

PRIMA INDUSTRIE

REPORT ON OPERATIONS FOR 2002

PRIMA INDUSTRIE SpA

Share capital 11,500,000 euros
Fully paid-in
Registered with the Register of Enterprises
of Turin under no. 03736080015
REA of Turin no. 582421

Registered Office in Collegno (Turin, Italy)
Via Antonelli, 32
Internet site: <http://www.primaindustrie.com>
e-mail: prima.dg@primaindustrie.com

***BOARD OF
DIRECTORS (*)***

Chairman
Aldo Palmeri

Managing Director
Gianfranco Carbonato

Directors
Giulia Della Rosa
Sandro D'Isidoro
Domenico Peiretti
Francesco Takanen
(**) Giuseppe Morfino
(**) Paolo Mazzotto

Secretary to the Board
Giuseppe Favalaro

Corporate General Manager Alberto Delle Piane

Direttore Generale Ezio Basso

***BOARD OF STATUTORY
AUDITORS (***)*** ***Chairman***
Riccardo Formica

Standing Auditors
Andrea Mosca
Roberto Petrignani

Alternate Auditors
Roberto Coda
Stefano Maria Ruggeri

INDEPENDENT AUDITORS PricewaterhouseCoopers SpA

(*) Appointed by the Shareholders' Meeting of 14 May 2002 for the three-year period 2002-2004

(**) Independent director appointed by the Shareholders' Meeting of 11 May 2001 for the current

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

DIRECTORS' POWERS

By resolution of 14 May 2002, the Board of Directors appointed Mr Gianfranco Carbonato as Managing Director and granted him all operating powers apart for those that, pursuant to the law, are expressly given to the Board of Directors.

The Chairman and the Managing Director hold the power-of-attorney for the Company in accordance with article 23 of the company by-laws.

PRIMA INDUSTRIE

FINANCIAL STATEMENTS AT 31 DECEMBER 2002

REPORT ON OPERATIONS

Shareholders,

The results of the 2002 financial statements that we submit for your approval show a significant loss for the year, after six years of continuous growth and positive results.

As described in a later section, the main reasons for this negative result are the losses accumulated by the US companies, especially during the first half of the year, owing to the year difficult situation in the USA and certain market segments after the events of 11 September 2001.

It should be, therefore, recalled that last year was a generally poor year for capital goods. Low GDP growth in Europe (0.8 per cent), especially in Italy (0.4 per cent) and Germany (0.2 per cent), the recession in Japan (-0.3 per cent) and a slow-down in the US rate of growth (2.3 per cent), caused by the international political scenario, have combined to create an unfavourable situation for investment.

In this context, the laser system industry has again performed more strongly than the producers of low-technology manufacturing goods, where, as the results of our major rivals show, the market declined by about 10 per cent.

The automobile and aerospace sectors were particularly weak. This is particularly relevant to the company in view its leading position in the production of three-dimensional laser machines, which these two industries use.

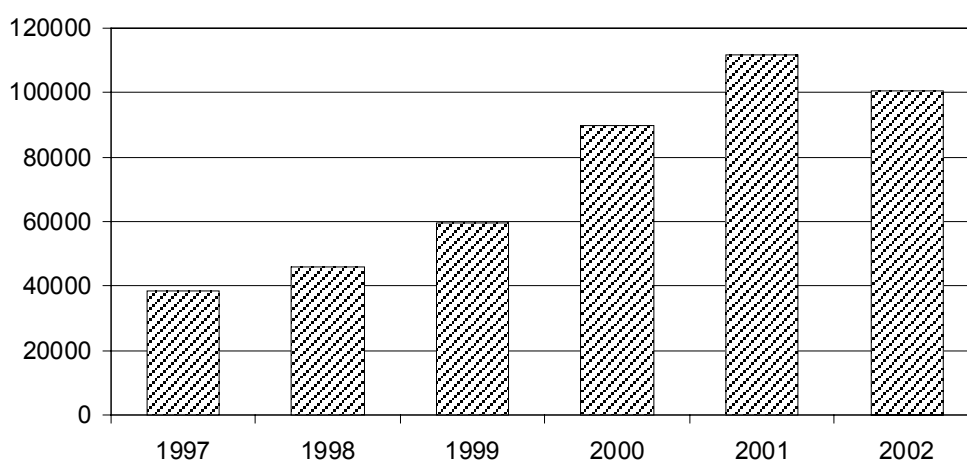
The aviation market essentially stopped investing until the middle of the year, and then showed a cautious recovery, mainly driven by the military sector.

The automobile industry also experienced considerable difficulties, above all in Italy, where the Company is the undisputed leader.

2-D applications held up better because the market for them is more variegated. The Company's market share in this line of business is small. In spite of the uncertain demand, strong pressure on prices, margins and challenging sale conditions, the Company continued to expand in this area.

Revenues for 2002 amounted to 100,528 thousand euros, down 10 per cent with respect to the 111,895 thousand euros of 2001. This reduction, however, relates entirely to US activities (the total turnover of Prima Industrie and Prima Electronics remained stable compared with the previous year). Further, more than 50 per cent of the decline is due to the decision to sell some marginal product lines as part of a re-organisation of the Company's US activities.

SALES TURNOVER (thousands of euros)



Below is a summary of the 2002 consolidated income statement compared to the previous year (amounts in thousands of euros).

	31 Dec. 02	31 Dec. 01	Per cent Change
Revenues from sales and services	100,528	111,895	-10.2 per cent
Changes in inventories and other revenues	168	4,801	-96.5 per cent
Total value of production	100,696	116,696	-13.7 per cent
Total costs of production	(74,604)	(88,268)	-15.5 per cent
Added value	26,092	28,428	-8.2 per cent
Personnel costs	(25,968)	(24,115)	+7.7 per cent
Gross operating margin (EBITDA)	124	4,313	-97.1 per cent
Amortization, depreciation and writedowns	(2,647)	(2,200)	-20.3 per cent
Operating result (EBIT)	(2,523)	2,113	-219.4 per cent
Financial income and expenses – net	(1,958)	(447)	-438.0 per cent

Value adjustments to extraordinary losses - net	(1,088)	(195)	cent -557.9 per cent
Loss before income taxes	(5,569)	1,471	-478,6 per cent
Income taxes (current)	(2,163)	(2,807)	-22.9 per cent
Income taxes (deferred)	2,708	1,581	+71.3 per cent
NET CONSOLIDATED PROFIT (LOSS)	(5,024)	245	-215.1 per cent
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	-	(48)	-100.0 per cent
PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	(5,024)	197	-265.0 per cent

The gross operating margin (EBITDA) amounted to 124 thousand euros, a marked decrease from 4,313 thousand euros in 2001.

This decrease was also caused by the lower EBITDA (5,967 thousand euros) of Prima Industrie and Prima Electronics, some 34 per cent below the previous year's level, owing to a change in the composition of the sales turnover. The lower earnings also reflect the heavy operating losses suffered by the US companies.

This result encompasses the following:

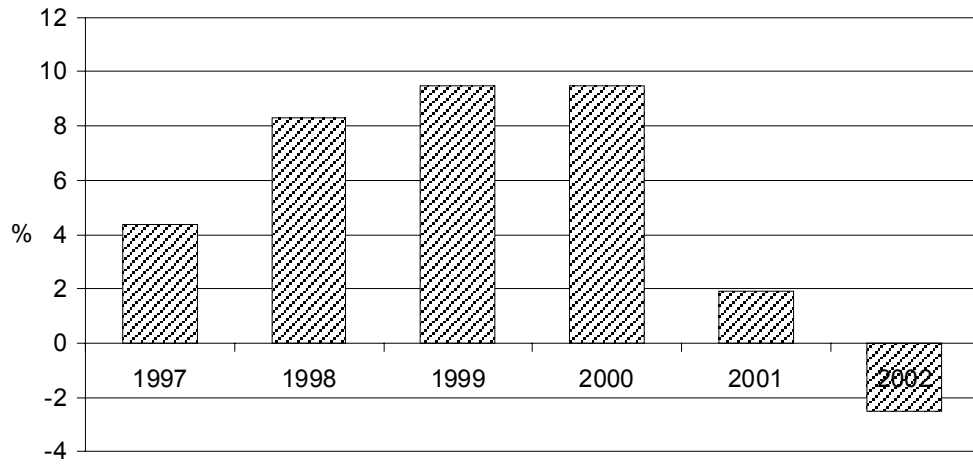
- Accruals of 5,213 thousand euros, of which 3,423 thousand euros were allocated to the provisions for risks and expenses to cover installation and warranty costs; 1,660 thousand euros to the provision for inventory obsolescence; and 130 thousand euros to the provision for bad debts.
- Spending of 7,475 thousand euros on Research and Development Costs was entirely expensed during the year (6,119 thousand euros in 2001).
- Yearly portion accrued of the provision for employees' severance pay of 693 thousand euros (664 thousand euros in the prior year).

The gross operating margin was negative until mid-year and started to show positive values from the third quarter, as a result of the first effects of the US restructuring process.

The operating result (EBIT) was negative for 2,523 thousand euros, the equivalent of -2.5 per cent of sales turnover against an operating income of 2,113 thousand euros (1.8 per cent) in 2001.

The quarterly EBIT results, however, indicate that a turn-around had already occurred in the final quarter of the year.

OPERATING RESULT (EBIT)/SALES TURNOVER



The earnings (loss) before taxes (EBT) shows a loss of 5,569 thousand euros against a profit of 1,471 thousand euros in 2001.

This includes:

- net financial charges of 1,656 thousand euros;
- net exchange rate losses of 471 thousand euros as a result of the significant depreciation of the US dollar against the euro in the latter part of the year;
- extraordinary expenses for writing-off equity investments in Rambaudi Industriale and Mechanical Industries (880 thousand euros).

The consolidated net result shows a loss of 5,024 thousand euros due to the provision for current taxes (2,163 thousand euros) and the recognition of deferred tax assets of 2,708 thousand euros.

The table below shows consolidated income and equity parameters at 31 December 2002 compared with those at 31 December 2001.

	31 Dec. 2002	31 Dec.2001
Weighted average number of shares in the relevant year	4,150,000	3,760,833
Par value per share euro	2.50	2.50
Earning/Loss per share (Group) euro	(1.21)	0.05
Net equity per share (Group) euro	6.57	8.62

With regard to the financial position of the Group, it may be summarised as follows:

Amounts in thousands of euros	31 Dec. 2002	31 Dec. 2001
Fixed assets	10,985	14,358
Net working capital	59,225	51,912
TOTAL ASSETS	70,210	66,270
Total consolidated shareholders' equity	27,248	33,863
Employees' severance pay	3,708	3,204
Net financial position	39,254	29,203
of which Medium-Term	17,686	19,426
of which Short-Term	21,568	9,777
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	70,210	66,270

Net shareholders' equity decreased as a result of the loss for the year, but net working capital increased mainly in connection with a loosening of payment terms made necessary by the market situation, which, in turn, increased in the net financial position.

At 31 December 2002 the portion of medium-term financial debt included 3,600 thousand euros (1,728 thousand euros at 31 December 2001) in relation with the existing recourse claims (pro-solvendo) under the Sabatini Law. This item is not an actual account payable, but, for accountancy purposes, is entered on the books at the same amount and included under trade accounts receivable.

The shift of a part of the debt from medium- to short-term should be noted. This came about as a result of the expiry of the medium term loan granted on 13 September 1999 by a pool of banks co-ordinated by San Paolo IMI and Sviluppo Italia. The last two instalments fall due during the current year.

In order to re-balance the financial position of the Company, on 13 November 2002, the Board of Directors approved a capital increase of 450,000 shares to institutional investors, to be offered without option rights (pursuant to a shareholders' resolution to this effect made on 14 May 1999).

This share capital increase was finalised on 11 February 2003 and was fully subscribed and paid-in by the two current shareholders, Erste International and Lestri Holding. The related amount (3,982 thousand euros) allowed the Company to substantially mitigate the impact of the loss for the year and bring the Financial Position/Equity ratio back to 1.1 (1.0 excluding the above said recourse claims under the Sabatini Law).

CONSOLIDATION OF THE EQUITY INVESTMENTS IN THE USA: Prima North America, Inc.

Effective from 31 December 2002, all Group activities in the USA have been consolidated into a new company: Prima North America, Inc.

The transaction was carried out by means of:

- the re-purchase of 20 per cent of Convergent Prima from ACD Technologies.
- a merger of Laserdyne Prima with Convergent Prima.
- a change of the corporate name from Convergent Prima to Prima North America, Inc.

Prima North America performs its activity through three Divisions:

➤ **Convergent Lasers Division**

This Division designs, manufactures, markets and provides assistance for industrial lasers worldwide. The current line of products includes:

- CP4000 – Fast axial flow 4kW CO₂ laser. Since the end of 2002, Prima Industrie's systems have been fitted with this laser both in Europe and in the USA. The laser is also designed with an external market of OEM customers and final users in mind.
- P50 e P10 – NdYag Laser with high peak power. They equip Laserdyne drilling systems and marketed with other OEM makers and final users.
- Arrow and Arrow/Ulimate – Slow-flow CO₂ laser with average power. They are a standard of quality and reliability for a number of customers, in particular in North America.

➤ **Laserdyne Systems Division**

This Division designs, manufactures, markets and provides assistance for Laserdyne systems worldwide. In particular:

- Gemini – Narrow-sized workstation used for a wide range of industrial laser applications.
- Laserdyne 450 and 550 – Medium-sized workstation for drilling applications.
- Laserdyne 790 and 890 – Large machines for drilling, cutting and welding applications.

In particular, Laserdyne 790, equipped with a 5-axis head, named Beam Director, is a worldwide leading product in the laser processing sector for aviation engine components and power turbines.

➤ **Prima Laser Tools Division**

This Division deals with the sale, installation and technical servicing of Prima Industrie's products in North America:

- Platino, Domino and Maximo – 2-D and 3-D systems for sheet processing applications.
- Optimo, Rapido and Mosaico – 3-D systems (except for Mosaico, which is a 2-D cutting and welding machine), mainly for the automobile industry.

Prima Industrie's systems are manufactured in Italy and Prima Laser Tools is engaged in integrating laser generators (made by Convergent Lasers or other manufacturers) with these systems. It also deals with application engineering, installation, customer training and after-sale assistance in the USA, Canada and Mexico.

From a logistical point of view, during 2002 an important re-organisation took place, which ended in the relocation of Laserdyne Systems Division to new premises in Champlin (Minnesota, USA) in January 2003 and the relocation of Convergent Lasers and Prima Laser Tools Divisions to a newly constructed plant in Chicopee/Springfield (Massachusetts, USA). Both plants are rented on a multi-annual lease.

The Springfield plant, in particular, marks an important step towards the efficient high-volume production of industrial lasers. It is also equipped with a modern demonstration room where customers can see Prima Industrie's and Laserdyne's systems in operation.

In the aftermath of negative results, especially those registered in the fourth quarter of 2001 and the first half of 2002, an important re-organisation and re-structuring process was carried out during the year.

At operating level, top management was replaced. The business missions and product lines of the various companies (afterwards Divisions) were rationalised, and the non-core and unprofitable business lines eliminated. The number of personnel was reduced by 30 per cent (from 154 to 110 employees), which came in the wake of a downsizing from 180 to 154 employees in November 2001.

This process ended at year-end with the incorporation of these activities in Prima North America, Inc.. At the start of 2003, the transfer to the new premises mentioned above set the stage for a progressive reduction in the quarterly losses during the year, and our Company can now reasonably look forward to reaching a break-even point by the middle of the current year.

This expectation does not rely on a particularly noteworthy market recovery, because the cost structure is now compatible with the level of revenues over the last few months.

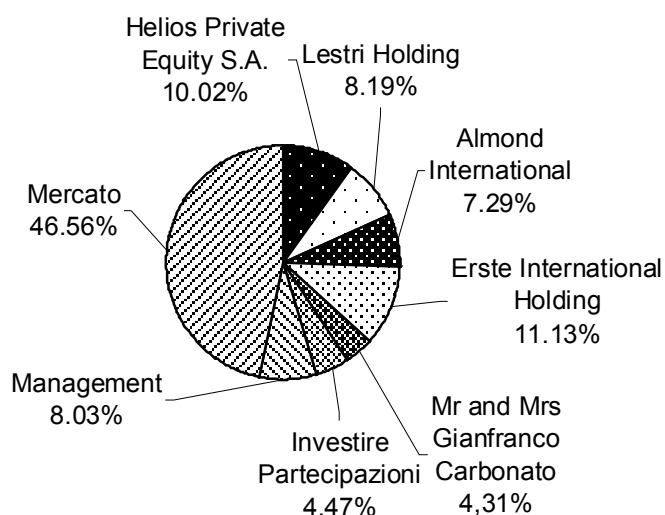
We hope the process will be furthered in 2003 by improvements in the US market, which could already be detected in the closing months of 2002.

The working assumption is that the persistent uncertainties of the international situation will not severely bias the worldwide economy further.

OWNERSHIP STRUCTURE

At 31 December 2002, 4,150,000 ordinary shares with par value of 2.5 euros each were in circulation and were regularly subscribed and paid. No categories of shares different from ordinary shares exist. The register of shareholders indicates the following shareholding distribution:

SHAREHOLDING STRUCTURE



As the chart above clearly shows, at 31 December 2002 the Company owned a float amounting to about 52 per cent of share capital (including the portion held by Company employees).

On 11 February 2003, the share capital was increased to 8.85 euros per share, as already approved by the Board of Directors on 13 November 2002; this increase was subscribed and paid in by two shareholders of the Company (institutional investors) to re-balance the Group equity/financial position ratio, after the losses incurred by our US companies in 2002.

Accordingly, 450,000 new shares were issued, which increased the total outstanding shares to 4,600,000. As a result, Erste International Holding increased its shareholding from 11.13 per cent to 17.11 per cent and Lestri Holding from 8.19 per cent to 10.70 per cent.

PERFORMANCE OF PRIMA INDUSTRIE'S SHARES

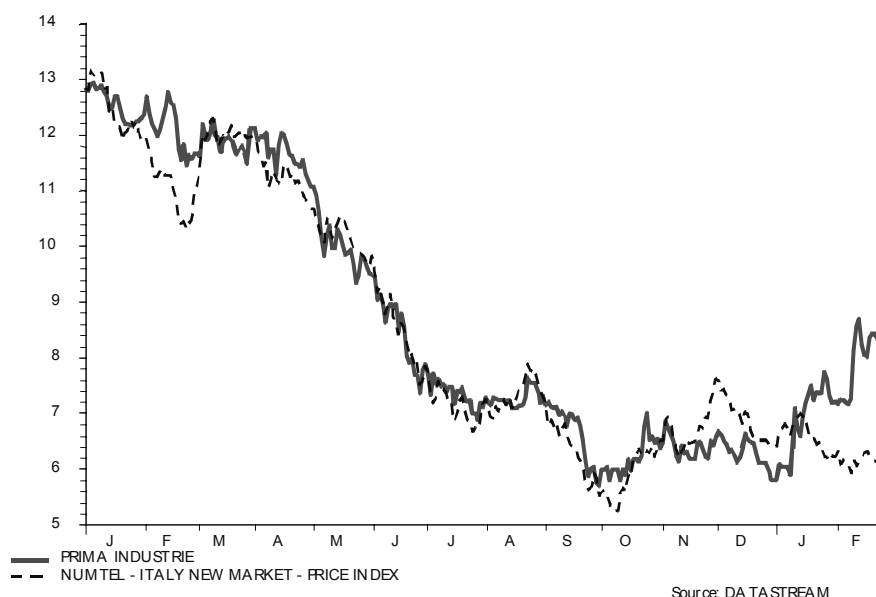
Throughout 2002, international stock markets were impaired by the world recession. In Italy, the Nuovo Mercato NUMTEL index fell by 50 per cent to 2,492 points at 1 January 2002, and to 1,243 points at the year-end. Prima Industrie's stock was affected by the unfavourable market conditions, as well as the losses that the Group experienced in the USA. At year-end, the price per share had dropped to 5.82 euros, a decline of 54 per cent from the start of the period (12.8 euros).

During 2002, the minimum and maximum prices were 5,786 euros and 12,948 euros per share. Given that, at year-end the stock value was below the book value of the Group, it was decided at an extraordinary shareholders' meeting on 4 December 2001 to follow a defensive equity strategy.

In light of this decision, late in the year 71,500 new shares (accounting for about 1.7 per cent of the share capital) were purchased on the market. In January and February 2003, following gains in their listed price, 54,319 shares were re-sold and, at 28 February 2003, the remaining 17,181 shares were still being retained in portfolio.

At 28 February 2002, Prima Industrie's stock was one of only three stocks in the Nuovo Mercato with a list price higher than at the time of the IPO (+14.2 per cent).

From January 2002 to February 2003, the performance of Prima Industrie's stock is shown in the chart below, which provides a comparison with the NUMTEL index.



The chart shows that throughout 2002 Prima Industrie's stock generally tracked the reference index but, in the first months of 2003, began to rise and clearly departed from the trend for the NUMTEL as a whole.

It should be noted that at 11 February 2003 a public purchase offer (PPO) was launched for Prima Industrie's total shares at the price of 7.5 euros per share. The Board of Directors regarded the PPO as a hostile take-over bid (and set out its opinion to this effect on 5 March 2003 in a Notice of the Issuer, pursuant to Article 103 of the Income Tax Code and Article 39 of CONSOB regulation No. 11971/99 and subsequent amendments). After consulting with the Company's Financial Advisor, the Board concluded that the bid price was thoroughly inadequate.

The subscription period for the PPO is scheduled to close on 11 April 2003.

STOCK OPTION PLAN (pursuant to CONSOB regulation, Protocol No. 11508 of 15 February 2000)

The stock option plan was adopted with the dual aim of motivating and securing the loyalty of the Company's key personnel, and offering an appetising prospect for new high-quality recruits.

The rules of the stock option plan, approved by shareholders at an Extraordinary Meeting on 14 May 1999, envisages that the Board of Directors may assign a maximum of 300,000 options (the number takes into account the stock split that was carried out on 4 June 2001 with a ratio of four new shares for every old share) to the Directors of the Company and the Directors of the company's subsidiary, Prima Electronics. These options may be exercised between 1 and 15 July in the year subsequent to the fulfilment of the objectives set by the Board.

With reference to the acquisitions made in the USA, the Extraordinary Meeting amended this regulation on 11 May 2001 to assign option rights also to second-level managers (supervisors and junior management), and to all Group companies, whether in Italy or abroad.

After the options have been completely distributed, and excluding any future capital increases with respect to the 4,600,000 shares currently outstanding, the 300,000 share options will account for about 6.5 per cent of share capital, and will therefore have a limited dilution effect on the share ownership structure.

The plan does not provide for any of the benefits, permitted by Article 2358 of the Italian Civil Code, to help the recipients of the offer subscribe to the shares.

On 17 December 1999, the Board of Directors carried out the first assignment, which consisted of the distribution of 50,000 options for each year of the period 1999-2001 (in total 150,000 options). The rights on the 50,000 shares for 1999 and the 50,000 shares for 2000 were fully exercised, because the Company had achieved its goals in both years.

As regards the 50,000 share options for 2001, only 50 per cent of them could be exercised at the expiration date because, while Prima Industrie and Prima Electronics achieved the necessary results, the Group as a whole did not. In any case, the options were not exercised in July 2001, because the exercise value was equal to or higher than the market price of the shares at the time.

On 11 May 2001, the Board of Directors made a second assignment of options (142,600) to executives and junior management of Prima Industrie and Prima Electronics, and to executives, supervisors and junior management of Laserdyne Prima and Convergent Prima to be exercised on fulfilment of certain EBIT and sales turnover objectives. This assignment may be exercised for 45,000 options referring to 2001 and for 97,600 options referring to 2002 at the price of 23.05 euros per share.

This second assignment was then revoked and superseded by the subsequent resolution of the Board of Directors of 14 February 2002. On this date, the Board approved a new plan, and set the exercise price at 13.11 euros (the average share price in the preceding three months), contingent on the achievement of the objectives for 2001 and 2002 (unchanged from the prior plan), to be exercised in July 2003 in a single transaction.

With regard to this second assignment, the supervisors and junior management of Prima Industrie and Prima Electronics had matured part of their option rights relating to 2001 (as the two companies had achieved their financial objectives). These options may be exercised in July 2003 at the price of 13.11 euros per share. The rights relating to the consolidated results, however, cannot be exercised, nor may those relating to the US companies.

The options for the year 2002 cannot be exercised at all, because no company in the Group achieved the objectives set for 2002.

Below is the resulting situation:

Rights assigned before 1 January 2000 (first assignment)	150,000
of which:	
▪ exercised on 5 July 2000	50,000 at 6.75 euros
▪ exercised on 10 July 2001	50,000 at 7.50 euros
▪ unexercised in July 2002	50,000 at 7.50 euros
Rights assigned on 14 February 2002 (second assignment)	142,600
of which:	
▪ exercisable in July 2003 on 2001 objectives	23,600 at 13.11 euros
▪ unexercisable in July 2003 on 2001 objectives	21,400 at 13.11 euros
▪ unexercisable in July 2003 on 2002 objectives	97,600 at 13.11 euros
Total rights assigned	292,600
Total stock option plan	300,000
Rights still to be assigned at 31 Dec. 2002	7,400

The stock option rules state: “*The options that assignees have not exercised at the date of their expiry will cease to be valid, and the Board of Directors may use the unused portion to assign a corresponding number of new options, within the limits set by the present plan.*” Accordingly, the options that are currently available for re-assignment under the terms of the plan, which expires at 30 June 2004, are as follows:

• Rights still to be assigned at 31 Dec. 2002	7,400
• Rights unexercisable in July 2002	50,000
• Rights unexercisable in July 2003	119,000
Total	176,400

CONSOLIDATED SALES TURNOVER

Consolidated sales turnover for 2002 amounted to 100,528 thousand euros compared to 111,895 thousand in 2001, a 10 per cent reduction.

It is broken down as follows (figures are in thousands of euros):

SALES BY PRODUCT

	31 Dec. 2002	per cent	31 Dec. 2001	per cent
3-D laser machines	29,007	29	37,574	34
2-D laser machines	37,154	37	32,868	29
Other laser systems	-	-	4,119	4
Electronic systems	11,734	11	11,308	10
Laser generators	2,795	3	4,732	4
Assistance and other services	19,838	20	21,294	19
TOTAL	100,528	100	111,895	100

SALES BY GEOGRAPHIC AREA

	31 Dec. 2002	per cent	31 Dec. 2001	per cent
Italy	28,354	28	25,843	23
Europe	42,247	42	45,748	41
USA	21,010	21	25,147	22
Rest of world	8,917	9	15,157	14
TOTAL	100,528	100	111,895	100

The following observations may be inferred from the tables above:

1. The sales distribution of the various products of the Group shows a marked increase in 2-D systems (37 per cent of total turnover at 31 December 2002 compared with 29 per cent at 31 December 2001). The target market for 2D products is more variegated than that for 3-D products (the automobile car and aerospace industries), which experienced difficulties during 2002. At 31 December 2002, the sales of 'other laser systems' was zero, as this category comprises only non-strategic product lines, which were sold off as part of the re-organisation of the US divisions. The external sales turnover relating to laser generators decreased as the Group focused on developing and engineering its lasers. It was also adversely affected by the negative situation of certain OEM customers.
2. In terms of geographical distribution, the figures show real volume as well as percentage growth on the Italian market. This was achieved thanks to a new line of 3-D products, and sales were further boosted by the tax incentives for investments applied during the latter part of the year (the 'Tremonti-bis' Law). The United States has turned out to be of fundamental importance to Group sales. The US market helped offset a downturn in sales by Convergent and Laserdyne Divisions by expanding demand for Prima's systems. In Europe, Germany is the leading force (but is losing momentum), followed by Spain and France (both gaining momentum), and the United Kingdom (stable). In Asia, both the Japanese and Chinese markets showed a decline, where, however, a fair portfolio of delivery orders for 2003 exists.

COMMERCIAL ACTIVITIES

Consolidated orders acquired in 2002 amount to about 101,884 thousand euros compared with about 110,130 thousand euros in 2001. The upturn largely occurred in the second half of the year, when an increase was also recorded on the US markets.

The consolidated order portfolio at 1 January 2003 is satisfactory, considering the economic recession and the difficulties experienced by the relevant markets. Compared with the previous year, it is broken down as follows (amounts in thousands of euros):

	Amount at 1 Jan. 2003	Amount at 1 Jan. 2002
3-D machines	11,583	9,670
2-D machines	10,130	10,851
Laser	-	1,935
Electronic products	4,556	6,631
Services	1,626	919
TOTAL	27,895	30,006

During 2002, as in all even-numbered years when the EMO (the most important trade fair of the sector) is held outside Europe, we took part in various fairs in Italy and in other European countries. In Italy, during the first half of the year we attended SAMUMENTAL in Pordenone, BIMU-SUD in Bari and LAMIERA in Bologna; during the second half, we attended BIMU in Milan. In Spain, we took part in BIEHM in Bilbao, MAQUITEC in Barcelona. In Germany, in collaboration with our dealer Matra, we attended SÜD-BLECH in Sinsheim, METAV in Düsseldorf and EUROBLECH in Hanover, the last of which is the main trade fair of the year. Among the other European fairs we attended were: MACHINE-OUTIL in Paris, TECHNISHOW in Utrecht, MACH in Birmingham and INTERTOOL in Vienna.

Outside the European Union, we took part in METALOOBRABOTKA in Moscow, in MECANICA in São Paulo (Brazil) and in CHINA CNC MACHINE TOOL in Shanghai.

At most of the fairs, we exhibited our new Platino HS (High Speed) system and thereby helped bolster the 2-D system sector in what was a particularly difficult year.

The 3-D systems of the Group were also exhibited at the main trade fairs held in Italy, Germany and France during the year.

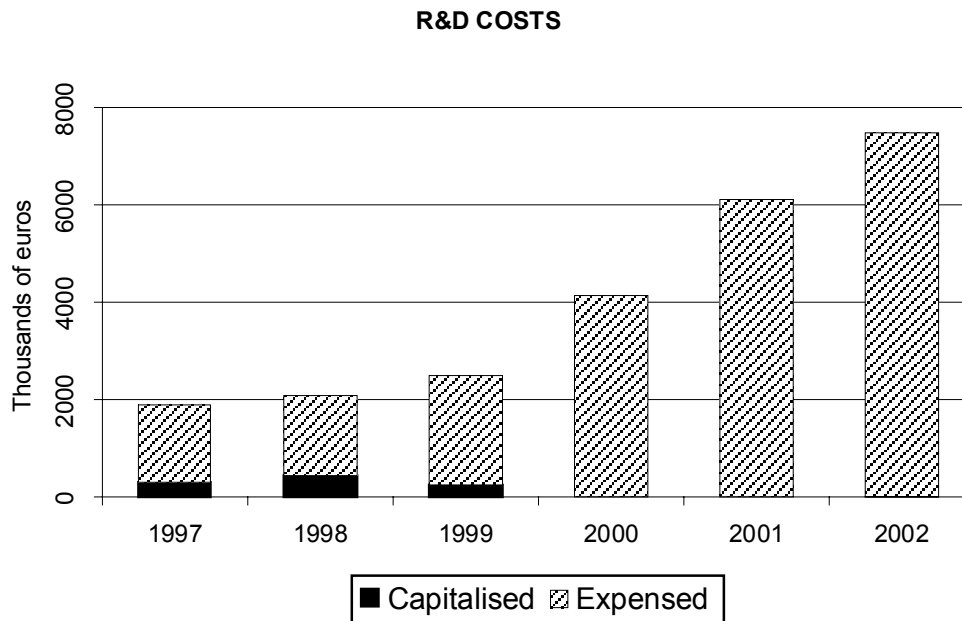
In this particularly difficult year, we decided not to attend any trade fairs in the USA and, therefore, for the first time in ten years, we did not turn up at the IMTS fair in Chicago, a very expensive event. We noted that many of our rivals also missed the event. Our non-attendance at the IMTS fair does not, however, mark a backward step in our North American activities. On the contrary, we have invested a great deal in this market and organised two important business events named 'Italy Tours'.

In May and October, we invited more than forty potential US customers to visit our facilities in Collegno (Turin). The visits were very successful and DOMINO elicited great interest. We received numerous orders thanks to these events, which led to the increased sales of Prima's products in North America.

RESEARCH & DEVELOPMENT

During 2002, all Group companies kept up an intense research and development activity with the aim of enhancing and developing product lines. This involved total investments for the year of 7,475 thousand euros, up from 6,119 thousand euros in the corresponding period of 2001. This activity, carried out during a very difficult year, shows our strong commitment to maintain and improving the Group's competitiveness.

Below is a comparison with the prior years:



With regard to R&D activities aimed at strengthening existing product lines, we mention the following, which started in 2001 and continued throughout 2002:

- Primach 20L, 2-D version – the software, performance and reliability were improved;
- Laser CP 4000 – the new 4 kW laser has been installed on the premises of a number of out customers in Europe and the USA, and intense engineering activity has been conducted to enable efficient production on a large-scale. Furthermore, a new high-voltage generator was developed for this laser;
- Platino HS 2040 – the largest version of Platino product line has been completed and installed with several customers;
- Domino 1530 – sales of this product have markedly increased thanks to a continuous R&D activity to improve the product performance and programming (with a new P-cube CAD/CAM software);
- Mosaico – considerable energy was dedicated to integrating Mosaico with the automated manufacturing cells currently in operation in Europe, USA and Japan, to render the system more productive. The system was also equipped with an advanced sensor to control welding quality.

The following products are worth mentioning:

- A new remote welding system developed in the context of the RESALT project (approved by and registered with the Ministry of Education, Universities and

Research). This system, which is fruit of collaboration with COMAU, is opening new frontiers for the welding of the sub-assemblies of automobile chassis and other large components. The first two devices were delivered during the year to be installed in high-tech welding lines for automobile doors at one of the main European motor vehicle manufacturers.

- The 3-D version of the Primach 20L control system– a project is continuing and a new hand-box has been designed and will be fitted to the control systems of other OEM customers.
- Basic research carried out on high-speed linear motors for 2-D and 3-D systems. This technology is being developed in the context of an international project named Eureka (PAMELA), and will equip our systems in the future.
- VIA Drilling systems – A project to develop these was successfully completed in the USA, despite the suspension of collaboration with ACD Technologies. Two full systems have been implemented (a CO₂ system and a NdYag-UV system), and we are currently appraising new collaboration projects with other companies to exploit the significant market potential of this new technology.

With regard to R&D costs expensed in the year ended 31 December 2002 amounting to 7,475 thousand euros, based on the accruals method of accounting and in compliance with Paragraph 1 of Article 74 of Presidential Decree 917/1986, we note the following:

Study, design and development of a new laser machine model named “DOMINO HIGH SPEED” and related sub-systems for 2-D and 3-D cutting, for which higher performance levels are now available

Costs incurred for this Project related to (amounts in euros):

• Costs of personnel working directly on R&D	320,057
• Costs for technology consulting services of knowledge acquisition	65,074

The results achieved are extremely positive and the new product will be rolled out in 2003.

EMPLOYEES AND ORGANISATION

At the end of 2002, the Group's staff numbered 443 (compared to 470 employees at 31 December 2001) with a reduction of 27 (-6 per cent).

The reduction is connected with the reorganisation process that involved the two US companies of the Group, whose total number of employees fell from 154 to 110 at 31 December 2002, a decrease of about 30 per cent.

The average number of Group employees for 2002 was 439.

Per capita sales amounted to about 229 thousand euros (around 244 thousand euros in 2001).

At 31 December 2002, staff employed with the various companies of the Group consisted of:

	31 Dec. 2002	31 Dec. 2001
▪ Prima Industrie SpA – Italy	222	213
▪ Prima Electronics SpA – Italy	80	76
▪ Prima North America, Inc. – USA	110	154
▪ European branch offices of Prima Industrie	31	27
Total	443	470

As at the same date, employees were divided among the various departments as follows:

	31 Dec. 2002	Percentage	31 Dec. 2001	Percentage
▪ Management and Administration	47	11 per cent	53	11 per cent
▪ Marketing and Sales	51	12 per cent	52	9 per cent
▪ R&D and Engineering	73	16 per cent	86	18 per cent
▪ Production	201	45 per cent	210	45 per cent
▪ Technical assistance	71	16 per cent	69	17 per cent
Total	443	100 per cent	470	100 per cent

To complete the logistical reorganisation in the USA, the manufacturing activities of the production division were moved to larger and more suitable facilities in February 2003.

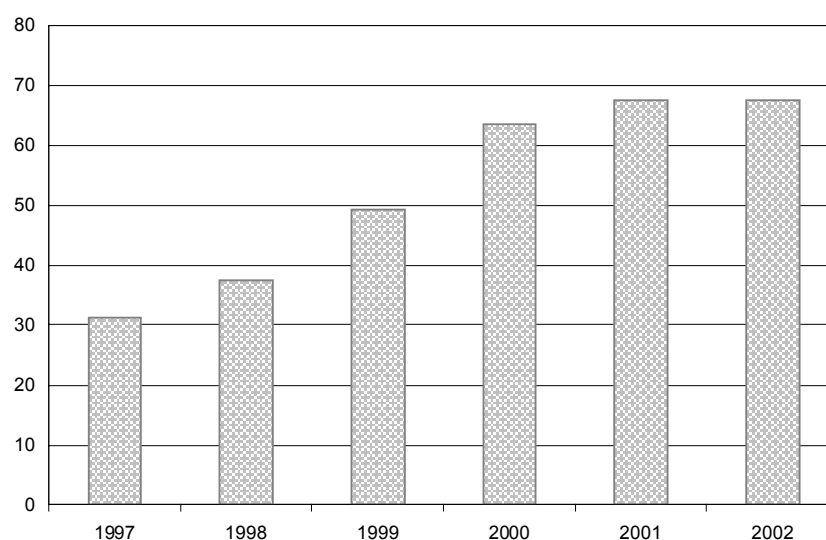
GROUP CONSOLIDATED COMPANIES

Information on the performance of the Group companies during the year is provided below.

PRIMA INDUSTRIE SPA

The parent company's sales turnover in 2002 remained almost unchanged from 2001 and increased from 67,471 thousand euros to 67,464 thousand.

SALES TURNOVER (thousands of euros)



Below is a summary of the 2002 income statement compared with the prior year (amounts in thousands of euros).

	31 Dec. 02	31 Dec. 01	per cent change
Revenues from sales and services	67,464	67,472	-
Change in inventories and other revenues	700	5,283	-86.7
Total value of production	68,164	72,755	-6.3
Total costs of production	(52,733)	(55,054)	-4.2
Added value	15,431	17,701	-12.8
Personnel costs	(12,003)	(11,345)	+5.8
Gross operating margin (EBITDA)	3,428	6,356	-46.1
Amortization, depreciation and writedowns	(973)	(830)	+17.2
Operating profit (loss) (EBIT)	2,455	5,526	-55.6
Financial income and expenses – net	(876)	1,161	-175.5
Value adjustments and extraordinary items – net	(7,980)	(4,295)	+85.8
Profit (loss) before income taxes	(6,401)	2,392	-367.6
Income taxes (current)	(1,272)	(1,694)	-24.9
Income taxes (deferred)	2,793	436	+641.6

NET PROFIT (LOSS)	(4,880)	1,134	-530.3
--------------------------	----------------	--------------	---------------

Gross operating margin (EBITDA) amounted to 3,428 thousand euros (5.1 per cent of sales) against 6,356 thousand euros (9.4 per cent of sales) in the previous year.

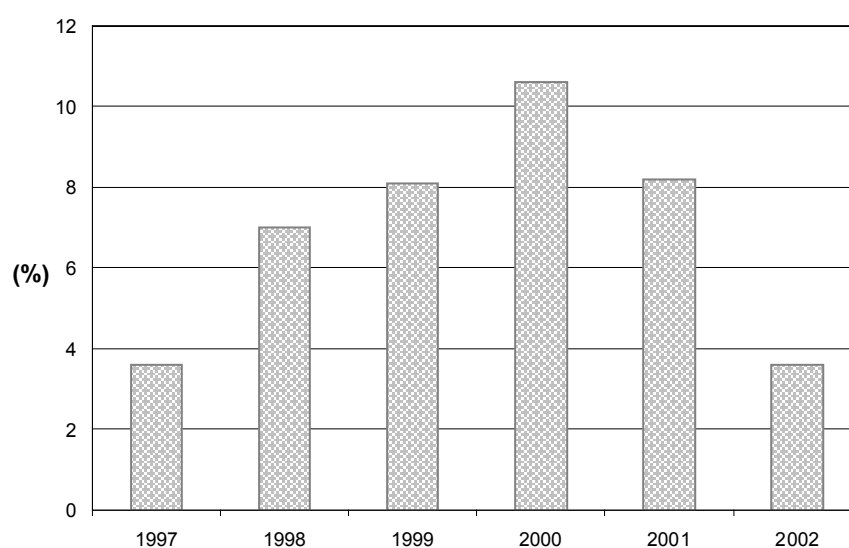
It relates to:

- Accruals for sundry risks totalling 2,180 thousand euros, of which 2,163 thousand as provision for contractual risks and expenses to cover installation and guarantee costs of machines and systems delivered but not invoiced in 2002 (in the year the release of the provision amounted to 2,050 thousand euros). Other lesser accruals relate to the recognition of the loss for the year of one subsidiary, Prima Industrie GmbH, amounting to 9 thousand euros and the portion for the year accrued as agent's customer indemnity provision (8 thousand euros).
- R&D costs entirely expensed in the year of about 3,494 thousand euros (2,502 thousand in 2001).
- Annual portion of the provision for employees' severance pay amounting to 555 thousand euros.

Operating profit (loss) (EBIT) amounts to 2,455 thousand euros and accounts for 3.6 per cent of the sales turnover from 5,526 thousand euros for the previous year (8.2 per cent).

It includes amortization/depreciation of 973 thousand euros.

OPERATING PROFIT/LOSS (EBIT)/SALES TURNOVER



The loss before taxes is 6,401 thousand euros (-9.5 per cent of sales turnover), which is markedly lower than the profit of 2,392 thousand euros in the previous year (3.5 per cent of sales turnover).

It includes:

- Net financial expenses amounting to 956 thousand euros.
- Provision for exchange rate fluctuation amounting to 259 thousand euros (net of its release) and net exchange rate differences payable of 169 thousand euros owing to the relevant depreciation of the US dollar against the euro in the last part of 2002.
- Writedowns of equity investments amounting to 7,831 thousand euros, of which:
 - 6,863 thousand euros for losses borne by Convergent Prima and Laserdyne Prima (now Prima North America Inc.) in the USA.
 - 775 thousand euros for writing off the equity investment in Rambaudi Industriale SpA, which is in composition with creditors.
 - 105 thousand euros for writing off the equity investment held in Mechanical Industries Srl, of which Rambaudi Industriale is the key shareholder.
- 150 thousand euros as prudential provision for the tax burden relating to prior years, following an inspection by the Italian Finance Police that led to a contestation of elements of the tax return filed in December 2002.

Net profit (loss), including current taxes of 1,271 thousand euros and deferred tax assets of 2,793 thousand euros is negative to the value of 4,880 thousand euros (-7.2 per cent of the sales turnover) against a net profit of 1,258 thousand euros (1.7 per cent of the sales turnover) in 2001.

The table below shows consolidated income and equity parameters at 31 December 2002 compared to those at 31 December 2001:

	31 Dec. 02	31 Dec. 01
Weighted average number of shares in year	4,150,000	3,760,833
Par value per share euros	2.50	2.50
Earning/Loss per share - net euros	(1.18)	0.30
Net Equity per share euros	6.49	8.45

Below is a summary table on the Company's financial position:

Amounts in thousands of euros	31 Dec. 2002	31 Dec. 2001
Fixed assets	11,378	16,043
Net working capital	40,160	30,716
TOTAL ASSETS	51,538	46,759
Shareholders' Equity	26,917	31,797
Employees' severance pay	2,725	2,360
Net financial position	21,896	12,602
of which Medium Term	7,811	11,708
of which Short Term	14,085	894
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	51,538	46,759

The table shows a decrease in shareholders' equity resulting from the loss for the year that was caused mainly by the difficult situation experienced by our US operating divisions.

Net financial position (debt) increased as a result of, inter alia, a rise in net working capital, as a result of the lower level of collection caused by the market situation.

The ratio of minority interest to shareholders' equity has, however, remained at the satisfactory level of 0.8.

The shift of a large portion of debt from the medium- to short-term is attributable to the expiry of the loan to Prima Industrie granted in 1999 by a pool of banks co-ordinated by San Paolo IMI and Sviluppo Italia.

In order to re-balance the Company's financial position, on 13 November 2002 and 11 February 2003 the Board of Directors approved a capital increase of 450,000 shares to be offered without option rights (pursuant to the Resolution made by shareholders at the meeting of 14 May 1999) to institutional investors. This increase was carried out through the subscription and payment made by two of the current shareholders, namely, Erste International and Lestri Holding. The resulting revenues collected (3,982 thousand euros) allowed the company to minimise the impact of the loss for 2002, and improved the minority interest/shareholders' equity ratio.

EQUITY INVESTMENTS DIRECTLY OR INDIRECTLY HELD BY DIRECTORS, STATUTORY AUDITORS, MANAGING DIRECTORS IN PRIMA INDUSTRIE SPA AND IN ITS SUBSIDIARIES (ARTICLE 79 OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999)

As envisaged by the provisions of Article 79 of Consob Regulation no. 11971 approved on 14 May 1999, a summary table on directors', statutory auditors' and managing directors' ownership is provided below.

Surname and name	Investee	No. of shares owned at 1 Jan. 2002	No. of shares purchased in 2002	No. of shares sold in 2002	No. of shares owned at year-end (31 Dec. 2002)
Palmeri Aldo	Prima Industrie SpA	2,500	--	--	2,500
Carbonato Gianfranco	Prima Industrie SpA	173,000	--	--	173,000
Della Rosa Giulia	Prima Industrie SpA	--	--	--	--
Takanen Francesco	Prima Industrie SpA	--	--	--	--
Peiretti Domenico	Prima Industrie SpA	78,492	4,500	--	82,992
D'Isidoro Sandro	Prima Industrie SpA	--	--	--	--
Mazzotto Paolo	Prima Industrie SpA	--	--	--	--
Morfini Giuseppe	Prima Industrie SpA	--	--	--	--
Formica Riccardo	Prima Industrie SpA	--	--	--	--
Mosca Andrea	Prima Industrie SpA	--	--	--	--
Petrignani Roberto	Prima Industrie SpA	--	--	--	--
Ruggeri Stefano Maria	Prima Industrie SpA	--	--	--	--
Coda Roberto	Prima Industrie SpA	--	--	--	--
Basso Ezio	Prima Industrie SpA	16,144	--	--	16,144
Delle Piane Alberto	Prima Industrie SpA	20,800	--	--	20,800
Gagliardi Franca (i)	Prima Industrie SpA	5,952	500	--	6,452
Monticone Emilia (ii)	Prima Industrie SpA	69,522	--	--	69,522

- (i) Mrs Carbonato's
(ii) Mrs Peiretti's

None of the persons listed above holds direct or indirect shares or quotas in the subsidiaries Prima Electronics SpA, Prima Industrie GmbH, Prima Industrie International BV (already Laserworld BV), Prima North America Inc. (formerly Laserdyne Prima Inc. and Convergent Prima Inc.).

SALES TURNOVER

In 2002, sales turnover amounting to 67,464 thousand euros consisted of the following: (amounts in thousands of euros):

SALES TURNOVER BY PRODUCT

	31 Dec. 2002	per cent	31 Dec. 2001	per cent
3-D laser machines	23,419	34.7	26,846	39.8
2-D laser machines	34,016	50.4	30,742	45.6
Assistance and other	10,029	14.9	9,884	14.6
TOTAL	67,464	100.0	67,472	100.0

SALES TURNOVER BY GEOGRAPHIC AREA

	31 Dec. 2002	per cent	31 Dec. 2001	per cent
Italy	24,225	35.9	20,495	30.4
Europe	33,211	49.2	33,139	49.1
USA	3,653	5.4	4,122	6.1
Rest of world	6,375	9.5	9,716	14.4
TOTAL	67,464	100.0	67,472	100.0

In 2002, the company delivered 155 laser machines compared with 145 in 2001. The fact that the volume of sales rose while the turnover remained essentially the same was mainly caused by the proportionate increase in the sales of 2-D systems, which have a lower unit value.

A rise in the sales of 2-D products (+11 per cent) and of after-sale assistance (+5 per cent) was also recorded.

In geographical terms, the Italian market grew strongly with respect to 2001. This growth also included the 3-D segment, which boosted by the arrival of a new product, Magico, developed together with Comau. The European market held firm, while overseas markets declined, though their order portfolio for 2003 is healthy.

COMMERCIAL ACTIVITIES

In 2002, purchase orders amounted to about 69,092 thousand euros, an increase of 1.5 per cent from 68,091 thousand euros in 2001. Much of the improvement took place in the second half of the year.

Given the unfavourable state of the market for investment goods, we are satisfied with the orders in 2002.

The portfolio of orders at the end of the period was as follows (amounts in thousands of euros):

	Amount at 1 Jan. 2003	Amount at 1 Jan. 2002
3-D machines	6,598	7,085
2-D machines	10,286	11,541
TOTAL	16,884	18,626

The portfolio of orders can be considered healthy (as it covers three months of production), and had expanded even further at 28 February 2002 to reach 18,890 thousand euros.

Compared to the start of 2002, orders shifted towards the 3-D segment, which was also a result of Domino's success on the US market.

Despite the depressed market, Prima Industrie dedicated considerable effort to marketing its products, and took part in a number of national and international trade fairs.

At these fairs, Prima Industrie presented its new Platino HS (High Speed), which contributed to an increase in 2-D sales, in spite of the difficult economic circumstances.

TRANSACTIONS AND BALANCES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

PRIMA ELECTRONICS SPA

Prima Electronics' billings to Prima Industrie were 2,706 thousand euros compared with 3,077 thousand euros in the previous year.

These were at normal market conditions and relate to:

	2002	2001
Supplies of control systems, accessories and miscellaneous	2,376	2,739
Design	330	338
Total	2,706	3,077

Meanwhile, in the same period, Prima Industrie billed Prima Electronics for a total of 119 thousand euros for services and technical consulting, compared with 125 thousand in the previous year. These invoices related to services (such as electronic data processing) for which Prima Industrie is the Group's primary provider. They also comprise licences, maintenance charges, and customisation costs for the Company's information system.

At the end of the year intra-Group accounts receivable and accounts payable were as follows:

	Accounts receivable Prima Industrie	Accounts payable Prima Industrie
Trade accounts receivable	42	-
Invoices to be issued	193	-
Dividends to be collected	300	-
Trade accounts payable	-	1,016
Financial accounts payable	-	1,000
Total	535	2,016

PRIMA NORTH AMERICA INC.

In 2002, Prima Industrie billed Prima North America 2,792 thousand euros for machinery (2,990 thousand in 2001), and 692 thousand for accessories and spare parts (539 thousand to Laserdyne Prima and 295 thousand to Convergent Prima in 2001)

In 2002, Prima North America in turn billed Prima Industrie 2,343 thousand euros for systems, laser sources and spare parts, as well as 183 thousand euros for various activities under contract. At the end of the year accounts receivable and accounts receivable between the Companies were as follows:

	Accounts receivable Prima Industrie	Accounts payable Prima Industrie
Trade accounts receivable	5,460	-
Trade accounts payable	-	581
Invoices to be issued	30	-
Invoices to be received	-	783
Total	5,491	1,364

PRIMA INDUSTRIE GMBH/PRIMA INDUSTRIE INTERNATIONAL BV

These two companies have been operating at a low level for a number of years. There were no transactions in the year between, Prima Industrie SpA, Prima Industrie GmbH and Prima Industrie International BV.

At the end of the year, accounts receivable and accounts payable between the companies were as follows:

	Accounts receivable Prima Industrie	Accounts payable Prima Industrie
Prima Industrie GmbH		
• Trade accounts receivable	16	-
• Trade accounts payable	-	41
Total	16	41
Prima Industrie International BV		
• Trade accounts payable	-	42
Total	-	42

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

Prima Industrie billed the Shenyang Prima joint venture 1,460 thousand euros for the sale of subsystems for 2-D cutting machines (1,238 thousand euros in 2001).

The joint venture with SNK, which was established in Japan in the second half of 2001, has not yet generated trading transactions. A 3D laser machine was, however, invoiced in the year by Prima Industrie directly to SNK.

At the end of the year accounts receivable and accounts payable between the Companies were as follows:

	Accounts receivable Prima Industrie	Accounts payable Prima Industrie
Trade accounts receivable		
• Shenyang Prima Laser	1,696	-
Machine Company Ltd	-	-
• SNK – Prima Company Ltd		
Total	1,696	-

MACRO MECCANICA SPA (in liquidation)

During 2002 there were no transactions with this company, which is at present being wound up.

There were no accounts receivable or accounts payable at the end of 2002 with this company.

MECHANICAL INDUSTRIES SRL

During 2002 the Company billed Prima Industrie 639 thousand euros for mechanical process. Some of the services rendered were paid for in advance. At year-end accounts receivable and accounts payable between the Companies were as follows:

	Accounts receivable Prima Industrie	Accounts payable Prima Industrie
Trade accounts receivable for advance payments to supplier	99	-
Financial accounts payable	-	150
Total	99	150

RAMBAUDI INDUSTRIALE SPA

Rambaudi Industriale SpA is at present engaged in making a composition with creditors. There were no transactions with this company in 2002.

SUBSIDIARIES

PRIMA ELECTRONICS SPA

The company ended the year 2002 well with sales of 15,339 thousand euros slightly down from 16,069 thousand euros in 2001 (-4.5 per cent).

The year shows a net profit of 1,149 thousand euros, more or less on a par with the 1,158 thousand euros of 2001. Regarding the operating result, the Company recorded a healthy EBIT (2,126 thousand euros), which amounted to 13.9 per cent of sales turnover (14.8 per cent in 2001).

The contained decrease is due to a different product mix and the market performance. In any event, Prima Electronics certainly achieved excellent results considering the generally challenging market conditions.

In 2002, newly acquired orders amounted to around 15,185 thousand euros (from about 13,893 thousand euros in 2001).

At year-end the portfolio of orders amounted to 6,460 thousand euros (6,631 thousand euros at 31 December 2001).

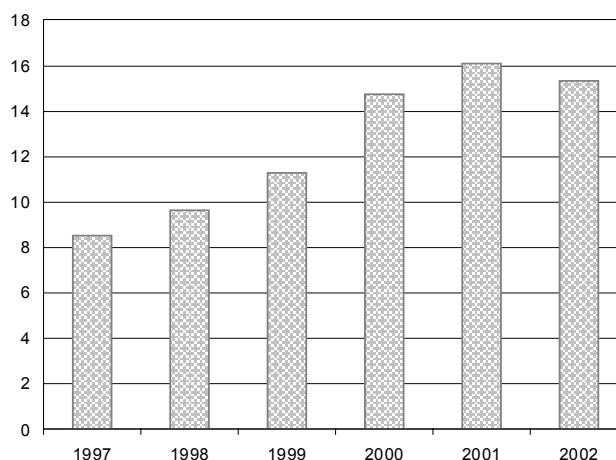
In 2002, the intense R&D activity was entirely charged to the income statement (1,244 thousand euros). The R&D related to:

- enhancing the new version of the PRIMACH 20L, a digital controller that works on PCs configured to the Linux OS and deployed for 2-D applications, and the development of the controller for 3-D applications;
- developing high-voltage power supply for equipping CP 4000 laser generators manufactured by Prima North America.

The net financial position shows a positive amount of 544 thousand euros (vis-a-via a loss of 326 thousand euros in 2001).

At year-end the company's workforce numbered 80, an increase of 5 per cent compared with 76 in the previous year.

PRIMA ELECTRONICS SALES TURNOVER
(millions of euros)



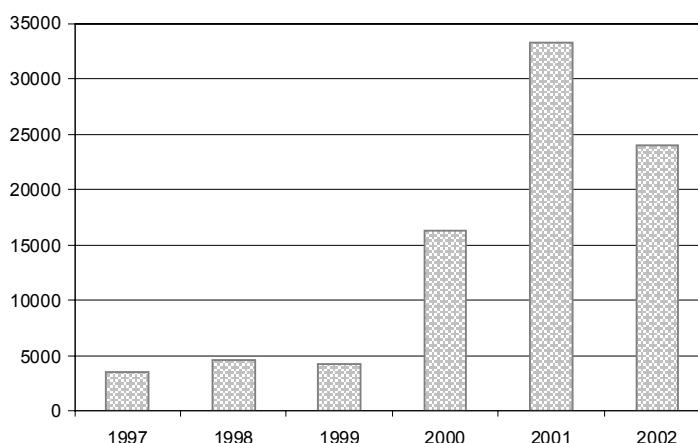
PRIMA NORTH AMERICA INC. (FORMERLY LASERDYNE PRIMA INC. AND CONVERGENT PRIMA INC.)

At the end of 2002, Laserdyne Prima and Convergent Prima, two Group companies based in the USA, merged to form Prima North America Inc. In preparation for this operation, the 20 per cent of Convergent Prima previously held by ACD Technologies had been repurchased in 2002.

The newly established Prima North America Inc. is composed of three operating divisions (Convergent Lasers, Laserdyne Systems and Prima Laser Tools), and, at the beginning of 2003, it was relocated to a new plant near Springfield (Massachusetts – USA) and to a secondary plant in Champlin (Minnesota – USA), where the Laserdyne Systems division is currently operating.

Whether considered by market or geographical zone, 2002 was a particularly difficult year. The aerospace industry is in deep crisis after 11 September 2001. Sales fell to 23,979 thousand US dollars from 33,216 thousand in the previous year. In particular, the decrease was related to Convergent and Laserdyne divisions, while the sales of Prima's products rose to 5,909 thousand US dollar (from 3,559 thousand in 2001), thanks to the commercial re-organisation and Domino's success on the US market.

PRIMA NORTH AMERICA INC. SALES
(thousands of US dollars)



The operating loss amounted to 6,727 thousand US dollars (compared with an operating profit in 2001 of 3,052 thousand dollars by Laserdyne Prima and 1,428 thousand by Convergent Prima). The net loss was 7,188 thousand dollars (compared with a profit in 2001 of 3,917 thousand dollars by Laserdyne Prima and 1,388 thousand dollars by Convergent Prima).

The company carried out extensive restructuring and re-organisation, which helped it contain operating losses, which more than halved in the second half of year compared with the first half.

The re-organisation was completed in the first months of 2003 (with the above-mentioned relocation), and the objective now is to bring Prima North America's operations to break-even point by the first half of the current year.

It should be noted that the result for the year 2002 was influenced by an inventory writedown of 1,479 thousand euros, made also in the wake of the disposal of marginal and non-strategic product lines.

Orders received in the period amounted to 27.3 million dollars (from 25.2 million dollars in 2001), and the year-end backlog to 8.4 million dollars, a marked rise with respect to the 5.1 million dollars at 31 December 2001. This confirms the upward trend that became particularly evident in the second half-year.

At 31 December 2002, the workforce numbered 110, a sizeable downsizing compared with the payroll of 154 at 31 December 2001 (about –30 per cent).

R&D costs amounting to 2,587 thousand dollars (from 2,833 thousand in 2001) were entirely charged to the company's income statement, and mainly related to CP4000 laser VIA Drilling technology.

PRIMA INDUSTRIE GMBH

In the past, Prima Industrie GmbH was Prima Industrie's marketing arm in Germany. As of 1994 when a trade deal was agreed with the German distributor, Matra, the company's functions have been limited to the occasional management of technical call-outs to service products warranty.

Until 1998, the company provided assistance to German customers.

Since 1999, its effective operations have been reduced to zero, because during the year the residual inventories were transferred to Prima Industrie SpA. The loss of 9 thousand euros relates to operating costs. The company has no employees.

For the time being, the company has not been placed in liquidation because it might serve as a vehicle for delivering on-site technical assistance in conjunction with Matra.

PRIMA INDUSTRIE INTERNATIONAL BV

This company operated until mid-2001 overseeing the marketing of Prima Industrie and Convergent Prima products.

At present, it performs no productive activity. Its loss of 30 thousand euros relates to operating costs.

At the beginning of 2003, the winding-up procedure of the company was begun and is expected to be completed within the current year.

UNCONSOLIDATED EQUITY INVESTMENTS

Unconsolidated equity investments of Prima Industrie SpA, catalogued according to the line-by-line method are:

Associated companies:

- Shenyang-Prima Laser Machine Company Ltd
- SNK Prima Company Ltd
- Macro Meccanica SpA (in liquidation)
- Mechanical Industries Srl

Other companies in scope of consolidation:

- Rambaudi Industriale SpA

SHENYANG-PRIMA LASER MACHINE COMPANY LTD.

The company has focused its business on the marketing, installation and after-sale servicing of the Platino system.

During the year, the joint venture obtained 7 orders (as in 2001). Prima Industrie directly acquired additional orders for machines destined for the Chinese market, thanks to the marketing activities that it undertook with the joint venture.

Certain orders referred to machines delivered to customers in the first months of 2003 only. This is the reason why the joint venture sales turnover amounted to 1.1 million dollars compared to 1.2 million dollars in 2001.

The joint venture, therefore, recorded a fair loss of 122 thousand dollars compared to the modest profit of 39 thousand euros in the prior year.

During 2002 the new Platino HS was exhibited at the China CNC Machine Tool Exhibition held in Shanghai, and the first Domino was sold in China.

At 31 December 2002, the company's workforce numbered 8 employees.

SNK PRIMA COMPANY LTD.

The company is owned by Prima Industrie (40 per cent), SNK, a Japanese company operating in the market of capital goods (40 per cent) and Hanwa-HTS, a Japanese trading company specialising in the distribution of steel and sheet metal (20 per cent). It devoted its first year of activity to promoting the Mosaico system to Japanese automobile makers and steel companies.

Good relationship was established with the Nippon Steel Group to which the two Mosaico machines sold in 2001 to our partners SNK and Hanwa-HTS were delivered. One of them is destined for use in the development of new applications, the other for the manufacturing of tailored blanks at a sheet metal production site. The second machine is set up within a fully automated cell, and is expected to become a landmark installation in the Japanese market.

During 2002, SNK's staff worked on the development of a Japanese version of Mosaico. The related development costs will be charged to the income statement of the joint venture, which is expected to close its financial statements at 31 March 2003.

The modest loss of about 5 million yens relates to operating costs.

MACRO MECCANICA SPA (in liquidation)

The winding-up of Macro Meccanica, whose 35 per cent equity interest had been already written off in 1999, continued in 2002. The procedure is expected to be concluded in 2003, although the estimated date remains uncertain, as tax credits are still to be collected. The liquidation deficit shown in the 1999 and 2000 financial statements decreased in 2001 and is still falling thanks to settlement arrangements with creditors. We believe that no additional expenses related to this investment will emerge.

MECHANICAL INDUSTRIES SRL

The company, which provides mechanical manufacturing services to Prima Industrie, was implicated in the difficulties of Rimbaudi Industriale, of which it was both the principal shareholder and main customer. At 21 March 2003, Mechanical Industries filed for bankruptcy with the Court of Turin.

The equity investment held by Prima Industrie, which accounts for 21.6 per cent of the share capital and amounts to 105 thousand euros, was written off in the 2002 financial statements. The adequacy of the provision for bad debts included in the financial statements was also verified, taking into account the estimated realisable value of a receivable of 150 thousand euros from the company.

Until the bankruptcy petition date, Mechanical Industries had continued supplying Prima Industrie and receiving partial prepayments for orders. At 31 December 2002, advances to suppliers showed a balance of 99 thousand euros, which has since decreased to 44 thousand euros. This amount will be written down in Prima Industrie's financial statements for the first quarter of 2003.

Mechanical Industries has an active lease contract with Siemens Finanziaria SpA for a residual capital of 152 thousand euros. The lease is secured by a commitment by Prima Industrie.

Since the bankruptcy petition was accompanied by two proposals for the purchase of its business branch (both proposals envisage the assumption of the lease contract by Prima Industrie), and considering that the value of the leased machines is believed to be higher than the residual amount payable, no additional losses and/or writedowns relating to Mechanical Industries are likely.

RAMBAUDI INDUSTRIALE SPA

The company's 2001 financial statements showed an unexpected and severe operating loss, which led to a composition with creditors filed with the Court of Turin on 19 July 2002. On 24 September 2002, the creditors' meeting approved this procedure, whose counterpart is still pending to date. Next hearing at the Court is scheduled for 29 March 2003.

As a result of this situation, the investment held by Prima Industrie accounting for 6.24 per cent of the share capital and amounting to 774 thousand euros was written off in the 2002 financial statements. No other relevant debts or credits are included in our financial statements in respect of this company.

OUTLOOK FOR 2003

The outlook of the international scenario has seriously undermined prospects for the current year.

Depending on its outcome, duration, and geo-political after-effects, the war recently started in Iraq will affect the economy and may impact on oil prices.

Analysts have therefore come up with a whole range of possible outcomes, varying from strong growth for the second half of the year to a general recession in the economies of the west.

Given this extremely uncertain state of affairs, the plans for the current year are based on an intermediate reckoning that assumes neither a strong of recovery nor a marked worsening of the situation.

In common with other companies in our sector, we believe that the market is likely to experience moderate growth during the year, and that three factors will provide the impetus:

- an improvement in the US situation where signs of healthy demand for the Domino and Laserdyne systems have emerged in recent months;
- the increasing use of the CP 4000 laser generator in Prima Industrie's systems;
- increasing demand from the automobile industry for manufacturing applications.

The company intends to work at consolidating the position of its products in the current year and thereby reach breakeven in the USA. It also aims to improve the management of its working capital and, consequently, its operating profit.

The performance in the first two months of 2003, which were not particularly favourable for capital good investments, resulted in a total sales turnover of 8.6 million euros (10.2 million euros in 2002), and a total portfolio of orders of about 34 million euros, an increase with respect to the previous year (31.7 million).

Among the significant events of the very first part of the year were: a share capital increase of 4 million euros was subscribed and paid-in on 11 February 2003; and, on the same day, the launch of hostile public purchase offer (PPO) for 100 per cent of the company's shares. After consulting with the financial advisor, Banca Akros, the Prima Industrie Board of Directors, meeting on 5 March 2003, declared that the offer, which valued shares at 7.5 euros each, was "thoroughly inadequate." The subscription period started on 10 March 2003 and will end on 11 April 2003.

In conclusion, we sincerely hope that international economic situation will improve, and are confident that once it does, our shareholders will look back on 2002 as no more than a brief stumble on a path to success.

For the Board of Directors
Managing Director
Mr Gianfranco Carbonato

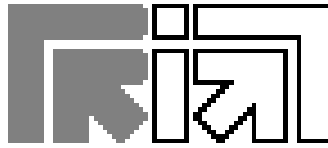
PROPOSAL FOR COVERING THE LOSS FOR THE YEAR

Shareholders,

In asking you to approve the financial statements of Prima Industrie SpA for the year ended 31 December 2002, which we have examined, we propose to cover the loss for the year amounting to 4,879,822 euros as follows:

- release of 4,879,822 euros from the extraordinary reserve.

For the Board of Directors
Managing Director
Mr Gianfranco Carbonato



PRIMA INDUSTRIE SpA

Registered Office: Via Antonelli no. 32, Collegno - Turin

Paid-up share capital: €11,500,000

Turin Companies' Registry Number 3549/80

FINANCIAL STATEMENTS AT 31 DECEMBER 2002

PRIMA INDUSTRIE SpA
BALANCE SHEET
At 31 December 2002

<u>ASSETS</u>	<u>31-Dec-02</u>	<u>31-Dec-01</u>
A. SUBSCRIBED CAPITAL UNPAID	<u>0</u>	<u>0</u>
B. FIXED ASSETS		
I. Intangible assets		
1) Formation, start-up and similar costs	67.471	101.206
2) Research, development and advertising costs	52.892	262.414
3) Industrial patent and intellectual property rights	188.016	280.927
4) Concessions, licences, trademarks and similar rights	5.932	5.818
5) Goodwill	0	0
6) Assets under development and payments on account	0	0
7) Other intangible assets	<u>345.706</u>	<u>470.353</u>
	660.017	1.120.718
II. Tangible assets		
1) Land and buildings:	660.455	657.927
less: accumulated depreciation	(153.543)	(124.890)
2) Plant and machinery	1.601.421	1.584.312
less: accumulated depreciation	(978.989)	(880.227)
3) Industrial and commercial equipment	1.331.937	1.167.577
less: accumulated depreciation	(1.101.016)	(1.009.160)
4) Other tangible assets	1.378.536	1.319.991
less: accumulated depreciation	(1.126.546)	(1.046.510)
5) Assets under construction and payments on account	<u>0</u>	<u>0</u>
	1.612.255	1.669.020
III. Financial fixed assets		
1) Equity investments in:		
a) subsidiaries	18.348.873	13.089.411
less: provision for losses related to shares	(12.385.233)	(5.277.886)
b) associated companies	1.346.928	1.241.571
less: provision for losses related to shares	(684.284)	(520.502)
c) other companies	774.686	880.043
less: provision for losses related to shares	<u>(774.686)</u>	<u>880.043</u>
	6.626.284	9.412.637
2) Financial accounts receivable from :		
a) subsidiaries (*)	0	0
b) associated companies	2.211.168	3.553.585
c) parent companies	0	0
d) other	150.416	0
	<u>0</u>	<u>0</u>
	2.479.886	3.841.143
3) Other securities	0	0
4) Treasury stocks	<u>0</u>	<u>0</u>
	9.106.170	13.253.780
TOTAL FIXED ASSETS (B)	<u>11.378.442</u>	<u>16.043.518</u>
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, consumables and supplies	8.185.621	7.298.787
2) Products in course of manufacture and semifinished goods	2.752.891	0
3) Contract work in progress	0	2.390.378
4) Finished goods and merchandise	3.577.593	4.567.489
5) Advances	0	0
less: provision for writedown of raw materials	(413.166)	(413.166)
less: provision for writedown of finished goods	<u>(114.000)</u>	<u>(114.000)</u>
	13.988.939	13.843.488
II. Accounts receivable (**)		
1) Trade accounts receivable	0	0
less: provision for bad debts (taxed and untaxed)	38.690.245	31.384.953
	<u>(1.000.000)</u>	<u>(877.977)</u>
2) From subsidiaries	0	0
3) From associated companies	6.041.870	6.435.578
4) From parent companies	1.795.245	695.425
5) Other accounts receivable	0	0
	<u>0</u>	<u>0</u>
	7.545.691	6.932.575
	53.073.051	44.570.554
III. Current financial assets		
1) Equity investments in subsidiaries	0	0
less: provision for losses related to shares	0	0
2) Equity investments in other companies	129	129
less: provision for losses related to shares	0	0
4) Treasury stocks	472.373	0
5) Other securities	<u>517.000</u>	<u>517.000</u>
	989.502	517.129
IV. Cash and cash equivalents		
1) Bank and postal accounts	2.147.056	5.858.685
2) Cheques	0	0
3) Cash and cash equivalents on hand	<u>7.446</u>	<u>9.256</u>
	2.154.502	5.867.941
TOTAL CURRENT ASSETS (C)	<u>70.205.994</u>	<u>64.799.112</u>
D. ACCRUED INCOME AND PREPAID EXPENSES		
1) Issue discounts and other similar charges on loans	23.862	47.723
2) Other accrued income and prepaid expenses	516.612	299.045
	<u>540.474</u>	<u>346.768</u>
TOTAL ASSETS	<u>82.124.910</u>	<u>81.189.398</u>

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

PRIMA INDUSTRIE SpA
INCOME STATEMENT

	31-Dec-02	31-Dec-01
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	67.464.432	67.471.539
2) Change in inventories of work in process, semifinished and finished goods	(1.103.896)	3.041.031
3) Change in contract work in progress	362.513	599.164
4) Capitalisation of internal construction costs	73.383	6.115
5) Other revenues and income		
a) operating grants	0	0
b) sundry	1.367.310	1.637.710
	<u>1.367.310</u>	<u>1.637.710</u>
TOTAL VALUE OF PRODUCTION (A)	<u>68.163.742</u>	<u>72.755.559</u>
B. COSTS OF PRODUCTION		
6) Purchase of raw materials, consumables and supplies	(36.898.180)	(38.105.084)
7) Service expenses	(14.728.669)	(15.600.353)
8) Lease and rent costs	(1.128.916)	(1.129.437)
9) Personnel expenses :		
a) salaries and wages	(8.571.865)	(8.006.210)
b) social security	(2.709.099)	(2.552.475)
c) employees' severance pay	(519.756)	(508.857)
d) pension and similar costs	0	0
e) other	(202.360)	(277.460)
	<u>(12.003.080)</u>	<u>(11.345.002)</u>
10) Amortization, depreciation and writedowns		
a) amortization of intangible asstes	(542.799)	(556.817)
b) depreciation of tangible assets	(307.774)	(273.355)
c) writedown of tangible and intangible assets	0	0
d) provisions for writedown of current assets and cash and cash equivalents receivable	(122.023)	0
	<u>(972.596)</u>	<u>(830.172)</u>
11) Changes in inventories of raw materials, consumables, supplies and merchandise	886.834	484.291
12) Provision for risks	(130.277)	(21.280)
13) Other provisions	0	0
14) Sundry operating expenses	(733.743)	(682.360)
	<u>(65.708.627)</u>	<u>(67.229.397)</u>
TOTAL COST OF PRODUCTION (B)	<u>(65.708.627)</u>	<u>(67.229.397)</u>
OPERATING PROFIT (LOSS) (A-B)	2.455.115	5.526.162
C. FINANCIAL INCOME AND EXPENSES		
15) Investment income		
a) dividends and other income from subsidiaries	468.750	1.360.762
b) dividends and other income from associated companies	0	0
c) dividends and other income from other companies	0	0
	<u>468.750</u>	<u>1.360.762</u>
16) Other financial income:		
a) from accounts receivable included in fixed assets		
- from subsidiaries	49.442	73.360
- from associated companies	0	0
- from parent companies	0	0
- other	0	0
b) fixed securities other than shares	0	0
c) current securities other than shares	0	0
d) income other than the above		
- interest and commsions from subsidiaries	0	0
- interest and commissions from associated companies	0	0
- interest and commissions from parent companies	0	0
- interest and commissions from others and sundry income	1.299.999	1.817.348
	<u>1.349.441</u>	<u>1.890.708</u>
17) Interest and other financial expenses		
a) due to subsidiaries	(10.475)	0
b) due to associated companies	0	0
c) due to parent companies	0	0
d) other	(2.683.649)	(2.090.320)
	<u>(2.694.124)</u>	<u>(2.090.320)</u>
TOTAL FINANCIAL INCOME AND EXPENSES (C)	<u>(875.933)</u>	<u>1.161.150</u>

D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS

18) Revaluations of:				
a) equity investments	0		0	
b) financial assets	0		0	
c) current securities	0	0	0	0
19) Writedowns of:				
a) equity investments	(7.831.223)		(4.294.866)	
b) financial assets	0		0	
c) current securities	0	(7.831.223)	0	(4.294.866)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)		(7.831.223)		(4.294.866)

E. EXTRAORDINARY INCOME AND EXPENSES

20) Extraordinary income				
a) gains on disposal of assets	544		0	
b) other extraordinary income	0	544	0	0
21) Extraordinary expenses	0		0	
a) losses on disposal of assets	0		0	
b) taxes for prior years	(150.000)		0	
c) other extraordinary expenses	0	(150.000)	0	0
TOTAL EXTRAORDINARY INCOME AND EXPENSES (E)		(149.456)		0

PROFIT (LOSS) BEFORE INCOME TAXES (A -B +- C +- D +- E)

(6.401.497) 2.392.446

22) INCOME TAXES

a) current income taxes	(1.271.490)		(1.694.859)	
b) deferred income taxes	2.793.165		436.429	

23) NET PROFIT (LOSS)

(4.879.822) **1.134.016**

We hereby certify that the financial statements comply with the accounting records.

For the Board of Directors
The Managing Director
Mr Gianfranco CARBONATO

MEMORANDUM ACCOUNTS

	<u>31 December 2002</u>		<u>31 December 2001</u>	
1. Guarantees given				
a) Bank guarantees given to:				
- subsidiaries	5.160.802		3.253.679	
- associated companies	0		0	
- parent companies	0		0	
- subsidiaries under parent companies' control	0		0	
- other companies	<u>69.881</u>	5.230.683	<u>76.945</u>	3.330.624
b) Sureties given to:				
- subsidiaries	0		0	
- associated companies	0		0	
- parent companies	0		0	
- subsidiaries under parent companies' control	0		0	
- other	<u>0</u>	0	<u>0</u>	0
c) Other guarantees given to:				
- subsidiaries				
- associated companies	0		0	
- parent companies	0		0	
- subsidiaries under parent companies' control	0		0	
- other	<u>0</u>	0	<u>0</u>	0
Total guarantees given		<u>5.230.683</u>		<u>3.330.624</u>
2. Collateral guarantees given				
a) for accounts payable and third parties' bonds				
- subsidiaries	0		0	
- associated companies	0		0	
- parent companies	0		0	
- companies under parent companies' control	0		0	
- other	<u>0</u>	0	<u>0</u>	0
b) for accounts payable included in the financial statements		0		0
c) other own bonds		0		0
Total collateral guarantees		<u>0</u>		<u>0</u>
3. Commitments				
a) purchase commitments		0		0
b) sale commitments		0		0
c) leases falling due in the short term		1.680.479		1.956.528
Total commitments		<u>1.680.479</u>		<u>1.956.528</u>
4. Contingencies				
a) bills discounted		4.004.602		1.933.837
b) other		0		0
Total contingencies		<u>4.004.602</u>		<u>1.933.837</u>
5. Other memorandum accounts				
a) Repurchase commitments		1.764.513		4.210.835
b) Company goods held by third parties		4.191.072		4.184.689
c) Bank guarantees given by third parties on our behalf		10.018.334		11.390.557
Total other memorandum accounts		<u>15.973.919</u>		<u>19.786.081</u>
		<u>26.889.683</u>		<u>27.007.070</u>

PRIMA INDUSTRIE SpA
BALANCE SHEET
at 31 December 2002

LIABILITIES AND
SHAREHOLDERS' EQUITY

31-Dec-02

31-Dec-01

A.SHAREHOLDERS' EQUITY

I. Share capital	10.375.000	10.375.000
II. Share premium reserve	14.019.798	14.019.798
III. Revaluation reserves	0	0
IV. Legal reserve	714.740	658.039
V. Reserve for treasury stocks in portfolio	472.373	0
VI. Statutory reserves	0	0
VII. Other reserves	6.214.908	5.609.966
VIII. Profits (losses) carried forward	0	0
IX. Net profit (loss)	(4.879.822)	1.134.016

TOTAL SHAREHOLDERS' EQUITY

26.916.997

31.796.819

B. PROVISIONS FOR LIABILITIES AND EXPENSES

1) Provisions for pension and similar costs	0	0
2) Provisions for income taxes	1.060.183	1.202.100
3) Other provisions	2.845.160	2.305.843
	<u>3.905.343</u>	<u>3.507.943</u>

C. EMPLOYEES'

SEVERANCE PAY

2.725.221

2.359.565

D. ACCOUNTS PAYABLE

	(**)		(**)	
1) Bonds	0	0	0	0
2) Convertible bonds	0	0	0	0
3) Amounts due to banks	5.011.426	20.873.688	0	4.021.920
4) Amounts due to other lenders	2.800.000	3.693.812	11.707.819	14.964.740
5) Payments on account	0	943.482	0	484.389
6) Trade accounts payable	0	16.201.194	0	18.105.903
7) Notes payable	0	0	0	0
8) Accounts payable to subsidiaries	0	3.462.492	0	3.128.620
9) Accounts payable to associated companies	0	0	0	0
10) Accounts payable to parent company	0	0	0	0
11) Taxes payable	0	959.934	0	421.441
12) Amounts owing to social security institutions	0	959.918	0	829.176
13) Other accounts payable	0	799.533	0	757.227
		<u>47.894.053</u>		<u>42.713.416</u>

E. ACCRUED LIABILITIES AND DEFERRED INCOME

1) Issue premiums	0	0
2) Other accrued liabilities and deferred income	683.296	811.655
	<u>683.296</u>	<u>811.655</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

82.124.910

81.189.398

(**) DUE BEYOND ONE YEAR

PRIMA INDUSTRIE SpA

**Registered Office: Via Antonelli 32, Collegno (Turin)
Turin Companies' Registry Number 3549/80**

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, analyse and, in some cases, 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 other previous laws. Although not required by law, additional information considered necessary to present a true and fair view is also provided.

The financial statements contain no derogations such as permitted by Article 2423, paragraph 4 of the Italian Civil Code.

All amounts are expressed in thousands of euros.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting principles applied in the preparation of the financial statements at 31 December 2002, 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 previous years, these costs were partly capitalized and amortized over a period of five years.

Since advertising costs do not benefit more than one period, they 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 of intellectual property	5 years
⇒ Concessions, licenses, trademarks and similar rights	10 years
⇒ Other intangible assets	5 years/duration of contract

With respect to the above:

- the amortization of industrial rights and intellectual properties rights 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 capitalised:
 - ⇒ 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 referring to monetary revaluations, as shown in the relevant appendix. Cost includes expenses directly chargeable to the asset.

Although permitted by Law No. 342 of 21 November 2000 and later extensions, no revaluations were made.

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:

Industrial plants	3%
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%
Internal transport means	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 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.

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.

EQUITY INVESTMENTS

Equity 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 labour cost for internal work and the purchase cost for external work.

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

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

ACCOUNTS RECEIVABLE

Accounts receivable are stated at nominal value.

They are stated at nominal value and reduced to estimated realizable value by a provision for doubtful accounts.

Prudent accruals to the allowance account are made on the basis of the risk of some estimated uncollectible receivables.

ACCRUALS AND DEFERRALS

Accruals and deferrals are portions of income or expenses to be received or paid in future periods but referring to 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 PAY

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

ACCOUNTS PAYABLE

Accounts payable 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 set-up grants. In the case of operating grants, these are recorded for book and tax purposes on an accrual basis, which makes reference to the year in which legal entitlement to the receipt of the grant comes into force and the amount to be received becomes certain. Normally, this will be the same year as the resolution assigning the grant is adopted.

In the case of capital grants, income for statutory purposes is recorded on an accrual basis and the time frame is established with 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 set-up grants.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs refer to the study and design of new products as well as the enhancement and maintenance of existing ones. R&D expenditure is charged to income in the year in which it is incurred.

DIVIDENDS

Dividends are recognized on an accrual basis, i.e., at the time the dividend entitlement comes into effect, which is whenever the investee company agrees to distribute profits. Dividends from subsidiaries are recorded when matured, i.e., as soon as the Board of Directors of the subsidiaries approve the distribution of dividends, and before the parent company does likewise.

This method puts substance over form, because it gives an accurate picture of the ownership entitlements to the dividends distributed by subsidiaries.

The tax credit, on the other hand, is accounted for on the cash basis, so that the income is carried to the income statement for the year in which the dividends are received.

INCOME TAXES

Income taxes are calculated on estimated taxable income, with reference to current laws and including any tax concessions.

As of 31 December 1999, Italian accounting principle No. 25 for deferred taxes came into effect. The difference that exists between the book and the tax value attributed to an asset or liability is allocated as a deferred tax provision. Deferred tax liabilities are recorded in the «provisions for income taxes», while deferred tax assets are recorded as «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.

Neither the provision for deferred taxes nor the credit for taxes paid in advance were not offset.

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

Deferred tax assets are recorded only if there is a strong chance of recovery.

CONVERSION OF BALANCES IN FOREIGN CURRENCY

Accounts receivable and accounts payable originally denominated in foreign currency are converted into euros at the exchange rates in force on the transaction date. Exchange differences arising at the time of collection or payment are recorded in the income statement.

Outstanding accounts receivable and accounts payable in foreign currency that were calculated at the exchange rate prevailing at year-end resulted in a net value lower than that indicated in the financial statements. Accordingly, in compliance with the new Italian accounting principle No. 26, the total net payable deriving from these positions has been recorded in the provision for exchange rate fluctuations, and the sum, approximately 278 thousand euros) carried as a financial costs for the period.

Individual items were not credited owing to the difficulties inherent in such an operation.

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. The changes with respect to the previous year are illustrated in the notes to the financial statements.

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 accurately reflect their true economic value. Although our share interests in Prima Electronics SpA are valued at cost, which considerably understates the true value of the shareholders' equity in our possession, our company also produces the consolidated financial statements, where the investment is accorded its full value.

CONSOLIDATED FINANCIAL STATEMENTS – NOTICE

In 1997, Prima Industrie SpA exceeded the limits indicated in Article 27 and 46 of Legislative Decree No. 127 of 9 April 1991, and thus became liable to prepare and deposit consolidated financial statements beginning from the financial year 1998.

BALANCE SHEET ASSETS

(amounts in thousands of euros)

FIXED ASSETS

Specific appendices to the Notes have been prepared for the three categories of fixed assets (intangible, tangible and financial) 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) Formation start-up and similar 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 these costs, which totalled 101 thousand euros at 1 January 2002, was amortized during the year for 34 thousand euros, and at 31 December 2002 the net book value was equal to 67 thousand euros.
- 2) Research and development costs at the end of the year include the following:

	Balance at 31 Dec. 2002	Balance at 331 Dec. 2001
- Research and development costs 1997	--	70
- Research and development costs 1998	--	86
- Research and development costs 1999	53	106
	53	262

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 previous years are deemed to produce recurring benefits, inasmuch as they refer to projects with a very high technological content, create products that can be clearly identified, have a ready market, and, through marketing give rise to income that is also sufficient to cover the amortization of the capitalised costs.

The amortization for the period came to 210 thousand euros. The R&D costs from 1997 and 1998 were completely amortized in 2002.

- 3) Industrial patent and intellectual property rights include the following at year-end:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Industrial patent rights		
- Patents	48	56
- Intellectual property rights		
- Software	140	225
	188	281

The increases registered in the period for this caption amounted to 59 thousand euros and the decreases, arising from amortisation charges, to 152 thousand euros.

- 4) Concessions, licenses, trademarks and similar rights refer to the registration of the «Prima Industrie e figura» trademark in the European Union and the United States. The decrease is due to the amortization charge for the year 2002 of around 1 thousand euros. The residual balance equals around 6 thousand euros.

- 5) Other intangible assets include the following:

	Balance at 31 Dec.2002	Balance at 31 Dec. 2001
- Leasehold improvements		
- Factory 1 – Collegno	140	237
- Factory 2 – Collegno	148	165
- France branch offices	13	11
- Spain branch offices	26	29
- Extraordinary maintenance	19	27
- Other deferred charges	-	1
	346	470

The increases for works during the year refer to:

- ⇒ factory 1 Collegno (10 thousand euros)
- ⇒ new factory 2 Collegno (7 thousand euros)
- ⇒ French branch (4 thousand euros)

⇒ extraordinary factory maintenance (1 thousand euros).

The amortization charge for the period totals 146 thousand euros.

6) TANGIBLE ASSETS

The increases during the year refer to purchases of:

⇒ lightweight structures for 3 thousand euros;

⇒ generic equipment for 17 thousand euros;

⇒ metal dies for 64 thousand euros;

⇒ industrial and commercial equipment for 100 thousand euros, of which 73 thousand euros for the internal construction of equipment;

⇒ ordinary office furniture, furnishings and equipment for 5 thousand euros and electronic office equipment for 67 thousand euros.

The decreases regard:

⇒ electronic office equipment for 3 thousand euros

⇒ vehicles for 10 thousand euros.

The total depreciation charge during the year is approximately 308 thousand euros. The funds released from the depreciation provision referred to:

➤ the disposal of electronic office equipment for 2 thousand euros

➤ the disposal of vehicles for 6 thousand euros.

The amount of revaluations for tangible assets still on the books at 31 December 2000 are disclosed as required by Article 10 of Law No. 72 of 1983, 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 80 thousand euros and the shareholders' equity would have been higher by 208 thousand euros.

FINANCIAL FIXED ASSETS

7) EQUITY INVESTMENTS

Equity investments can be broken down into the following components:

	Balance at 31 Dec. 2001	Increase	Decrease	Balance at 31 Dec. 2002
Subsidiaries				
- Accounted for at cost:				
- Prima Electronics SpA	1,705	-	-	1,705
Laserdyne Prima Inc. (now called Prima NA Inc.)	11,282	5,044	-	16,326
- Laserdyne Prima Inc. writedown provision	(5,278)	(6,863)	-	(12,141)
- Prima Industrie International BV	318	-	-	318
- Prima Industrie International BV writedown provision	(215)	(29)	-	(244)
Total subsidiaries	7,812	(1,848)	-	5,964
Associated companies				
- Accounted for at cost:				
- Macro Meccanica SpA – in liquidation	413	-	-	413
- Macro Meccanica SpA - in liquidation writedown provision	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498
- S.P.L.M. Co Ltd writedown provision	(107)	(59)	-	(166)
- SNK Prima Co.	330	-	-	330
- Mechanical Industries Srl.	105	-	-	105
- Mechanical Industries Srl writedown provision	-	(105)	-	(105)
Total associated companies	826	(164)	-	662
Other companies				
- Accounted for at cost:				
- Rambaudi Industriale SpA	775	-	-	775
- Rambaudi Industriale SpA writedown provision	-	(775)	-	(775)
Total other companies	775	(775)	-	-
Total equity investments	9,413	(2,787)	-	6,626

During the year, the US company, Laserdyne Prima Inc. (a wholly-owned subsidiary of Prima Industrie) merged with its wholly-owned subsidiary Convergent Prima Inc. to form a new company known as Prima North America Inc..

Pursuant to Paragraph 5 of Article 2427 of the Civil Code, the most significant changes in the company's subsidiary holdings are recorded in the statement of changes in the Appendix, and are explicitly set out below:

- ⇒ the equity interest in Laserdyne Prima Inc. (now renamed Prima North America Inc.) increased by 5,044 thousand euros as a result of a capital increase of 10 million dollars to 15 million dollars subscribed to by Prima Industrie. At the end of the period, after Laserdyne Prima (now Prima NA Inc.) reported losses amounting to approximately 6,863 thousand euros, the writedown provision was increased by precisely the same amount, and now stands at 12,141 thousand euros.
- ⇒ The value of the company's share interests in Prima Industrie International BV were written down by 29 thousand euros following Prima Industrie International BV's losses for the period. The writedown was calculated on the basis that Prima Industrie SpA holds 99 per cent of the share capital of Prima Industrie BV. The relevant writedown provision now amounts to 244 thousand euros.

As regards equity investments in associated companies, the interests in Macro Meccanica SpA (put into liquidation at the end of 1999) are carried in the financial statements at nil balance because the liquidation was still not complete at the end of 2002.

The value of the share holding in Shenyang Prima Laser Machine Company, a joint venture set up in China in 1999 to build (by assembling kits sent by Prima Industrie) and market the «Platino» cutter in Asia, was written down by 59 thousand euros, the equivalent of 50 per cent of the value of the losses for the period. This reflects the proportional interest of Prima Industrie SpA, which holds 50 per cent of the share capital of the joint venture.

The interest in Mechanical Industries Srl has been reclassified as a shareholding in an associated company as opposed to an equity interest in other companies. The level of the holding was totally written down in 2002 by 105 thousand euros.

Equity investments in other companies also include Rambaudi Industriale SpA, a company acquired in 1999 when it was recapitalised.

In the period, the equity interest was completely written down by 775 thousand euros.

PRIMA INDUSTRIE S.p.A.

Registered office: Via Antonelli 32, 10097 Collegno TO
Share capital: €11,500,000 paid-up
Company House of Turin Register no. 03736080015

STATUTORY AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS AS AT 12/31/2002 (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, 2002, prepared by the Board of Directors in accordance with the law, of which we have been duly informed on March 28, 2003.

Accompanied by the Directors' Report the above mentioned accounts show a net profit for the year of €4,879,822.

As for its content this report follows the Consob DEM/1025564 of 04/06/2001 and DEM/3021582 of April 4, 2003 directives given to the statutory auditors of all Italian Companies listed at Italian regulated markets.

PriceWatersHouseCoopers SpA was charged by you to carry-out the auditing of your Company in accordance with art. 165 of law decree 24/02/1998 n° 58 for the years 2002-2004.

The Company availed it self of the faculty granted by art. 81 para 7 of CONSOB regulations passed with resolutions 11971 of May 14, 1999 on the basis of which the six month's report on the Consolidated accounts of the Company was submitted to a limited auditing by PriceWaterHouseCoopers SpA. Datas and quarterly information have not been audited because non compulsory.

Therefore, as for Law Decree n° 58/1998 the Auditing Company, during the year, carried-out the checking involving the correct management of the accounting system and, in connection with the proposed balance sheet, the verification of the information with the Company books.

During the year we met with PriceWaterHouseCoopers SpA responsible officers for a

reciprocal exchange of information and must say that was never reported about any censurable event.

In particular, during the meeting we had with PriceWaterHouseCoopers SpA (Mr. Cattaruzzi) on March 6, 2002, April 10, 2002 and December 3, 2002 was confirmed the Company books correctness and the punctual execution of the fiscal duties.

With PriceWaterHouseCoopers SpA, have been in particular examined the position of the American companies and the position of the Company credits towards its customers.

As for the American Companies we agreed to conforme as at December 31, 2002 the inventory values to the expected realisable market values.

Furthermore, we acquired from PriceWaterHouseCoopers SpA useful information in connection with the report which they will deliver on April 10, 2003 according to article 156 of Law Decree 58/1998, in which will oppose the following statement: “The Company balance sheet was clearly prepared and represents in a truthful and correct way the accounts, the financial position and the final result of the year”. With reference to the duties of our competence we confirm that during the year we have carried-out our activity as directed by the law checking the Company administration and watching over also at the Company by laws directives.

During the year we effected 4 periodical visits as follows: 03/06/2002, 06/07/2002, 08/28/2002, 12/03/2002. The minutes of these meetings have been recorded in the Statuary Auditors book.

In particular:

- We have attended 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 ;
- we have verified the compliance with the law rulings and of the accounting principles as directed by the National Association of Chartered Accountants and Qualified

Accountants regarding the drawing and preparation of the Company administration and related report as stated by Directors, management and the statutory auditors.

We acknowledge that the Company's organisational set-up is adequate to its size.

We further believe that the Company's accounting system as far as we have been able to verify and ascertain (also in previous years) is in the position to correctly represent the events of the Company affairs.

The Board of Directors gave us within the terms of the law, the report on company trend relating to the first six months of the previous year as well as quarterly reports related to the first and third quarter of the year 2002 made public with the terms and modalities as prescribed by CONSOB and Italian stock exchange rulings.

We may certify that:

- the statutory auditors' committee as directed by TUF (law decree 58/1998) was constantly informed about its concerns;
- the verifications and controls performed on the Company did not show unusual transactions or operations;
- installation and amplification costs together with other items having pluri-annual useful life were reported with our consent among the company assets in accordance with article 2426 of civil code, R&D costs related with the year 1999 and the following years have been fully charged to the profit and loss account;
- as for the intergroup operations, the Company Directors, in their report, declare that such transactions normal market conditions were applied. We have been through the congruity of such transactions, essentially commercial, and confirm the general interest of the company.
- the board decided not to reevaluate the existing assets as permitted by law;
- the board report supply the compulsory information as indicated by current regulations (art. 2428 CC) of which in correspondence balance sheet is ascertained;
- instructions given to the controlled Companies of the Group in accordance with art. 114 paragraph 2 of law decree 58/1998 result in order;
- during 2002, the Board held 8 meetings and only one shareholders' assembly; to these board meetings and shareholders' assembly the statutory auditors have always attended;
- Directors have drawn up the Group consolidated balance sheet accounts as at December 31, 2002 as directed by article 27 of Law 127/1991. These accounts opportunely prepared, represent a complete and truthful picture of the of the Group to

the Shareholders and will be deposited with the Company's "registry office". Of this matter the statutory auditors have prepared their own report;

- the legal control of the accounts was made by the auditors Pricewaterhouse Coopers SpA from whom a judgement without remark on the balance sheet and the consolidate as at December 31, 2002 is expected;
- as per art. 2408 of civil code we declare to have received no notifications from shareholders in connection with possible whatever from partners in relation with censurable events;
- no complaints have ben presented to us from Shareholders or third parties.

Operations of particular interest

The statutory auditors' committee, constantly informed by the Board, carefully followed main main extraordinary operations economic, financial and patrimonial made by Prima Industrie and its controlled companies.

- *approval of the accounts as at December 31, 2001; removal of the Board of Directors and appointment of the thrusting Group:*

On May 14, 2002 the Ordinary Group shareholders meeting approved the 2001 accounts and apposite the new Board of Directors – Doctor Aldo Palmeri was appointed President of the Board. The Board held its first meeting immediately after the shareholders assembly to appoint Mr. Gianfranco Carbonato as the Company managing Director.... The necessary powers; and with the favourable opinion of the Shareholders Auditors to establish his remuneration. The Board will remain in office three years and this is the approval of the Balance sheet 2004 and it's made of 8 Directors of whom 2 "independents". The Assembly further remains in charge to the Auditing Company PriceWatersHouseCoopers SpA for the years 2002, 2003, 2004.

- *Restructuring of the American Groupies :*

the Statuary Auditors committee acknowledge the accomplishment of the restructuring operations of the American Companies started at the end of 2001. As from 12/31/2002 all activities have been concentrated into a new entity, Prima North America Inc. resulting from the managing of Laserdyne Prima Inc. and Convergent Prima Inc. Before the managing A.C.D. Technologies (ex Pluritec) holding 20% of Convergent Prima Inc. Sold this participation to Laserdyne Prima Inc. at 1,260,000 U.S. dollars. The restructuring must implied a reduction of the employed that during 2002 reduced from 15 units to 110 (-30%).

Prima North America Inc. as at December 31, 2002 had a capital of 15 million dollars in consequence of a capital invest subscribed by Prima Industrie SpA for 5,044 thousand of euro. The Company is locate in Massachusetts and operates with 3 divisions:

- Convergent Laser Division: designs, sales and assists the work of industrial laser;
- Laserdyne System Division: designs, sales and assists all the work Laserdyne Systems for the working of the components of air engines and turbines for energy production;
- Prima Laser Tools Division: sales, installs and assists through north America Prima Industrie SpA products.

Convergent Laser and Prima Laser Tools are localised near Springfield in new premises re-let in lease for 15 years; Laserdyne Systems Division confirm its accessibility in smaller premises situated at Champlin (Minnesota).

The Group restricted all key positions.

- *Depreciation of participation:*

the account at December 31, 2002 absorbs the full depreciation of Prima Industrie participation to the capital of Rambaudi Industriale for 775,000 euro still pending the Rambaudi Industriale claim to the Tribunal of Torino to be granted on management with its Auditors. It was also fully depreciated the participation held in Mechanical Industries Spa (of which Industrial Rambaudi is the reference shareholder) for 105,000 euro. This Group was declared bankrupt by the Torino Industrial on March 28, 2003. The reserve credits depreciation (% losses) of Prima Industrie SpA appears to be adequate in respect of the expected residual value of 150,000 euro due by Mechanical Industries SpA for leasing industrials. Another depreciation of 6,863,000 euro revolves Convergent Prima Inc. and Laserdyne Prima Inc. is consequence of the losses generated for this year 2002.

- *stock-option plan:*

in its meeting of February 14, 2002 the Board of Directors resolved its own deliberation of May 11, 2002 concerning the II tranche of the stock-option plan for the two years 2001/2002 as for article 12 of the stock-option regulation. This was because the market changed conditions and consequent depreciation of the new market index closing the early months of 2002 moving around 12/13 euro for share made unattainable the incentive target for the Group managers. The May 11, 2001 resulting the options at the price of 23,05 for share (price average of the 3 months preceding the date of the resulting). The shares market value lower to the price decided by the Board of May 11, 2001 in practice determinate the "end" of the assignment plan though the reclining of established target (sales and EBIT) is due cause defined for the purpose of exercising its straight. So the Board decided to cancel the resolution of May 11, 2001 related with the assignment of the II tranche of options (148.000) and to approve a new plan at a price of € 13,11 for share (being the average price as at February 14, 2002) assigning 142,600 straight (to all managers of the Group) to be exercised in a single solution in July 2003. Unchanged sales and EBIT targets fixed for the years 2001 and 2002.

The Committee attests that such last stock-option plan is now the only existing one

and that the third and last tranche of the plan approved on date 17/12/1999 has not been exercised by the management and, consequently, the 50,000 rights return in the availability of the Board of Directors for future assignments.

- Buying of treasury stocks

Following the Shareholders' resolution of Dec. 4, 2001 Prima Industrie S.p.A. has bought all treasury stocks to sustain the stock market price.

On the closing date the treasury stocks owned were equal to 71,500 for an average price of €6.6066 for a total of €472,000.

In the month of January 2003 the appreciation of the stock (+20%) has induced the society to sell 50,500 treasury stock owned generating a capital gain.

- Internal dealing code of conduct

In date 19/12/02 the Prima Industrie S.p.A. Board of Directors has approved the Code of Conduct regarding "Internal dealing" with effectiveness 1/1/03.

Such code rules the obligations of communication from the society to the markets of the operations made by the "relevant people" on its financial instruments, that is by people who, due to work carried-out in the company or its main controlled companies, have access to significant economic information relating to the company. These relevant people have been individuated in the directors (executive and non), in the statutory auditors, in the general managers, in the CFO, the controller and the Group controller, the Investor Relator and directors and general managers of the main controlled societies.

The adhesion to the code warrants that the society make note to the market operations of buying, selling or underwriting made by such relevant people, within the tenth day of open markets, following the closing of each quarter, if the amount, even cumulated by quarter, is between 50,000 € and 250,000 € and without delay (however within two days of open markets) if the operations have an amount, even cumulated with others of the quarter, equal or above 250,000 €

The code also rules the temporal periods in which operations made by relevant people on listed financial instruments from the issuer are forbidden or limited. In such case a period of 15 days before the Board of Directors resolving on the quarterly reports.

- Controls on part of the Fiscal Authorities

In the month of December 2000 the fiscal control made by the fiscal police was made with the writing issuing of a report. This regarded fiscal years from 1997 to 2001. In front of major taxable items 150,000 € have been prudentially set aside in a reserve waiting for the evaluation of the most appropriate modality for the definition of the case.

- New loans of the year

The committee attest that in the course of the year there has been an access to new loans which are:

- loan of 5 million euros issued by Mediocredito Intesa BCI . the annual rate applied until 30/9/02 is equal to 4.45%. For each following period the rate is equal to EURIBOR of 3 months incremented by 0.90%. The refund follows a plan which

- foresees 16 quarterly instalments.
- Foreign currency loan (USD) issued by the Banca Popolare di Lodi for a counter-value of a million euro expiring on 26/6/04 with a rate of 2.60%. The refund is expected in a single solution at the expiry of the loan.

- Net financial position

At year end the net financial position of the society was 21,896,000 euro against 12,602,000 euro of the previous year. The major need is substantially referred to the financial sustain given to the American subsidiaries and the increase in working capital with relation to the worsening conditions of accounts receivable due to the market situation.

The Committee notes that the ratio between own means and financial position is 0.80.

- Share capital increase operation of the period

The Committee attests that in the course of the period no operations of Prima Industrie share capital increase have been made.

Relevant facts following year end

We followed the main relevant facts which occurred after year end, as far as we are concerned:

- Share capital increase operations

The Committee attests that on date Feb. 11, 2003 the Board of Directors resolved on an increase of Prima Industrie share capital from 10,375,000 € to 11,500,000 € according to what was decided by the Extraordinary Shareholders' Meeting of May 14, 1999 through the issuing of 450,000 new ordinary shares for a face value of 2,5€ each at a subscription price of 8.85 € per share, of which 6,35 € as over-price.

The shares were underwritten as follows: n° 125,000 shares by Lestri Holding BV and 325,000 by Erste International SA. At the same time of the subscription €3,982,500 were paid to the society. The Committee hence declares that the share capital of Prima Industrie S.p.A. is equal to €11,500,000 wholly paid and there are no share categories different from the ordinary ones.

- Public take-over bid

The Committee reminds that a total public take-over bid launched by Newcolaser Spa on the Prima Industrie S.p.A. share capital is in course as per articles 102 and 106 4 para of the Law decree 58, 1998. The price offered per share amounts to €7,50 and the adhesion period decided with Borsa Italiana Spa runs from March 10, 2003 to April 11, 2003 included. The financial advisor of the offerer is Interbanca and in the intermediary in charge of the collection of the adhesions is Banca Antonveneta.

The Prima Industrie S.p.A. Board of Directors, which met March 5, 2003 for the

examination and approval of the issuer communication as per art. 103, para 3 of the Law decree of 24/02/98 n° 58 and art. 39 of the Consob rulings n° 11971/99 and following modifications, established that the public take-over bid was “largely inadequate”. Said communication with the integrations required by Consob was divulged March 10, 2003; on closing of yesterday’s markets the adhesion percentage was equal to 0.2583 of the share capital which corresponds to n° 11,885 shares.

- Shareholders’ Meeting call

The Committee notes that the Board of Directors has called an Ordinary Shareholders Meeting as per art. 104 of the TUF to approve certain matters of the Board’s competence, which could have been in contrast with the achievement of the objectives of the voluntary and public take-over bid launched by Newcolaser Spa.

The Meeting of March 28, 2003 approved all the points of the agenda, that is: the acquisition of a minority share participation in a high growth Chinese company; the adhesion, possibly following the establishing of a new juridical entity, to a research consortium located in “zona obiettivo 1” (lett. A) As per art. 5, para 26-27 of the DM 593 of 8/8/00; the pluri-annual rent of an additional plant situated near the headquarters for the purpose of expansion of the productivity of Prima Industrie S.p.A.; the confirmation of the authority to buy treasury stocks as per art. 2573 of the civil code resolved by Ordinary Shareholders Meeting of Dec. 4, 2001.

- Corporate Governance code

The Committees reminds the Shareholders that the society has adopted a Corporate Governance code, which has been approved by the Shareholders Ordinary Meeting of 11/5/01. Such code has been integrated with the new principles suggested by the Committee for the Corporate Governance in July 2000. The up-dated version of the Prima Industrie code has been subjected to the approval from the Shareholders Meeting.

The Committee states that, following the instructions of the ruling of the Nuovo Mercato of the Borsa Italiana Spa section IA.2.13 para 2, the Prima Industrie S.p.A. Board of Directors ha divulged information requested on the system of Corporate Governace.

- Short term evolution

The Committee attests the society has predisposed a business-plan for the years 2003/2004. The essential guidelines of the plan foresee the US companies break-even achievement in 2003 and the production of profits in 2004. No other extraordinary investments are expected. A possible amplification of the operating structure can be realised with flexible instruments.

Ladies and Gentlemen,

as per what exposed, considering the legal control of the accounts made by the auditing firm PricewaterhouseCoppers Spa which will express judgements without objections on the annual report, the Statutory Auditors Committee, as per their competence, believes the annual report as at Dec. 31, 2002 of your society and the proposal formulated by the Board

of Directors regarding the covering of the year loss is approvable.

Collegno, April 09, 2003

The Auditing Committee

(Dott. Riccardo Formica) - President

(Dott. Andrea Mosca) - Active auditor

(Dott. Roberto Petrignani) – Active auditor

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

8) **FINANCIAL ACCOUNTS RECEIVABLE**

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Laserdyne Prima (now Prima N.A. Inc.)	2,041	3,384
- Prima Industrie GmbH	170	170
Total accounts receivable from subsidiaries	2,211	3,554
- Mechanical Industries Srl	150	150
Total accounts receivable from associated companies	150	150
- Tax receivable on advance severance pay	111	131
- Withholding tax on severance pay	7	6
Total other accounts receivables	118	137
Total financial accounts receivables	2,479	3,841

This caption includes accounts receivable of 2,211 thousand euros payable within one year. The accounts receivable from the US subsidiary, Laserdyne Prima (now called Prima North America Inc.), refer to a \$3,000,000 loan made it received from Prima Industrie at the beginning of 2002, plus a further \$4,000,000 provided in the course of the year. This loan was then decreased by \$5,000,000 in exchange for share capital. At the end of 2002, therefore, the accounts receivable from the US subsidiary amounted to \$2,000,000.

Accounts receivable from Mechanical Industries refer to the lease payments that were recharged to the company for its use of machine tools. Prima Industrie took over the lease contract as a guarantor for Macro Meccanica, which has been placed in liquidation. In light of the difficult financial situation of Mechanical Industries, this account receivable was deemed doubtful, and so the Company increased its provision for bad debts by an equivalent amount.

The accounts receivable on severance pay taxes paid in advance relate to the amount paid in 1997 and 1998 to the revenue authorities (111 thousand euros) in compliance with Legislative Decree No. 79 of 1997, plus interest of 20 thousand euros, pursuant to article 2120 of the Italian Civil Code, fourth paragraph, net of the amounts utilized between 1 January 2000 (as per Legislative Decree No. 79 of 1997) of 20 thousand euros for the financial year 2002.

CURRENT ASSETS

9) INVENTORIES

Inventories are composed of the following:

	Balance at 31 Dec.2002	Balance at 31 Dec.2001
- Raw materials, consumables and supplies	8,186	7,299
- Provision for writedown of raw materials	(413)	(413)
- Contract work in progress	2,753	2,390
- Finished goods	3,577	4,567
- Provision for writedown of finished goods	(114)	-
	13,989	13,843

In spite of the increase in the number of machines manufactured, total inventories at the end of 2002 remained substantially unchanged with respect to a year earlier thanks to careful forward planning

The inventoried finished products were:

- 2 Platino machines temporarily in use for R&D purposes;
- 1 Rapido and 1 Platino machine used for testing and demonstrations at the corporate showroom;
- 1 790 Laserdyne (now Prima NA Inc.) system used for testing and demonstrations at the United Kingdom branch;
- 1 Sincrono prototype;
- 1 Platino on free loan to DTU (Danmarks Tekniske Universitet);
- 2 Domino and 3 Platino machines due for delivery to customers in early 2003.

The remaining part of the caption refers to raw materials (8,186 thousand euros compared to 7,299 thousand euros at 31 December 2001) and contract work in progress (2,753 thousand euros compared 2,390 thousand euros at 31 December 2001). The provision for inventory writedowns remained unchanged with respect to 31 December 2001 because it was deemed sufficient to cover the slow rate of turnover and obsolescence.

A fresh provision of 114 thousand euros was allocated to the inventory writedown for finished goods, because in the course of the year the company reacquired two used laser machines that have already been ordered for delivery in 2003. The provision therefore refers to the difference between the purchase and the resale prices.

ACCOUNTS RECEIVABLE

10) Trade accounts receivable

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

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Trade accounts receivable due within one year	38,611	31,243
- Trade accounts receivable due beyond one year	79	142
- Allowance for doubtful accounts	(1,000)	(878)
	37,690	30,507

The increase of 7,183 thousand euros compared with the previous year is largely the result of the high concentration of turnover in the final quarter of the year, particularly in December. The figures also reflect the deterioration in the payment terms for orders invoiced in the period, and the increasing difficulties of credit recovery, especially from Italian and Spanish customers.

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

The provision for bad debts was not used in 2002, and a further 122 thousand euros allocated to it to match the increase in bad debts registered at the end of the period, with particular regard to the financial debts of Mechanical Industries, which amount to 150 thousand euros.

Foreign currency debts are made up of US dollars and pounds sterling. The foreign debts at 31/12/02 were calculated on the basis of the market exchange rate on the same date.

Accounts receivable after one year

As previously mentioned, these accounts receivable refer to Spanish customers, who have been granted extensions to their payments deadlines, and are charged for the interest incurred.

11) ACCOUNTS RECEIVABLE FROM SUBSIDIARIES

This caption includes trade and financial accounts receivable. At year-end the balance was 6,042 thousand euros, compared to 6,436 thousand euros at 31 December 2001.

These accounts receivable all fall due within one year and are recoverable.

Trade accounts receivable from Prima Industrie GmbH for 16 thousand euros, Laserdyne Prima (now called Prima North America Inc.) for 5,419 thousand euros, Prima Electronics SpA for 42 thousand euros and Convergent Prima (now called Prima North America Inc.) for 42 thousand euros are entirely due to the sale of finished goods or the performance of services (for a total of 5,519 thousand euros). The sale of finished goods to subsidiaries is carried out at normal market terms.

At the end of the period, the company had yet to issue an invoice of 193 thousand euros to Prima Electronics, and an invoice of 29 thousand euros to Laserdyne Prima (now called Prima North America Inc.).

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

12) ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

At 31 December 2002, this caption consisted of the accounts receivable from the Shenyang Prima Laser Machine joint venture for 1,696 thousand euros (690 thousand at 31 December 2001), plus a smaller amount, 99 thousand euros, advanced Mechanical Industries Srl.

13) OTHER ACCOUNTS RECEIVABLE

Details are as follows:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Accounts receivable from the tax authorities for IRPEG, ILOR and withholding taxes	3,000	2,426
- Credit for taxes paid in advance	3,423	1,209
- Capital grants	474	588
- VAT from tax authorities	-	1,133
- Security deposits	117	74
- Advances to employees	23	10
- Other accounts receivable	509	1,493
	7,546	6,933

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

Total accounts receivable from others increased by 613 thousand euros compared to the previous year. Accounts receivable (credit) from the tax authorities for VAT, which totalled 1,133 thousand euros in 2001, were more than completely exhausted in 2002, with the result that the account receivable became an account payable.

Credit for taxes paid in advance, allocated pursuant to Italian Accounting Standard No. 25, was decreased by 869 thousand euros as a result of draw-downs made during the year, and increased by 3,083 thousand euros as a result of the provision for the period.

Receivables from the tax authorities for IRPEG, ILOR and withholding taxes consist of receivables for direct taxes from previous years for which refunds claims have been submitted. This caption includes the accrued interest income, whose rate is determined by the relevant tax laws.

Advances to employees include advances made for transfers and travel.

Sundry receivables include grants earned but not yet received, as per Law 140 on Research and Development, in the amount of 25 thousand euros; tax credits on dividend earnings for 2001 from Prima Electronics (169 thousand euros); advances paid to suppliers for deliveries ordered but not yet made (251 thousand euros); VAT receivable relating to the United Kingdom branch (21 thousand euros); and other minor items (21 thousand euros).

CURRENT FINANCIAL ASSETS

14) EQUITY INVESTMENTS IN OTHER COMPANIES

This caption totals 0.1 thousand euros and refers to the equity investment in Unionfidi, as described in a specific appendix showing change, as required by paragraph 5 of Article 2427 of the Italian Civil Code.

There were no changes during the year.

15) TREASURY STOCKS

At the end of 2002, the treasury stocks amounted to 71,500 shares with a weighted average value of 6.6066 euros each, for a total value of 472 thousand euros.

In January, the share rose in value, and the company set about selling a large number in its possession. In view of this, it was not felt necessary to make adjustments to reflect the lower value of the shares at 31 December 2002 (the average price per share in December 2002 was 6.34 euros).

16) OTHER SECURITIES

This caption, which shows no change from the previous year, refers to investments in government securities (CCT) with a maturation date of May 2003 for a value 517,000 euros.

17) CASH AND CASH EQUIVALENTS

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Bank and postal accounts	2,147	5,859
- Cash and cash equivalents on hand	7	9
	2,154	5,868

The caption refers to immediately available funds that are deposited in current accounts or held as cash on hand within the company. The caption shows a decline of 3,714 thousand euros compared with the end of 2001 as a result of the deterioration in the company's financial position.

18) **ACCRUED INCOME AND PREPAID EXPENSES**

Accrued income and prepaid expenses at 31 December 2002 include the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Loan charges		
- IMI loan	24	48
Total issue discounts and similar charges on loans	24	48
Accrued income		
- Interest on interest rate swap	-	37
- Other	17	12
Total accrued liabilities	17	49
Prepaid expenses		
- Interest on low-rate loan under Sabatini law	405	206
- Prepaid expenses on supplier invoices	48	36
- Lease payments	-	5
- Insurance/guarantees	46	3
Total deferred income	499	250
Total accrued liabilities and deferred income	540	347

Loan charges relate to brokerage fees on securing a loan from Sanpaolo IMI in September 1999. These fees will be amortized over the period of the loan, which terminates in September 2003.

Accrued income includes travel expense of 15 thousand euros and interest on government securities (CCT) amounting to 3 thousand euros.

Accrued income amounting to 499 thousand euros, showed an increase 249 thousand euros with respect to the previous year (250 thousand euros). The increase is partly the result of the sales made during the period that were financed through the «Sabatini Law» (Law 1329 of 1965), net of the decreases relating to Sabatini contracts signed in prior years, and partly the result of the «accruals on suppliers' invoices», which refer to the relative reversal of costs already charged to the company, but referring to the following financial period.

INFORMATION REQUIRED BY LAW 72 OF 19 MARCH 1983

In compliance with Article 10 of Law 72 of 19 March 1983, the company states that revaluations were effected in accordance with the terms of Law 576 of 2 December 1975 and Law 72 of 19 March 1983, and the amount entered a revaluation reserve under shareholders' equity.

The revaluations made in accordance with the law referred to the following asset categories:

Machinery, office furniture and equipment, electronic office equipment and transport means.

The revaluation of assets included in the financial statements amounts to 17 thousand euros. They are divided as follows (amounts in euros):

<u>Assets</u>	<u>Historical cost</u>	<u>Revaluation Law 576/75</u>	<u>Revaluation 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
Total	30,975	16,672	-	47,647

INFORMATION REQUIRED BY LAW 72 OF 19 MARCH 1983

In compliance with Article 10 of Law 72 of 19 March 1983, the company states that revaluations were effected in accordance with the terms of Law 576 of 2 December 1975 and Law 72 of 19 March 1983, and the amount entered a revaluation reserve under shareholders' equity.

The revaluations made in accordance with the law referred to the following asset categories:

Machinery, office furniture and equipment, electronic office equipment and transport means.

The revaluation of assets included in the financial statements amounts to 17 thousand euros. They are divided as follows (amounts in euros):

<u>Assets</u>	<u>Historical cost</u>	<u>Revaluation Law</u> <u>576/75</u>	<u>Revaluation Law</u> <u>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
Total	30,975	16,672	-	47,647

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 31 December 2002 is subscribed to and fully paid-in, and consists of 4,150,000 ordinary shares with a par value 2.5 euros each for a total of 10,375,000 euros.

At 31 December 2002, the third part of the original stock plan was still pending and is reserved for executives and junior Management. 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 Executives (13 in Prima Industrie and 3 in the subsidiary Prima Electronics). The distribution was decided at a Board of Directors' meeting on 17 December 1999, which was acting in accordance with rules approved by the Extraordinary Shareholders' Meeting on 14 May 1999. There is also a second stock option plan, which was approved by the Board of Directors on 11 May 2001 and modified on 14 February 2002. It assigns 146,600 new shares to executives, supervisors and junior management of Prima Industrie and subsidiaries. This second plan is linked to the 2001 targets (for supervisors and junior management) and the 2002 targets (for executives, supervisors and junior management). 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 2.5 euros each, and has remained unchanged since 2002.

22) LEGAL RESERVE

This caption amounts to 715 thousand euros (compared with 658 thousand euros at 31 December 2001) and includes an allowance of 57 thousand euros, an amount that corresponds to 5 per cent of the profits of 2001, as approved by shareholders at 14 May 2002, pursuant to Article 2430 of the Civil Code.

23) RESERVE FOR TREASURY STOCKS IN PORTFOLIO

In the financial period, as a result of the acquisition by the company of own shares, a reserve for treasury stocks was set up, pursuant to Article 2357 «ter» of the Civil Code. The reserve amounts to 472 thousand euros, which is the value of treasury stocks in portfolio at 31 December 2002.

24) **EXTRAORDINARY RESERVE**

This amounts to 6,215 thousand euros (compared with 5,610 thousand euros at 31 December 2001) and includes a provision of 1,077 thousand euros, approved by shareholders at 14 May 2002, whose value is based on the profits for 2001. A sum of 472 thousand euros was released from the reserve for the creation of the reserve for treasury stocks.

25) **PROVISIONS FOR LIABILITIES AND EXPENSES**

These refer to the following:

	1 Jan. 2002	Accrual	Utilization	31 Dec. 2002
Provisions for deferred taxes	1,202	290	(432)	1,060
Other provisions for:				
- contractual risks and expenses	2,050	2,163	(2,050)	2,163
- losses on equity investments	122	9		131
- litigation risks	54	-		54
- agents' customer indemnity	62	8	(1)	69
- exchange rate fluctuations	18	278	(18)	278
- provision for probable taxes	-	150	-	150
Total other provisions:	2,306			2,845

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

Additional details on the deferred taxes are provided in the comments on the note on 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 2,163 thousand euros effectively re-establishes the provision account that was used during the year. The provision is considered sufficient in relation to the cost of completing the installation during the year.
- ⇒ The losses on equity investments provision includes the accrual to meet the losses reported by the subsidiary company, Prima Industrie GmbH. The accrual of 9 thousand refers to Prima Industrie GmbH's losses in 2002.

⇒ 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 cancelling agency contracts with Italian operators. The provision was increased by 8 thousand euros in 2002 on the basis of the rates established by the existing law, which governs the relationship between sales agents and their principals. In 2002, 0.3 thousand euros was released from the fund after an agency contract was annulled.
- ⇒ The exchange rate fluctuations provision includes the amount accrued to adjust the net foreign currency positions to reflect exchange rates in force at 31 December 2002, as compared to those in force at 31 December 2001.
- ⇒ The provision for probable taxes refers to a prudential allocation of 150 thousand euros made after the Finance Police carried out an inspection of the accounts for 2000 and issued a tax re-assessment. The inspection took place in the second half of 2002.

26) **EMPLOYEES' SEVERANCE PAY**

The changes during the year are as follows:

Balance at 1 January 2002	2,360
Accrued included in the income statement	520
Severance pay disbursed	(155)
Balance at 31 December 2002	2,725

The balance at 31 December 2002 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 favour of employees on the basis of existing laws at year-end and the contractual obligations for each person.

The severance pay paid during the year is formed by 77 thousand euros paid to employees who left the company, 47 thousand euros in advances made to employees in accordance with existing laws, and around 66 thousand euros in payments made to supplementary pension schemes or withheld for taxes pursuant to Article 11 of Law 47 of 2000.

ACCOUNTS PAYABLE

The composition and changes in payables during the year are outlined below:

27) AMOUNTS DUE TO BANKS

Amounts due to Banks consist of the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Advances against orders and invoices	3,124	1,563
- Bank overdrafts	2,719	2,024
- Advances to branches	571	435
- Medium/long term loans	14,460	-
	20,874	4,022

The increase in negative current accounts is a result of the deterioration in the company's financial position. During 2002, the value of the company's recourse to demanding advances on orders and invoices increased by 1,561 thousand euros.

Compared with the previous year, bank loans to the company were reclassified as payables to banks. Previously they had been carried as Amounts Due to Other Lenders. They consist of:

- ⇒ A loan received from Mediocredito dell'Umbria for an original amount of 775 thousand euros. This loan is guaranteed by the European Investment Fund (EIF) and was secured in order to finance the new plant facility. This is 5-year loan (with a pre-amortization period that expired on 31 January 2001), which provides for quarterly deferred repayments bearing interest at the Euribor rate plus a spread of one. The principal payments due in 2003 of 183 thousand euros represent the current portion of the loan, while the remaining principal of 297 thousand is considered medium/long-term. The residual debt at 31 December 2002 was 480 thousand euros.
- ⇒ A loan of 2,582 thousand euros received from Banca Mediocredito on 15 May 2001 with repayment in eight semi-annual instalments from 31 March 2003 until 30 September 2006 at a variable rate of 5.39 per cent up to 30 September 2001 and at the 6-month Euribor rate plus a spread of 0.9 per cent after that date. The short-term component of the loan amounts to 646 thousand euros, and the residual medium/long-term component to 1,937 thousand.
- ⇒ US dollar loan for an equivalent of 1,111 thousand euros from Banca Popolare di Novara of Luxembourg with repayment in 8 quarterly instalments of US\$ 125,000 each starting from 23 July 2002 bearing interest at the Libor rate plus a spread of 0.80 per cent. The short-term component of the loan amounts to 573 thousand euros, and the residual medium/long-term component to 286 thousand.
- ⇒ US dollar loan for an equivalent of 2,229 thousand euros from Sanpaolo IMI on 20 December 2001 with repayment at 18 months bearing interest at the Libor rate plus a spread of 0.5 per cent. The loan is entirely short-term.

⇒ Loan from Sanpaolo IMI for 2,309 thousand euros with pre-amortization until 1 July 2003. This is a research loan released from a special fund for applied research created by Law 1089 of 1968, pursuant to Law No. 46 of 1982, and made on behalf of the Ministry of Universities and Scientific Research. The loan is repayable in 12 semi-annual deferred instalments and bears interest at 1 per cent semi-annually. The amount falling due in 2003 is 444 thousand euros, which forms the short-term component of the loan. The residual medium/long-term component amounts to 1,865 thousand euros.

The above loans had already been activated and reclassified as Amounts Due to Other Lenders in the financial statements at 31 December 2001. In 2002, the company received the following loans:

⇒ A loan from Mediocredito Intesa BCI for an initial value of 5 million euros with an interest charge of 4.45 per cent until 30 September 2002 and, for successive periods, at the Euribor three-month rate increased by 0.90 per cent. The repayment is scheduled over 16 quarterly instalments. In 2003, three instalments for a total value of 1 thousand euros will be repaid. The residual debt of 4 thousand euros forms the medium/long-term component of the loan.

⇒ A loan in US dollars from Banca Popolare di Lodi for a value of 1 million euros, due for repayment by 24 June 2004 and bearing an interest charge of 2.60 per cent. The loan is repayable with a single lump-sum settlement at the date of maturation. It therefore constitutes a medium/long-term credit facility.

28) AMOUNTS DUE TO OTHER LENDERS

It should be noted that the caption Amounts Due to Other Lenders, 3,694 thousand euro, shows a change with respect to the previous financial period because part of the medium/long-term loans have been reclassified as «Amounts due to Banks». At 31 December 2002, Amounts Due to Other Lenders consisted of the following items:

- ⇒ A loan of 894 thousand euros from the Ministry of Industry and Commerce made pursuant to Law 46 of 1982, which established a special revolving credit fund for technological innovation. This loan, which was increased by 172 thousand euros in 2002, and envisaging a maximum principal of 1,069 thousand euros, has a 15-year duration, with five years of pre-amortization at a rate of 0.9825 per cent per year and 10 years of instalment payments at a rate of 3.275 per cent. The loan may therefore be considered wholly medium/long-term.
- ⇒ A medium-term loan amounting to 2,800 thousand euros at 31 December 2002. This loan, originally totalling 8,500 thousand euros, was allocated on 13 September 1999 by a syndicate of banks led by our shareholder Investire Partecipazioni (formerly ITAINVEST). It is repayable in six semi-annual deferred payments beginning on 13 March 2001 and ending 13 September 2003. The interest charged is set at the 6-month Euribor rate plus a spread of 1.25 percentage points. The two principal payments due in 2003, equal to approximately 2,800 thousand euros, constitute a short-term debt.

29) PAYMENTS ON ACCOUNT

Payments on account refer to advances received from customers against uncompleted orders for 731 thousand euros, as well as down-payments of 213 thousand euros from customers confirming orders. The total payments on account at 31 December 2002 therefore totalled 944 thousand euros.

Payments on account increased by 460 thousand euros compared with a year previous (484 thousand euros).

30) TRADE ACCOUNTS PAYABLE

With respect to 2001, trade accounts payable were lower at the end of 2002 (falling from 18,106 at 31 Dec 2001 to 16,201 thousand euros at 31 Dec 2002, with a reduction of 1,905 thousand euros). The company also improved its rollover of debts to suppliers from 120 to 112 days.

This can be broken down as follows:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Trade accounts payable	15,070	16,647
- Invoices to be received	1,021	1,318
- Refunds to customers	110	141
	16,201	18,106

31) ACCOUNTS PAYABLE TO SUBSIDIARIES

Accounts payable to subsidiaries amounted to 3,462 thousand euros compared with 3,129 thousand euros at the end of the previous period.

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

In 2002, Prima Electronics SpA, a subsidiary company made a loan of 1,000 thousand euros to the parent company. This extra debt, however, was offset by an improvement in our trade accounts payable which declined from 2,998 thousand euros at 31 December 2001 to 1,679 thousand euros at 31 December 2002.

Trade accounts payables to subsidiaries refer to the following:

- Prima Electronics SpA for 1,016 thousand euros.
- Laserdyne Prima Inc. (now called Prima NA Inc.) for 22 thousand euros
- Prima Industrie GmbH for 41 thousand euros.
- Convergent Prima Inc. (now called Prima NA Inc.) for 559 thousand euros
- Prima Industrie International BV for 42 thousand euros.

Also, at the end of 2002, the company had yet to receive invoices demanding a total of 783 thousand euros, of which 722 thousand euros is payable to Laserdyne Prima Inc. (now called Prima NA Inc.) and 61 thousand euros to Convergent Prima Inc. (now called Prima NA Inc.), compared to 130 thousand euros at the end of 2001.

32) TAXES PAYABLE

This can be broken down as follows:

	Balance at 31/12/02	Balance at 31/12/2001
Taxes payable to the tax authorities for:		
- IRPEF withholdings	315	300
- VAT foreign branches	151	89
- VAT to Italian tax authorities	228	-
- IRPEG	259	-
- Other taxes	7	32
	960	421

IRPEF taxes withheld in December were paid to the tax authorities in January 2003. More information on this is contained in the section on taxes on income. At the end of December 2002, the company had VAT payables outstanding as a result of higher sales turnover in Italy with respect to the previous year.

33) AMOUNTS OWING TO SOCIAL SECURITY INSTITUTIONS

This caption refers to the following:

	Balance at 31 Dec. 2002	Balance at 31. Dec. 2001
- INPS	374	326
- INAIL	328	256
- INPDAI	55	50
- PREVINDAI	17	15
- ENASARCO	4	9
- Social security agencies payable for deferred compensation	182	173
	960	829

Deferred compensation to social security agencies refer to social security payable on accrued but untaken holiday leave, the extra month's bonus payment salary, 13 monthly pays and other incentives for employees hired on a trial basis and trading incentives earned at 31 December 2002 but not yet paid.

All the other items 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 131 thousand euros is in line with the increase in the number of employees of the company.

34) OTHER ACCOUNTS PAYABLE

Other accounts payables refer to the following:

	Balance at 31 Dec.2002	Balance at 31 Dec.2001
- Insurance policy adjustments	71	64
- Deferred compensation	587	573
- Remuneration to directors and statutory auditors	47	45
- Employee travel reimbursements	86	69
- Other minor items	9	6
	800	757

The payable for deferred compensation relates to compensation payable for holiday time, the 13th month salary for employees on a trial contract and trading incentives earned at 31 December 2002, in addition to the December payrolls of the Swiss branch which were paid in January 2003.

The remuneration payable to directors and statutory auditors refers to compensation for 2002 that was still unpaid at the end of the year.

Employee travel reimbursements include corporate credit card charges.

This caption shows an increase of 17 thousand euros because the company is providing technical assistance for an increased stock of machinery.

35) **ACCRUED LIABILITIES AND DEFERRED INCOME**

Accrued liabilities and deferred income are detailed as follows:

	Balance at 31 Dec.2002	Balance at 31 Dec. 2001
Accrued liabilities		
- Interest on MICA loan	7	6
- Interest expense on ITAINVEST loan	38	88
- Interest on interest rate swaps	-	56
- Interest on Mediocredito loan	30	32
- Branch costs	22	-
- Other bank charges	3	-
- Other loans	5	-
- Sundry items	13	27
Total accrued liabilities	118	209
Deferred income		
- Interest on discount transactions under Sabatini law	475	465
- Customer maintenance contracts	69	68
- Interest income from customers	-	27
- SAP costs charged to PE	21	43
Total deferred income	565	603

Total accrued liabilities and deferred income	683	812

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 31 December 2001 and new transactions entered into in 2002.

MEMORANDUM ACCOUNTS

36) GUARANTEES GIVEN

Bank guarantees given to subsidiaries – The total of 5,161 thousand euros refers to two guarantees given to banks providing loans to Prima North America Inc.. The total shows an increase of 1,907 thousand euros, which is the value of the new guarantees given in the course of 2002 to BNL for a new loan of 2,000,000 dollars.

Bank guarantees given to other companies – These amount to 70 thousand euros and refer to two guarantees: one (33 thousand euros), given to Consorzio Garanzia Fidi Unionfidi, of which Prima Industrie is a shareholder; the other, given to Sanpaolo IMI against a contract stipulated in China. These guarantees increased by 7 thousand euros compared with last year, but only as a consequence of changes in the euro-dollar exchange rate.

37) COMMITMENTS

Commitments totalled 1,680 thousand euros (compared with 1,956 thousand in the previous year) for financing lease obligations on electronic office equipment (22 thousand euros), motor vehicles (50 thousand euros) and the plant facilities in Via Antonelli 28 (1,608 thousand euros). They refer to the total amount of remaining payments due to leasing companies, including the final buy-out price established by contract, but excluding the instalments already paid. Lease obligations by year are as follows:

Office equipment (in thousands of euro)

2003	19
2004	<u>2</u> thousand euros + 1 thousand euros for buy-out value
Total	22

Motor vehicles (in thousands of euro)

2003	12 thousand euros
2004	16 thousand euros

2005	<u>21</u> + 1 buy-out value
Total	50

Plant facilities Via Antonelli 28

2003	222 thousand euros
2004	222 thousand euros
2005	222 thousand euros
2006	222 thousand euros
2007	222 thousand euros
2008	222 thousand euros
2009	<u>111</u> thousand euros + 165 thousand euros for the final purchase price
Total	1,608

38) CONTINGENCIES FOR BILLS DISCOUNTED

This shows the value of bills signed by customers for sales made pursuant to the Sabatini Law guaranteeing recourse (pro solvendo) on claims, plus a discount operation on bills signed by a Spanish customer, which has been granted a five-year payment period.

In 2002, five new operations were carried out and the risk exposure at the end of the period amounted to 4,005 thousand euros, compared with 1,934 thousand euros at the end of 2001.

Existing transactions refer to ten customers.

One of these transactions will be extinguished in 2004, two in 2005, two in 2006 and five in 2007.

39) OTHER MEMORANDUM ACCOUNTS

Other memorandum accounts include the following at 31 December 2002:

Repurchase commitments – These refer to customers and third parties and total 1,765 thousand euros (4,211 thousand at 31 December 2001) and largely refer to repurchase commitments signed by our company in favour of leasing companies for sales made to customers.

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

In 2002, Pluritec SpA (now ACD Technologies SpA) exercised a put option to cede its 20 per cent stake in Convergent Prima (now called Prima NA Inc.) to Laserdyne Prima (now called Prima NA Inc.) at the price of 1.26 million dollars.

Company goods held by third parties – At 31 December 2002, these goods totalled 4,191 thousand euros (4,185 thousand at 31 December 2001). They relate to the following:

- materials and goods held by the branches for 1,546 thousand euros;

- spare parts held by customers for 58 thousand euros;
- materials with suppliers on deposit or for commissioned work for 1,403 thousand euros;
- semifinished and finished goods held by third parties for 1,184 thousand euros.

The finished goods include three machines, namely: a Laserdyne 790 located in the UK branch where it is used for demonstration purposes, a Platino located in a Danish university an used for technological development relating to the «Publics» research programme, and a Platino 1530 HS fitted with a new laser CP4000 being beta-tested with Gamma Laser, a customer.

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

Bank guarantees given by third parties on our behalf – The amount of 10,018 thousand euros (11,390 thousand in 2001) refers to bank guarantees issued to cover bank credit lines made mainly on behalf of the subsidiaries Convergent Prima Inc. (now called Prima NA Inc.) (2,479 thousand) and Laserdyne Prima (now called Prima NA Inc.) (4,768 thousand), or 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), and guarantees issued to the suppliers Rofin Sinar and Kugelmann and other minor guarantees.

It should also be noted that the company issued guarantees on behalf of the real estate companies that own the manufacturing centre to which the company will transfer the divisions of its Prima North America subsidiary in 2003. In detail:

- guarantees in favour of Oxford Investment LLC for the rent contract for the premises located on East Main Street, Chicopee River Business Park, Chicopee, Massachusetts;
- guarantees in favour of OIRE Minnesota, LLC for the rent on the plant situated at 8600 109th Avenue North, Champlin, Minnesota.

INCOME STATEMENT

VALUE OF PRODUCTION

40) 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 MAGICO +	7,787	11	3,032	4	3,208	5	1,547	2	-	-
RAPIDO	8,292	12	1,619	2	6,409	9.5	-	-	264	0.5
DOMINO	5,518	8	783	1	2,814	4.5	410	0.5	1,511	2
MAXIMO- MOSAICO	2,470	4	529	1	1,941	3	-	-	-	-
PLATINO	31,546	47	13,307	19.5	13,318	20	3,905	6	1,016	1.5
LASERDYNESYST EMS	1,822	3	920	2	902	1	-	-	-	-
OTHER	1,886	3	775	1.5	575	1	76	-	460	0.5
TECH. ASSISTANCE	6,154	9	2,712	4	3,315	5	36	-	91	-
SPARE PARTS	1,989	3	548	1	729	1	401	0.5	311	0.5
Total	67,464	100	24,225	36	33,211	50	6,375	9	3,653	5

The turnover in 2002 remained essentially unchanging with respect to the previous year (when it was 67,472 thousand euros), in spite of the sale of an extra 10 laser machines (155 were invoiced in 2002 compared with 145 in 2001). The reason for the smallness of the increase is that a decided shift took place in favour of bi-dimensional machines, which have unit sale prices far lower than those of tri-dimensional machines.

41) CHANGES IN INVENTORIES OF WORK IN PROGRESS, SEMIFINISHED AND FINISHED GOODS AND CONTACT WORK IN PROGRESS

In 2002, the value of inventoried finished goods decreased by 989 thousand euros (from 4,567 thousand euros at the beginning of the period to 3,578 thousand euros at the end) following the decommissioning of a number of demonstration machines. An allocation of 114 thousand euros was made to the provision for the writedowns of finished goods to cover two used machines that will be resold in 2003 and for which the buyers have already placed their orders.

As regards semifinished goods in inventory, they increased by 363 thousand euros (from 2,390 thousand to 2,753 thousand), in the expectation that the number of machines that will be sold in the first quarter of 2003 will be higher than in the corresponding period of 2002.

42) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS

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

	2002	2001
- Internal construction	73	6
Total	73	6

The increases in internal construction consisted of the building of test beds and test machinery and a refrigeration group for the R&D laboratory for a value of 73 thousand euros.

43) OTHER REVENUES AND INCOME

This caption consists of:

	2002	2001
Capital and operating grants	502	877
Insurance refunds	28	5
Services rendered and costs charged to Prima Electronics	211	125
Prior period income and gains on disposals	439	270
Services rendered and costs re-debited to Servizi Laserdyne Prima (now Prima North America Inc.)	91	-
Services rendered and costs re-debited to Convergent Prima (now Prima North America Inc.)	7	-
Trade fair costs recharged to Matra Werke	53	155
Sundry income	35	206
Discounts and rebates	1	-
Total other revenues and income	1,367	1,638

Capital grants recorded in 2002 relate to the portion of grants in accordance with Law 140 for automatic research incentives (25 thousand euros in the form of tax credits), as a well as operating grants for research and development earned in 2002 and relating to the following projects:

⇒ EUREKA PUBLICS/EU 1784 PUBLICS: the sum of 448 thousand euros consists of 197 thousand euros in grants already received for research conducted in the first half of 2002, and 251 thousand euros of income recorded but not yet received for research conducted in the first and second halves 2002.

⇒ BRITE HATLAS: in 2002 the final tranche of 29 thousand euros was received.

Prior period income of 439 thousand euros refers mainly to adjustments of accruals made in the previous year.

COSTS OF PRODUCTION

44) PURCHASE OF RAW MATERIALS, CONSUMABLES AND SUPPLIES

These can be broken down as follows:

	2002	2001
- Raw materials	36,047	37,059
- Consumables and supplies	661	828
- Other	190	218
	36,898	38,105

Raw materials refer to the following:

	2002	2001
- Laser generators and parts	12,003	11,942
- CNC systems and parts	2,653	2,606
- Finished subassemblies and specifically designed mechanical parts	12,864	13,061
- Commercial components and other	8,527	9,450
	36,047	37,059

45) SERVICE EXPENSES

These are detailed below:

	2002	2001
- Work by third parties	5,169	5,984
- Travel	2,051	1,973
- Technical, legal, tax and administrative consulting fees	2,251	1,766
- Freight	1,180	1,288
- Commissions	1,071	1,660
- Advertising and promotion	479	603
- Electricity, telephone, etc.	455	539
- Insurance	313	204
- External maintenance	370	322
- Remuneration to directors	290	312
- Remuneration to statutory auditors	71	66
- Temp work	216	340
- Other	812	543
	14,728	15,600

As regards work by third parties in 2002, a decrease of 815 thousand euros occurred as a result of the decision to reduce the number of outsourced contracts to third parties and increase the number of purchases of fully functional «turnkey» components.

Technical consulting fees, relating to R&D projects, amounted to 1,824 thousand euros; commercial consultancy fees amounted to 92 thousand euros; and administrative and legal consultancy fees (lawyers, notaries, auditors, tax advisors et al.) to 335 thousand euros. The 485-thousand-euro increase in this item was brought about mainly by increased technical consultancy fees, which increased by 651 thousand euros in the period to cover the costs of an important R&D project. Commercial, administrative and legal consultancy fees saw a decrease of 166 thousand euros in the same period.

The most important expenses included in the item «other» are: entertainment 96 thousand euros; translations 62 thousand euros; cleaning 110 thousand euros; and royalties, 52 thousand euros.

46) LEASE AND RENT COSTS

These are detailed below:

	2002	2001
- Rent	260	271
- Motor vehicle leasing and rentals	311	360
- Other leases	352	279
- Leasing factory 2	206	219
	1,129	1,129

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) for 123 thousand euros, company cars for 207 thousand euros and other minor items for 22 thousand euros.

The item «Leasing factory 2» refers to the nine-year leasing contract signed in June 2000 for the use of the manufacturing facility on Via Antonelli 28.

47) PERSONNEL EXPENSES

Personnel expenses rose from 11,345 thousand in 2001 to 12,003 thousand euros in 2002 as a result of higher labour 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:

	31 Dec. 2001	Hired	Dismissed	Promotions	31Dec. 2002	Average for period
Executives	12	-	-		12	12
Supervisors	5	-	-	+2	7	6.5
Junior management	12	-	-	-2 +1	11	10
Office staff	115	13	9	+2 -1	120	117.5
Intermediate	3	-	-	-1	2	2.5
Production workers	67	7	3	-1	70	68.5
Total	214	20	12		222	217

As for staff employed by the branches, the number increased from 26 in 2001 to 31 at 31 December 2002, representing an increment of 5.4 per cent.

The increase in personnel expenses was approximately 5.8 per cent, so the effect of salary increases was 0.4 per cent.

48) AMORTIZATION

Amortization of intangible assets

Reference should be made to the appendix showing changes in intangible assets.

Depreciation of tangible assets

Reference should be made to the appendix showing changes in tangible assets.

49) PROVISION FOR WRITEDOWN OF CURRENT ASSETS AND CASH AND CASH EQUIVALENTS RECEIVABLE

During the financial period, the company appropriated 122 thousand euros to this provision. In so doing, the company was accounting for the viability of the credits in its portfolio and complying with civil and fiscal laws. The provision, therefore, is tax-deductible. During the period, the provisions made in previous years were not used.

50) CHANGES IN INVENTORIES OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND MERCHANDISE

Inventories of raw materials, consumables, supplies and merchandise increased by 887 thousand euros compared with a year previous. The increase was the result of a manifest necessity to build up the stock of spare parts after an increase in the number of machines for which the company provides technical assistance.

51) PROVISIONS FOR RISKS

This caption refers to:

	2002	2001
Accrual to the contractual risks and expense provision	2,163	2,050
Utilization of the contractual risks and expense provision 2000	(2,050)	(2,057)
Accrual to the losses on equity investments provision:		
⇒ Prima Industrie GmbH (year 2001)	9	13
Accruals for potential liabilities:		
⇒ Agents' customer indemnity provision	8	15
	130	21

52) SUNDRY OPERATING EXPENSES

This caption includes:

	2002	2001
- Prior period expenses and losses on disposals	382	267
- Penalties from customers	3	97
- Non-income and other taxes	43	70
- Non-deductible gratuities and costs	138	97
- Association dues	75	73
- Branch taxes	24	18
- Sundry operating expenses	68	60
	733	682

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 1 thousand euros.

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 totalling 62 thousand euros, deductible gratuities of 4 thousand euros and other minor items of about 2 thousand euros.

FINANCIAL INCOME AND EXPENSES

53) **INVESTMENT INCOME**

The total amount of 469 thousand euros refers to:

- Tax credits on the dividends from Prima Electronics on 2001 earnings received in 2002	169
- Dividends declared by Prima Electronics on 2002 earnings, to be received in 2003	<u>300</u>
	<u>469</u>

The dividend payment for the financial year 2002 approved by the shareholders of Prima Electronics SpA amounts to 300 thousand euros and will be paid out from May 2003. In the last financial year, the dividend totalled 1,361 thousand euros because a decision had been taken to make an extraordinary distribution of 612 thousand euros in dividends.

54) **OTHER FINANCIAL INCOME FROM ACCOUNTS RECEIVABLE INCLUDED IN FIXED ASSETS**

This financial income refers to interest of 49 thousand euros on a loan made by the parent company Prima Industrie to its subsidiary Laserdyne Prima (now called Prima NA Inc). In the previous year, the interest payment was 73 thousand.

55) OTHER FINANCIAL INCOME

Details are as follows:

	2002	2001
- Exchange rate gains	813	720
- Utilization of exchange fluctuations provision	19	10
- Interest income from customers	374	709
- Interest income on IRPEG receivables	29	29
- Interest income on securities	22	20
- Interest income from banks and other	43	329
	1,300	1,817

The gains on exchange rates refer to the collection and payment of bills at exchange rates more favourable than at the time of invoicing. They also include the gain made on several currency futures that matured in 2002.

Interest income from customers includes the 2002 portion of interest relating to the existing bills with recourse under the Sabatini law.

INTEREST AND OTHER FINANCIAL EXPENSES

56) INTEREST AND OTHER FINANCIAL EXPENSES DUE TO SUBSIDIARIES

The sum of approximately 10 thousand euros relates entirely to the interest accrued on a loan of 1,000 thousand euros made by Prima Electronics to the parent company Prima Industrie.

57) OTHER INTEREST AND FINANCIAL EXPENSES

Details are as follows:

	2002	2001
- Interest expense on bank borrowings	300	436
- Interest expense on discount transactions Sabatini law	357	584
- Exchange losses	982	196
- Utilization of exchange fluctuations provision	278	18
- Other bank charges	173	205
- Interest expense on ITAINVEST loan	204	407
- Interest expense on medium/long-term debt	333	155
- Other	57	89
	2,684	2,090

Interest expense on the Itainvest loan refers to the 8.5 million euros received in September 1999. Interest expense on medium/long-term debts comprises interest on the loans made by Mica (8 thousand euros), IMI (approximately 48 thousand euros), Mediocredito Umbro (approximately 29 thousand euros), Banca Mediocredito (approximately 112 thousand euros) and Banca Intesa BCI Mediocredito (approximately 136 thousand euros).

The loss on foreign currency exchange increased from 196 thousand euros in 2001 to 982 thousand euros in 2002. This was brought about by the weakening of the US dollar in the second half of the year, which led to losses on collected payments on invoices made when the dollar was worth more. To offset these losses, the company bought some currency futures, which produced a capital gain, as we recorded above (exchange rate gain).

The exchange fluctuations provision amounted to 278 thousand euros, vis-à-vis 18 thousand euros in 2001. This is a considerable increase and reflects the weakening of the dollar in the last part of 2002, which is the main currency for invoicing purposes that Prima Industrie uses for the American and overseas markets.

The caption «Other» mainly refers to charges paid to banks (47 thousand euros).

VALUE ADJUSTMENTS TO FINANCIAL ASSETS

58) WRITEDOWN OF EQUITY INVESTMENTS

The sum of 7,831 thousand euros is made up of provisions made against losses sustained by the following companies:

- Laserdyne Prima Inc. (now called Prima NA Inc.)	6,863
- Prima International BV	29
- Shenyang Prima Laser Machine Company Ltd	59
- Mechanical Industries	105
- Rambaudi Industriale	775
	<hr/>
	<u>7,831</u>

EXTRAORDINARY INCOME AND EXPENSES

59) GAINS ON DISPOSAL OF ASSETS

In 2002, the sale of own shares yielded a capital gain of around 0.5 thousand euros.

60) EXTRAORDINARY EXPENSES FOR PRIOR YEAR TAXES

Following a tax reassessment issued by the Finance Police at the end of an inspection of the company accounts for 2000, Prima Industrie made a prudential provision of 150 thousand euros against taxation charges.

61) **INCOME TAXES**

Current income taxes

Current income taxes total 1,271 thousand euros compared to 1,695 thousand in the previous year. They relate to IRPEG taxes for 2002 (equal to 259 thousand euros) net of the reversal of the provision for deferred income taxes (400 thousand euros) and gross of credits for taxes paid in advance (781 thousand euros), as well as IRAP taxes for the year (575 thousand euros), which are also net of the reversal of the provision for deferred income taxes (32 thousand euros) and gross of credits for taxes paid in advance (88 thousand euros).

Deferred income taxes

The application of Italian Accounting Principle No. 25 on deferred income taxes gave rise to a net credit to income of 2,793 thousand euros.

The following is a breakdown of deferred tax assets and liabilities:

	Taxable	Deferred tax assets
<i>Amounts at 38.25 per cent</i>		
Entertainment expenses	53	
Provisions for contractual risks and expenses	2,163	
Provision for writedown of raw materials	527	
Agents' customer indemnity provision	69	
Litigation risks provision	54	
Association dues	6	
Total	2,872	1,098
<i>Amounts at 34 per cent</i>		
Provisions for not deductible bad debts	375	
Remuneration to directors not paid	47	
Provision for probable income taxes	150	
Writedown of equity investments	6,265	
Total	6,837	2,325
Total deferred assets subject to taxation	3,709	3,423
(-) Deferred tax assets at 31 December 2001		(1,209)
(+) Reversals at 31 December 2002		869
Total recorded in income statement 2002		3,083

	Taxable	Deferred tax liabilities
<i>Amounts at 38.25 per cent</i>		
Capital gains 2000	1	
Taxable credit Law 140	135	
Eureka/Publics grant	1,575	
Brite Hatlas grant	269	
Sincrono (formerly Lightpress) grant	525	
Total	2,505	958
<i>Amounts at 34 per cent</i>		
Dividends Prima Electronics 2002	300	
Total	300	102
Total deferred liabilities subject to taxation	2,805	1,060
(-) Deferred tax liabilities at 31 December 2001		(1,202)
(+) Reversals at 31 December 2002		432
Total recorded in income statement 2002		290

APPENDICES

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 31 December 2002 and 2001
- List of equity investments in subsidiaries and associated companies at 31 December 2002 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 31 December 2002.
- Statement of changes in tangible assets at 31 December 2002.
- 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 2002 and 2001

Moreover, as required by Art. 78 of Consob ruling No. 11971 of 14 May 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 31 DECEMBER 2002 AND 2001
(thousands of euros)**

Description	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for treasury stocks	Statutory reserves	Covering of losses during the year	Profit (Losses) carried forward	Profit (Loss) for the year	Total Shareholders' equity
Balance at 31 December 2000	9,296	8,517	-	128	-	1,663	-	-	4,155	23,759
• Appropriation of 2000 net profit, according to Shareholders' Meeting of 11 May 2001	-	-	-	208	-	3,947	-	-	(4,155)	-
• Conversion of share capital in euro, according to resolution passed by the Shareholders' Meeting of 11 May 2001	(296)	-	-	296	-	-	-	-	-	-
• 18 June 2001: share capital increase reserved for Helios Private Equity SA	650	4,796	-	22	-	-	-	-	-	5,468
• 10 July 2001: share capital increase through subscription to employee stock option plan (50,000 new shares issued), voted by Board of Directors on 17 December 1999	125	246	-	4	-	-	-	-	-	375
• 4 December 2001: share capital increase reserved for shareholders of Prima Electronics	600	461	-	-	-	-	-	-	-	1,061
• Net profit/loss for the year	-	-	-	-	-	-	-	-	1,134	1,134
Balance at 31 December 2001	10,375	14,020	-	658	-	5,610	-	-	1,134	31,797
• Appropriation of 2001 net profit, according to Shareholders' Meeting of 11 May 2001	-	-	-	57	-	1,077	-	-	(1,134)	-
• Reserve for treasury stocks	-	-	-	-	472	(472)	-	-	-	-
• Net profit/loss for the year	-	-	-	-	-	-	-	-	(4,880)	(4,880)
	10,375	14,020	-	715	472	6,215	-	-	(4,880)	26,917

**List of equity investments in subsidiaries and associated companies
(at 31 December 2002)**

		Share capital	Percentage ownership	Profit/Loss for the year (thousands of euros)	Net shareholders' equity (thousands of euros)	Carrying value Prima Industrie S.p.A. (thousands of euros)
SUBSIDIARIES (included in scope of consolidation)						
Prima Electronics SpA	Strada Carignano, 48/2 10024 Moncalieri (TO)	€ 1,500,000	100%	1,149	4,660	1,705
Prima North America, Inc.	1 Picker Road Sturbridge MA 01566 (USA)	US\$ 15,000,000	100%	(7,617)	2,433	4,185
Prima Industrie GmbH	Shöne Aussicht 5a Kronberg (D)	D.M. 50,000	100%	9	(141)	(131)
Prima Industrie International BV (formerly Laserworld BV)	Zwaansvliet 20 1081 AP Amsterdam (NL)	HFL 50,000	99%	30	97	73
ASSOCIATED COMPANIES (not consolidated)						
Macro Meccanica SpA (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%	(130)	305	332
SNK Prima Company Ltd (**)	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka Japan	yen 90,000,000	40%	(47)	733	330
Mechanical Industries Srl (***)	Via don Sapino 134 10040 Venaria – Fraz. Savonera (TO)	€487,289	21,62%	1	492	0

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

(**) most recent approved financial statements: 31 December 2002

(***) most recent approved financial statements: 31 December 2001

**List of equity investments in subsidiaries and associated companies
(at 31 December 2002)**

		Share capital	Percentage ownership	Profit/Loss for the year (thousands of euros)	Net shareholders' equity (thousands of euros)	Carrying value Prima Industrie S.p.A. (thousands of euros)
<u>SUBSIDIARIES</u> (included in scope of consolidation)						
Prima Electronics SpA	Strada Carignano, 48/2 10024 Moncalieri (TO)	€ 1,500,000	100%	1,149	4,660	1,705
Prima North America, Inc.	1 Picker Road Sturbridge MA 01566 (USA)	US\$ 15,000,000	100%	(7,617)	2,433	4,185
Prima Industrie GmbH	Shöne Aussicht 5a Kronberg (D)	D.M. 50,000	100%	9	(141)	(131)
Prima Industrie International BV (formerly Laserworld BV)	Zwaansvliet 20 1081 AP Amsterdam (NL)	HFL 50,000	99%	30	97	73
<u>ASSOCIATED COMPANIES</u> (not consolidated)						
Macro Meccanica SpA (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%	(130)	305	332
SNK Prima Company Ltd (**)	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka Japan	yen 90,000,000	40%	(47)	733	330
Mechanical Industries Srl (***)	Via don Sapino 134 10040 Venaria – Fraz. Savonera (TO)	€487,289	21,62%	1	492	0

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

(**) most recent approved financial statements: 31 December 2002

(***) most recent approved financial statements: 31 December 2001

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

(thousands of euros)

	Opening balance			Movements during the year		Closing balance
	Original cost valued at cost	Revaluations/ Writedowns	Balance at 1-Jan-02	Increase	Decrease	Balance at 31-Dec-02
Prima Electronics S.p.A. Strada Carignano, 48/2 10024 Moncalieri (TO)	1,705	-	1,705	-	-	1,705
Prima North America, Inc. 1 Picker Road Sturbridge MA 01566 (USA)	11,282	(5,278)	6,004	5,044	(6,863)	4,185
Prima Industrie GmbH Shöne Aussicht 5a – Kromberg (D)	-	-	-	-	-	-
Prima Industrie International BV (formerly Laserworld BV)	318	(215)	103	-	(29)	74
TOTAL	13,305	(5,493)	7,812	5,044	(6,892)	5,964

STATEMENT OF CHANGES IN CURRENT FINANCIAL ASSETS

(thousands of euros)

EQUITY INVESTMENT IN OTHER COMPANIES

Description	Opening balance	Movements during the year		Closing balance	% Ownership
		Increase	Decrease		
	Original cost valued at cost 1-Jan-02			Balance at 31-Dec-02	

Unionfidi	0,1	-	-	0,1	-
-----------	-----	---	---	-----	---

Statement of changes in intangible assets

At 31 December 2002

(thousands of euros)

Fixed assets	Opening balance			Movements during the year		Closing balance		
	Original cost	Accumulated Depreciation	Balance at 1-Jan-2002	Additions	Amortization, depreciation and writedowns	Original Cost	Accumulated Depreciation	Balance at 31-Dec-2002
Formation, start-up and similar costs	168	(67)	101	-	(34)	168	(101)	67
Research, development and advertising costs	6,539	(6,277)	262	-	(209)	6,539	(6,486)	53
Industrial patent and intellectual property rights	1,104	(823)	281	59	(152)	1,163	(975)	188
Concessions, licenses, trademarks and similar rights	8	(2)	6	1	(1)	9	(3)	6
Goodwill	-	-	-	-	-	-	-	-
Assets under development and payments on account	-	-	-	-	-	-	-	-
Other intangible assets	1,369	(899)	470	22	(146)	1,391	(1,045)	346
	-----	-----	-----	-----	-----	-----	-----	-----
Total	9,188	(8,068)	1,120	82	(542)	9,270	(8,610)	660
	=====	=====	=====	=====	=====	=====	=====	=====

**STATEMENT OF CHANGES IN TANGIBLE ASSETS
AT 31 DECEMBER 2002**

(thousands of euros)

Fixed assets	Opening balance				Movements during the year				Closing balance			
	Original cost	Revaluations	Accumul. depreciatio	Balance at 31 Dec. 2002	Aquisitions	Disposals	Depreci.	Release of accumulated depreciation	Original cost	Revaluations	Accumul. depreciatio n	Balance at 31 Dec. 2002
Land and buildings	659	-	(125)	534	2	-	(29)	-	661	-	(154)	507
Plant and machinery	1,574	11	(881)	704	17	-	(99)	-	1,591	11	(980)	622
Industrial and commercial equipment	1,168	-	(1,010)	158	165	-	(92)	-	1,333	-	(1,102)	231
Other tangible assets	1,314	6	(1,047)	273	72	(13)	(88)	8	1,373	6	(1,127)	252
Assets under construction and payments on account	-	-	-	-	-	-	-	-	-	-	-	-
Total	4,715	17	(3,063)	1,669	256	(13)	(308)	8	4,958	17	(3,363)	1,612

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

	Prima Electronics SpA	Prima North America Inc	Prima GmbH	Prima Industrie Int. BV	Shenyang Prima Laser Machine	SNK Prima Company Ltd	Macro Meccanica SpA in liquidation	Mechanical Industries Srl
Functional currency	Thousands of euros	Thousands of US dollars	Thousands of euros	Thousands of euros	Thousands of US dollars	Thousands of yen	Thousands of euros	Thousands of euros
Reference period for financial statements	2002	2002	2002	2002	2002	31 Mar.2002	2001	2001
Line-by-line consolidation	YES	YES	YES	YES	NO	NO	NO	NO
ASSETS								
Fixed assets	1,990	4,810	1	-	524	31,800	-	1,809
Current assets	8,825	22,380	53	109	1,215	52,910	503	1,098
Accrued income and prepaid expenses	2	—	—	—	—	—	—	457
Total assets	<u>10,824</u>	<u>27,190</u>	<u>54</u>	<u>109</u>	<u>1,739</u>	<u>84,710</u>	<u>503</u>	<u>3,364</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
Shareholders' equity	4,660	2,551	(141)	97	717	84,608	(1,222)	492
Provisions for liabilities and expenses	125	904	2	-	-	-	410	-
Employees' severance pay	982	-	-	-	-	-	35	383
Accounts Payable	5,031	23,421	192	12	1,022	102	1,280	2,472
Accrued liabilities and deferred income	26	314	1	—	—	—	—	17
Total liabilities and shareholders' equity	<u>10,824</u>	<u>27,190</u>	<u>54</u>	<u>109</u>	<u>1,739</u>	<u>84,710</u>	<u>503</u>	<u>3,364</u>
INCOME STATEMENT								
Net sales	15,339	24,915	-	-	1,092	-	-	2,997
Value of production	15,608	23,865	-	-	1,092	-	15	3,237
Costs of production	<u>(13,482)</u>	<u>(30,592)</u>	<u>(9)</u>	<u>(25)</u>	<u>(1,215)</u>	<u>(5,396)</u>	<u>(304)</u>	<u>(3,094)</u>
Operating profit (loss)	2,126	(6,727)	9	(25)	(123)	(5,396)	(289)	143
Financial income (expenses), net	(31)	(364)	-	(5)	-	4	(5)	(37)
Extraordinary items	-	-	-	-	-	-	507	2
Income taxes	<u>(946)</u>	<u>(96)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(103)</u>
Net profit (loss)	<u>1,149</u>	<u>(7,187)</u>	<u>(9)</u>	<u>(30)</u>	<u>(123)</u>	<u>(5,392)</u>	<u>213</u>	<u>1</u>

STATEMENT OF CASH FLOWS FOR THE YEAR 2002 AND 2001

(thousands of euros)

	2002	2001
A) Opening net financial position	(12,602)	(9,117)
B) Cash flows from operations	(2,888)	2,284
<ul style="list-style-type: none"> • Net profit (loss) • Amortization/depreciation • Net change in provision for employees' severance pay • Net change in provision for risks • Provisions for bad debts • Provision for writedown of finished goods 	(4,880) 851 366 539 122 114	1,134 831 289 30 - -
B)bis Share capital increases		6,904
C) Cash flows from changes in current assets	(10,220)	(6,380)
<ul style="list-style-type: none"> • Net increase in inventories • Net increase in trade accounts receivable • Net increase in trade accounts receivables from subsidiaries and associated companies • Increase in other accounts receivables • Increase in accrued income and prepaid expenses • Decrease in provision for income taxes • Increase in advances from customers • Decrease in trade accounts payable • Increase in accounts payable to subsidiaries and associated companies • Increase in other accounts payable • Decrease in accrued liabilities and deferred income • Increase in treasury stocks 	(259) (7,305) (706) (613) (193) (142) 459 (1,905) 334 711 (129) (472)	(4,124) (3,173) (1,568) (2,068) 328 93 (111) 4,205 1,439 (1,421) 20 -
D) Cash flows from changes in fixed assets	3,814	(6,293)
<ul style="list-style-type: none"> • Capitalization of intangible assets • Purchase of tangible assets • Sales of tangible assets • Use of accumulated depreciation • Increase in equity investments • Decrease in financial accounts receivables • Decrease in collateral securities • Accrual to provision for investments (+G/C) 	(82) (256) 13 (8) (5,044) 1,362 - 7,831	(601) (840) 2 - (11,602) 2,453 - 4,295
E) Closing net financial position	(21,896)	(12,602)
<ul style="list-style-type: none"> • Amounts due to banks 	(20,874)	(4,022)

- Amounts due to other lenders
- Cash and cash equivalents
- Investments in repurchase agreements or other government securities

(3,694)	(14,965)
2,155	5,868
517	517

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

The following information is provided in accordance with Consob ruling No. 11971, art. 78 approved on 14 May 1999: summary of the compensation paid to the directors, statutory auditors and general manager of Prima Industrie SpA and by subsidiaries, as regards persons who have held these posts during the year 2002

INDIVIDUAL	POST HELD		COMPENSATION RECEIVED IN 2002 (1)			
	Last name and first name	Post	Term of office	Emoluments for post	Non-monetary benefits	Bonuses and other incentives
PALMERI Aldo	Chairman of the Board of Directors Prima Industrie	From 1-Jan-02	16,500	-	-	-
CARBONATO Gianfranco	Managing director Prima Industrie	From 1-Jan-02	240,000	Car 4,010	-	-
DELLA ROSA Giulia Luigia	Director Prima Industrie	From 1-Jan-02	5,500	-	-	-
TAKANEN Francesco (2)	Director Prima Industrie	From 1-Jan-02 to 13-May-2002	5,500	-	-	-
RUSSO Renato	Director Prima Industrie	From 1-Jan-02 to 13-May-02	2,062	-	-	-
D'ISIDORO Sandro	Director Prima Industrie	From 1-Jan-02	5,500	-	-	-
MORFINO Giuseppe	Director Prima Industrie	From 1-Jan-02	5,500	-	-	-
MAZZOTTO Paolo	Director Prima Industrie	From 1-Jan-02	5,500	-	-	-
PEIRETTI Domenico	Director Prima Industrie	From 14 -May-99	3,438	-	-	-
FORMICA Riccardo	Chairman of Board of Statutory Auditors	From 1-Jan-02	27,162	-	-	-
MOSCA Andrea	Standing auditor	From 1-Jan-02	23,521	-	-	-
PETRIGNANI Roberto	Standing auditor	From 1-Jan-02	20,755	-	-	-
RUGGERI Stefano Maria	Alternate auditor	From 1-Jan-02	-	-	-	-
CODA Roberto	Alternate auditor	From 1-Jan-02	-	-	-	-
DELLE PIANE Alberto	Corporate managing director	From 1-Jan-02	-	Car 3,197	-	153,454
BASSO Ezio	General Manager Prima Industrie	From 1-Jan-02	-	Car 2,193	-	143,513
CARBONATO Gianfranco	President Prima Electronics	From 1-Jan-02	13,500	-	-	-
PEIRETTI Domenico	Managing director Prima Electronics	From 1-Jan-02	38,500	Car 3,383	-	124,940

(1) Determined on the accrual basis

(2) The emoluments of the Director, Mr Takanen are charged by Investire Partecipazioni SpA

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 14 May 1999: summary of stock options assigned to the directors and the general manager of Prima Industrie SpA and subsidiaries, as regards persons who have held these posts during the year 2002

INDIVIDUAL	RIGHTS ASSIGNED OR OPTIONS ASSIGNED ON DECEMBER 17, 1999 (1) AND May 11, 2001 AT 14-Feb-02					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 17-Dec-99	-	-	24,000 (1)	Euro 6.7/7.5/7.5 (1)	2000/2001/2002	-	-	-
CARBONATO Gianfranco 14 -Feb-02	-	-	8,000	Euro 13.11	2003	-	-	-
DELLE PIANE Alberto 17 -Dec-99	-	-	12,000 (1)	Euro 6.7/7.5/7.5 (1)	2000/2001/2002	-	-	-
DELLE PIANE Alberto 14 -Feb-02	-	-	4,000	Euro 13.11	2003	-	-	-
BASSO Ezio 17-Dec-99	-	-	12,000 (1)	Euro 6.7/7.5/7.5 (1)	2000/2001/2002	-	-	-
BASSO Ezio 14 -Feb-02	-	-	4,000	13.11	2003	-	-	-
PEIRETTI Domenico 17-Dec-99	-	-	12,000 (1)	Euro 6.7/7.5/7.5 (1)	2000/2001/2002	-	-	-
PEIRETTI Domenico 14 -Feb-02	-	-	4,000	Euro 13.11	2003	-	-	-

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

For further information on the terms envisaged by the stock-option plan, as well as an overall description of the main elements and targets of the plan, reference is made to the relevant section of the report on operations.

PRIMA INDUSTRIE SPA

FINANCIAL STATEMENTS AT 31 DECEMBER 2002

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

**AUDITORS' REPORT 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 (the Company) as of 31 December 2002. These financial statements are the responsibility of the Company'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 period, which are presented for comparative purposes as required by law, reference is made to our report dated 10 April 2002.

3. In our opinion, the financial statements of PRIMA INDUSTRIE SpA as of 31 December 2002 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.

Turin, 10 April 2003

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 BALANCE SHEET

At 31 December 2002
(in euros)

LIABILITIES AND
SHAREHOLDERS' EQUITY

31-Dec-02

31-Dec-01

A. SHAREHOLDERS' EQUITY

I. Share capital	10.375.000	10.375.000	0
II. Share premium reserve	12.890.823	12.890.823	
III. Revaluation reserves	0	0	
IV. Legal reserve	714.740	658.039	
V. Reserve for treasury stocks in portfolio	472.373	0	
VI. Statutory reserves	0	0	
VII. Other reserves	6.214.908	5.609.966	
VIII. Profits (losses) carried forward	2.552.248	2.665.550	
IX. Net profit (loss)	(5.023.517)	196.475	
XI. Reserve for exchange difference	(948.132)	37.392	
XII. Consolidation reserve	0	0	

TOTAL SHAREHOLDERS' EQUITY - GROUP

	<u>27.248.443</u>	<u>32.433.245</u>	
X. Minority interest	0	1.429.706	

TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY

	<u>27.248.443</u>	<u>33.862.951</u>	
--	-------------------	-------------------	--

B. PROVISIONS FOR LIABILITIES AND EXPENSES

1) Provisions for pension and similar costs	0	0	
2) Provisions for income taxes	150.000	0	
3) Other provisions	3.322.050	3.948.972	
4) Provisions for deferred taxes	1.257.986	1.424.729	
	<u>4.730.036</u>	<u>5.373.701</u>	

C. EMPLOYEES'

SEVERANCE PAY	<u>3.707.729</u>	<u>3.203.850</u>	
----------------------	------------------	------------------	--

D. ACCOUNTS PAYABLE

1) Bonds	0	0	
2) Convertible bonds	0	0	
3) Amounts due to banks	37.207.690	20.608.530	
4) Amounts due to other lenders	5.375.386	16.768.039	
5) Payments on account	1.126.542	1.093.366	
6) Trade accounts payable	21.412.213	22.879.138	
7) Notes payable	0	0	
8) Accounts payable to subsidiaries	0	0	
9) Accounts payable to associated companies	0	0	
10) Accounts payable to parent company	0	0	
11) Taxes payable	1.287.713	742.363	
12) Amounts owing to social security institutions	1.095.839	950.929	
13) Other accounts payable	1.630.947	2.375.257	
	<u>69.136.330</u>	<u>65.417.622</u>	

E. ACCRUED LIABILITIES AND DEFERRED INCOME

1) Issue premiums	0	0	
2) Other accrued liabilities and deferred income	814.961	1.135.025	
	<u>814.961</u>	<u>1.135.025</u>	

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>105.637.499</u>	<u>108.993.149</u>	
--	--------------------	--------------------	--

PRIMA INDUSTRIE GROUP

MEMORANDUM ACCOUNTS

At 31 December 2002

(in euros)

	31 December 2002	31 December 2002
1. Guarantees given		
a) Bank guarantees given to:		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- subsidiaries under parent companies' control	0	0
- other companies	69.881	76.945
	69.881	76.945
b) Sureties given to:		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- subsidiaries under parent companies' control	0	0
- other companies	0	0
	0	0
c) Other guarantees given to:		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- subsidiaries under parent companies' control	0	0
- other companies	0	0
	0	0
Total guarantees given	69.881	76.945
2. Collateral guarantees		
a) for accounts payable and third parties' bonds:		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- subsidiaries under parent companies' control	0	0
- other companies	0	0
	0	0
b) for accounts payable included in the financial statements	0	0
c) for other own bonds	0	0
Total collateral guarantees	0	0
3. Commitments		
a) purchase commitments	0	0
b) sale commitments	0	0
c) leases falling due in the short term	50.022	62.478
Total commitments	50.022	62.478
4. Contingencies		
a) bills discounted	107.426	789.880
b) other	0	0
Total contingencies	107.426	789.880
5. Other memorandum accounts		
a) Repurchase commitments	1.764.513	4.210.835
b) Company goods held by third parties	4.640.328	4.673.827
c) Bank guarantees given by third parties on our behalf	2.791.265	1.755.893
Total other memorandum accounts	9.196.106	10.640.555
	9.423.435	11.569.858

PRIMA INDUSTRIE GROUP
CONSOLIDATED BALANCE SHEET

At 31 December 2002

(in euros)

<u>ASSETS</u>	<u>31-Dec-02</u>		<u>31-Dec-01</u>	
A. SUBSCRIBED CAPITAL UNPAID		0		0
B. FIXED ASSETS				
I. Intangible assets				
1) Formation, start-up and similar costs	67.471		101.206	
2) Research, development and advertising costs	52.892		262.414	
3) Industrial patent and intellectual property rights	292.385		622.831	
4) Concessions, licences, trademarks and similar rights	8.494		8.782	
5) Goodwill	3.470.992		4.476.295	
6) Assets under development and payments on account	0		0	
7) Other intangible assets	616.964	4.509.198	972.013	6.443.541
II. Tangible assets				
1) Land and buildings:	3.298.316		3.298.211	
less: accumulated depreciation	(396.885)	2.901.431	(292.411)	3.005.800
2) Plant and machinery	3.350.393		3.331.002	
less: accumulated depreciation	(2.287.258)	1.063.135	(2.128.371)	1.202.631
3) Industrial and commercial equipment	3.873.861		3.667.994	
less: accumulated depreciation	(3.320.107)	553.754	(3.215.355)	452.639
4) Other tangible assets	5.065.664		5.545.773	
less: accumulated depreciation	(4.189.899)	875.765	(4.377.885)	1.167.888
5) Assets under construction and payments on account	0	5.394.085	0	5.828.958
III. Financial fixed assets				
1) Equity investments in:				
a) subsidiaries	0		0	
less: provision for losses related to shares	0		0	
b) associated companies	672.973		731.398	
c) other companies	0	672.973	880.043	1.611.441
2) Financial accounts receivable from:				
a) subsidiaries	0		0	
b) associated companies	230.416		123.950	
c) parent companies	0		0	
d) others	178.131	408.547	350.674	474.624
3) Other securities	0		0	
4) Treasury stocks	0	1.081.520	0	2.086.065
TOTAL FIXED ASSETS (B)		10.984.803		14.358.564
C. CURRENT ASSETS				
I. Inventories				
1) Raw materials, consumables and supplies	15.718.987		18.287.247	
2) Products in course of manufacture and semifinished goods	0		0	
3) Contract work in progress	7.227.615		8.482.933	
4) Finished goods and merchandise	7.121.100		8.478.869	
5) Advances	0		0	
less: provision for writedown of raw materials	(1.589.982)		(1.869.611)	
less: provision for writedown of finished goods	(400.336)	28.077.384	(339.688)	33.039.750
II. Accounts receivable				
1) Trade accounts receivable	52.252.221		44.425.694	
less: provision for bad debts (taxed and untaxed)	(1.462.661)	50.789.560	(1.390.217)	43.035.477
2) from subsidiaries	0		0	
3) from associated companies	1.835.018		742.753	
4) from parent companies	0		0	
5) other accounts receivable	10.004.894	62.629.472	9.277.234	53.055.464
III. Current financial assets				
1) Equity investments in subsidiaries	0		194.986	
2) Equity investments in associated companies	0		0	
3) Equity investments in other companies	129		129	
less: provisions for losses related to shares	0		0	
4) Treasury stocks	472.373		0	
5) Other securities	517.000	989.502	517.000	712.115
IV. Cash and cash equivalents				
1) Bank and postal accounts	2.798.929		7.643.572	
2) Cheques	0		0	
3) Cash and cash equivalents on hand	12.653	2.811.582	12.803	7.656.375
TOTAL CURRENT ASSETS (C)		94.507.940		94.463.704
D. ACCRUED INCOME AND PREPAID EXPENSES				
1) Issue discounts and other similar charges on loans	23.862		47.723	
2) Other accrued income and prepaid expenses	120.894	144.756	123.158	170.881
TOTAL ASSETS		105.637.499		108.993.149

PRIMA INDUSTRIE GROUP
CONSOLIDATED INCOME STATEMENT

At 31 December 2002

(in euros)

	31-Dec-02	31-Dec-01
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	100.527.764	111.895.296
2) Changes in inventories of work in process, semifinished and finished goods	(1.778.822)	2.882.380
3) Changes in contract work in progress	302.351	0
4) Capitalisation of internal construction costs	163.931	75.080
5) Other revenues and income		
a) operating grants		
b) sundry	1.480.899	1.843.576
	<u>2.552.248</u>	<u>1.843.576</u>
TOTAL VALUE OF PRODUCTION (A)	<u>100.696.123</u>	<u>116.696.332</u>
	(948.132)	
B. COSTS OF PRODUCTION		
6) Purchase of raw materials, consumables and supplies	(53.160.273)	(63.510.210)
7) Service expenses	(20.119.531)	(21.626.228)
8) Leases and rent costs	(1.889.399)	(1.725.440)
9) Personnel expenses :		
a) salaries and wages	(19.707.059)	(17.964.486)
b) social security	(5.214.708)	(5.057.550)
c) employees' severance pay	(693.279)	(664.100)
d) pension and similar costs	0	0
e) other	(353.031)	(429.257)
	<u>(25.968.077)</u>	<u>(24.115.393)</u>
10) Amortization, depreciation and writedowns		
a) amortization of intangible assets	(1.432.868)	(1.233.113)
b) depreciation of tangible assets	(1.084.257)	(1.116.191)
c) writedown of tangible and intangible assets	0	0
d) provisions for writedown of current assets and cash and cash equivalents receivable	(129.874)	149.684
	<u>(2.646.999)</u>	<u>(2.199.620)</u>
11) Changes in inventories of raw materials, consumables, supplies and merchandise	1.455.333	(330.457)
12) Provisions for risks	452.269	203.108
13) Other provisions	0	0
14) Sundry operating expenses	(1.342.890)	(1.278.844)
TOTAL COST OF PRODUCTION (B)	<u>(103.219.567)</u>	<u>(114.583.084)</u>
OPERATING PROFIT (LOSS) (A - B)	(2.523.444)	2.113.248
C. FINANCIAL INCOME AND EXPENSES		
15) Investment income		
a) dividends and other income from subsidiaries	168.750	448.803
b) dividends and other income from associated companies	0	0
c) dividends and other income from other companies	0	0
	<u>168.750</u>	<u>448.803</u>
16) Other financial income:		
a) from accounts receivable included in fixed assets	0	0
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	0	0
- other	0	0
b) Fixed securities other than shares	0	0
c) current securities other than shares	0	0
d) income other than above		
- interest and commissions from subsidiaries	0	0
- interest and commissions from associated companies	0	0
- interest and commissions from parent companies	0	0
- interest and commissions from others and sundry income	1.290.824	1.975.245
	<u>1.290.824</u>	<u>1.975.245</u>
17) interest and other financial expenses		
a) due to subsidiaries	0	0
b) due to associated companies	0	0
c) due to parent companies	0	0
d) other	(3.417.494)	(2.871.474)
	<u>(3.417.494)</u>	<u>(2.871.474)</u>

TOTAL FINANCIAL INCOME AND EXPENSES (C)	<u>(1.957.920)</u>	<u>(447.426)</u>
D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations of:		
a) equity investments	0	0
b) financial assets	0	0
c) current securities	0	0
19) Writedowns of:		
a) equity investments	(938.468)	0
b) financial assets	0	0
c) current securities	0	(194.987)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)	<u>(938.468)</u>	<u>(194.987)</u>
E. EXTRAORDINARY INCOME AND EXPENSES		
20) Extraordinary income:		
a) gains on disposal of assets	544	52
b) other extraordinary income	544	52
21) Extraordinary expenses:		
a) losses on disposal of assets	0	0
b) taxes for prior years	(150.000)	0
c) other extraordinary expenses	(150.000)	0
TOTAL EXTRAORDINARY INCOME AND EXPENSES (E)	<u>(149.456)</u>	<u>52</u>
PROFIT (LOSS) BEFORE INCOME TAXES (A -B +- C +- D +- E)	<u>(5.569.288)</u>	<u>1.470.887</u>
22) INCOME TAXES :		
- current income taxes	(2.162.631)	(2.806.856)
- deferred income taxes	2.708.402	1.580.755
23) NET PROFIT (LOSS)	<u>(5.023.517)</u>	<u>244.786</u>
PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST	0	(48.311)
PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	(5.023.517)	196.475

We hereby certify that these financial statements comply with the accounting records.

PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2002

NOTES TO FINANCIAL STATEMENTS

1. THE ACTIVITIES OF THE GROUP

PRIMA INDUSTRIE SpA's corporate mission is the production and sale of electrical and electronic equipment, instruments, machines and mechanical systems and the related software programs for use in industrial automation and in other contexts in which the company's technology can be usefully deployed.

The company is also capable of providing technical services to industry, as well as planning and organisational services relating to the manufacture of production tools and equipment for industrial automation.

The company's chief manufacturing line consists of laser machines for cutting and welding.

PRIMA ELECTRONICS SpA's corporate mission is to design, manufacture and sell mechanical, electrical and electronic equipment, systems and installations, as well as the relevant software programs.

The company may also acquire and grant manufacturing licences.

PRIMA NORTH AMERICA Inc. is a company based in the United States that was created by the merger of two pre-existing companies, namely: Convergent Prima Inc. and Laserdyne Prima Inc., after the latter had acquired complete control over the former by repurchasing a 20 per cent stake held by ACD Technologies. Prima North America consists of three Divisions, as follows:

- Convergent Lasers Division designs, manufactures and markets industrial lasers, and provides world-wide after-sales services for its products.
- Laserdyne Systems Division designs, manufactures and markets Laserdyne systems and provides world-wide after-sales services for them. These systems are used in the production of engine components for the aerospace industry and components for turbines used for the production of energy.
- Prima Laser Tools Division deals with the sale, installation and provision of technical assistance for Prima Industrie products in North America.

PRIMA INDUSTRIE GmbH, a company based in Germany, is primarily engaged in the delivery of after-sales services. Since the 1996 financial year, as a result also of a commercial agreement with Matra-Werke, the company has been inactive.

PRIMA INDUSTRIE INTERNATIONAL BV, formerly called Laserworld BV, is a company based in the Netherlands. The company was inactive in 2002.

2. FORM AND CONTENT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Prima Industrie Group are comprised of the financial statements of: Prima Industrie SpA, which is the parent company; Prima Electronics SpA, whose entire share capital is owned by the Group; Prima North America Inc., whose entire share capital is owned by the Group; Prima Industrie GmbH, whose entire share capital is owned by the Group; and Prima Industrie International BV (formerly Laserworld BV), whose entire share capital is owned by the Group.

These companies are consolidated on a line-by-line method. The companies that fall within the scope of consolidation are listed in the Appendix.

The reference date for the consolidated financial statements coincides with the date marking the end of the financial year of the parent company.

The financial statements used are those approved by shareholders and the shareholders of the individual companies in the Group. These statements are reclassified and, where necessary, also modified to render them consistent with the Group's standard accounting principles and to eliminate the effects of adjustments made purely for the purposes of compliance with tax legislation. These adjustments are visible in the "Connection between the Shareholders' Equity and Financial Results of Prima Industrie SpA and the Shareholders' Equity and Financial Results of the Consolidated Accounts".

All amounts are expressed in thousands of euros.

3. BASIS OF CONSOLIDATION

The subsidiaries are included in the consolidated accounts on a full consolidation basis, which essentially consists of the inclusion in the financial statements of each of their assets and liabilities, as well as their income and expenses.

Where present, the sum of the capital and reserves of subsidiaries that corresponds to third-party interests is carried under Shareholders' Equity as "Third-party capital and reserves". The share of the consolidated profit or loss corresponding to third-party interests is carried under "Profit (loss) for the period attributable to minority interest".

The main adjustments for the purposes of consolidating the accounts are as follows:

- the elimination of share interests in companies included in the scope of consolidation and the elimination of the corresponding shareholders' equity. If this elimination causes a negative difference, it is recorded under shareholders' equity as "consolidation reserve"; if it causes a positive difference, it is included, where possible, as an asset for the companies in the scope of consolidation. If this should prove impossible, then the positive difference is carried as an asset under "goodwill arising on consolidation";
- the elimination of intra-Group accounts payable and receivable, any revenues and expenses arising from transactions between Group companies, and profits and losses resulting from transactions between companies included in the basis of consolidation involving assets included in the accounts, if relevant.
- the reversal of value adjustments and provisions made purely in order to comply with tax laws, and the effect of this on tax liabilities;
- for the income statement, the conversion of items expressed in currencies other than the euro was done by using the average exchange rate for the financial year; for the balance sheet it was done using the exchange rate in force at the end of the period.
The difference caused by the application of the two exchange rates and the differences originating in the conversion of the shareholders' equity at the end of the financial period compared with the previous financial period are recognised in a special reserve in the shareholders' equity called "Reserve for exchange difference".

The exchange rates used in converting the accounts expressed in currencies other than the euro are as follows: :

Currency	Average exchange rate for the period		Current exchange rate at period-end	
	2002	2001	2002	2001
Euro/Us dollar	0.944906	0.895636	1.04870	0.8813

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are those used in the annual report of the company that has produced the consolidated financial statements. They are consistent with those used in the previous financial year.

The assets and liabilities are evaluated according to uniform criteria.

The significant accounting policies are set out below.

INTANGIBLE ASSETS

Intangible assets are valued at their purchase price less amortization. The amortization is calculated with reference to the useful remaining life of the assets.

Spending on research and development has been fully expensed. Goodwill refers to the recognition of the difference between the assets and liabilities acquired in Laserdyne Prima and Convergent Prima. Goodwill is amortized over ten years. Other long-term expenses have been recognised in the financial statements after approval from the Board of Statutory Auditors, and are amortized over a period of five years, apart from the increased expenses and extraordinary maintenance of third-party properties, whose amortization period corresponds to the duration of the lease contract.

Advertising and promotional costs are charged entirely to the financial period in which they were incurred.

Below we set out the amortization criteria applied to various intangible assets:

Formation, start-up and similar costs	5 years
Research and development	5 years
- Industrial patent and intellectual property rights	5 years
Concessions, licences, trademarks and similar rights	10 years
- Goodwill	10 years
Other intangible assets	5 years/duration of contract

With respect to the above:

- the amortization of industrial and intellectual property rights 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 capitalised:
 - five years for extraordinary maintenance and long-term 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 referring to monetary revaluations, as shown in the relevant appendix. Cost includes additional expenses directly chargeable to the asset.

Tangible assets are depreciated on the straight-line method at a rate based on their residual useful life.

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.

The amortization rates are as follows:

Industrial plant	3%
Light structures	10%
Industrial plants and machinery	10-15.50%
Equipment and tools	25%
Electronic office equipment	20%
Furniture, fixtures and office equipment	12%
Internal transport means	20%
Motor vehicles	25%
Cell phones	20%

These rates reduced by 50 per cent were applied to the increases in the financial period.

Lease instalment income

Where financial leases have a substantial value, the underlying asset is carried in the balance sheet at its normal value at the start of the lease, and the relevant payable shown as a liability.

The depreciation of assets under a financial lease is calculated on the straight-line method, considering their residual useful life. The depreciation rates applied are in line with those used to depreciate tangible assets.

Lease instalments are composed of financial expenses and the reduction of the residual debt.

With regard to other financial leases, in accordance with the tax laws in force and according to Italian consolidated practice, lease instalments (principal and interest) are charged to the income statement for the financial periods they refer to.

EQUITY INVESTMENTS

Non-consolidated equity investments are evaluated on an average cost method, and the value of their recognition in the financial statements is determined by the price of purchase or subscription that is then adjusted, if at the close of the period the value of equity investment is below its cost price for considerable period of time.

Where a writedown is made, the original value will be restored in successive financial periods once the factors that caused the writedown no longer obtain.

The values of non-consolidated subsidies and associated companies that result from this cost method are broadly similar to the values resulting from the application of 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 labour cost for internal work and the purchase cost for external work.

Finished products are valued the same as contract work in progress. This method yields values that are below those of the market.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at nominal value.

They are stated at nominal value and reduced to estimated realizable value by a relevant provision for doubtful accounts.

Prudent accruals to the provision for bad debts are made on the basis of the risk of some receivables.

ACCRUALS AND DEFERRALS

Accruals and deferrals are portions of income or expenses to be received or paid in future periods but referring to 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 PAY

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

This entitlement to employees does not exist in the USA where, instead, employees have a pension and health plan that is recognised in the books as accounts payable to the external companies providing the cover. The cover is provided in accordance with the law and local-level labour contracts.

ACCOUNTS PAYABLE

Accounts payable 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 an accrual basis, which makes reference to the year in which legal entitlement to the receipt of the grant comes into force and the amount to be received becomes certain. Normally, this will be the same year as the resolution assigning the grant is adopted.

In the case of capital grants, income for statutory purposes is recorded on an accrual basis and the time frame is established with 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.

CONVERSION OF BALANCES IN FOREIGN CURRENCY

Accounts receivable and accounts payable originally denominated in foreign currency are converted into euros at the exchange rates in force on the transaction date. Exchange differences arising at the time of collection or payment are recorded in the income statement.

Outstanding accounts receivable and accounts payable in a currency other than euros are calculated at the exchange rate prevailing at year-end. The resulting lower or higher difference is recorded both in the income statement and in the balance sheet, in accordance with Accounting Principle No. 26.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs refer to the study and design of new products as well as the enhancement and maintenance of existing ones. R&D expenditure is expensed as incurred.

INCOME TAXES

Income taxes are calculated on estimated taxable income, with reference to current laws and including any tax concessions. Deferred tax liabilities are recorded in the “provisions for income taxes”, while deferred tax assets are recorded as “other accounts receivable”

Deferred income taxes arise whenever temporary differences exist between the income recorded in the statutory financial statements and taxable income. The tax effects of temporary differences have been deferred and charged to the future years when these differences are no longer obtained. They 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 taxes and the credit for taxes paid in advance have not been off-set.

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

5. OTHER INFORMATION

Permitted derogations as per Article 2423 of the Italian Civil Code

The financial statements contain no derogations such as permitted by Article 2423, paragraph 4 of the Italian Civil Code.

Pursuant to Article 10 of Law 72 of 1983, tangible fixed assets include assets revalued pursuant to the terms of Law 576 of 2 December 1975, Law 72 of 19 March 1983 and the more recent Law 342 of 21 November 2000.

These revaluations, which are insignificant, are set out in the relevant statement.

Accounting policies

No change was made with respect to the accounting policies used in the previous financial 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.

The changes with respect to the previous year are illustrated in the notes to the financial statements.

NOTES TO ASSETS

FIXED ASSETS

INTANGIBLE ASSETS

- 1) Formation, start-up and similar 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 these costs, which totalled 101 thousand euros at 1 January 2002, was amortized during the year for 34 thousand euros, and at 31 December 2002 the net book value was equal to 67 thousand euros.

- 2) Research and development costs at the end of the year include the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Research and development - 1997	-	70
Research and development - 1998	-	86
Research and development - 1999	53	106
Total	53	262

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 209 thousand euros therefore refers to the amortization for 2002.

Research and development costs incurred in previous years are deemed to produce recurring benefits, inasmuch as they refer to projects with a very high technological content, create products that can be clearly identified, have a ready market, and, through marketing give rise to income that is also sufficient to cover the amortization of the capitalised costs.

- 3) Industrial patent and intellectual property rights include the following at year-end:

	Balance at 31 Dec.2002	Balance at 31 Dec.2001
- Industrial patent rights		
- Patents	48	56
- Intellectual property rights		
- Software	244	567
Total	292	623

In 2002, this caption saw a global decrease of 331 thousand euros. With respect to patents, the increases in the period came to 10 thousand euros and the decreases, the result of amortization, to 18 thousand euros. "Software" increased by 49 thousand euros and decreased by 389 thousand euros owing to amortization for the period, and by 17 thousand as a result of exchange rate differences.

- 4) Concessions, licences, trademarks and similar rights (9 thousand euros) show now change with respect to 31 December 2001, after an increase of 1 thousand euros and a decrease of the same amount in amortization for the period.
- 5) Goodwill: is the value recognised to the seller for the acquisition of Convergent Prima in 2000 and Laserdyne Prima in 2001. It refers to the difference between the acquired assets and liabilities. At 31 December 2001, this item amounted to 4,476 thousand euros and immediately decreased by 434 thousand euros through amortization and by 571 thousand as a result of the change in the dollar-euro exchange rates between 31 December 2001 and the analogous date of 2002. Accordingly, at 31 December 2002, goodwill was 3,471 thousand euros.
- 6) Other intangible assets include the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Leasehold improvements		
-- Industrial plant in Collegno at Via Antonelli 32	140	165
-- Industrial plant at Via Antonelli 28	148	237
-- offices of French branch	13	11
-- offices of Spain branch	26	29
-- offices of Laserdyne Prima	-	14
-- offices of Convergent Prima	-	21
-- offices of Prima Electronics	3	9
- Other deferred charges	287	486
Total	617	972

All told, the charges in the financial year increased by 22 thousand euros, from costs pertaining the refurbishment of the two Prima Industrie industrial plants in Collegno (Turin) and the refurbishment of the branch offices in France and Spain. The amortization for the period was 348 thousand euros.

The additional decrease of 29 thousand euros was caused by exchange rate variations.

7) TANGIBLE ASSETS

These can be broken down as follows:

	Asset value	Accumulated Depreciation	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Land and buildings	3,298	(397)	2,901	3,006
Plant and machinery	3,350	(2,287)	1,063	1,203
Industrial and commercial equipment	3,874	(3,320)	554	453
Other assets	5,066	(4,190)	876	1,167
Total	15,588	(10,194)	5,394	5,829

The total of ordinary depreciation charged to the financial year was 1,084 thousand euros. Ordinary depreciation is calculated at rates designed to write off the assets over their estimated useful lives.

Gross additions to assets amounting to 581 thousand euros refer to purchases of plant and machinery (205 thousand), factory equipment (274 thousand) and other goods (102 thousand).

For further details see the statements in the appendices to these notes.

FINANCIAL FIXED ASSETS

8) Equity investments

Equity investments can be broken down into the following components:

	Balance at 31 Dec. 2001	Increase	Decrease	Balance at 31 Dec. 2002
Associated companies				
- Macro Meccanica SpA – in liquidation	413	-	-	413
-Macro Meccanica SpA (in liquidation) writedown provision	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498
- Shenyang writedown provision	(107)	(59)	-	(166)
- MLTA Srl	10	-	-	10
- SNK Prima Co.	330	-	-	330
- Mechanical Industries Srl	105	-	-	105
- Mechanical Industries Srl writedown provision	-	(105)	-	(105)
Total associated companies	836	(164)	-	672
Other companies				
- Rambaudi Industriale SpA	775	-	-	775
- Rambaudi Industriale SpA writedown provision	-	(775)	-	(775)
Total other companies	775	(775)	-	-
Total investments	1,611	(939)	-	672

As regards equity investments in associated companies, the interests in Macro Meccanica SpA (put into liquidation at the end of 1999) are carried in the financial statements at nil balance because the liquidation was still not complete at the end of 2002.

The joint venture set up in China in 1999 in conjunction with Shenyang Machine Tool Company Limited is called Shenyang Prima Laser Machine Co Ltd., and is 50 per cent owned by the Group. It builds (by assembling kits sent by Prima Industrie) and markets the “Platino” cutter in Asia. In 2002, the joint venture made a loss of US \$122,542, for which the Group made a loss provision for an amount proportionate to our interest in the company.

The interest in Mechanical Industries Srl has been reclassified as a shareholding in an associated company as opposed to an equity interest in other companies. The level of the holding was totally written down in 2002 by 105 thousand euros.

Equity investments in other companies also include Rambaudi Industriale SpA, a company acquired in 1999 when it was recapitalised.

In the period, the equity interest was completely written down by 775 thousand euros.

M.L.T.A.: is an industrial electronics company in which Prima Electronics acquired a small equity interest (7.7 per cent for a price of around 10 thousand euros). The equity investment reflects the interest of Prima Electronics in the industrial development of M.L.T.A.'s products.

9) **Accounts receivable from associated companies**

These amount to 230 thousand euros and refer to:

- a sum of 150 thousand euros payable to Prima Industrie by its associated company Mechanical Industries Srl in relation to lease payments that were recharged to the company for its use of machine tools. In light of the difficult financial situation of Mechanical Industries, and the absence of change in the account compared with the previous year, this account receivable was deemed doubtful, and so the Company increased its provision for bad debts by an equivalent amount;
- a loan of 80 thousand euros made by Prima Electronics to MLTA. The decrease in this item compared with the previous financial year was 44 thousand euros.

10) **Other accounts receivable**

These refer to prepayments made to the staff severance pay reserve in 1997 and 1998. They were partially used for staff compensations in 2002 and thereby reduced from 201 thousand euros at 31 December 2001 to 178 thousand at 31 December 2002.

In the previous year, this item had also included accounts receivable, 150 thousand euros, from Mechanical Industries Srl. This has since been reclassified as “Financial accounts receivable from associated companies”.

CURRENT ASSETS

11) **INVENTORIES**

Inventories are composed of the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Raw materials, consumables and supplies	15,719	18,287
- Contract work in progress	7,227	8,483
Finished goods	7,121	8,479
- Provision for writedown of raw materials	(1,590)	(1,870)
- Provision for writedown of finished goods	(400)	(339)
Total inventories	28,077	33,040

The value of inventories declined by 4,963 thousand euros, thanks to more efficient planning for the use of raw materials.

The provision for the writedown of raw materials was increased by 1,428 thousand euros through the provisions made in the year by Prima Electronics and Prima North America, and decreased by 1,483 thousand through the release of provisions to Prima North America. The provision was also decreased by 225 thousand as a result of exchange rate variations.

The provision for the writedown of finished goods was increased by 232 thousand euros through the provisions made in the year by Prima Electronics and Prima North America, and decreased by 117 thousand through the release of provisions to Prima North America. The provision was also decreased by 54 thousand as a result of exchange rate variations.

ACCOUNTS RECEIVABLE

12) Trade accounts receivable

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

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Trade accounts receivable	52,252	44,426
Provision for bad debts	(1,463)	(1,390)
Net value	50,789	43,036
of which due after financial period	2,969	1,728

In spite of the lower turnover, trade accounts receivable increased by 7,826 thousand euros as a result of the worsening of the state of payments for orders made in the year coupled with the effects of a peak in turnover in the final quarter. The average number of days for the collection of trade accounts payable increased from 140 in 2001 to 184 in 2002.

The provision for bad debts is made up of the following:

- 1,000 thousand euros relating to Prima Industrie (which made provisions of 122 thousand euros);
- 165 thousand euros relating to Prima Electronics (which made provisions of 20 thousand euros);
- 298 thousand euros relating to Prima North America (which made provisions of 228 thousand euros and used 239 thousand euros). The additional fall of 58 thousand is the result of exchange rate variations.

Accounts receivable after one year

The relevant amount relates to a Spanish customer of Prima Industrie who was granted a sixty-month deferred payment and charged the related interest and to the pro-solvendo transactions under the Sabatini Law.

13) ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

At 31 December 2002, this item amounted to 1,835 thousand euros (vis-à-vis 743 thousand euros at 31 December 2001). Of this total, 1,696 thousand refers to payments due to Prima Industrie by Shenyang Laser Machines Tools and 99 thousand euros to payments payable by Mechanical Industries. The Italian branch company Convergent Energy Asti Srl, which is in liquidation, has a payable of 40 thousand euros to Prima North America. All told, the accounts receivable from associated companies was 1,092 thousand euros more than a year previously.

14) OTHER ACCOUNTS RECEIVABLE

These can be broken down as follows:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Tax authorities for income tax	3,265	2,766
Credit for taxes paid in advance and deferred tax assets	5,068	3,155
VAT	91	1,152
Capital grants	474	588
Security deposits	120	106
- Advances to employees	33	23
Sundry other advances	250	776
Other accounts receivable	704	711
Total	10,005	9,277

At 31 December 2002, the balance on accounts receivable expanded was 728 thousand euros greater than a year earlier.

The items consists primarily of payables from the tax authorities for direct taxes levied in previous financial years - for which the company has requested payment in the form of government securities. The credits also include interest accrued on the accounts which is calculated on the basis of the interest rate established by law, as well as prepayments made in the year to the amount of 3,265 thousand euros. The value of deferred tax assets is also substantial, 5,068 thousand euros, some 1,913 thousand more than at the end of 2001. The chief cause of the increase was the recovery of losses in subsidiaries and associated companies.

The VAT accounts receivable were 1,061 thousand less than at 31 December 2001. There are two reasons for this. The first is that a higher number of sales took place in Italy, which reduced the amount of VAT refundable to the company by the tax authorities, and the second is that the company availed itself of the credits relating to previous financial periods to offset monthly payments of withholding taxes and VAT payments.

The sundry other advances refer to payments made to a number of suppliers before the delivery of the goods and/or service.

Other accounts receivable are composed of taxation payments of 169 thousand euros made on dividends and of 535 thousand euros in other minor items.

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

CURRENT FINANCIAL ASSETS

15) EQUITY INVESTMENTS IN SUBSIDIARIES

The sum of 195 thousand euros that appeared in the accounts dated 31 December 2001 referred to the realised assets generated from the sale of Elesta AG by Prima Electronics. This sale was finalised at 7 March 2002 and the corresponding payment collected during the financial year 2002. Accordingly, the balance on this account was set at zero.

16) EQUITY INVESTMENTS IN OTHER COMPANIES

The sum of 0.1 thousand euros refers to Prima Industrie's equity investment in Unionfidi, and is unchanged with respect to the previous financial year.

17) TREASURY STOCKS

This refers to the value of own shares held in the parent company's portfolio at 31 December 2002 following a buy-back operation carried out in compliance with a resolution to this effect made by shareholders at an Extraordinary Meeting on 4 December 2001. The item amounts to 472 thousand euros, corresponding to 71,500 shares with a weighted average price of 6.6066 euros each.

18) NOTES PAYABLE (SHORT-TERM NOTES)

This caption, which totalled 517 thousand euros at the end of 2002, refers to government securities held by Prima Industrie, namely:

- CCT (Treasury Credit Certificates), maturing in May 2003

No change occurred compared with the previous year.

19) CASH AND CASH EQUIVALENTS

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Bank and postal accounts	2,799	7,644
- Cash and cash equivalents on hand	13	13
Total	2,812	7,657

The caption refers to immediately available funds that are deposited in current accounts or held as cash on hand within the company. The caption shows a decline of 4,845 thousand euros compared with the end of 2001 as a result of the deterioration in the company's financial position.

20) ACCRUED INCOME AND PREPAID EXPENSES

At 31 December 2002, this caption totalled 145 thousand euros, compared with 171 thousand euros a year previous. The caption may be subdivided as follows:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Loan charges		
- IMI loan	24	48
Total issue discounts and similar charges on loans	24	48
Accrued income	19	60
Prepaid expenses	102	63
Total accrued income, prepaid expenses and discounts	145	171

The final balance for 2002 is 26 thousand euros less than in the previous year.

Loan charges relate to brokerage fees on securing a medium/long-term loan from San Paolo IMI in September 1999. These fees will be amortized over the period of the loan, which terminates in September 2003 (4 years). The reduction of 24 thousand euros refers to the amortization effected in 2002.

Accrued income mainly refers to travel expenses of 15 thousand euros and interest on treasury credit certificates (CCT) amounting to 3 thousand euros. Prepaid expenses include invoices from suppliers, invoices with customers for maintenance fees and insurance premiums.

LIABILITIES AND SHAREHOLDERS' EQUITY

21) **SHAREHOLDERS' EQUITY**

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

Comments on the various components of shareholders' equity follow:

22) **SHARE CAPITAL**

Share capital at 31 December 2002 is subscribed to and fully paid-in, and consists of 4,150,000 ordinary shares with a par value 2.5 euros each for a total of 10,375,000 euros.

There was no change with respect to the previous year.

At 31 December 2002, the third part of the original stock plan was still pending and is reserved for Executives and Supervisors. 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 Executives (13 in Prima Industrie and 3 in the subsidiary Prima Electronics). The distribution was decided at a Board of Directors' meeting on 17 December 1999, which was acting in accordance with rules approved by the Extraordinary Shareholders' Meeting on 14 May 1999. There is also a second stock option plan, which was approved by the Board of Directors on 11 May 2001 and modified on 14 February 2002. It assigns 142,600 new shares to executives, supervisors and junior management of Prima Industrie and subsidiaries. This second plan is linked to the 2001 targets (for supervisors and junior management) and the 2002 targets (for executives, supervisors and Junior management). For additional information on the stock plans, reference should be made to the comments in the report on operations.

23) **SHARE PREMIUM RESERVE**

The share premium reserve of 12,890 thousand euros is generated by additional paid-in capital over the par value of the new shares of 2.5 euros each, and remained unchanged in 2002.

It should be noted that the opening balance was 1,130 thousand lower than the value recognised in the financial statements of Prima Industrie SpA as a result of the costs incurred for the floatation in October 1999, which were reclassified and directly deducted from the share premium account.

24) LEGAL RESERVE

This caption amounts to 715 thousand euros (compared with 658 thousand euros at 31 December 2001) and includes an allowance of 57 thousand euros, an amount that corresponds to 5 per cent of the profits of 2001, as approved by shareholders at 14 May 2002, pursuant to Article 2430 of the Civil Code.

25) RESERVE FOR TREASURY STOCKS IN PORTFOLIO

In the financial period, as a result of the acquisition by the company of own shares, a reserve for treasury stocks was set up, pursuant to Article 2357 “ter” of the Civil Code. The reserve amounts to 472 thousand euros, which is the value of treasury stocks in portfolio at 31 December 2002.

26) OTHER RESERVES

This amounts to 6,215 thousand euros, an increase of 1,077 thousand on the previous year, thanks to a provision for that amount (based on the profits for 2001) approved by shareholders at 14 May 2002. As indicated above, a sum of 472 thousand euros was released from the reserve for the creation of the reserve for treasury stocks.

27) PROFITS CARRIED FORWARD

The profits are carried forward by way of a consolidation adjustment, and the effect on shareholders' equity spans several periods. At 31 December 2002, the value of profits carried into the next financial year was 1,729 thousand euros, a decrease of 937 thousand compared with the previous year (2,665 thousand), as a result of the restatement of the 2001 consolidated profit as profits carried forward (197 thousand euros), net of the reclassification of the Parent Company's 2001 net profit in the legal and other reserves.

28) RESERVE FOR EXCHANGE DIFFERENCE

The foreign exchange difference was negative to the value of 124 thousand euros. The difference is the result of the application of the current exchange rate at the end of the year for the purposes of converting the income statements and the balance sheets (excluding shareholders' equity) of those companies (Prima North America Inc.) that operate in currency that is not legal tender in Italy.

The difference narrowed by 161 thousand euros vis-à-vis the previous year as a result of the weaker dollar.

29) MINORITY INTEREST RESERVE

At 31 December 2001, this caption came to 1,430 thousand euros and referred entirely to the share capital in Convergent Prima held by ACD Technologies SpA (formerly Pluritec SpA), which was valued at the price of the company's put option.

The company duly exercised its put option in 2002, and the caption above was therefore annulled. At present, all the companies in the scope of consolidation are also entirely owned by the Group.

30) TAX PROVISION

The tax provision refers to a prudential allocation of 150 thousand euros made after the Finance Police carried out an inspection of the accounts for 2000 and issued a tax re-assessment. The inspection took place in the second half of 2002.

31) PROVISIONS FOR LIABILITIES AND EXPENSES

These refer to the following:

	1 Jan. 2002	Provisions	Utilization	31 Dec. 2002
Contractual risks and expenses provision	3,091	3,423	(3,489)	3,025
Litigation risks provision	54	-	-	54
Agents' customer indemnity provision	62	8	(1)	69
Restructuring provision	681	22	(623)	80
Other provisions	61	92	(59)	94
Total thousands of euros	3,949	3,545	(4,172)	3,322

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 total for 2002, 3,423 thousand, is composed of 2,163 thousand euros set aside by the parent company, 80 thousand by Prima Electronics and 1,180 thousand by Prima North America. The provision was decreased in 2002 through releases of 2,050 thousand euros to the parent company, 65 thousand to Prima Electronics and 1,218 thousand to Prima North America. It was further reduced by 156 thousand euros by exchange rate variations.
- ⇒ The litigation risks provision has remained unchanged compared to the previous year and relates to potential future expenses on litigation with an agent who no longer works for the company.
- ⇒ The agents' customer indemnity provision covers liabilities, which could originate from cancelling agency contracts with Italian operators. The provision was increased by 8 thousand euros in 2002 on the basis of the rates established by the existing law, which governs the relationship between sales agents and their principals. In 2002, approximately 1 thousand euros was used to pay an agent released from contract with the company.

- ⇒ The restructuring provision consists of resources set aside in previous financial periods to finance the restructuring of the two US companies, which have since been merged into the one entity Prima North America. In 2002, the Group added 22 thousand to the provision and used 515 thousand to complete the restructuring process. Exchange rate variations caused a further decrease of 108 thousand in the value of the provision.
- ⇒ Sundry minor items amounted to 94 thousand euros, and consisted of 92 thousand euros allocated to a provision against exchange rate fluctuations and 2 thousand euros for other minor items.

32) PROVISION FOR DEFERRED INCOME TAXES

This caption is composed of deferred tax liabilities which were allocated to the provision pursuant to Accounting Standard 25 issued by the Italian Accounting Profession.

It totalled 1,258 thousand euros at the end of 2002, a decrease of 167 thousand euros vis-à-vis the previous year (1,425 thousand).

Further details can be found in the notes to the relevant section on taxes in the income statement.

33) EMPLOYEES' SEVERANCE PAY

The changes during the year are as follows:

Balance at 1 January 2002	3,204
Amount maturing and allocated to income statement	693
Severance pay disbursed	(189)
Balance at 31 December 2002	3,708

The balance at 31 December 2002 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 favour of employees on the basis of existing laws at year-end and the contractual obligations for each person.

ACCOUNTS PAYABLE

The composition and changes in payables during the year are outlined below:

34) Amounts due to banks

Amounts due to banks consist of the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Advances against orders and invoices	3,124	1,563
- Bank overdrafts	12,795	12,921
- Sabatini discount operations	3,600	1,728
- Short-term accounts payable	6,024	-
- Medium/long- term accounts payable	11,665	4,397
Total	37,208	20,609

Compared with the previous year, bank loans to the company were reclassified as payables to banks. Previously they had been carried as “amounts due to other lenders”.

As a result both of this reclassification and of the higher borrowing requirements of the Group companies connected with the increase in net working capital, the amounts due to banks increased by 16,599 thousand.

The discount operations carried out in relation to the Sabatini law refer to the consolidation adjustment made to comply with the Italian accounting standards. This adjustment reflects the risk of recourse to banks in respect of the above said operations.

Bank loans total 17,689 thousand euros (6,024 thousand in short-term loans and 11,665 thousand in medium/long-term loans). As regards the parent company, the amounts due to banks, which stood at 13,994 thousand at the end of 2002, were composed of the following:

- ⇒ A loan received from Mediocredito dell’Umbria for an original amount of 775 thousand euros. This loan is guaranteed by the European Investment Fund (EIF) and was secured in order to finance the new plant facility. This is 5-year loan (with a pre-amortization period that expired on 31 January 2001), which provides for quarterly deferred repayments bearing interest at the Euribor rate plus a spread of one. The principal payments due in 2003 of 183 thousand euros represent the current portion of the loan, while the remaining principal of 297 thousand is considered medium/long-term. The residual debt at 31 December 2002 was 480 thousand euros.
- ⇒ A loan of 2,582 thousand euros received from Banca Mediocredito on 15 May 2001 with repayment in eight semi-annual instalments from 31 March 2003 until 30 September 2006 at a

floating rate of 5.39 per cent up to 30 September 2001 and at the 6-month Euribor rate plus a spread of 0.9 after that date. The short-term component of the loan amounts to 646 thousand euros, and the residual medium/long-term component to 1,937 thousand.

- ⇒ US dollar loan for an equivalent of 1,111 thousand euros from Banca Popolare di Novara of Luxembourg with repayment in 8 quarterly instalments of 125,000 US dollars each starting from 23 July 2002 bearing interest at the Libor rate plus a spread of 0.8 per cent. The short-term component of the loan amounts to 477 thousand euros, and the residual medium/long-term component to 238 thousand.
- ⇒ US dollar loan for an equivalent of 1,907 thousand euros from Sanpaolo IMI on 20 December 2001 with repayment at 18 months bearing interest at the Libor rate plus a spread of 0.5. The loan is entirely short-term.
- ⇒ Loan from Sanpaolo IMI for 2,309 thousand euros with pre-amortization until 1 July 2003. This is a research loan released from a special fund for applied research created by Law 1089 of 1968, pursuant to Law No. 46 of 1982, and made on behalf of the Ministry of University and Scientific Research. The loan is repayable in 12 semi-annual deferred instalments and bears interest at 1 per cent semi-annually. The amount falling due in 2003 is 444 thousand euros, which forms the short-term component of the loan. The residual medium/long-term component amounts to 1,865 thousand euros.

The above loans had already been activated and reclassified as Amounts Due to Other Lenders in the financial statements at 31 December 2001. In 2002, the company received the following loans:

- ⇒ A loan from Mediocredito Intesa BCI for an initial value of 5 million euros with an interest charge of 4.45 per cent until 30 September 2002 and, for successive periods, at the Euribor three-month rate increased by 0.90 per cent. The repayment is scheduled over 16 quarterly instalments. In 2003, three instalments for a total value of 1 thousand euros will be repaid. The residual debt of 4 thousand euros forms the medium/long-term component of the loan.
- ⇒ A loan in US dollars from Banca Popolare di Lodi for a value of 1 million euros, due for repayment by 24 June 2004 and bearing an interest charge of 2.60 per cent. The loan is repayable with a single lump-sum settlement at the date of maturation. It therefore constitutes a medium/long-term credit facility.

Loans made in foreign currencies were directly converted in the statements.

In addition, 3,694 thousand euros consists of loans made to Prima North America by Italian banks. The short-term component of these loans is 1,430 thousand euros, and the medium/long-term component is 2,264 thousand.

35) Amounts due to other lenders

It should be noted that the caption Amounts Due to Other Lenders, 5,375 thousand euros, shows a decrease of 11,393 thousand with respect to the previous financial period (16,768 thousand euros at 31 December 2001) partly as a result of the reclassification described above, and partly as a result of the repayments made on instalments that fell due in the period. The caption consists of:

- ⇒ various leases for vehicles and electronic office equipment for 5 thousand euros, as a consolidation adjustment made in compliance with accounting principles;
- ⇒ lease for the industrial plant no. 2 in Collegno for 1,319 thousand euros, as a consolidation adjustment made in compliance with accounting principles (of which 148 thousand in the form of short-term debt and 1,171 thousand in medium/long-term debt);
- ⇒ an interest-bearing loan of 357 thousand euros secured according to the terms of Law 46 of 1982 referring to the “Design, development, experimentation and engineering of a low-cost and highly-modular system of automation and motion control”, granted to Prima Electronics. The loan has a 15-year duration, of which 10 are amortized at the annual rate of 1.175 per cent and 5 at a pre-amortization at a rate of 0.705 per cent. Since the loan is still in a pre-amortization stage, it can be considered medium/long-term.
- ⇒ A loan of 894 thousand euros from the Ministry of Industry and Commerce made pursuant to Law 46 of 1982, which established a special revolving credit fund for technological innovation. This loan, which was increased by 172 thousand euros in 2002, has a ceiling of 1,069 thousand euros. It has a 15-year duration, with five years of pre-amortization at a rate of 0.9825 per cent per year and 10 years of instalment payments at a rate of 3.275 per cent.
- ⇒ A medium-term loan amounting to 2,800 thousand euros at 31 December 2002. This loan, originally totalling 8,500 thousand euros, was allocated at 13 September 1999 by a syndicate of banks led by our shareholder Investire Partecipazioni (formerly ITAINVEST). It is repayable in six semi-annual deferred payments beginning on 13 March 2001 and ending 13 September 2003. The interest charged is set at the 6-month Euribor rate plus a spread of 1.25 percentage points. The two principal payments due in 2003, equal to approximately 2,800 thousand euros, constitute a short-term debt.

36) Payments on account

Payments on account, which amount to 1,127 thousand euros, refer to advances received from customers against uncompleted orders as well as down-payments from customers confirming orders. The total payments on account at 31 December 2002 showed an increase of 34 thousand euros with respect to a year previous (when they totalled 1,093 thousand).

37) Trade accounts payable

Trade accounts payable to suppliers amounted to 21,412 thousand euro compared with 22,879 thousand in the previous financial year, a decrease of 1,467 thousand.

38) TAXES PAYABLE

This may be broken down in the following manner:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Payables to the tax authorities for:		
INCOME TAXES	317	59
- VAT	228	-
- Short term accounts payable	743	683
Total	1,288	742

39) AMOUNTS OWING TO SOCIAL SECURITY INSTITUTIONS

This refers to payables due at year-end for the employer's and employees' portion regarding December payrolls. The total is 1,096 thousand compared with 951 thousand at the end of the prior year, an increase of 145 thousand.

The amount was duly paid in 2003, by the due date established by law.

40) OTHER ACCOUNTS PAYABLE

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Remuneration to employees	1,386	1,661
Remuneration to directors and statutory auditors	64	67
Other minor items	180	647
Total	1,630	2,375

The caption refers to various accounts payable amounting to 1,630 thousand euros compared with 2,375 thousand at the end of 2001. As shown in the table above, the accounts are made up of: compensation payable for holiday time, the 13th-month salary for employees on a trial contract and trading incentives earned at 31 December 2002, compensations for directors and statutory auditors and other minor items.

The decrease in other minor items is caused by the fact that at 31 December 2001 the caption included around 494 thousand euros owed by Laserdyne Prima to GSI Lumonics for the balance due on the acquisition of the activities of Laserdyne itself. The amount was paid in 2002.

41) **ACCRUED LIABILITIES AND DEFERRED INCOME**

At 31 December 2002, accrued liabilities and deferred income consisted of the following:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Accrued liabilities		
- Interest on sundry loans	80	193
- Other	60	39
Total accrued liabilities	140	232
Deferred income		
- Interest on discount transactions under Sabatini law	71	259
- Other	604	644
Total deferred income	675	903
Total accrued liabilities and deferred income	815	1,135

“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 2002.

INFORMATION REQUIRED BY LAW 72 OF 19 MARCH 1983

In compliance with Article 10 of Law 72 of 19 March 1983, the company states that revaluations were effected in accordance with the terms of Law 576 of 2 December 1975 and Law 72 of 19 March 1983, and the amount entered in a revaluation reserve under shareholders’ equity.

The revaluations made as allowed by the law referred to the following asset categories: Machinery, Office furniture and equipment, Electronic office equipment, Motor vehicles.

Prima Electronics also carried out revaluations, as allowed by Law No. 342 of 21 November 2000, on the building used as the head office of the company.

The figures, standardised and tabulated, are set out below (in euros):

<u>Assets</u>	<u>Historical cost</u>	<u>Revaluation Law</u> <u>576/75</u>	<u>Revaluation</u> <u>Law 72/83</u>	<u>Revaluation</u> <u>Law 342/00</u>	<u>TOTAL</u>
Buildings	121,591	-	--	833,854	955,445
Machinery	8,226	10,938	--	--	19,164
Ordinary office furniture, furnishings and equipment	11,258	2,866	--	--	14,124
Electronic office equipment	11,491	2,868	--	--	14,359
	-----	-----		-----	-----
Total	152,566	16,672	--	833,854	1,003,092

MEMORANDUM ACCOUNTS

In respect of memorandum accounts referring to the financial year 2001, we have eliminated items referring to operations that, following consolidation adjustments, were carried to the balance sheet where the related debt was set out in detail.

42) Guarantees Given

Guarantees on behalf of other companies – These amount to 70 thousand euros and refer to two guarantees: one (33 thousand euros), given to Consorzio Garanzia Fidi Unionfidi, of which Prima Industrie is a shareholder; the other, given to Sanpaolo IMI against a contract stipulated in China. These guarantees increased by 7 thousand euros compared with last year, but only as a consequence of changes in the exchange rate.

43) Commitments

Commitments totalled 50 thousand euros (compared with 62 thousand in the previous year) and entirely relate to financing lease obligations on motor vehicles (50 thousand euros). They refer to the total amount of remaining payments due to leasing companies, including the final buy-out price established by contract, but excluding the instalments already paid. Lease obligations by year are as follows:

Motor vehicles (in thousands of euros)

2003	12 thousand euros
2004	16 thousand euros
2005	<u>21</u> thousand euros + 1 thousand buy-out value.
Total	50

44) CONTINGENCIES FOR BILLS DISCOUNTED

The total, 107 thousand euros (vis-à-vis 790 thousand at 31 December 2001), is made up of advances by banks on notes receivable that expire by 31 January 2003.

45) Other memorandum accounts

Repurchase commitments – These refer to customers and third parties and total 1,765 thousand euros (4,211 thousand at 31 December 2001) and largely refer to repurchase commitments signed by our company in favour of leasing companies for sales made to customers.

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

In 2002, Pluritec SpA (now ACD Technologies SpA) exercised a put option to cede its 20 per cent stake in Convergent Prima (now called Prima NA Inc.) to Laserdyne Prima (now called Prima NA Inc.) at a price of 1.26 million dollars. Following the exercise of this option, Laserdyne Prima Inc. secured full control over Convergent Prima Inc. This operation was an essential step towards the merger of the two companies to form Prima North America Inc.

Company goods held by third parties – At 31 December 2002, these goods totalled 4,640 thousand euros (4,674 thousand at 31 December 2001). They relate to the following:

- materials and goods held by the branches for 1,546 thousand euros;
- spare parts held by customers for 58 thousand euros;
- materials with suppliers on deposit or for commissioned work for 1,852 thousand euros;
- semifinished and finished goods held by third parties for 1,184 thousand euros.

The finished products include three machines, namely:

- a Laserdyne 790 located in the UK branch where it is used for demonstration purposes;
- a Platino located in a Danish university and used for technological development relating to the “Publics” research programme;
- and a Platino 1530 HS fitted with a new laser CP4000 being beta-tested with Gamma Laser, a customer.

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

Guarantees given by third parties on our behalf – The sum of 2,791 thousand euros (1,756 thousand in 2001) is made up of bank guarantees made to customers for advances against orders and for guarantee purposes (guarantees given within the limits of the receipts made by the same customers), and guarantees issued to the suppliers Rofin Sinar and Kugelmann and other minor guarantees.

It should also be noted that the company issued guarantees on behalf of the real estate companies that own the manufacturing centre to which the company will transfer the divisions of its Prima North America subsidiary in 2003. In detail:

- guarantees in favour of Oxford Investment LLC for the lease contract for the premises located on East Main Street, Chicopee River Business Park, Chicopee, Massachusetts;
- guarantees in favour of OIRE Minnesota, LLC for the rent on the plant situated at 8600 109th Avenue North, Champlin, Minnesota.

INCOME STATEMENT

VALUE OF PRODUCTION

46) REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 100,528 thousand euros vis-à-vis 111,895 thousand at 31 December 2001, a decrease of approximately 10.15 per cent. The reduction is primarily the result of three factors:

- a shift in sales away from 3D machine and towards 2D machines, which have a far lower unit price;
- the abandonment of a number of product lines in the USA that were deemed not essential to the group's *core-business*;
- the effects of the US\$/€ exchange rate, which considerably reduced the value in euros of the sales turnover of the Group's two US companies.

The following is a breakdown of sales:

	2002	2001
2D laser systems:		
ITALY	14,119	12,476
EUROPE	13,923	12,140
USA	3,891	2,432
Rest of World	5,221	5,820
Total	37,154	32,868
3D laser systems:		
ITALY	6,355	4,492
EUROPE	14,148	18,860
USA	6,547	8,771
Rest of World	1,957	5,451
Total	29,007	37,574
Other laser systems:		
ITALY		-
EUROPE		-
USA		3,095
Rest of World		1,024
Total		4,119
Electronic systems:		
ITALY	2,960	3,599
EUROPE	8,758	7,621
USA	-	-
Rest of World	16	88

Total	11,734	11,308

	2002	2001
Laser generators:		
ITALY	217	122
EUROPE	693	1,679
USA	1,671	1,623
Rest of World	214	1,308
Total	2,795	4,732
Assistance and other services:		
ITALY	4,703	5,154
EUROPE	4,725	5,448
USA	8,901	9,226
Rest of World	1,509	1,466
Total	19,838	21,294
Total sales	100,528	111,895

A total of 164 laser systems (176 in 2001) and 17 laser generators (29 in 2001) were delivered and invoiced.

47) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS

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

	2002	2001
Internal construction of equipment	164	75
Total	164	75

Internal construction of equipment refers to testing equipment, capitalised by Prima Electronics to the value of 91 thousand euros and by Prima Industrie to the value of 73 thousand.

48) OTHER REVENUES AND INCOME

This caption includes:

	2002	2001
- Sundry revenues and income	1,481	1,844
Total other revenues and income	1,481	1,844

Sundry revenues and income, which totalled 1,481 thousand euros, consist of:

	<u>Thousands of euros</u>	
	<u>31 Dec. 2002</u>	<u>31 Dec. 2001</u>
• Capital and operating grants	477	846
• Prior period income	499	335
• Insurance refunds	43	5
• Trade fair costs recharged to Matra Werke	53	155
• Capital gains	5	2
• Tax bonus as per Law 140	43	63
• Other minor items	361	438
Total	<u>1,481</u>	<u>1,844</u>

“Other Minor Items” (361 thousand euros) include costs of 236 thousand euros disbursed by Laserdyne Prima and recharged to GSI Lumonics.

COSTS OF PRODUCTION

49) COST OF PURCHASE OF MATERIALS

The following is a breakdown of purchase costs:

	2002	2001
Production materials	50,539	60,636
Packaging	332	331
Consumables and supplied	705	975
Other materials	1,584	1,568
Total	53,160	63,510

This item encompasses raw materials, consumables, supplies and merchandise, and totalled 53,160 thousand euros compared with 63,510 thousand euros in the previous financial year. The decrease in the period was primarily due to a fall in the acquisition of production materials by the US companies, partly the result of a decline in sales and partly the result of more efficient use of inventories materials.

50) SERVICE EXPENSES

The following shows a breakdown of service expenses:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
- Work by third parties	5,776	6,189
Travel expenses	3,570	3,466
Consultancy	2,516	2,472
Transport	1,331	2,259
Commissions	1,363	1,951
- Advertising and promotion	920	1,181
Utilities, telephone etc.	1,113	852
Insurance	474	372
Maintenance	679	779
Remuneration to directors and statutory auditors	448	465
Other	1,930	1,640
Total	20,120	21,626

The decrease with respect to 2001 was caused by lower turnover.

Pursuant to Article 38 of Legislative Decree 127 of 1991, the compensations to the directors of the parent company amount to 289 thousand euros, and the compensations to the statutory auditors to 71 thousand.

“Other” encompasses costs sustained by the Group for temp work (834 thousand euros), entertainment expenses (98 thousand), royalties on licences and patents (52 thousand) and the use of other external services (946 thousand).

51) LEASE AND RENT COSTS

The following is a breakdown of the caption:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Rent	800	918
Motor vehicle leasing	226	217
Other leasing	360	222
Motor vehicle and equipment rental	365	195
Other minor items	138	173
Total	1,889	1,725

52) PERSONNEL EXPENSES

Personnel costs amounted to 25,968 thousand euros compared with 24,115 thousand euros in the previous period, and may be broken down as follows:

	2002	2001
Salaries and wages	19,707	17,964
Social security contributions	5,215	5,058
Employees' severance pay	693	664
Other personnel costs	353	429
Total	25,968	24,115

Staff severance pay refers only to Italian companies since no such obligation exists abroad.

Other personnel costs include catering, training courses and payments made to an in-house Insurance Fund for Prima Group executives.

Changes during the year in the number of employees are detailed by category below:

	31 Dec. 2001	Recruitments	Promotions	Dismissals	31 Dec. 02	Average for the period
Executives	16	-	-	-	16	16
Supervisors	6	-	+2	-	8	7,5
Junior management	20	-	-2 +1	-	19	18
Office staff	157	13	-1 +3	10	162	159.66
Intermediate	3	-	-1		2	2.5
Production workers	88	13	-2	4	95	90.75
Branches + Prima Industrie International BV	26	6	-	1	31	29
Employees in USA	154	34	-	78	110	123.91
Total	470	66		93	443	

53) AMORTIZATION, DEPRECIATION AND WRITEDOWNS

Below, we provide a breakdown of this caption into the three statutory items:

	31 Dec. 2002	31 Dec. 2001
Amortization of intangible assets	1,433	1,234
Depreciation of tangible assets	1,084	1,116
Writedown of accounts receivable and cash and cash equivalents	130	(150)
Total	2,647	2,200

The criteria of amortization/depreciation are amply considered in the relevant section. As regards accounts receivable, the use of pre-existing provisions amounted to 248 thousand euros, while fresh provisions made in the year amounted to 378 thousand euros.

54) PROVISIONS FOR RISKS

This caption includes provisions (net of the utilization of provisions that already exist) allocated during the period to cover against potential liabilities. At 31 December 2002, the provision totalled 452 thousand euros compared with 203 thousand at the end of 2001. The reduction was brought about by the Group's usage of the provision exceeding the value of the allocations made in the period, which is indicative of the global improvement in the risk position. The composition of these provisions is set out in detail under the caption "Provision for Risks and Expenses" in the balance sheet.

55) SUNDRY OPERATING EXPENSES

The following is a breakdown of the caption:

	Balance at 31 Dec. 2002	Balance at 31 Dec. 2001
Prior period expenses	387	276
Taxes	489	414
Penalties and fines	5	98
Other	462	491
Total	1,343	1,279

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

“Other” includes capital losses on the disposal of corporate assets amounting to 1 thousand euros, the payment of membership fees and industry association fees (87 thousand euros), gratuities and non-deductible costs (141 thousand euros), and other operating costs of 233 thousand euros.

FINANCIAL INCOME AND EXPENSES

56) OTHER FINANCIAL INCOME

Income from investments, amounting to 169 thousand euros in 2002 against 448 thousand euros in 2001, related to the tax credit on Prima Electronics’ dividends appropriated in 2002.

Below is a breakdown of other sundry income:

	2002	2001
- Interest income from customers	380	716
- Interest income from banks and others	51	375
- Interest income on securities	22	20
- Interest on VAT/IRPEG	29	35
- Exchange rate gains	808	829
Total	1,290	1,975

Interest income from customers includes the portion for the year relating to the discounts under the Sabatini Law.

57) **INTEREST AND OTHER FINANCIAL EXPENSES**

Details are as follows:

	2002	2001
- Interest expense on bank borrowings	321	472
- Interest expense on other expenses	1,734	2,057
- Exchange losses	1,279	242
- Interest on leasing contracts	83	100
Total	3,417	2,871

Interest expense on other expenses includes: interest expense on transactions under the Sabatini Law amounting to 357 thousand euros, interest expense on medium and long-term borrowing of 537 and other financial expenses of 840 thousand euros.

VALUE ADJUSTMENTS TO FINANCIAL ASSETS

58) Writedown of current securities

The portion recognised in 2002 amounting to 939 thousand euros refers to the provision accrued to cover the writedown of the following equity investments in unconsolidated undertakings held by the parent company:

	<u>Thousands of euros</u>
- Shenyang Prima Laser Machine Company Ltd	59
- Mechanical Industries Srl	105
- Rambaudi Industriale SpA	775
	<u>(939)</u>

EXTRAORDINARY INCOME AND EXPENSES

59) INCOME TAXES FOR PERIOD

Current income taxes

They amounted to 2,163 thousand euros from 2,807 thousand euros in the previous year and decreased as a result of the reduction in the profit of the Group, which was affected by the losses experienced by a US company, Prima North America; their decrease is also due to the lower IRPEG burden resulting from the application of the “Superdit”, from which the parent company benefits.

Deferred income taxes

It should be noted that the application of the accounting principle on deferred taxes brought the following economic effects (deferred tax assets and liabilities):

	Deferred tax assets	Deferred tax liabilities
From companies' financial results:		
• Prima Industrie SpA	3,083	290
• - Prima Electronics SpA	(66)	(12)
From adjustments on consolidation:		
• Capitalisation of Prima Industrie's leased assets and electronic machines	-	16
• Amortization of goodwill, software and start-up in Laserdyne Prima and Convergent Prima	141	-
• Reversal of intercompany net income	(125)	-
• Gain from granting licence to Shenyang Prima Laser Machine Company Ltd and SNK Prima Company Ltd	(11)	-
• Stocks of goods in transit	48	(29)
Total changes arising on consolidation adjustments	(43)	(13)
Total	2,974	265

The net positive differential amounting to 2,709 thousand euros affected the net result for the ending period.

APPENDICES

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 at 31 December 2002 and 2001.
- List of consolidated equity investments at 31 December 2002.
- Statement of changes in current financial assets: equity investments in subsidiaries and in other companies.
- Reconciliation between shareholders' equity and net profit/loss of parent company and shareholders' equity and net profit/loss of group at 31 December 2002.
- Statement of changes in intangible assets at 31 December 2002.
- Statement of changes in tangible assets at 31 December 2002.
- Statement of summary of highlights of most recent financial statements of subsidiaries and associated companies (Art. 2429 of the Italian Civil Code).
- Statement of cash flows for the years 2002 and 2001.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 and 2001
(in thousands of euros)

Description	Share capital	Share premium reserve	Revaluation reserves	Legal Reserve	Reserve for treasury stocks	Other reserves	Reserve for exchange difference	Profits (Losses) carried forward	Profit (Loss) for the year	Total shareholders' equity
Balance at 31 December 2000	9,296	7,387	-	128	-	2,312	(185)	1,581	4,865	25,384
Appropriation of 2000 net profit	-	-	-	208	-	3,298	-	1,359	(4,865)	-
Conversion of share capital into euro in accordance with the resolution of the shareholders' ordinary meeting of 11 May 2001	(296)	-	-	296	-	-	-	-	-	-
Share capital increase of 18 June 2001 reserved for Helios Private Equity SA	650	4,796	-	22	-	-	-	-	-	5,468
10 July 2001: share capital increase through subscription to employee stock-option plan (50,000 new shares issued) resolved by the board of directors on 17 December 1999	125	246	-	4	-	-	-	-	-	375
Share capital increase decided by the shareholders' meeting of 14 December 2001 for Prima Electronics' shareholders	600	461	-	-	-	-	-	-	-	1,061
Differences due to conversion, reclassification and other net changes on consolidation	-	-	-	-	-	-	222	(274)	-	(52)
Net profit for 2001	-	-	-	-	-	-	-	-	197	197
Balance at 31 December 2001	10,375	12,890	-	658	-	5,610	37	2,666	197	32,433
Appropriation of 2001 net profit	-	-	-	57	-	1,077	-	(937)	(197)	-
Reserve for treasury stocks	-	-	-	-	472	(472)	-	-	-	-
Differences due to conversion, reclassification and other net changes on consolidation	-	-	-	-	-	-	(985)	824	-	(161)
Net loss for 2002	-	-	-	-	-	-	-	-	(5,024)	(5,024)
Balance at 31 December 2002	10,375	12,890	-	715	472	6,215	(948)	2,553	(5,024)	27,248

LIST OF INVESTMENTS AT 31 DECEMBER 2002

LINE-BY-LINE CONSOLIDATED COMPANIES

Company / Registered office	Currency	Share capital	% ownership 2002	% ownership 2001
<i>Parent Company:</i>				
Prima Industrie SpA, Collegno (Turin, Italy)	€	10,375,000		-
<i>Subsidiaries:</i>				
Prima Electronics SpA, Moncalieri (Turin, Italy)	€	1,500,000	100	100%
Prima North America, Inc. Massachusetts, USA	US\$	15,000,000	100	(*)
Prima Industrie GmbH, Kronberg, Germany	€	25,565	100	100%
Prima Industrie International BV, Amsterdam, the Netherlands	€	22,689	100	100%

(*) Prima North America was established through the merger of two already existing companies: Convergent Prima Inc. and Laserdyne Prima Inc.

STATEMENT OF CHANGES IN CURRENT ASSETS
EQUITY INVESTMENTS IN SUBSIDIARIES
AND OTHER COMPANIES

(in thousands of euros)

Description	Accounting balance	Changes for the year		Closing balance	% ownership
	Original cost valued at cost	Increase	Decrease	Balance at 31 Dec. 2002	

Subsidiaries:

Elesta AG	195.0	--	(195)	--	--
-----------	-------	----	-------	----	----

Other companies:

Unionfidi	0.1	--	--	0.1	--
-----------	-----	----	----	-----	----

Total	195.1	--	(195)	0.1	
-------	-------	----	-------	-----	--

PRIMA INDUSTRIE GROUP

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT/LOSS OF PARENT COMPANY AND SHAREHOLDERS' EQUITY AND PROFIT/LOSS OF GROUP AT 31 DECEMBER 2002

(in thousands of euros)

	Opening Shareholders' Equity	Increase (decrease) Shareholders' Equity	Closing Shareholders' Equity
Prima Industrie SpA's financial statements at 31 December 2001	31,797	(4,880)	26,917
Financial statements of companies consolidated line-by-line	14,864	(3,051)	11,813
Adjustments to conform the accounts to the appropriate accounting principles of the Group:	(401)	(394)	(795)
➤ Exchange difference and amortisation/depreciation	375	42	417
➤ Capitalisation of leases			
Consolidation adjustments:			
➤ Elimination of carrying value of investments	(11,800)	1,343	(10,457)
➤ De-recognition of inter-company margins	(864)	327	(537)
➤ De-recognition of inter-company margins	(300)	-	(300)
➤ De-recognition of Prima Electronics' dividends	(238)	28	(210)
➤ De-recognition of 50% of China licence and 40% of Japan	430	(30)	400
➤ De-recognition of 50% of China licence and 40% of Japan	(1,430)	1,430	-
➤ Recognition of net deferred taxes			
➤ Minority interest			
Consolidated financial statements	32,433	(5,185)	27,248

**STATEMENT OF CHANGES IN INTANGIBLE ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2002**

(in thousands of euros)

Intangible assets (amounts in thousands of euros)	Balance at 1 Jan. 2002	Changes for the year			Balance at 31 Dec. 2002
		Acquisitions	Net disposals and reclassifications (*)	Amortisation	
Formation, start-up and similar costs	101	-	-	(34)	67
Research, development and advertising costs	262	-	-	(209)	53
Industrial patent and intellectual property rights	623	59	17	(407)	292
Concessions, licenses, trademarks and similar rights	9	1	-	(1)	9
Goodwill	4,477	-	(572)	(434)	3,471
Assets under development and payments on account	-	-	-	-	-
Other intangible assets	972	22	(29)	(348)	617
Total	6,444	82	(584)	(1,433)	4,509

(*) Acquisitions also include exchange differences occurring during 2002.

**STATEMENT OF CHANGES IN TANGIBLE ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2002**

(in thousands of euros)

Tangible assets	Opening balance				Changes for the year				Closing balance			
	Original cost	Revaluations	Accumul. depreciation	Balance at 1 Jan. 2002	Acquisitions	Disposals (*)	Release of accumul. deprec. (*)	Depreciation	Original cost	Revaluations	Accumulated depreciation	Balance at 31 Dec. 2002
Land and buildings	2,464	834	(292)	3,006	-	-	(2)	(107)	2,464	834	(397)	2,901
Plant and machinery	3,320	11	(2,128)	1,203	205	(186)	(172)	(331)	3,339	11	(2,287)	1,063
Industrial and commercial equipment	3,668	-	(3,215)	453	274	(68)	(163)	(268)	3,874	-	(3,320)	554
Other tangible assets	5,540	6	(4,379)	1,167	102	(582)	(567)	(378)	5,060	6	(4,190)	876
Assets under construction and payments on account	-	-	-	-	-	-	-	-	-	-	-	-
Total	14,992	851	(10,014)	5,829	581	(836)	(904)	(1,084)	14,737	851	(10,194)	5,394

(*) “Disposals” and “Release of accumulated depreciation” are calculated net of reclassifications on consolidation and exchange differences, if any.

**SUMMARY OF HIGHLIGHTS FROM THE
LATEST FINANCIAL STATEMENTS
OF SUBSIDIARIES AND ASSOCIATED COMPANIES (Article 2429 of the Italian Civil
Code)**

	Prima Electronics SpA	Prima North America Inc	Prima GmbH	Prima Industrie Int. BV	Shenyang Prima Laser Machine	SNK Prima Company Ltd	Macro Meccanica SpA, in liquidation	Mechanical Industries Srl
Functional currency	Thousands of euros	Thousands of US dollars	Thousands of euros	Thousands of euros	Thousands of US dollars	Thousands of yen	Thousands of euros	Thousands of euros
Reference period for financial statements	2002	2002	2002	2002	2002	31 Mar. 2002	2001	2001
Line-by-line consolidation	YES	YES	YES	YES	NO	NO	NO	NO
ASSETS								
Fixed assets	1,990	4,810	1	-	524	31,800	-	1,809
Current assets	8,825	22,380	53	109	1,215	52,910	503	1,098
Accrued income and prepaid expenses	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457</u>
Total assets	<u>10,824</u>	<u>27,190</u>	<u>54</u>	<u>109</u>	<u>1,739</u>	<u>84,710</u>	<u>503</u>	<u>3,364</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
Shareholders' Equity	4,660	2,551	(141)	97	717	84,608	(1,222)	492
Provisions for liabilities and expenses	125	904	2	-	-	-	410	-
Employees' severance pay	982	-	-	-	-	-	35	383
Accounts payable	5,031	23,421	192	12	1,022	102	1,280	2,472
Accrued liabilities and deferred income	<u>26</u>	<u>314</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
Total liabilities and shareholders' equity	<u>10,824</u>	<u>27,190</u>	<u>54</u>	<u>109</u>	<u>1,739</u>	<u>84,710</u>	<u>503</u>	<u>3,364</u>
INCOME STATEMENT								
Net sales	15,339	24,915	-	-	1,092	-	-	2,997
Value of production	15,608	23,865	-	-	1,092	-	15	3,237
Costs of production	<u>(13,482)</u>	<u>(30,592)</u>	<u>(9)</u>	<u>(25)</u>	<u>(1,215)</u>	<u>(5,396)</u>	<u>(304)</u>	<u>(3,094)</u>
Operating profit (loss)	2,126	(6,727)	(9)	(25)	(123)	(5,396)	(289)	143
Financial income (expenses), net	(31)	(364)	-	(5)	-	4	(5)	(37)
Extraordinary items	-	-	-	-	-	-	507	(2)
Income taxes	<u>(946)</u>	<u>(96)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103)</u>
Net profit (loss)	<u>1,149</u>	<u>(7,187)</u>	<u>(9)</u>	<u>(30)</u>	<u>(123)</u>	<u>(5,392)</u>	<u>213</u>	<u>1</u>

PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW ANALYSIS FOR THE YEARS 2002 AND 2001

(in thousands of euros)

	2002	2001
A) Opening net financial position	(29,203)	(14,425)
B) Cash flow from operations	(1,580)	3,881
• Net profit (loss)	(5,024)	197
• Amortisation/depreciation	2,517	2,349
• Provisions for employees' severance pay	504	664
• Net change in provision for liabilities and sundry expenses	(645)	626
• Provision for losses related to shares	938	195
• Provision for bad debts	130	(150)
C) Cash flow from changes in current assets	(6,800)	(17,136)
• Net increase in inventories	4,963	(11,843)
• Net increase in trade accounts receivable	(8,977)	(5,239)
• Net increase in other accounts receivable	(728)	(2,980)
• Decrease in other financial assets	(277)	682
• Decrease in accrued income and prepaid expenses	26	327
• Increase in advances from customers	34	193
• Increase in trade accounts payable	(1,467)	1,902
• Decrease in other accounts payable	(54)	(490)
• Increase in accrued liabilities and deferred income	(320)	312
D) Cash flow from changes in fixed assets	(80)	(6,602)
• Increase in intangible assets	502	(4,048)
• Increase in tangible assets	(649)	(1,788)
• Increase in investments	-	(888)
• Decrease in other financial fixed assets	67	122
• Decrease in collateral securities	-	-
E) Changes in shareholders' equity	(1,591)	5,364
• Dividends paid to third parties	-	(532)
• Increase in share capital and share premium reserve	-	6,583
• Increase in other reserves	(161)	802
• Decrease in share capital and reserves attributable to minority interest (net)	(1,430)	(1,489)
F) Closing net financial position	(39,254)	(29,203)
• Amounts due to banks	(37,208)	(20,608)
• Amounts due to other lenders	(5,375)	(16,768)
• Cash and cash equivalents	2,812	7,656
• Investments in repurchase agreements or other government securities	517	517

PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2002

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

**AUDITORS' REPORT 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 the PRIMA INDUSTRIE GROUP as of 31 December 2002. 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 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 period, which are presented for comparative purposes as required by law, reference is made to our report dated 10 April 2002.

3. In our opinion, the consolidated financial statements of the PRIMA INDUSTRIE GROUP as of 31 December 2002 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 2003

PricewaterhouseCoopers SpA

Armando Boffi
(Partner)

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

PRIMA INDUSTRIE GROUP

REPORT OF THE STATUTORY AUDITORS' COMMITTEE ON THE CONSOLIDATED ACCOUNTS AS AT DECEMBER 31, 2002

Ladies and Gentlemen,

In accordance with article 14 paragraph 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, 2002 prepared as directed by article 25 and 27 of said decree which we received from the company board of directors on March 28, 2003.

The consolidated accounts of the Prima Industrie Group, which is at the shareholder's disposal, presents a loss of Euro 5,023,517.

The statutory auditors committee has performed the activity of auditing as prescribed by the law in the course of the year, acknowledging the information supplied by the Board of Directors of the group leader on its major economic and financial operations effectuated in the within the group.

We have verified and ensured that the resolved and carried out operations were conformant with the law and the social statute, and were not in contrast with the assembly rulings or in potential conflict of interest, and were executed in accordance with principles of correct administration.

The committee has placed particular attention to the intra-Group operations effectuated in the exercise asserting the regularity of these, which have had a preliminary commercial nature; the group leader, under a financial profile, has sustained the controls when necessary while it has obtained a substantial financing from Prima Electronics S.p.A.

The controls 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's financial statements and relevant information from the latter formally communicated.

The financial statements, delivered by the controlled to the parent company for the purpose of the creation of the consolidated accounts, written by their competent companies, have also been audited by the companies and subjects predisposed for the control of the single societies and by PriceWaterhouseCoopers SPA following the procedures for the accounting revision of the consolidated accounts.

The Statutory Auditors Committee hence did not extend its control over these accounts.

The auditing firm by us expressly involved has declared a completion of the report which will be emitted in date 10/4/03 as directed by article 156 of law decree no. 58/1998 which will attest that the consolidated accounts “correspond with the rules which govern its preparation, it is therefore written with clarity and represents in a true and correct manner the financial situation and the economic result of the Prima Industrie Group”

The annual report is composed as directed by article 29 of law decree 127/91 of the balance sheet, profit & loss and explanatory notes.

Your Company’s Board of Directors has retained to predispose a single report on the management this year, in which the information prescribed relates to both the group leader and the single controlled societies.

We refer to such report, which adequately illustrates the economic and financial situation, the proceeding of the management in the course of 2002 and the foreseeable evolution of the same in the course of 2003 concerning all the consolidated companies. The exam by us effectuated has highlighted the congruity with the group’s consolidated accounts.

The explanatory notes highlight the general criteria used in order to prepare the consolidated accounts, and the criteria used in the evaluation of the each single item as directed by article 38 of law decree 127/91.

The determination in the consolidating area, the choice of consolidation principles of the of the participation and the procedures adopted reflect the prescriptions of law decree 9/4/1991 no. 127. The formation of the consolidated accounts is hence to be considered as technically correct and on the whole conformant with the specific rulings.

As for what concerns the statutory committee it is hereby acknowledged that:

- The consolidated financial statements of the Prima Industrie Group comprises the financial statements of Prima Industrie SpA, group leader, of Prima Electronics SpA, Prima North America Inc., Prima Industrie GmbH and Prima Industrie International BV, all of which are entirely owned. The committee reminds that, as of the 31/12/2002, all the activities of the group in the USA have been concentrated in the new juridical American entity Prima North America Inc, which resulted from the merging of the societies Laserdyne Prima Inc. and Convergent Prima Inc.;
- The societies participated by Prima Industrie which have not been consolidated line-by-line are Shenyang-Prima Laser Machine Company Ltd, SNK Prima Company Ltd., and MLTS Srl. The committee makes note that the participation of Rambaudi Industriale SpA, Macro Meccanica SpA in liquidation, and Mechanical Industries SRL have been zeroed.
- The controlled companies have been included in the consolidation following the “integral method”, which assumes the elements of the assets and liabilities as well as profits and losses of each consolidated company.
- Next to each item of the balance sheet and profit and loss and consolidated accounts for the year 2002 the corresponding figure of 2001 has been indicated.

- The controlling system applied for the preparation of the consolidated accounts, submitted to your evaluation, result sufficiently safe to ensure the correct utilisation of the data transmitted by the participating societies.
- The items of assets and liabilities have been dealt with using homogeneous standards , analogue with the ones used in for the controlling Company's financial statements (art 34 and 35 of law decree 127/91)
- The Group leader administrators and the controlled companies have not taken advantage of the possibility of re-evaluating the existing assets
- The adjustments made to the financial statements for the purpose of tax wise cancelling entries and/or other consolidation adjustments keep their taxwise differed effect
- Commitments and memorandum accounts are entered at the bottom of the balance sheet
- The residual conversion difference, negative for Euro 124.00 originates from the use of the average exchange rate for the year for profit and loss accounts and the current exchange rate of year-end for the balance sheet for the operations of conversion of the annual reports expressed in foreign currency.
- The committee notes the principal facts which happened after the closing of the year:
 1. the capital increase from Euro 10,375,000 to Euro 11,500,000 through an emission of no. 450.000 new shares for the nominal value of €2.5 each for a subscription price equal to €8.85 per share, of which € 6.35 are overpricing.
 2. The public bid for total acquisition brought forward by Newco Laser S.p.A. on the Prima Industrie registered capital for the effect of the combined disposed of articles 102 and 106, fourth paragraph, of the law decree no. 58 of February 4, 1998. The offer per share amounts to Euro7.50 and the adhesion period concorded with the Borsa Italiana S.p.A; runs from March 11, 2003 to April 11, 2003 included.
The Prima Industrie S.p.A. administrative council, which met on March 5, 2003 to examine and approve the issuer's communication as directed by article 103, paragraph 3 of the 24/02/1998 law decree no.58 and article 39 of the Consob regulations no. 11971/99 and following modifications considered the public bid for acquisition to be largely inadequate.

Finally, the statutory auditors committee acknowledge the following:

- ◆ the balance sheet shows a net consolidated equity of €27,248,443 as against the Group leader net equity of €26,916,997;
- ◆ the explanatory notes are supported by the following schedules:
 - schedule of net capital changes for the financial years ended as at December 31, 2002 and 2001;

- list of the consolidated participation as at December 31, 2002;
- 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, 2002 regarding net assets and net profit;
- schedule of the changes in intangible assets for the year December 31, 2002;
- schedule of the changes in the fixed assets for the year December 31, 2002;
- 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 2002 and 2001.

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, 2002 and relevant Directors report.

Collegno, April 9, 2003

The Statutory Auditors

(Dott. Riccardo Formica) - President

(Dott. Andrea Mosca) - Active auditor

(Dott. Roberto Petrignani) – Active auditor