



2002 FACTS AND FIGURES

# Contents

---

COMPANY PROFILE	2
FINANCIAL HIGHLIGHTS	3
MESSAGE TO SHAREHOLDERS	4
CONSOLIDATION OF THE U.S. OPERATIONS INTO PRIMA North America, Inc.	6
REVENUE ANALYSIS	8
MARKETING AND SALES	10
WORLDWIDE COVERAGE	12
RESEARCH AND DEVELOPMENT	14
PERSONNEL AND ORGANIZATION	16
GROUP'S COMPANIES	18
JOINT-VENTURES	21
PERFORMANCE IN THE STOCK MARKET	22
DIRECTORS AND OFFICERS	23
CONSOLIDATED FINANCIAL STATEMENTS	24
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	27

## Company Profile

---

Established in 1977, PRIMA INDUSTRIE celebrated its 25<sup>th</sup> anniversary in 2002.

Since its inception, PRIMA INDUSTRIE S.p.A.'s main business has been to develop, manufacture, and market advanced industrial products incorporating mechanics, electronics, software, control, and sensor technologies. A three-dimensional laser system was one of the first products developed and successfully brought to the marketplace in 1978.

Since 1995, when the corporate business strategy focused on industrial laser processing systems, the Company has repeatedly registered two-digit growth, becoming one of the major European players in the laser systems market. More recently, while maintaining its leadership in three-dimensional applications, PRIMA INDUSTRIE has also attained a leading position in the flat laser cutting market, as a result of the strong commitment to product innovation and wider marketing and customer support coverage.

Along with its affiliate, PRIMA ELECTRONICS S.p.A., PRIMA INDUSTRIE has accumulated remarkable skills and know-how in the areas of industrial electronics, control technology, and real-time software, key success factors in the Company's continuing pursuit of product innovation.

In the fall of 1999, the Company successfully completed its IPO at the Nuovo Mercato of the Borsa Italiana.

In May 2000, the Company acquired Convergent Energy Inc. in the U.S.A. With this acquisition, the PRIMA Group added internal capabilities for CO<sub>2</sub> and solid-state laser engineering, applications and manufacturing, and strengthened its presence in the U.S. market.

In April 2001, the Company acquired the assets of the Laserdyne division of GSI Lumonics worldwide, including engineering, sales, and manufacturing resources in the U.S. Laserdyne is among the world leaders in CNC multi-axis laser processing systems, particularly in the field of precision micro-hole drilling, cutting and welding for the aerospace and energy industries. Thanks to this acquisition, the PRIMA Group further expanded its presence in North America and in the aerospace market.

In 2002, the PRIMA operations in the U.S.A. were merged and consolidated into a single corporation - PRIMA North America, Inc. - that comprises of three operating divisions: CONVERGENT LASERS, LASERDYNE SYSTEMS, and PRIMA LASER TOOLS.

PRIMA INDUSTRIE's corporate mission remains to systematically expand the scope of its products and services and continue to grow as a worldwide supplier of quality systems and solutions to the advanced-technology, high-growth market of industrial laser applications for material processing.



**Listed**



ISO 9001 - Cert. n° 0758/1

**Certified**



**Audited**



**Member**

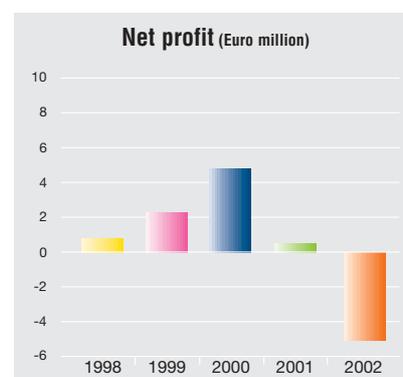
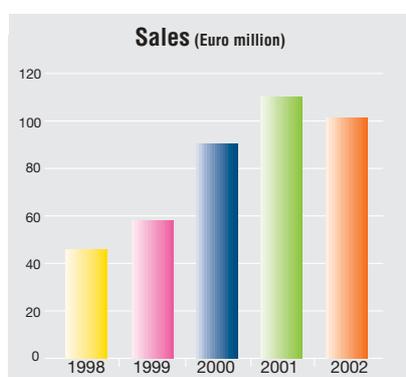
# Financial Highlights

Year ended December 31 <sup>st</sup> , (Euro thousand, except per share data)	2002	2001	2000	1999	1998
<b>PROFIT AND LOSS STATEMENT</b>					
Net Sales	100,528 <sup>(1)</sup>	111,895 <sup>(2)</sup>	89,971	59,529	46,088
Operating Margin (EBITDA)	124 <sup>(1)</sup>	4,313 <sup>(2)</sup>	10,698	7,058	5,140
Operating Profit (EBIT)	(2,523) <sup>(1)</sup>	2,113 <sup>(2)</sup>	8,554	5,678	3,886
Profit Before Taxes (EBT)	(5,569)	1,471	9,049	4,892	1,962
Minority Interests	-	(48)	(548)	(378)	(288)
Group Net Profit	(5,024)	197	4,865	2,374	432
<b>BALANCE SHEET</b>					
Fixed Assets (net)	10,985	14,358	10,301	4,450	3,855
Working Capital (net)	59,225	51,912	35,252	20,165	18,889
Shareholders' Equity and Minority Interests	27,248	33,863	28,303	18,667	7,997
Financial Position (net)	39,254	29,203	14,425	3,466	12,240
Employees' severance indemnity	3,708	3,204	2,825	2,482	2,507
<b>PER SHARE DATA<sup>(3)</sup></b>					
Number of outstanding shares	4,150,000	4,150,000	3,600,000	3,428,000	2,228,000
Weighted average outstanding shares	4,150,000	3,760,833	3,494,000	2,428,000	2,228,000
Net Profit per share (on weighted average of shares)	(1.21)	0.05	1.39	0.98	0.19
Book value per share (on weighted average of shares)	6.57	8.62	7.27	7.27	3.25
<b>RATIOS</b>					
Operating Income/Net Sales (ROS)	(2.5%)	1.9%	9.5%	9.5%	8.4%
Operating Income/Invested Capital (ROI)	(3.6%)	3.3%	20.0%	25.7%	19.2%
Net Income/Stockholders' Equity (ROE) <sup>(4)</sup>	(16.8%)	0.7%	25.5%	29.6%	18.9%
<b>OTHER KEY INFORMATION</b>					
Research and Development Expenses	7,475	6,119	4,132	2,503	2,100
Year-end Order Backlog	27,895	30,006	34,189	25,616	14,099
Number of employees	443	470	379	256	230

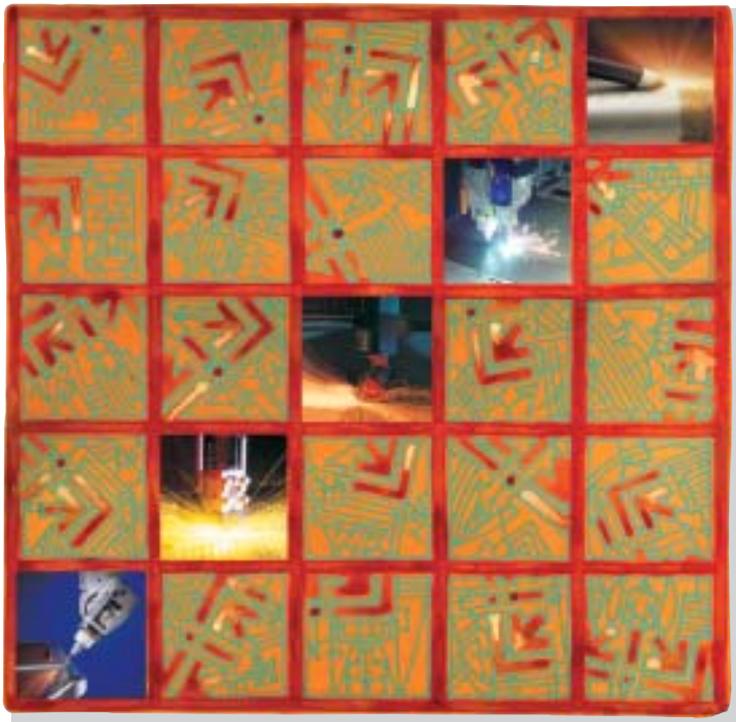
NOTES: (1) 2002 Proforma not including U.S. operations:  
Net Sales 80  
EBITDA 5.9  
EBIT 4.6

(2) 2001 Proforma not including U.S. operations:  
Net Sales 80.5  
EBITDA 8.6  
EBIT 7.5

(3) Number of shares as per split executed on June 4, 2001  
(4) ROE is calculated on average Stockholders' Equity



## Message to Shareholders



Ladies and Gentlemen,

In 2002, builders of machine tools and other capital goods were severely hit by the downturn in the global economy. Mainly because of the ongoing decline in capital spending in the manufacturing sector in the U.S.A., badly affecting the performance of our U.S. operations, our Group suffered a substantial loss after six years of continuous growth and profitable results.

GDP growth rates were at a disappointing 0.8% in Europe (0.4% in Italy, and 0.2% in Germany). Japan faced a year of recession (-0.3%), while GDP in the U.S.A. rose to 2.4% from 0.3% in 2001.

However, the growth in the U.S.A. was rather unstable and mostly driven by consumer goods, while investments were still held back by falling stock markets, uncertainties of the economic system, jolted by a succession of scandals, and concern for the escalating international political tensions.

In this environment, the industrial laser systems market worldwide slowed down by an estimated 10% (estimate also corroborated by the results of our

biggest competitors), though this decline was less than in other more traditional capital goods sectors.

The situation was particularly critical in the aerospace and automotive markets, where the PRIMA Group has a leading position with its comprehensive line of 3D laser cutting, welding, and drilling machines.

The aerospace market experienced a 6-month plus blackout of investments, over the last quarter of 2001 (after the devastating tragedy of 9/11) and the first part of 2002.

Only in the second part of 2002 we saw signs of recovery, mainly due to defense investments.

The automotive market was also rather depressed overall, particularly in regions such as Italy (where we have an indisputable leadership position) and the U.S.A.

The 2D laser cutting machines market was more stable. This market is larger and more diversified in terms of customers and competitors; your Company was able to increase its limited market share by exploiting the flexibility deriving from our smaller size and the appeal of our modern products.

However, competition was very tough, as one could expect in a shrinking market situation, and resulted in strong pressure on prices and sales conditions and lower margins.

Finally, the performance of CONVERGENT PRIMA and LASERDYNE PRIMA in the U.S.A. affected negatively the overall performance of our Group, by a large degree.

Both Companies were hurt by external factors such as the situation of the U.S. economy in general and the downturn of the aerospace, electronics, and automotive markets in particular.

In addition, their financial performance suffered from low margins and losses generated by marginal and non-profitable product lines, difficulties with the introduction of new products, and internal organizational problems.

To resolve these problems, the U.S. Companies have undergone in the latter part of 2001 and throughout the year 2002 a profound reorganization encompassing changes in local management, rationalization of product lines, supply chains and manufacturing processes, reduction in workforce, expenses and inventories, relocation to new facilities both in Massachusetts and Minnesota, and consolidation into a single company.

The new company, PRIMA North America, Inc., is coming out of this reorganization considerably leaner and fitter, with a sharper focus and great enhancements in the cost-benefit ratio of its products.

As a result of the work done, operating losses have been consistently reduced, quarter after quarter.

By continuing along the path taken in the past 18 months, our U.S. affiliate shall achieve the operating break-even within the first half of the current year.

In 2002, consolidated sales were € 100.5 million, down 10% from € 111.9 million in 2001.

This drop was mainly due to our U.S. Companies: both PRIMA INDUSTRIE's and PRIMA ELECTRONICS' sales were at the same level of the previous year, despite the market difficulties discussed above. Moreover, approximately € 6 million reduction in U.S. sales pertained to miscellaneous and non-core products that have been discontinued as part of the rationalization of the U.S. operations' business.

The modest income from operations before depreciation and amortization (EBITDA) resulted from the positive performance of the Italian operations (approximately € 6 million) and the losses incurred in the U.S. Losses in the U.S. included inventory writedowns, severance and other restructuring charges.

The consolidated EBITDA was negative in the first two quarters of 2002 and turned positive in the second half of the year.

The EBITDA figure comprises R&D costs of € 7.5 million (23% up from € 6.1 million in 2001) that were fully expensed. These considerable R&D investments in such a difficult year are consistent with our relentless R&D strategy for long-term growth and attest the effort made by all the Group's Companies to widen their offering and enhance their products and value-added services. We have laid the foundation for the future and prepared to capture the opportunities that will come with the next turnaround of business investments. We have a new high-power CO<sub>2</sub> laser, new machine models, new CNC software, and new technology for drilling micro-vias on electronic printed circuits.

The consolidated Operating Loss - EBIT - was about € 2.5 million. EBIT turned positive in the last quarter of 2002, after four straight quarters of operating losses.

The consolidated Net Loss was € 5.0 million. This result was also affected by the loss on stock owned in Rambaudi Industriale S.p.A. (€ 0.9 million), currency exchange rate effects due to the depreciation of the U.S. dollar in the last part of the year (€ 0.5 million), and a positive tax balance accrual of € 0.5 million.

The loss incurred, coupled with worsening sales conditions and longer payment terms, affected our finances. The consolidated Net Debt rose to € 39 million at year-end from about € 29 million at the end of 2001. In order to compensate for this, a capital increase was resolved on November 13, 2002 and made effective on February 11, 2003. Four hundred and fifty thousand (450,000) new shares were issued and subscribed by two of our institutional shareholders, bringing the total number of shares to

4,600,000 and providing € 4.0 million in cash. Considering that the Net Debt calculation includes € 3.5 million of "pro-solvendo" proceeds actually already cashed-in, this capital increase has brought the Equity/Debt ratio to around 1, a value that is deemed appropriate and is consistent with the relatively high working capital needed in our type of business.

In 2002, stock prices sank on the world economy's ills. In Italy, the Nuovo Mercato index fell 50%, from 2,492 at January 1, 2002 to 1,243 at year-end. Your Company's stock price fell too, because of market conditions and the Group's performance and hit € 5.82 at year-end, down 54% from € 12.80 at the end of 2001.

In the first few months of 2003, our stock experienced a rebound, up to € 8.56 on February 28<sup>th</sup>. This was also due to a takeover bid for 100% of the Company's shares at € 7.50 each presented in the month of February. Such bid was judged inadequate by the Company Board of Directors on March 5, 2003, also based on a Company evaluation made by external Financial Advisors.

At the end of the adhesion period, expiring on April 11, 2003, the adhesions have been far below the minimum expected amount and consequently the bid was unsuccessfully over.

Though there is a general consensus that the war in Iraq is a huge factor holding down the economy and there are hopes that once the uncertainties are past there will be a boost in output, business investments, and stock prices, the short-term outlook remains extremely cautious, with drags like excess capacities, low demand of equipment, high oil prices, fears of more terrorist attacks still hanging over the economy. In the first part of 2003 the economy is still struggling under the excesses of the 1990's and the dragged-out war process. The forecasts are for a second half turnaround with a moderate growth of sales and profits.

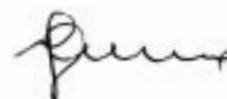
Our backlog at the beginning of the current year was of € 28 million, just below € 30 million of the previous year. We have noticed some signs of recovery,

particularly in the U.S.A., in the last part of 2002 and hope to enjoy a moderate growth in 2003. The reorganization of our U.S. operations, the good performance of our new laser (that will equip an increasing number of our systems in the current and future years), and the rationalization of our product lines resulting from the R&D investment of 2002 are all factors that shall lead to a turnaround from 2002 with a return to profitability.

We reiterate that the acquisitions in the U.S. have been strategically sound. They will benefit the Company in the medium/long term, in spite of the high price paid in 2001 and even more in 2002 to become able to develop and source laser technology from the internal, and grow in North America, where the market of laser systems is 25% of the entire worldwide market.

If no major unpredictable and negative events will lead to a crisis of confidence, throwing the energy, financial, and currency markets into turmoil, there is a likely chance that you will remember the 2002 no-growth and losses as a one-year aberration in our history of positive results.

Many thanks to you all and to our employees



Gianfranco Carbonato  
Chief Executive Officer



## Consolidation of the U.S. Operations into PRIMA North America, Inc.

In 2002, we continued our initiatives to streamline and refocus our operations in the U.S.A. by consolidating our resources and products, and strengthening our management team.

At year-end, our two U.S. companies, CONVERGENT PRIMA and LASERDYNE PRIMA, were merged and consolidated into PRIMA North America, Inc. As a result of this consolidation, PRIMA North America is now comprised of three vertically integrated operating divisions:

### CONVERGENT LASERS (CVL)

A leading industrial laser manufacturer with a long history of innovation and large installed base, specializing in CO<sub>2</sub> and Nd:YAG lasers. Located in Chicopee (Springfield), MA with applications, product development and manufacturing facilities on site.

Products include the CP4000, P50L, P10S, and ARROW®:

The CP4000 has been a rugged 4kW CO<sub>2</sub> industrial laser producing a high-quality beam for material processing.

This laser is equipping a number of PRIMA INDUSTRIE systems both in Europe and in North America since the last few months of 2002.

The laser will also be available to other OEM customers and end users.

The P50L and P10S Nd:YAG lasers have outstanding capabilities for precision drilling, both percussion and trepanning with the highest peak power (50kW) on the market. Applications include drilling turbine engine blades and vanes, combustion liners, fiberglass spinnerets, and automotive components.

The ARROW® family of lasers are unsurpassed in CO<sub>2</sub> laser technology and

produce the most productive beam characteristics in industrial lasers. ARROW® lasers are highly stable and reliable, with processing performance that has become the benchmark for lasers in its power class.

All the other CONVERGENT LASERS product lines and systems activities were discontinued or transferred to LASERDYNE SYSTEMS as part of the rationalization process undergone in 2001 and 2002. First class after-sales services and spare parts continue however to be provided, to protect the investments of our customers with the largest installed base worldwide.

### LASERDYNE SYSTEMS (LDS)

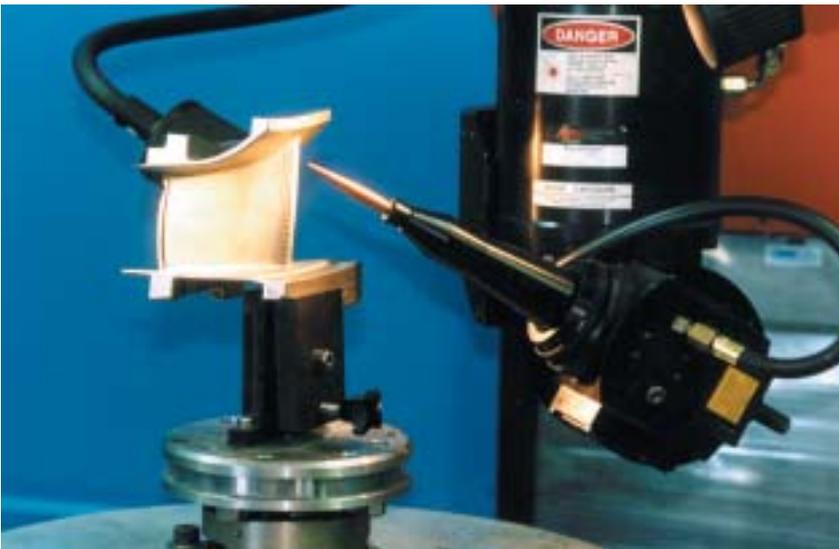
Design, manufacture, and sales worldwide of standard and custom integrated laser systems.

Located in Champlin, MN with applications, product development, and manufacturing facilities on site.

Products include the 450, 550, 790 and 890 BEAMDIRECTORS®, and Gemini workstations: the 450 and 550 are 5-axis machines designed to drill, cut and weld medium size parts.

CO<sub>2</sub> and Nd:YAG compatible, the 450 and 550 are typically used in the aerospace and general manufacturing industries as ideal solutions for drilling aircraft engine blades and vanes as well as fine cutting of 3D parts.

The 790 and 890 BEAMDIRECTORS® are 5-axis laser machine tools designed to accept CO<sub>2</sub> and Nd:YAG lasers for precision drilling, cutting and welding of medium to large 3D parts with a unique moving beam motion system.



LASERDYNE 790 BEAM DIRECTOR



CP 4000 LASER GENERATOR

Particularly, the 790 BEAMDIRECTOR®, equipped with the high-accuracy BEAMDIRECTOR® 5-axis head, is a world standard for 3-dimensional processing of aerospace engines and land based turbines.

The Gemini 3-axis workstation has been designed for precision laser processing requirements. Gemini systems are used for a wide range of metal and non-metal cutting, welding, and drilling applications.

#### **PRIMA LASER TOOLS (PLT)**

Sales and service of imported PRIMA INDUSTRIE laser machines in North America (U.S.A., Canada and Mexico). Located in Chicopee, MA with applications, demonstration and customer training facilities on site, PRIMA LASER TOOLS imports machine components from PRIMA INDUSTRIE in Italy and provides integration, installation, and after-sales services to customers in North America. Customer training and applications support services are also provided to help users achieve maximum productivity and return from their investments in PRIMA's laser technology.

Products include the Platino, Maximo, Domino, Rapido, Optimo, and Mosaico: Platino is an innovative 2D laser cutting machine with a Cartesian cantilever structure, very small foot print, totally accessible work area, easy to transport and quick to install. Platino is the ideal machine for laser job shops, sheet metal fabricators, and diversified OEM's.

Maximo is a large laser cutting system based on the structure of the Platino, with expanded work area.

Domino is an innovative laser machine for two and three-dimensional applications that cuts both flat and shaped parts, overcoming the conventional distinction between 2D and 3D machines.

Rapido is a 5-axis machine designed to cut and weld medium-size parts with a Cartesian cantilever structure and fully retractable arm. Used in many industrial sectors, such as automotive, aerospace, energy, and general sheet metal processing, Rapido has become the benchmark for 3D laser machines in the industry.

Optimo, PRIMA INDUSTRIE's largest 3D machine, is mainly used in the automotive and aerospace industries. The large working volume, flying optics

system, Cartesian gantry configuration, high accuracy and easy programming makes Optimo the 5-axis ideal machine for fast and precise processing of very large 3D parts.

Mosaico is a true innovative solution for tailored blanks manufacturing. It is a flexible, low-cost system that prepares the edges, joins and welds linear and non-linear blanks.

Prior to the consolidation of the U.S. businesses, CONVERGENT PRIMA repurchased from ACD Technologies / Pluritec their 20% equity stake in the company.

The developments carried out in cooperation with ACD / Pluritec for modular, high-throughput CNC controlled systems and related work handling accessories to laser drill micro vias on electronic printed circuits led to state-of-the-art technology and pilot equipment whose ownership remained with CVL. We are deploying a new strategy with this technology, aimed at establishing a co-operation in the Far East that shall allow us to capitalize on the considerable investments made in 2001 - 2002, once the electronics industry will undergo its next economic upturn in those regions.

Soon after year-end, and the expiration of our facility leases both in Minnesota and Massachusetts, we proceeded with the important rationalization of our facilities that was planned and prepared for in 2002.

By the end of January 2003, LASERDYNE SYSTEMS moved to a 31,000 square-foot leased facility in Champlin, MN, not far from its prior home in Maple Grove. In February, CONVERGENT LASERS and PRIMA North America's headquarters moved from their old and unsuitable facility in Sturbridge, MA to the nearby brand new built-to-suit 68,000 square-foot facility in Chicopee (Springfield), MA, under a long-term lease agreement. PRIMA LASER TOOLS moved from Maple Grove, MN to the new facility in Western Massachusetts as well.

The new building in Springfield provides modern R&D facilities and space and equipment for optimum material flow, quality control, and final assembly of CVL's lasers.

In addition, this building provides for effective logistics of imported PRIMA INDUSTRIE's machines integration and moves, and show room, applications and customer training facilities in support of PRIMA LASER TOOLS.

The reorganization in North America has improved internal efficiencies and dramatically reduced operating expenses. As the reorganization was unfolding, staff was also reduced by approximately 30%. At the same time, there was an infusion of experienced new personnel and managers: the company is considerably leaner and better structured to face the challenges posed by the uncertainties still hanging over the economy and the eventual, long awaited economy upturn.

DOMINO 1530 HD



# Revenue Analysis

Net Sales of the year 2002 have been € 100.5 million with a 10% decrease compared to € 111.9 million of 2001.

As before mentioned, the whole reduction has taken place in our U.S. Companies while PRIMA INDUSTRIE and PRIMA ELECTRONICS have together maintained the same level of 2001 at about € 80 million.

The breakdown by product shows a decline of 3D systems to about 29% (down from 34% of 2001) due to the difficult situation of aerospace and automotive markets.

2D systems went up to 37% (up from 29% of 2001) while other laser systems and lasers were deliberately reduced from 8% to 3% as part of the rationalization of the U.S. Companies. Rather stable have been electronic products (11%) and after-sale services (20%).

During the year a total of 164 laser systems were delivered, as against 176 in the year 2001.

By geography, Italy showed an increase from 23% to 28% thanks to a new product line in 3D and to a pick up in the

last part of the year due to government investment incentives.

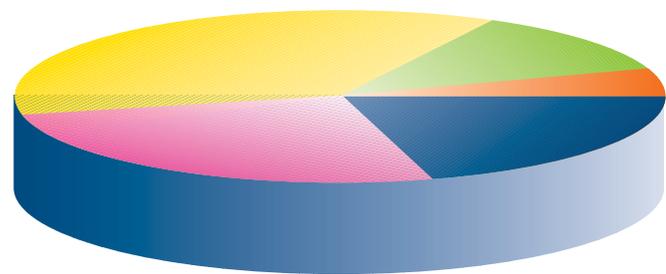
U.S.A. confirmed itself as the second market with 21% where the significant decrease of LASERDYNE and CONVERGENT products were attenuated by the growth of PRIMA systems.

In the other European markets, Germany is still the leader

(although declining) followed by Spain and France (both increasing) and the U.K. (stable).

In Asia we have registered a decline in Japan and also in China where, however, we have a good backlog for orders to be delivered during the current year.

2002 revenues by product



- 2D laser systems: 37%
- 3D laser systems: 29%
- After sales services: 20%
- Electronic products: 11%
- Laser generators: 3%

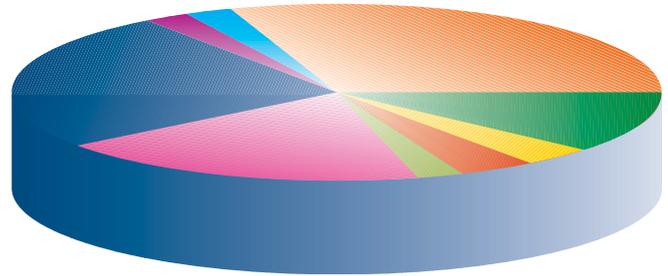


RAPIDO 3D CUTTING

By destination markets, automotive was relatively stable at about 20% while a strong decrease (from 16% to 9%) has been registered in the aerospace due to the worldwide critical situation. Significant has been the pick-up in sheet metal processing market (from 30% to 47%) showing more stability and where we substantially increased our share.

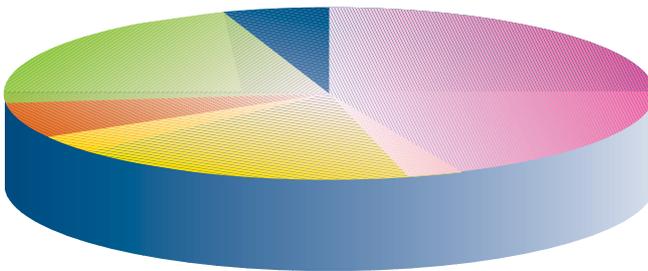
Finally the decline of “other markets” is a consequence of the focusing of our U.S. before mentioned activities.

**2002 revenues by geography**



- Italy: 28%
- U.S.A.: 21%
- R.O.E.: 17%
- Germany: 8%
- Spain: 7%
- France: 6%
- R.O.W.: 5%
- China & Japan: 4%
- U.K.: 4%

**2002 revenues by markets**



- Sheet metal processing: 47%
- Automotive: 20%
- Electronics: 17%
- Aerospace & Energy: 9%
- Other: 7%



PLATINO 1530 HS WITH TOWER SERVER

## Marketing and Sales

During the year 2002, new orders for € 102 million have been acquired at consolidated level. However, due to cancellation of two major orders which were in our backlog on 1/1/2002, the order backlog at the end of the year is € 28 million as against € 30 million of the previous year.

PRIMA INDUSTRIE has registered a slight increase of order acquisition in value (from € 68 million to € 69 million) and a more relevant 10% increase in number of units due to a mix more favorable to 2D systems than to 3D, the latter slowing down because of unfavorable market conditions.

During the year, as usual in all even years when EMO is not held in Europe, we attended a number of national and local exhibitions in European countries.

In Italy we attended SAMUMETAL in Pordenone, BIMU-SUD in Bari and LAMIERA in Bologna in the first part of

the year and BIMU in Milano in the second part.

In Spain we have participated to BIEHM in Bilbao and to MAQUITEC in Barcelona. In Germany we attended SÜD-BLECH in Sinsheim, METAV in Düsseldorf and the major exhibition of the year, EUROBLECH in Hannover, all made with our dealer Matra. MACHINE-OUTIL in Paris, TECHNISHOW in Utrecht, MACH in Birmingham and INTERTOOL in Wien have been our other European exhibitions.

Outside the European Union, we have exhibited at METALOOBRABOTKA in Moscow, at MECANICA São Paulo and at CHINA CNC MACHINE TOOL in Shanghai.

In most of the above exhibitions, we presented the new Platino HS (HighSpeed) machine and this effort contributed to our growth in the 2D range obtained in a difficult year. Our 3D systems have also been exhibited in Italy, Germany and France at the major events of the year.

We decided not to attend any exhibitions in U.S.A., in a particularly critical year, and we skipped, for the first time in a decade, the IMTS in Chicago. This is a very expensive show and we have noticed that also some of our main competitors took the same decision.

Not attending IMTS was not, however, a step back from the U.S. market: to the contrary we have intensively invested into the market by organizing 2 major events, called "Italy Tours".

In May and in October, we invited to visit our facilities in Torino more than 40 potential U.S. customers. The visits were very successful and particularly our Domino received great interest. Several orders were acquired and, also thanks to these events, we have obtained a substantial increase of PRIMA INDUSTRIE products sales in North America.



ITALY TOURS





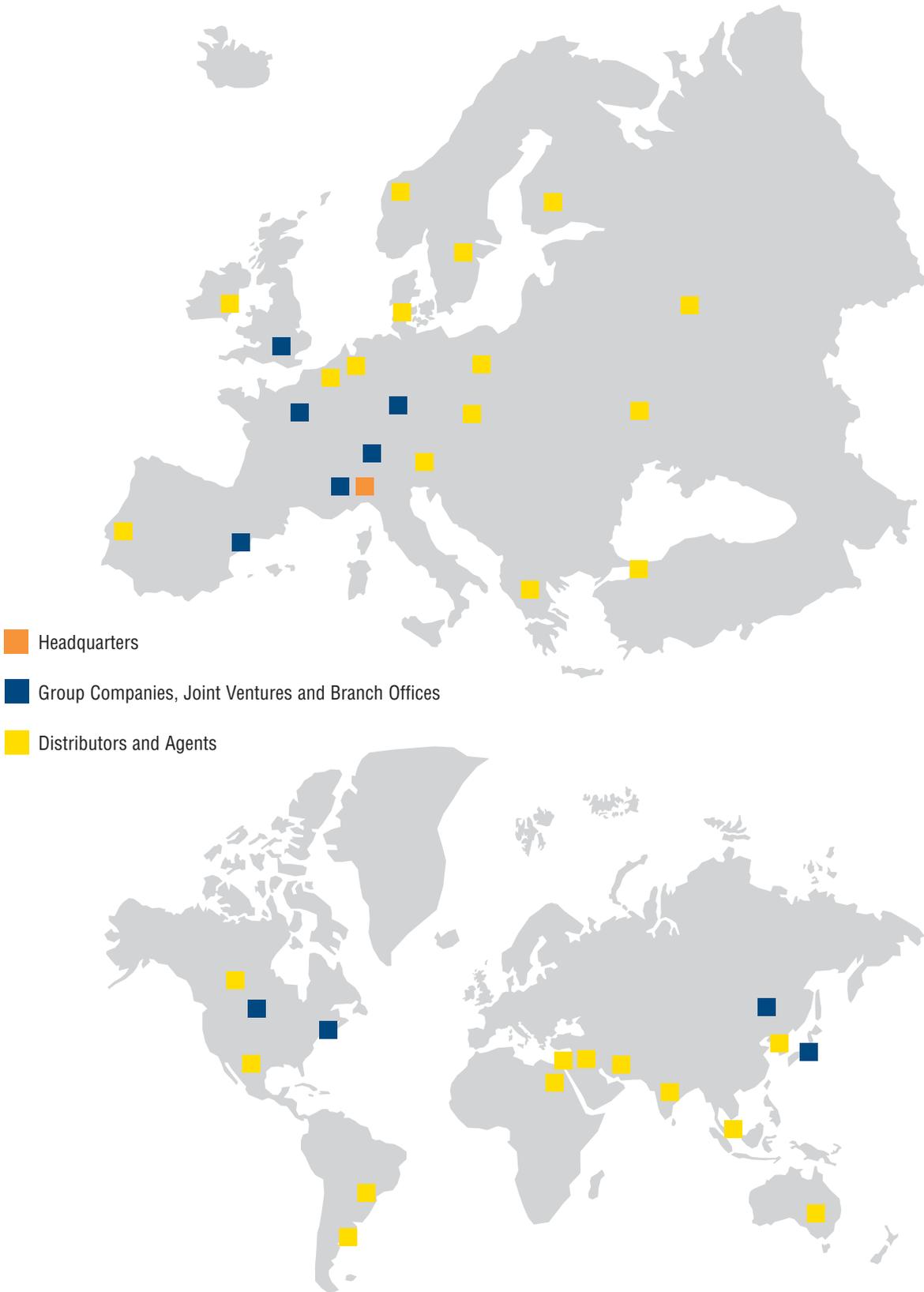
EUROBLECH - HANNOVER

BIMU - MILANO



# Worldwide Coverage

---



---

## Italy

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

Via Antonelli, 32 - 10097 Collegno (To) ITALIA  
Tel. ++39.011.4103.1 - Fax ++39.011.411.28.27 <http://www.primaindustrie.com>

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

Strada Carignano, 48/2 - 10024 Moncalieri (To) ITALIA  
Tel. ++39.011.682.72.11 - Fax ++39.011.640.42.77 <http://www.primaelectronics.com>

## Europe

### **PRIMA INDUSTRIE FRANCE**

Parc De Courcerin - C1 Rue Lech Walésa - 77185 Lognes FRANCE  
Tel. ++33.(0)1.60.17.11.11 - Fax ++33.(0)1.60.17.38.74

### **PRIMA INDUSTRIE U.K.**

Unit 1 - Phoenix Park Bayton Road Coventry CV7 9QN UNITED KINGDOM  
Tel. ++44 (0)2476 645588 - Fax ++44 (0)2476 645115

### **PRIMA INDUSTRIE ESPAÑA**

Calle Elisa 31/33 - 08023 Barcelona ESPAÑA  
Tel. ++34 93 25 31 777 Fax ++34 93 25 31 778

### **PRIMA INDUSTRIE GmbH**

c/o Matra-Werke GmbH Dieselstrasse 30-40 - 60314 Frankfurt am Main DEUTSCHLAND  
Tel. ++49/(0)69/4016-0 - Fax ++49/(0)69/4016-225

### **PRIMA INDUSTRIE SCHWEIZ**

Seuzachstrasse, 42 - 8413 Neftenbach SCHWEIZ  
Tel. ++41/(0)52/315.17.21 - Fax ++41/(0)52/315.24.29

## Overseas

### **PRIMA North America, Inc., MASSACHUSETTS**

CONVERGENT LASERS Division - PRIMA LASER TOOLS Division  
711, East Main Street - Chicopee - MA 01020 U.S.A.  
Tel. ++1/413-598-5200 - Fax ++1/413-598-5201 <http://www.prima-na.com>

### **PRIMA North America, Inc., MINNESOTA**

LASERDYNE SYSTEMS Division  
8600, 109th Avenue North - Champlin - MN 55316 U.S.A.  
Tel. ++1/763-433-3700 - Fax ++1/763-433-3701 <http://www.prima-na.com>

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

No. 45 Huanghai Road Yuhong District - Shenyang City PEOPLE'S REPUBLIC OF CHINA  
Tel. ++86-(0)24-25833989 - Fax ++86-(0)24-25833989

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

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

## Research and Development

A strong effort was performed during the year 2002 by all Group Companies (PRIMA INDUSTRIE, PRIMA ELECTRONICS, PRIMA North America) to strengthen and widen the Group's product lines.

A total of € 7.5 million of R&D expenses have been charged to the Consolidated P/L account (representing 7.5% of the sales amount) as against 6.1 million of the year 2001.

This effort, made in a rather difficult year, demonstrates the strong commitment to maintain and improve market competitiveness which, we are confident, will soon recover its usual two-digits growth rate.

Among consolidation of the existing product line, we would like to mention the projects started in 2001 and carried on during 2002, i.e.:

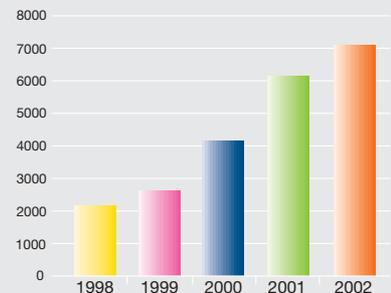
- Primach 20L, 2D version  
The new controller has been improved in software performances and reliability.

- Laser CP4000  
The new 4 kW laser has been installed at several customers in Europe and in the U.S.A. and an intense product engineering has been performed to allow efficient mass production. Also a new high voltage power supply for this laser has been developed.

- Platino 2040 HS  
The bigger version of the Platino product line has been installed at several customers.

- Domino 1530  
This product enjoyed a substantial increase in volumes also thanks to continuous R&D efforts to improve performance and programming (with the new P-Cube CAD/CAM software).

**Research and Development expenses**  
(Euro thousand)



- Mosaico  
A substantial work was performed for the integration of Mosaico into automatic production cells, which are now operational in Europe, U.S.A. and Japan, to make the system more productive (with no-idle-time concepts) and to equip it with advanced sensors for welding quality control.

PLATINO 2040 HS



Among new products we would like to mention:

- A brand new remote welding system developed under a National Research Program (RESALT) called Magico Magico, which is part of a cooperative agreement with COMAU, is opening new frontiers in the field of welding car body subassemblies as well as other large components. The first two final units have been delivered before year end to equip high tech car doors welding lines at a major car maker in Europe.
- The 3D version of Primach 20-L. The project is going on and a new teaching box has been developed which will also equip other customer's robot controls.
- Basic research performed on high speed linear motor systems for both 2D and 3D systems. Developed under an international Eureka project (PAMELA) this technology will equip our systems in future.
- Laser VIA drilling systems development. It was completed in U.S.A., notwithstanding the interruption of the cooperation with ACD. Two complete systems (one CO<sub>2</sub>, one UV) have been developed with state-of-art performances. We are currently evaluating new partnerships with Far East Companies to exploit the huge market potential of this new technology.



HANDBOX P20-L



MAGICO

## Personnel and Organization

During the year 2002, a staff reduction was made within U.S. operations while a limited increase was registered in PRIMA INDUSTRIE (mainly due to higher number of machines delivered) and in PRIMA ELECTRONICS.

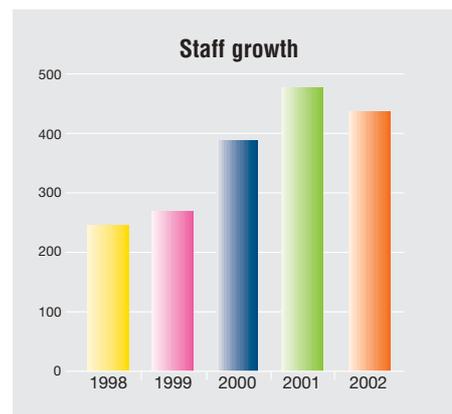
As a result of the above, we have the following head-count situation:

	31/12/2002	31/12/2001
PRIMA INDUSTRIE - Italy	222	213
PRIMA ELECTRONICS	80	76
PRIMA North America*	110	154
European Branch offices	31	27
<b>Total</b>	<b>443</b>	<b>470</b>
Shenyang Prima**	8	8
SNK Prima***	-	-

\*data for 2001 are pro-forma as for the sum of CONVERGENT PRIMA and LASERDYNE PRIMA personnel

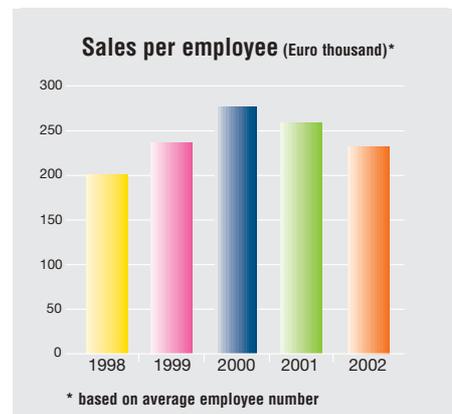
\*\*not included in the total as non consolidated

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



The assignment of main group functions is as follows:

	31/12/2002	31/12/2001
Management and G&A	47	53
Marketing and Sales	51	52
R&D and Engineering	73	86
Operations/ Manufacturing	201	210
After Sale Service	71	69
<b>Total</b>	<b>443</b>	<b>470</b>



In consideration of the increasing importance of the after sale activities, which are servicing over 1500 laser systems worldwide and represent 20% of our revenues, an extensive organizational process has been pursued in 2002 including:

- Extensive training of our service people
- Call centre for fast assistance
- 24/7 hot line service
- Internet-based remote diagnostics (Teleprimach)
- Efficient spare parts management including e-commerce website



PRIMA INDUSTRIE: 3D MACHINES ASSEMBLY LINE



PRIMA INDUSTRIE: CALL CENTRE



PRIMA INDUSTRIE: SERVICE STAFF

## Group's Companies



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

For the year 2002, PRIMA INDUSTRIE sales have registered the same value of 2001 at € 67.5 million.

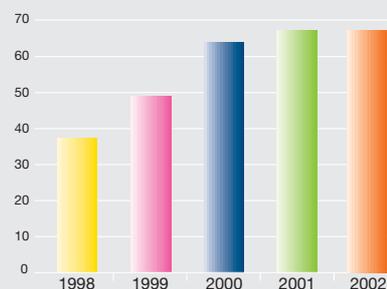
Operating profit has been decreasing to € 2.5 million from € 5.5 million of 2001, mainly because of change in product mix (more 2D systems) and general market conditions.

Net loss for the year was € 4.9 million as a consequence of the depreciation of financial investments in CONVERGENT PRIMA, LASERDYNE PRIMA and Rambaudi Industriale, amounting in total to € 7.8 million.

(Euro million)	2002	2001	2000	1999	1998
Net Sales	67.5	67.5	63.4	49.3	37.4
Operating Profit	2.5	5.5	6.7	4.0	2.6
Net Profit	(4.9) <sup>(1)</sup>	1.1	4.2	1.3	0.5
Order booking	69.1	68.1	62.7	61.2	42.0
Research and Development expenses	3.1	2.5	2.2	1.9	1.6
Number of employees	253	240	218	191	171

(1) Due to U.S. Group Companies losses

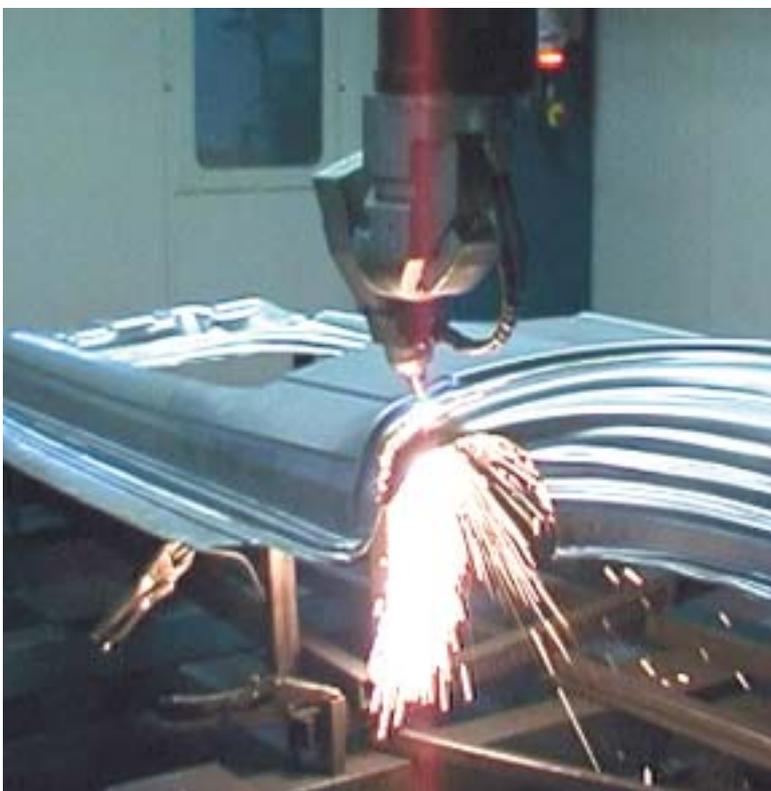
**PRIMA INDUSTRIE sales (Euro million)**



Order acquisition was € 69.1 million as against € 68.1 million in 2001. Year-end backlog was at € 16.9 million in line with the previous year (one major order in backlog at the end of 2001 was cancelled during 2002 because of market conditions).

Employees at year end were 253, of whom 31 in European branches.

R&D expenses charged to P/L account have been € 3.1 million. The increase compared to previous year is mostly due to R&D external activities which have been performed to support the internal structure in areas involving new technologies and specific expertise.



OPTIMO 3D CUTTING



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

PRIMA ELECTRONICS sales in 2002 have been at € 15.3 million with a slight decrease (5%) from 2001 value of € 16.0 million.

Operating profit was satisfactory (13.9% of the turnover) at € 2.1 million and net profit of the year was € 1.149 million (about the same level of 2001 of € 1.159 million).

We consequently may say that the Company result for the year was very satisfactory in consideration of the generally difficult market conditions.

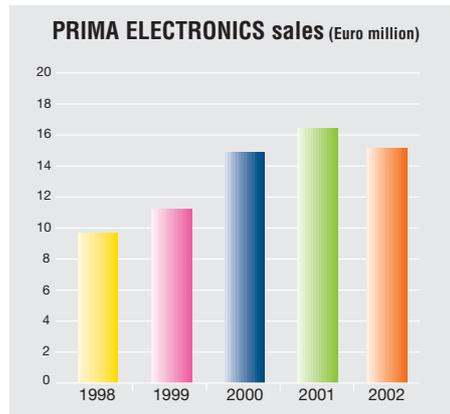
Order booking of the year was € 15.2 million, up from € 13.9 million of the previous year and year end backlog was of € 6.5 million in line with 2001 value of € 6.6 million.

Employees at year end were 80 as against 76 at the end of 2001.

A major R&D effort was performed during the year mainly in the area of the new CNC P20-L consolidation (for 2D applications) and development (for 3D applications).

A remarkable development of the year 2002 was the high voltage power supply which is equipping the CP4000 lasers manufactured by PRIMA North America. This device, which represents a major technological component for industrial lasers, complements the Group know-how in a key area of our laser processing market.

(Euro million)	2002	2001	2000	1999	1998
Net Sales	15.3	16.1	14.7	11.3	9.7
Operating Profit	2.1	2.4	2.4	2.0	1.1
Net Profit	1.1	1.2	1.3	1.1	0.6
Order booking	15.2	13.9	18.1	11.8	11.1
Research and Development expenses	1.2	1.0	0.6	0.6	0.5
Number of employees	80	76	68	59	53



ELEKTRONIKON "MARK IV"

## Group's Companies



**CONVERGENT LASERS  
PRIMA LASER TOOLS  
LASERDYNE SYSTEMS**

**PRIMA North America, Inc.  
Chicopee (Springfield), MA  
and Champlin, MN - U.S.A.**

PRIMA North America, Inc. was formed at the end of 2002 from the consolidation and merger of our U.S. Companies, LASERDYNE PRIMA and CONVERGENT PRIMA, after the repurchase of 20% stock in CONVERGENT PRIMA from ACD Technologies / Pluritec. The Company is now 100% owned by PRIMA INDUSTRIE S.p.A.

PRIMA North America is comprised of three vertically integrated operating divisions (CONVERGENT LASERS, LASERDYNE SYSTEMS, and PRIMA LASER TOOLS). Its headquarters have been relocated to the new main facility in Chicopee (Springfield), MA at the beginning of 2003, along with the CONVERGENT LASERS and PRIMA LASER TOOLS Divisions. LASERDYNE SYSTEMS relocated to a leased facility in Champlin, MN at the end of January 2003.

The past year was extremely difficult for the U.S. providers of capital equipment, due to the downturn in demand of such equipment and general economic conditions, exacerbated by the events of September 11, 2001 and the continuing concerns for the international political tensions. PRIMA North America experienced these difficulties too.

Sales dropped to \$ 24.0 million, 27.7% down from \$ 33.2 million in 2001. The substantial decline in sales for 2002 was primarily due to the downturn in the aerospace, automotive, and electronics markets that affected the performance of CONVERGENT LASERS and LASERDYNE SYSTEMS. On the contrary, PRIMA LASER TOOLS' sales rose to \$ 5.9 million from \$ 3.6 million in 2001, thanks to the Company's investments in the sales organization, a modified marketing approach, and the success of the Domino product.

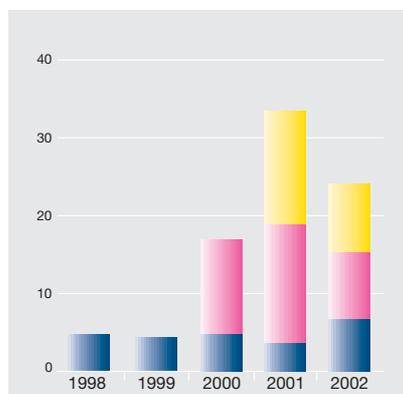
Losses from operations were \$ 6.2 million, 38% up from \$ 4.5 million in 2001. Net loss was \$ 7.2 million, compared to \$ 4.0 million in 2001.

Moving to reduce expenses, improve efficiencies, streamline the reorganization, redefine business focus, and discontinue low-margin and loss making product lines limited the losses. The changes are leading to improved performances; operating losses in the second half of the year were less than half the losses in the first six months. The reorganization was completed in the first months of 2003, with the above-mentioned relocations of the operations. The goal is to return to operating break-even within the first half of the current year.

It should also be remarked that the above 2002 losses include charges of \$ 2 million for inventory writedowns, severance and other restructuring costs, and losses on repossession of equipment due to customers' difficulties.

New orders bookings for the year were \$ 27.3 million, up 8.3% from \$ 25.2 million in 2001. Backlog was \$ 8.4 million at December 31, 2002, compared to \$ 5.1 million at December 31, 2001. This resulted from rationalization and better focus of our sales organization and reflects moderate improvements seen in the general economic situation in the second part of the year.

(US\$ million)	2002	2001	2000
Sales	24.0	33.2	16.3
Loss from operations	(6.2)	(4.5)	(0.4)
Net Income (Loss)	(7.2)	(4.0)	(0.6)
Booking	27.3	25.2	16.8
R&D expenses	2.6	2.8	0.7
Number of employees	110	154	92



At December 31, 2002, PRIMA North America had 110 employees, down 29% from 154 at December 31, 2001.

Research and Development expenses were 10.8% of sales or \$ 2.6 million, compared to 8.4% of sales or \$ 2.8 million in 2001. During 2002, R&D activities mainly focused on the CP4000 laser and laser micro VIA drilling for the electronics industry.



PRIMA North America, Inc - CHICOPEE (SPRINGFIELD) FACILITIES



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

The Company's first operating year was mainly dedicated to the promotion of Mosaico system within the Japanese motorcar and steel fabrication industries.

A good cooperation has been established with Nippon Steel Corporation and the two Mosaico systems shipped in 2001 to our partners (SNK and Hanwa-HTS) are being delivered to the NSC Group, one for applications development and the other for production applications in a coil centre.

This last is being installed in a wholly automatic cell, with robotized loading/unloading and will be very significant as a reference in this market.

SNK personnel was also actively working on the development of a "Japanized version" of the Mosaico. The cost of this development will be charged to P/L Statement of the Joint Venture whose books will be closed on March 31, 2003.



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

The Company has focused its activity on sales, installation and service of Platino systems.

During the year, 7 orders have been acquired by the Joint Venture (the same number of 2001). Additional orders have been acquired directly from PRIMA INDUSTRIE under a cooperative marketing action with our Joint Venture.

However some of the orders acquired have been delivered to customers only in the first part of 2003. For this reason, the turnover of the Joint Venture was only \$ 1.1 million against \$ 1.2 million of 2001.

The Joint Venture has consequently registered a small loss of \$ 122 thousands as against a small profit of \$ 39 thousands of the previous year.

During 2002 the new Platino HS has been exhibited at the China CNC Machine Tool Exhibition in Shanghai and the first Domino system has been sold in China.



MOSAICO

## Performance in the Stock Market

All Stock Markets have been hit during 2002 by the general negative situation of the world economy.

In Italy the Nuovo Mercato index went down 50% from 2.492 points at 1/1/2002 to 1.243 points at year-end.

Our stock has also been hit by both the general market conditions and by the Group losses in U.S.A. closing at € 5.82/share on 31/12/2002 down 54% from € 12.8/share at the beginning of the year.

The Stock Price being below net book value, we acted in a defensive way as directed and resolved by the Shareholders Meeting on 12/4/2001. A total of 73,000 shares have been purchased back in the last part of the year (corresponding to 1.7% of the Share Capital).

During the months of January and February most of the above shares were sold, thanks to the market share price rebound.

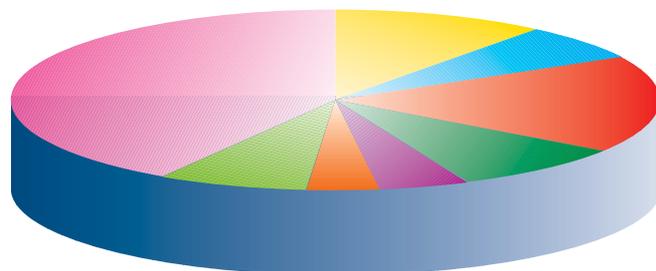
On February 11, 2003 a capital increase, resolved on November 13, 2002, was subscribed by two of our institutional Shareholders in order to rebalance the equity/debt ratio of the Company after

the losses suffered in the year 2002 by our U.S. Subsidiaries. Therefore, 450,000 new shares have been issued, bringing the total to 4,600,000. In consequence the Shareholder's structure modified as shown in the enclosed chart.

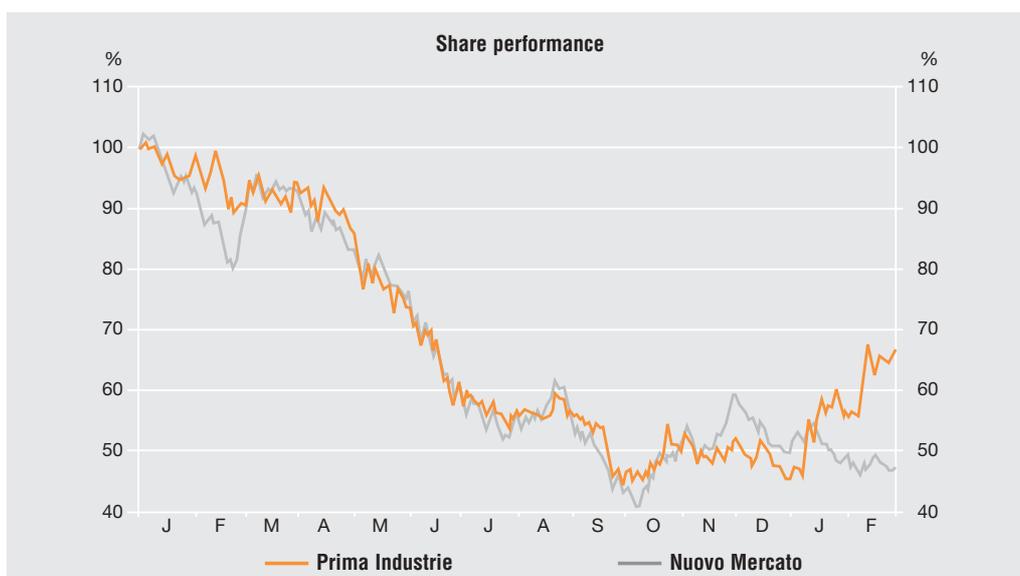
Last but not least, on February 11, 2003, just after our capital increase, a Bid was launched on 100% of Company shares at € 7.5/share.

The Bid was non-amicable and its price was judged as "largely inadequate" by PRIMA INDUSTRIE Board of Directors on March 5, 2003, supported by the Company Financial Advisors. At the end of the adhesion period, expiring on April 11, 2003, the adhesions have been far below the minimum expected amount and consequently the bid was unsuccessfully over.

Shareholders' Structure



41.40% Market	7.25% Management P.E.
17.11% Erste International Holding S.A.	6.58% Almond International S.A.
10.70% Lestri Holding B.V.	4.03% Sviluppo Italia
9.04% Helios Private Equity S.A.	3.89% Gianfranco Carbonato



### Board of Directors

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

### Statutory Auditors Committee

Riccardo FORMICA	President
Andrea MOSCA	Effective Auditor
Roberto PETRIGNANI	Effective Auditor

### Management

<b>Gianfranco CARBONATO</b>	<b>CORPORATE</b>	<b>Chief Executive Officer</b>
<b>Alberto DELLE PIANE</b>	<b>CORPORATE</b>	<b>General Manager</b>
<b>Ezio BASSO</b>	<b>PRIMA INDUSTRIE</b>	<b>General Manager</b>
Domenico APPENDINO	PRIMA INDUSTRIE	Marketing and Overseas Operations
Claudio BANCHI	PRIMA INDUSTRIE	Europe Sales
Elio BAROSSO	PRIMA INDUSTRIE	Controller
Roberto DELPIANO	PRIMA INDUSTRIE	Procurement
Maurizio GATTIGLIO	PRIMA INDUSTRIE	Research and Development
Salvatore LIBRERA	PRIMA INDUSTRIE	Manufacturing
Antonio MANNARINO	PRIMA INDUSTRIE	Information Systems
Massimo REVELLO	PRIMA INDUSTRIE	Human Resources
<b>Domenico PEIRETTI</b>	<b>PRIMA ELECTRONICS</b>	<b>Managing Director</b>
Luca DI STEFANO	PRIMA ELECTRONICS	Technical Advisor
Giovanni GIOVINAZZO	PRIMA ELECTRONICS	Manufacturing
Flavio GREGORI	PRIMA ELECTRONICS	Marketing and Sales
Francesco SGANDURRA	PRIMA ELECTRONICS	Research and Development
<b>Paolo CIGNA</b>	<b>PRIMA North America, Inc.</b>	<b>President</b>
Mark BARRY	PRIMA North America, Inc.	Marketing and Sales, LDS and CVL
Thomas BURDEL	PRIMA North America, Inc.	Marketing and Sales, PLT
Jeff BUZZERIO	PRIMA North America, Inc.	Finance
Randy THOMPSON	PRIMA North America, Inc.	Research and Development, CVL
Terry VANDERWERT	PRIMA North America, Inc.	Vice President, LDS
Ray VERMOKOWITZ	PRIMA North America, Inc.	Operations, CVL
Barbara WENNER	PRIMA North America, Inc.	Operations, LDS

CVL - CONVERGENT LASERS  
LDS - LASERDYNE SYSTEMS  
PLT - PRIMA LASER TOOLS

# Consolidated Financial Statements

## CONSOLIDATED INCOME STATEMENT

Year ended December 31 <sup>st</sup> , (Euro thousand, except per share data)	2002	2001	2000	1999	1998
<b>PRODUCTION VALUE</b>					
Revenues from sales and services (Net Sales)	100,528	111,895	89,971	59,529	46,088
Changes in work-in-progress, semi-finished and finished goods	(1,779)	2,882	(1,032)	1,771	1,473
Increase from internal work (assets)	466	75	277	343	484
Other revenues and income	1,481	1,844	2,204	1,132	1,087
<b>TOTAL PRODUCTION VALUE</b>	<b>100,696</b>	<b>116,696</b>	<b>91,420</b>	<b>62,775</b>	<b>49,132</b>
<b>PRODUCTION COSTS</b>					
Purchases of raw material, consumables and supplies, net of inventory variation	(51,705)	(63,841)	(44,778)	(30,943)	(23,406)
Service expenses	(20,120)	(21,626)	(16,710)	(11,901)	(9,560)
Lease and rent costs	(1,889)	(1,725)	(1,071)	(623)	(664)
Other expenses	(890)	(1,076)	(1,250)	(1,074)	(676)
<b>TOTAL PRODUCTION COSTS</b>	<b>(74,604)</b>	<b>(88,268)</b>	<b>(63,809)</b>	<b>(44,541)</b>	<b>(34,306)</b>
<b>ADDED VALUE</b>	<b>26,092</b>	<b>28,428</b>	<b>27,611</b>	<b>18,234</b>	<b>14,826</b>
Personnel expenses	(25,968)	(24,115)	(16,913)	(11,176)	(9,758)
<b>EBITDA</b>	<b>124</b>	<b>4,313</b>	<b>10,698</b>	<b>7,058</b>	<b>5,068</b>
Amortisation and depreciation	(2,647)	(2,200)	(2,144)	(1,380)	(1,254)
<b>OPERATING PROFIT (EBIT)</b>	<b>(2,523)</b>	<b>2,113</b>	<b>8,554</b>	<b>5,678</b>	<b>3,814</b>
Financial income and expenses	(1,958)	(447)	(574)	(514)	(697)
Adjustments to financial assets	(939)	(195)	(108)	(374)	(1,227)
Extraordinary items	(149)	-	1,177	102	27
<b>PROFIT BEFORE INCOME TAXES (EBT)</b>	<b>(5,569)</b>	<b>1,471</b>	<b>9,049</b>	<b>4,892</b>	<b>1,917</b>
Income taxes	545	(1,226)	(3,636)	(2,140)	(377)
<b>NET PROFIT FOR THE YEAR</b>	<b>(5,024)</b>	<b>245</b>	<b>5,413</b>	<b>2,752</b>	<b>1,540</b>
Minority interests	-	(48)	(548)	(378)	(217)
<b>NET PROFIT FOR THE YEAR-GROUP</b>	<b>(5,024)</b>	<b>197</b>	<b>4,865</b>	<b>2,374</b>	<b>1,324</b>
<b>EARNINGS PER SHARE</b>	<b>(1.21)</b>	<b>0.05</b>	<b>1.39</b>	<b>0.98</b>	<b>0.19</b>

## CONSOLIDATED BALANCE SHEET

Year ended December 31 <sup>st</sup> , (Euro thousand)	2002	2001	2000	1999	1998
<b>FIXED ASSETS (NET)</b>	<b>10,985</b>	<b>14,358</b>	<b>10,301</b>	<b>4,450</b>	<b>3,909</b>
Intangible assets	4,509	6,443	3,629	1,058	1,213
Tangible assets	5,394	5,829	5,157	2,123	1,840
Financial assets	1,082	2,086	1,515	1,269	856
<b>EMPLOYEES' SEVERANCE INDEMNITY</b>	<b>3,708</b>	<b>3,204</b>	<b>2,825</b>	<b>2,482</b>	<b>2,507</b>
<b>NET WORKING CAPITAL</b>	<b>59,225</b>	<b>51,912</b>	<b>35,252</b>	<b>20,165</b>	<b>18,838</b>
Inventories	28,077	33,040	21,197	12,085	10,684
Trade receivables	52,625	43,778	38,452	29,586	23,547
Other receivables	10,477	9,472	7,113	3,791	3,736
Accrued income and prepaid expenses	145	171	498	409	93
Trade payables	(22,539)	(23,973)	(21,877)	(19,166)	(14,517)
Other payables	(8,745)	(9,441)	(9,308)	(5,965)	(4,153)
Accrued liabilities and deferred income	(815)	(1,135)	(823)	(575)	(552)
<b>FINANCIAL POSITION (NET)</b>	<b>39,254</b>	<b>29,203</b>	<b>14,425</b>	<b>3,466</b>	<b>12,247</b>
Cash and banks	(3,329)	(8,173)	(4,421)	(8,950)	(1,437)
Bank borrowings	37,208	20,608	6,741	2,745	12,761
Borrowing from other financial institutions	5,375	16,768	12,105	9,671	923
<b>TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY</b>	<b>27,248</b>	<b>33,863</b>	<b>28,303</b>	<b>18,667</b>	<b>7,993</b>
Minority interests	-	1,430	2,918	1,022	752
Shareholders' equity-group	27,248	32,433	25,385	17,645	7,241

## SHAREHOLDERS' EQUITY

	Share capital	Reserves	Net profit for the year	Total
Net profit 1998	-	-	432	432
31.12.1998	5,750	1,063	432	7,245
Appropriation 1998 results	-	432	(432)	-
Equity increase for listing	3,099	5,811	-	8,910
IPO costs	-	(1,129)	-	(1,129)
Translation and other adjustments	3	242	-	245
Net profit 1999	-	-	2,374	2,374
31.12.1999	8,852	6,419	2,374	17,645
Appropriation 1999 results	-	2,374	(2,374)	-
Equity increases	444	2,705	-	3,149
Translation and other adjustments	-	(275)	-	(275)
Net profit 2000	-	-	4,865	4,865
31.12.2000	9,296	11,223	4,865	25,384
Appropriation 2000 results	-	4,865	(4,865)	-
Company capital translation into Euro	(296)	296	-	-
Equity increases	1,375	5,529	-	6,904
Translation and other adjustments	-	(52)	-	(52)
Net profit 2001	-	-	197	197
31.12.2001	10,375	21,861	197	32,433
Appropriation 2001 results	-	197	(197)	-
Translation and other adjustments	-	(161)	-	(161)
Net result 2002	-	-	(5,024)	(5,024)
31.12.2002	10,375	21,897	(5,024)	27,248

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 <sup>st</sup> , (Euro thousand)	2002	2001	2000	1999	1998
<b>A) NET FINANCIAL POSITION AT 01.01</b>	<b>(29,203)</b>	<b>(14,425)</b>	<b>(3,466)</b>	<b>(12,246)</b>	<b>(8,305)</b>
<b>B) CASH-FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>(1,580)</b>	<b>3,596</b>	<b>10,099</b>	<b>4,036</b>	<b>3,357</b>
Consolidated net income	(5,024)	197	4,865	2,374	720
Amortisation/depreciation of tangible/intangible assets	2,517	2,349	1,595	955	999
Accrual of employees' severance indemnity, net of payments	504	379	343	(25)	155
Accrual to bad debt and other funds	(645)	476	3,189	613	255
Depreciation of financial assets	1,068	195	107	119	1,228
<b>B-BIS) EQUITY VARIATIONS</b>	<b>(1,591)</b>	<b>5,364</b>	<b>4,096</b>	<b>8,299</b>	<b>(84)</b>
Equity increase	(1,591)	5,896	4,204	9,536	-
IPO costs (effect net from taxation)	-	-	-	(1,129)	-
Dividend paid to third parties	-	(532)	(108)	(108)	(84)
<b>C) CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>(6,800)</b>	<b>(17,136)</b>	<b>(18,434)</b>	<b>(1,938)</b>	<b>(5,039)</b>
(Increase) decrease in inventories	4,963	(11,843)	(9,112)	(1,401)	(3,140)
(Increase) decrease in trade receivables	(8,977)	(5,239)	(8,777)	(6,274)	(5,779)
(Increase) decrease in other receivables	(1,005)	(2,298)	(3,960)	(204)	29
(Increase) decrease in short-term accruals (net)	(294)	639	158	(292)	158
Increase (decrease) in payables to suppliers	(1,433)	2,095	3,735	2,918	2,600
Increase (decrease) in other payables	(54)	(490)	(478)	3,315	1,093
<b>D) CASH-FLOW PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(80)</b>	<b>(6,602)</b>	<b>(6,720)</b>	<b>(1,617)</b>	<b>(2,169)</b>
(Additions) to intangible assets	502	(4,048)	(3,417)	(353)	(566)
(Additions) to tangible assets	(649)	(1,788)	(2,949)	(731)	(894)
(Additions) to financial assets	67	(766)	(354)	(533)	(1,058)
Proceeds from sale of fixed assets	-	-	-	343	493
<b>E) NET FINANCIAL POSITION AT 31.12</b>	<b>(39,254)</b>	<b>(29,203)</b>	<b>(14,425)</b>	<b>(3,466)</b>	<b>(12,246)</b>

# Notes to the Consolidated Financial Statements

## BUSINESS OF THE GROUP

PRIMA INDUSTRIE S.p.A. designs, manufactures and sells machines and mechanical, electric and electronic engineering systems and the related software for use in industrial automation. The Company provides also technical services in the same field.

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

PRIMA ELECTRONICS S.p.A. designs, manufactures and sells apparatus, instruments, machines and mechanical, electric and electronic engineering systems and the related software.

PRIMA North America, Inc., operating in the North American market, is comprised of three operating divisions:

CONVERGENT LASERS which designs, manufactures and sells lasers for industrial applications; LASERDYNE SYSTEMS which designs, manufactures and sells laser systems for aerospace industrial applications;

PRIMA LASER TOOLS which sells imported PRIMA INDUSTRIE laser machines in North America and provides after-sales services to customers.

PRIMA INDUSTRIE GmbH and PRIMA INDUSTRIE International BV (which is in course of winding up since early 2003) are non-operating Group Companies.

## FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

## PRINCIPLES OF CONSOLIDATION

The consolidated Subsidiaries are those in which PRIMA INDUSTRIE holds a direct interest of more than 50 per cent of that Company's share capital.

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Intangible assets

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

Among them, Research and Development are expensed to the income statement of the year incurred.

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

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

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

Intangible assets are amortised as follows:

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

With respect to the above:

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

### Tangible assets

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

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

Ordinary maintenance is charged to the income statement when incurred.

Maintenance costs which extend the life of the assets are charged to tangible assets and depreciated over the remaining life of the assets to which they refer.

# Notes to the Consolidated Financial Statements

Depreciation rates are as follows:

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

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

## Assets under financial leases

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

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

## Investments and securities recorded in financial assets

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

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

## Inventories

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

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

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

the purchase cost of external work.

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

## Receivables

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

## Prepayments and accruals

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

## Provisions for liabilities and expenses

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

## Employees' severance indemnity

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

## Employees' benefit programs

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

## Recognition of revenues

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

## Grants

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

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

## Income taxes

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

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

## Translation of balances in non euro currency

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

