferred taxes are provided at an enacted statutory tax rate expected to apply to future periods for all differences between the value of assets and liabilities for financial reporting purposes and their underlying tax basis when it is probable that such assets and liabilities will be realised.

## Translation of balances in non euro currency

In the financial statements, the receivables and payables originally denominated in non euro currency are translated into functional currency at the historical exchange rates as of the transaction date. Exchange differences arising at the time of collection or payment are recorded in the income statement. Receivables and payables, expressed in non euro currencies have been adjusted to the exchange rates in effect at the balance sheet date and any unrealized exchange gains or losses have been recorded to profit and loss. Realized gains and losses are recorded in the income statement.

