



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

**Registered office: Via Antonelli 32, Collegno (Turin)**

**Paid-up share capital: € 10,375,000**

**Turin Companies Registry No. 03736080015**

### **FINANCIAL STATEMENTS AT DECEMBER 31, 2001**

**\*\*\***



We hereby certify that the English version is a faithful  
translation of the Italian original.

PRIMA INDUSTRIE SpA  
Chief Executive Officer  
Ing. Gianfranco Carbonato

A handwritten signature in black ink, appearing to read 'G. Carbonato', is placed below the printed name of the Chief Executive Officer.

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

Share capital paid-in Euro 10,375,000  
Turin Companies Registry No. 03736080015  
R.E.A. Turin No. 582421

Registered office: Collegno (Turin)  
Via Antonelli 32  
website internet: <http://www.primaindustrie.com>  
e-mail: [prima.dg@primaindustrie.com](mailto:prima.dg@primaindustrie.com)

**BOARD OF DIRECTORS (\*)*****Chairman of the Board***

Aldo Palmeri

***Managing Director***

Gianfranco Carbonato

***Directors***

Giulia Della Rosa

Sandro D'Isidoro

Renato Russo (resigned March 18, 2002)

Francesco Takanen

(\*\*) Giuseppe Morfino

(\*\*) Paolo Mazzotto

***Secretary to the Board***

Giuseppe Favalaro

***General Manager***

Alberto Delle Piane

**BOARD OF****STATUTORY AUDITORS (\*\*\*)*****Chairman of the Board of Statutory Auditors***

Riccardo Formica

***Standing auditors***

Andrea Mosca

Roberto Petri gnani

***Alternate Auditors***

Roberto Coda

Stefano Maria Ruggeri

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers S.p.A.

(\*) Appointed by the Shareholders' Meeting of May 14, 1999 for the three-years period 1999-2001

(\*\*) Independent directors appointed by the Shareholders' Meeting of May 11, 2001 for the period expiring December 31, 2001

(\*\*\*) Appointed by the Shareholders' Meeting of May 11, 2001 for the three-years period 2001-2003

**DIRECTORS' POWERS**

The Board of Directors' Meeting held on May 14, 1999 appointed Gianfranco Carbonato Managing Director granting him all operating powers except those, set aside by law, for the Board of Directors. Both the Chairman and the Managing Director can legally represent the company in accordance with article 23 of the Company by-laws.

# PRIMA INDUSTRIE S.p.A.

## REPORT ON OPERATIONS

Dear Shareholders,

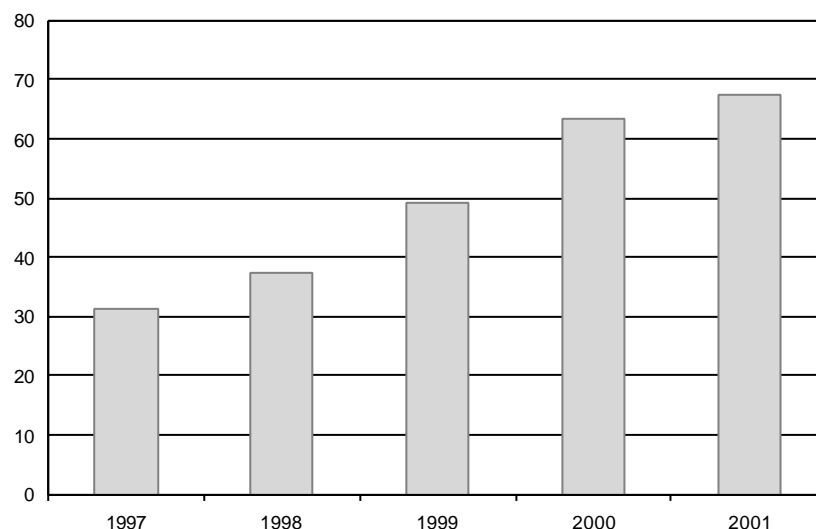
In submitting the financial statements for the year ended December 31, 2001 of Prima Industrie S.p.A. for your approval, we would like to remind you that, in fulfillment of what was promised when our company was first listed on the New Market of the Italian Stock Exchange in October 1999, your company carried out a second strategic transaction during the year. In fact, the acquisition of the Laserdyne business segment from GSI Lumonics (U.S.A.) has enabled the company to acquire technology for aerospace applications and to improve its direct presence on the American market, both of which are objectives which we mentioned at the time the company was listed on the New Market. Additional details of this transaction are described later in the report.

Moreover, in view of its growing strategic importance in your company's business operations, at the end of the year we purchased the remaining 40% interest in Prima Electronics from the minority shareholders (bringing control to 100%) by reserving Prima Industrie S.p.A.'s share capital increase for the former shareholders of Prima Electronics.

As regards the financial statements for the year ended December 31, 2001, sales totaled Euro 67,472 thousand, up 6.4% compared to Euro 63,385 thousand in 2000.

The trend in internal growth thus continued into 2001 (CAGR 1995-2001 on the base year 1994 of more than 23.5%).

**SALES (thousands of euro)**



A comparative condensed income statement for the year ended December 31, 2001 is presented below (amounts in thousands of euro).

	2001	2000	Change %
Revenues from sales and services	67,472	63,385	6.4
Change in inventories and other revenue	5,283	1,346	292.5
Total production value	72,755	64,731	12.4
Total production costs	(55,054)	(46,709)	17.8
Value added	17,701	18,022	-1.8
Personnel expenses	(11,345)	(10,253)	10.6
Gross operating profit (EBITDA)	6,356	7,769	-18.2
Amortization, depreciation and writedowns	(830)	(1,054)	-21.3
Operating profit (EBIT)	5,526	6,715	17.7
Net financial income (expenses)	1,161	(242)	-
Adjustments to financial assets and net extraordinary items	(4,295)	660	-
Income before income taxes	2,392	7,133	-66.5
Current income taxes	(1,694)	(2,255)	-24.9
Deferred income taxes	436	(723)	-
NET INCOME	1,134	4,155	-72.7

The gross operating profit (EBITDA) is Euro 6,356 thousand (9.4% of sales) compared to Euro 7,769 thousand (12.3% of sales) in the prior year.

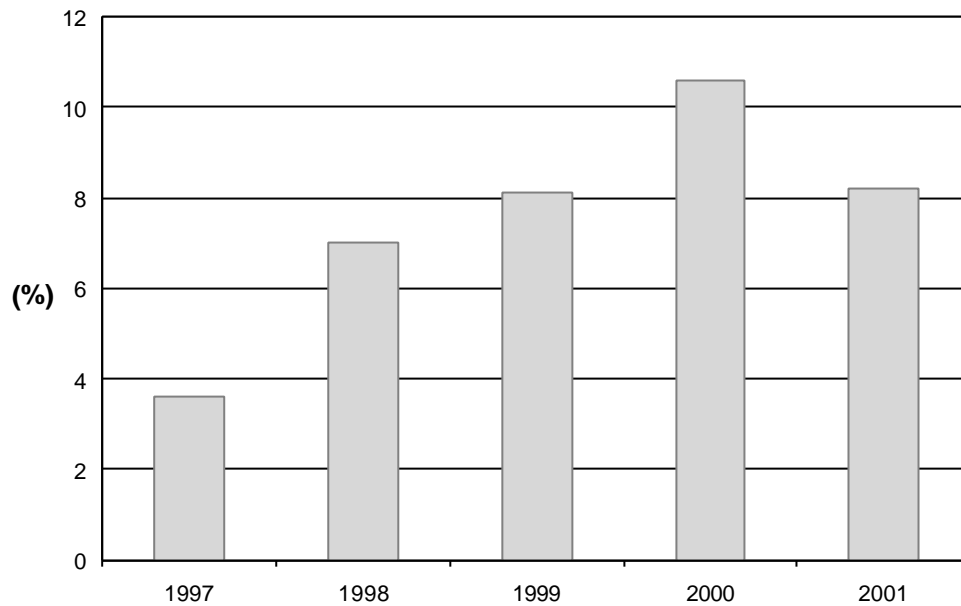
Expenses charged against EBITDA include:

- Accruals to the various provisions for liabilities and expenses totaling Euro 2,078 thousand, of which Euro 2,050 thousand refer to the contractual risks and expenses provision to cover installation costs and warranties on the machinery and systems delivered and invoiced during 2001 (the provision was utilized during the year for Euro 2,056 thousand). Other minor accruals cover the loss for the year reported by the subsidiary Prima Industrie GmbH of Euro 13 thousand and the accrual for the portion of agents' customer indemnities relating to 2001 of Euro 15 thousand.
- R & D costs entirely expensed during the year of Euro 2,502 thousand (Euro 2,247 thousand in 2000).
- Accrual for employees' severance indemnity of Euro 509 thousand.

The operating profit (EBIT) is Euro 5,526 thousand, equal to 8.2% of sales compared to Euro 6,715 thousand in the prior year (10.6%).

Amortization and depreciation charged against EBIT total Euro 830 thousand.

### OPERATING PROFIT (EBIT)/SALES



Income before income taxes totals Euro 2,392 thousand (3.5% of sales), a sharp reduction compared to Euro 7,133 thousand last year (11.3% of sales), mainly due to amounts set aside to cover the losses of the United States companies of Euro 4,295 thousand.

Moreover, mention should be made of the fact that the 2000 financial statements included extraordinary income of Euro 1,177 thousand in respect of operating research grants received during the year but referring to projects already expensed in previous years.

Net income, after income taxes of Euro 1,258 thousand, is Euro 1,134 thousand (1.7% of sales) compared to Euro 4,155 thousand (6.6% of sales) in 2000.

Earnings per share information is provided below:

	<b>12/31/2001</b>	<b>12/31/2000 (*)</b>
Weighted average number of shares	3,760,833	3,494,000
Par value per share Euro	2.50	2.50
Earnings per share Euro	0.30	1.19
Equity per share Euro	8.45	6.80

(\*) the December 31, 2000 figures have been adjusted to recognize the June 4, 2001 stock split, for purposes of comparison with December 31, 2001.

A comparative condensed balance sheet at December 31, 2001 is presented below (amounts in thousands of euro).

	<b>12/31/2001</b>	<b>12/31/2000</b>
Fixed assets	16,043	10,582
Net working capital	30,716	24,365
<b>TOTAL ASSETS</b>	<b>46,759</b>	<b>34,947</b>
Shareholders' equity	31,797	23,759
Employees' severance indemnity	2,360	2,071
Net financial position	12,602	9,117
of which medium-term	11,708	7,026
of which short-term	894	2,091
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>46,759</b>	<b>34,947</b>

Fixed assets increased as a result of the acquisition of the investment in Laserdyne (made through the subsidiary Laserdyne Prima and financed by Prima Industrie for the subscription to the share capital increase) and the acquisition of the remaining 40% stake in Prima Electronics.

Similarly, the net debt position increased partly as a result of the increase in net working capital due to higher business volumes.

The debt to equity ratio is at a satisfactory level of 0.40, which allows us to affirm that the strategy of internal and external growth has been implemented while maintaining a solid equity and financial structure.

The shareholders' equity increased from Euro 23,759 thousand at December 31, 2000 to Euro 31,797 thousand at December 31, 2001 thanks to the profit reported for 2001 of Euro 1,134 thousand and the three capital increases carried out during the year, as described below:

- The share capital increase reserved for institutional investors that was subscribed to and paid in on June 18, 2001 and directed to partly financing the acquisition of the Laserdyne business segment. The capital increase raised funds of about Euro 5,468 thousand.
- The second part of the stock option plan for managers that was exercised on July 10, 2001 and raised capital of Euro 375 thousand.
- The share capital increase reserved for the minority shareholders of the subsidiary Prima Electronics that was subscribed to and paid in on December 18, 2001 for the purpose of acquiring (through an exchange of shares) the remaining 40% interest in Prima Electronics in which a 60% stake is already held. This transaction was recorded for Euro 1,061 thousand but did not involve any financial funds since Prima Electronics shares were acquired at the same time for the same amount.

#### ***ACQUISITION OF THE BUSINESS SEGMENT LASERDYNE*** **(through the subsidiary Prima U.S. Inc., now Laserdyne Prima Inc.)**

The most significant transaction from a strategic point of view during 2001 was the acquisition of a business segment (Laserdyne) from the North American group GSI Lumonics.

This transaction consisted of acquiring the trademark, the sales networks in the U.S.A. and in Europe, its inventory and several other minor assets and liabilities.

The acquisition was made by our subsidiary Prima U.S. Inc. (which subsequently changed its corporate name to Laserdyne Prima Inc.) except for the assets (inventories) located in Europe, which were directly purchased by Prima Industrie S.p.A.. The acquisition became effective for operational purposes on April 1, 2001. The company runs its operations from a factory (rented premises) in Maple Grove in Minnesota (U.S.A.). Most of the overall investment (which totaled approximately US \$8.5 million, of which US \$6.5 million refer to net assets and US \$2 million to goodwill) was therefore made by Laserdyne Prima Inc., which we financed by subscribing to the capital increase (from US \$1.5 million to US \$10 million).



The direct outlay made by Prima Industrie to purchase the inventories in Europe (located at our branches in Great Britain and France) amounted to approximately US \$1 million and took place at the beginning of 2002.

The economic performance of Laserdyne Prima was negative, both because of the unfavorable trend in the world capital goods markets (which deteriorated further as a result of the terrorist attacks of September 11 in the U.S.A.), and because of the necessary restructuring process, which was still in progress at the end of the year (additional details are provided under investments in subsidiaries).

However we are confident that, once the restructuring is completed (in 2002) and, given a more favorable economic climate, the company will be able to generate a level of profitability that is in keeping with the standards of the group and the sector as a whole.

### **ACQUISITION OF THE REMAINING 40% STAKE OF THE SUBSIDIARY PRIMA ELECTRONICS S.p.A.**

During the month of December, the Shareholders' Meeting voted a share capital increase reserved for the minority shareholders of Prima Electronics S.p.A. (see details of this transaction in the changes in shareholders' equity) which contributed their shares in Prima Electronics S.p.A. for their subscription and payment of the share capital increase.

The exchange ratio (one Prima Industrie share for every Prima Electronics share) was decided on the basis of the appraisal value of Prima Electronics established by the appraiser appointed by the Court of Turin. The transaction was recorded at a price of Euro 4.42 per share, corresponding to the portion of the equity per share contributed by Prima Electronics S.p.A..

As a result of this transaction we now hold 100% of the share capital of Prima Electronics S.p.A. and we have strengthened the stable nucleus of our shareholder base with the entry of the four managers who were formerly shareholders in Prima Electronics and who received 240,000 Prima Industrie shares of which 120,000 have a two-year lock-up and 96,000 have a one-year lock-up.

### **STOCK OPTION PLAN**

**(according to Consob ruling protocol No. 11508 of February 15, 2000)**

In compliance with the rules voted by the Extraordinary Shareholders' Meeting of May 14, 1999, the Board of Directors' Meeting held on December 17, 1999 gave the go-ahead for part of the plan involving 300,000 shares (the number takes into account the stock split carried out on June 4, 2001 in a ratio of four new shares for every one old share) reserved for the managers and cadres of the company and the subsidiary Prima Electronics S.p.A., nominally assigning 150,000 rights to be exercised under certain conditions during the three-year period 2000-2002.

The exercise of the option is conditional upon reaching pre-established levels of sales and operating profit in the three-year period 1999-2001.

The option may be exercised between the first and fifteenth day of July in the years 2000, 2001 and 2002.

The stock option plan has the dual aim of motivating and involving key corporate employees and providing a strong incentive for attracting new resources with good qualifications who will be recruited in the future.

For these reasons, the first assignment attributed only 50% of the total plan available (150,000 shares out of a total of 300,000).

When all the shares have been issued and irrespective of future share capital increases with regard to the 4,150,000 shares currently outstanding, the 300,000 shares will constitute approximately 7% and will have a limited diluting effect.

The plan does not include incentives of the type mentioned in Article 2358 of the Italian Civil Code intended to benefit the subscription of shares by beneficiaries.

After the first assignment of shares and in consideration of the acquisitions made in the U.S.A., the rules were changed by the Shareholders' Meeting of May 11, 2001 to allow rights to be assigned to middle management (supervisors and cadres) as well as extending the assignment to all the companies in the Group, in Italy and abroad.

On the same date (May 11, 2001) the Board of Directors made a second assignment of rights (for No. 148,000 options) to managers, supervisors and cadres of Prima Industrie, Prima Electronics, Laserdyne Prima and Convergent Prima to be exercised at the price of Euro 23.05 once the EBIT and sales objectives for the years 2001 and 2002 have been achieved.

On July 10, 2001, once the company had exceeded the parameters forecast for the 2000 consolidated financial statements, the beneficiaries of the option rights subscribed to the second 50,000 shares, paying the overall equivalent amount of Euro 375,000 to the company.

## STOCK OPTION PLAN

Rights assigned before January 1, 2000	150,000	
of which:		
▪ exercised on July 5, 2000	50,000	at Euro 6.75
▪ exercised on July 10, 2001	50,000	at Euro 7.50
▪ exercisable in July 2002	50,000	at Euro 7.50
Rights still to be assigned on January 1, 2001	150,000	
Rights assigned on May 11, 2001	148,000	
of which:		
▪ exercisable in July 2002	49,000	at Euro 23.05
▪ exercisable in July 2003	99,000	at Euro 23.05
Rights still to be assigned at December 31, 2001	2,000	

The second assignment was later revoked and replaced as decided by a subsequent resolution passed by the Board of Directors' Meeting on February 14, 2002.

On December 28, 2001, the market price of the stock was listed at Euro 12.86.

**INVESTMENTS HELD BY THE DIRECTORS, THE STATUTORY AUDITORS AND THE GENERAL MANAGER IN PRIMA INDUSTRIE S.p.A. AND ITS SUBSIDIARIES (ART. 79 CONSOB RULING No. 11971 of May 14, 1999)**

As required by art. 79 of Consob ruling No. 11971 approved on May 14, 1999, the shares owned by the directors, statutory auditors and general manager are presented in the following summary.

Name	Investment held in	Number of shares owned at 1/1/2001 (iii)	Number of shares purchased in 2001	Number of shares sold in 2001	Number of shares owned at 12/31/2001
Palmeri Aldo	Prima Industrie S.p.A.	4,800	--	2,300	2,500
Carbonato Gianfranco	Prima Industrie S.p.A.	164,688	8,312	--	173,000
Della Rosa Giulia	Prima Industrie S.p.A.	--	--	--	--
Takanen Francesco	Prima Industrie S.p.A.	--	--	--	--
Russo Renato	Prima Industrie S.p.A.	--	--	--	--
D'Isidoro Sandro	Prima Industrie S.p.A.	--	--	--	--
Mansour Rafic (i)	Prima Industrie S.p.A.	--	--	--	--
Mazzotto Paolo	Prima Industrie S.p.A.	--	--	--	--
Morfinio Giuseppe	Prima Industrie S.p.A.	--	--	--	--
Formica Riccardo	Prima Industrie S.p.A.	--	--	--	--
Mosca Andrea	Prima Industrie S.p.A.	--	--	--	--
Petrignani Roberto	Prima Industrie S.p.A.	--	--	--	--
Ruggeri Stefano Maria	Prima Industrie S.p.A.	--	--	--	--
Di Claudio Giuseppe	Prima Industrie S.p.A.	--	--	--	--
Coda Roberto	Prima Industrie S.p.A.	1,080	--	--	1,080
Delle Piane Alberto	Prima Industrie S.p.A.	16,800	4,000	--	20,800
Gagliardi Franca (ii)	Prima Industrie S.p.A.	47,552	--	41,600	5,952

- (i) Shares held through the fiduciary company Erste International Holding SA (please refer to the share classification on consolidated accounts)  
(ii) Wife of Ing. Carbonato  
(iii) Proportionate number after the stock split voted on June 4, 2001

None of the above persons hold, directly or indirectly, shares or quotas in the subsidiaries Prima Electronics S.p.A., Prima Industrie GmbH, Prima Industrie International BV (formerly Laserworld BV), Laserdyne Prima Inc. (formerly Prima US Inc.).

***SALES***

Sales for the year 2001 amounted to Euro 67,472 thousand, an increase of 6.4% compared to Euro 63,385 thousand in 2000.

Sales can be subdivided as follows (amounts in thousands of euro):

**SALES BY PRODUCT**

	<b>December 31, 2001</b>	<b>%</b>	<b>December 31, 2000</b>	<b>%</b>
3-D Laser machines	26,846	39.8	30,996	48.9
2-D Laser machines	30,742	45.6	25,774	40.7
Assistance and other services	9,884	14.6	6,615	10.4
<b>TOTAL</b>	<b>67,472</b>	<b>100.0</b>	<b>63,385</b>	<b>100.0</b>

## SALES BY GEOGRAPHIC AREA

	<b>December 31, 2001</b>	<b>%</b>	<b>December 31, 2000</b>	<b>%</b>
Italy	20,495	30.4	25,761	40.6
Europe	33,139	49.1	27,578	43.5
U.S.A.	4,122	6.1	3,470	5.5
Rest of the world	9,716	14.4	6,576	10.4
<b>TOTAL</b>	<b>67,472</b>	<b>100.0</b>	<b>63,385</b>	<b>100.0</b>

In terms of numbers of laser systems, 145 machines were delivered in 2001 compared to 139 in 2000.

The following observations can be made from the above tables:

- The growth of 2-D systems sales (+19%), led by the enormously successful PLATINO, also in the more recent “high-speed” version, which was launched at the end of the year.
- The fall in 3-D systems sales (-13.4%) especially on the Italian market, where the company felt the effects of the slowdown in expenditures for investments, yet managed to maintain its leadership position.
- A lower performance on the Italian market, where, however, the company generates 30% of its sales.
- The excellent result achieved in Europe (+20%) due mainly to the success of the 3-D segment in Germany. In Europe, Germany proved to be the leading market, followed by France and Spain.
- The increase in sales in the U.S.A. (approximately +19%) thanks to the recent acquisitions which have given the company a more extensive sales network in this geographical area.
- The growth of sales in the rest of the world (+47.7%) resulting from the excellent performance on the Chinese market (see comment on joint venture operations).

## ***COMMERCIAL ACTIVITIES***

Orders acquired in 2001 amounted to approximately Euro 68,091 thousand, an increase of more than 8.5% compared to Euro 62,673 thousand in 2000, thanks partly to the excellent acquisitions made during the last part of the year.

Considering the unfavorable capital goods market, the trend in order acquisitions for 2001 can be considered satisfactory. We substantially succeeded in holding our ground in the market of sheet metal work, whereas the automotive market proved critical throughout the year. The aerospace market held until September and then plummeted following the terrorist attacks in the U.S.A. which are still penalizing the segment of civil aviation.

As a result of the above, the order portfolio shows the following situation, compared to the prior year (amounts in thousands of euro):

	<b>January 1, 2002 Amount</b>	<b>January 1, 2001 Amount</b>
3-D Machines	7,085	11,038
2-D Machines	11,541	8,956
<b>TOTAL</b>	<b>18,626</b>	<b>19,994</b>

The number of machines in portfolio is the same as last year but the product mix is different, leading to lower per unit averages.

However, the order portfolio is regarded as being satisfactory (it covers more than three months of production) and had increased further by February 28, 2001 (Euro 20,583 thousand).

In Europe, the most important trade fair of the year was EMO held in Hanover last autumn. At this event we presented the new High Speed version of the Platino equipped with the new Primach 20L CNC system produced by Prima Electronics. In addition, we presented a Laserdyne Model 790 fitted with a laser P50 NdYag produced by Convergent Prima, the first time it had been presented at our stand: this was the first sign of the vertical and horizontal integration that the company is tenaciously pursuing.

Outside Europe, we participated in Fabtech in Chicago, CIMT in China and Feimafe in São Paulo (Brazil).

Great efforts were made in the area of sales to integrate the structures acquired at the branches in the U.K. and France which, once they had moved to new headquarters, were equipped with demonstration machines and can thus provide a better service in these two important European markets.

We now have demonstration showrooms operating in Italy, Germany, France the U.K., the U.S.A., China and Japan.

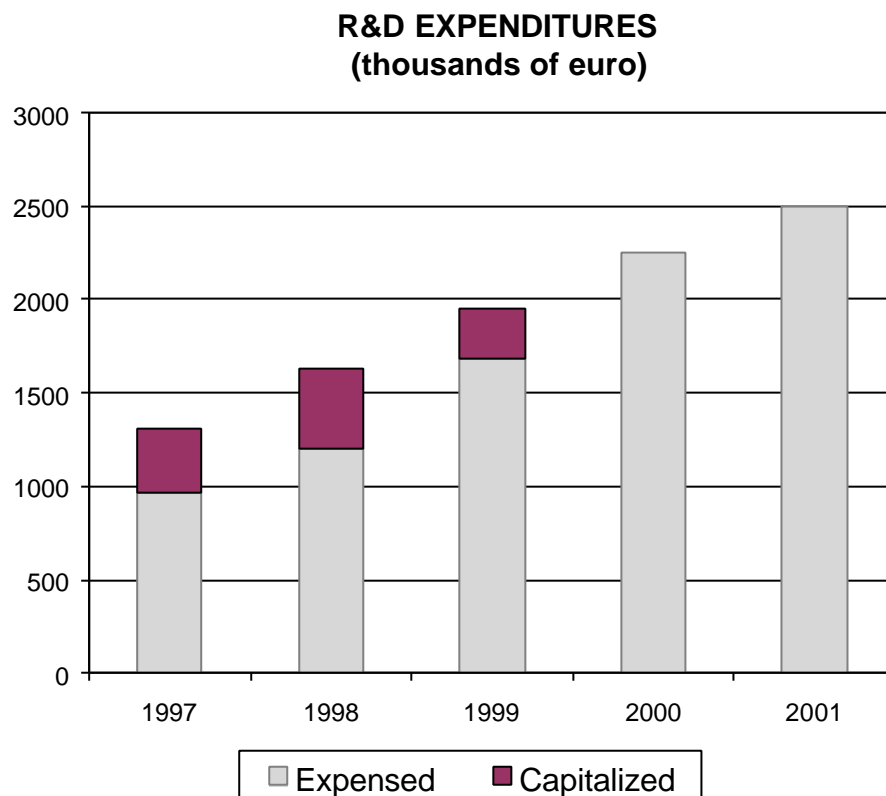
Furthermore, agreement was reached with Comau S.p.A. - a world leader in the supply of integrated production systems – to cooperate for several years on the development, production and marketing of laser welding cells destined for the automotive industry (product named Magico).

## **RESEARCH & DEVELOPMENT**

The expenditures incurred for R&D in 2001 totaled Euro 2,502 thousand. This amount was entirely charged to income.

R & D expenditures incurred in 2000 amounted to Euro 2,247 thousand.

The following table shows R&D expenditures over the last five years:



The year 2001 was certainly very demanding in terms of the number and importance of the projects developed. R & D investments are aimed at strengthening and broadening our range of products so that we can seize the opportunities offered by the market when they arise.

R&D activities mainly involved the following:

- the new version of the Platino, called HS (High Speed) which has high speed performance thanks to the New Primach 20L CNC developed and produced by Prima Electronics;
- the larger version of the Platino, the 2040, suitable for working large pieces;
- the larger version of the Domino, the 1530.
- a line of loading/unloading and storage systems called “Server” for unsupervised operations;
- a new version of the Maximo product, the Maximo 5, for 3-D applications.

In addition to the developments mentioned above, which mainly involve the existing range of products, we have finalized the development of an innovative project which generated a prototype for applications which are not operated using laser technology:

- the Sincrono, a machine for cutting sheet metal at high speed suitable for use in the production of medium-batch products. This product is the object of a project with special financing (see below).

We have particularly high hopes that the last two products will in future generate additional sales in market niches which are as yet unexplored.

We also continued with projects that were already underway in previous years, namely:

- the EUREKA PUBLICS project in the area of processing carried out by intelligent lasers through real-time monitoring of process parameters. For this project, for which we signed the relative contract in 2000 with the bank disbursing the funds, Sanpaolo/IMI, and which will finish in 2003, we have received financial support in the form of a grant against expenses, the exact amount of which is disclosed in the notes;
- a new type of CNC being developed with Prima Electronics, known as PRIMACH 20-L for 3-D applications. This unit, which is faster and more powerful than previous models, will make it possible to improve considerably the dynamic performances of all the machines. The version for the 2-D machines has already been completed;
- as anticipated, in 2000, the SINCRONO project (involving the development of a machine with a high degree of flexibility and productivity) was the object of a contract signed with the bank disbursing the funds, Sanpaolo/IMI. The project was concluded in November 2001. The receipt of portions of the grant and low-rate financing is disclosed in the notes. At the beginning of 2002 we received a visit of inspection from the bank disbursing the funds, which had a positive outcome;
- with reference to the R&D costs expensed during the year ended December 31, 2001 for Euro 2,502 thousand, on the accrual basis and in full compliance with Point 1 of Article 74 of DPR No. 917/1986, the following activity was carried out:  
The study, design and development of a new model of laser machine and its relative subsystems for 2-D laser-cutting systems with longer strokes (2m x 4m) than those on models currently available.  
The new product makes it possible to work large volumes with costs and performances that are extremely competitive compared to products made by the competition.  
The costs incurred for this project were as follows:

- |  |           |
|--|-----------|
| • costs for staff directly involved in R&D activities              | € 302,200 |
| • costs for technological consultancy services to acquire know-how | € 150,470 |

The results achieved are extremely positive, to the extent that the company has already received orders for deliveries in 2002.

- In 2001 another project got under way called RESALT which involves the “study and definition of a flexible advanced welding system with a powerful CO<sub>2</sub> laser and a high level of flexibility”. This project has already been approved and formally recorded by

the Ministry of Education, University and Research. The preliminary inquiry has been initiated and the commission which will examine the project has been appointed. The project, which began in July 2001, is scheduled to last 40 months. If the project has a positive outcome, low-rate financing will be obtained of approximately Euro 3 million, as well as an operating grant of approximately Euro 2 million (both of which will be received in installments as the project progresses), starting from the stipulation of the contract.

### ***EMPLOYEES AND ORGANIZATION***

At the end of 2001, employees numbered 240 compared to 218 at the end of 2000.

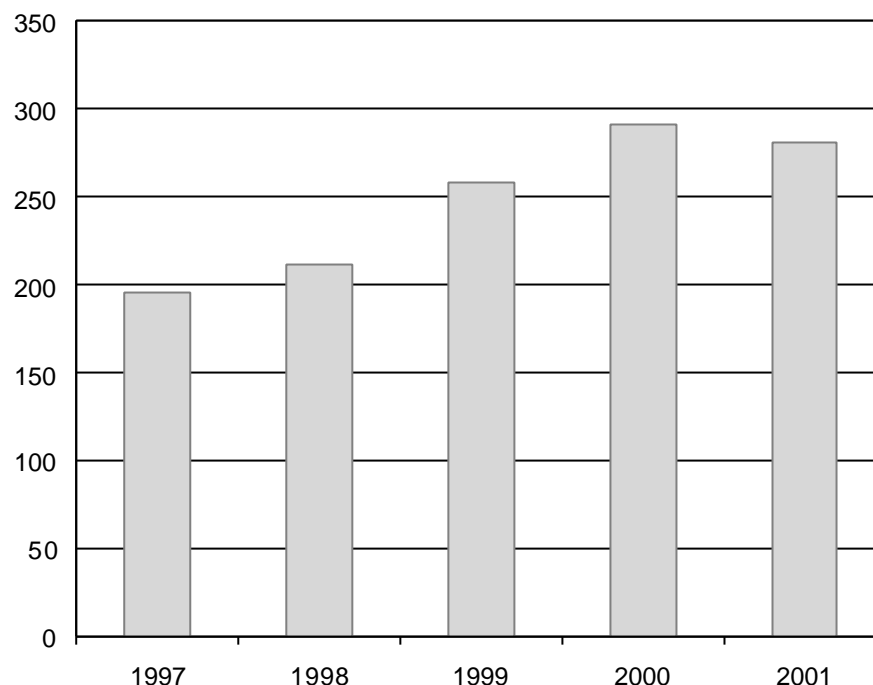
The following table shows the current situation compared to that of the prior year:

	<b>December 31, 2001</b>	<b>December 31, 2000</b>
Managers	12	12
Supervisors	5	-
Cadres	10	15
Staff	115	98
Intermediates	3	2
Workers	68	70
Branches and offices in Europe	27	21
<b>Total</b>	<b>240</b>	<b>218</b>

Per capita sales (calculated on the average annual number of employees) amounted to Euro 295 thousand compared to Euro 311 thousand in the prior year, keeping at satisfactory efficiency levels.



**PER CAPITA SALES**  
(thousands of euro)



There were no significant changes in terms of logistics, apart from a greater use of external storage warehouses, which made the use of space at production centers more flexible.

On January 1, 2001, the new SAP R/3 information system became operational. This constitutes an important step towards better control of the business in an ever-more extensive and globalized organization.

As usual, we would like to thank the company's employees for their fundamental contribution to our growth and the improvement in our results.

***NET WORKING CAPITAL AND NET FINANCIAL POSITION***

Working capital requirements increased compared to the prior year by Euro 6,351 thousand (about +26%), as detailed below:

	<b>12/31/2001</b>	<b>12/31/2000</b>
Inventories	13,844	9,719
Receivables	44,571	37,763
Accrued income and prepaid expenses	347	675
Provisions for liabilities and expenses	(3,508)	(3,385)
Suppliers	(21,235)	(15,591)
Other payables	(2,492)	(4,025)
Accrued liabilities and deferred income	(811)	(791)
<b>Total</b>	<b>30,716</b>	<b>24,365</b>

The increase in working capital is due, on the one hand, to higher business volumes with a resulting growth in trade accounts receivables and, on the other, to higher inventories, a phenomenon caused by the temporary presence of machinery in inventories whose delivery to customers was postponed to the beginning of 2002, strategic decisions (higher number of demo machines at the branches) and the assets acquired in the Laserdyne acquisition.

As a result of the above, the net financial position of the company at December 31, 2001 is as follows:

	12/31/2001	12/31/2000
Cash and banks	5,868	2,392
Short-term securities	517	695
Short-term bank borrowings	(4,022)	(2,208)
Short-term borrowings from other financial institutions	(3,257)	(2,970)
Medium/long-term debt	(11,708)	(7,026)
Total net financial position	(12,602)	(9,117)
of which:		
Short-term cash	6,385	3,087
Short-term borrowings	(7,279)	(5,178)
Total cash/short-term borrowings	(894)	(2,091)
Medium/long-term debt	(11,708)	(7,026)
Net financial position	(12,602)	(9,117)

The above table shows an increase in total debt position of Euro 3,485 thousand.

As far as the debt structure is concerned, short-term positions were shifted to medium/long-term debt since medium/long-term loans were secured to meet financial investments in order to maintain a better equilibrium between sources and uses.

## ***INVESTMENT HOLDINGS***

There follows a brief description of the performance of our subsidiaries in 2001.

We wish to point out that trade dealings with our subsidiaries took place on an arm's length basis.

## ***EQUITY INVESTMENTS IN SUBSIDIARIES***

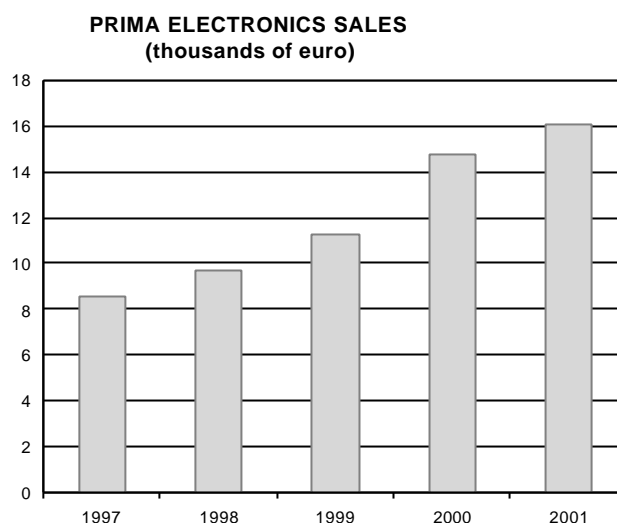
### ***PRIMA ELECTRONICS S.p.A.***

The company ended a good year in 2001 with sales of Euro 16,069 thousand, an increase of 9% compared to Euro 14,736 thousand in 2000.

The year closed with a net income of Euro 1,158 thousand compared to Euro 1,336 thousand in 2000. In terms of the operating profit, the EBIT is 14.8% of sales compared to 16.2% in 2000, with the amount being the same for both years (Euro 2,382 thousand).

This percentage reduction is due to a different composition of the product mix and can be attributed to some orders for new customers with lower margins since it was the first time they had been supplied.

In fact we have tried to extend and diversify the product and customer mix in anticipation of a reduction in supply shipments to Atlas Copco Airpower from 2001.



Contrary to this pessimistic forecast, our relationship with Atlas Copco (which is Prima Electronics' most important customer) will continue for the five-year period 2001-2006. This is undoubtedly the most significant event of the year.

In fact, with the acquisition of Elesta A.G. in Switzerland, Prima Electronics was able to acquire the project to develop the new generation product Mark IV, which was preliminary to the signing of the new supply contract for another five years covering the period 2001-2006.

Since ownership of Elesta is not strategic as such (except for the above-mentioned development project which has now been internalized by Prima Electronics), the company will not be consolidated in the Prima Industrie Group in the year 2001, inasmuch as it was definitively divested on March 7, 2002. In fact, in February 2001, the company was sold (except for the Atlas Copco development project) to the German company Micro Innovation Holding A.G. (Moeller Group). The sale was concluded in installments so that, at December 31, 2001, Prima Electronics still held 60% of the company, which was then sold on March 7, 2002.

During the year, new orders were acquired for approximately Euro 13,893 thousand (compared to approximately Euro 18,081 thousand in 2000), partly on account of the particularly negative status of the electronic components at this time.

Consequently, at December 31, 2001, the order portfolio amounted to approximately Euro 6,631 thousand, compared to the portfolio at December 31, 2000 which totaled approximately Euro 8,807 thousand.

R&D activities, entirely charged to income for Euro 996 thousand, mainly referred to the following:

- the development of a new version of CNC called PRIMACH 20L based on a PC using the Linux operating system;

- the development of a range of fully digital and modular motor drives for brushless motors;
- the development the new line of regulators for industrial air compressors, called Mark IV (which had no effect on the income statement since the costs were charged directly to the principal).

All the projects were still in progress at December 31, 2001 and will start to contribute to corporate revenues from 2002.

During the year, the net financial position became a debt position of Euro 326 thousand (a debt position of Euro 89 thousand in 2000).

Finally, the workforce at the end of the year numbered 76, 12% more than the 68 persons the prior year.

### **LASERDYNE PRIMA INC. (FORMERLY PRIMA U.S. INC.)**

Both the operations and the structure of this company operating on the North American market changed considerably during 2001. In fact, whereas, in the past, the former Prima U.S. Inc. (founded in 1992) used to be a small technical and trading company (employing 6 or 7 people, with sales of Euro 4/5 million), since the acquisition of the business segment Laserdyne from GSI Lumonics, we have access to production and a structure that are radically different.

As we have already said, the acquisition took place as from April 1, 2001. Prima U.S. Inc. (which has since changed its corporate name to Laserdyne Prima Inc. and moved its headquarters from Farmington Hill in Michigan to Maple Grove in Minnesota, where the Laserdyne factory is located) acquired the brand, the inventories in the U.S.A. and the Far East, as well as some minor assets and liabilities, without taking over the pre-existing trade accounts receivable and payable. The goodwill paid over and above the net value of what was acquired was agreed at US \$2 million. The overall investment for Laserdyne Prima Inc. amounted to approximately US \$7.5 million (plus approximately US \$1 million paid directly by Prima Industrie, which, in turn, acquired the inventories located in Europe). To finance this transaction, the shareholder, Prima Industrie, subscribed to and paid in the increase in share capital from US \$1.5 million to US \$10 million.

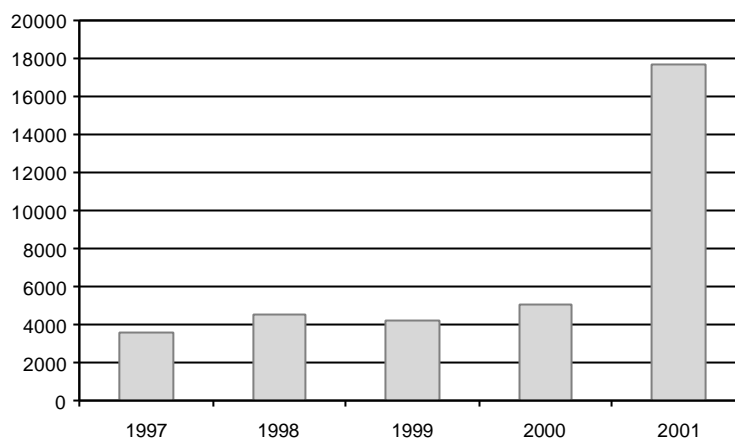
As a result, the shareholder's equity has increased considerably (at December 31, 2001 total assets and liabilities were approximately US \$26 million).

The business structure of the company also altered radically, and became similar to that of Prima Industrie (although on a different scale). Therefore the income statement figures are not comparable with those of the prior years.

Sales amounted to US \$17.7 million compared to US \$5.1 million in 2000.

In terms of operating result, the company recorded a loss of US \$3.1 million due to insufficient sales in relation to the fixed overheads of the company. For this reason, the restructuring process begun in 2001 was stepped up in the first part of 2002. The restructuring will be completed during 2002, and will also involve the relocation of operations to other plant facilities with lower operating costs.

**LASERDYNE PRIMA INC. SALES**  
(thousands of US dollars)



The gross operating result was a loss of US \$4.5 million (which includes US \$1.2 million for the writedown of the investment in Convergent Prima) compared to US \$0.4 million in 2000. The net result, which benefited from the deferred tax assets recorded for US \$0.6 million, showed a loss of US \$3.9 million (US \$0.4 million in 2000).

The total of orders received from customers amounted to US \$13.1 million and, at the end of the year, the order portfolio totaled approximately US \$1.8 million. This amount is lower than normal since it is affected by the current period of crisis on the market.

At December 31, 2001, employees numbered 74 (compared to 8 at December 31, 2000). As a result of restructuring operations, this number was reduced during the current month of March to approximately 50.

During the year, R&D expenditures amounted to US \$1.4 million and were entirely charged to income. This type of cost did not feature in Prima US, which did not conduct any R&D activities. Laserdyne Prima now carries out R&D on Laserdyne products, whereas R&D on Prima Industrie products are carried out in Turin.

#### **CONVERGENT PRIMA INC. (80% indirectly controlled through Laserdyne Prima Inc.)**

The company, which is located at Sturbridge, Massachusetts (U.S.A.) became part of our Group on May 1, 2000. The company is owned by Laserdyne Prima Inc. (which holds a 80% stake, while the remaining 20% is held by ACD Technologies S.p.A., formerly Pluritec S.p.A., our partner in the acquisition).

This company was acquired with the aim of internalizing laser technology, since Convergent has operated in this field for decades. Corporate activity therefore focused on developing the two main projects (the laser CP4000 for us and the VIA DRILLING system for Pluritec), involving a considerable investment which, eventually, resulted in the product we had been waiting for: in fact, the first prototype of the CP4000 was sent to Turin at the end of February 2002.

We therefore believe that the economic “pains” that the company had to endure in 2000 and 2001 may be coming to an end, since the laser will be used on our machines in 2002.

The company also has another good laser product, the Yag P50, which is sold to third parties, and offers a considerable number of services which generate some revenues, although not enough to cover the investments currently in progress.

In 2001, sales amounted to US \$15.7 million (compared to US \$11.3 million during the 8 months of operations in 2000). In terms of operating result, a loss of US \$1.4 million (a breakeven in 2000) was reported, due mainly to the insufficient level of sales and the considerable investments in R&D during the year.

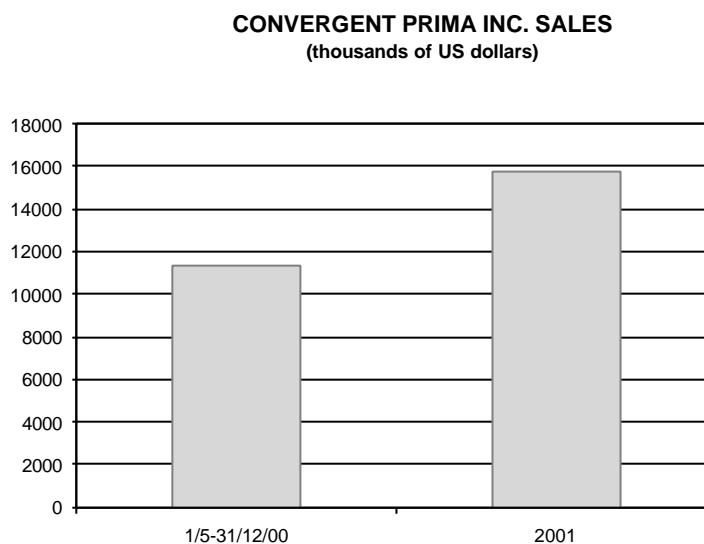
The gross operating result was a loss of US \$1.8 million (a loss of US \$0.2 million in 2000). The loss was reduced to US \$1.4 million at the

level of net result (a net loss of US \$0.2 million in 2000) consequent to recording deferred tax assets. The total orders received from customers amounted to US \$12.1 million (US \$11.8 million in 2000) and the order portfolio at year-end was US \$3.3 million (US \$7.0 million at the end of 2000).

At December 31, 2001, the company had 80 employees on the payroll (at December 31, 2000 the number was 84).

R&D expenditures, equal to US \$1 million in 2001 (compared to US \$0.7 million in 2000), were entirely expensed, net of the contributions made during the year by Prima Industrie and ACD Technologies S.p.A. for their specific projects.

Despite the negative economic performance, we can confirm the wisdom of our investment, which is absolutely necessary from a strategic standpoint in order to lengthen the internal chain of value and reduce dependence on suppliers with regard to the fundamental technological component: the laser.



### ***PRIMA INDUSTRIE GMBH***

In the past, Prima Industrie GmbH was our trading branch located in Germany. Since the stipulation of a trading agreement with the German distributor Matra (in 1994), in fact operations have been reduced to sporadic technical work under warranty.

Until 1998, the company performed marginal assistance and support activities for the clientele on the German market.

Since 1999, no operations have taken place since, during the year, the remaining inventory was transferred to Prima Industrie S.p.A.. The loss of Euro 13 thousand refers to operating costs. The company has no employees.

The company has not yet been liquidated since it may still be useful as a vehicle through which to manage technical assistance on the spot in collaboration with the local distributor Matra.

### ***PRIMA INDUSTRIE INTERNATIONAL BV (FORMERLY LASERWORLD BV)***

Since July 1, 2000, the company has performed services for the parent company Prima Industrie S.p.A. such as trading and marketing coordination for Prima Industrie products on the U.S.A. market and for Convergent Prima products on the markets of Europe and the Far East.

This activity of trading coordination was vital during the first phase of integrating the Convergent Prima Inc. structure with that of Prima Industrie S.p.A.. For this activity, from July 1, 2000 Prima Industrie International BV (which also changed its corporate name for this purpose) recruited a person to coordinate the integration process described above. Once the start-up phase was concluded, the above-mentioned activity came to an end and the contract with the person described was terminated on July 31, 2001. Therefore, at December 31, 2001, there were no employees on the payroll.

The service activity conducted by the company on behalf of Prima Industrie was invoiced to Prima Industrie at cost (with a very slight mark-up to cover fixed overheads) and therefore the economic result for 2001 is virtually a breakeven (profit of Euro 1 thousand).

### ***EQUITY INVESTMENTS IN ASSOCIATED COMPANIES***

The associated companies of Prima Industrie S.p.A. are:

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

During 2001, the trading activities of the joint venture begun in China only a year before considerably intensified, thanks partly to the favorable economic climate of that geographical market.

The Shenyang-Prima Laser Machine Company has assembled and sold directly 5 different versions of the Platino system, while 5 other laser systems were sold directly to Chinese customers by Prima Industrie.

Sales during the year increased from US \$0.2 million at December 31, 2000 to US \$1.2 million, enabling the company to generate a small profit during the year.

In the spring of 2001, the joint venture participated in the CIMT trade fair in Beijing (the most important trade fair in the country) with the aim of promoting the brand in this huge developing market.

At December 31, 2001, employees numbered 8.

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

The company is partly owned by Prima Industrie (40%), SNK (a Japanese company operating in the sector of capital goods which holds a 40% interest) and Hanwa-HTS (a Japanese trading company specializing in the distribution of steel and sheet metal which holds a 20% interest) and was formally set up in September with share capital of Japanese yen 90 million. According to the terms of the contract, Prima Industrie subscribed to the share capital by contributing a license to the new joint-venture (for the production and sale of certain machinery) for a value of Japanese yen 36 million.

The joint venture, the headquarters of which are located in Osaka at the premises of SNK, will assemble 3-D cutting machines and the Mosaico welding system, for which Prima Industrie will supply the technological components (lasers, CNC systems, software and laser processing-heads). It will also have exclusive marketing rights on the Japanese market, and will also market in Korea and Taiwan although on a non-exclusive basis.

It is expected that the joint-venture will become operational in 2002.

At December 31, 2001, the accounting situation (the financial statements close, like most Japanese companies, on March 31, and therefore the first financial statements to be approved will close on March 31, 2002) only includes formation costs.

### ***MACRO MECCANICA S.p.A. (in liquidation)***

The process to wind-up of Macro Meccanica, whose investment carrying value was written off in 1999, continued into 2001. The wind-up should be concluded during 2002 but could be after, depending upon the receipt of tax receivables, the date of which cannot be determined at this time. The deficit on the wind-up shown in the 1999 and 2000 financial statements has been reduced in 2001 and continues to decline thanks to settlements that have been reached with the creditors. We are therefore of the opinion (this being evidenced in the liquidation plan) that at this time any additional charges to be borne by the shareholders will not be significant.

We hold a 35.48% stake in this company.



## ***EQUITY INVESTMENTS IN OTHER COMPANIES***

### ***RAMBAUDI INDUSTRIALE S.p.A.***

The value of our investment (originally equal to Euro 516 thousand and corresponding to a 7.4% stake in capital) increased as a result of the conversion of debentures into share capital in 2001. The convertible debentures were subscribed to the previous year for Euro 258 thousand for the purpose of economically stimulating the company and preparing the way for a new shareholder to invest in the company, which did occur with the subscription to a significant increase in share capital.

After the capital transactions which took place during the year, Prima Industrie now holds a 6.24% interest.

### ***MECHANICAL INDUSTRIES S.r.l.***

In 2001, we invested in this company which took over all the mechanical processing operations of Macro Meccanica S.p.A. – in liquidation, thus consolidating its role as our strategic supplier.

Our investment totaled Euro 105 thousand, for a 19.87% holding. The financial statements for 2000 and the preliminary statements for 2001 basically show a breakeven.

## ***RELATED PARTY TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATED COMPANIES***

### ***PRIMA ELECTRONICS S.p.A.***

Sales invoiced to us by this company were Euro 3,077 thousand compared to Euro 2,883 thousand in the prior year.

Such sales, transacted on an arm's length basis, refer to:

	<b>2001</b>	<b>2000</b>
CNC systems and spare parts	2,606	2,270
Engineering	338	540
Services and other	133	73
Total	3,077	2,883

The change is due to the increase in CNC systems supplied generated by increased deliveries of laser machines net of the price variations due to operating efficiencies.

Conversely, in 2001, Prima Industrie invoiced services and technical consulting to Prima Electronics for a total of Euro 125 thousand compared to Euro 104 thousand in 2000. The services referred to EDP, for example, which, within the group, are centralized in Prima Industrie and include licenses, maintenance charges and costs for customizing the corporate information system.

Receivables and payables at year-end are as follows:

	<b>Receivables Prima Industrie</b>	<b>Payables Prima Industrie</b>
Trade accounts receivable	37	-
Dividends to be received	300	-
Trade accounts payable	-	968
Credit notes to be received	-	-
<b>Total</b>	<b>337</b>	<b>968</b>

***LASERDYNE PRIMA INC.***

A total of Euro 2,990 thousand were invoiced by us to this company in 2001 for machinery (Euro 2,665 thousand in 2000) and Euro 539 thousand for accessories and spare parts (Euro 216 thousand in 2000).

Laserdyne Prima Inc., in turn, invoiced us Euro 1,304 thousand for systems and spare parts. This company also invoiced us for costs incurred to participate in trade fairs in the United States and Canada, as established by contractual agreements (Euro 184 thousand).

	<b>Receivables Prima Industrie</b>	<b>Payables Prima Industrie</b>
Trade accounts receivable	5,774	-
Trade accounts payable	-	1,350
Financial receivables	-	-
Invoices to be received	-	88
Credit notes to be received	-	-
<b>Total</b>	<b>5,774</b>	<b>1,438</b>

***CONVERGENT PRIMA INC. (held through Laserdyne Prima Inc.)***

Sales by Convergent Prima Inc. to us in 2001 were Euro 587 thousand. We, in turn, invoiced Euro 295 thousand. Such transactions regard technical assistance and spare parts. Receivables and payables at year-end are as follows:

	<b>Receivables Prima Industrie</b>	<b>Payables Prima Industrie</b>
Advances to suppliers	66	-
Trade accounts receivable	241	-
Trade accounts payable	-	553
Invoices to be received	-	52
Credit notes to be received	-	(9)
<b>Total</b>	<b>307</b>	<b>596</b>

***PRIMA INDUSTRIE GMBH/PRIMA INDUSTRIE INTERNATIONAL BV***

These two companies have had very limited operations for a number of years. There were no transactions between Prima Industrie GmbH and la Prima Industrie International BV.

Receivables and payables at year-end are as follows:

	<b>Receivables Prima Industrie</b>	<b>Payables Prima Industrie</b>
Prima Industrie GmbH		
• Trade accounts receivable	16	-
• Trade accounts payable	-	41
Total	16	41
Prima Industrie International BV		
• Trade accounts payable	-	85
Total	-	85

In 2001, Prima Industrie International invoiced us Euro 198 thousand for services rendered.

As far as Prima Industrie GmbH is concerned, trade accounts payable of Euro 41 thousand refer to the repurchase of materials in inventory in 1999.

***SHENYANG PRIMA LASER MACHINE COMPANY LTD AND SNK PRIMA COMPANY LTD.***

In 2001, the Shenyang Prima Laser Machine Company Ltd joint venture commenced trading operations. Accordingly, Prima Industrie entered into the first transactions with the joint venture by invoicing about Euro 1,238 thousand for the sale of assembling kits for the bi-dimensional laser cutting machine.

The new SNK joint venture set up in Japan in the second half of 2001, instead, has not yet given rise to any trading flows.

Receivables and payables at year-end are as follows:

	<b>Receivables Prima Industrie</b>	<b>Payables Prima Industrie</b>
Trade accounts payable:		
• Shenyang Prima Laser Machine Company Ltd	690	-
• SNK	5	-
Total	695	-

***MACRO MECCANICA S.p.A. (in liquidation)***

There were no transactions with this supplier during 2001 in view of the fact that it is in a wind-up.

Receivables and payables at the end of 2001 were completely written off.

### ***RAMBAUDI INDUSTRIALE S.p.A.***

As regards the company Rambaudi Industriale S.p.A., in 2001, there were no economic transactions although, from a financial standpoint, since the company converted debentures that were issued the previous year, Prima Industrie increased the value of its investment in the share capital of Rambaudi by writing off the corresponding receivable equal to Euro 258 thousand. In percentage terms, instead, the stake is now equal to 6.24% from 7.41% as a result of a share capital increase set aside for third parties.

### ***MECHANICAL INDUSTRIES S.r.l.***

In 2001, the company invoiced us mechanical work for Euro 784 thousand and we advance the funds at the time the work is ordered. Receivables and payables at the end of the year are as follows:

	<b>Receivables Prima Industrie</b>	<b>Payables Prima Industrie</b>
Trade accounts receivable	300	-
Trade accounts payable	-	-
<b>Total</b>	<b>300</b>	<b>-</b>

### ***FINAL INFORMATION***

- Board of Directors: the term of office of the current Board of Directors expires upon approval of these financial statements. The Shareholders' Meeting called to approve the financial statements should elect a new Board of Directors for the three-year period 2002-2004.
- On March 18, 2002, the director Renato Russo resigned from his post due to personal commitments.
- Audit firm: the three-year appointment of the audit firm of PricewaterhouseCoopers S.p.A. expired with the audit of the 2001 financial statements. The Shareholders' Meeting should make a new appointment for the three-year period 2002-2004.
- Authorization for the buy-back of treasury shares: Board of Directors of Prima Industrie was authorized by the Shareholders' Meeting held on December 4, 2001 to buy-back shares on the market for a maximum of No. 200,000 new shares (equal to approximately 4.8% of the capital subscribed to and paid-in). This authorization, which will last 18 months from the date of the vote, can be used by the Board whenever the conditions of the stock market make it necessary.

## ***OUTLOOK FOR 2002***

As you can imagine, after a difficult year in 2001, we approach 2002 with a great deal of uncertainty from a macroeconomic standpoint.

The recovery that has been so long awaited should begin in the second half of the year, but, on a more cautious note, operating in the capital goods sector, we should regard 2002 as a period of transition.

Our budget has therefore been formulated with the greatest care although it should be possible to achieve a moderate amount of growth considering the state of the sector in which we operate and the high quality of our products.

In this scenario, the performance of our stock in 2001 (reflecting the performance of the New Market, although remaining constantly just above it) is still more than satisfactory (at Euro 12 per share we are still at 60% of growth over the IPO price), and in more stable market conditions, this price would have been even better. We therefore believe that, despite the unfavorable economic situation, in the medium term, the share price will grow to values that are even more interesting for shareholders.

After the positive acquisition of orders in 2001, which enabled the company to start 2002 with a fairly healthy order portfolio, acquisitions during the first two months of 2002 (16 machines worth Euro 7.8 million) were not particularly dynamic (in 2001 we had orders for 30 machines worth Euro 14.3 million). As a result, the portfolio at February 28, 2002 contains 54 machines (worth Euro 21.8 million) compared to 64 machines (worth Euro 28.5 million) in 2001. Sales during the first two months of 2002 amounted to Euro 4.2 million (8 machines) compared to Euro 5.8 million (13 machines) in 2001. However, historically, the first part of the year is not significant in absolute terms within the context of the year as a whole.

The year 2002 will again see us committed to intensive R&D to improve and extend our product range. We shall also be consolidating and engineering the new Primach 20L CNC system (developed by Prima Electronics) and introducing the new CP4000 laser machines developed by Convergent Prima.

Furthermore, we shall be involved in restructuring activities and will be rationalizing our business in the U.S.A., the area which gives most cause for concern from the point of view of economic performance, with the aim of regaining a breakeven in those businesses by 2003.

We are confident that, once the difficult economic period and the difficult internal situation, with regard to acquisitions, have been left behind, the company will be ready to seize all the opportunities that the market will provide.

## ***PROPOSAL FOR THE APPROPRIATION OF NET INCOME***

Dear Shareholders,

In asking you to approve the financial statements for the year ended December 31, 2001, which we have examined, we propose that you confirm the policy the company has so far adopted of reinvesting its earnings and to appropriate the net income for the year of Euro 1,134,016 to reserves, as follows:

- to the legal reserve, Euro 56,701 as set forth by art. 2430 of the Italian Civil Code
- to the extraordinary reserve, Euro 1,077,315

The Board of Directors, whose mandate expires with the approval of this report, wishes to express its sincere thanks to the Shareholders' Meeting for the confidence placed in them during their three- year term of office.

On behalf of the Board of Directors  
The Managing Director  
Ing. Gianfranco Carbonato

**PRIMA INDUSTRIE S.p.A.**  
**BALANCE SHEET**

(in euro)

<u>ASSETS</u>	December 31, 2001		December 31, 2000	
<b>A. CALLED UP SHARE CAPITAL NOT PAID</b>		<u>0</u>		<u>0</u>
<b>B. FIXED ASSETS</b>				
I. Intangible assets				
1) Plant start-up and formation costs		101.206		134.942
2) Research and development costs		262.414		471.935
3) Industrial patent rights and utilization rights of intellectual properties		280.927		58.601
4) Concessions, licenses, trademarks and similar rights		5.818		6.625
7) Other intangible assets		<u>470.353</u>		<u>404.150</u>
		1.120.718		1.076.253
II. Tangible assets				
1) Land and buildings:				
- Light constructions		657.927		232.421
less: accumulated depreciation		(124.890)		(103.082)
2) Plant and machinery		1.584.312		1.302.824
less: accumulated depreciation		(880.227)		(798.284)
3) Industrial and commercial equipment		1.167.577		1.118.939
less: accumulated depreciation		(1.009.160)		(925.495)
4) Other tangible assets		1.319.991		1.238.729
less: accumulated depreciation		<u>(1.046.510)</u>		<u>(960.841)</u>
		273.481		277.888
		1.669.020		1.105.211
III. Financial fixed assets				
1) Equity investments in:				
a) subsidiaries		13.304.003		2.396.430
less: provision for equity investment writedowns		(5.492.478)		(1.197.614)
b) associated companies		1.241.571		911.356
less: provision for equity investment writedowns		(520.502)		(520.501)
c) other companies		<u>880.043</u>		<u>516.457</u>
		9.412.637		2.106.128
2) Financial receivables:	(*)		(*)	
a) subsidiaries	0	3.553.585	0	5.886.300
d) other	0	287.558	0	408.040
		<u>3.841.143</u>		<u>6.294.340</u>
		13.253.780		8.400.468
<b>TOTAL FIXED ASSETS (B)</b>		<u>16.043.518</u>		<u>10.581.932</u>
<b>C. CURRENT ASSETS</b>				
I. Inventories				
1) Raw materials, consumables and supplies		7.298.787		6.814.497
3) Contract work in progress		2.390.378		1.791.214
4) Finished goods and merchandise		4.567.489		1.526.457
less: allowance for inventory writedowns		<u>(413.166)</u>		<u>(413.166)</u>
		13.843.488		9.719.002
II. Accounts receivable	(**)		(**)	
1) Trade accounts receivable	141.583	31.384.953	467.360	28.212.259
less: allowance for doubtful accounts		(877.977)		(877.977)
2) Subsidiaries		0		0
3) Associated companies		0		0
5) Other receivables		0		0
		<u>6.932.575</u>		<u>4.865.241</u>
		44.570.554		37.763.240
III. Current financial assets				
3) Equity investments in other companies		129		129
5) Other securities		<u>517.000</u>		<u>695.178</u>
		517.129		695.307
IV. Cash and banks				
1) Bank and postal accounts		5.858.685		2.375.190
3) Cash on hand and valuables		<u>9.256</u>		<u>16.265</u>
		5.867.941		2.391.455
<b>TOTAL CURRENT ASSETS (C)</b>		<u>64.799.112</u>		<u>50.569.004</u>
<b>D. ACCRUED INCOME AND PREPAID EXPENSES</b>				
1) Issue discounts and other similar charges on loans		47.723		0
2) Other accrued income and prepaid expenses		299.045		675.007
		<u>346.768</u>		<u>675.007</u>
<b>TOTAL ASSETS</b>		<u>81.189.398</u>		<u>61.825.943</u>

(\*) DUE WITHIN ONE YEAR  
(\*\*) DUE BEYOND ONE YEAR

**PRIMA INDUSTRIE S.p.A.**  
**BALANCE SHEET**

(in euro)

**LIABILITIES AND SHAREHOLDERS' EQUITY**

December 31, 2001

December 31, 2000

**A. SHAREHOLDERS' EQUITY**

I. Share capital	10.375.000	9.296.224
II. Share premium reserve	14.019.798	8.516.706
III. Revaluation reserves	0	0
IV. Legal reserve	658.039	128.543
V. Reserve for treasury shares in portfolio	0	0
VI. Statutory reserves	0	0
VII. Other reserves	5.609.966	1.662.452
VIII. Retained earnings	0	0
IX. Net income	1.134.016	4.155.278

**TOTAL SHAREHOLDERS' EQUITY**

31.796.819

23.759.203

**B. PROVISIONS FOR LIABILITIES AND EXPENSES**

2) Provisions for income taxes	1.202.100	1.109.209
3) Other provisions	2.305.843	2.276.048
	<u>3.507.943</u>	<u>3.385.257</u>

**C. EMPLOYEES' SEVERANCE INDEMNITY**

2.359.565

2.070.573

**D. PAYABLES**

(\*\*)

3) Bank borrowings	0	4.021.920
4) Borrowings from other financial institutions	11.707.819	14.964.740
5) Payments on account	0	484.389
6) Trade accounts payable	0	18.105.903
8) Payables to subsidiaries	0	3.128.620
11) Taxes payable	0	421.441
12) Social security agencies payable	0	829.176
13) Other payables	0	757.227
		<u>42.713.416</u>

(\*\*)

	0	2.207.564
	7.026.332	9.996.374
	0	595.893
	0	13.900.903
	0	1.690.508
	0	1.678.316
	0	764.240
	0	986.091
		<u>31.819.889</u>

**E. ACCRUED LIABILITIES AND DEFERRED INCOME**

2) Other accrued liabilities and deferred income	811.655	791.021
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**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

81.189.398

61.825.943

(\*\*) DUE BEYOND ONE YEAR



**PRIMA INDUSTRIE S.p.A.**  
**MEMORANDUM ACCOUNTS**

(in euro)

	<u>December 31, 2001</u>	<u>December 31, 2000</u>
1. Guarantees given		
a) Guarantees on behalf of:		
- subsidiaries	3.253.679	
- other companies	<u>76.945</u>	<u>32.692</u>
Total guarantees given	<u>3.330.624</u>	<u>32.692</u>
3. Commitments		
c) lease obligations	1.956.528	2.262.088
Total commitments	<u>1.956.528</u>	<u>2.262.088</u>
4. Contingencies		
a) bills discounted	1.933.837	1.685.485
Total contingencies	<u>1.933.837</u>	<u>1.685.485</u>
5. Other memorandum accounts		
a) Repurchase commitments	4.210.835	1.818.072
b) Company goods held by third parties	4.184.689	2.143.750
c) Guarantees given by third parties on our behalf	11.390.557	4.183.745
Total other	<u>19.786.081</u>	<u>8.145.567</u>
	<u><u>27.007.070</u></u>	<u><u>12.125.832</u></u>

**PRIMA INDUSTRIE S.p.A.**  
**INCOME STATEMENT**

(in euro)

	2001		2000	
<b>A. PRODUCTION VALUE</b>				
1) Revenues from sales and services		67.471.539		63.384.723
2) Change in inventories of work in process, semifinished and finished goods		3.041.031		(622.023)
3) Change in contract work in progress		599.164		(534.017)
4) Increase in internal work capitalized under fixed assets		6.115		218.244
5) Other revenues and income				
a) operating grants	813.773		0	
b) sundry	<u>823.937</u>	1.637.710	<u>2.284.371</u>	2.284.371
<b>TOTAL PRODUCTION VALUE (A)</b>		<u>72.755.559</u>		<u>64.731.298</u>
<b>B. PRODUCTION COSTS</b>				
6) Purchase of raw materials, consumables and supplies		(38.105.084)		(32.648.993)
7) Service expenses		(15.600.353)		(13.579.952)
8) Lease and rent costs		(1.129.437)		(846.390)
9) Personnel expenses:				
a) salaries and wages	(8.006.210)		(7.134.010)	
b) social security contributions	(2.552.475)		(2.415.493)	
c) employees' severance indemnity	(508.857)		(469.585)	
d) pensions and similar obligations	0		0	
e) other	<u>(277.460)</u>	(11.345.002)	<u>(233.690)</u>	(10.252.778)
10) Amortization, depreciation and writedowns				
a) amortization of intangible assets	(556.817)		(543.965)	
b) depreciation of tangible assets	(273.355)		(199.711)	
d) doubtful accounts expense	<u>0</u>	(830.172)	<u>(309.874)</u>	(1.053.550)
11) Change in inventories raw materials, consumables, supplies and merchandise		484.291		1.440.275
12) Accruals to provisions for liabilities and expenses		(21.280)		(625.737)
13) Other accruals		0		0
14) Other operating expenses		(682.360)		(449.407)
<b>TOTAL PRODUCTION COSTS (B)</b>		<u>(67.229.397)</u>		<u>(58.016.532)</u>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)</b>		5.526.162		6.714.766
<b>C. FINANCIAL INCOME AND EXPENSES</b>				
15) Investment income:				
a) dividends and other income from subsidiaries		1.360.762		281.469
16) Other financial income:				
a) from receivables included in fixed assets				
- subsidiaries	73.360		0	
d) on income other than the above				
- interest and commissions from others and sundry income	<u>1.817.348</u>	1.890.708	<u>1.955.663</u>	1.955.663
17) Interest and other financial expenses:				
d) other		(2.090.320)		(2.479.552)
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C)</b>		<u>1.161.150</u>		<u>(242.420)</u>
<b>D. ADJUSTMENTS TO FINANCIAL ASSETS</b>				
19) Writedowns:				
a) of equity investments		(4.294.866)		(516.494)
<b>TOTAL ADJUSTMENTS TO FINANCIAL ASSETS (D)</b>		<u>(4.294.866)</u>		<u>(516.494)</u>
<b>E. EXTRAORDINARY INCOME AND EXPENSES</b>				
20) Extraordinary income				
b) other extraordinary income		0		1.177.005
<b>TOTAL EXTRAORDINARY INCOME AND EXPENSES (E)</b>		<u>0</u>		<u>1.177.005</u>
<b>PROFIT BEFORE INCOME TAXES (A -B +- C +- D +- E)</b>		2.392.446		7.132.857
<b>22) INCOME TAXES</b>				
a) current income taxes		(1.694.859)		(2.254.888)
b) deferred income taxes		<u>436.429</u>		<u>(722.691)</u>
<b>23) NET INCOME</b>		1.134.016		4.155.276

The accompanying notes and related accounts are an integral part of these financial statements.

On behalf of the Board of Directors  
The Managing Director  
Ing. Gianfranco Carbonato

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

### **NOTES TO FINANCIAL STATEMENTS**

#### **FORM AND CONTENT OF FINANCIAL STATEMENTS**

The statutory financial statements have been prepared as set forth in the provisions of the Italian Civil Code. The statements consist of the balance sheet (prepared according to the format contained in articles 2424 and 2424 bis of the Italian Civil Code), the income statement (prepared according to the format contained in articles 2425 and 2425 bis of the Italian Civil Code) and these notes thereto.

The notes serve to describe, analyze and in some case supplement the figures presented in the financial statements. The notes also contain information required by art. 2427 of the Italian Civil Code, by other provisions of Legislative Decree No. 127/1991 or by other previous laws. Furthermore, additional information considered necessary to present a true and fair view is also provided, although not required by law.

The financial statements contain no departures according to art. 2423, paragraph 4 of the Italian Civil Code.

All amounts are expressed in thousands of euro.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant accounting principles applied in the preparation of the financial statements at December 31, 2001, as set forth by art. 2426 of the Italian Civil Code, are described in the following paragraphs.

##### **Intangible assets**

Intangible assets are stated at purchase or production cost, including incidental charges, and amortized systematically over the period of their estimated future benefit.

Other intangible assets benefiting more than one year are recorded with the consent of the board of statutory auditors. Applied research and development costs are charged to the income statement when incurred; in prior years, such costs were partly capitalized and amortized over a period of five years.

Advertising costs, by reason of not benefiting more than one period, are entirely charged to income when incurred.

Intangible assets are amortized as follows:

⇒ Plant start-up and formation costs	5 years
⇒ Research and development	5 years
⇒ Industrial patent rights and utilization rights of intellectual property	5 years
⇒ Concessions, licenses, trademarks and similar rights	10 years
⇒ Other intangible assets	5 years/over the contract period

With respect to the above:

- the amortization of industrial patent rights and utilization rights of intellectual properties is considered sufficient in view of the estimated period of future benefit of the assets;
- the amortization of “other intangible assets” depends on the costs capitalized:
  - ⇒ five years for extraordinary maintenance and deferred charges
  - ⇒ over the lease contract for leasehold improvements.

### **Tangible assets**

Tangible assets are stated at purchase or production costs, revalued, in some cases, in accordance with specific legislation on monetary revaluations, as disclosed in a specific appendix. Cost includes expenses directly chargeable to the asset.

No revaluations were made, however, with regard to the provisions of Law No. 342 dated November 21, 2000 and later extensions.

Tangible assets are depreciated on the straight-line method on the basis of the maximum rates allowed by law.

Ordinary depreciation, presented in a specific appendix, is calculated at rates designed to write-off the assets over their estimated useful lives. Depreciation rates are as follows:

Light structures	10%
General plant	10%
Specific plant and machinery	15.50%
Equipment and tools	25%
Electronic office equipment	20%
Furniture, fixtures and office equipment	12%
Motor vehicles	25%
Cell phones	20%

Additions during the year are depreciated at half the normal rate in order to take into account a shorter period of utilization for the year.

Ordinary maintenance costs are entirely charged to the income statement. Maintenance costs which increase the value of fixed assets are capitalized to the fixed assets to which they refer and depreciated over the remaining estimated useful lives of such assets.

Assets acquired under financing leases are accounted for in accordance with Italian practice which states that lease payments should be recorded in the income statement.

**Investments**

Investments are stated at purchase or subscription cost and adjusted for any permanent impairments to below cost. The original value is reinstated in future years whenever the reasons for the writedown no longer apply.

**Inventories**

Raw materials are valued at the weighted average purchase price during the year, adjusted to realizable value by an allowance for writedowns, for statutory purposes.

Contract work in progress is valued at the average progressive cost during the year at the time the materials are discharged, plus the average hourly production labor cost for internal work and the purchase cost for external work.

Finished goods are valued like contract work in progress.

The inventory values determined as described above are below market values.

**Receivables**

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

Prudent accruals to such allowance account are made on the basis of the risk of some estimated uncollectible 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. The accruals reflect the best possible estimates based on available information.

**Employees' severance indemnity**

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

**Payables**

Payables are stated at nominal value.

**Recognition of revenues**

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

The invoices to be issued carry indications of the transactions referring to the year just ended for which the relative invoice will be issued in the following year.

**Grants**

The accounting treatment for grants depends on whether the grants are operating, capital or investment grants. In the case of operating grants, these are recorded for book and tax purposes on the accrual basis, which makes reference to the year in which legal entitlement to receipt of the grant arises and the amount to be received becomes certain, normally in the year a resolution is passed for the assignment of the grant.

In the case of capital grants, income for statutory purposes is recorded on the accrual basis and the time frame is established by reference to the contracts stipulated with the agencies paying the grants. Such grants are taxable, on the straight-line method, over a maximum period of five years, from the year in which the grants are received.

There are no investment grants.

**Research and development expenditures**

Research and development expenditures relate to the study and engineering of new products as well as improvements to and maintenance of existing ones. Such expenditures are charged to income in the year incurred.

## **Dividends**

Dividends are recognized on the accrual basis, that is, at the time the right to the receivable arises, when the dividends are declared by the investment holding. Dividends from subsidiaries are recorded when matured, that is, when the dividend proposal is voted by the Board of Directors of the subsidiaries, before that of the parent company.

This accounting treatment recognizes the substance rather than the form in that it reflects the certainty of the ownership rights to the dividends voted by the subsidiaries.

The tax credit, instead, is accounted for on the cash basis, when the dividends are received.

## **Income taxes**

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

Italian accounting principle No. 25 for deferred income is applicable beginning from the year ended December 31, 1999. Deferred taxes are set aside on temporary timing differences between the value attributed to the assets or liabilities for book purposes and tax purposes. Deferred tax liabilities are recorded in the “provisions for income taxes” and Deferred tax assets are recorded in “other receivables”.

The tax effects of temporary differences are computed by applying the current tax rate, being the best estimate of the tax rate at the date of utilization.

The provision for deferred income taxes and deferred tax assets are not set-off.

Additional details on deferred income taxes are provided in the note on “income taxes”.

Deferred tax assets are only recorded if there is a reasonable certainty of recovery.

## **Translation of balances in foreign currency**

Receivables and payables originally denominated in foreign currency are translated into euro 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.

Outstanding receivables and payables in foreign currency computed at the exchange rate prevailing at year-end show a lower net balance than that indicated in the financial statements and, in accordance with the new Italian accounting principle No. 26 the total net payable deriving from these positions has been recorded in the provision for exchange fluctuations charging financial expenses for the same amount (the effect on the income statement is approximately Euro 18 thousand). The individual items were not credited owing to the operating difficulties involved.

## **OTHER INFORMATION**

### **Significant subsequent events**

As regards significant subsequent events, reference should be made to the report on operations.

### **Reclassifications**

In drawing up these financial statements, certain reclassifications have been made. Such changes have been disclosed in the notes.

### **Monetary revaluation of fixed assets**

Management has decided not to take advantage of the possibility of revaluing existing fixed assets since the intangible and tangible asset values stated in the financial statements correctly reflect their economic value. As for the investment held in Prima Electronics S.p.A., valued at cost and thus considerably below the underlying share of its net equity, since consolidated statements are prepared, this investment is stated at its full correct value in the consolidated statements.

### **Consolidated financial statements – Notice**

Prima Industrie S.p.A., having exceeded the limits indicated in Legislative Decree No. 127 date April 9, 1991 beginning in 1997, prepare and deposit consolidated financial statements beginning from fiscal year 1998.



## **BALANCE SHEET**

**(All amounts in thousands of euro)**

### **FIXED ASSETS**

Specific appendices to the notes have been prepared for the three categories of fixed assets (intangible assets, tangible assets and financial fixed assets) presenting the historical cost, accumulated amortization and depreciation, the previous revaluations and writedowns, the movements during the year and the closing balances, as well as the total revaluations existing at the end of the year.

### **INTANGIBLE ASSETS**

- 1) Plant start-up and formation costs include internal costs incurred by the company during the year 2000 to expand the production area of the nearby new plant facility acquired under a leasing contract during the course of that year. The residual value of such costs totaling Euro 135 thousand at January 1, 2001 was amortized during the year for Euro 34 thousand and at December 31, 2001 the net book value is equal to Euro 101 thousand.
- 2) Research and development costs at the end of the year include the following :

	Balance at 12/31/2001	Balance at 12/31/2000
- Research and development costs 1997	70	141
- Research and development costs 1998	86	172
- Research and development costs 1999	106	159
	262	472

Research and development costs do not include such costs for 1999 and years thereafter since they were entirely expensed to income.

Research and development costs incurred in prior years have been deemed to produce recurring benefits, inasmuch as they refer to projects with a very high technological content, originating products that can be clearly identified, have a ready market and whose marketing gives rise to income that is also sufficient to cover the amortization of the costs capitalized.

The amortization charge for the year is Euro 210 thousand.

- 3) Industrial patent rights and utilization rights of intellectual properties include the following at year-end:

	Balance at 12/31/2001	Balance at 12/31/2000
- Industrial patent rights		
-- Patents	56	18
- Utilization rights of intellectual properties		
-- Software	225	41
	281	59

This caption increased by Euro 359 thousand during the year (mainly as a result of new ERP SAP R/3 software which became operational) and decreased by Euro 137 thousand as a result of the amortization charge.

- 4) Concessions, licenses, trademarks and similar rights refer to the filing of the “Prima Industrie e figura” brand in the European Union and the United States. The decrease is due to the amortization charge for the year 2001 of some Euro 1 thousand. The residual balance is equal to some Euro 6 thousand.

- 5) Other intangible assets include the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Leasehold improvements		
- factory 1 – Collegno	237	193
- factory 2 – Collegno	165	148
- France branch offices	11	-
- Spain branch offices	29	21
- Extraordinary maintenance	27	34
- Other deferred charges	1	7
	470	403

The increases for works during the year refer to:

- ⇒ factory 1 Collegno (for Euro 178 thousand)
- ⇒ new factory 2 Collegno (for Euro 40 thousand)
- ⇒ French branch (for Euro 12 thousand)
- ⇒ Spain branch (for Euro 11 thousand)

⇒ extraordinary factory maintenance (for Euro 1 thousand).

The amortization charge for the period totals Euro 175 thousand.

## 6) **TANGIBLE ASSETS**

The increases during the year refer to purchases of:

⇒ light structures for Euro 22 thousand;

⇒ buildings for Euro 404 thousand;

⇒ generic plants for Euro 121 thousand;

⇒ specific plants and machinery for Euro 161 thousand;

⇒ industrial and commercial equipment for Euro 49 thousand, of which Euro 6 thousand are for the internal construction of equipment;

⇒ furniture, fixtures and ordinary office equipment for Euro 83 thousand.

The decreases regard:

⇒ vehicles for Euro 2 thousand.

The total depreciation charge during the year is approximately Euro 274 thousand. There were no significant decreases in accumulated depreciation for disposals.

The amount of revaluations for tangible assets still on the books at December 31, 2001 are disclosed as required by Law No. 72/1983, art. 10 and presented in a specific appendix attached to these notes.

The new factory, located in Collegno, Via Antonelli 28, and adjacent to the main plant facility, was purchased under a financial lease. Had the transaction been accounted for according to international accounting standard IAS 17, the result for the year would have been higher by Euro 90 thousand and the shareholders' equity would have been higher by Euro 125 thousand.

## **FINANCIAL FIXED ASSETS**

### 7) **Equity investments**

Investments can be analyzed as follows:

	Balance at 12/31/2000	Increase	Decrease	Balance at 12/31/2001
<b>Subsidiaries</b>				
- Accounted for using the equity method:				
- Prima Electronics S.p.A.	422	1,283	-	1,705
- Laserdyne Prima Inc. (ex Prima US Inc.)	1,658	9,624	-	11,282
- Laserdyne Prima Inc. writedown provision	(983)	(4,295)	-	(5,278)
- Prima Industrie GmbH	-	-	-	-
- Prima Industrie International BV	318	-	-	318
- Prima Industrie International BV writedown provision	(215)	-	-	(215)
Total subsidiaries	1,200	6,612	-	7,812
<b>Associated companies</b>				
- Accounted for at cost:				
- Macro Meccanica S.p.A. – in liquidation	413	-	-	413
- Macro Meccanica S.p.A. - in liquidation writedown provision	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498
- S.P.L.M. Co Ltd writedown provision	(107)	-	-	(107)
- SNK Prima Co.	-	330	-	330
Total associated companies	391	330	-	721
<b>Other companies</b>				
- Accounted for at cost:				
- Rambaudi Industriale S.p.A.	517	258	-	775
- Mechanical Industries S.r.l.	-	105	-	105
Total other companies	517	363	-	880
<b>Total equity investments</b>	<b>2,108</b>	<b>7,305</b>	<b>-</b>	<b>9,413</b>

The most significant changes during the year refer to subsidiaries, presented in the attached appendix showing the movements during the year, as required by art. 2427 of the Italian Civil Code, point 5 and described below:

⇒ Increase of the equity investment in Prima Electronics S.p.A. owing to the purchase of 40% of the shares that were held by the management of the subsidiary, bringing control from 60% to 100%. The purchase involved a total of 240,000 Prima Electronics shares that were exchanged for the same number of shares of the parent company, Prima Industrie (which effected a share capital increase at Euro 4.42 per share) and 24 remaining shares that were purchased in cash for Euro 15.41 each. The incidental costs of the capital increase for the exchange transaction were capitalized for approximately Euro 222 thousand.

⇒ The equity investment in Prima US Inc. (now Laserdyne Prima Inc.), a company that, in 2001, merged the business segment Laserdyne purchased from the GSI Lumonics Group, increased by Euro 9,624 thousand due to the share capital increase from US\$ 1.5 million to US\$ 10 million subscribed to by Prima Industrie during the year to finance the acquisition. At the end of the year, after Laserdyne Prima reported losses of approximately Euro 4,295 thousand, the related provision for investment writedowns was increased by the same amount and now totals Euro 5,278 thousand.

As regards equity investments in associated companies, the investment in Macro Meccanica S.p.A. (put into a wind-up at the end of 1999) is shown in the financial statements at a nil balance since the wind-up had not been completed by the end of the year.

There was no change in the Shenyang Prima Laser Machine Company joint venture set up in China in 1999 to produce and market Platino machines (assembling kits sent by Prima Industrie) in the Asian market since the venture only generated a small profit for the year.

The increases during the year regard the joint venture, SNK Prima, set up in Japan with local partners in which a 40% stake was acquired by subscribing to the share capital through the sale of a license for the production of the Mosaico machine. The investment of Euro 330 thousand at the end of the year has remained unchanged since this is a newly formed joint venture. The purpose of the venture is to assemble and market in Japan the machinery under the license we sold to the company, through two very strong partners in that geographic area (one a manufacturer, SNK, and the other a marketing company, Hanwa).

With regard to equity investments in other companies, 19.87% of the capital of Mechanical Industries S.r.l. was subscribed to for an investment of Euro 105 thousand. This investment was acquired in order to have direct control over the manufacturing activities of the company, our main supplier of mechanical work. This company, in fact, took over Macro Meccanica S.p.A. – in liquidation, the business producing the mechanical work in which we are interested.

Equity investments in other companies also include Rambaudi Industriale S.p.A., a company acquired in 1999 when it was recapitalized. The company produces high-speed milling machines.

The purpose of this investment is to take advantage of the possible technical and trading synergies on export markets where we have duplicate structures.

The original investment in Rambaudi Industriale was for a 7.41% stake totaling about Euro 517 thousand. During 2001, debentures subscribed the previous year were converted into share capital thus the stake was increased another Euro 258 thousand bringing it to Euro 774 thousand. At the same time, however, a new shareholder was brought into the company through a share capital increase set aside for that purpose, therefore, at the end of the year our investment corresponds to a 6.24% interest.

Additional information on company's equity investments is presented in the report on operations.

## 8) Financial receivables

	Balance at 12/31/2001	Balance at 12/31/2000
- Laserdyne Prima (Prima US)	3,384	5,717
- Prima Industrie GmbH	170	170
Total financial receivables from subsidiaries	3,554	5,887
- Mechanical Industries S.r.l.	150	-
- Rambaudi loan	-	258
- T.P.G.I. loan	-	1,189
- Provision for T.P.G.I. loan writedowns	-	(1,189)
- Tax advance on severance indemnity	131	150
- Substitute tax on severance indemnity	6	-
Total other financial receivables	287	408
Total financial receivables	3,841	6,295

This caption includes loans receivable from subsidiaries due within one year for a total of Euro 3,841 thousand. The receivable from Laserdyne Prima refers to a loan granted to the subsidiary in December 2001 to finance the payment of the balance on the acquisition of the Laserdyne business from GSLI Lumonics. The decrease since the date of December 31, 2000 is the result of another loan granted for US\$ 7,190,000 (about Euro 8,157 thousand) net of a decrease of Euro 1,142 thousand for repayments made by the subsidiary during the year and of Euro 9,348 thousand on the conversion of US\$ 8,500,000 in receivables to share capital.

The receivable from Mechanical Industries relates to lease payments that were recharged to this company for their utilization of certain machine tools under a leasing contract which we took over as the guarantor of Macro Meccanica – in liquidation.

The T.P.G.I. Inc. loan originated from various loans granted by us between 1997 and 1999 so that our ex-parent company (a shareholder until June 1999) could meet the costs of listing the company on the NASDAQ stock market in the United States. It was then decided to suspend the future listing and list the stock on the Nuovo Mercato of Borsa Italiana S.p.A. in 1999. The loan receivable from TPGI was written off by setting up a writedown provision for the same amount in 1999. In 2001, since the pertinent corporate bodies in the United States declared the life of the company TPGI to be ended owing to the fact that the reason for its formation no longer existed and no operations had ever been conducted, we extinguished the loan position, also recovering, for tax purposes, the costs incurred at that time.

The loan of Euro 258 thousand given to the investee company Rambaudi Industriale to subscribe to convertible debentures issued on July 1, 2000 was written off when the debentures were converted into share capital.

The receivable for tax advances on severance indemnity relates to the amount paid in 1997 and 1998 to the tax authorities (Euro 134 thousand) in compliance with Legislative Decree No. 79/97, plus interest accrued up to December 31, 2001, amounting to Euro 20 thousand, as established by article 2120 of the Italian Civil Code, fourth paragraph, net of the amounts utilized between January 1, 2000 (as provided by Legislative Decree No. 79/97) of Euro 23 thousand.

## **CURRENT ASSETS**

### **9) INVENTORIES**

Inventories are composed of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Raw materials, consumables and supplies	7,299	6,815
- Allowance for inventory writedowns	(413)	(413)
- Contract work in progress	2,390	1,791
- Finished goods	4,567	1,526
	13,843	9,719

The increase in inventories over the prior year of Euro 4,124 thousand mainly relates to finished goods which total Euro 4,567 thousand at December 31, 2001 compared to Euro 1,526 thousand at December 31, 2000. This increase is due to strategic decisions (demo machines at branches), operational requirements (machinery used for courses or R & D activities) as well as the occasional temporary time lags in delivery to certain customers due to their logistics requirements.

Finished products consist of:

- 1 Domino and 1 Platino, but temporarily used for R & D purposes;
- 1 Magico awaiting delivery to Comau (which took place during the first few days of 2002);
- 4 Platino, of which three are at the branches in France, United Kingdom and Spain and one at the subsidiary Laserdyne Prima;
- 1 Rapido and 1 Platino used for testing and demonstrations at the corporate showroom
- 1 Platino used in the classroom;
- 1 system 790 Laserdyne used for testing and demonstrations at the United Kingdom branch;
- 1 Sincrono prototype;
- 1 Platino under bailment c/o DTU (Danmarks Tekniske Universitet);
- 1 Domino and 3 Platino for customers in delivery at the beginning of 2002.

The remaining part of the increase refers to raw materials, consumables and supplies (Euro 7,299 thousand compared to Euro 6,815 thousand at December 31, 2000) and contract work in progress (Euro 2,390 thousand compared to Euro 1,791 thousand at December 31, 2000) as a result of the growing requirements for materials needed to meet the higher sales volumes recorded by the company. The allowance for inventory writedowns has remained unchanged compared to December 31, 2000 as it is still considered sufficient to cover slow-moving and obsolete stock.

## RECEIVABLES

### 10) Trade accounts receivables

Trade accounts receivable at the end of the year are composed of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Trade accounts receivable due within one year	31,243	27,745
- Trade accounts receivable due beyond one year	142	467
- Allowance for doubtful accounts	(878)	(878)
	30,507	27,334



The increase from the end of the prior year of Euro 3,173 thousand is due to the increase in sales of the company and, particularly, to the high concentration of sales in the fourth quarter, especially December.

For purposes of penetrating the sales market in Spain, certain customers received extensions in payment terms to 18-36 and 60 months: trade accounts receivable due beyond one year refer to these positions.

There were no charges against the allowance for doubtful accounts during the year and since the company did not deem it necessary to set aside any accruals against the estimated realizable value of the open credit positions, the allowance has remained unchanged compared to December 31, 2000.

As regards the receivables in foreign currency, such balances are in US dollars and British pounds. Outstanding balances at December 31, 2001 were adjusted to year-end exchange rates. At December 31, 2001, there were forward sales contracts in US dollar stipulated to hedge exchange exposure in reference to corresponding commercial transactions and not for speculative purposes.

### **Receivables due beyond one year**

As previously mentioned, these accounts receivable refer to Spanish customers which received extended payments terms and are charged for the related interest.

## **11) Receivable from subsidiaries**

This caption include trade and financial accounts receivable. At year-end the balance was Euro 6,436 thousand, compared to Euro 5,307 thousand at December 31, 2000.

These receivables are all due within one year and are recoverable.

Trade accounts receivable from Prima Industrie GmbH for Euro 16 thousand, Laserdyne Prima for Euro 5,775 thousand, Prima Electronics S.p.A. for Euro 38 thousand and Convergent Prima for Euro 307 thousand (of which Euro 66 thousand advances against orders) are entirely due to the sale of finished goods or the performance of services (for a total of Euro 6,136 thousand). The sale of finished goods to subsidiaries is carried out at normal market terms.

The total also includes dividends receivable from Prima Electronics for Euro 300 thousand as shown in the financial statements approved by the Shareholders' Meeting of our subsidiary.

## 12) Receivables from associated companies

At December 31, 2001 this caption consists of the receivable from the Shenyang Prima Laser Machine joint venture for Euro 690 thousand (Euro 256 thousand at December 31, 2000) and a lower amount receivable from the SNK Prima joint venture for Euro 5 thousand.

## 13) Other receivables

Other receivables are detailed as follows:

	Balance at 12/31/2001	Balance at 12/31/2000
- Receivables from the tax authorities for IRPEG, ILOR and withholding taxes	2,426	819
- Deferred tax assets	1,209	1,623
- Capital grants receivable	588	1,179
- VAT receivable from tax authorities	1,133	276
- Security deposits	74	59
- Advances to employees	10	48
- Adjustment of foreign currency receivables and payables	-	269
- Sundry	1,493	592
	6,933	4,865

These receivables are due within one year and are all collectible, thus no accruals have been made to adjust their values.

Other receivables increased by Euro 2,068 thousand from the prior year, mainly due to the increase in VAT receivables (for Euro 857 thousand). This is the result of the trend in sales which, geographically, show a reduction of sales in Italy which caused these receivables to rise.

Receivables from the tax authorities for IRPEG, ILOR and withholding taxes consist of receivables for direct income taxes of prior years for which refunds have been filed. This caption includes interest income earned on such receivables, calculated at the tax rate established by tax law as well as the on-account payment of taxes made during 2001 for Euro 1,556 thousand.

Advances to employees include advances made for transfers and travel.

Sundry receivables include grants earned but not yet received under Law 140 on Research and Development in the amount of Euro 40 thousand, tax credits on dividends from 2000 earnings and on the additional distribution of reserves by Prima Electronics (Euro 449 thousand), advances paid to suppliers for deliveries ordered but not yet carried out (Euro 776 thousand), VAT receivable relating to the United Kingdom branch (Euro 207 thousand), as well as other minor items (Euro 21 thousand).

## CURRENT FINANCIAL ASSETS

### 14) Equity investments in other companies

This caption totals Euro 0.1 thousand and refers to the equity investment in the company Unionfidi, as described in a specific appendix presenting movements as required by art. 2427 of the Italian Civil Code at point 5.

There have been no changes during the year.

### 15) Other securities

Other securities total Euro 517 thousand and relate to the following investment in government securities:

- CCT bills maturing May 2003 for Euro 517,000

At December 31, 2000, the total amount of liquidity invested in securities was Euro 695 thousand, which decreased after the maturity and reimbursement of some securities in portfolio.

The reduction in the amount of liquidity placed in short-term investments is due to investments (including the acquisition of the Laserdyne Prima business) made during the year.

### 16) CASH AND BANKS

	Balance at 12/31/2001	Balance at 12/31/2000
- Bank and postal accounts	5,859	2,375
- Cash on hand and valuables	9	16
	5,868	2,391

Cash and banks are immediately available since they are deposited in bank accounts or held in the cash funds of the company. This caption increased by Euro 3,477 thousand compared to the end of the prior year as a result of some scheduled payments that were moved to the beginning of 2002 (including the company's portion of the payment for the acquisition of the Laserdyne business from GSI Lumonics).

# 17) **ACCRUED INCOME AND PREPAID EXPENSES**

Accrued income and prepaid expenses at December 31, 2001 include the following:

	Balance at 12/31/2001	Balance at 12/31/2000
Loan charges		
- IMI loan	48	76
Total issue discounts and similar charges on loans	48	76
Accrued income		
- Interest on interest rate swap	37	55
- Other	12	16
Total accrued income	49	71
Prepaid expenses		
- Interest on low-rate loan under Sabatini law	206	195
- Prepaid expenses on supplier invoices	36	315
- Lease payments	5	15
- Insurance/guarantees	3	3
Total prepaid expenses	250	528
Total accrued income and prepaid expenses	347	675

Loan charges relate to brokerage fees on securing a medium/long-term loan from Sanpaolo IMI in September 1999. Such costs will be amortized over the period of the loan which ends in September 2003 (four years).

In accrued income, interest on IRSs refer to the hedging of the above IMI loan.

In prepaid expenses, interest on Sabatini law loans rose as a result of accounting for new sales financed by this law net of the decreases on already-existing loans at the end of 2000.

Prepaid expenses on supplier invoices refer to the reversal of the portion of costs that were already charged to us but refer to the following year.

Prepaid lease payments of Euro 5 thousand (compared to Euro 15 thousand at December 31, 2000) relate to lease contracts for electronic office equipment.

## INFORMATION REQUIRED BY LAW 72 OF MARCH 19, 1983

With reference to the provision of Law 72 of March 19, 1983, art. 10, the company states that revaluations were effected as allowed by Law 576 of December 2, 1975 and Law 72 of March 19, 1983, with a contra-entry to reserves under shareholders' equity.

The above revaluations were made to the following asset categories:

Buildings, Machinery, Office furniture and equipment, Electronic office equipment, Motor vehicles, Furnaces.

Such assets are still in the financial statements, with the exception of the building, the motor vehicles and the furnaces, and are grouped below. Revaluations still included in tangible assets in these financial statements total Euro 17 thousand. The breakdown is as follows (in euro):

<u>Assets</u>	<u>Historical cost</u>	<u>Revaluation</u> <u>Law. 576/75</u>	<u>Revaluation</u> <u>Law. 72/83</u>	<u>Total</u>
Machinery	8,226	10,938	-	19,164
Office furniture and equipment	11,258	2,866	-	14,124
Electronic office equipment	11,491	2,868	-	14,359
<b>Total</b>	<b>30,975</b>	<b>16,672</b>	<b>-</b>	<b>47,647</b>

## 18) **SHAREHOLDERS' EQUITY**

The changes in shareholders' equity are shown in an appendix to the notes.

Comments on the various components of shareholders' equity follow:

## 19) **SHARE CAPITAL**

Share capital at December 31, 2001 is subscribed to and fully paid-in and consists of 4,150,000 ordinary shares of par value Euro 2.5 each for a total of Euro 10,375,000.

The following changes in share capital took place during the year, which thus rose from Lire 18,000,000,000 (equal to Euro 9,296,224) at December 31, 2000 to Euro 10,375,000 at December 31, 2001:

1. As voted by the extraordinary shareholders meeting of May 11, 2001, and in accordance with Legislative Decree No. 213 of June 29, 1998 and subsequent amendments regarding the introduction of the euro, the share capital of Lire 18,000,000,000 was re-denominated in euro to Euro 9,000,000 (through the conversion of the value of 900,000 shares issued of par value Euro 10.329 each and then reduced to par value Euro 10 each with a credit of the difference to the legal reserve).  
Subsequently, on June 4, 2001, a four-for-one stock split was issued with a par value for each share of Euro 2.5 compared to the par value of Euro 10 for each previous share. The number of shares went from 900,000 to 3,600,000. The stock was split to encourage greater trading of the stock which previously carried one of the highest per share prices on the Nuovo Mercato.
2. The first share capital increase (reserved for institutional investors) took place through the issue of 260,000 new ordinary shares of par value Euro 2.5 each. These were fully subscribed to at a price of Euro 21.03 each on June 18, 2001 by Helios Private Equity SA (UNICREDIT Group). This is a Luxembourg-registered closed fund which expressed its intention of remaining part of the shareholder base for a medium/long-term period. The capital increase served to finance part of the acquisition of the Laserdyne business.
3. The second share capital increase was related to the second part of the three-year stock option plan (voted by the Board of Directors on December 17, 1999). Under this plan, management of the company subscribed to 50,000 newly issued shares (that were added to the 3,860,000 already outstanding, bringing share capital to Euro 9,650,000) for a price of Euro 7.5 per share. This transaction was concluded on July 10, 2001.

4. The third share capital increase took place on December 18, 2001 (voted by the Shareholders' Meeting of December 4, 2001). A total of 240,000 new shares were issued for a par value of Euro 2.5 each (dividend rights as from January 1, 2001) reserved for the minority shareholders of Prima Electronics S.p.A., a company already 60%-controlled by Prima Industrie S.p.A., in exchange for the same number of shares of the subsidiary (representing the remaining 40% stake). The subscription price of the Prima Industrie shares was Euro 4.42 each. After this increase, the share capital of Prima Industrie S.p.A. consisted of 4,150,000 ordinary shares of par value Euro 2.5 each, for a total of Euro 10,375,000.

At December 31, 2001, the third part of the original stock plan is still pending and is reserved for managers and cadres. It involves 50,000 new shares to be subscribed against payment upon reaching the 2001 targets which have already been assigned ad personam to 16 managers (13 in Prima Industrie and 3 in the subsidiary Prima Electronics) as voted by the Board of Directors' meeting on December 17, 1999 under the regulations voted by the Extraordinary Shareholders' Meeting on May 14, 1999. There is also a second stock option plan pending decided by the Board of Directors' meeting on May 11, 2001 for 148,000 new shares reserved for managers, supervisors and cadres of Prima Industrie and subsidiaries. This second plan is linked to the 2001 targets (for supervisors and cadres) and the 2002 targets (for managers, supervisors and cadres). For additional information on the stock plans, reference should be made to the comments in the report on operations.

## 20) SHARE PREMIUM RESERVE

The share premium reserve is generated by additional paid-in capital over the par value of the new shares of Euro 2.5 each. The changes during the year are as follows:

	Amount
Balance at January 1, 2001	8,517
Share premium on issue:	
- No. 260,000 ordinary shares of the capital increase reserved for institutional investors (price of Euro 21.03)	4,796
- No. 50,000 ordinary shares under the stock option plan for managers (price of Euro 7.5)	246
- No. 240,000 ordinary shares of the capital increase reserved for the exchange with No. 240,000 shares of the subsidiary Prima Electronics (price of Euro 4.42)	461
Balance at December 31, 2001	14,020

## 21) LEGAL RESERVE

The legal reserve totals Euro 658 thousand at December 31, 2001 (compared to Euro 128 thousand at December 31, 2000). The change is due to the appropriation of Euro 208 thousand to the legal reserve from 2000 earnings voted by the Shareholders' Meeting on May 11, 2001, as provided by art. 2430 of the Italian Civil Code, in addition to a total of Euro 322 thousand, of which Euro 296 thousand correspond to the amount set aside for rounding off the re-denomination of share capital in euro (from Lire 18,000,000,000 to Euro 9,000,000). The remaining Euro 26 thousand, instead, refer to the amount set aside at the time of issuing the new shares against payment to take into account the above difference on rounding off created by the re-denomination of the share capital into euro.

## 22) EXTRAORDINARY RESERVE

The extraordinary reserve amounts to Euro 5,610 thousand at December 31, 2001 (compared to Euro 1,663 thousand at December 31, 2000) after the appropriation of Euro 3,947 thousand to the extraordinary reserve from 2000 earnings voted by the Shareholders' Meeting on May 11, 2001.

## 23) PROVISIONS FOR LIABILITIES AND EXPENSES

These refer to the following:

	1/1/2001	Accrual	Utilization	12/31/2001
Provisions for income taxes	1,109	421	(328)	1,202
Other provisions :				
- contractual risks and expenses provision	2,057	2,050	(2,057)	2,050
- losses on equity investments provision	109	13	-	122
- litigation risks provision	54	-	-	54
- agents' customer indemnity provision	46	16	-	62
- exchange fluctuations provision	10	18	(10)	18
	2,276	2,097	(2,067)	2,306

The provisions for income taxes include the liability for deferred taxes set aside in accordance with Italian Accounting Principle No. 25.

Additional details on the deferred income taxes are provided in the comments on the note on income taxes.

Other provisions mainly refer to:

⇒ The contractual risks and expenses provision which includes accruals for the completion of installations and work on products under warranty over the next 12 months. The accrual of Euro 2,050 thousand effectively re-establishes the provision account that was almost completely used during the year. The provision is considered sufficient in relation to the cost to complete the installation during the year.



- ⇒ The losses on equity investments provision includes the accrual to meet the losses reported by Prima Industrie GmbH: the accrual of Euro 13 thousand refers to the 2001 loss of the subsidiary Prima Industrie GmbH.
- ⇒ The litigation risks provision has remained unchanged compared to the prior year and relates to potential future expenses on litigation with an agent that no longer works for the company.
- ⇒ The agents' customer indemnity provision covers liabilities which could originate from canceling agency contracts with Italian operators. The provision was increased by Euro 16 thousand in 2001 on the basis of the rates established by the existing law which governs the relationship between sales agents and their principals.
- ⇒ The exchange fluctuations provision includes the amount accrued to adjust the net foreign currency positions to December 31, 2001 exchange rates, as compared to the exchange rates used at December 31, 2000.

## 24) **EMPLOYEES' SEVERANCE INDEMNITY**

The changes during the year are as follows:

<b>Balance at January 1, 2001</b>	2,070
Accrued	476
Indemnity paid	(186)
<b>Balance at December 31, 2001</b>	2,360

The balance at December 31, 2001 is net of payments on account made to employees and gross of on-account payments made for taxes in accordance with the law, which are shown under financial fixed assets. This provision represents the gross liability matured in favor of employees on the basis of existing laws at year-end and the contractual obligations for each person.

The indemnity paid during the year is formed by Euro 165 thousand of amounts paid to employees who left the company, Euro 11 thousand of advances made to employees in accordance with existing laws and about Euro 10 thousand of payments made to supplementary social security funds.

## **PAYABLES**

Comments on the composition and movements in payables during the year are as follows:

## 25) **Bank borrowings**

Bank borrowings consist of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Advances against orders and invoices	1,563	414
- Bank overdrafts	2,024	1,673
- Advances to branches	435	120
	4,022	2,207

The increase in bank overdrafts is due to the financial commitment connected with the growth in net working capital to meet the increase in business.

### **Bank borrowings due beyond one year**

There are no bank borrowings due beyond 2001.

## **26) Borrowings from other financial institutions**

Borrowings from other financial institutions, equal to Euro 14,965 thousand, show an increase of Euro 4,969 thousand compared to Euro 9,996 thousand at December 31, 2000, and refer to the following:

- ⇒ Loan by the Ministry of Industry, Commerce and Handicrafts under Law 46/82 “Fondo Speciale Rotativo per l’Innovazione Tecnologica” for Euro 722 thousand. This is a 15-year loan for a maximum principal amount of Euro 1,069 thousand, received in 1999, with five years of pre-amortization at a rate of 0.9825% per year and 10 years of installment payments at a rate of 3.275%.
- ⇒ Medium-term loan for Euro 5,600 thousand. This loan was received on September 13, 1999 from a syndicate of banks led by our shareholder Investire Partecipazioni (formerly ITAINVEST) for Euro 8,500 thousand; the loan is repayable in six semi-annual payments from March 13, 2001 to September 13, 2003 and bears interest at the 6-month Euribor rate plus a spread of 1.25. The two principal payments due in 2002 and equal to approximately Euro 2,800 thousand represent the current portion of the loans while the remaining amount of Euro 2,800 thousand is considered medium/long-term.

⇒ Loan received from Mediocredito dell'Umbria for an original amount of Euro 775 thousand. This loan is guaranteed by the European Investment Fund (EIF) and was secured in order to finance the works of the new plant facility. This is 5-year loan (with a pre-amortization period that expired on January 31, 2001) which provides for quarterly deferred repayments bearing interest at the Euribor rate plus a spread of one. The principal payments due in 2002 of Euro 173 thousand represent the current portion of the loan while the remaining principal amount of Euro 478 thousand is considered medium/long-term. The residual debt at December 31, 2001 is Euro 651 thousand.

The above loans had already been carried in the financial statements at the date of December 31, 2000. The company obtained the following other loans during the current year:

⇒ Loan of Euro 2,582 thousand received from Banca Mediocredito on May 15, 2001 with repayment in eight semi-annual installments from March 31, 2003 to September 30, 2006 at a variable rate of 5.39% up to September 30, 2001 and at the 6-month Euribor rate plus a spread of 0.9 after that date).

⇒ US dollar loan for an equivalent Euro 1,111 thousand received from Banca Popolare di Novara of Luxembourg with repayment in 8 quarterly installments of US\$ 125,000 each starting from July 23, 2002 bearing interest at the Libor rate plus a spread of 0.8. The current portion of the loan is thus equal to Euro 284 thousand.

⇒ US dollar loan for an equivalent Euro 2,229 thousand received from Sanpaolo IMI on December 20, 2001 with repayment at 18 months bearing interest at the Libor rate plus a spread of 0.5. Both US dollar loans were taken out to finance the operations of the newly acquired business Laserdyne Prima.

⇒ Loan received from Sanpaolo IMI for Euro 2,070 thousand with pre-amortization until July 1, 2003. This loan is for research received out of the special fund for applied research established by Law 1089/1968 under Law No. 46/1982 paid on behalf of M.U.R.S.T. The loan is repayable in 12 semi-annual deferred installments and bears interest at 1% semi-annually.

## **27) Payments on account**

Payments on account refer to advances received from customers against uncompleted orders for Euro 348 thousand, as well as down-payments from customers confirming orders for Euro 136 thousand for a total of Euro 484 thousand at December 31, 2001.

Payments on account decreased by Euro 112 thousand from Euro 596 thousand in the prior year.

## 28) Trade accounts payable

Trade accounts payable rose as a result of higher business volumes from Euro 13,901 thousand at December 31, 2000 to Euro 18,106 thousand at December 31, 2001, with an increase of Euro 4,205 thousand. There was also an improvement in the turnover of trade accounts payable from 108 days to 120 days.

Details are as follows:

	Balance at 12/31/2001	Balance at 12/31/2000
- Trade accounts payable to suppliers	16,647	10,513
- Invoices to be received	1,318	3,350
- Refunds to customers	141	38
	18,106	13,901

## 29) Payables to subsidiaries

Payables to subsidiaries amount to Euro 3,129 thousand compared to Euro 1,690 thousand in the prior year. The increase of Euro 1,439 thousand is mainly due to more commercial transactions with our United States subsidiaries.

Trading transaction with these companies are conducted at normal market terms.

Trade accounts payables to subsidiaries refer to the following companies:

- Prima Electronics S.p.A. for Euro 968 thousand
- Laserdyne Prima Inc. for Euro 1,439 thousand
- Prima Industrie GmbH for Euro 41 thousand
- Convergent Prima Inc. for Euro 596 thousand
- Prima Industrie International BV for Euro 85 thousand

## 30) Taxes payable

Taxes payable are composed of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
Payables to the tax authorities for:		
- IRPEF withholdings	300	263
- VAT foreign branches	89	35
- IRPEG	-	1,126
- Other taxes	32	254
	421	1,678

IRPEF withholding taxes refer to December and were duly paid in January 2002. Additional information is provided in the note on income taxes.

### 31) Social security agencies payable

Social security agencies payable refers to:

	Balance at 12/31/2001	Balance at 12/31/2000
- INPS	326	302
- INAIL	256	195
- INPDAI	50	51
- PREVINDAI	15	22
- ENASARCO	9	6
- Social security agencies payable for deferred compensation	173	188
	829	764

Social security agencies payable for deferred compensation refer to social security charges on accrued vacation, the 13<sup>th</sup> month salary and other incentives for employees on a trial period and trading incentives earned at December 31, 2001 but not yet paid.

All the other captions refer to social security charges payable on compensation paid in December (INPS, INPDAI) or in the fourth quarter of the year (PREVINDAI, ENASARCO) or the balance for year (INAIL).

The increase of Euro 65 thousand is in line with the increase in the number of employees of the company.

### 32) Other payables

Other payables refer to the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Employee payrolls	-	6
- Insurance policy adjustments	70	114
- Deferred compensation	573	556
- Remuneration to directors and statutory auditors	45	23
- Employee travel reimbursements	69	281
- Other minor items	-	6
	757	986

The payable for deferred compensation relates to compensation payable for vacation, the 13<sup>th</sup> month salary for employees on a trial period and trading incentives earned at December 31, 2001, in addition to the December payrolls of the Swiss branch which were paid in January 2002.

The remuneration payable to directors and statutory auditors refers to 2001.

Employee travel reimbursements include corporate credit card charges.

### 33) **ACCRUED LIABILITIES AND DEFERRED INCOME**

Accrued liabilities and deferred income are detailed as follows:

	Balance at 12/31/2001	Balance at 12/31/2000
Accrued liabilities		
- Interest on MICA loan	6	6
- Interest on ITAINVEST loan	88	163
- Interest on interest rate swaps	56	6
- Interest on Mediocredito loan	32	-
- Other	27	75
Total accrued liabilities	209	250
Deferred income		
- Interest on discount transactions under Sabatini law	465	357
- Customer maintenance contracts	68	84
- Interest income from customers	27	36
- SAP costs charged to PE	43	65
Total deferred income	603	542
Total accrued liabilities and deferred income	812	792

Deferred income for interest on discount transactions under the Sabatini law increased due to the combined effect of a pro-rata decrease in the transactions existing at December 31, 2000 and new transactions entered into in 2001.

## **MEMORANDUM ACCOUNTS**

### **34) Guarantees given**

Guarantees on behalf of subsidiaries – The amount of Euro 3,254 thousand relates to a guarantee given in 2001 to a credit institution which gave a US dollar 3 million loan to Laserdyne Prima.

Guarantees on behalf of other companies – These amount to Euro 77 thousand and refer to two guarantees given to Consorzio Garanzia Fidi Unionfidi, in which Prima Industrie is a shareholder (for Euro 33 thousand), as well as a guarantee given to Sanpaolo IMI against a contract stipulated in China. These guarantees increased by Euro 44 thousand from last year.

### **35) Commitments**

Commitments total Euro 1,956 thousand (compared to Euro 2,262 thousand in the prior year) for financing lease obligations: electronic office equipment (Euro 64 thousand), motor vehicles (Euro 62 thousand) and the plant facilities in Via Antonelli 28 (Euro 1,830 thousand). They refer to the total amount of remaining lease payments due to leasing companies including the payment for the final purchase price established by contract but excluding the lease installments already paid.. Lease obligations by year are as follows:

#### Office equipment (in thousands of euro)

2002	<u>51</u> + 13 for the final purchase price
Total	64

#### Motor vehicles (in thousands of euro)

2002	12
2003	12
2004	16
2005	<u>21</u> + 1 the final purchase price
Total	62

Plant facilities Via Antonelli 28 (in thousands of euro)

2002	222
2003	222
2004	222
2005	222
2006	222
2007	222
2008	222
2009	<u>111</u> + 165 for the final purchase price
Total	1,830

**36) Contingencies for bills discounted**

These refer to the bills signed by customers against sales under the Sabatini law and discounted with recourse.

In 2001, two new transactions were entered into and one was extinguished. Therefore, the total risk at the end of year is Euro 1,934 thousand compared to Euro 1,685 thousand in 2000.

Existing transactions refer to five customers. One of these transactions will be extinguished in 2004, two in 2005 and the other two in 2006.

**37) Other memorandum accounts**

Other memorandum accounts include the following at December 31, 2001:

Repurchase commitments – These refer to customers and third parties and total Euro 4,211 thousand (Euro 1,818 thousand at December 31, 2000) and largely refer to repurchase commitments signed by our company in favor of leasing companies for sales made to customers (for Euro 2,781 thousand).

The increase of Euro 963 thousand compared to December 31, 2000 is due to new guarantees issued.

This type of guarantee is issued by our company to assist the customer in obtaining financing in the case the customer cannot automatically offer guarantees for the transaction to the third-party lender.

There is also a put option at December 31, 2001 granted to the company Pluritec S.p.A. (now ACD Technologies S.p.A.) for its sale to us of a 20% interest in the capital of Convergent Prima at a price of US dollars 1.26 million (equal to Euro 1,430 thousand). In view of the fact that, at December 31, 2001, the underlying share of the net equity of Convergent Prima is Euro 1,077 thousand, should the option right be exercised this would generate a potential loss (at December 31, 2001 values) of Euro 353 thousand, which could nevertheless be compensated by the sale to third parties of know-how developed for microdrilling systems for printed circuit boards.



Company goods held by third parties – At December 31, 2001, such goods total Euro 4,185 thousand (Euro 2,144 thousand at December 31, 2000). They relate to the following :

- materials and goods held by the branches for Euro 1,118 thousand;
- spare parts held by customers for Euro 129 thousand;
- materials with suppliers on deposit or for commissioned work for Euro 1,124 thousand;
- semifinished and finished goods held by third parties for Euro 1,814 thousand.

Finished goods include machines that are held by the offices of the European branches and at Laserdyne Prima in the United States for use in demonstrations, in addition to the Platino machine which is at a Danish university for technological developments connected with the Publics research project.

Such assets are included in the final inventory balance in the financial statements.

Guarantees given by third parties on our behalf – The amount of Euro 11,390 thousand (Euro 4,184 thousand in 2000) refers to bank guarantees issued to guarantee bank credit lines mainly on behalf of the subsidiaries Convergent Prima Inc. (total of Euro 2,724 thousand) and Laserdyne Prima (for Euro 4,749 thousand), on behalf of customers for advances against orders and for guarantee purposes (guarantees given within the limits of the receipts made by the same customers), as well as guarantees issued to the suppliers Rofin Sinar and Kugelmann and other minor guarantees.

## **INCOME STATEMENT**

### **PRODUCTION VALUE**

#### **38) REVENUES FROM SALES AND SERVICES**

Revenues from sales and services refer to the following:

	TOTAL		ITALY		EUROPE		R.O.W.		N.AMERICA	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
OPTIMO	11,844	18	2,716	4	6,156	9	2,424	4	548	1
RAPIDO	11,826	17	1,439	2	8,346	13	993	1.5	1,048	1.5
DOMINO	2,522	4	337	0.5	1,775	3	410	0.5	-	-
LASERWORK MAXIMO- MOSAICO	5,703	9	1,222	2	2,642	4	684	1	1,155	2
PLATINO	25,039	37	10,891	16	9,498	14	4,006	6	644	1
LASERDYNE SYSTEMS	654	1	-	-	654	1	-	-	-	-
SNK	330	-	-	-	-	-	330	0.5	-	-
OTHER	2,183	3	919	1	409	-	163	-	692	1
TECH. ASSISTANCE	5,836	9	2,473	4	2,992	4	18	-	353	0.5
SPARE PARTS	1,535	2	500	0.5	667	1	215	0.5	153	-
Total	67,472	100	20,497	30	33,139	49	9,243	14	4,593	7

Such revenues increased by Euro 4,087 thousand compared to Euro 63,385 thousand in the prior year (145 laser machines against 139), equal to a percentage increase of about 6.5%.

#### **39) CHANGE IN INVENTORIES OF WORK IN PROCESS, SEMIFINISHED AND FINISHED GOODS AND CONTRACT WORK IN PROGRESS**

In 2001, inventories of finished goods increased by Euro 3,041 thousand, from Euro 1,526 thousand at the beginning of the year to Euro 4,567 thousand at the end of the year, for the reasons disclosed in the note on inventories.

Semifinished goods also increased by Euro 599 thousand, from Euro 1,791 thousand to Euro 2,390 thousand, due to higher production volumes. Globally, this item generated Euro 3,640 thousand of production value.

#### 40) INCREASE IN INTERNAL WORK CAPITALIZED UNDER FIXED ASSETS

The following costs have been capitalized under intangible and tangible assets during the year:

	2001	2000
- Internal construction	6	50
- Deferred charges capitalized	-	168
Total	6	218

Deferred charges capitalized in 2000 totaled Euro 168 thousand. These charges were incurred for the expansion of the production operations which involved the transfer of part of the production to the nearby new plant facilities in Via Antonelli 28 during 2000.

Internal construction refers to the construction of test benches and related equipment and assembly bay equipment for a total of Euro 6 thousand.

#### 41) OTHER REVENUES AND INCOME

This caption includes:

	2001	2000
Capital and operating grants	877	1,555
Insurance refunds	5	5
Services rendered and costs charged to Prima Electronics	125	85
Prior period income and gains on disposals	270	196
Costs recharged to Prima US (now Laserdyne Prima) for the acquisition of the investment in Convergent Prima	-	195
Trade fair costs recharged to Matra Werke	155	88
Sundry income	206	160
Total other revenues and income	1,638	2,284

Capital grants recorded in 2001 relate to the portion of grants under ex Law 140 for automatic research incentives (Euro 63 thousand in the form of tax credits), as a well as operating grants for research and development earned in 2001 and relating to the following projects:

⇒ EUREKA PUBLICS/EU 1784 PUBLICS project: the amount of Euro 518 thousand consists of Euro 263 thousand for grants already received for research conducted in the first half of 2001 and Euro 255 thousand of income recorded for research conducted in the first and second half 2001 but not yet received.

⇒ MURST SINCRONO (ex-LIGHTPRESS) project: the total amount of Euro 296 thousand relates to grants received and referring to part of 2000 and 2001 for Euro 136 thousand and to grants to be received and referring to the second half of 2001 for the remaining Euro 160 thousand.

Prior period income of Euro 268 thousand refer mainly to adjustments of accruals made in prior years.

Sundry income includes royalties of Euro 27 thousand received from the sale of licenses, commissions of Euro 83 thousand invoiced to trading partners and costs of Euro 96 thousand charged to the American subsidiaries and other customers.

## **PRODUCTION COSTS**

### **42) PURCHASE OF RAW MATERIALS, CONSUMABLES AND SUPPLIES**

These can be analyzed as follows:

	2001	2000
- Raw materials	37,059	31,746
- Consumables and supplies	828	540
- Other	218	363
	38,105	32,649

The increase from the prior year is due to higher purchases of materials that are required to meet the increased quantity of machinery manufactured.

Raw materials refer to the following:

	2001	2000
- Lasers generators, and parts	11,942	9,276
- CNC systems and parts	2,606	2,247
- Finished subassemblies and specifically designed mechanical parts	13,061	12,547
- Commercial components and other	9,450	7,676
	37,059	31,746

#### 43) SERVICE EXPENSES

These are detailed as follows:

	2001	2000
- Work by third parties	5,984	5,280
- Travel	1,973	1,642
- Technical, legal, tax and administrative consulting fees	1,766	1,935
- Freight	1,288	928
- Commissions	1,660	1,586
- Advertising and promotion	603	567
- Electricity, telephone, etc.	539	454
- Insurance	204	243
- External maintenance	322	247
- Remuneration to directors	312	103
- Remuneration to statutory auditors	66	75
- Temp work	340	131
- Other	543	389
	15,600	13,580

The increase in work by third parties, as a result of the outsourcing of mechanical work and services starting at the end of 1997, is in line with the increase in production value.

As far as consulting fees are concerned, technical consulting for the development of R & D projects totals Euro 1,173 thousand, commercial consulting is Euro 114 thousand and administrative and legal consulting for lawyers, notaries, audit firms, tax consultants, etc. amount to Euro 479 thousand.

Remuneration to directors rose by Euro 209 thousand due to the number of directors that was increased from six to eight members, after adding two independent directors as required by the rules adopted for corporate governance, as well as the revision of the remuneration paid to the managing director who, having resigned his position as a manager of the company on January 1, 2001, from that date now only fills the full-time post of managing director.

The company has increasingly made use of temporary work arrangements (for a total cost of Euro 340 thousand in 2001), using outside personnel to meet the peak production periods within the limits and according to the laws established for these type of arrangements.

As far as “other” are concerned, the most important expenses are entertainment for Euro 71 thousand, translations for Euro 56 thousand and cleaning for Euro 97 thousand.

#### 44) LEASE AND RENT COSTS

These are detailed below:

	2001	2000
- Rent	271	238
- Motor vehicle leasing and rentals	360	420
- Other leases	279	70
- Leasing factory 2	219	118
	1,129	846

The adoption of the financial method of accounting for leases according to generally accepted accounting principles would have meant accounting for the interest on the principal and the depreciation on the assets purchased under leasing contracts on the basis of the estimated useful life of the assets, in addition to recording the asset in the balance sheet and residual amount payable in the liabilities.

This accounting treatment would not have resulted in any significant effect on the results of operations (see comment in the note on Fixed Assets)

Other leases refer to electronic office equipment (personal computers) of Euro 113 thousand, company cars of Euro 153 thousand and other minor items of Euro 13 thousand. Other

Leasing factory 2 refers to the 9-year lease contract signed in June 2000 for the use of the plant facilities located in Via Antonelli 28. The increase over the prior year is due to the full-year lease cost charged in 2001 compared to just six months in 2000.

#### 45) PERSONNEL EXPENSES

Personnel expenses rose from Euro 10,253 thousand in 2000 to Euro 11,345 thousand in 2001 as a result of higher labor costs and a higher number of employees. In view of the growth in volumes, new employees were hired during the year although the company strove to limit the increase in expenses to a minimum.

Furthermore, it should be pointed out that our company operates in a high-tech sector and staff are usually more specialized than in other fields, thus the cost is higher than the average industry standard.

Changes during the year in the number of employees are detailed by category (Collegno production facility) below:

	12/31/2000	Hired	Dismissed	Change in category	12/31/2001	Average during year
Managers	12	1	1	-	12	12.0
Supervisors	-	-	-	5	5	2.5
Cadres	15	2	2	(5)	10	12.5
Staff	98	15	7	9	115	106.5
Intermediate	2	-	-	1	3	2.5
Workers	70	11	3	(10)	68	69
Total	197	29	13	-	213	205

As for staff employed by the branches, the number increased from 21 in 2000 to 27 at December 31, 2001, representing an increment of 10.1%.

The increase in personnel expenses was approximately 10.6%, which had an effect of 0.5%.

#### 46) AMORTIZATION, DEPRECIATION AND WRITEDOWNS

##### **Amortization of intangible assets**

Reference should be made to the appendix with the movements in intangible assets.

##### **Depreciation of tangible assets**

Reference should be made to the appendix with the movements in tangible assets.

#### 47) DOUBTFUL ACCOUNTS EXPENSE

No accruals were made to the allowance for doubtful accounts during the year as the receivables in portfolio, as regards their net realizable value, are considered to be adequately covered by the allowance set up in prior years. Furthermore, no charges were made against the allowance account since no credit positions were eliminated due to the insolvency of debtors.

#### 48) **CHANGE IN INVENTORIES OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND MERCHANDISE**

These inventories increased by Euro 484 thousand compared to the prior year. Such increase is in line with the company's higher production volumes.

#### 49) **ACCRUALS TO PROVISIONS FOR LIABILITIES AND EXPENSES**

This caption refers to:

	<u>Thousands of euro</u>
- Accrual to the contractual risks and expense provision	2,050
- Utilization of the contractual risks and expense provision 2000	(2,057)
- Accrual to the losses on equity investments provision:	
⇒ Prima Industrie GmbH (year 2001)	13
- Accruals for potential liabilities:	
⇒ agents' customer indemnity provision	15
	<u>21</u>

#### 50) **OTHER OPERATING EXPENSES**

Other operating expenses refer to:

	2001	2000
- Prior period expenses and losses on disposals	267	199
- Penalties from customers	97	16
- Taxes other than income taxes	70	48
- Non-deductible gratuities and costs	97	49
- Association dues	73	60
- Branch taxes	18	14
- Sundry operating expenses	60	64
	682	450

Prior period expenses refer mainly to amounts incorrectly accrued in prior years and non-existent assets, pertaining to the ordinary operations of the company.



Losses on disposal relate to the sale of corporate assets for an insignificant amount of approximately Euro 1 thousand.

Penalties from customers refer to the settlement and closing of technical and commercial litigation with some customers, as well as delays in deliveries due to technical problems.

Sundry operating expenses pertain to corporate expenses totaling Euro 54 thousand, deductible gratuities of Euro 4 thousand and other minor items of about Euro 2 thousand.

## **FINANCIAL INCOME AND EXPENSES**

### **51) INVESTMENT INCOME**

The total amount of Euro 1,361 thousand refers to:

- Tax credits on the dividends from Prima Electronics on 2000 earnings received in 2001	105
- Extraordinary dividends paid by Prima Electronics received in 2001	612
- Tax credits on the extraordinary dividends from Prima Electronics on received in 2001	344
- Dividends declared by Prima Electronics on 2001 earnings, to be received in 2002	<u>300</u>
	<u>1,361</u>

The 2001 dividends declared by the Shareholders' Meeting of Prima Electronics S.p.A., totaling Euro 300 thousand, will be paid out beginning from May 2002.

### **52) OTHER FINANCIAL INCOME FROM RECEIVABLES INCLUDED IN FIXED ASSETS**

This financial income refers to interest earned on the loan made by the parent company Prima Industrie to the subsidiary Laserdyne Prima for Euro 73 thousand.

### 53) INTEREST AND OTHER FINANCIAL INCOME

Details are as follows:

	2001	2000
- Exchange gains	720	464
- Utilization of exchange fluctuations provision	10	269
- Interest income from customers	709	862
- Interest income on Irpeg receivables	29	29
- Interest income on securities	20	62
- Interest income from banks and other	329	270
	1,817	1,956

Exchange gains refer to the collection of receivables and the disbursement of payables at exchange rates that were more favorable than those used at the invoice date. The significant increase in exchange gains from Euro 464 thousand in 2000 and to Euro 720 thousand in 2001 reflects a strong US dollar in 2001, the currency in which Prima Industrie mainly invoices on the American and overseas market, in addition to greater business dealings in these countries.

Interest income from customers includes the 2001 portion of interest relating to the existing bills with recourse under the Sabatini law.

### INTEREST AND OTHER FINANCIAL EXPENSES

### 54) OTHER INTEREST AND FINANCIAL EXPENSES

This is composed as follows:

	2001	2000
- Interest expense on bank borrowings	436	492
- Interest expense on discount transactions Sabatini law	584	823
- Exchange losses	196	410
- Other bank charges	205	201
- Interest expense on ITAINVEST loan	407	464
- Interest expense on borrowings from other financial institutions	155	7
- Other	107	83
	2,090	2,480

Interest expense on the Itainvest loan refers to the loan of Euro 8.5 million received in September 1999. Interest expense on borrowings from other financial institutions, instead, comprise interest on the loans made by Mica (Euro 7 thousand), IMI (about Euro 28 thousand), Mediocredito Umbro (about Euro 40 thousand) and Banca Mediocredito (about Euro 80 thousand).

Other refers mainly to sundry interest expense (about Euro 50 thousand), financial institutions expenses (Euro 39 thousand) and the accrual to the exchange fluctuations provision (Euro 18 thousand).

## **ADJUSTMENTS TO FINANCIAL ASSETS**

### **55) WRITEDOWNS OF EQUITY INVESTMENTS**

The total of Euro 4,295 thousand consists of the accrual set aside to cover the losses reported by Laserdyne Prima in 2001. The Shenyang PLMC Ltd joint venture set up in China in 2001, instead, reported a moderate profit.

### **56) OTHER EXTRAORDINARY INCOME**

The company recorded no extraordinary income in 2001.

### **57) INCOME TAXES**

#### **Current income taxes**

Current income taxes total Euro 1,695 thousand compared to Euro 2,255 thousand in the prior year. They relate to IRPEG taxes for 2001 (equal to Euro 102 thousand) net of the reversal of the provision for deferred income taxes (Euro 300 thousand) and gross of deferred tax assets (Euro 1,183 thousand), as well as IRAP taxes for the year (equal to Euro 649 thousand), which are also net of the reversal of the provision for deferred income taxes (Euro 27 thousand) and gross of deferred tax assets (Euro 88 thousand).

#### **Deferred income taxes**

The application of Italian Accounting Principle No. 25 on deferred income taxes gave rise to a net credit to income of Euro 436 thousand.

At the end of the year, deferred tax assets and liabilities have been calculated using the tax rate set forth in the 2001 Finance Bill for IRPEG taxes which is 36% for the years 2001 and 2002 (35% starting from 2003).

Details are as follows:

	Taxable	Deferred tax assets
<i>Amounts at 40.25%</i>		
Entertainment expenses	17	
Contractual risks and expenses provision	2,050	
Allowance for inventory writedowns	413	
Agents' customer indemnity provision -	62	
Litigation risks provision	54	
Association dues	6	
Total	2,602	1,047
<i>Amounts at 39.25%</i>		
Entertainment expenses	27	
Total	27	11
<i>Amounts at 36%</i>		
Allowance for doubtful receivables not deductible	375	
Remuneration to directors not paid	45	
Total	420	151
<b>Total taxable amount</b>	<b>3,049</b>	<b>1,209</b>
(-) Deferred tax assets at December 31, 2000		(1,623)
(+) Reversal at December 31, 2000		1,271
Total recorded in income statement		857

	Taxable	Deferred tax liabilities
<i>Amounts at 40.25%</i>		
Gains 2000	1	
Taxable credit Law 140	55	
Eureka/Publics grant	490	
Brite Hatlas grant	44	
Sincrono (ex Lightpress) grant	164	
Total	754	303
<i>Amounts at 39.25%</i>		
Gains 2000	1	
Tax credit Law 140	110	
Eureka/Publics grant	1,290	
Brite Hatlas grant	88	
Sincrono (ex Lightpress) grant	525	
Total	2,014	791
<i>Amounts at 36%</i>		
Dividends Prima Electronics 2001	300	
Total	300	108
<b>Total taxable</b>	<b>3,068</b>	<b>1,202</b>
(-) Deferred tax liabilities at December 31, 2000		(1,109)
(+) Reversals at December 31, 2000		327
Total recorded in income statement 2001		420

As regards deferred income taxes, it should be pointed out that since the costs incurred for the company's listing on the NASDAQ that was not concluded, incurred in 1997 and 1998 (Euro 933 thousand) and in 1999 (the balance of Euro 256 thousand), were deducted from taxable income in 2001, the reason for their inclusion in deferred tax assets no longer applies. These costs, in fact, had been incurred in the interest of the company and its future development via the listing of an American holding company specifically set up for this purpose (as you will recall the Nuovo Mercato on the Italian stock exchange was only announced at the beginning of 1999), which, for this reason, received the necessary financial resources for listing the company from Prima Industrie in the form of a loan. Since the listing was not completed and since no resources were raised, Prima Industrie's loan receivable became uncollectible, owing to the fact that the holding company had no financial resources and/or other realizable assets (resulting in the accruals made by Prima Industrie to cover the losses reported in the 1998 and 1999 financial statements).

While awaiting for such costs to be considered inherent to the listing of the company in Italy, they were deducted from taxable income in 2001 since proof was received in that year (precise elements required by art. 66, paragraph 3 of the Tax Code) that TPGI ceased to be a legal entity, with the consequent impossibility of recovering our receivable.

## **APPENDIX**

The following appendices contain supplementary information to the notes, which are an integral part thereto.

The supplementary information refers to the following:

- Statement of changes in shareholders' equity for the years ended December 31, 2001 and 2000
- List of investments in subsidiaries and associated companies at December 31, 2001 ex-art. 2427, 5 of the Italian Civil Code
- Statement of changes in financial fixed assets: equity investments in subsidiaries
- Statement of changes in current financial assets: equity investments in other companies
- Statement of changes in intangible assets at December 31, 2001
- Statement of changes in tangible assets at December 31, 2001
- Statement of summary of highlights of most recent approved financial statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code)
- Statement of cash flows for the years 2001 and 2000

Moreover, as required by art. 78 of Consob ruling No. 11971 of May 14, 1999, the following are attached:

- Compensation paid to the directors, statutory auditors and general managers
- Information on stock options assigned to the directors and general managers

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**  
**(Thousands of euro)**

Description	Share Capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury shares	Statutory reserves	Losses covered	Retained earnings	Net income for the year	Total Shareholders' equity
<b>Balance at December 31, 1999</b>	<b>8,852</b>	<b>5,811</b>	-	<b>66</b>	-	<b>470</b>	-	-	<b>1,255</b>	<b>16,454</b>
• Appropriation of net income 1999, according to Shareholders' Meeting May 12, 2000	-	-	-	<b>62</b>	-	<b>1,193</b>	-	-	<b>(1,255)</b>	-
• July 5, 2000: share capital increase through subscription to employee stock option plan (12,500 new shares issued), voted by Board of Directors on December 17, 1999	<b>129</b>	<b>209</b>	-	-	-	-	-	-	-	<b>338</b>
• September 8, 2000: share capital increase through issue of 30,500 new shares reserved for institutional investors	<b>315</b>	<b>2,497</b>	-	-	-	-	-	-	-	<b>2,812</b>
• Net income for the year	-	-	-	-	-	-	-	-	<b>4,155</b>	<b>4,155</b>
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Balance at December 31, 2000</b>	<b>9,296</b>	<b>8,517</b>	-	<b>128</b>	-	<b>1,663</b>	-	-	<b>4,155</b>	<b>23,759</b>
• Appropriation of 2000 net income, according to Shareholders' Meeting of May 11, 2001	-	-	-	<b>208</b>	-	<b>3,947</b>	-	-	<b>(4,155)</b>	-
• Conversion of share capital in euro, according to resolution passed by the Shareholders' Meeting of May 11, 2001	<b>(296)</b>	-	-	<b>296</b>	-	-	-	-	-	-
• June 18, 2001: share capital increase reserved for Helios Private Equity SA	<b>650</b>	<b>4,796</b>	-	<b>22</b>	-	-	-	-	-	<b>5,468</b>
• July 10, 2001: share capital increase through subscription to employee stock option plan (50,000 new shares issued), voted by Board of Directors on December 17, 1999	<b>125</b>	<b>246</b>	-	<b>4</b>	-	-	-	-	-	<b>375</b>
• December 4, 2001: share capital increase reserved for shareholders of Prima Electronics	<b>600</b>	<b>461</b>	-	-	-	-	-	-	-	<b>1,061</b>
• Net income for the year	-	-	-	-	-	-	-	-	<b>1,134</b>	<b>1,134</b>
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Balance at December 31, 2001</b>	<b>10,375</b>	<b>14,020</b>	-	<b>658</b>	-	<b>5,610</b>	-	-	<b>1,134</b>	<b>31,797</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

**LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES**  
**(at December 31, 2001)**

Share capital	Percentage ownership	Net income (loss) for the year (thousands of euro)	Shareholders' equity (thousands of euro)	Carrying value Prima Industrie S.p.A. (thousands of euro)
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SUBSIDIARIES

(included in scope of consolidation)

Prima Electronics S.p.A.	Strada Carignano, 48/2 10024 Moncalieri (TO)	€ 1,500,000	100%	1,158	3,810	1,705
Laserdyne Prima Inc.	8401, Jefferson Highway Maple Grove, MN 55369 (USA)	US\$ 10,000,000	100%	(4,375) (*)	5,670 (*)	6,003
Prima Industrie GmbH	Shöne Aussicht 5a Kronberg (D)	D.M. 50,000	100%	(13)	(131)	(122)
Prima Industrie International BV (ex Laserworld BV)	Zwaansvliet 20 1081 AP Amsterdam (NL)	HFL 50,000	99%	1	127	103

INDIRECTLY OWNED SUBSIDIARIES

(included in scope of consolidation)

Convergent Prima Inc.	1 Picker Road Sturbridge MA 01566 (USA)	US\$ 6,300,000	80% (by Laserdyne Prima)	(1,550)	5,386	company controlled indirectly through Laserdyne Prima
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ASSOCIATED COMPANIES

(not consolidated)

Macro Meccanica S.p.A. (in liquidation) (**)	Via don Sapino 134 10040 Venaria – Fraz. Savonera (TO)	Lire 630 million	35,48%	851 (**)	(1,436) (**)	0
Shenyang Prima Laser Machine Company Ltd	Shenyang Liaoning Province, China 45 Huanghai Rd, Yuhong District	US\$ 1,000,000	50%	44	952	391
SNK Prima Company Ltd	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka, Japan	Yen 90,000,000	40%	(***)	825	330

(\*) the amount includes the losses of Convergent Prima Inc. (80%) relating to 2001 and 2000 (for Euro 1,243 thousand)

(\*\*) most recent approved liquidation financial statements: December 31, 2000

(\*\*\*) the company was set up in September 2001 and the first year will end on March 31, 2002



**STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS  
EQUITY INVESTMENTS IN SUBSIDIARIES**

(thousands of euro)

	Opening balance			Movements during the year		Closing balance
	Original cost valued at cost	Revaluations Writedowns	Balance at 1/1/2001	Increase	Decrease	Balance at 12/31/2001
Prima Electronics S.p.A. Strada Carignano, 48/2 10024 Moncalieri (TO)	422	-	422	1,283	-	1,705
Laserdyne Prima Inc. 8401, Jefferson Highway Maple Grove, MN 55369 (USA)	1,658	(983)	675	9,624	(4,295)	6,004
Prima Industrie GmbH Shöne Aussicht 5a – Kromberg (D)	-	-	-	-	-	-
Prima Industrie International BV (ex Laserworld BV)	318	(215)	103	-	-	103
<b>TOTAL</b>	2,398	(1,198)	1,200	10,907	(4,295)	7,812

**STATEMENT OF CHANGES IN CURRENT FINANCIAL ASSETS  
EQUITY INVESTMENT IN OTHER COMPANIES**

**(thousands of euro)**

**EQUITY INVESTMENTS IN OTHER COMPANIES:**

Description	Opening balance	Movements during the year		Closing balance	Percentage ownership
	Original cost valued at cost 1/1/2001	Increase	Decrease	Balance at at 12/31/2001	
Unionfidi	0.1	-	-	0.1	-

**STATEMENT OF CHANGES IN INTANGIBLE ASSETS  
AT DECEMBER 31, 2001**

(thousands of euro)

Intangible assets	Opening balance			Movements during the year		Closing balance		
	Original cost	Accumulated amortization	Balance at 1/1/2001	Additions	Amortization	Original cost	Accumulated amortization	Balance at 12/31/2001
Plant start-up and formation costs	168	(33)	135	-	(34)	168	(67)	101
Research, development and advertising costs	6,539	(6,067)	472	-	(210)	6,539	(6,277)	262
Industrial patent rights and utilization rights of intellectual properties	745	(686)	59	359	(137)	1,104	(823)	281
Concessions, licenses, trademarks and similar rights	8	(1)	7	-	(1)	8	(2)	6
Goodwill	-	-	-	-	-	-	-	-
Assets in progress and payments on account	-	-	-	-	-	-	-	-
Other intangible assets	1,127	(724)	403	242	(175)	1,369	(899)	470
	-----	-----	-----	-----	-----	-----	-----	-----
Total	8,587	(7,511)	1,076	601	(557)	9,188	(8,068)	1,120
	=====	=====	=====	=====	=====	=====	=====	=====

**STATEMENT OF CHANGES IN TANGIBLE ASSETS  
AT DECEMBER 31, 2001**

(thousands of euro)

Tangible assets	Opening balance				Movements during the year				Closing balance			
	Original cost	Revaluations	Accumulated depreciation	Balance at 1/1/2001	Additions	Disposals	Depreciation	Use of acc. depreciation	Original cost	Revaluations	Accumulated depreciation	Balance at 12/31/2001
Land and buildings	233	-	(103)	130	426	-	(22)	-	659	-	(125)	534
Plant and machinery	1,292	11	(799)	504	282	-	(82)	-	1,574	11	(881)	704
Industrial and commercial equipment	1,119	-	(926)	193	49	-	(84)	-	1,168	-	(1,010)	158
Other tangible assets	1,233	6	(961)	278	83	(2)	(86)	-	1,314	6	(1,047)	273
Assets under construction and payments on account	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,877</b>	<b>17</b>	<b>(2,789)</b>	<b>1,105</b>	<b>840</b>	<b>(2)</b>	<b>(274)</b>	<b>-</b>	<b>4,715</b>	<b>17</b>	<b>(3,063)</b>	<b>1,669</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

**STATEMENT OF SUMMARY OF HIGHLIGHTS  
OF MOST RECENT APPROVED FINANCIAL STATEMENTS OF  
SUBSIDIARIES AND ASSOCIATED COMPANIES (ART. 2429 Italian Civil Code)**

	<b>Prima Electronics S.p.A.</b>	<b>Laserdyne Prima Inc</b>	<b>Prima GmbH</b>	<b>Prima Industrie Int. BV</b>	<b>Shenyang Prima Laser Machine</b>	<b>SNK Prima Company Ltd</b>	<b>Macro Meccanica S.p.A. in liquidation</b>
Functional currency	Thousands of euro	US\$	DM	DFL	US\$	US\$	Thousands of euro
Period of reference for financial statements	2001	2001	2001	2001	2001	2001	2000
Line-by-line consolidation	Yes	Yes	Yes	Yes	NO	NO	NO
<b><u>ASSETS</u></b>							
Fixed assets	2,103	9,870,755	1,495	-	596,280	33,600	-
Current assets	7,369	16,204,469	122,035	315,032	715,823	52,927	338
Accrued income and prepaid expenses	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,533</u>	<u>-</u>	<u>-</u>
Total assets	<u>9,502</u>	<u>26,075,224</u>	<u>123,530</u>	<u>315,032</u>	<u>1,330,636</u>	<u>86,527</u>	<u>338</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>							
Shareholders' equity	3,810	4,998,453	(257,042)	279,809	839,467	86,527	(1,436)
Provisions for liabilities and expenses	115	1,150,055	4,500	-	-	-	491
Employees' severance indemnity	844	-	-	-	-	-	32
Payables	4,702	19,163,040	374,450	35,223	429,960	-	1,251
Accrued liabilities and deferred income	<u>31</u>	<u>763,676</u>	<u>1,622</u>	<u>-</u>	<u>61,209</u>	<u>-</u>	<u>-</u>
Total liabilities and shareholders' equity	<u>9,502</u>	<u>26,075,224</u>	<u>123,530</u>	<u>315,032</u>	<u>1,330,636</u>	<u>86,527</u>	<u>338</u>
<b><u>INCOME STATEMENT</u></b>							
Net sales	16,069	18,599,724	-	-	1,192,529	-	222
Production value	16,870	18,484,831	-	439,973	1,210,108	-	253
Production costs	<u>(14,489)</u>	<u>(21,537,149)</u>	<u>(24,419)</u>	<u>(436,758)</u>	<u>(1,170,258)</u>	<u>(3,473)</u>	<u>(528)</u>
Difference between production value and costs	2,381	(3,052,318)	(24,419)	3,215	39,850	(3,473)	(275)
Financial income (expenses) net	(34)	(254,013)	(446)	(1,081)	(920)	-	(49)
Extraordinary items	(195)	(1,242,237)	-	-	-	-	1,175
Income taxes	<u>(994)</u>	<u>631,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Net income (loss)	<u>1,158</u>	<u>(3,917,204)</u>	<u>(24,865)</u>	<u>2,134</u>	<u>38,930</u>	<u>(3,473)</u>	<u>850</u>

**STATEMENT OF SUMMARY OF HIGHLIGHTS  
OF MOST RECENT APPROVED FINANCIAL STATEMENTS OF  
INDIRECTLY OWNED SUBSIDIARIES (ART. 2429 Italian Civil Code)**

	<b>Convergent Prima Inc,</b>
Functional currency	US\$
Period of reference for financial statements	2001
Line-by-line consolidation	Yes
<b><u>ASSETS</u></b>	
Fixed assets	2,193,104
Current assets	9,949,139
Accrued income and prepaid expenses	-
Total assets	<u>12,142,243</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	
Shareholders' equity	4,747,204
Provisions for liabilities and expenses	309,977
Employees' severance indemnity	-
Payables	6,730,262
Accrued liabilities and deferred income	<u>354,800</u>
Total liabilities and shareholders' equity	<u>12,142,243</u>
<b><u>INCOME STATEMENT</u></b>	
Net sales	16,777,095
Production value	16,061,973
Production costs	<u>(17,490,073)</u>
Difference between production value and costs	(1,428,100)
Financial income (expenses) net	(339,720)
Extraordinary items	-
Income taxes	<u>380,197</u>
Net income (loss)	<u>(1,387,623)</u>

# STATEMENT OF CASH FLOWS FOR THE YEAR 2001 AND 2000

(thousands of euro)

	2001		2000	
<b>A) Net financial position, beginning of year</b>	<b>(9,117)</b>		<b>(3,573)</b>	
<b>B) Cash flows provided by operations</b>	<b>2,284</b>		<b>5,601</b>	
• Net income	1,134		4,155	
• Amortization, depreciation and writedowns	831		744	
• Net change in employees' severance indemnity	289		279	
• Net change in provision for liabilities and expenses	30		62	
• Accrual to allowance for doubtful accounts	-		310	
• Accrual to allowance for raw materials	-		51	
<b>B)bis Share capital increases</b>	<b>6,904</b>		<b>3,150</b>	
<b>C) Cash flows used for changes in current assets</b>	<b>(6,380)</b>		<b>(6,622)</b>	
• Net increase in inventories	(4,124)		(336)	
• Net increase in trade accounts receivable	(3,173)		(3,505)	
• Net increase in receivables from subsidiaries and associated companies	(1,568)		(1,674)	
• Increase in other receivables	(2,068)		(1,754)	
• Decrease in accrued income and prepaid expenses	328		(198)	
• Increase in provisions for income taxes	93		911	
• Decrease in advances from customers	(111)		(1,160)	
• Increase in trade accounts payable	4,205		(84)	
• Increase in payables to subsidiaries and associated companies	1,439		710	
• Decrease in other payables	(1,421)		328	
• Increase in accrued liabilities and deferred income	20		140	
<b>D) Cash flows provided by (used for) changes in fixed assets</b>	<b>(6,293)</b>		<b>(7,673)</b>	
• Capitalization of intangible assets	(601)		(593)	
• Purchase of tangible assets	(840)		(889)	
• Sale of tangible assets	2		82	
• Use of accumulated depreciation	-		(13)	
• Increase in investments	(11,602)		(1,657)	
• Increase in financial receivables	2,453		(5,871)	
• Decrease in securities used as guarantees	-		178	
• Accrual to provision for investments (+G/C)	4,295		1,090	
<b>E) Net financial position, end of year</b>	<b>(12,602)</b>		<b>(9,117)</b>	
• Bank borrowings	(4,022)		(2,207)	
• Borrowings from other financial institutions	(14,965)		(9,997)	
• Cash and banks	5,868		2,392	
• Liquidity invested in PCT and/or government securities	517		695	

**COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS**  
(in euro)

The following information is provided in accordance with Consob ruling No. 11971, art. 78 approved on May 14, 1999: summary of the compensation paid to the directors, statutory auditors and general manager of Prima Industrie S.p.A. and by subsidiaries, as regards persons who have held these posts during the year 2001

INDIVIDUAL		POST HELD		COMPENSATION RECEIVED IN 2001 (1)		
Last and first name	Post	Term of office	Emoluments for post	Non-monetary benefits	Bonuses and other incentives	Other compensation (salaries)
PALMERI Aldo	Chairman of the Board of Directors Prima Industrie	From 14/5/99	15,494	-	-	-
CARBONATO Gianfranco	Managing director Prima Industrie	From 1/1/99	268,558	Car 2,943	-	-
DELLA ROSA Giulia Luigia	Director Prima Industrie	From 1/1/99	5,165	-	-	-
TAKANEN Francesco (2)	Director Prima Industrie	From 5/14/99	5,165	-	-	-
RUSSO Renato	Director Prima Industrie	From 5/14/99	5,165	-	-	-
D'ISIDORO Sandro	Director Prima Industrie	From 5/11/01	3,443	-	-	-
MANSOUR Rafic	Director Prima Industrie	From 11/14/00 al 5/11/01	1,722	-	-	-
MORFINO Giuseppe	Director Prima Industrie	From 5/11/01	3,443	-	-	-
MAZZOTTO Paolo	Director Prima Industrie	From 5/11/01	3,443	-	-	-
FORMICA Riccardo	Chairman of Board of Statutory Auditors	From 1/1/01	24,000	-	-	-
MOSCA Andrea	Standing auditor	From 1/1/01	21,110	-	-	-
PETRIGNANI Roberto	Standing auditor	From 1/1/01	20,439	-	-	-
RUGGERI Stefano Maria	Alternate auditor	From 1/1/01	-	-	-	-
CODA Roberto	Alternate auditor	From 5/11/01	-	-	-	-
DI CLAUDIO Giuseppe	Alternate auditor	From 1/1/01 al 5/11/01	-	-	-	-
DELLE PIANE Alberto	General Manager Prima Industrie	From 2/19/99	-	Car 3,294	10,329	123,077
CARBONATO Gianfranco	President Prima Electronics	From 1/1/01	13,500	-	-	-

(1) Determined on the accrual basis

(2) The emoluments of the Director, Mr Takanen are charged by Investire Partecipazioni S.p.A.



## STOCK OPTIONS ASSIGNED TO THE DIRECTORS AND GENERAL MANAGERS

The following information is provided in accordance with Consob ruling No. 11971, art. 78 approved on May 14, 1999: summary of stock options assigned to the directors and the general manager of Prima Industrie S.p.A. and subsidiaries, as regards persons who have held these posts during the year 2001

INDIVIDUAL	RIGHTS ASSIGNED OR OPTIONS ASSIGNED ON DECEMBER 17, 1999 (1) AND May 11, 2001					ASSIGNMENT OF SHARES OR EXERCISE OF OPTIONS IN 2001		
	Assignment of bonus shares		Purchase or subscription options			Assignment of bonus shares	Purchase or subscription options	
Last name and first name	Number of shares assignable	Date assigned	Number of shares assignable or subscribable	Price per share to exercise option	Exercise period	Number of shares assigned	Number of shares assigned or subscribed	Exercise price
CARBONATO Gianfranco 12/17/1999	-	-	24,000 (1)	Euro 6.7/7.5/7.5 (1)	2000/2001/2002	-	8,000	Euro 7.5
CARBONATO Gianfranco 5/11/01	-	-	8,000	Euro 23.05	2003	-	-	-
DELLE PIANE Alberto 12/17/99	-	-	12,000 (1)	Euro 6.7/7.5/7.5 (1)	2000/2001/2002	-	4,000	Euro 7.5
DELLE PIANE Alberto 5/11/01	-	-	4,000	Euro 23.05	2003	-	-	-

(1) The assignment made on December 17, 1999 was re-proportioned on the basis of the June 4, 2001 stock split

Additional information of the terms of the stock option and an overall description of the main elements and objectives of the plan are described in the directors' report on operations.

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

Registered office: Via Antonelli 32, 10097 Collegno TO

Share capital: €10,375,000 paid-up

Company House of Turin Register no. 03736080015

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## **STATUTORY AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS AS AT 12/31/2001**

(as per article 153 of Law Decree no. 58/1998 and article 2429 of Civil Code)

Ladies and gentlemen

We have examined the proposed financial statements for the Company financial year ended December 31, 2001, prepared by the Board of Directors in accordance with the law, and delivered to us on March 27, 2002.

Accompanied by the Directors' Report the above mentioned accounts show a net profit for the year of €1,134,016.

As for its content this report follows the Consob DEM/1025564 of 04/06/2001 directives given to the statutory auditors of all Italian Companies with shares listed at Italian regulated markets.

As for the auditing of your financial statements, the task was assigned by you to PricewaterhouseCoopers SpA for the three years term 1999/2001 in accordance with article 165 of the law February 24, 1998, no. 58.

As allowed by paragraph 7 of article 81 of Consob regulations approved by resolution no. 11971 of May 14, 1999, your Company presented, in due course, its six months report and consolidated report with a limited auditing carried out by PricewaterhouseCoopers SpA. Information and quarterly datas have not been audited because not compulsory.

The statutory auditors' committee acknowledges PricewaterhouseCoopers request of its fees adjustment in accordance with the ISTAT index variation as from July 1, 2001 (2.85%).

Furthermore, the growth of the Group, in consequence of the Laserdyne acquisition, generated an increase of the service such as to justify an adjustment of the auditing fees for the year 2001 up to € 106,000 as against € 85,214 for the year 2000. This adjustment is achieved as follows:

- limited auditing of the six months consolidated data imposing a limited auditing of Laserdyne €6,220;
- auditing of Laserdyne Prima (formerly Prima US Inc.) financial statements for the year (increase of its turnover) and auditing at Laserdyne €12,237.

The statutory auditors' committee has therefore expressed a favourable opinion as to the integration of the auditing fee as requested.

Therefore, as per law no. 58/1998, during 2001, the auditing Company has carried-out checking to the regular bookkeeping and procedures and, in connection with the preparation of the financial statements, has verified the correspondence of same with the books figures and entries.

During the year we met with the responsible officers of PricewaterhouseCoopers to exchange views and information and can assure you that we have received no notice of censurable facts. Moreover, we must say that during the meeting we had together on the morning of September 11 (therefore, before the dramatic events we all remember) it was unanimously agreed the necessity of keeping under a close control the position of the foreign participations putting into practice concrete organisational plans for the American companies in order to exploit to the best the enormous potential that they have. Under the light of the event occurred the same day and the heavy crisis which followed it becomes even more pressing to create the figure of the Group controller acting under the direct authority of the managing director.

Furthermore, we have obtained from the auditing Company the report they have issued on April 10, 2002 as directed by article 156 of law decree no. 58/1998 in which it is declared that the Company financial statement for the year "is clearly drawn-up and represents in a truthful and correct manner the financial position and economic result of the Company".

With reference to our specific duties we confirm that during the year we performed the activity established by law controlling the Company administration and supervising its compliance with the law and Company bylaws.

We have made the following physical verifications: on February 14, 2001; May 31, 2001; September 11, 2001 and December 4, 2001, the minutes of which have been entered into the "statutory auditors" minutes book.

**In particular:**

- we attendant the Board of Directors meetings during which the Directors informed us about the Company major economical and financial operations (also of extraordinary nature) made by the Group leader and its controlled companies. On this ground we have jointly and separately ascertained whether the resolved and realised operations were lawful, in agreement with the Company bylaws, with the shareholders assembly resolutions, not in potential conflict of interests and posted in accordance with the principles of a correct administration;
- within the limits of our competence we have supervised on the adequacy of structural organisation of the Company and on the principle of a correct administration through direct watching, direct information from the responsible of the organisation function and meeting with the auditing Company as already mentioned;
- we paid attention and supervised the adequacy of the Company internal control and of the administrative and accounting system and on its reliability to correctly represent the facts of the Company trough: the information obtained from the people respectively responsible of the various functions; the Company document examination; the analysis of the results of the work carried-out by the auditing Company with particular reference to the notes contained in the “management letter” addressed today to Prima Industrie SpA;
- we have verified the observance of the law and of the accounting principle established by the National Association of chartered accountants and qualified accountants related with the formation, the setting-out of the financial statements and Directors report through direct information acquired from Directors, Company management and Auditing Company.

We acknowledge that the Company structural organisation and its internal control are suitable to its size.

We further consider that the accounting and administrative system as far as ascertained by us, also in previous years, is in the position to correctly represent the facts of the Company trading.

The Board of Directors has delivered to us on terms the report on the first six months of the previous year as well as the quarterly reports of the first and third quarter of the year 2001 made public in accordance with CONSOB and Italian stock exchange rulings.

**We can certify that:**

- the auditors' committee as provided by law decree 58/1998 was constantly informed about subjects of its concern;
- verifications and controls made on the Company have never shown unusual operations;
- costs of installation and expansion and other intangible costs of several years usefulness have been entered into the financial statements, with our agreement, as per article 2426 of civil code, R&D costs related with the year 2001 have been fully charged to profit and loss account;
- Prima Industrie SpA has started its accounts in euro as from January 1, 2001 likewise using the new program called SAP integrated system which cost was entered as an asset (industrial patent rights) in consideration of its starting operations at the beginning of the current year. As to the utilisation of such system the auditors' committee acknowledges the auditors suggestions contained in the already mentioned "letter to the management";
- as for the intergroup operations, the Company Directors, in their report, have explained about the business relationship of your Company with the other companies of the Group declaring that commercial transactions are all dealt-with at normal market conditions. The auditors' committee notices the congruity of the named transactions basically commercial, confirming their interest for the Company;
- the directors decided not to take advantage of the faculty to revalue the existing fixed assets;
- the director report contains all compulsory information as indicated by the current ruling (art. 2428 CC) of which it is ascertained the correspondence and coherence with the financial statements data;
- the instructions given by the Company to the controlled companies as per art. 114 of Dlg. 58/1998 result to be satisfactory;
- during the year 2001, the Board of Directors, held 7 meetings and called 2 shareholders' assembly; such meetings and shareholders' assemblies we have constantly attended;
- the directors have prepared the Group consolidated accounts as at December 31, 2001 compulsory due as per article 27 of Law 127/1991. Such financial statements have the purpose of representing to the shareholders a "truthful and correct" picture of the Group and will be deposited at the companies registered office. The auditors' committee also for this has prepared its own report;
- the legal checking of the accounts was carried-out by the auditors Company PricewaterhouseCoopers SpA who has released an opinion with no notes on the financial statement nor on the consolidated accounts as at December 31, 2001;

- on October 12, 2001 Mr Sergio Duca was appointed by the President of the Turin Tribunal as expert for the evaluation of Prima Electronics SpA 40% shares in accordance with art. 2343 of Civil Code. Mr Sergio Duca is PricewaterhouseCoopers general partner and has received, for this duty, a fee of €30,987 plus expenses;
- as per art. 2408 of civil code we declare to have received no complaints whatever from partners in relation with censurable facts;
- we received no petitions from shareholders or third party.

### **Most important operations**

The auditors' committee, constantly informed by the Board, has watched-over on all most important economical and financial operations made by Prima Industrie and its controlled companies.

Among these we mention:

- *translation into Euro of the Company capital:*

as resolved by the shareholders extraordinary meeting of May 11, 2001 the Company executed the change of its capital from Lire into Euro destining € 296,000 to legal reserve. On June 4, 2001 was executed the splitting of the share capital through the issuing of 4 new shares of €2.5 each face value for each-one of the previous shares of €10 each. The purpose of this operation was to facilitate trading;

- *acquisition of Laserdyne in USA:*

On April 2, 2001 became effective the agreement stipulated with the GSI Lumonics Group, for the purchasing of Laserdyne. In consequence of this acquisition for 7.5 millions of dollars, Prima US Inc. (a Company fully controlled by Prima Industrie SpA) changed its name into Laserdyne Prima and increased its capital as from 1.5 millions of dollars up to 10 millions of dollars to cover the investment. Such capital increase was fully subscribed and paid by Prima Industrie SpA who took over also the European Laserdyne stores for 1 millions of dollars. The whole operation was financed:

- 50% through a Prima Industrie SpA capital increase reserved to institutional investors as directed by the ordinary and extraordinary shareholders resolution of May 14, 1999 and, for the outstanding balance
- through banking financial facilities. The above mentioned capital increase was executed through the issuing of no. 260,000 new ordinary shares (face value €2.5 each) fully subscribed on June 18, 2001 by Helios Private Equity SA (a financial institution of Luxemburg belonging the Unicredit Group) who paid for it € 5,467,800 inclusive of a share premium of €18.53 per share;

- *refunding of Rambaudi Industriale S.p.A. debenture loan:*

on July 2, 2001 Prima Industrie SpA agreed to convert into capital the debenture-bond issued by Rambaudi Industriale SpA which, in due course Prima Industrie subscribed and paid for a total of Lire 500 million (€ 258,228). Thus, Prima Industrie participation to the Rambaudi capital increase from €516,000 to €775,000 which in percentage means from 7.41% to 8.42%. Later Rambaudi Industriale increased its capital by € 3,615,198 which was fully subscribed and paid-up by the new partner SNK. At the end, the above Prima Industrie share participation into Rambaudi as at December 31, 2001, was equal to 6.24%;

- *subscription of the capital increase of Mechanical Industries S.p.A.:*

on July 17, 2001 Prima Industrie subscribed and paid to Mechanical Industries SpA € 105,000 in connection with its capital increase being this firm a Prima Industrie current supplier for mechanical manufacturers. This participation is approximately 20%;

- *joint – venture in Japan:*

during the month of September 2001 between Prima Industrie and SNK (a Japanese Corporation operating in the field of industrial goods) and Hanwa-HTS set up a Company joint venture with a capital of 90 millions of yen. HTS is a trading Company specialised in distribution of steel and sheet metal. To the new joint venture participate:

Prima Industrie	40%
SNK	40%
Hanwa-HTS	20%

Prima Industrie S.p.A. subscribed its portion of capital by transferring to the joint venture a licence for the production and sale of approximately 36 millions of yen;

- *Prima Electronics SpA shares conferred into Prima Industrie SpA:*

Prima Industrie extraordinary shareholders' meeting held on December 4, 2001 approved the proposed capital increase with the exclusion of option rights as per article 2441 CC by issuing no. 240,000 new ordinary shares (face value 2.5 euro each) to be subscribed and paid-up through the conferment of 240,000 Prima Electronics ordinary shares into Prima Industrie SpA. The new issue of Prima Industrie shares will enjoy benefits rights as from January 1, 2001. On December 18, 2001 Prima Industrie capital increase was fully executed. The value of the shares to be exchanged with a ratio of one Prima Industrie share for one Prima Electronics share resulted equal to € 4.42 each of which: € 2.5 for Prima Industrie shares face value and the balance (€ 1.92) as share premium. The Board of Directors in its meeting of December 11, 2001, in accordance with article 2343 of civil code and article 158 of DL 58/1998 did acknowledge the opinion of congruity given by PricewaterhouseCoopers regarding the issuing price of the new shares and proceeded to the checking of the estimation prepared by Mr Sergio Duca the expert appointed by the Turin Tribunal for the purpose.

The Board judged congruous the expert appraisal. The auditors' committee confirms that as at December 31, 2001 Prima Electronics share capital was fully held by Prima Industrie SpA and therefore the entire profit of Prima Electronics as at December 31, 2001 was consolidated with the Group;

▪ *purchasing of own shares:*

within the scope of article 2357 of civil code and article 132 of Decree 58/1998, the shareholders' ordinary meeting of December 4, 2001 authorised the Board to purchase the Company own ordinary shares up to a maximum of 200,000 (equal to 4.8% of the capital) within the limits of the distributable profits and available reserves resulting from the last financial statements approved.

The above authorisation has 18 months validity as from December 4, 2001.

Purchases may be made up to a maximum price per share not higher than the average price of the 10 closings days preceding that of the purchasing increased by 20%. Subsequently, the Board on its meeting of December 11, 2001, granted to the managing director ing. Gianfranco Carbonato, the necessary proxy for the purpose of managing purchases/sale of the Company own shares in accordance with the terms and conditions decided by the Shareholders. The auditors' committee acknowledge the fact that at the date of writing this report the Company did not purchase own shares;

▪ *new financial loans stated during the year:*

the auditors' committee confirmed that during the year the Company obtained the following new financial facilities:

- 2,070 thousands euro granted by San Paolo – IMI in connection with the special fund for applied research established with law 1089/1968 as per law 46/1982 on account of the university Ministry and scientific research and technology. Repayment will be made in 12 six-months differed instalments and the interest rate applicable will be 1% per semester. The pre-amortisation period of the loan is fixed July 1, 2003;
- 2,582 thousands euro granted by Mediocredito SpA bank on May 15, 2001. Repayment is expected to be made in 8 six-monthly instalments as from March 31, 2003 to finish September 30, 2006. The interest rate applicable is variable and will correspond to the six-months Euribor plus 0.9%;
- 1,111 thousands euro granted by Banca Popolare of Novara of Luxembourg. Repayment is expected to be made in 8 quarterly instalments of 125,000 US dollars each as from July 23, 2002. Being the loan in US dollars the interest rate is equal to LIBOR plus 0.80%;
- loan made in lire for the corresponding value of 2,229 thousands euro granted by San Paolo IMI on December 20, 2001. Repayment is expected to be made at 18 months at the rate of interest equal to LIBOR plus 0.50%.



The auditors' committee underlines the fact that the last two loans were made to Prima Industrie SpA for the purpose of financing the newly acquired Laserdyne.

▪ *stock-option plan:*

having the group reached, during the year 2000, the established sales and Ebit parameters (the stock option regulation suggests the fixing of targets to be reached in connection with the allocation of subscription rights as approved by the Board on December 17, 1999) the managers of Prima Industrie SpA and those of Prima Electronics SpA did fully exercise the 50,000 rights granted corresponding to the issuing of 50,000 new Company shares to be subscribed and paid. The Company therefore cashed €375,000 of which €125,000 destined to capital and €250,000 to the share premium fund;

▪ *capital increase operations made during 2001:*

the auditors' committee confirms that during the year 2001 have been made three operations of Prima Industrie SpA capital increase as follows:

- capital increase reserved to institutional investors aimed to partly finance the acquisition of Laserdyne. The increase was made on June 18, 2001 through the issuing of 260,000 new ordinary shares (nominal value € 2.5 each) fully subscribed by Helios Private Equity SA a Luxembourg fund of the Unicredit Group.  
The payment to the Company was equal to € 5,467,800 including a share premium of €4,817,800;
- capital increase made on July 10, 2001 following the stock option rights exercised by the Company employees. The increase was executed by the issuing of 50,000 new ordinary shares (nominal value €2.5 each) and payment to the Company of € 375,000. Shares premium was equal to €250,000;
- capital increase in accordance with the shareholders' resolution of December 4, 2001 executed on December 18, 2001 through the issuing of 240,000 new ordinary shares (nominal value € 2.5 each) reserved to Prima Electronics SpA shareholders. The issuing share premium was equal to €460,800.

Therefore, the auditors' committee confirms that Prima Industrie SpA share capital fully paid-up is €10,375,000 and that do not exist other category of shares different from the ordinary shares.

▪ *Modification to article 25 of the Company bylaws (appointment of the statutory auditors' committee)*

the auditors' committee reminds that the Company shareholders' extraordinary meeting held on December 4, 2001 approved the modification of article 25 of the Company bylaws concerning the appointment procedure of the Company statutory auditors' committee. The new text approved by the assembly is in line with the Ministerial decree 162 of March 30, 2000 providing the professional and honourability

requisites that each of the auditors' committee member of listed companies should possess as per article 148 of Law decree 58/1998;

- *administrative responsibility of legal persons (reference to law decree no. 231 of June 8, 2001)*

the auditors' committee reminds that on July 4, 2001 entered into force the law decree no. 231 as above published by the Official Gazette of the Italian Republic – General serial no. 140 of June 19, 2001. This law provides the legal persons responsibility and that of public bodies perpetrating offences on their own interest or to their own advantage exploiting representative functions, or those of administration or management by subjects in practice exercising managerial responsibilities. Prima Board of Directors acknowledged the above law decree and reserved to itself the approval of an internal regulation adequately corresponding to that which in due course will be submitted to the opinion of Ministry of Justice.

### **Events occurred after the closing of the financial year as at December 31, 2001**

As for our competence we have surveyed on the major events occurred after the closing of the financial year:

- *resignation of a Director:*

the Committee acknowledged the resignation from the Board of Prima Industrie of Mr Renato Russo – Director as from March 18, 2002. The Board, whose term of office will expire with the approval of 2001 Company financial statements decided not to replace the resigned Director;

- *corporate governance code and shareholders' meeting regulation:*

the auditors' committee acknowledges that, in line with the instructions of Nuovo Mercato of the Italian stock exchange, section IA 2.13 para 2, Prima Industrie SpA Board of Directors provided the requested information as regarding "Corporate governance" and consequently the approval of same by the shareholders' ordinary assembly of May 11, 2001;

- *revocation of the stock option plan:*

the board of directors on its meeting of February 14, 2002 revoked its own resolution of May 11, 2001 related with the second "tranche" of the stock option plan for the two years 2001/2002 as allowed by art.12 of the stock-option regulation. This because the changed market conditions have fixed Prima Industrie value of its shares to about € 12/13 each creating in respect of the resolution of May 11, 2001 (price of the options = €23.05 per share) an unbearable position though achieving the pre-established (sells and Ebit) Company targets. In consequence, the board decided to revoke the resolution made on May 11, 2001 limitedly to the allocation rights of the second "tranche" established in 148,000 options and approve a new plan fixing the allocation price of the rights to €13.11 per share (average of the quarter as at February 14, 2002);

▪ *the agreement with Comau S.p.A.:*

the committee acknowledges that the agreement of industrial co-operation with Comau SpA for the development, production and commercialisation of laser welding cells for cars bodies and other car parts, was made official.

The agreement which is of long-term duration, states that Prima Industrie SpA develops and supplies to Comau lasers welding cells to be integrated with Comau production systems;

▪ *restructuring of the USA controlled companies:*

the committee acknowledges the timely process of restructuring started for the American companies following the events of September 11. The over 30% payroll reduction for the purpose of reducing fixed costs, during 2002 will go together with the process of logistic integration in order to improve the efficiency of the companies involved.

In consideration of the legal control carried out by PricewaterhouseCoopers SpA on the Company accounts who expressed an opinion with no remarks on the Company financial statements and in consideration of the above notes, the auditors' committee, as far as it has come to its knowledge believes to be approvable the financial statements of your Company as at December 31, 2001 and also agrees with the Board of Directors proposal as for the destination of the profit for the year.

Ladies and gentlemen

In coincidence with this meeting expires the mandate granted to the Board of Directors of your Company and that conferred to the Auditing Company.

We therefore invite you to appoint a new Board and confer a new mandate to PricewaterhouseCoopers for next three years term. In this connection PricewaterhouseCoopers SpA has presented an offer with a fee of €108,000 per annum.

Having examined the auditing plan together with the organisation of the Company and complexity of the task, we have expressed a favourable opinion on this proposal.

Collegno, April 10, 2002

The Auditing Committee

(Dott. Riccardo Formica) - President

(Dott. Andrea Mosca) - Active auditor

(Dott. Roberto Pettrignani) - Active auditor

**PRIMA INDUSTRIE SPA**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER  
2001**

**REPORT OF THE INDEPENDENT AUDITORS IN  
ACCORDANCE WITH ARTICLE 156 OF LAW  
DECREE N° 58 DATED 24 FEBRUARY 1998**

**REPORT OF THE INDEPENDENT AUDITORS IN ACCORDANCE WITH  
ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholders of  
Prima Industrie SpA

- 1 We have audited the financial statements of PRIMA INDUSTRIE SpA as of 31 December 2001. These financial statements are the responsibility of PRIMA INDUSTRIE's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

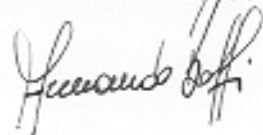
For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report dated 9 April 2001.

- 3 In our opinion, the financial statements of PRIMA INDUSTRIE SpA as of 31 December 2001 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Company.

- 4 Without qualifying our opinion, we bring to your attention that the Company holds controlling interests and consequently has prepared (in conformity with Italian law) consolidated financial statements of the Group. These consolidated financial statements are an integral part of the financial statements for the purpose of giving a true and fair view of the Company's and the Group's financial position and the results of their operations. We have audited the consolidated financial statements which, together with our report dated 10 April 2002, are attached to the Company's financial statements.

Turin, 10 April 2002

PricewaterhouseCoopers SpA



Armando Boffi  
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.



# **PRIMA INDUSTRIE GROUP**

## **CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2001**

**\*\*\***

**Version approved by Board Meeting of March 27, 2002**

# PRIMA INDUSTRIE GROUP

## REPORT ON OPERATIONS

Dear Shareholders,

During 2001, the Prima Industrie Group continued to grow at a rate of 24% compared to the prior year, both internally (+10%) and through acquisitions (+14%), reporting sales of Euro 111,895 thousand (compared to Euro 89,971 thousand in 2000).

The parent company Prima Industrie (whose sales increased by more than 6%), Prima Electronics (whose sales increased by more than 9%) and Convergent Prima (acquired on May 1, 2000) contributed to this growth, together with the consolidation of the new acquisition, the Laserdyne business segment, which became part of the activities of Laserdyne Prima (formerly Prima US) on April 1, 2001.

In our letter to the shareholders, commenting on the results of 1999 and, a few months later, the listing of our stock on the Nuovo Mercato, we stated that augmenting our presence in the United States and the acquisition of laser technology would be our primary aims. Today we can confirm that these objectives have been achieved with Convergent Prima (formerly Convergent Energy) and Laserdyne Prima, although the process of restructuring their activities and integrating them with the business of the Group is proving more lengthy and more difficult than anticipated, due to the negative situation of the world economy. This has had a diluting effect on the results of the Group which, apart from the acquisitions made, would have been in line with those of prior years.

All the products of the Group (2-D and 3-D laser systems, electronic products and technical support services) contributed to growth. Of particular importance was the increase of technical support and the 2-D laser systems sector, both products which appeal to a broader and more generalized market (applications for cutting and welding sheet metal components) and less sensitive to the trend of individual sectors.

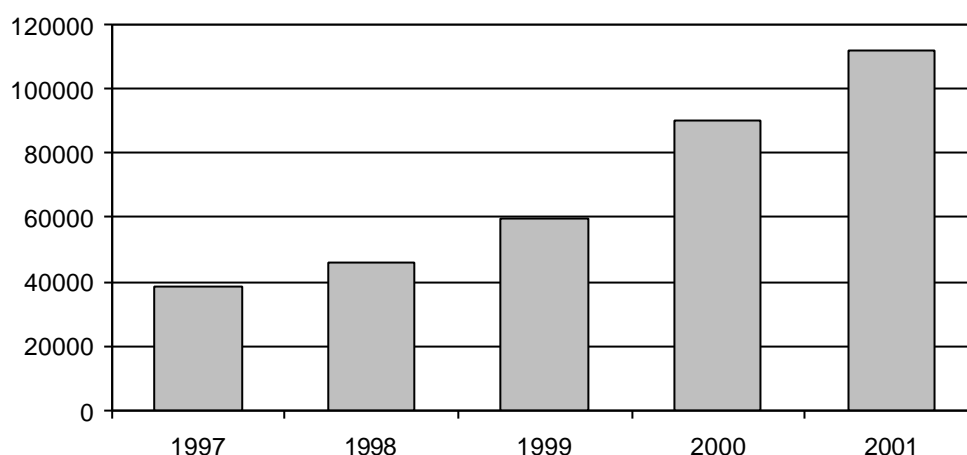
In fact, although the sector of 3-D laser systems grew compared to the prior year as a result of the acquisition of Laserdyne, internally it reported a fall, due to a slump in demand, especially from the automotive market.

As far as the geographical distribution of sales is concerned, the Group grew substantially in all the major markets. Its performance on extra-European markets was particularly significant: here sales grew by approximately 75% thanks to the acquisitions in the U.S.A. and the joint ventures created in 2000 and 2001 in China and Japan. There was an opposite trend on the Italian market, which reported a fall in demand during the year, a fall confirmed in the whole segment of investment goods.



Especially as a result of the marked growth reported in the last three years, the average increase in sales in the period 1995-2001 on the base year 1994 (CAGR) was 25.3%.

### SALES (thousands of euro)



A comparative condensed consolidated income statement for the year ended December 31, 2001 is presented below (amounts in thousands of euro).

	2001	2000	Change %
Revenues from sales and services	111,895	89,971	+24.4
Change in inventories and other revenue	4,801	1,449	+231.3
Total production value	116,696	91,420	+27.6
Total production costs	(88,268)	(63,808)	+38.3
Value added	28,428	27,612	+3.0
Personnel expenses	(24,115)	(16,913)	+42.6
Gross operating profit (EBITDA)	4,313	10,699	-60.0
Amortization, depreciation and writedowns	(2,200)	(2,145)	+2.6
Operating profit (EBIT)	2,113	8,554	-75.3
Net financial income (expenses)	(447)	(575)	-22.3
Adjustments to financial assets and net extraordinary items	(195)	1,070	-
Income before income taxes	1,471	9,049	-83.7
Current income taxes	(2,807)	(3,265)	-14.0
Deferred income taxes	1,581	(371)	-
NET INCOME BEFORE MINORITY INTEREST	245	5,413	-95.5
MINORITY INTEREST	(48)	(548)	-91.2
NET INCOME - GROUP	197	4,865	-96.0

The gross operating profit (EBITDA) is Euro 4,313 thousand, (3.9% of sales), compared to Euro 10,699 thousand (11.9% of sales) in the prior year.

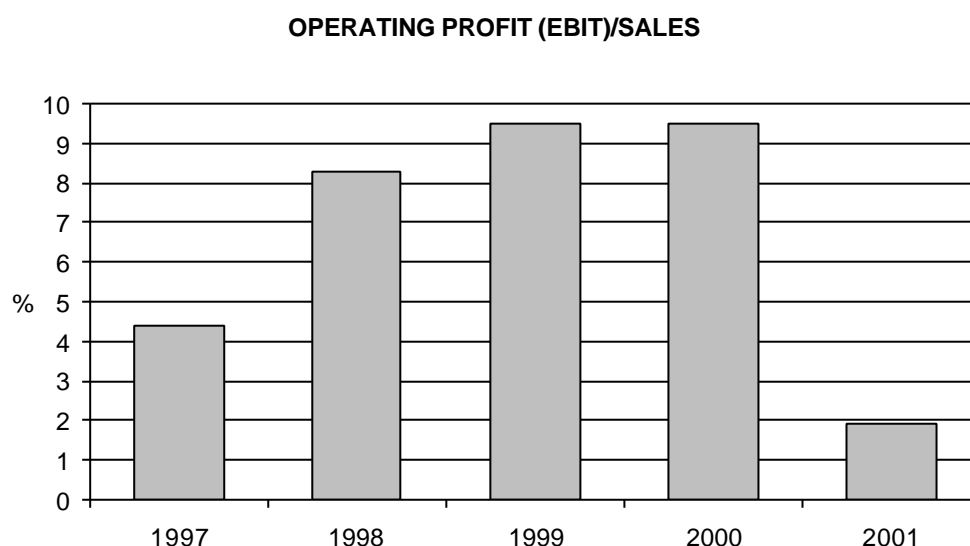
Expenses charged against gross operating profit include:

- R & D costs entirely expensed during the year of approximately Euro 6,119 thousand (Euro 4,132 thousand in 2000).
- Accrual for employees' severance indemnity of Euro 664 thousand (compared to Euro 605 thousand in 2000).

The operating profit (EBIT) is Euro 2,113 thousand, equal to 1.8% of sales, compared to Euro 8,554 thousand in the prior year (9.5%).

Amortization and depreciation charged in 2001 total Euro 2,349 thousand, compared to Euro 1,595 thousand at December 31, 2000.

The reduction of profitability is the consequence of the difficult macro-economic situation and, more particularly, includes the diluting effect of the companies acquired in the U.S.A., which are being restructured.



Income before income taxes totals Euro 1,471 thousand (1.3% of sales), compared to Euro 9,049 thousand in the prior year (10.1%).

Lastly, the net income before minority interest after current income taxes of Euro 2,807 thousand and net of deferred tax assets of Euro 1,581 thousand, is Euro 245 thousand compared to Euro 5,413 thousand in 2000.

The net income of Euro 197 thousand (Euro 4,865 thousand in 2000) is lower than the net income before minority interest since we prudently set aside a provision charged to the Group to reinstate the value of the minority interest in the share capital of Convergent Prima according to the put option granted to ACD Technologies S.p.A. (formerly Pluritec S.p.A.) which may be exercised in 2002.

Earnings per share information is provided below (the number of shares has been adjusted to recognize the four-for-one stock split, of June 4, 2001):

	12/31/2001	12/31/2000
Weighted average number of shares	3,760,833	3,494,000
Par value per share Euro	2.50	2.50
Earnings per share - Group Euro	0.05	1.39
Net equity per share - Group Euro	8.62	7.27

Despite the presence of lower earnings per share due to the problems in the U.S.A., net equity per share increased to Euro 8.62.

With reference to the equity situation of the Group, a comparative condensed balance sheet at December 31, 2001 is presented below (amounts in thousand of euro):

	December 31, 2001	December 31, 2000
Fixed assets	14,358	10,301
Net working capital	51,912	35,252
<b>TOTAL ASSETS</b>	<b>66,270</b>	<b>45,553</b>
Shareholders' equity – Group and minority interest	33,863	28,303
Employees' severance indemnity	3,204	2,825
Net financial position	29,203	14,425
of which medium-term	19,426	8,802
of which short-term	9,777	5,623
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>66,270</b>	<b>45,553</b>

There was an increase in the consolidated shareholders' equity of Euro 5,560 thousand as a result of:

- net income for the year of Euro 245 thousand;
- a share capital increase reserved for an institutional investor subscribed and paid on June 18, 2001 with the aim of partially financing the acquisition of the business segment Laserdyne. This increase raised capital of Euro 5,468 thousand;
- exercising of the second tranche of stock options reserved for executives, carried out on July 10, 2001, which generated cash of Euro 375 thousand;
- a share capital increase reserved for minority shareholders of the subsidiary Prima Electronics, subscribed and paid on December 18, 2001, with the aim of acquiring (through a share exchange) the remaining 40% stake of Prima Electronics, of which it already owned 60%. This transaction was recorded for Euro 1,061 thousand;
- a fall in the shareholders' equity (Euro 1,589 thousand) due to the following transactions:
  - Prima Electronics dividends of Euro 532 thousand paid to third parties;
  - acquisition of the remaining 40% stake in Prima Electronics from third parties for Euro 1,061 thousand;
  - positive translation adjustment on the translation of foreign currency financial statements and adjustments to various items for Euro 4 thousand.

The increase in business and the acquisition of the operations of Laserdyne generated a marked increase in working capital.

Consequently, the net financial position of the Company increased from Euro 14,425 thousand at December 31, 2000 to Euro 29,203 thousand at December 31, 2001.

The acquisition of Laserdyne obviously absorbed corporate liquidity. However, at year-end, the debt to equity ratio (equal to 0.88) is still satisfactory and structurally functional to the investments made.

The two acquisitions in the U.S.A. also generated new production areas, which have also been rationalized with the aim of minimizing operating costs.

Significant events during the year also include the positive conclusion of the contract for Prima Electronics to supply Atlas Copco Airpower (covering the period 2001-2006). Consequently, the purchase of the Swiss company Elesta AG was finalized. The purchase was made with the precise aim of acquiring the project to develop the new generation product Mark IV, which has now been completed.

The slowdown of the economy, which was already beginning in the last part of 2000 in the U.S.A., continued worldwide apart from a few exceptions (China and Brazil) throughout 2001, and was further accentuated by the tragic events in America on September 11, 2001. We think that after a difficult year in 2001, 2002 will be affected by uncertainty associated both with the political situation (flashpoints in the Middle East) and the economic situation. However, an improvement is expected during the year.

In fact, the general lack of confidence, which slows down consumption and consequently also the rate of growth, is slowly dwindling, leaving room in the first months of 2002 for some signs of improvement.

In this context, however, the Group began 2002 with a healthy order portfolio (Euro 30 million, compared to Euro 34 million at December 31, 2000), enabling us to be optimistic about the current year, while we wait for the economic situation to improve, and should constitute the basis for a recovery in 2003.

The Group's aims in the short-to-medium term can be summarized in the consolidation of the organizations of the companies acquired in the United States, partly through further restructuring, in order to achieve an operational breakeven in their financial statements. This should generate an increase in the profit margins of the Group.

#### **ACQUISITION OF THE BUSINESS SEGMENT LASERDYNE (through Prima U.S. Inc., now LASERDYNE PRIMA Inc.)**

The most significant transaction, from the strategic point of view in 2001, was the acquisition of a business segment (Laserdyne) from the North American group GSI Lumonics.

This transaction consisted in acquiring the brand, the sales network in the U.S.A. and in Europe, and the inventories, as well as some minor assets and liabilities.

The acquisition was made by Prima U.S. Inc. (which then changed its corporate name to Laserdyne Prima Inc.) except for the activities (inventories) located in Europe, which were directly acquired by Prima Industrie S.p.A.. The acquisition became effective from April 1, 2001. The company operates from rented premises in Maple Grove, Minnesota (U.S.A.). Most of the overall investment (totaling approximately US \$8.5 million, of which US \$6.5 million for the net assets and US \$2 million for goodwill) was therefore made by Laserdyne Prima Inc., to which we contributed the necessary funds, by bringing in new share capital (which increased from US \$1.5 million to US \$10 million).

The amount paid directly by Prima Industrie to cover the balance of the acquisition of European inventories (located at our subsidiaries in the U.K. and France) amounted to approximately US \$1 million and took place at the beginning of 2002.

The economic performance of the operations of Laserdyne Prima was negative due both to the unfavorable economic situation (which deteriorated further as a result of the events of September 11 in the U.S.), and the necessary restructuring process, which was still in

progress at the end of the year (and is described in more detail in the section about investments in subsidiaries).

However, we are confident that, once the restructuring process (2002) is completed, and when a more favorable economic climate returns, the company will be able to generate a level of profitability that is in line with the standards of the Group and the sector as a whole.

### **THE ACQUISITION OF THE REMAINING 40% OF PRIMA ELECTRONICS S.p.A.**

During the month of December, the Shareholders' Meeting voted a share capital increase reserved for the minority shareholders of Prima Electronics S.p.A. (see details of this transaction in the changes in shareholders' equity) which contributed their shares in Prima Electronics S.p.A. for their subscription and payment of the share capital increase.

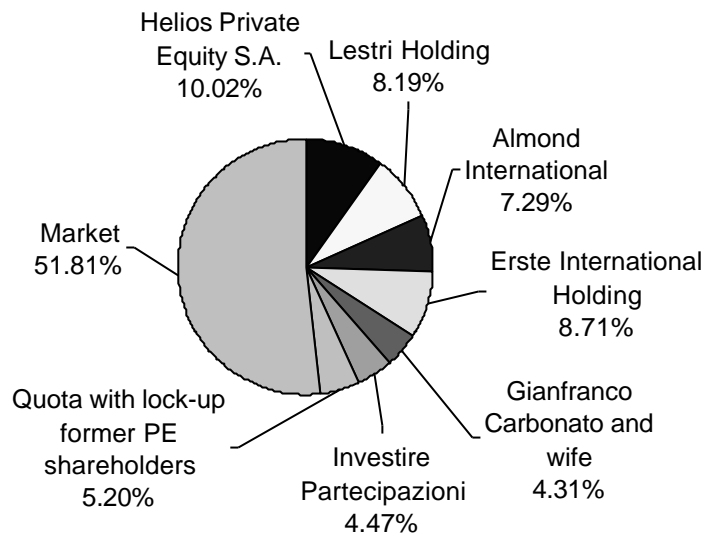
The exchange ratio (one Prima Industrie share for every Prima Electronics share) was decided on the basis of the appraisal value of Prima Electronics established by the appraiser appointed by the Court of Turin. The transaction was recorded at a price of Euro 4.42 per share, corresponding to the portion of the equity per share contributed by Prima Electronics S.p.A..

As a result of this transaction we now hold 100% of the share capital of Prima Electronics S.p.A. and we have strengthened the stable nucleus of our shareholder base with the entry of the four managers who were formerly shareholders in Prima Electronics and who received 240,000 Prima Industrie shares of which 120,000 have a two-year lock-up and 96,000 have a one-year lock-up.

### ***SHAREHOLDER BASE***

At December 31, 2001, there are 4,150,000 ordinary shares outstanding, subscribed to and paid-in, with a par value of Euro 2.5. There are no other categories of shares apart from ordinary shares. The shareholders of record at December 31, 2001 are as follows:

## SHAREHOLDERS



As you can see, at December 31, 2001, shares traded on the market approximated 52% of share capital (the outstanding share capital includes the amount that may be held by corporate employees).

## ***PERFORMANCE OF “PRIMA INDUSTRIE” SHARES***

Throughout 2001, stock markets worldwide continued the phase of slowdown and sliding prices, culminating in a particularly negative autumn following the terrorist attacks in New York on September 11, 2001. It was followed by a cautiously optimistic period, regarded as a jump rather than the beginning of real period of gains in prices. This was particularly obvious on the technical stock markets, such as Nasdaq, Neuer Markt and, in Italy, the Nuovo Mercato of the Italian Stock Exchange. There seemed to be greater confidence in a recovery of interest in the stock market during the first few months of 2002.

Considering this scenario, the performance of our stock was extremely satisfactory. After the redimensioning of the speculative bubble of the Nuovo Mercato in March 2000, the price of our shares remained stable compared to the decline of the index of the hi-tech market, until the beginning of June 2001.

A second phase of re-alignment of our stock occurred in June after the four-for-one stock split on June 4, 2001 (intended to favor a better trading of our stock). During this period, our stock became aligned with the general slump of the market, but remained at a level that was well above the IPO price (Euro 7.5 per share).

As officially published by the Italian Stock Exchange through “Nuovo Mercato News”, the price of our shares was Euro 12.86 until the end of December 2001 (+71.5% compared to the IPO price) compared to Euro 23.9 (+219.7% compared to the IPO price) at December 31, 2000.

The low and high price during 2001 was Euro 9.61 and Euro 26.43 respectively.

If we examine the IPO price (the public purchase offer of the stock was Euro 7.5) we are one of the few companies that can claim to have a market value that is still higher than the placement value, thanks partly to the fact that we belong to a market that is less sensitive than others to economic cycles. The following graph shows the performance of the stock from October 2000 (18 months) and highlights the greater stability of Prima Industrie shares compared to the rest of the market.



We believe that the fact that the price of our shares is more stable is an acknowledgment of the growth achieved so far and of prospects of further development of business in the future.

We would remind you that the Board of Directors of Prima Industrie was authorized by the Shareholders' Meeting held on December 4, 2001 to buy-back shares on the market for a maximum of No. 200,000 new shares (equal to approximately 4.8% of the capital subscribed to and paid-in). This authorization, which will last 18 months from the date of the vote, can be used by the Board whenever the conditions of the stock market make it necessary.



## **STOCK OPTION PLAN**

**(according to Consob ruling protocol No. 11508 of February 15, 2000)**

In compliance with the rules voted by the extraordinary Shareholders' Meeting of May 14, 1999, the Board of Directors' meeting held on December 17, 1999 gave the go-ahead for part of the plan involving 300,000 shares (the number takes into account the stock split carried out on June 4, 2001 in a ratio of four new shares for every one old share) reserved for the managers and cadres of the company and the subsidiary Prima Electronics S.p.A., nominally assigning 150,000 rights to be exercised under certain conditions during the three-year period 2000-2002.

The exercise of the option is conditional upon reaching pre-established levels of sales and operating profit in the three-year period 1999-2001.

The option may be exercised between the first and fifteenth day of July in the years 2000, 2001 and 2002.

The stock option plan has the dual aim of motivating and involving key corporate employees and providing a strong incentive for attracting new resources with good qualifications who will be recruited in the future.

For these reasons, the first assignment attributed only 50% of the total plan available (150,000 shares out of a total of 300,000).

When all the shares have been issued and irrespective of future share capital increases with regard to the 4,150,000 shares currently outstanding, the 300,000 shares will constitute approximately 7% and will have a limited diluting effect.

The plan does not include incentives of the type mentioned in Article 2358 of the Italian Civil Code intended to benefit the subscription of shares by beneficiaries.

After the first assignment of shares and in consideration of the acquisitions made in the U.S.A., the rules were changed by the Shareholders' Meeting of May 11, 2001 to allow rights to be assigned to middle management (supervisors and cadres) as well as extending the assignment to all the companies in the Group, in Italy and abroad.

On the same date (May 11, 2001) the Board of Directors made a second assignment of rights (for No. 148,000 options) to managers, supervisors and cadres of Prima Industrie, Prima Electronics, Laserdyne Prima and Convergent Prima to be exercised at the price of Euro 23.05 once the EBIT and sales objectives for the years 2001 and 2002 have been achieved.

On July 10, 2001, once the company had exceeded the parameters forecast for the 2000 consolidated financial statements, the beneficiaries of the option rights subscribed to the second 50,000 shares, paying the overall equivalent amount of Euro 375 thousand to the company.

## STOCK OPTION PLAN

Rights assigned before January 1, 2000	150,000	
of which:		
▪ exercised on July 5, 2000	50,000	at Euro 6.75
▪ exercised on July 10, 2001	50,000	at Euro 7.50
▪ exercisable in July 2002	50,000	at Euro 7.50
Rights still to be assigned on January 1, 2001	150,000	
Rights assigned on May 11, 2001	148,000	
of which:		
▪ exercisable in July 2002	49,000	at Euro 23.05
▪ exercisable in July 2003	99,000	at Euro 23.05
Rights still to be assigned at December 31, 2001	2,000	

The second assignment was later revoked and replaced as decided by a subsequent resolution passed by the Board of Directors' Meeting on February 14, 2002.

On December 28, 2001, the market price of the stock was listed at Euro 12.86.

## SALES

Sales for the year 2001 amounted to Euro 111,895 thousand, compared to Euro 89,971 thousand in 2000, an increase of more than 24%.

Sales can be analyzed as follows (amounts in thousands of euro):

## SALES BY PRODUCT

	December 31, 2001	%	December 31, 2000	%
3-D laser machines	37,574	34	33,628	37
2-D laser machines	32,868	29	28,784	32
Other laser systems	4,119	4	560	1
Electronic systems	11,308	10	11,326	12
Laser generators	4,732	4	3,271	4
Assistance and other services	21,294	19	12,402	14
TOTAL	111,895	100	89,971	100

## SALES BY GEOGRAPHIC AREA

	December 31, 2001	%	December 31, 2000	%
Italy	25,843	23	30,354	34
Europe	45,748	41	36,602	41
U.S.A.	25,147	22	14,602	16
Rest of the world	15,157	14	8,413	9
<b>TOTAL</b>	<b>111,895</b>	<b>100</b>	<b>89,971</b>	<b>100</b>

The following observations can be made from the above tables:

1. The distribution in terms of percentage of the various products of the Group shows a marked increase in after-sales assistance which, in particular, constitutes a large proportion of the sales of the American companies (40% higher for Convergent Prima) thanks to the large number of systems installed on customers' premises. This is positive since after-sales assistance constitutes an area of stability for the Group with high margins. Furthermore, sales generated in the laser generator category were higher than the prior year, since Convergent Prima was consolidated at December 31, 2001 for the whole year, compared to nine months at December 31, 2000.
2. In terms of geographical distribution, the figures highlight the growth in absolute values and percentages achieved on foreign markets, with a marked increase in "overseas" markets and, in particular, the success achieved on the Chinese and Brazilian markets, mainly in the 2-D segment. The considerable strengthening of our position on the North American market compared to 2000 is due especially to the acquisition of Laserdyne Prima which, through its comprehensive, far-reaching sales network throughout North America, has enabled us to offer a portfolio of new products which give us the leadership position in the 3-D applications sector. The domestic market shows a marked slowdown compared to the prior year (already noted at September 30, 2001) particularly in the 3-D segment, despite the fact that the Group has not lost its competitive position, confirming the external nature of the phenomenon (lower demand for investment goods).

## **COMMERCIAL ACTIVITIES**

Orders acquired in 2001 amounted to approximately Euro 110,130 thousand, compared to approximately Euro 93,523 thousand in 2000, an increase of approximately 17.8%, thanks partly to normal commercial activities, and partly to the orders acquired by Laserdyne Prima and Convergent Prima.

The year just ended was marked by serious difficulties in terms of decisions about investment on the part of customers, which led to delays and worsened conditions, both with regard to margins and terms of payment. The sectors hardest hit by the unfavorable economic situation were the automotive sector (with a consequent drop in our 3-D business), the electronics sector and, after September 11, the aerospace sector, which had stood its ground hitherto. On the other hand there was an increase in the number of orders acquired in the market of sheet metal work (2-D applications) which, thanks to its overall total, enabled us to continue to grow despite the unfavorable climate.

The order portfolio at January 1, 2002 shows the following situation, compared to the prior year (amounts in thousands of euro):

	<b>Value at January 1, 2002</b>	<b>Value at January 1, 2001</b>
3-D machines	9,670	11,038
2-D machines	10,851	11,834
Lasers	1,935	2,214
Electronic products	6,631	6,846
Services	919	2,257
<b>TOTAL</b>	<b>30,006</b>	<b>34,189</b>

The order portfolio is regarded as being satisfactory, although the difficulties in acquiring orders in the automotive and aerospace sectors are continuing in the first months of 2002.

In Europe, the most important trade fair of the year was EMO held in Hannover last autumn. At this event we presented the new High Speed version of the Platino equipped with the new Primach 20L CNC system produced by Prima Electronics. In addition, we presented a Laserdyne Model 790 fitted with a laser P50 NdYag produced by Convergent Prima, the first time it had been presented at our stand: this was the first sign of the vertical and horizontal integration that the company is tenaciously pursuing.

Outside Europe, we participated in Fabtech in Chicago, CIMT in China and Feimafe in São Paulo (Brazil).

Great efforts were made in the area of sales to integrate the structures acquired at the branches in the U.K. and France which, once they had moved to new headquarters, were equipped with demonstration machines and can thus provide a better service in these two important European markets.

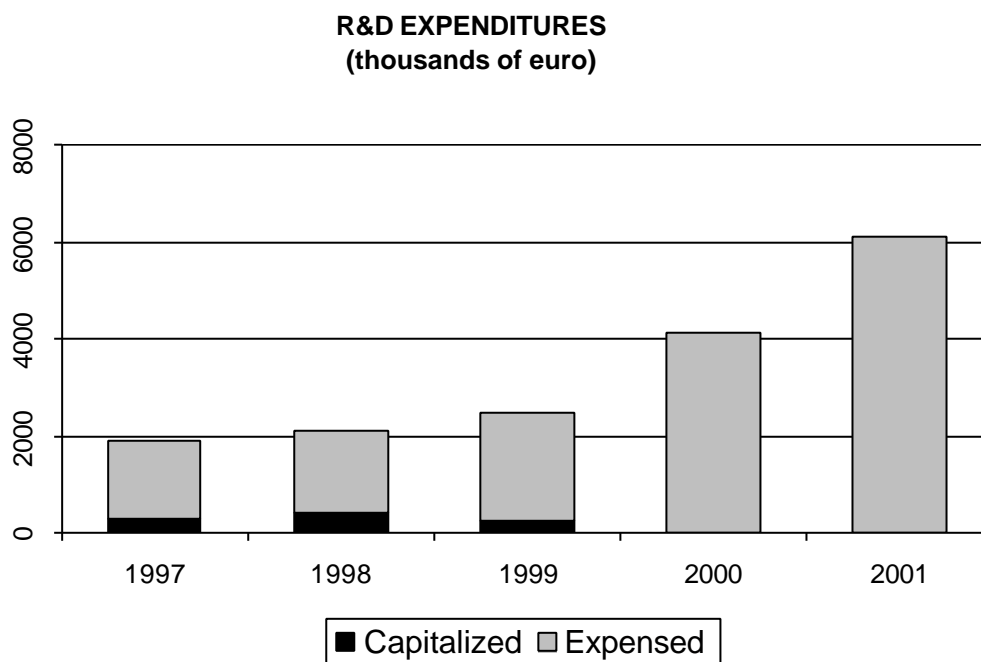
We now have demonstration showrooms operating in Italy, Germany, France the U.K., the U.S.A., China and Japan.

Furthermore, agreement was reached with Comau S.p.A. - a world leader in the supply of integrated production systems – to cooperate for several years on the development, production and marketing of laser welding cells destined for the automotive industry (product named Magico).

## **RESEARCH & DEVELOPMENT**

The year 2001 was certainly the most demanding yet in terms of the number and importance of the projects developed by the Group (laser generators, CNC, new products for various applications, technological improvement of existing products). This led to an investment during the period, entirely charged to income, of Euro 6,119 thousand, compared to Euro 4,132 thousand in the same period in 2000. Some of the new products, created with the aim of strengthening and broadening our range of products offered on the market, have already been completed.

The following table shows R&D expenditures over the last five years:



R&D activities of the parent company Prima Industrie S.p.A. mainly involved the following:

- the new version of the Platino, called HS (High Speed) which has high speed performance thanks to the New Primach 20L CNC developed and produced by Prima Electronics;
- the larger version of the Platino, the 2040, suitable for working large pieces;
- the larger version of the Domino, the 1530;
- a line of loading/unloading and storage systems called “Server” for unsupervised operations;

- a new version of the Maximo product, the Maximo 5, for 3-D applications.

In addition to the developments mentioned above, which mainly involve the existing range of products, we have finalized the development of an innovative project which generated a prototype for applications which are not operated using laser technology:

- the Sincrono, a machine for cutting sheet metal at high speed suitable for use in the production of medium-batch products. Part of the project for this product is receiving special financing (see next page).

We have particularly high hopes that the last two products will in future generate additional sales in market niches which are as yet unexplored.

We also continued with projects that were already underway in previous years, namely:

- the EUREKA PUBLICS project in the area of processing carried out by intelligent lasers through real-time monitoring of process parameters. For this project, for which we signed the relative contract in 2000 with the bank disbursing the funds, Sanpaolo/IMI, and which will finish in 2003, we have received financial support in the form of a grant against expenses, the exact amount of which is disclosed in the notes;
- a new type of CNC being developed with Prima Electronics, known as PRIMACH 20-L for 3-D applications. This unit, which is faster and more powerful than previous models, will make it possible to improve considerably the dynamic performances of all the machines. The version for the 2-D machines has already been completed;
- as anticipated, in 2000, the SINCRONO project (involving the development of a machine with a high degree of flexibility and productivity) was the object of a contract signed with the bank disbursing the funds, Sanpaolo/IMI. The project was concluded in November 2001. The receipt of portions of the grant and low-rate financing is disclosed in the notes. At the beginning of 2002 we received a visit of inspection from the bank disbursing the funds, which had a positive outcome;
- In 2001 another project got under way called RESALT which involves the “study and definition of a flexible advanced welding system with a powerful CO<sub>2</sub> laser and a high level of flexibility”. This project has already been approved and formally recorded by the Ministry of Education, University and Research. The preliminary inquiry has been initiated and the commission which will examine the project has been appointed. The project, which began in July 2001, is scheduled to last 40 months. If the project has a positive outcome, low-rate financing will be obtained of approximately Euro 3 million, as well as an operating grant of approximately Euro 2 million (both of which will be received in installments as the project progresses), starting from the stipulation of the contract.

R&D activities of Prima Electronics mainly referred to the following:

- the development of a range of fully digital and modular motor drives for brushless motors;
- the development of a new version of CNC based on a PC using the Linux operating system;
- the development the new line of regulators for industrial air compressors, called Mark IV.

R&D activities of Laserdyne Prima mainly referred to the following:

- the start of development of the Gamma 2 project, a re-design of one of the Prima Industrie products;
- engineering activities on the Laserdyne product line for aerospace applications;
- integration of the laser P50, produced by Convergent Prima, with Laserdyne products.

R&D activities of Convergent Prima can be summarized as follows:

- a new fast-flow CO<sub>2</sub> laser line (called CP), the prototype for which was completed in February 2002;
- the development in cooperation with Pluritec of the new laser microdrilling technology for micro-electronics and printed circuit boards.

The other consolidated companies do not conduct R&D activities.

## ***EMPLOYEES AND ORGANIZATION***

At the end of 2001, employees of the Group numbered 470 (compared to 379 at December 31, 2000), an increase of 91 persons (+24%).

The acquisition of Laserdyne led to the entry of 66 new employees, while the internal workforce increased by 25 units.

If we also consider that the acquisition of Laserdyne was effective from April 1, 2001, the average number of employees of the Group in 2001 was 442 units.

Per capita sales therefore amounted to approximately Euro 253 thousand (compared to approximately Euro 270 thousand in 2000).

The following table shows the current situation of the Group compared to that of the prior year:

	<b>December 31, 2001</b>	<b>December 31, 2000</b>
▪ Prima Industrie S.p.A. – Italy	213	197
▪ Prima Electronics S.p.A. – Italy	76	68
▪ Laserdyne Prima (ex Prima U.S.) – U.S.A.	74	8
▪ Convergent Prima – U.S.A.	80	84
▪ Prima Industrie International BV - Holland	-	1
▪ Prima Industrie offices located in Europe	27	21
<b><i>Total</i></b>	<b>470</b>	<b>379</b>

At the same date, employees were distributed in the various departments as follows:

	<b>December 31, 2001</b>	<b>Percentage</b>	<b>December 31, 2000</b>	<b>Percentage</b>
▪ Management and Administration	53	11%	43	11%
▪ Marketing and Sales	44	9%	42	11%
▪ R&D and engineering	86	18%	60	16%
▪ Production	210	45%	178	47%
▪ Technical assistance	77	17%	56	15%
<b><i>Total</i></b>	<b>470</b>	<b>100%</b>	<b>379</b>	<b>100%</b>

Following the acquisition of Laserdyne, we currently have four production facilities. Whereas the Italian logistics situation (Prima Industrie and Prima Electronics) is appropriate for the business that has developed and short-term growth prospects, in the U.S.A., we are taking action to move local activities to smaller, less costly premises.

An important step forward was made in terms of internal organization with the introduction of the new ERP SAP R/3 operating system, with effect from July 1, 2000 for Prima Electronics and from January 1, 2001 for Prima Industrie.

When the system is fully operational, we expect to have an economic return from the investment in terms of efficiency.



## ***CONSOLIDATED COMPANIES IN THE GROUP***

There follows a brief description of the performance of the companies in the Group during 2001.

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

The sales of the parent company in 2001 increased (+6.4%), from Euro 63,385 thousand in 2000 to Euro 67,471 thousand in 2001.

The year ended with a net income of Euro 1,134 thousand, after taxes of Euro 1,694 thousand which benefited from deferred tax assets recorded for Euro 436 thousand.

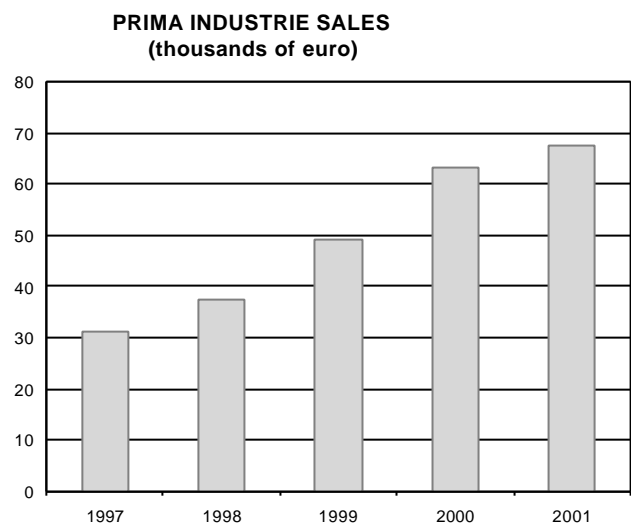
A sharp increase in sales was recorded both in 2-D products (+19%) and after-sales assistance (49%).

In geographical terms, there was positive growth on the European market compared to 2000 (+20%), due mainly to the success of the 3-D segment in Germany and the U.S. (+19%) thanks to the recent acquisitions which have given the company access to an more extensive

sales network in that particular geographical area. The growth of business in the rest of the world (especially Japan, China and Brazil) was particularly satisfactory, reporting an increase of approximately 48% thanks to far-reaching commercial strategies developed in those countries.

Orders acquired in 2001 amounted to Euro 68,091 thousand compared to Euro 62,673 thousand in 2000 (+8.5%). R&D activities involved the new version of the Platino, called HS (High Speed) which has high-speed performance, the larger version of the Platino, the 2040, and the Domino (1530), suitable for working large pieces, and a new version of the Maximo product, (Maximo 5), for 3-D applications. The costs incurred were entirely charged to income during the year (Euro 2,502 thousand compared to Euro 2,247 thousand in 2000).

Finally, employees numbered 240 (including foreign branches and offices), an increase of 10% compared to 218 in 2000.



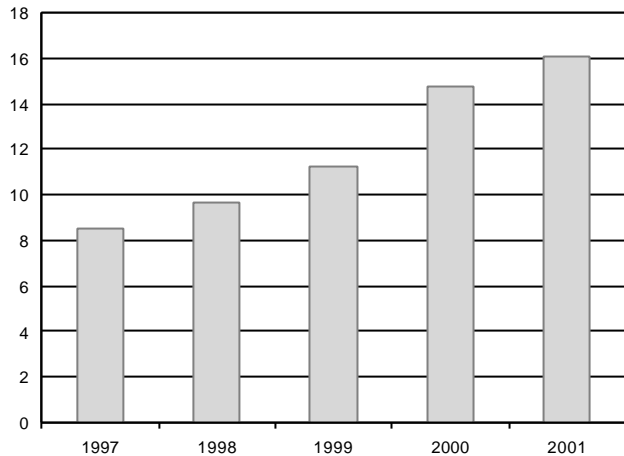
## **PRIMA ELECTRONICS SPA**

The company ended a good year in 2001 with sales of Euro 16,069 thousand, an increase of 9% compared to Euro 14,736 thousand in 2000.

The year closed with a net income of Euro 1,158 thousand compared to Euro 1,336 thousand in 2000. In terms of the operating profit, the EBIT is 14.8% of sales compared to 16.2% in 2000, with the amount being the same for both years (Euro 2,382 thousand).

This percentage reduction is due to a different composition of the product mix and can be attributed to some orders for new customers with lower margins since it was the first time they had been supplied. In fact we have tried to extend and diversify the product and customer mix in anticipation of a reduction in supply shipments to Atlas Copco Airpower from 2001.

**PRIMA ELECTRONICS SALES**  
(thousands of euro)



Contrary to this pessimistic forecast, our relationship with Atlas Copco (which is Prima Electronics' most important customer) will continue for the five-year period 2001-2006. This is undoubtedly the most significant event of the year.

In fact, with the acquisition of Elesta A.G. in Switzerland, Prima Electronics was able to acquire the project to develop the new generation product Mark IV, which was preliminary to the signing of the new supply contract for another five years covering the period 2001-2006.

Since ownership of Elesta is not strategic as such (except for the above-mentioned development project which has now been internalized by Prima Electronics), the company will not be consolidated in the Prima Industrie Group in the year 2001, inasmuch as it was definitively divested on March 7, 2002. In fact, in February 2001, the company was sold (except for the Atlas Copco development project) to the German company Micro Innovation Holding A.G. (Moeller Group). The sale was concluded in installments so that, at December 31, 2001, Prima Electronics still held 60% of the company, which was then sold on March 7, 2002.

During the year, new orders were acquired for approximately Euro 13,893 thousand (compared to approximately Euro 18,081 thousand in 2000), partly on account of the particularly negative status of the electronic components at this time.

Consequently, at December 31, 2001, the order portfolio amounted to approximately Euro 6,631 thousand, compared to the portfolio at December 31, 2000 which totaled approximately Euro 8,807 thousand.

R&D activities, entirely charged to income for Euro 996 thousand, mainly referred to the following:

- the development of a new version of CNC called PRIMACH 20L based on a PC using the Linux operating system;
- the development of a range of fully digital and modular motor drives for brushless motors;
- the development of the new line of regulators for industrial air compressors, called Mark IV (which had no effect on the income statement since the costs were charged directly to the principal).

All the projects were still in progress at December 31, 2001 and will start to contribute to corporate revenues from 2002.

During the year, the net financial position became a debt position of Euro 326 thousand (a debt position of Euro 89 thousand in 2000).

Finally, the workforce at the end of the year numbered 76, 12% more than the 68 persons the prior year.

#### **LASERDYNE PRIMA INC. (FORMERLY PRIMA U.S. INC.)**

Both the operations and the structure of this company operating on the North American market changed considerably during 2001. In fact, whereas, in the past, the former Prima U.S. Inc. (founded in 1992) used to be a small technical and trading company (employing 6 or 7 people, with sales of Euro 4/5 million), since the acquisition of the business segment Laserdyne from GSI Lumonics, we have access to production and a structure that are radically different.

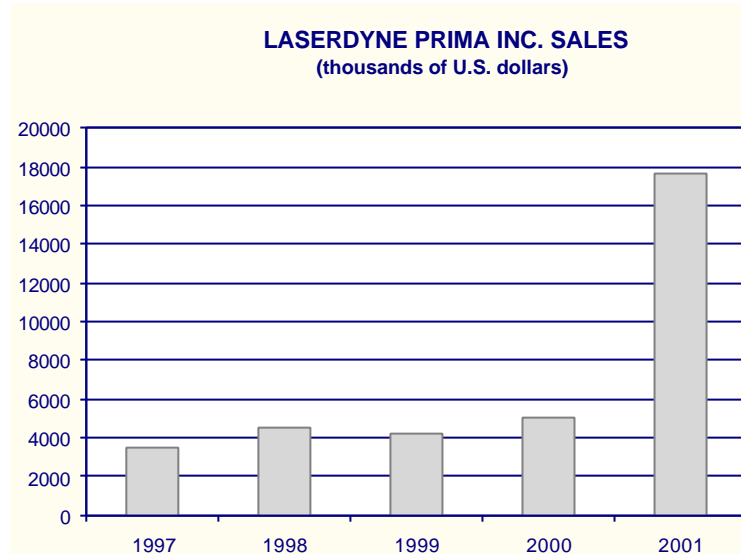
As we have already said, the acquisition took place as from April 1, 2001. Prima U.S. Inc. (which has since changed its corporate name to Laserdyne Prima Inc. and moved its headquarters from Farmington Hill in Michigan to Maple Grove in Minnesota, where the Laserdyne factory is located) acquired the brand, the inventories in the U.S.A. and the Far East, as well as some minor assets and liabilities (provisions), without taking over the pre-existing trade accounts receivable and payable. The goodwill paid over and above the net value of what was acquired was agreed at US \$2 million. The overall investment for Laserdyne Prima Inc. amounted to approximately US \$7.5 million (plus approximately US \$1 million paid directly by Prima Industrie, which, in turn, acquired the inventories located in Europe). To finance this transaction, the shareholder, Prima Industrie, subscribed to and paid in the increase in share capital from US \$1.5 million to US \$10 million.

As a result, the shareholder's equity has increased considerably (at December 31, 2001 total assets and liabilities were approximately US \$26 million).

The business structure of the company also altered radically, and became similar to that of Prima Industrie (although on a different scale). Therefore the income statement figures are not comparable with those of the prior years.

Sales amounted to US \$17.7 million compared to US \$5.1 million in 2000.

In terms of operating result, the company recorded a loss of US \$3.1 million due to insufficient sales in relation to the fixed overheads of the company. For this reason, the restructuring process begun in 2001 was stepped up in the first part of 2002. The restructuring will be completed during 2002, and will also involve the relocation of operations to other plant facilities with lower operating costs.



The gross operating result was a loss of US \$4.5 million (which includes US \$1.2 million for the writedown of the investment in Convergent Prima) compared to US \$0.4 million in 2000. The net result, which benefited from the deferred tax assets recorded for US \$0.6 million, showed a loss of US \$3.9 million (US \$0.4 million in 2000).

The total of orders received from customers amounted to US \$13.1 million and, at the end of the year, the order portfolio totaled approximately US \$1.8 million. This amount is lower than normal since it is affected by the current period of crisis on the market.

At December 31, 2001, employees numbered 74 (compared to 8 at December 31, 2000). As a result of restructuring operations, this number was reduced during the current month of March to approximately 50.

During the year, R&D expenditures amounted to US \$1.4 million and were entirely charged to income. This type of cost did not feature in Prima US, which did not conduct any R&D activities. Laserdyne Prima now carries out R&D on Laserdyne products, whereas R&D on Prima Industrie products are carried out in Turin.

### **CONVERGENT PRIMA INC. (80% indirectly controlled through Laserdyne Prima Inc.)**

The company, which is located at Sturbridge, Massachusetts (U.S.A.) became part of our Group on May 1, 2000. The company is owned by Laserdyne Prima Inc. (which holds an 80% stake, while the remaining 20% is held by ACD Technologies S.p.A., formerly Pluritec S.p.A., our partner in the acquisition).

This company was acquired with the aim of internalizing laser technology, since Convergent has operated in this field for decades. Corporate activity therefore focused on developing the two main projects (the laser CP4000 for us and the VIA DRILLING system for Pluritec), involving a considerable investment which, eventually, resulted in the product we had been waiting for: in fact, the first prototype of the CP4000 was sent to Turin at the end of February 2002.

We therefore believe that the economic “pains” that the company had to endure in 2000 and 2001 may be coming to an end, since the laser will be used on our machines in 2002.

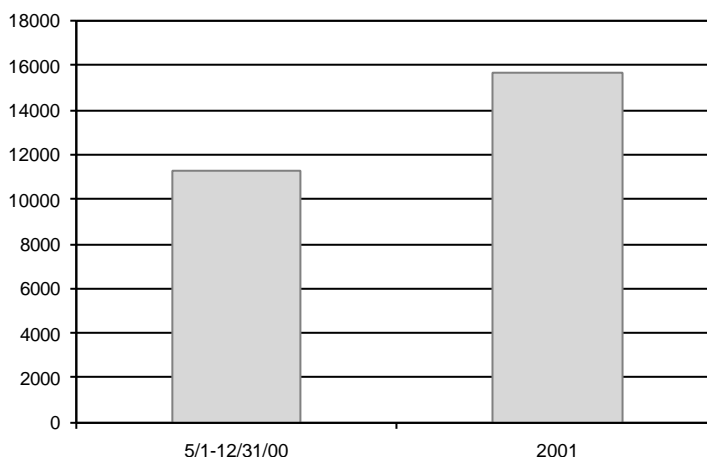
The company also has another good laser product, the Yag P50, which is sold to third parties, and offers a considerable number of services which generate some revenues, although not enough to cover the investments currently in progress.

In 2001, sales amounted to US \$15.7 million (compared to US \$11.3 million during the 8 months of operations in 2000). In terms of operating result, a loss of US \$1.4 million (a breakeven in 2000) was reported, due mainly to the insufficient level of sales and the considerable investments in R&D during the year.

The gross operating result was a loss of US \$1.8 million (a loss of US \$0.2 million in 2000). The loss was reduced to US \$1.4 million at the level of net result (a net loss of US \$0.2 million in 2000) consequent to recording deferred tax assets. The total orders received from customers amounted to US \$12.1 million (US \$11.8 million in 2000) and the order portfolio at year-end was US \$3.3 million (US \$7.0 million at the end of 2000).

At December 31, 2001, the company had 80 employees on the payroll (at December 31, 2000 the number was 84).

**CONVERGENT PRIMA INC. SALES**  
(thousands of US dollars)



R&D expenditures, equal to US \$1 million in 2001 (compared to US \$0.7 million in 2000), were entirely expensed, net of the contributions made during the year by Prima Industrie and ACD Technologies S.p.A. for their specific projects.

Despite the negative economic performance, we can confirm the wisdom of our investment, which is absolutely necessary from a strategic standpoint in order to lengthen the internal chain of value and reduce dependence on suppliers with regard to the fundamental technological component: the laser.

### ***PRIMA INDUSTRIE GMBH***

In the past, Prima Industrie GmbH was our trading branch located in Germany. Since the stipulation of a trading agreement with the German distributor Matra (in 1994), in fact operations have been reduced to sporadic technical work under warranty.

Until 1998, the company performed marginal assistance and support activities for the clientele on the German market.

Since 1999, no operations have taken place since, during the year, the remaining inventory was transferred to Prima Industrie S.p.A.. The loss of Euro 13 thousand refers to operating costs. The company has no employees.

The company has not yet been liquidated since it may still be useful as a vehicle through which to manage technical assistance on the spot in collaboration with the local distributor Matra.

### ***PRIMA INDUSTRIE INTERNATIONAL BV (FORMERLY LASERWORLD BV)***

Since July 1, 2000, the company has performed services for the parent company Prima Industrie S.p.A. such as trading and marketing coordination for Prima Industrie products on the U.S.A. market and for Convergent Prima products on the markets of Europe and the Far East.

This activity of trading coordination was vital during the first phase of integrating the Convergent Prima Inc. structure with that of Prima Industrie S.p.A.. For this activity, from July 1, 2000 Prima Industrie International BV (which also changed its corporate name for this purpose) recruited a person to coordinate the integration process described above. Once the start-up phase was concluded, the above-mentioned activity came to an end and the contract with the person described was terminated on July 31, 2001. Therefore, at December 31, 2001, there were no employees on the payroll.

The service activity conducted by the company on behalf of Prima Industrie was invoiced to Prima Industrie at cost (with a very slight mark-up to cover fixed overheads) and therefore the economic result for 2001 is virtually a breakeven (profit of Euro 1 thousand).

## ***EQUITY INVESTMENTS IN ASSOCIATED UNCONSOLIDATED COMPANIES***

The companies in which Prima Industrie S.p.A. has investments, and which are not consolidated line-by-line are:

Associated companies:

- Shenyang-Prima Laser Machine Company Ltd.
- SNK Prima Company Ltd.
- Macro Meccanica S.p.A. (in liquidation)

Other companies:

- Rambaudi Industriale S.p.A.
- Mechanical Industries S.r.l.

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

During 2001, the trading activities of the joint venture begun in China only a year before considerably intensified, thanks partly to the favorable economic climate of that geographical market.

The Shenyang-Prima Laser Machine company has assembled and sold directly 5 different versions of the Platino system, while 5 other laser systems were sold directly to Chinese customers by Prima Industrie.

Sales during the year increased from US \$0.2 million at December 31, 2000 to US \$1.2 million, enabling the company to generate a small profit during the year.

In the spring of 2001, the joint venture participated in the CIMT trade fair in Beijing (the most important trade fair in the country) with the aim of promoting the brand in this huge developing market.

At December 31, 2001, employees numbered 8.

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

The company is partly owned by Prima Industrie (40%), SNK (a Japanese company operating in the sector of capital goods which holds a 40% interest) and Hanwa-HTS (a Japanese trading company specializing in the distribution of steel and sheet metal which holds a 20% interest) and was formally set up in September with share capital of Japanese yen 90 million. According to the terms of the contract, Prima Industrie subscribed to the share capital by contributing a license to the new joint-venture (for the production and sale of certain machinery) for a value of Japanese yen 36 million.

The joint venture, the headquarters of which are located in Osaka at the premises of SNK, will assemble 3-D cutting machines and the Mosaico welding system, for which Prima Industrie will supply the technological components (lasers, CNC systems, software and laser processing-heads). It will also have exclusive marketing rights on the Japanese market, and will also market in Korea and Taiwan although on a non-exclusive basis.

It is expected that the joint-venture will become operational in 2002.

At December 31, 2001, the accounting situation (the financial statements close, like most Japanese companies, on March 31, and therefore the first financial statements to be approved will close on March 31, 2002) only includes formation costs.

***MACRO MECCANICA S.p.A. (in liquidation)***

The process to wind-up of Macro Meccanica, whose investment carrying value was written off in 1999, continued into 2001. The wind-up should be concluded during 2002 but could be after, depending upon the receipt of tax receivables, the date of which cannot be determined at this time. The deficit on the wind-up shown in the 1999 and 2000 financial statements has been reduced in 2001 and continues to decline thanks to settlements that have been reached with the creditors. We are therefore of the opinion (this being evidenced in the liquidation plan) that at this time any additional charges to be borne by the shareholders will not be significant.

We hold a 35.48% stake in this company.

***RAMBAUDI INDUSTRIALE S.p.A.***

The value of our investment (originally equal to Euro 516 thousand and corresponding to a 7.4% stake in capital) increased as a result of the conversion of debentures into share capital in 2001. The convertible debentures were subscribed to the previous year for Euro 258 thousand for the purpose of economically stimulating the company and preparing the way for a new shareholder to invest in the company, which did occur with the subscription to a significant increase in share capital.

After the capital transactions which took place during the year, Prima Industrie now holds a 6.24% interest.

***MECHANICAL INDUSTRIES S.r.l.***

In 2001, we invested in this company which took over all the mechanical processing operations of Macro Meccanica S.p.A. – in liquidation, thus consolidating its role as our strategic supplier.

Our investment totaled Euro 105 thousand, for a 19.87% holding. The financial statements for 2000 and the preliminary statements for 2001 basically show a breakeven.



## ***OUTLOOK FOR 2002***

As you can imagine, after a difficult year in 2001, we approach 2002 with a great deal of uncertainty from a macroeconomic standpoint.

The recovery that has been so long awaited should begin in the second half of the year, but, on a more cautious note, operating in the capital goods sector, we should regard 2002 as a period of transition.

Our budget has therefore been formulated with the greatest care although it should be possible to achieve a moderate amount of growth considering the state of the sector in which we operate and the high quality of our products.

In this scenario, the performance of our stock in 2001 (reflecting the performance of the Nuovo Mercato, although remaining constantly just above it) is still more than satisfactory (at Euro 12 per share we are still at 60% of growth over the IPO price), and in more stable market conditions, this price would have been even better. We therefore believe that, despite the unfavorable economic situation, in the medium term, the share price will grow to values that are even more interesting for shareholders.

After the positive acquisition of orders in 2001, which enabled the company to start 2002 with a fairly healthy order portfolio, acquisitions during the first two months of 2002 equal to Euro 12,442 thousand were not particularly dynamic. As a result, the portfolio at February 28, 2002 is worth approximately Euro 31,700 thousand compared to Euro 43,618 thousand in 2001. Total sales during the first two months of 2002 amounted to Euro 10,161 thousand compared to Euro 9,903 thousand in 2001. However, historically, the first part of the year is not significant in absolute terms within the context of the year as a whole.

The year 2002 will again see us committed to intensive R&D to improve and extend our product range. We shall also be consolidating and engineering the new Primach 20L CNC system (developed by Prima Electronics) and introducing the new CP4000 laser machines developed by Convergent Prima.

Furthermore, we shall be involved in restructuring activities and will be rationalizing our business in the U.S.A., the area which gives most cause for concern from the point of view of economic performance, with the aim of regaining a breakeven in those businesses by 2003.

We are confident that, once the difficult economic period and the difficult internal situation, with regard to acquisitions, have been left behind, the company will be ready to seize all the opportunities that the market will provide.

On behalf of the Board of Directors  
Managing Director  
Ing. Gianfranco Carbonato

**PRIMA INDUSTRIE GROUP**  
**CONSOLIDATED BALANCE SHEET**  
(in euro)

<u><b>ASSETS</b></u>	<b>December 31, 2001</b>		<b>December 31, 2000</b>	
<b>A. CALLED UP SHARE CAPITAL NOT PAID</b>		<u>0</u>		<u>0</u>
<b>B. FIXED ASSETS</b>				
I. Intangible assets				
1) Plant start-up and formation costs		101.206		134.795
2) Research and development costs		262.414		446.735
3) Industrial patent rights and utilization rights of intellectual properties		622.831		532.467
4) Concessions, licenses, trademarks and similar rights		8.782		10.329
5) Goodwill		4.476.295		1.755.438
7) Other intangible assets		<u>972.013</u>		<u>749.379</u>
		6.443.541		3.629.143
II. Tangible assets				
1) Land and buildings:	3.298.211		2.857.556	
less: accumulated depreciation	(292.411)	3.005.800	(177.145)	2.680.411
2) Plant and machinery	3.331.002		1.912.956	
less: accumulated depreciation	(2.128.371)	1.202.631	(977.136)	935.820
3) Industrial and commercial equipment	3.667.994		6.043.579	
	(3.215.355)	452.639	(5.576.702)	466.877
4) Other tangible assets	5.545.773		5.138.747	
less: accumulated depreciation	(4.377.885)	<u>1.167.888</u>	(4.064.516)	<u>1.074.231</u>
		5.828.958		5.157.339
III. Financial fixed assets				
1) Equity investments in:				
b) associated companies	731.398		401.287	
c) other companies	<u>880.043</u>	1.611.441	<u>516.457</u>	917.744
2) Financial receivables:				
b) associated companies	123.950		123.950	
d) other	350.674	<u>474.624</u>	473.074	<u>597.024</u>
		2.086.065		1.514.768
<b>TOTAL FIXED ASSETS (B)</b>		<u>14.358.564</u>		<u>10.301.250</u>
<b>C. CURRENT ASSETS</b>				
I. Inventories				
1) Raw materials, consumables and supplies		18.287.247		14.943.164
3) Contract work in progress		8.482.933		5.896.905
4) Finished goods and merchandise		8.478.869		3.389.506
less: allowance for inventory writedowns		(1.869.611)		(3.032.118)
less: allowance for finished goods writedowns		<u>(339.688)</u>		<u>0</u>
		33.039.750		21.197.457
II. Accounts receivable				
1) Trade accounts receivable	44.425.694		39.160.861	
less: allowance for doubtful accounts	(1.390.217)	43.035.477	(1.514.252)	37.646.609
3) Associated companies		742.753		805.156
5) Other receivables		<u>9.277.234</u>		<u>6.235.185</u>
		53.055.464		44.686.950
III. Current financial assets				
1) Equity investments in subsidiaries		194.986		877.331
3) Equity investments in other companies		129		129
5) Other securities		<u>517.000</u>		<u>695.151</u>
		712.115		1.572.611
IV. Cash and banks				
1) Bank and postal accounts		7.643.572		3.706.611
3) Cash on hand and valuables		<u>12.803</u>		<u>19.109</u>
		7.656.375		3.725.720
<b>TOTAL CURRENT ASSETS (C)</b>		<u>94.463.704</u>		<u>71.182.738</u>
<b>D. ACCRUED INCOME AND PREPAID EXPENSES</b>				
1) Issue discounts and other similar charges on loans		47.723		75.919
2) Other accrued income and prepaid expenses		123.158		422.461
		<u>170.881</u>		<u>498.380</u>
<b>TOTAL ASSETS</b>		<u>108.993.149</u>		<u>81.982.368</u>

**PRIMA INDUSTRIE GROUP**  
**CONSOLIDATED BALANCE SHEET**  
(in euro)

**LIABILITIES AND SHAREHOLDERS' EQUITY**

December 31, 2001

December 31, 2000

**A. SHAREHOLDERS' EQUITY**

I. Share capital	10.375.000	9.296.224
II. Share premium reserve	12.890.823	7.387.399
III. Revaluation reserves	0	0
IV. Legal reserve	658.039	128.598
V. Reserve for treasury shares in portfolio	0	0
VI. Statutory reserves	0	0
VII. Other reserves	5.609.966	2.311.661
VIII. Retained earnings	2.665.550	1.580.359
IX. Net income	196.475	4.865.024
XI. Cumulative translation adjustments	37.392	(184.892)

**TOTAL SHAREHOLDERS' EQUITY - GROUP**

32.433.245

25.384.373

X. Minority interest

1.429.706

2.918.498

**TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY**

33.862.951

28.302.871

**B. PROVISIONS FOR LIABILITIES AND EXPENSES**

3) Other provisions	3.948.972	3.453.548
4) Provisions for deferred income taxes	1.424.729	1.295.790
	<u>5.373.701</u>	<u>4.749.338</u>

**C. EMPLOYEES' SEVERANCE INDEMNITY**

3.203.850

2.825.019

**D. PAYABLES**

3) Bank borrowings	20.608.530	6.740.795
4) Borrowings from other financial institutions	16.768.039	12.105.233
5) Payments on account	1.093.366	899.668
6) Trade accounts payable	22.879.138	20.977.446
11) Taxes payable	742.363	2.143.296
12) Social security agencies payable	950.929	881.592
13) Other payables	2.375.257	1.534.394
	<u>65.417.622</u>	<u>45.282.424</u>

**E. ACCRUED LIABILITIES AND DEFERRED INCOME**

2) Other accrued liabilities and deferred income	1.135.025	822.716
	<u>1.135.025</u>	<u>822.716</u>

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**

108.993.149

81.982.368

# PRIMA INDUSTRIE GROUP

## CONSOLIDATED MEMORANDUM ACCOUNTS

(in euro)

	December 31, 2001	December 31, 2000
1. Guarantees given		
a) Guarantees on behalf of:		
- subsidiaries	3.253.679	0
- other companies	<u>76.945</u>	<u>32.537</u>
	3.330.624	32.537
Total guarantees given	<u>3.330.624</u>	<u>32.537</u>
3. Commitments		
c) lease obligations	1.956.528	2.262.081
Total commitments	<u>1.956.528</u>	<u>2.262.081</u>
4. Contingencies		
a) bills discounted	2.723.717	2.204.238
Total contingencies	<u>2.723.717</u>	<u>2.204.238</u>
5. Other memorandum accounts		
a) Repurchase commitments	4.210.835	1.817.928
b) Company goods held by third parties	4.673.827	2.870.467
c) Guarantees given by third parties on our behalf	11.496.885	1.743.559
Total other	<u>20.381.547</u>	<u>6.431.954</u>
	<u>28.392.416</u>	<u>10.930.810</u>

The information contained herein only refers to the Italian companies inasmuch as the USA registered companies do not prepare this statement and, had they prepared it, there would have been no significant effect on the figures contained herein.

**PRIMA INDUSTRIE GROUP**  
**CONSOLIDATED INCOME STATEMENT**  
(in euro)

	2001		2000	
<b>A. PRODUCTION VALUE</b>				
1) Revenues from sales and services		111.895.296		89.970.923
2) Change in inventories of work in process, semifinished and finished goods		2.882.380		(1.032.397)
4) Increase in internal work capitalized under fixed assets		75.080		277.337
5) Other revenues and income				
a) operating grants			44.932	
b) sundry	1.843.576	1.843.576	2.159.307	2.204.239
<b>TOTAL PRODUCTION VALUE (A)</b>		116.696.332		91.420.102
<b>B. PRODUCTION COSTS</b>				
6) Purchase of raw materials, consumables and supplies		(63.510.210)		(47.553.802)
7) Service expenses		(21.626.228)		(16.709.963)
8) Lease and rent costs		(1.725.440)		(1.071.132)
9) Personnel expenses:				
a) salaries and wages	(17.964.486)		(12.399.097)	
b) social security contributions	(5.057.550)		(3.573.882)	
c) employees' severance indemnity	(664.100)		(605.287)	
e) other	(429.257)	(24.115.393)	(335.181)	(16.913.447)
10) Amortization, depreciation and writedowns				
a) amortization of intangible assets	(1.233.113)		(845.440)	
b) depreciation of tangible assets	(1.116.191)		(748.862)	
d) doubtful accounts expense	149.684	(2.199.620)	(550.027)	(2.144.329)
11) Change in inventories raw materials, consumables, supplies and merchandise		(330.457)		2.776.989
12) Accruals to provisions for liabilities and expenses		203.108		(683.272)
14) Other operating expenses		(1.278.844)		(567.070)
<b>TOTAL PRODUCTION COSTS (B)</b>		(114.583.084)		(82.866.026)
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)</b>		2.113.248		8.554.076
<b>C. FINANCIAL INCOME AND EXPENSES</b>				
15) Investment income:				
a) dividends and other income from subsidiaries	448.803	448.803	95.545	95.545
16) Other financial income:				
- interest and commissions from others and sundry income	1.975.245	1.975.245	2.099.914	2.099.914
17) Interest and other financial expenses:				
d) other	(2.871.474)	(2.871.474)	(2.769.759)	(2.769.759)
<b>TOTAL FINANCIAL INCOME AND EXPENSES (C)</b>		(447.426)		(574.300)
<b>D. ADJUSTMENTS TO FINANCIAL ASSETS</b>				
19) Writedowns:				
a) of equity investments	0		(107.423)	
c) of securities included in current assets	(194.987)	(194.987)	0	(107.423)
<b>TOTAL ADJUSTMENTS TO FINANCIAL ASSETS (D)</b>		(194.987)		(107.423)
<b>E. EXTRAORDINARY INCOME AND EXPENSES</b>				
20) Extraordinary income				
b) other extraordinary income	52	52	1.177.005	1.177.005
<b>TOTAL EXTRAORDINARY INCOME AND EXPENSES (E)</b>		52		1.177.005
<b>PROFIT BEFORE INCOME TAXES (A -B +- C +- D +- E)</b>		1.470.887		9.049.358
<b>22) INCOME TAXES</b>				
- current income taxes		(2.806.856)		(3.265.557)
- deferred income taxes		1.580.755		(370.816)
<b>23) NET INCOME BEFORE MINORITY INTEREST</b>		244.786		5.412.985
<b>MINORITY INTEREST</b>		(48.311)		(547.961)
<b>NET INCOME</b>		196.475		4.865.024

The accompanying notes and related accounts are an integral part of these financial statements.

On behalf of the Board of Directors  
The Managing Director  
Ing. Gianfranco Carbonato

# **PRIMA INDUSTRIE GROUP**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. BUSINESS OF THE GROUP**

PRIMA INDUSTRIE S.p.A. has, as its business purpose, the design, manufacture and marketing of apparatus, instruments, machines and mechanical, electric and electronic engineering systems and the related software for use in industrial automation and other sectors in which the technologies of the company can be fruitfully employed.

The company is also able to provide technical, design and organizational services in the field for the manufacture of machinery and industrial automation.

The main business of the company focuses on laser cutting and welding machines.

PRIMA ELECTRONICS S.p.A. has, as its business purpose, the design, manufacture and marketing of apparatus, machines and mechanical, electric and electronic engineering systems and the related software.

The company can also acquire and sell manufacturing licenses.

LASERDYNE PRIMA Inc. (ex Prima US Inc., a United States registered company) operates on the North American market for purposes of importing our machines, their consequent sale and after-sales service management and assistance. Following the acquisition of the Laserdyne business segment from the GSI Lumonics group, the company also conducts its own autonomous industrial manufacturing activities directed to the design, manufacture, sale and assistance of laser machines for industrial applications in the aeronautical field.

CONVERGENT PRIMA Inc (a United States registered company) operates on the American market of lasers and their industrial applications. It manufactures lasers and NdYag microdrilling laser systems destined for the aeronautical and air space industry and traditional low, medium and high-power CO<sub>2</sub> lasers for both the Group and third parties. The company boasts excellent technological know-how in the development of new applications and a fairly extensive sales and assistance network throughout the North American territory.

PRIMA INDUSTRIE GmbH (a German registered company) mainly provided post-sales assistance. It has been dormant since 1996, partly as a result of the sales agreement with Matra-Werke.

PRIMA INDUSTRIE INTERNATIONAL BV (ex Laserworld BV, a Dutch registered company) is a financial company. After some years of inactivity, in the second half of 2000 and for the first few months of 2001, the company provided marketing services to the group, managing the integration of products and markets following the acquisition of Convergent Prima.

## **2. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of the Prima Industrie Group include the financial statements of Prima Industrie S.p.A., the parent company, Prima Electronics S.p.A. (a wholly-owned subsidiary), Laserdyne Prima Inc. (ex Prima U.S. Inc.) (a wholly-owned subsidiary), Convergent Prima Inc. (an 80%-owned subsidiary of Laserdyne Prima Inc.), Prima Industrie GmbH (a wholly-owned subsidiary) and Prima Industrie International BV (ex Laserworld BV) (a wholly-owned subsidiary).

Such companies have been consolidated line-by-line. The companies included in the scope of consolidation are listed in an appendix.

The closing date for the consolidated financial statements coincides with the closing date of the financial statements of the parent company.

Although there have been no changes in the companies included in the scope of consolidation, there have been changes due to the purchase of the remaining 40% of Prima Electronics and the purchase of the business segment Laserdyne by Laserdyne Prima (ex Prima US). As a result, the data for the year 2001 are not entirely comparable with those of 2000.

The financial statements used in consolidation are those approved by the Shareholders' Meetings of the individual companies. Such financial statements have been reclassified and, where necessary, adjusted to conform to the accounting principles used by the entire Group and to eliminate any tax-driven entries. These adjustments are described in the "statement of reconciliation of the shareholders' equity and the net income between the statutory financial statements of the parent company and the consolidated financial statements at December 31, 2001.

All amounts are expressed in thousands of euro.

## **3. PRINCIPLES OF CONSOLIDATION**

The subsidiaries have been consolidated on the line-by-line method which, briefly, consists of recording all assets and liabilities as well as revenues and costs of the individual companies on a line-by-line basis.

The minority interest in the share capital and reserves of subsidiaries is recorded separately under "minority interest" in shareholders' equity, and the minority interest in the

consolidated results for the year are recorded under “minority interest” 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. The difference, if negative, is recorded in shareholders’ equity under “consolidation reserve” or, if positive, is allocated to the assets and liabilities of the companies included in consolidation or, when applicable, is recorded in “difference on consolidation” under assets;
- elimination of intercompany receivables and payables and income and expenses arising from intercompany transactions; intercompany gains and losses on transactions that have not been realized with third parties have also been eliminated, if significant;
- 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.

Translation adjustments arising from the application of the two exchange rates and those originating from the translation of the beginning shareholders’ equity at the current year-end exchange rate and the prior year-end exchange rate have been recorded in “cumulative translation adjustments” under shareholders’ equity.

The exchange rates applied in the translation of foreign currency financial statements are as follows:

Currency	Average exchange rate for the year		Year-end exchange rate	
	2001	2000	2001	2000
Euro/US dollar	0.895636	0.921320	0.8813	0.930501



#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting principles adopted in the preparation of the consolidated financial statements are the same as those adopted in the statutory financial statements of the parent company; such accounting principles have been applied on a consistent basis over the prior year.

Assets and liabilities are valued using uniform criteria.

The accounting principles are described as follows.

##### **Intangible assets**

Intangible assets are stated at purchase or production cost, including incidental charges, and amortized systematically over the period of their estimated future benefit.

Research and development costs are entirely expensed to income. Goodwill refers to the recognition of the difference between the assets and liabilities purchased in Laserdyne Prima and Convergent Prima; goodwill is amortized over ten years. Other intangible assets are recorded with the agreement of the Board of Statutory Auditors and are amortized over a period of five years, with the exception of leasehold improvements and extraordinary maintenance on factory leaseholds which are amortized over the period of the lease contract.

Advertising costs are entirely charged to income when incurred.

Intangible assets are amortized as follows:

- Plant start-up and formation costs	5 years
- Research and development	5 years
- Industrial patent rights and utilization rights of intellectual properties	5 years
- Concessions, licenses, trademarks and similar rights	10 years
- Goodwill	10 years
- Other intangible assets	5 years/ over the contract period

With respect to the above:

- the amortization of industrial patent rights and utilization rights of intellectual properties is considered sufficient in view of the estimated period of future benefit of the assets;
- the amortization of other intangible assets depends on the costs capitalized:
  - five years for extraordinary maintenance and deferred charges;
  - over the lease contract for leasehold improvements.

## **Tangible assets**

Tangible assets are stated at purchase or production costs, revalued, in some cases, in accordance with specific legislation on monetary revaluations. 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 entirely 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 life of the assets to which they refer.

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 the normal rate.

## **Assets under financial leases**

Assets acquired under financial leases, if significant, are accounted for by recording the asset under tangible assets and the lease obligation under liabilities, at the inception of the contract, at the fair value of the leased asset.

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 installments are recorded in financial expenses and as a reduction of the residual lease payable.

For other financial leases, in accordance with existing fiscal laws and Italian practice, lease installments (principal and interest) are expensed in the income statement of the year to which they refer.

**Investments**

Unconsolidated investments are stated at cost, determined in relation to the purchase or subscription price, adjusted for any permanent impairment in value to below cost at year-end.

In the event of writedowns, the original value is reinstated in future years whenever the reasons for the writedown no longer apply.

Investments in unconsolidated subsidiaries and associated companies that have been adjusted as described above do not significantly differ from valuation for such investments using the equity method.

**Inventories**

Raw materials are valued at the weighted average purchase price during the year, adjusted to realizable value by an allowance for writedowns, for statutory purposes. Contract work in progress is valued at the average progressive cost during the year at the time the materials are discharged, plus the average hourly production labor cost for internal work and the purchase cost for external work.

Finished goods are valued like contract work in progress. The inventory values determined as described above are below market values.

**Receivables**

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

Prudent accruals to such allowance account are made on the basis of the risk of some estimated uncollectible 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. The accruals reflect the best possible estimates based on available information.

### **Employees' severance indemnity**

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

Employees' severance indemnity does not exist in the United States where employees, instead, benefit from pension and health plans duly recorded in the payables to social security agencies which manage such services, in accordance with the law and labor contracts.

### **Payables**

Payables are stated at nominal value.

### **Recognition of revenues**

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

The invoices to be issued carry indications of the transactions referring to the year just ended for which the relative invoice will be issued in the following year.

### **Grants**

The accounting treatment for grants depends on whether the grants are operating, capital or investment grants. In the case of operating grants, these are recorded for book and tax purposes on the accrual basis, which makes reference to the year in which legal entitlement to receipt of the grant arises and the amount to be received becomes certain, normally in the year a resolution is passed for the assignment of the grant.

In the case of capital grants, income for statutory purposes is recorded on the accrual basis and the time frame is established by reference to the contracts stipulated with the agencies paying the grants. Such grants are taxable, on the straight-line method, over a maximum period of five years, from the year in which the grants are received.

There are no investment grants.

### **Translation of balances in foreign currency**

In the financial statements expressed in euro, the receivables and payables originally denominated in foreign currency are translated into euro 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 foreign currencies not in the euro-zone, and which will be settled after the end of the year, have been adjusted to the exchange rates in effect at the balance sheet date and the gain and/or loss from translation has been recorded in the income statement and the balance sheet in accordance with or Italian Accounting Principle No. 26.

### **Research and development expenditures**

Research and development expenditures relate to the study and engineering of new products as well as improvements to and maintenance of existing ones. Such expenditures are charged to income in the year incurred.

### **Income taxes**

Income taxes are calculated on the basis of estimated taxable income applying existing laws and taking into account any tax exemptions. Deferred tax liabilities are recorded in the "Provisions for deferred income taxes". Deferred tax assets are recorded in "Other receivables".

Deferred taxes are set aside on temporary timing differences between the result for book purposes and tax purposes. The tax effects of current temporary timing differences have been deferred and allocated to the future years in which such differences will reverse. They have been calculated using the estimated tax rate in effect at the time they will reverse as being the best possible estimate of utilization. The provision for deferred income taxes and deferred tax assets have not been set-off.

Deferred tax assets are only recorded if there is a reasonable certainty of recovery.

## **5. OTHER INFORMATION**

Departures according to art. 2423, paragraph 4 of the Italian Civil Code.

The financial statements contain no departures according to art. 2423, paragraph 4 of the Italian Civil Code.

According to art. 10 of Legislative Decree No. 72/83 disclosure is provided as follows: tangible assets include assets that have been revalued according to Law No. 576 of December 2, 1975, Law No. 72 of March 19, 1983 and Law 342 of November 21, 2000. Such revaluations, which are not significant in amount, are presented in a specific appendix.

### **Valuations**

The criteria for valuations have been applied on a basis consistent with the prior year.

### **Significant subsequent events**

As regards significant subsequent events, reference should be made to the report on operations.

### **Reclassifications**

In drawing up these financial statements, certain reclassifications have been made. Such changes have been disclosed in the notes.

## BALANCE SHEET

### FIXED ASSETS

#### INTANGIBLE ASSETS

- 1) Plant start-up and formation costs include internal costs incurred and capitalized by the company in 2000 to expand the production area of the nearby new plant facility acquired by Prima Industrie S.p.A. under a leasing contract during the course of that year. The residual amount of such costs totaling Euro 135 thousand at January 1, 2001 was amortized during the year for Euro 34 thousand and at December 31, 2001 the net book value is equal to Euro 101 thousand.
- 2) Research and development costs at the end of the year include the following:

	Balance at 12/31/2001	Balance at 12/31/2000
Research and development costs 1997	70	124
Research and development costs 1998	86	170
Research and development costs 1999	106	153
Total	262	447

Research and development costs do not include such costs for 1999 and years thereafter since they were entirely expensed to income. The total reduction of Euro 185 thousand consequently refers to the amortization for 2001.

Research and development costs incurred in prior years have been deemed to produce recurring benefits, inasmuch as they refer to projects with a very high technological content, originating products that can be clearly identified, have a ready market and whose marketing gives rise to income that is also sufficient to cover the amortization of the costs capitalized.

- 3) Industrial patent rights and utilization rights of intellectual properties include the following at year-end:

	Balance at 12/31/2001	Balance at 12/31/2000
- Industrial patent rights		
-- Patents	56	18
- Utilization rights of intellectual properties		
-- Software	567	515
Total	623	533

This caption increased by Euro 90 thousand in 2001. Industrial patents rose by Euro 54 thousand and decreased by Euro 16 thousand due to the amortization charge for the period. Software increased by Euro 385 thousand and relates mainly to the costs incurred for the start of the SAP R3 corporate software system at the parent company Prima Industrie. The decrease refers to the amortization charge of Euro 333 thousand.

- 4) Concessions, licenses, trademarks and similar rights (equal to Euro 9 thousand) decreased by Euro 1 thousand compared to Euro 10 thousand at December 31, 2000 due to the amortization charge for the period.
- 5) Goodwill refers to the amount recognized to the seller on the acquisition of Convergent Prima (in 2000) and Laserdyne Prima (in 2001), being the difference between the assets and the liabilities purchased. At December 31, 2000, the balance of Euro 1,755 thousand only refers to the goodwill paid for Convergent Prima. After the acquisition of Laserdyne Prima goodwill increased by Euro 2,597 thousand. The incidental costs of Euro 519 thousand relating to these acquisitions were reclassified to goodwill at the end of the year. The amortization charge for the period is Euro 394 thousand and the unamortized balance at December 31, 2001 is thus equal to Euro 4,477 thousand.
- 6) Other intangible assets include the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Leasehold improvements		
-- Collegno building Via Antonelli 32	165	193
-- Collegno building Via Antonelli 28	237	148
-- France branch offices	11	-
-- Spain branch offices	29	21
-- Laserdyne Prima offices	14	17
-- Convergent Prima offices	21	-
-- Prima Electronics offices	9	-
- Other deferred charges	486	370
Total	972	749

Increases in other intangible assets total Euro 758 thousand, mainly due to the start-up costs of Laserdyne of Euro 249 thousand, costs for the renovation of the two buildings owned by Prima Industrie at Collegno, the remodeling of the office of the French branch, the new branch in Spain, the head offices of Laserdyne Prima, Convergent Prima and Prima Electronics (for a total of about Euro 280 thousand). The decreases during the year are due to the expenses incurred for the acquisition of Convergent Prima (due diligence and legal fees) recorded in the December 31, 2000 financial statements and reclassified in 2001 to investments, increasing the value of Convergent Prima, and the amortization charge of Euro 270 thousand. The net increase is thus 223 thousand.



## 7) TANGIBLE ASSETS

Details are as follows:

	Net book value	Accumulated depreciation	Balance at 12/31/2001	Balance at 12/31/2000
Land and buildings	3,298	292	3,006	2,680
Plant and machinery	3,331	2,128	1,203	936
Industrial and commercial equipment	3,668	3,215	453	467
Other tangible assets	5,546	4,379	1,167	1,074
Total	15,843	10,014	5,829	5,157

The depreciation charge in 2001 is Euro 1,116 thousand.

Ordinary depreciation has been calculated based on rates representing the estimated useful lives of the assets.

The total gross increase in fixed assets is Euro 4,930 thousand and refers to the plant, industrial equipment and office equipment of Laserdyne Prima of Euro 3,855 thousand included in tangible assets after its acquisition. The remaining amount of the increase refers to additions made in 2001 by Prima Industrie for the building used as the head office of the United Kingdom branch (about Euro 425 thousand), besides those of the Group for plant and machinery (Euro 295 thousand), factory equipment (Euro 158 thousand) and other assets and office equipment (Euro 197 thousand). The decreases mostly regard the write-off of fully depreciated assets by Convergent Prima, as allowed by United States laws (Euro 4,897 thousand), in respect of some equipment and owned industrial assets, and the disposal of assets by the Group (Euro 143 thousand).

The accumulated depreciation of Laserdyne Prima was also acquired in the acquisition in respect of plant and machinery (Euro 832 thousand), industrial and commercial equipment (Euro 370 thousand) and other tangible assets (Euro 1,951 thousand) for a total of Euro 3,153 thousand.

The increase in tangible assets (net of the Laserdyne acquisition) was thus equal to Euro 1,075 thousand, classified as described above.

Additional details are provided in the appendix to the notes.

## FINANCIAL FIXED ASSETS

### 8) Equity investments

Investments can be analyzed as follows:

	12/31/00	Increase	Decrease	12/31/01
<b>Associated companies</b>				
- Macro Meccanica S.p.A. (in liquidation)	413	-	-	413
- Macro Meccanica S.p.A. (in liquidation) writedown provision	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498
- Shenyang writedown provision	(107)	-	-	(107)
- MLTA S.r.l.	10	-	-	10
- SNK Prima Co.	-	330	-	330
Total associated companies	401	330	-	731
<b>Other companies</b>				
- Rambaudi Industriale S.p.A.	517	258	-	775
- Mechanical Industries S.r.l.	-	105	-	105
Total other companies	517	363	-	880
<b>Total investments</b>	<b>918</b>	<b>693</b>	<b>-</b>	<b>1,611</b>

As regards equity investments in associated companies, the investment in Macro Meccanica S.p.A. (put into a wind-up at the end of 1999) is shown in the financial statements at a nil balance.

The Shenyang Prima Laser Machine Company is a 50-50 joint venture set up in China in 1999 with Shenyang Machine Tool Company Limited to produce and market Platino machines (assembling kits sent by Prima Industrie) on the Asian market. The joint venture produced a small profit in 2001, thus there was no change in the investment account. Equity investments in other companies include the investment in Rambaudi Industriale S.p.A. purchased in 1999 when the company was recapitalized. The company produces high-speed milling machines.

The purpose of this investment is to take advantage of the possible technical and trading synergies on export markets where both companies, Prima Industrie and Rambaudi, are present. The original investment in Rambaudi Industriale was for a 7.41% stake totaling about Euro 517 thousand. During 2001, debentures subscribed the previous year were converted into share capital thus the stake was increased another Euro 258 thousand bringing it to Euro 775 thousand. At the same time, however, a new shareholder was brought into the company through a share capital increase set aside for that purpose, therefore, at the end of the year our investment corresponds to a 6.24% interest.

M.L.T.A. is an industrial electronic company in which Prima Electronics acquired a small holding (7.7% corresponding to about Euro 10 thousand) because of the interest in the industrial development of its products.

The increases during the year in associated companies regard the joint venture, SNK Prima, set up in Japan with local partners in which a 40% stake was acquired by subscribing to the share capital through the sale of a license for the production of the Mosaico machine. The investment of Euro 330 thousand at the end of the year has remained unchanged since this is a newly formed joint venture. With regard to equity investments in other companies, 19.87% of the capital of Mechanical Industries S.r.l. was subscribed to for an investment of Euro 105 thousand. This investment was acquired in order to have direct control over the manufacturing activities of the company, our main supplier of mechanical work. This company, in fact, took over Macro Meccanica S.p.A. – in liquidation, the business producing the mechanical work in which we are interested.

## 9) Financial receivables

Details are as follows:

	Balance at 12/31/2001	Balance at 12/31/2000
T.P.G.I. loan	-	1,189
Provision for T.P.G.I. loan writedowns	-	(1,189)
Tax advance on severance indemnity	201	215
Loan receivable from M.L.T.A.	124	124
Loan receivable from Rambaudi Industriale	-	258
Mechanical Industries S.r.l.	150	-
Total	475	597

Financial receivables decreased from Euro 597 thousand at December 31, 2000 to Euro 475 thousand at December 31, 2001. The decrease of Euro 122 thousand refers to the conversion into share capital, in 2001, of debentures issued by Rambaudi Industriale and subscribed to by Prima Industrie the previous year for Euro 258 thousand, the reduction in the “tax advance on severance indemnities” of Euro 14 thousand caused by the utilizations during the year (net of the revaluation of the amounts accrued in prior years and the accrual set aside in 2001 for the substitute tax on the revaluation itself). The receivable from Mechanical Industries of Euro 150 thousand relates to lease payments that were recharged to this company for their utilization of certain machine tools. Prima Industrie took over the lease contract in 2001 as the guarantor of Macro Meccanica – in liquidation. The spin-off of a business segment of this company led to the formation of Mechanical Industries. The T.P.G.I. Inc. loan originated from various loans granted by us between 1997 and 1999 so that our ex-parent company (a shareholder until June 1999) could meet the costs of listing the company on the NASDAQ stock market in the United States. It was then decided to suspend the future listing and list the stock on the New Market of Borsa Italiana S.p.A. in 1999. The loan receivable from TPGI was written off by setting up a writedown provision for the same amount in 1999. In 2001, since the pertinent corporate bodies in the United States declared the life of the company TPGI to be ended owing to the fact that the reason for its formation no longer existed and no operations had ever been conducted, we extinguished the loan position, also recovering, for tax purposes, the costs incurred at that time.

## **CURRENT ASSETS**

### **10) INVENTORIES**

Inventories are composed of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
Raw materials, consumables and supplies	18,287	14,943
Contract work in progress	8,483	5,897
Finished goods	8,479	3,389
Allowance for inventory and finished goods writedowns	(2,209)	(3,032)
Total inventories	33,040	21,197

The total increase of Euro 11,843 thousand is not only due to higher production volumes (which require higher quantities of raw materials and semifinished goods on hand) but also the acquisition of the Laserdyne Prima inventories, in addition to the decision to keep some finished machines on hand. Occasional temporary time lags in delivery to certain customers due to their logistics requirements also account for part of the increase. Finished products include:

- 1 Domino and 1 Platino, but temporarily used for R & D purposes;
- 1 Magico awaiting delivery to Comau (which took place during the first few days of 2002);
- 4 Platino, of which three are at the branches in France, United Kingdom and Spain and one at the subsidiary Laserdyne Prima;
- 1 Rapido and 1 Platino used for testing and demonstrations at the corporate showroom;
- 1 Platino used in the classroom;
- 1 system 790 Laserdyne used for testing and demonstrations at the United Kingdom branch;
- 1 Sincrono prototype;
- 1 Platino under bailment c/o DTU (Danmarks Tekniske Universitet);
- 1 Domino and 3 Platino for customers in delivery at the beginning of 2002.

The allowance for inventory and finished goods writedowns decreased by Euro 823 thousand due to the utilizations by Convergent Prima to scrap its obsolete inventories, net of new accruals. The allowances refer to the following:

• allowance for inventory writedowns Prima Industrie	413
• allowance for inventory writedowns Prima Electronics	52
• allowance for inventory writedowns Convergent Prima	999
• allowance for inventory writedowns Laserdyne Prima	745

The inventory allowance referring to Laserdyne Prima was acquired with the assets and liabilities of the company.

## RECEIVABLES

### 11) Trade accounts receivable

Trade accounts receivable at the end of the year are composed of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
Trade accounts receivable	44,426	39,161
Allowance for doubtful accounts	(1,390)	(1,514)
Net value	43,036	37,647
of which receivable beyond one year	1,728	467

The increase is due to the trend in growth connected with higher sales volumes and the inclusion of Laserdyne Prima in the scope of consolidation.

The allowance for doubtful accounts totals Euro 1,390 thousand (compared to Euro 1,514 thousand at December 31, 2000). It includes Euro 878 thousand regarding receivables held by Prima Industrie (which made no additional accruals during 2001), Euro 145 thousand for receivables by Prima Electronics (which accrued Euro 19 thousand in 2001) and Euro 131 thousand for receivables by Convergent Prima Inc. which accrued about Euro 73 thousand and used Euro 363 thousand during the year. The remaining Euro 236 thousand refer to the allowance for doubtful accounts of Laserdyne Prima at December 31, 2001, which is composed of about Euro 113 thousand accrued in prior years and Euro 615 thousand accrued in the current year to take into account the estimated realizable value of receivables in portfolio after the allowance account was used in 2001 for some Euro 492 thousand.

The average number of days to collection of trade accounts receivable went from 153 days in 2000 to 140 days in 2001, attesting to the attention dedicated by the Group to working capital management.

#### Receivables due beyond one year

These receivables are mainly due from Prima Industrie's Spanish customers which received extended payments terms to 18, 36 and 60 months, and are charged for the related interest.

### 12) Receivables from associated companies

At December 31, 2001, receivables from associated companies total Euro 743 thousand (compared to Euro 805 thousand at December 31, 2000). They consist of receivables by Prima Industrie from Shenyang Prima Laser Machines for Euro 690 thousand, Euro 5 thousand from the joint venture SNK Prima and Euro 48 thousand from the Italian branch (Convergent Energy Asti S.r.l. – in liquidation) of the subsidiary Convergent Prima. Such receivables decreased by Euro 62 thousand compared to the prior year.

### 13) Other receivables

Other receivables are detailed as follows:

	Balance at 12/31/2001	Balance at 12/31/2000
Taxes from tax authorities	2,766	1,297
Deferred tax assets	3,155	2,110
VAT receivable from tax authorities	1,152	743
Capital grants receivable	588	1,179
Guarantee deposits	106	197
Advances to employees	23	53
Other sundry advances	776	415
Sundry	711	241
Total	9,277	6,235

The balance increased by Euro 3,042 thousand from last year.

Other receivables are mainly composed of receivables from the tax authorities for direct taxes of prior years (for which a refund has been requested using government securities) inclusive of accrued interest earned, calculated at the tax rate established by law, as well as the on-account payment of taxes made during the year, with a total amount due from the tax authorities of Euro 2,766 thousand. Deferred tax assets also show a significant amount of Euro 3,155 thousand and increased from the prior year as a result of deferred tax assets recorded by the United States companies on a part of tax loss carryforwards that will be recoverable in future years.

Receivables from the tax authorities for VAT reflect the trend in sales for 2001 which displayed a contraction in sales in Italy thus increasing this receivable from the tax authorities. They mainly refer to Prima Industrie, which in the first few months of 2002 recovered the portion allowed by law against the monthly payments of withholding taxes and social securities contributions.

Other sundry advances are relative to payments made to certain suppliers before the supply of goods and/or services were received.

“Sundry” includes dividend tax credits of Euro 449 thousand, in addition to other minor items of Euro 262 thousand.

Such receivables, which are not due beyond one year, are all collectible and thus no adjustments have been made.

## **CURRENT FINANCIAL ASSETS**

### **14) Equity investments in subsidiaries**

This caption totals Euro 195 thousand and refers to the realizable value on the sale of the company Elesta AG by Prima Electronics. The sale was concluded on March 7, 2002 and the equivalent amount of the proceeds (guaranteed by a bank guarantee) will be received in June 2002.

### **15) Equity investments in other companies**

This caption totals Euro 0.1 thousand and refers to the equity investment held by Prima Industrie in the company Unionfidi. There is no change from the prior year.

### **16) Other securities**

Other securities total Euro 517 thousand and relate to the following investments held by Prima Industrie in government securities:

- CCT bills maturing May 2003

At December 31, 2000, the total amount of liquidity invested in securities was Euro 695 thousand.

The reduction in the amount of liquidity placed in short-term investments of Euro 178 thousand is due to the collection of certain securities in portfolio at maturity.

### **17) CASH AND BANKS**

	Balance at 12/31/2001	Balance at 12/31/2000
- Bank and postal accounts	7,644	3,707
- Cash on hand and valuables	13	19
Total	7,657	3,726



Cash and banks are immediately available since they are deposited in bank accounts or held in the cash funds of the Group. This caption increased by Euro 3,931 thousand compared to the end of the prior year as a result of some scheduled payments of the parent company that were moved to the beginning of 2002 (including Prima Industrie's portion of the payment for the acquisition of the Laserdyne business).

#### 18) **ACCRUED INCOME AND PREPAID EXPENSES**

Accrued income and prepaid expenses at December 31, 2001 amounted to Euro 171 thousand, compared to Euro 498 thousand at December 31, 2000. Details are as follows:

	Balance at 12/31/01	Balance at 12/31/00
Loan charges		
- IMI loan	48	76
Total issue discounts and similar charges on loans	48	76
Accrued income	60	71
Prepaid expenses	63	351
Total accrued income and prepaid expenses	171	498

These decreased by Euro 327 thousand compared to the prior year.

Loan charges relate to brokerage fees on securing a medium/long-term loan from Sanpaolo IMI in September 1999. Such costs will be amortized over the period of the loan which ends in September 2003 (four years). The reduction of Euro 28 thousand relates to the amount charged to income and referring to 2001.

Accrued income includes interest earned on interest rate swaps (IRS) used to hedge the interest rate on the aforementioned IMI loan.

"Prepaid expenses" include supplier invoices and lease contracts paid in advance.

## **LIABILITIES AND SHAREHOLDERS' EQUITY**

### **19) SHAREHOLDERS' EQUITY**

The changes in shareholders' equity are shown in an appendix to the notes.

Comments on the various components of shareholders' equity follow:

### **20) SHARE CAPITAL**

Share capital at December 31, 2001 is subscribed to and fully paid-in and consists of 4,150,000 ordinary shares of par value Euro 2.5 each for a total of Euro 10,375,000.

The following changes in share capital took place during the year, which thus rose from Lire 18,000,000,000 (equal to Euro 9,296,224) at December 31, 2000 to Euro 10,375,000 at December 31, 2001:

1. As voted by the Extraordinary Shareholders Meeting of May 11, 2001, and in accordance with Legislative Decree No. 213 of June 29, 1998 and subsequent amendments regarding the introduction of the euro, the share capital of Lire 18,000,000,000 was re-denominated in euro to Euro 9,000,000 (through the conversion of the value of 900,000 shares issued of par value Euro 10.329 each and then reduced to par value Euro 10 each with a credit of the difference to the legal reserve). Subsequently, on June 4, 2001, a four-for-one stock split was issued with a par value for each share of Euro 2.5 compared to the par value of Euro 10 for each previous share. The number of shares went from 900,000 to 3,600,000. The stock was split to encourage greater trading of the stock which previously carried one of the highest per share prices on the Nuovo Mercato.
2. The first share capital increase (reserved for institutional investors) took place through the issue of 260,000 new ordinary shares of par value Euro 2.5 each. These were fully subscribed to at a price of Euro 21.03 each on June 18, 2001 by Helios Private Equity SA (UNICREDIT Group). This is a Luxembourg-registered closed fund which expressed its intention of remaining part of the shareholder base for a medium/long-term period. The capital increase served to finance part of the acquisition of the Laserdyne business.
3. The second share capital increase was related to the second part of the three-year stock option plan (voted by the Board of Directors on December 17, 1999). Under this plan, management of the company subscribed to 50,000 newly issued shares (that were added to the 3,860,000 already outstanding, bringing share capital to Euro 9,650,000) for a price of Euro 7.5 per share. This transaction was concluded on July 10, 2001.

4. The third share capital increase took place on December 18, 2001 (voted by the Shareholders' Meeting of December 4, 2001). A total of 240,000 new shares were issued for a par value of Euro 2.5 each (dividend rights as from January 1, 2001) reserved for the minority shareholders of Prima Electronics S.p.A., a company already 60%-controlled by Prima Industrie S.p.A., in exchange for the same number of shares of the subsidiary (representing the remaining 40% stake). The subscription price of the Prima Industrie shares was Euro 4.42 each. After this increase, the share capital of Prima Industrie S.p.A. consisted of 4,150,000 ordinary shares of par value Euro 2.5 each, for a total of Euro 10,375,000.

At December 31, 2001, the third part of the original stock plan is still pending and is reserved for managers and cadres. It involves 50,000 new shares to be subscribed against payment upon reaching the 2001 targets which have already been assigned ad personam to 16 managers (13 in Prima Industrie and 3 in the subsidiary Prima Electronics) as voted by the Board of Directors' meeting on December 17, 1999 under the regulations voted by the Extraordinary Shareholders' Meeting on May 14, 1999. There is also a second stock option plan pending decided by the Board of Directors' meeting on May 11, 2001 for 148,000 new shares reserved for managers, supervisors and cadres of Prima Industrie and subsidiaries. This second plan is linked to the 2001 targets (for supervisors and cadres) and the 2002 targets (for managers, supervisors and cadres). For additional information on the stock plans, reference should be made to the comments in the report on operations.

## **21) SHARE PREMIUM RESERVE**

The share premium reserve is generated by additional paid-in capital over the par value of the new shares of Euro 2.5 each. The changes during the year are as follows:

	Amount
Balance at January 1, 2001	7,387
Share premium on issue:	
- No. 260,000 ordinary shares of the capital increase reserved for institutional investors (price of Euro 21.03)	4,796
- No. 50,000 ordinary shares under the stock option plan for managers (price of Euro 7.5)	246
- No. 240,000 ordinary shares of the capital increase reserved for the exchange with No. 240,000 shares of the subsidiary Prima Electronics (price of Euro 4.42)	461
Balance at December 31, 2001	12,890

The opening balance is Euro 1,130 thousand lower than the corresponding amount recorded in the financial statements of Prima Industrie S.p.A. due to the costs incurred for its listing in October 1999, which were reclassified as a direct deduction of the amount of share premium received.

## 22) LEGAL RESERVE

The legal reserve totals Euro 658 thousand at December 31, 2001 (compared to Euro 128 thousand at December 31, 2000). The change is due to the appropriation of Euro 208 thousand to the legal reserve from 2000 earnings voted by the Shareholders' Meeting on May 11, 2001, as provided by art. 2430 of the Italian Civil Code, in addition to a total of Euro 322 thousand, of which Euro 296 thousand correspond to the amount set aside for rounding off the re-denomination of share capital in euro (from Lire 18,000,000,000 to Euro 9,000,000). The remaining Euro 26 thousand, instead, refer to the amount set aside at the time of issuing the new shares against payment to take into account the above difference on rounding off created by the re-denomination of the share capital into euro.

## 23) OTHER RESERVES

Other reserves total Euro 5,610 thousand at December 31, 2001, with an increase of Euro 3,298 thousand compared to the prior year (Euro 2,312 thousand), due to the appropriation of 2000 profits to reserves.

## 24) RETAINED EARNINGS

Retained earnings totals Euro 2,665 thousand at December 31, 2001, with an increase of Euro 1,084 thousand compared to Euro 1,581 thousand in the prior year, and relates to adjustments on consolidation, the effect of which on shareholders' equity is over several years.

## **25) CUMULATIVE TRANSLATION ADJUSTMENTS**

Cumulative translation adjustments show a positive balance of Euro 37 thousand, originating from the application of the average exchange rate for the year to the income statements and the year-end exchange rate to the balance sheet (except for the shareholders' equity captions) on the translation of the financial statements denominated in foreign currency (Laserdyne Prima Inc. and Convergent Prima Inc.).

This caption increased by Euro 222 thousand from last year, due to the effect of the exchange rate with the US dollar.

## **26) MINORITY INTEREST**

Minority interest is Euro 1,430 thousand, compared to Euro 2,918 thousand at the end of the prior year.

This is a reduction of Euro 1,488 thousand from last year since, at December 31, 2001, the minority interest only included the share of capital stock of Convergent Prima owned by the third-party shareholder ACD Technologies S.p.A. (ex Pluritec S.p.A.) valued at the exercise price of the put options it holds on our shares; we have been informed that this option could be exercised during 2002. At December 31, 2000, minority interest included the share of net equity of Prima Electronics (now totally held by Prima Industrie) held by minority shareholders (which held about a 40% stake).

## **PROVISIONS FOR LIABILITIES AND EXPENSES**

### **27) OTHER PROVISIONS**

The breakdown and changes in other provisions are as follows:

	1/1/01	Accrual	Utilization	12/31/01
Contractual risks and expenses provision	2,349	4,855	(4,113)	3,091
Litigation risks provision	54	-	-	54
Agents' customer indemnity provision	46	16	-	62
Restructuring provision	1,001	761	(1,081)	681
Sundry provisions	3	69	(11)	61
Total	3,453	5,701	(5,205)	3,949

Other provisions mainly refer to:

- ⇒ The contractual risks and expenses provision which includes accruals for the completion of installations and work on products under warranty over the next 12 months. The increase in the provision is due to a higher number of products under warranty.  
The accrual of Euro 4,855 thousand includes Euro 570 thousand for the provision taken over in the acquisition of Laserdyne Prima.
- ⇒ The litigation risks provision has remained unchanged compared to the prior year and relates to potential future expenses on litigation with an agent that no longer works for the company.
- ⇒ The agents' customer indemnity provision covers liabilities which could originate from canceling agency contracts with Italian operators. The provision was increased by Euro 16 thousand in 2001 on the basis of the rates established by the existing law which governs the relationship between sales agents and their principals.
- ⇒ The restructuring provision was set up in 2000 under the framework of the acquisition of Convergent Prima to meet the additional restructuring expenses which the company will incur in future years. Laserdyne Prima's restructuring provision was taken over in 2001; this provision covers the costs for restructuring begun in 2001 that will be completed in 2002.
- ⇒ Sundry provision (Euro 61 thousand) increased by Euro 58 thousand from the end of last year due to accruals made in respect of exchange fluctuations net of utilizations during the year.

## 28) PROVISION FOR DEFERRED INCOME TAXES

This provision includes the liability for deferred income taxes set aside in accordance with Italian Accounting Principle No. 25 issued by the National Board of Dottori Commercialisti and Ragionieri.

Deferred income tax liabilities amount to Euro 1,425 thousand, with an increase of Euro 129 thousand compared to the prior year (Euro 1,296 thousand).

Additional information is provided in the note on income taxes in the income statement.

## 29) EMPLOYEES' SEVERANCE INDEMNITY

The changes during the year are as follows:

<b>Balance at January 1, 2001</b>	2,825
Accrued	664
Indemnity paid	(285)
<b>Balance at December 31, 2001</b>	3,204

The balance at December 31, 2001 is net of payments on account made to employees and gross of on-account payments made for taxes in accordance with the law, which are shown under financial fixed assets. This provision represents the gross liability matured in favor of employees on the basis of existing laws at year-end and the contractual obligations for each person.

## PAYABLES

Comments on the composition and movements in payables during the year are as follows:

## 30) Bank borrowings

Bank borrowings consist of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
- Advances against orders and invoices	1,563	415
- Bank overdrafts	12,921	4,836
- Discount transactions under Sabatini law	1,728	1,490
- Medium/long-term debt	4,397	-
Total	20,609	6,741

Bank overdrafts increased by Euro 13,868 thousand compared to December 31, 2000 mainly due to the need to finance the growth in net working capital to meet the increase in business.

The discount transactions under the Sabatini law represent the adjustments on consolidation to conform to correct accounting principles, which show the risk of default for the financing institutions with reference to transactions with recourse.

Medium/long-term bank debt refers to loans made to Laserdyne Prima by Italian banking institutions (at the LIBOR rate plus a variable spread of 0.8 to 1).

### **31) Borrowings from other financial institutions**

Borrowings from other financial institutions, equal to Euro 16,768 thousand, show an increase of Euro 4,663 thousand compared to Euro 12,105 thousand at December 31, 2000, and refer to the following:

- ⇒ various leases for cars and electronic office equipment for Euro 69 thousand, following the adjustments made on consolidation to conform to correct accounting principles;
- ⇒ lease of the No. 2 factory at Collegno for Euro 1,449 thousand, following the adjustments made on consolidation to conform to correct accounting principles;
- ⇒ interest-bearing loan of 285 thousand obtained under Law 46/82 made to Prima Electronics concerning the project for the “Design, development, experimentation and engineering of a high-modular low-cost motion control and automation system”. This is a 15-year loan, 10 years of which are at 1.175% interest and five years of utilization and pre-amortization at 0.705% per year. Since the loan is still in the pre-amortization period, the liability is totally considered medium/long-term.
- ⇒ Loan by the Ministry of Industry, Commerce and Handicrafts under Law 46/82 “Fondo Speciale Rotativo per l’Innovazione Tecnologica” for Euro 722 thousand. This is a 15-year loan for a maximum principal amount of Euro 1,069 thousand, received in 1999, with five years of pre-amortization at a rate of 0.9825% per year and 10 years of installment payments at a rate of 3.275%.
- ⇒ Medium-term loan for Euro 5,600 thousand. This loan was received on September 13, 1999 from a syndicate of banks led by our shareholder Investire Partecipazioni (formerly ITAINVEST) for Euro 8,500 thousand; the loan is repayable in six semi-annual payments from March 13, 2001 to September 13, 2003 and bears interest at the 6-month Euribor rate plus a spread of 1.25. The two principal payments due in 2002 and equal to approximately Euro 2,800 thousand represent the current portion of the loans while the remaining amount of Euro 2,800 thousand is considered medium/long-term.



⇒ Loan received by Prima Industrie from Mediocredito dell'Umbria for an original amount of Euro 775 thousand. This loan is guaranteed by the European Investment Fund (EIF) and was secured in order to finance the works of the new plant facility. This is 5-year loan (with a pre-amortization period that expired on January 31, 2001) which provides for quarterly deferred repayments bearing interest at the Euribor rate plus a spread of one. The principal payments due in 2002 of Euro 173 thousand represent the current portion of the loan while the remaining principal amount of Euro 478 thousand is considered medium/long-term. The residual debt at December 31, 2001 is Euro 651 thousand.

The above loans had already been carried in the financial statements at the date of December 31, 2000. Prima Industrie obtained the following other loans during the current year:

⇒ Loan of Euro 2,582 thousand received from Banca Mediocredito on May 15, 2001 with repayment in eight semi-annual installments from March 31, 2003 to September 30, 2006 at a variable rate of 5.39% up to September 30, 2001 and at the 6-month Euribor rate plus a spread of 0.9 after that date).

⇒ US dollar loan for an equivalent Euro 1,111 thousand received from Banca Popolare di Novara of Luxembourg with repayment in 8 quarterly installments of US\$ 125,000 each starting from July 23, 2002 bearing interest at the Libor rate plus a spread of 0.8. The current portion of the loan is thus equal to Euro 284 thousand.

⇒ US dollar loan for an equivalent Euro 2,229 thousand received from Sanpaolo IMI on December 20, 2001 with repayment at 18 months bearing interest at the Libor rate plus a spread of 0.5. Both US dollar loans were taken out to finance the operations of the newly acquired business Laserdyne Prima.

⇒ Loan received from Sanpaolo IMI for Euro 2,070 thousand with pre-amortization until July 1, 2003. This loan is for research received out of the special fund for applied research established by Law 1089/1968 under Law No. 46/1982 paid on behalf of M.U.R.S.T. The loan is repayable in 12 semi-annual deferred installments and bears interest at 1% semi-annually.

### **32) Payments on account**

Payments on account refer to advances received from customers against uncompleted orders, as well as down-payments from customers confirming orders for Euro 1,093 thousand. Payments on account increased by Euro 193 thousand from Euro 900 thousand in the prior year.

### 33) Trade accounts payable

Trade accounts payable total Euro 22,879 thousand compared to Euro 20,977 thousand at December 31, 2000. The increase of Euro 1,902 thousand is the result of higher purchases connected with higher production volumes and business growth.

### 34) Taxes payable

Taxes payable are composed of the following:

	Balance at 12/31/2001	Balance at 12/31/2000
Payables to the tax authorities for:		
- income taxes	59	1,525
- VAT	-	35
- short-term taxes payable	683	583
Total	742	2,143

Taxes payable decreased from Euro 2,143 thousand at December 31, 2000 to Euro 742 thousand at December 31, 2001 and should be viewed in relation to the reduction in income taxes payable by the parent company Prima Industrie S.p.A..

### 35) Social security agencies payable

This refers to payables due to these agencies at year-end for the employer's and employees' portion regarding December payrolls; the total is Euro 951 thousand compared to Euro 882 thousand at the end of the prior year, with an increase of Euro 69 thousand. The amount was duly paid in 2002, by the due date established by law.

### 36) Other payables

	Balance at 12/31/2001	Balance at 12/31/2000
Employee payrolls	1,661	1,046
Remuneration to directors and statutory auditors	67	42
Other minor items	647	446
Total	2,375	1,534

Other payables total Euro 2,375 thousand, compared to Euro 1,534 thousand at December 31, 2000. They include, as described in the table, liabilities accrued by not yet paid for: deferred compensation (vacation, production premium, the 13<sup>th</sup> month salary for employees on a trial period and other incentives earned at December 31, 2001), remuneration to directors and statutory auditors and other minor items.

Other minor items include about Euro 494 thousand that Laserdyne Prima still owes to GSI Lumonics for the balance due on the acquisition of the activities of Laserdyne itself.

### 37) ACCRUED LIABILITIES AND DEFERRED INCOME

At December 31, 2001, accrued liabilities and deferred income are composed as follows, compared to December 31, 2000:

	Balance at 12/31/2001	Balance at 12/31/2000
Accrued liabilities		
- Interest on various loans	193	230
- Other	39	38
Total accrued liabilities	232	268
Deferred income		
- Interest on discount transactions under Sabatini law	259	162
- Other	644	393
Total deferred income	903	555
Total accrued liabilities and deferred income	1,135	823

“Accrued liabilities – other” includes liabilities for insurance, employee expense reports, etc.

Deferred income for interest on discount transactions under the Sabatini law increased due to new transactions without recourse not yet concluded at the end of 2001 and decreased due to transactions which were extinguished in 2001.

“Other” includes the license contributed to the joint venture with Shenyang Machine Tools Company Ltd in China, the margin of which is being deferred over ten years.

### **INFORMATION REQUIRED BY LAW NO. 72 OF MARCH 19, 1983**

With reference to the provision of Law 72 of March 19, 1983, art. 10, the Group states that revaluations were effected as allowed by Law 576 of December 2, 1975 and Law 72 of March 19, 1983, with a contra-entry to reserves under shareholders' equity.

The revaluations made as allowed by the law referred to the following asset categories:

Buildings, Machinery, Office furniture and equipment, Electronic office equipment, Motor vehicles, Furnaces.

Prima Electronics also carried out revaluations, as allowed by Law No. 342 of November 21, 2000, on the building used as the head office of the company.

Such assets are still in the financial statements, with the exception of a building, the motor vehicles and the furnaces, and are grouped below for the amounts indicated (in euro):

<u>CATEGORY</u>	<u>HISTORICAL COST</u>	<u>REVALUATION LAW 576/75</u>	<u>REVALUATION LAW 72/83</u>	<u>REVALUATION LAW 342/00</u>	<u>TOTAL</u>
Buildings	121,591	-	--	833,854	955,445
Machinery	8,226	10,938	--	--	19,164
Ordinary office furniture and equipment	11,258	2,866	--	--	14,124
Electronic office equipment	11,491	2,868	--	--	14,359
<b>Total</b>	<b>152,566</b>	<b>16,672</b>	<b>--</b>	<b>833,854</b>	<b>1,003,092</b>

## **MEMORANDUM ACCOUNTS**

### **38) Guarantees given**

Guarantees on behalf of subsidiaries – The amount of Euro 3,254 thousand relates to a guarantee given in 2001 to a credit institution which gave a US dollar 3 million loan to Laserdyne Prima.

Guarantees on behalf of other companies – These amount to Euro 77 thousand and refer to two guarantees given to Consorzio Garanzia Fidi Unionfidi, in which Prima Industrie is a shareholder (for Euro 33 thousand), as well as a guarantee given to Sanpaolo IMI against a contract stipulated in China. These guarantees increased by Euro 44 thousand from last year.

### **39) Commitments**

Commitments total Euro 1,956 thousand (compared to Euro 2,262 thousand in the prior year) for financing lease obligations: electronic office equipment (Euro 64 thousand), motor vehicles (Euro 62 thousand) and the plant facilities in Via Antonelli 28 (Euro 1,830 thousand). They refer to the total amount of remaining lease payments due to leasing companies including the payment for the final purchase price established by contract but excluding the lease installments already paid.. Lease obligations by year are as follows:

#### Office equipment (in thousands of euro)

2002	<u>51</u> + 13 for the final purchase price
Total	64

#### Motor vehicles (in thousands of euro)

2002	12
2003	12
2004	16
2005	<u>21</u> + 1 for the final purchase price
Total	62

Plant facilities Via Antonelli 28 (in thousands of euro)

2002	222
2003	222
2004	222
2005	222
2006	222
2007	222
2008	222
2009	<u>111</u> + 165 for the final purchase price.
Total	1,830

**40) Contingencies for bills discounted**

These refer to the bills signed by customers against sales under the Sabatini law and discounted with recourse.

In 2001, two new transactions were entered into and one was extinguished. Therefore, the total risk at the end of year is Euro 1,934 thousand compared to Euro 1,685 thousand in 2000.

Existing transactions refer to five customers.

One of these transactions will be extinguished in 2004, two in 2005 and the other two in 2006.

The amount also includes Euro 790 thousand (Euro 519 thousand at December 31, 2000) advanced by the bank on notes receivable and expiring in 2002.

**41) Other memorandum accounts**

Repurchase commitments – These refer to customers and third parties and total Euro 4,211 thousand (Euro 1,818 thousand at December 31, 2000) and largely refer to repurchase commitments signed by our company in favor of leasing companies for sales made to customers (for Euro 2,781 thousand).

The increase of Euro 963 thousand compared to December 31, 2000 is due to new guarantees issued.

This type of guarantee is issued by our company to assist the customer in obtaining financing in the case the customer cannot automatically offer guarantees for the transaction to the third-party lender.

There is also a put option at December 31, 2001 granted to the company Pluritec S.p.A. (now ACD Technologies S.p.A.) for its sale to us of a 20% interest in the capital of Convergent Prima at a price of US dollars 1.26 million (equal to Euro 1,430 thousand). In view of the fact that, at December 31, 2001, the underlying share of the net equity of Convergent Prima is Euro 1,077 thousand, should the option right be exercised this would

generate a potential loss (at December 31, 2001 values) of Euro 353 thousand, which could nevertheless be compensated by the sale to third parties of know-how developed for microdrilling systems for printed circuit boards.

Company goods held by third parties – At December 31, 2001, such goods total Euro 4,674 thousand (Euro 2,870 thousand at December 31, 2000). They relate to:

- materials and goods held at the warehouses of the branches for Euro 1,118 thousand;
- spare parts held by customers for Euro 129 thousand;
- materials with suppliers on deposit or for commissioned work for Euro 1,613 thousand;
- semifinished and finished goods held by third parties for Euro 1,814 thousand.

Finished goods include machines that are held by the offices of the European branches and at Laserdyne Prima in the United States for use in demonstrations, in addition to the Platino machine which is at a Danish university for technological developments connected with the Publics research project.

Such assets are included in the final inventory balance in the financial statements.

Guarantees given by third parties on our behalf – The amount of Euro 11,390 thousand (Euro 1,637 thousand in 2000) refers to bank guarantees issued to guarantee bank credit lines mainly on behalf of the subsidiaries Convergent Prima Inc. (total of Euro 2,724 thousand) and Laserdyne Prima (for Euro 4,749 thousand), on behalf of customers for advances against orders and for guarantee purposes (guarantees given within the limits of the receipts made by the same customers), as well as guarantees issued to the suppliers Rofin Sinar and Kugelmann and other minor guarantees.

There is also a guarantee pending for Euro 106 thousand against the reimbursement of VAT for the last quarter of 1997 of Prima Electronics.

## INCOME STATEMENT

### PRODUCTION VALUE

#### 42) REVENUES FROM SALES AND SERVICES

Revenues from sales and services total Euro 111,895 thousand compared to Euro 89,971 thousand in 2000. This is an increase of roughly 24.4%.

Details are as follows:

	2001	2000
<b>2D laser systems:</b>		
Italy	12,476	12,857
Europe	12,140	10,108
USA	2,432	3,321
Rest of the world	5,820	2,498
<b>Total</b>	<b>32,868</b>	<b>28,784</b>
<b>3D laser systems:</b>		
Italy	4,492	11,031
Europe	18,860	14,074
USA	8,771	4,123
Rest of the world	5,451	4,400
<b>Total</b>	<b>37,574</b>	<b>33,628</b>
<b>Other laser systems:</b>		
Italy	-	392
Europe	-	168
USA	3,095	-
Rest of the world	1,024	-
<b>Total</b>	<b>4,119</b>	<b>560</b>
<b>Electronic systems:</b>		
Italy	3,599	3,461
Europe	7,621	7,625
USA	-	25
Rest of the world	88	215
<b>Total</b>	<b>11,308</b>	<b>11,326</b>
<b>Laser generators:</b>		
Italy	122	86
Europe	1,679	692
USA	1,623	2,276
Rest of the world	1,308	217
<b>Total</b>	<b>4,732</b>	<b>3,271</b>



	2001	2000
<b>Assistance and other:</b>		
Italy	5,154	2,528
Europe	5,448	3,934
USA	9,226	4,858
Rest of the world	1,466	1,082
<b>Total</b>	<b>21,294</b>	<b>12,402</b>
<b>Total sales</b>	<b>111,895</b>	<b>89,971</b>

A total of 176 laser systems were delivered (154 last year) and 29 laser generators (18 last year).

In addition to the growth recorded in 2001 by the pre-existing companies (about 10% of total growth), an important contribution was made beginning April 1, 2001 by the newly-acquired company Laserdyne Prima Inc., which brought a further increase of about 14%.

#### 43) INCREASE IN INTERNAL WORK CAPITALIZED UNDER FIXED ASSETS

The following costs have been capitalized under “Intangible and tangible assets” during the year:

	2001	2000
Internal construction	75	108
Deferred charges capitalized	-	169
Total	75	277

Internal construction refers to the construction of test benches, capitalized for Euro 69 thousand by Prima Electronics and Euro 6 thousand by Prima Industrie.

#### 44) OTHER REVENUES AND INCOME

This caption includes:

	2001	2000
- Capital and operating grants	-	45
- Sundry income	1,844	2,159
Total other revenues and income	1,844	2,204

Sundry income amounts to Euro 1,844 thousand and includes (in thousands of euro):

	<u>2001</u>	<u>2000</u>
• Capital and operating grants	846	1,503
• Prior period income	335	208
• Insurance refunds	5	5
• Trade fair costs recharged to Matra Werke	155	88
• Shenyang license	-	15
• Gains	2	14
• Tax bonus Law 140	63	99
• Other minor items	438	227
Total	<u>1,844</u>	<u>2,159</u>

“Other minor items” of Euro 438 thousand include costs incurred by Laserdyne Prima for 218 thousand and recharged to GSI Lumonics.

## **PRODUCTION COSTS**

### **45) PURCHASE OF RAW MATERIALS, CONSUMABLES AND SUPPLIES**

These can be analyzed as follows:

	2001	2000
Raw materials	60,636	46,106
Packaging	331	270
Consumables and supplies	975	489
Other	1,568	689
Total	63,510	47,554

Purchases include raw materials, consumables and supplies for Euro 63,510 thousand compared to Euro 47,554 thousand in 2000.

The increase is due to higher purchases to meet the production requirements for the manufacture of increased quantities of machinery.

### **46) SERVICE EXPENSES**

These are detailed as follows:

	2001	2000
Work by third parties	6,189	6,000
Travel	3,466	2,275
Technical, legal, tax and administrative consulting fees	2,472	1,930
Freight	2,259	1,167
Commissions	1,951	1,619
Advertising and promotion	1,181	916
Electricity, telephone, etc.	852	727
Insurance	372	308
External maintenance	779	439
Remuneration to directors and statutory auditors	465	250
Other	1,640	1,079
Total	21,626	16,710

The percentage increase in expenses for services is lower than the growth in operations due to the Group's larger size, which allowed it to take advantage of economies of scale.

In particular, freight costs are higher (from Euro 1,167 thousand to Euro 2,259 thousand), in direct relation to higher sales volumes, and travel expenses are up (from Euro 2,275 thousand to Euro 3,466 thousand), partly as result of the acquisition of a second company in the United States. Remuneration to directors increased owing to a higher number of members sitting on the Board of Directors of Prima Industrie in 2001, in compliance with the code of corporate governance adopted by the company, and also as a result of the

revision in the remuneration paid to the managing director who, having resigned his position as a manager of the company on January 1, 2001, from that date now only fills the full-time post of managing director.

As required by art. 38 of Legislative Decree 127/91 information is provided on the remuneration due to the directors of the parent company, which totals Euro 312 thousand, and due to the statutory auditors, which amounts to Euro 66 thousand.

“Other” includes costs incurred by the Group for use of temporary working arrangements (Euro 486 thousand), entertainment (Euro 74 thousand), royalties on licenses and patents (Euro 52 thousand) and other external services (per Euro 934 thousand).

#### 47) LEASE AND RENT COSTS

These are detailed below:

	2001	2000
Rent	918	511
Motor vehicle leasing	217	178
Leasing factory 2 Collegno	55	57
Other leases	167	50
Motor vehicle and equipment rentals	195	167
Other minor items	173	108
Total	1,725	1,071

The increase reflects higher structure costs for the management of an additional production facility (Laserdyne Prima factory at Maple Grove).

#### 48) PERSONNEL EXPENSES

Personnel expenses total Euro 24,115 thousand compared to 16,913 thousand in the prior year. They refer to:

	2001	2000
Salaries and wages	17,964	12,399
Social security contributions	5,058	3,574
Employees severance indemnity	664	605
Other personnel expenses	429	335
Total	24,115	16,913

Other personnel expenses include costs for the cafeteria, training courses and social security contributions for managers of the Prima Group for insurance coverage.

Changes during the year in the number of employees, obviously affected by the acquisition of Laserdyne employees as from April, are detailed by category below:

	12/31/00	Hired	Change in category	Dismissed	12/31/01	Average during year
Managers	15	-	1	-	16	15.5
Supervisors	-	-	6	-	6	3.0
Cadres	23	2	2	(9)	18	20.5
Staff	135	24	10	(12)	157	146.0
Intermediate	2	-	1	-	3	2.5
Workers	90	23	-	(24)	89	89.5
Branches + Prima Industrie International BV	22	6	-	(1)	27	24.5
USA employees	92	115	-	(53)	154	123.0
Total	379	170	20	(99)	470	424.5

#### 49) AMORTIZATION, DEPRECIATION AND WRITEDOWNS

A breakdown is provided as follows:

	2001	2000
Amortization of intangible assets	1,234	845
Depreciation of tangible assets	1,116	749
Doubtful accounts expense	(150)	550
Total	2,200	2,144

Amortization and depreciation criteria are fully discussed elsewhere in the notes. As for doubtful receivables, the utilizations of the pre-existing allowance accounts during the year was higher than the accruals, thus the net change is a credit balance, which reflects a better global receivables situation.

#### 50) ACCRUALS TO PROVISIONS FOR LIABILITIES AND EXPENSES

This caption includes accruals (net of utilizations of existing provisions) made during the year for potential liabilities. The balance in 2001 is a credit balance of Euro 203 thousand, compared to a debit balance of Euro 683 thousand in the prior year due to higher accruals, since the utilizations were higher than the accrual made in 2001 in view of a better global situation.

In fact, the balance of Euro 203 thousand derives from the utilization of Euro 354 thousand from the warranty provision net of Euro 151 thousand of accruals for the same provision.

## 51) OTHER OPERATING EXPENSES

Other operating expenses refer to:

	2001	2000
Prior period expenses	276	196
Taxes other than income taxes	414	85
Penalties and fines	98	51
Sundry operating expenses	491	235
Total	1,279	567

Prior period expenses refer mainly to amounts incorrectly accrued in prior years and non-existent assets, pertaining to the ordinary operations of the company.

Penalties and fines of Euro 98 thousand refer to the settlement and closing of technical and commercial litigation with some customers of the Group.

“Other” includes losses on the disposal of corporate tangible assets of Euro 31 thousand, trade association dues of Euro 85 thousand, gratuities and nondeductible costs of Euro 98 thousand and other nondeductible corporate costs of Euro 277 thousand. The increase in operating expenses is due to the acquisition of Laserdyne Prima and the expansion of the Group’s total structure.

## **FINANCIAL INCOME AND EXPENSES**

## 52) INVESTMENT INCOME

Investment income totaled Euro 448 thousand in 2001 compared to Euro 96 thousand in 2000. It refers to the tax credits on dividends distributed in 2001 by Prima Electronics.

Details of other financial income are provided below:

	2001	2000
- Interest income from customers	716	870
- Interest income from banks and others	375	376
- Interest income from securities	20	71
- Interest income on VAT/IRPEG refund	35	29
- Exchange gains	829	754
Total	1,975	2,100

Interest income from customers includes the portion of notes discounted under the Sabatini law referring to the current year.

### 53) INTEREST AND OTHER FINANCIAL EXPENSES

Details are as follows:

	2001	2000
- Interest expense on bank borrowings	472	632
- Interest expense on other payables	2,057	1,609
- Exchange losses	242	472
- Interest on leasing contracts	100	57
Total	2,871	2,770

Interest on other payables include interest on Sabatini transactions for Euro 584 thousand, interest on medium/long-term payables for Euro 562 thousand and other financial expenses for Euro 911 thousand.

## **ADJUSTMENTS TO FINANCIAL ASSETS**

### **54) Writedowns of securities included in current assets**

The amount recorded in 2001 is Euro 195 thousand. It refers to the accrual for the writedown of the investment in the Swiss company Elesta AG held by Prima Electronics. This adjustment was made to take into account the lower value of realization of this investment compared to its residual carrying value. For additional details reference should be made to the notes on “Investments in subsidiaries” in current assets.

### **55) INCOME TAXES**

#### **Current income taxes**

Current income taxes total Euro 2,807 thousand compared to Euro 3,266 thousand in the prior year. The reduction is due to the contraction in the net income of the Group as a result of the losses reported by the American companies Convergent Prima and Laserdyne Prima, as well as the lower charge for IRPEG taxes deriving from the application of the Superdit by the subsidiaries.



## Deferred income taxes

The application of the accounting principle on deferred income taxes gave rise to the following effects on income (deferred tax liabilities and assets):

	Deferred tax assets	Deferred tax liabilities
From the financial statements of :		
• Prima Industrie S.p.A.	857	420
• Prima Electronics S.p.A.	97	38
On the loss carryforwards:		
• Laserdyne Prima Inc.	358	-
• Convergent Prima Inc.	416	-
From adjustments on consolidation:		
• Capitalization of Prima Industrie leases on building and electronic equipment	-	44
• Accelerated depreciation by Prima Electronics	-	(28)
• Amortization of goodwill, software and start-up costs of Laserdyne Prima and Convergent Prima	71	-
• Elimination of intercompany margins	212	-
• Gains on the sale of the license to Shenyang Prima Laser Machine Company Ltd and SNK Prima Company Ltd	41	-
• In-transit inventories	26	23
Total movements from adjustments on consolidation	350	39
Total	2,078	497

The net amount is a deferred tax credit to income of Euro 1,581 thousand.

## **APPENDIX**

The following appendices contain supplementary information to the notes, which are an integral part thereto.

The supplementary information refers to the following:

- Statement of changes in consolidated shareholders' equity for the years ended December 31, 2001 and 2000
- List of investments at December 31, 2001
- Statement of changes in current financial assets: equity investments in subsidiaries and other companies
- Statement of reconciliation of shareholders' equity and net income between the statutory financial statements of the parent company and the consolidated financial statements at December 31, 2001
- Statement of changes in intangible assets at December 31, 2001
- Statement of changes in tangible assets at December 31, 2001
- Statement of summary of highlights of most recent approved financial statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code)
- Consolidated statement of cash flows for the years 2001 and 2000

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**  
(thousands of euro)

Description	Share Capital	Share premium reserve	Revaluation Reserves	Legal Reserve	Losses covered	Other reserves	Cumulative translation adjustments	Retained earnings	Net income for the year	Total shareholders' equity
<b>Balance at December 31, 1999</b>	<b>8,852</b>	<b>4,682</b>	-	<b>102</b>	-	<b>657</b>	<b>243</b>	<b>735</b>	<b>2,374</b>	<b>17,645</b>
Appropriation of net income 1999	-	-	-	<b>62</b>	-	<b>1,655</b>	-	<b>657</b>	<b>(2,374)</b>	-
Share capital increase through subscription to employee stock option plan	<b>129</b>	<b>208</b>	-	-	-	-	-	-	-	<b>337</b>
Share capital increase with share premium reserved for institutional investors	<b>315</b>	<b>2,497</b>	-	-	-	-	-	-	-	<b>2,812</b>
Net increase in shareholders' equity of Prima Electronics for revaluation of buildings (net of substitute tax)	-	-	-	-	-	-	-	<b>154</b>	-	<b>154</b>
Translation adjustment, reclassifications and other net movements on consolidation	-	-	-	<b>(36)</b>	-	-	<b>(428)</b>	<b>35</b>	-	<b>(429)</b>
Net income for the year 2000	-	-	-	-	-	-	-	-	<b>4,865</b>	<b>4,865</b>
<b>Balance at December 31, 2000</b>	<b>9,296</b>	<b>7,387</b>	-	<b>128</b>	-	<b>2,312</b>	<b>(185)</b>	<b>1,581</b>	<b>4,865</b>	<b>25,384</b>
Appropriation of 2000 net income	-	-	-	<b>208</b>	-	<b>3,298</b>	-	<b>1,359</b>	<b>(4,865)</b>	-
Conversion of share capital in euro, according to resolution passed by the shareholders' meeting of May 11, 2001	<b>(296)</b>	-	-	<b>296</b>	-	-	-	-	-	-
June 18, 2001: share capital increase reserved for Helios Private Equity SA	<b>650</b>	<b>4,796</b>	-	<b>22</b>	-	-	-	-	-	<b>5,468</b>
July 10, 2001: share capital increase through subscription to employee stock option plan (50,000 new shares issued), voted by board of directors on December 17, 1999	<b>125</b>	<b>246</b>	-	<b>4</b>	-	-	-	-	-	<b>375</b>
December 4, 2001: share capital increase reserved for shareholders of Prima Electronics	<b>600</b>	<b>461</b>	-	-	-	-	-	-	-	<b>1,061</b>
Translation adjustment, reclassifications and other net movements on consolidation	-	-	-	-	-	-	<b>222</b>	<b>(274)</b>	-	<b>(52)</b>
Net income for the year 2001	-	-	-	-	-	-	-	-	<b>197</b>	<b>197</b>
<b>Balance at December 31, 2001</b>	<b>10,375</b>	<b>12,890</b>	-	<b>658</b>	-	<b>5,610</b>	<b>37</b>	<b>2,666</b>	<b>197</b>	<b>32,433</b>

## LIST OF INVESTMENTS AT DECEMBER 31, 2001

### LINE-BY-LINE CONSOLIDATION

Company / Registered office	Currency	Share capital	% ownership 2001	% ownership 2000
<b><i>Holding company:</i></b>				
Prima Industrie S.p.A., Collegno (TO)	€	10,375,000	-	-
<b><i>Subsidiaries:</i></b>				
Prima Electronics S.p.A., Moncalieri (TO)	€	1,500,000	100%	59.99%
Laserdyne Prima Inc., Maple Grove, Minnesota – USA (formerly Prima U.S. Inc., Michigan, U.S.A.)	US\$	10,000,000	100%	100%
Prima Industrie GmbH, Kronberg, Germany	D.M.	50,000	100%	100%
Prima Industrie International BV, Amsterdam, Holland	HFL	50,000	100%	100%
<b><i>Indirectly owned subsidiaries:</i></b>				
Convergent Prima Inc, Massachusetts, USA	US\$	6,300,000	80%	80%

**STATEMENT OF CHANGES IN CURRENT ASSETS**  
**EQUITY INVESTMENTS IN SUBSIDIARIES**  
**AND OTHER COMPANIES**

(thousands of euro)

Description	Accounting situation	Movements during the year		Closing balance	Percentage ownership
	Original cost valued at cost	Increase	Decrease	Balance at 12/31/01	

Subsidiaries:

Elesta AG	877.0	--	(682)	195.0	60%
-----------	-------	----	-------	-------	-----

Other companies:

Unionfidi	0.1	--	--	0.1	--
-----------	-----	----	----	-----	----

Total	<u>877.1</u>	<u>--</u>	<u>(682)</u>	<u>195.1</u>	
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## PRIMA INDUSTRIE GROUP

### STATEMENT OF RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET INCOME BETWEEN THE STATUTORY FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2001

(thousands of euro)

	Shareholders' equity beginning of year	Increase (decrease) Shareholders' equity	Shareholders' equity end of year
Prima Industrie S.p.A. financial statements at December 31, 2001	23,759	8,038	31,797
Financial statements of companies consolidated line- by-line	11,029	3,835	14,864
Adjustments to conform to accounting principles of the Group:			
➤ Exchange differences and depreciation and amortization	(67)	(334)	(401)
➤ Capitalization of leases	263	112	375
Consolidation adjustments:			
➤ Elimination of carrying value of investments	(6,506)	(5,294)	(11,800)
➤ Elimination of intercompany margins	(339)	(525)	(864)
➤ Elimination of Prima Electronics dividends	(186)	(114)	(300)
➤ Elimination of 50% China license and 40% Japan	(134)	(104)	(238)
➤ Recording of deferred tax assets	485	(55)	430
➤ Minority interest	(2,918)	1,488	(1,430)
Consolidated financial statements	25,386	7,047	32,433

**STATEMENT OF CHANGES IN INTANGIBLE ASSETS  
AT DECEMBER 31, 2001**

(thousands of euro)

Intangible assets	Balance at 1/1/2001	Movements during the year			Balance at 12/31/2001
		Additions (*)	Net disposals and reclassifications	Amortization	
Plant start-up and formation costs	135	-	-	(34)	101
Research and development costs	447	-	-	(185)	262
Industrial patent rights and utilization rights of intellectual properties	533	439	-	(349)	623
Concessions, licenses, trademarks and similar rights	10	-	-	(1)	9
Goodwill	1,755	2,597	519	(394)	4,477
Assets in progress and payments on account	-	-	-	-	-
Other intangible assets	749	758	(265)	(270)	972
<b>Total</b>	<b>3,629</b>	<b>3,794</b>	<b>254</b>	<b>(1,233)</b>	<b>6,444</b>

(\*) Additions include the assets acquired in the purchase of Laserdyne Prima as of April 1, 2001 and additions purchased during the year 2001. Such amount also includes exchange differences originating in 2001.

**STATEMENT OF CHANGES IN TANGIBLE ASSETS  
AT DECEMBER 31, 2001**

(thousands of euro)

Tangible assets	Opening balance				Movements during the year					Closing balance			
	Original cost	Revaluations	Accumulated depreciation	Balance at 1/1/2001	Additions (*)	Disposals (**)	Accumulated depreciation. Laserdyne Prima 1/4/01	Use of acc. depreciation (**)	Depreciation	Original cost	Revaluations	Accumulated depreciation	Balance at 12/31/2001
Land and buildings	2,023	834	(177)	2,680	425	16	-	(12)	(103)	2,464	834	(292)	3,006
Plant and machinery	1,902	11	(977)	936	1,359	59	(832)	(40)	(279)	3,320	11	(2,128)	1,203
Industrial and commercial equipment	6,044	-	(5,577)	467	550	(2,926)	(370)	3,008	(276)	3,668	-	(3,215)	453
Other tangible assets	5,133	6	(4,065)	1,074	2,596	(2,189)	(1,951)	2,095	(458)	5,540	6	(4,379)	1,167
Assets under construction and payments on account	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15,102</b>	<b>851</b>	<b>(10,796)</b>	<b>5,157</b>	<b>4,930</b>	<b>(5,040)</b>	<b>(3,153)</b>	<b>5,051</b>	<b>(1,116)</b>	<b>14,992</b>	<b>851</b>	<b>(10,014)</b>	<b>5,829</b>

(\*) Additions include the assets acquired in the purchase of Laserdyne Prima as of April 1, 2001 and additions purchased during the year 2001. Such amount also includes exchange differences originating in 2001.

(\*\*) "Disposals" and "Use of accumulated depreciation" are calculated net of any reclassifications on consolidation and exchange differences.



**STATEMENT OF SUMMARY OF HIGHLIGHTS  
OF MOST RECENT APPROVED FINANCIAL STATEMENTS OF  
SUBSIDIARIES AND ASSOCIATED COMPANIES (ART. 2429 Italian Civil Code)**

	<b>Prima Electronics S.p.A.</b>	<b>Laserdyne Prima Inc</b>	<b>Prima GmbH</b>	<b>Prima Industrie Int. BV</b>	<b>Shenyang Prima Laser Machine</b>	<b>SNK Prima Company Ltd</b>	<b>Macro Meccanica S.p.A., in liquidation</b>
Functional currency	Thousands of euro	US\$	DM	DFL	US\$	US\$	Thousands of euro
Period of reference for financial statements	2001	2001	2001	2001	2001	2001	2000
Line-by-line consolidation	YES	YES	YES	YES	NO	NO	NO
<b><u>ASSETS</u></b>							
Fixed assets	2,103	9,870,755	1,495	-	596,280	33,600	-
Current assets	7,369	16,204,469	122,035	315,032	715,823	52,927	338
Accrued income and prepaid expenses	30	-	-	-	18,533	-	-
Total assets	<u>9,502</u>	<u>26,075,224</u>	<u>123,530</u>	<u>315,032</u>	<u>1,330,636</u>	<u>86,527</u>	<u>338</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>							
Shareholders' equity	3,810	4,998,453	(257,042)	279,809	839,467	86,527	(1,436)
Provisions for liabilities and expenses	115	1,150,055	4,500	-	-	-	491
Employees' severance indemnity	844	-	-	-	-	-	32
Payables	4,702	19,163,040	374,450	35,223	429,960	-	1,251
Accrued liabilities and deferred income	31	763,676	1,622	-	61,209	-	-
Total liabilities and shareholders' equity	<u>9,502</u>	<u>26,075,224</u>	<u>123,530</u>	<u>315,032</u>	<u>1,330,636</u>	<u>86,527</u>	<u>338</u>
<b><u>INCOME STATEMENT</u></b>							
Net sales	16,069	18,599,724	-	-	1,192,529	-	222
Production value	16,870	18,484,831	-	439,973	1,210,108	-	253
Production costs	<u>(14,489)</u>	<u>(21,537,149)</u>	<u>(24,419)</u>	<u>(436,758)</u>	<u>(1,170,258)</u>	<u>(3,473)</u>	<u>(528)</u>
Difference between production value and costs	2,381	(3,052,318)	(24,419)	3,215	39,850	(3,473)	(275)
Financial income (expenses) net	(34)	(254,013)	(446)	(1,081)	(920)	-	(49)
Extraordinary items	(195)	(1,242,237)	-	-	-	-	1,175
Income taxes	<u>(994)</u>	<u>631,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Net income	<u>1,158</u>	<u>(3,917,204)</u>	<u>(24,865)</u>	<u>2,134</u>	<u>38,930</u>	<u>(3,473)</u>	<u>850</u>

**STATEMENT OF SUMMARY OF HIGHLIGHTS  
OF MOST RECENT APPROVED FINANCIAL STATEMENTS OF  
INDIRECTLY OWNED SUBSIDIARIES (ART. 2429 Italian Civil Code)**

	Convergent Prima Inc.
Functional currency	US\$
Period of reference for financial statements	2001
Line-by-line consolidation	YES
<b><u>ASSETS</u></b>	
Fixed assets	2,193,104
Current assets	9,949,139
Accrued income and prepaid expenses	-
Total assets	<u>12,142,243</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	
Shareholders' equity	4,747,204
Provisions for liabilities and expenses	309,977
Employees' severance indemnity	-
Payables	6,730,262
Accrued liabilities and deferred income	<u>354,800</u>
Total liabilities and shareholders' equity	<u>12,142,243</u>
<b><u>INCOME STATEMENT</u></b>	
Net sales	16,777,095
Production value	16,061,973
Production costs	<u>(17,490,073)</u>
Difference between production value and costs	(1,428,100)
Financial income (expenses) net	(339,720)
Extraordinary items	-
Income taxes	<u>380,197</u>
Net income (loss)	<u>(1,387,623)</u>

# PRIMA INDUSTRIE GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS 2001 AND 2000

(thousands of euro)

	2001		2000	
<b>A) Net financial position, beginning of year</b>	<b>(14,425)</b>		<b>(3,466)</b>	
<b>B) Cash flows provided by operations</b>	<b>3,881</b>		<b>10,361</b>	
• Net income	197		4,865	
• Amortization, depreciation and writedowns	2,349		1,595	
• Net change in employees' severance indemnity	664		605	
• Net change in provision for liabilities and expenses	626		2,639	
• Accrual to investment writedown provisions	195		107	
• Accrual to allowance for doubtful accounts	(150)		550	
<b>C) Cash flows used for changes in current assets</b>	<b>(17,136)</b>		<b>(18,434)</b>	
• Net increase in inventories	(11,843)		(9,112)	
• Net increase in trade accounts receivable	(5,239)		(8,777)	
• Net increase in other accounts receivable	(2,980)		(3,083)	
• Decrease in other financial assets	682		(877)	
• Decrease in accrued income and prepaid expenses	327		(89)	
• Increase in advances from customers	193		(865)	
• Increase in trade accounts payable	1,902		3,735	
• Decrease in other payables	(490)		387	
• Increase in accrued liabilities and deferred income	312		247	
<b>D) Cash flows used for changes in fixed assets</b>	<b>(6,887)</b>		<b>(6,982)</b>	
• Increase in intangible assets	(4,048)		(3,417)	
• Increase in tangible assets	(1,788)		(2,949)	
• Increase in investments	(888)		(160)	
• Decrease in other financial fixed assets	122		(372)	
• Decrease in securities in guarantee	-		178	
• Use of employees' severance indemnity	(285)		(262)	
<b>E) Movements in shareholders' equity</b>	<b>5,364</b>		<b>4,096</b>	
• Dividends paid to third parties	(532)		(108)	
• Increase in share capital and share premium reserve	6,583		3,149	
• Increase in other sundry reserves	802		(950)	
• Decrease in share capital and reserves, net, minority interest	(1,489)		2,005	
<b>F) Net financial position, end of year</b>	<b>(29,203)</b>		<b>(14,425)</b>	
• Bank borrowings	(20,608)		(6,741)	
• Borrowings from other financial institutions	(16,768)		(12,105)	
• Cash and banks	7,656		3,726	
• Liquidity invested in PCT and/or government securities	517		695	

# **PRIMA INDUSTRIE GROUP**

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## **REPORT OF THE STATUTORY AUDITORS' COMMITTEE ON THE CONSOLIDATED ACCOUNTS AS AT DECEMBER 31, 2001**

Ladies and gentlemen

In accordance with article 41 para 3 of the law decree no. 127 of April 9, 1991, the Statutory Auditors Committee has examined the Company consolidated financial statements as at December 31, 2001 prepared as directed by art. no. 25 and 27 of the mentioned decree no. 127 which we received from the Company Board of Directors on March 27, 2002.

The Group consolidated financial statements, which is at the shareholders disposal, closes with a net profit of €196,475 after deduction of third party interests.

During the year the auditors committee performed its duty as directed by the law acknowledging the information supplied by the Board of Directors on major economical, financial operations made within the Group.

We have verified and made sure that the resolved and carried out operations were compatible with the law, the Company by-laws and shareholders resolutions in no potential conflict of interests and further executed in accordance with the principle of a correct administration.

The work made by PricewaterhouseCoopers SpA, in charge of the auditing, have ascertained that the values expressed on the consolidated accounts are confirmed by those of the controlling Company, by the controlling Company financial statements and relevant information from the latter formally communicated.

The financial statements delivered by the controlled to the controlling Company for the purpose of consolidation have also been audited by PricewaterhouseCoopers SpA following the consolidation procedures. The statutory auditor committee did not extent therefore its verifications to those financial statements. We like to advice you that we obtained from the Auditing Company their report prepared on April 10, 2002 as per article 156 of law decree no. 58/1998 in which it is stated that the consolidated financial statements "correspond to the rules regulating their preparation; they are therefore clearly drawn-up and represent in a truthful and correct manner the financial Prima Industrie Group situation and its economical result".

In accordance with art. 29 of law Decree 127/91 the financial statements are made of the "balance sheet" the "profit and loss account" and the explanatory notes. It is further completed by a "business report" as provided by article 40 of the above mentioned decree.

The “Business report” adequately explains the economical position of the Company, the trend of the business during 2001 and its expected evolution for the year 2002 concerning the consolidated companies.

The examination we have made shows the congruity of these with the Group consolidated accounts.

The “explanatory notes” refer to the general principles used in order to prepare the consolidated accounts and the standards used for the evaluation of each single item as directed by article 38 of D.Lgs. no. 129/91.

The determination of the consolidation “area”, the choice of the consolidation principle and the procedures used reflect the directions of D.Lgs. no. 129 of April 9, 1991.

The preparation of the consolidated financial statements must therefore be considered technically correct and, as a whole, conform to the specific rulings.

**As for what concerns the statutory committee it is hereby acknowledge that:**

- the consolidated financial statements of the Prima Industrie Group are made of: Prima Industrie SpA (group leader), Prima Electronics SpA (fully owned by Prima Industrie SpA), Laserdyne Prima Inc. (formerly Prima U.S. Inc.) fully owned, Convergent Prima Inc. 80% held by Laserdyne Prima Inc., Prima Industrie GmbH fully owned, Prima Industrie International BV (formerly Laserworld BV) fully owned;
- the Prima Industrie SpA participated companies which have not been consolidated line-by-line are Shenyang-Prima Laser Machine Company Ltd, SNK Prima Company Ltd and Macro Meccanica SpA under voluntary liquidation;
- the companies excluded from the consolidation process are Rambaudi Industriale SpA and Mechanical Industries Srl;
- during the year did not change the consolidation “perimeter” but changed the companies consistency because of purchasing of the residual 40% of Prima Electronics SpA share capital and of the purchase of a Laserdyne branch by Laserdyne Prima Inc. (formerly Prima US). The full Prima Electronics profit of the year was consolidated with the Group as at December 31, 2001. This is why the 2001 consolidation does not appear to be immediately comparable with that of the year 2000;
- the controlled companies have been consolidated integrally and this is assuming assets and liabilities, proceeds and charges of each Company as subjects of consolidation;
- the amount of the capital and those of the reserves of the controlled companies corresponding to third party participations have been entered under the heading “capital and reserves of third party”;

- the portion of the consolidated profit or loss corresponding to third party participations has been entered under the heading “profit (loss) of the year belonging to third party”;
- next to each item of the balance sheet and profit and loss consolidated accounts for the year 2001 it has been shown the corresponding figure of the 2000;
- the controlling system applied for the preparation of the consolidated accounts, submitted to your examination, appears to be sufficiently safe to insure the correct utilisation of the data received from the participated companies;
- the items of the assets and those of the liabilities have been dealt with homogeneous standards similar to those used for the controlling Company financial statements (art. 34 and 35 of D.Lgs. 127/91);
- the adjustments made to the financial statements for the purpose of tax wise cancelling entries and/or other consolidation adjustments keep their tax wise differed effect;
- the Group net profit is lower than the consolidated profit by €48,311, in consequence of a prudential fund created at the expense of the Group result in order to restore the value of the capital belonging the third party (20%) of Convergent Prima Inc. granted to ACD Technologies SpA (formerly Pluritec SpA) as per agreement. In fact the mentioned assignment right could be exercised only during 2002;
- commitments and memorandum accounts are entered at the bottom of the balance sheet page for € 27,007,070 and correspond to the memorandum accounts of Prima Industrie and Prima Electronics SpA;
- among the main fact occurred after the closing of the year 2001 the statutory auditor committee wishes to remind that on February 27, 2001 Prima Electronics SpA sold to the German Company Micro Innovation Holding AG (Moeller Group) the Elesta AG for a consideration of Swiss Francs 1 million.  
The transfer, which was agreed to be executed by instalments, was definitively settled on March 7, 2002.  
In consequence, as at December 31, 2001 Prima Electronics SpA held 60% of this participation. However, the auditors committee wishes to mention that in respect of the residual price of Swiss Francs 600,000 to be cashed for the transfer of the second instalment, Swiss Francs 300,000 only were cashed after having granted a further discount to Micro Innovation AG due to the loss incurred by Elesta AG during 2001. Being Elesta AG a non strategical participation its financial statements were not consolidated.

**Finally, the statutory auditors committee acknowledge the following:**

- ◆ the balance sheet shows a net consolidated equity of €32,433,245 as against the Group leader net equity of €31,796,819;
- ◆ the explanatory notes are supported by the following schedules:
  - schedule of net capital changes for the financial years ended as at December 31, 2001 and 2002;
  - list of the consolidated participation as at December 31, 2001;
  - schedule of working capital variations: participations in controlled companies and other companies;
  - schedule linking the Group leader balance sheet and the consolidated accounts as at December 31, 2001 regarding net assets and net profit;
  - schedule of the changes in intangible assets for the year December 31, 2001;
  - schedule of the changes in the fixed assets for the year December 31, 2001;
  - condensed schedule of the basic data of last financial statements of controlled and associated companies (art. 2429 Civil Code);
  - cash flow consolidated statements for the years 2001 and 2002.

Ladies and gentlemen

On the basis of the verifications made, the statutory auditors committee agree on the form and content of the consolidated financial statements accounts of the Group as at December 31, 2001 and relevant Directors report.

Collegno, April 10, 2002

The Statutory Auditors

(Dott. Riccardo Formica) - President

(Dott. Andrea Mosca) - Active auditor

(Dott. Roberto Pettrignani) – Active auditor

**PRIMA INDUSTRIE GROUP**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2001**

**REPORT OF THE INDEPENDENT AUDITORS IN  
ACCORDANCE WITH ARTICLE 156 OF LAW  
DECREE N° 58 DATED 24 FEBRUARY 1998**



**REPORT OF THE INDEPENDENT AUDITORS IN ACCORDANCE WITH  
ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholders of  
Prima Industrie SpA

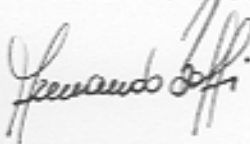
- 1 We have audited the consolidated financial statements of PRIMA INDUSTRIE Group as of 31 December 2001. These consolidated financial statements are the responsibility of PRIMA INDUSTRIE's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference is made to our report dated 9 April 2001.

- 3 In our opinion, the consolidated financial statements of PRIMA INDUSTRIE Group as of 31 December 2001 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Group.

Turin, 10 April 2002

PricewaterhouseCoopers SpA



Armando Boffi  
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.