

PRIMA INDUSTRIE

**REPORT ON OPERATIONS FOR THE YEAR ENDED
DECEMBER 31, 2003**

Approved by the Board of Directors on February 27, 2004

PRIMA INDUSTRIE SpA

Fully-paid share capital 11,500,000 Euros
Entered as No. 03736080015 in the
Registry of Business Enterprises of Torino
Entered as No. 582421 in the Registry of Economic
and Administrative Information of Torino

Registered Offices in Via Antonelli, 32, Collegno
(Torino, Italy)

Website: <http://www.primaindustrie.com>

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BOARD OF DIRECTORS(*)

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Managing Director

Gianfranco Carbonato

Directors

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General Manager

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Alternate Auditors

Roberto Coda

Stefano Maria Ruggeri

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

(*) Appointed by the Shareholders' Meeting of May 14, 2002 for a three-year term from 2002 to 2004.

(**) Independent director appointed for a one-year term by the Shareholders' Meeting of May 11, 2001.

(***) Appointed by the Shareholders' Meeting of May 11, 2001 for a three-year term from 2001 to 2003.

POWERS AND DUTIES OF DIRECTORS

By a resolution of May 14, 2002, The Board of Directors appointed Mr. Gianfranco Carbonato as Managing Director, vesting him with all powers required to conduct the company's business barring those that the law expressly establishes as the exclusive competence of the Board of Directors.

Under the terms of Article 23 of the corporate bylaws, the Chairman and the Managing Director are granted power of attorney to act as the Company's legal representatives.

PRIMA INDUSTRIE AND GROUP CONSOLIDATED

FINANCIAL STATEMENTS AT DECEMBER 31, 2003

REPORT ON OPERATIONS

Shareholders,

The Financial Statements at December 31, 2003 which we submit for your approval show a significant improvement over the previous year, despite the economic challenges that the Group continued to face.

After a disappointing interlude in 2002, the Group once again achieved operating profits, increasing its Earnings Before Interest and Taxes (EBIT) largely as a result of the strong performance shown by Prima North America and the Laserdyne Systems division in particular.

During the year, the Group operated in an international arena marked by economic instability and rising geopolitical tensions that culminated in the war in Iraq. All of the Group's major areas of business were affected: Europe, where 68% of our sales are concentrated, was essentially stagnant. GDP grew by a mere 0.5%, triggering a sharp downturn in the market for capital goods. In the United States, which accounts for 21% of the Group's sales, the clouds began to clear only towards the end of the year, as vigorous tax incentives, low interest rates and a weakening dollar all helped get the economy back on the move. On the other side of the world, Asia's economies continued to grow, with Japan finally seeing the light at the end of a tunnel it has been toiling through for a decade. China's growth spurt showed no signs of slowing: even the SARS epidemic in the early months of the year was unable to rein in the country's GDP, now rising at rate of nearly 9% per year.

Gloomy as the economic outlook may have been in the rest of the world, Italy can hardly be counted as a bright spot, beset as it was by domestic problems that added significantly to the difficulties hampering growth in Europe as a whole: the strong Euro and the lack of common policies on such knotty questions as intervention in Iraq, compliance with the limits set by the Stability and Growth Pact, and the European Constitution.

Thus, while sharing its European partners' lack of vision and inability to hammer out effective growth strategies, Italy suffered from its own set of home-grown impediments during the year. The near-meltdown of a number of major industrial groups, an inflation rate that remained stubbornly above the European average by almost half a percentage point, incentives for investments and research that have dwindled to the merest trickle, chronically abrasive politics and rekindled social unrest all effectively barred the road to the structural reforms that Italy so urgently needs.

For most buyers, new investments were hardly on the cards in an economic scene like this, and domestic demand for capital goods fell accordingly: by around 23.1%, according to the Italian machine tool trade association UCIMU. And with international markets still stuck in the doldrums, exports were no longer the safety valve they had often proved to be in the past. Far from offsetting slow demand on the home front, exports edged downwards by 0.2%.

In terms of market outlets, the automotive and aerospace industries – where the Group’s line of 3D laser machines leads the field – showed cautious signs of recovery after a year overshadowed by the tragic events of 9/11.

By contrast, the sheet metal fabricating market – prime outlet for our 2D laser machines – was far more difficult than it had been in 2002, with slipping demand aggravated by eroding sales conditions as major international competitors slashed prices and wooed prospective buyers with enticing terms of payment.

The Prima Industrie Group rose to these challenges with an ambitious program calling for action in five key areas:

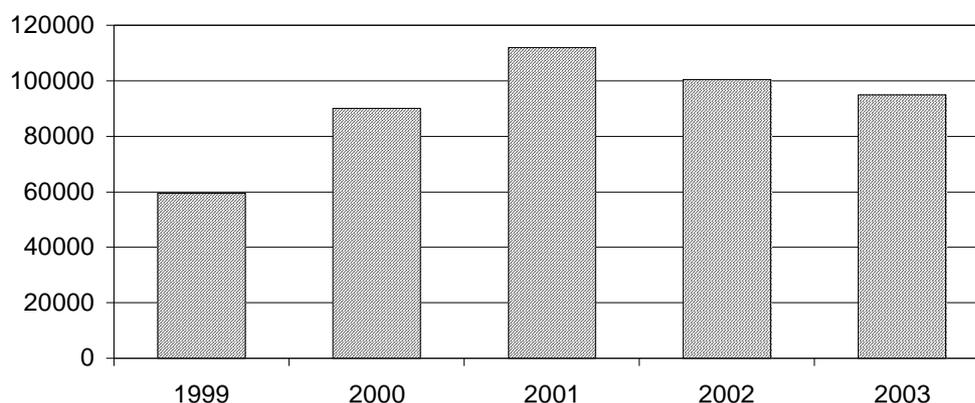
- Broadening our manufacturing activities’ global base (today, the Group has production facilities in the United States and China, as well as in Italy). With increased globalization, the Group will be better shielded from the impact of the international exchange market’s growing volatility.
- Increasing our production flexibility to meet the needs of a market where fast delivery has become a major priority, and manufacturers must thus trim their work backlogs to the minimum.
- Intensifying our market presence worldwide (the Group now does business in over 40 countries).
- Continuing to make the sizable R&D investments needed to maintain the Group’s technological leadership.
- Providing more effective control over working capital, thus bringing about significant improvements in our financial position.

Major events during the year included the hostile takeover bid attempted by Newco Laser, whose offer of 7.5 Euro per share attracted fewer than 5% of our shareholders, and Prima North America’s move to new facilities in Chicopee, Massachusetts and Champlin, Minnesota, both leased on a long-term basis.

Because of the difficulties outlined above, operating income was insufficient to cover the extraordinary expenses incurred during the year as a result of these events.

In real terms, revenues for 2003 were substantially on a par with those for the preceding year. However, the dollar's 20.43% loss of value against the Euro had a significant impact on our U.S. dollar-denominated sales, which account for a full 30.2% of the Group's turnover. Had exchange rates remained at 2002 levels, this year's sales would have grown by 0.7%.

CONSOLIDATED SALES TURNOVER (thousands of Euros)



Highlights of the 2003 consolidated income statement are shown below. All amounts are expressed in thousands of Euros, and are shown together with the corresponding figures for the previous year to permit comparison.

	Dec 31, '03		Dec 31, '02	
		%		%
Sales and service revenues	95,000	101.5	100,528	99.8
Change in inventory and other revenues	(1,358)	(1.5)	168	0.2
Total value of production	93,642	100.0	100,696	100.0
Total cost of production	(67,413)	(72.0)	(74,604)	(74.1)
Added value	26,229	28.0	26,092	25.9
Personnel expenses	(23,498)	(25.1)	(25,968)	(25.8)
Gross operating margin – EBITDA	2,731	2.9	124	0.1
Amortization, depreciation and writedowns	(2,142)	(2.3)	(2,647)	(2.6)
Operating profit – EBIT	589	0.6	(2,523)	(2.5)
Net financial income (expense)	(1,418)	(1.5)	(1,958)	(1.9)
Value adjustments and extraordinary expenses	(1,254)	(1.3)	(1,088)	(1.1)
Income (loss) before taxation	(2,083)	(2.2)	(5,569)	(5.5)
Current tax liabilities	(1,583)	(1.7)	(2,163)	(2.1)
Deferred taxation	713	0.8	2,708	2.7
CONSOLIDATED NET PROFIT (LOSS)	(2,953)	(3.2)	(5,024)	(5.0)

The Group's EBITDA margin amounted to 2,731 thousand Euros or 2.9% of turnover, well over 2002's 124 thousand Euros.

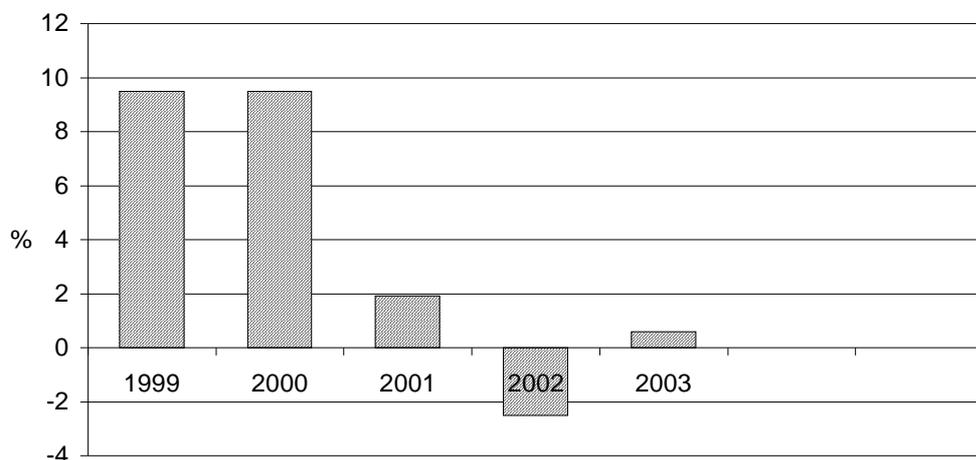
This increase in earnings reflected improvements at Prima North America, whose restructuring and reorganization programs began to bear fruit, as well as the improvement in sales and profitability achieved by the Laserdyne Systems division. Prima Industrie and Prima Electronics were also successful in protecting their margins from the problems now plaguing Europe's markets.

The following items were taken into account in determining EBITDA performance:

- Current additions to provisions totaling 4,914 thousand Euros, including 3,470 thousand Euros to the provisions for risks and future charges set aside to cover installation and warranty costs, 1,190 thousand Euros to provisions for inventory obsolescence, and 254 thousand Euros to provisions for bad and doubtful debts.
- Research and development costs totaling 6,935 thousand Euros (as against 7,475 thousand Euros in 2002), all charged directly against income. R&D now accounts for 7.3% of total turnover.
- Additional provisions of 899 thousand Euros to cover staff severance indemnities matured at the year-end. In 2002, this amount totaled 693 thousand Euros.

EBIT reached 589 thousand Euros or 0.6% of turnover, a welcome return to profitability after 2002's shortfall of 2,523 thousand Euros.

OPERATING INCOME (EBIT) VERSUS SALES



As for EBT, the Group posted a pretax loss of 2,083 thousand Euros, as against a loss of 5,569 thousand Euros in 2002. The following items were taken into account:

- Net financial expenses of 1,251 thousand Euros.
- Exchange rate losses net of hedging operations of 167 thousand Euros, largely as a result of the US dollar's weakening against the Euro.
- Extraordinary expenses of 1,254 thousand Euros, mostly incurred in connection with the hostile takeover bid, Prima North America's relocation to new manufacturing facilities, and an emergency retrofit campaign for certain newly launched products.

The year ended with a consolidated net loss of 2,953 thousand Euros following 1,583 thousand Euros in provisions for current tax liabilities and 713 thousand Euros in deferred tax assets.

Deferred tax assets are shown only in cases in which there are temporary differences between the carrying amount of an item and its tax base. In accordance with the prudence concept, no deferred tax assets are recognized for the deductible losses incurred in 2003, even though there are encouraging prospects for recovery in the coming year.

Performance has thus improved significantly by comparison with 2002's 5,024 thousand Euro loss, particularly since a large percentage of the Group's loss in 2003 was due to extraordinary items.

Key performance indicators for the year are shown below by comparison with 2002.

		Dec 31, 2003	Dec 31, 2002
Weighted-average common shares outstanding during the year		4,543,750	4,150,000
Book value per share	Euros	2.50	2.50
Net earnings (Loss) per share	Euros	(0.65)	(1.21)
Net asset value per share	Euros	6.10	6.57

The Group's financial position can be summarized as follows:

Amounts in thousands of Euros	Dec 31, 2003	Dec 31, 2002
Fixed assets	10,432	10,985
Net working capital	43,784	59,225
TOTAL ASSETS	54,216	70,210
Total consolidated shareholders' equity	27,729	27,248
Staff severance indemnities	4,164	3,708
Net financial position	22,323	39,254
Medium-term liabilities	15,392	17,686
Short-term liabilities	6,931	21,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	54,216	70,210

Dramatic improvements in managing working capital made it possible to reduce the Group's DSO and achieve better inventory turnover. Shorter collection periods resulted from more effective procedures for collecting receivables and careful screening of prospective customers, which led the Group to turn down certain orders which were felt to involve unreasonable risks.

Better management of working capital, the free cash flow generated by operations, and the 3,982 thousand Euro capital increase subscribed and paid in on February 11, 2003 all brought about a substantial improvement in the Group's net financial position, reducing the deficit from 39,254 thousand Euros at December 31, 2002 to 22,323 thousand Euros at December 31, 2003. As in the previous year, none of this improvement was financed through factoring transactions.

The Group's indebtedness includes:

- 2,767 thousand Euros (as against 3,600 thousand Euros at December 31, 2002) in connection with bills of exchange discounted with recourse for subsidized sales made under the terms of the Sabatini Act. It should be emphasized that the Group will be called upon to honor these credit instruments only in the event of default on the part of the customers involved.
- 1,268 thousand Euros in lease installments payable, most of which are due in connection with the capital lease taken out on Prima Industrie Plant 2 in Collegno, Torino.
- 1,774 thousand Euros in subsidized R&D loans from government agencies.

Net amounts due to banks thus totaled 16,514 thousand Euros, slightly over half of the previous year's 30,797 thousand Euros.

Of this amount, short-term payables (including medium-term loan amortization installments falling due during 2004) amount to 6,664 thousand Euros, while medium-long term borrowing totals 9,850 thousand Euros.

The asset-equity ratio thus stood at 0.8, down from 1.4 at the end of 2002. As regards bank borrowing, the Group's debt to equity ratio was 0.6 at December 31, 2003, as against 1.1 at the 2002 year-end: a significant change in view of the forthcoming implementation of the new Basle 2 international banking regulations.

THE COMPANY'S GROWTH IN THE PEOPLE'S REPUBLIC OF CHINA

While the Group devoted much of 2002 to reorganizing and consolidating its businesses in the U.S. – where it acquired Convergent Energy in 2000 and Laserdyne in 2001 – in the aftermath of the terrorist attacks of 9/11, in 2003 it turned its attention to China, working to make its presence felt on a market that could prove vital for the company's future.

China's economy has shown annual growth rates of 8 to 9% for the whole of the last decade, an achievement the country marked by joining the WTO in 2002. Today, China is the world's fastest growing market.

For almost ten years, the Prima Industrie Group has been active on the Chinese market, where it has:

- A Beijing sales office which markets and services 3D laser machines produced by both Prima Industrie and Laserdyne. In China as in the rest of the world, the Group is firmly established as a tier-one supplier of such machines to the automotive and aerospace industries.
- A joint venture in Shenyang with China's top machine tool manufacturer, Shenyang Machine Tool. In addition to producing certain components locally, the joint venture assembles, markets and provides after-sales service for Platino 2D laser machines.

During 2003, Prima Industrie also subscribed to a share issue whereby it acquired a 27.5% interest in a Chinese company located in Shanghai – the heart of the so-called “world factory – whose lineup of 2D laser systems has conquered a broad swath of the Chinese market in recent years.

Formerly known as Shanghai Unity Best Choice, the company changed name after joining forces with Prima Industrie, and will begin to do business as Shanghai Unity Prima in 2004.

The Group's investment totaled 531 thousand US dollars, including 290 thousand dollars in cash and the remainder through a technology transfer arrangement.

Shanghai Unity Prima will continue to operate independently on the Chinese market. The investment will bring a number of benefits to the Group, which will thus be able to:

- Dominate a sizable portion of the entire Chinese market, with Shanghai Unity Prima's output complementing the Group's own product lines.
- Sell components produced by Prima North America (laser generators), Prima Electronics (numerical controls and electronic equipment) and Prima Industrie (laser cutting heads and other high-tech units) to Shanghai Unity Prima.
- Take advantage of China's low production costs to manufacture mechanical components for machines marketed in the Group's other outlets.

Sales achieved by the Group in the People's Republic of China, either directly or through joint ventures, are summarized below. Amounts are expressed in millions of US dollars, as the RMD is pegged to the dollar.

	2003	2002
Prima Industrie Group	4.1	1.4
Shenyang Prima	1.7	1.0
Shanghai Unity Prima (machines)	4.3	3.0
Shanghai Unity Prima (imported lasers)	1.5	0.7
Total	11.6	6.1

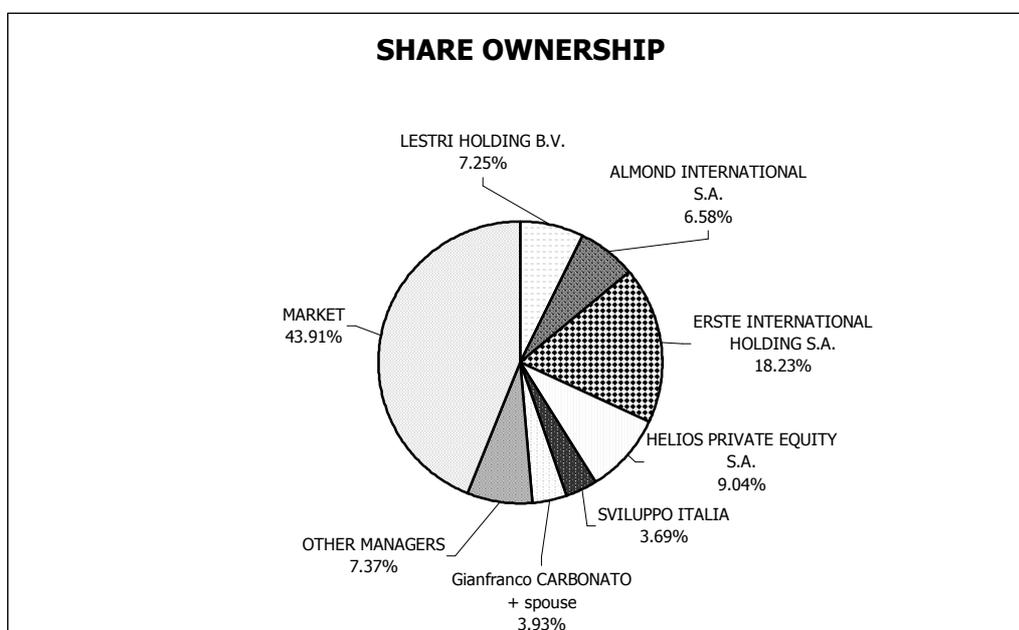
These figures highlight the strategic importance of the Group's recent achievements in China, where the market for laser systems is expected to double in size over the next three years.

With this firm foothold in Asia, the Group now has manufacturing facilities in the European Union, the United States and China: its best springboard to success in the challenging global market.

OWNERSHIP STRUCTURE

Following the capital increase of February 11, 2003, when 450,000 new shares were issued at a subscription price of 8.85 Euros each, as of December 31, 2003 there were 4,600,000 outstanding shares of common stock with a par value of 2.5 Euros each. The Group has issued no bonds or securities other than common stock.

As recorded in the Shareholders' Ledger, the company's publicly held shares accounted for around 44 per cent of shareholders' equity, including the portion held by company employees:



PRIMA INDUSTRIE'S PERFORMANCE ON THE STOCK MARKET

Markets were highly volatile in 2003, achieving a sustained rally only in the last quarter. On the high-tech Nuovo Mercato where the Group's shares are traded, the NUMTEL index rose to 1.573 points, a 21% advance over the beginning of the year.

In the early months of 2003, Prima Industrie's stock value was affected by the 7.5 Euro per share takeover bid advanced on February 5. The Group's shares remained above 7.5 Euros throughout the period of the bid, at one time hitting a high of 8.653 Euros. Predictably, prices dropped to around 7 Euros per share after the bid failed, and were slow to react when trading picked up later in the year.

At December 31, 2003, Prima Industrie stock was quoted at 6.921 Euros per share, 19% above the market value of 5.82 Euros at the 2002 year-end.

The Group worked to stabilize share prices during the year, implementing all of the measures approved by the Extraordinary Shareholders' Meetings of December 4, 2001 and March 28, 2003.

At December 31, 2003, the Group held 47,000 of its own shares at an average value of 6.8893 Euros per share.

The performance of Prima Industrie stock versus the NUMTEL index is illustrated below:



STOCK OPTION PLAN

(as contemplated by CONSOB recommendation No. 11508 of February 15, 2000)

The stock option plan approved by the Extraordinary Shareholders' Meeting of May 14, 1999 will terminate in June 2004.

As the options granted for 2003 cannot be exercised because of failure to reach assigned targets, the plan terminates as follows:

Options permitted under the terms of the plan	300,000
Options exercised at July 5, 2000	50,000 at € 6.75
Options exercised at July 10, 2001	<u>50,000</u> at € 7.50
Total options exercised	100,000
Options not granted, not exercisable, or not exercised	200,000

CONSOLIDATED SALES TURNOVER

Sales remained substantially at the level of the previous year, with consolidated turnover totaling 95,000 thousand Euros.

The apparent 5.5% decline from 2002's 100,528 thousand Euros was in fact due entirely to eroding Euro-dollar exchange rates, which saw the dollar's value slide by 20.4% during the year. This impacted turnover figures, as around 30% of the Group's sales are in areas using the US dollar.

Real-term revenues stayed stable largely as a result of the increasing proportion of income contributed by Prima North America, whose reorganization has positioned the company to benefit from the rebounding US economy. By contrast, sales by Prima Industrie and Prima Electronics dropped slightly as both companies battled the difficulties that continue to afflict all of Europe's markets, and Italy's in particular.

Consolidated sales turnover, which does not include revenues from the Group's joint ventures in China and Japan, can be broken down by product type as shown in the table below, where amounts are expressed in thousands of Euros:

SALES BREAKDOWN BY PRODUCT TYPE

	Dec 31, 2003	%	Dec 31, 2002	%
3D laser machines	34,776	37	29,007	29
2D laser machines	30,914	32	37,154	37
Electronic systems	10,138	11	11,734	11
Laser generators	1,386	1	2,795	3
After-sales service and other sales	17,786	19	19,838	20
TOTAL	95,000	100	100,528	100

These figures point to a number of trends:

- Turnover from 3D laser machines has grown steadily in both percentage importance and total cash value, aided by stronger European markets and Laserdyne's return to normal business volumes after the crisis that hit the aerospace market in the preceding year.
- Sales of 2D laser machines have slumped under the weight of market problems throughout Europe. Nowhere more severe than in Italy, these problems were all the more pronounced in 2003, when the Tremonti Act tax incentives that boosted sales in the previous year came to an end.
- Sales of electronic systems have declined slightly.
- The drop in turnover from laser generators has been offset by an increase in intergroup sales.

- Turnover from after-sales service and other sources dropped entirely as a result of weakening exchange rates, as a large proportion of these revenues are in dollars.

Sales breakdown by geographical area is shown below. Again, amounts are expressed in thousands of Euros.

SALES BREAKDOWN BY GEOGRAPHICAL AREA

	Dec 31, 2003	%	Dec 31, 2002	%
Italy	22,557	24	28,354	28
Europe	41,725	44	42,247	42
North America	20,196	21	21,010	21
Asia and rest of world	10,522	11	8,917	9
TOTAL	95,000	100	100,528	100

As can be seen, sales in Italy have dropped drastically, though the Group has not lost market share. Losses elsewhere in Europe were less dramatic, as sales held their own in countries such as Spain and Germany, and strong performance in the emerging markets of Eastern Europe helped keep the damage caused by sluggish demand for capital goods within bounds.

Europe's woes were in sharp contrast to the improvements in North America (where foreign exchange distortions masked the true extent of growth), as well as in Asia and the rest of the world.

COMMERCIAL ACTIVITIES

In 2003, the Group booked orders totaling 91,038 thousand Euros, down from 107,861 thousand Euros in 2002.

The consolidated order backlog at January 1, 2004 was significantly smaller than it had been the year before:

<i>(thousands of Euros)</i>	Backlog at Jan 1, 2004	Backlog at Jan 1, 2003
3D machines	6,759	11,583
2D machines	6,739	10,130
Lasers	116	-
Electronic equipment	4,110	4,556
Services	1,326	1,626
TOTAL	19,050	27,895

However, though a small backlog was one of the factors that accompanied the Group throughout 2003, it in no way prevented us from reaching a turnover comparable to that of the previous year.

Shrinking backlogs have become an industry-wide phenomenon, confirming the market's continuing insistence on faster delivery times.

When the economy is as little conducive to investments as it is in Europe today, the customer who decides to spend money is hardly willing to put up with long lead times.

To succeed in such a setting, increasing production flexibility – without allowing work in process to get out of hand – must rank among a manufacturer's highest priorities.

As befits a Group whose global stance spans all three of the world's major economic areas, Prima Industrie showcased its products at international trade fairs such as Milan's EMO in October 2003, Chicago's METALFORM and FABTECH in May and November, and Beijing's CIMT in May.

Efforts were also made to increase the Group's visibility on the new markets we entered last year. Thus, Prima Industrie participated for the first time in trade fairs in Poland (MACHTOOL) and Australia (AUSTEC).

We also received our first order from South Africa, bringing the number of countries where the Group does business past 40.

In September 2003, the Group set up Prima Scandinavia AB. Headquartered in Göteborg, the new company will oversee sales and after-sales service on the Scandinavian market (i.e., Sweden, Denmark, Norway and Finland), where the Group has long enjoyed preeminence in 3D laser machine sales, a strong presence in the 2D sector, and well-established relationships with several high-volume customers.

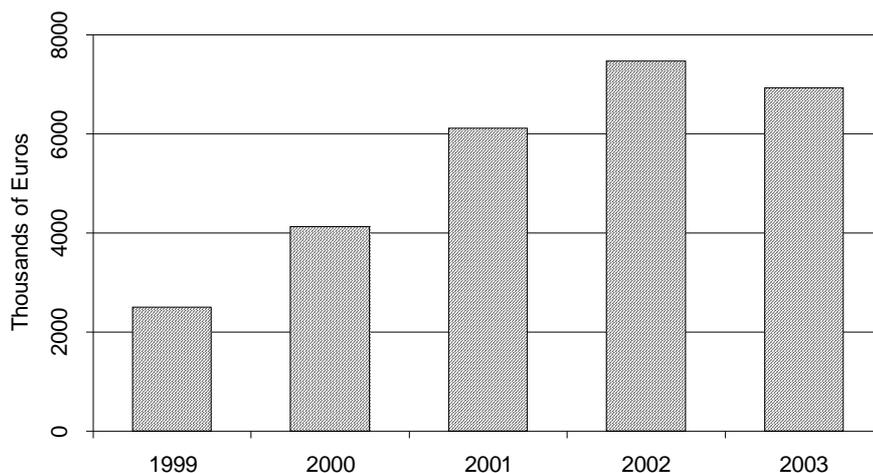
Finally, the Group's cross-Channel branch, Prima Industrie UK, was incorporated under British law with effect from January 1, 2004, a move reflecting the size and sales volume that this organization has now reached.

RESEARCH AND DEVELOPMENT

Research and development costs totaled 6,935 thousand Euros, compared with 7,475 thousand Euros in 2002 and 6,119 thousand Euros in 2001. As in the past, all expenditures for the year were charged directly against income.

This sizable investment, which corresponds to 7.3% of turnover, will enable the Group to maintain – and, we hope, sharpen – its competitive edge in the fast-paced world of laser technology, and thus rise above the problems beleaguering some of that world's major markets.

R&D COSTS



One of R&D's prime concerns is to strengthen existing product lines. Here, the Group made a number of advances:

- New performance features were developed for the Platino line's P20-L Numerical Control, including sensing capabilities for the cutting and piercing processes, and automatic restarting after unintended shutdown.
- Development of optical remote control for Laserdyne systems was completed.
- Product engineering and modularization work was carried out on the FastFlow family of CO₂ lasers (CP3000, CP3500, CP4000).
- A prototype Domino HS 1530 unit was developed which provides higher dynamic performance and operating accuracy than its predecessor. In view of current market conditions, the new version's launch will be postponed until mid-2004.
- New direct-drive 3D focusing heads were developed which will be phased in on all of the Group's 3D products.

Product innovation is another major focus for R&D. To pursue this goal more effectively, a new research center was set up in Bari as part of a cooperative program with the Italian National Research Council. At December 31, 2003, the center was staffed by a seven-member research team.

With the facilities provided by the new center, the Group was able to devote fresh energy to advanced research efforts such as the two multi-annual projects approved by MIUR, the Italian Ministry of Education, Universities and Research through its Technical and Scientific Committee, and thus eligible for public funding in the form of subsidized loans and grants:

- PAMELA – This international project sponsored by EUREKA, the European Research Coordination Agency, will develop high-speed systems using linear motors and parallel kinematic layouts. This project's eligibility for funding was established by a MIUR Ministerial Decree of December 29, 2003.
- RESALT – Carried out together with a number of international research centers who work with lasers and remote welding systems for automotive subassemblies and other large components, the RESALT project was approved by the MIUR Technical and Scientific Committee on January 20, 2004. Details will be published in the Official Gazette in the coming weeks.

PERSONNEL AND ORGANIZATION

The Group's workforce remained stable, with 446 employees at the end of 2003 as compared with 443 in the preceding year.

Per capita sales thus amounted to 213 thousand Euros, as against 229 thousand Euros in 2002. This indicator, like so many others, was affected by the weakening dollar, as 23% of the Group's employees work in the United States.

Workforce breakdown by Group company is shown below:

	Dec 31, 2003	Dec 31, 2002
▪ Prima Industrie S.p.A. – Italy	234	222
▪ Prima Industrie European branch offices	31	31
▪ Prima Electronics S.p.A. – Italy	81	80
▪ Prima North America, Inc. – USA	100	110
<i>Total</i>	446	443

Breakdown by job function was as follows:

	Dec 31, 2003	Dec 31, 2002
▪ Management and administration	45	47
▪ Marketing and sales	41	51
▪ R&D and engineering	72	73
▪ Production	200	194
▪ Customer service	77	71
<i>Subtotal</i>	435	436
▪ Temporary employees	11	7
<i>Total</i>	446	443

As announced in the 2002 Report on Operations, the Prima North America workforce relocated last February to new leased facilities in Chicopee, Massachusetts and Champlin, Minnesota.

TRANSITION TO IAS/IFRS STANDARDS

EC Regulation 1606/2002 requires EU listed companies to prepare their consolidated accounts in accordance with International Accounting Standards/International Financial Reporting Standards for years starting on or after January 1, 2005.

The Prima Industrie Group is now assessing the impact of applying the new international standards, and is reviewing the in-house and outside resources who will be assigned to ensure a smooth transition to the new reporting requirements.

CONSOLIDATED GROUP COMPANIES

An overview of the Group companies' performance during the year is provided below.

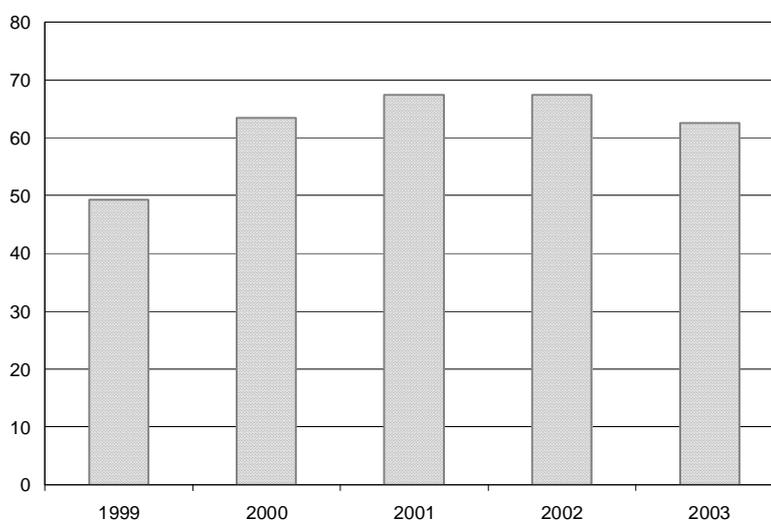
PRIMA INDUSTRIE S.P.A.

The parent company's sales turnover in 2003 amounted to 62,583 thousand Euros, 7.2% down from 2002's 67,464 thousand Euros.

This downturn was the result of two factors:

- The critical situation on the European market, which was particularly damaging to sales of 2D equipment.
- The US dollar's weakening against the Euro, which impacted the Company's dollar-denominated sales in North America and certain Asian markets.

SALES TURNOVER (thousands of Euros)



Highlights of the Prima Industrie S.p.A. 2003 consolidated income statement are shown below. All amounts are expressed in thousands of Euros, and are shown together with the corresponding figures for the previous year to permit comparison:

	Dec 31, '03	Dec 31, '02	% Change
Sales and service revenues	62,583	67,464	(7.2)
Change in inventory and other revenues	486	700	
Total value of production	63,069	68,164	(7.5)
Total cost of production	(47,846)	(52,733)	(9.3)
Added value	15,223	15,431	(1.3)
Personnel expenses	(12,657)	(12,003)	5.4
Gross operating margin – EBITDA	2,566	3,428	(25.1)
Amortization, depreciation and writedowns	(730)	(973)	

Operating profit – EBIT	1,836	2,455	(25.2)
Net financial income (expense)	(583)	(876)	
Value adjustments and extraordinary expenses	(3,948)	(7,980)	
Income (loss) before taxation	(2,695)	(6,401)	57.9
Current tax liabilities	(825)	(1,272)	
Deferred taxation	686	2,793	
NET PROFIT (LOSS)	(2,834)	(4,880)	41.9

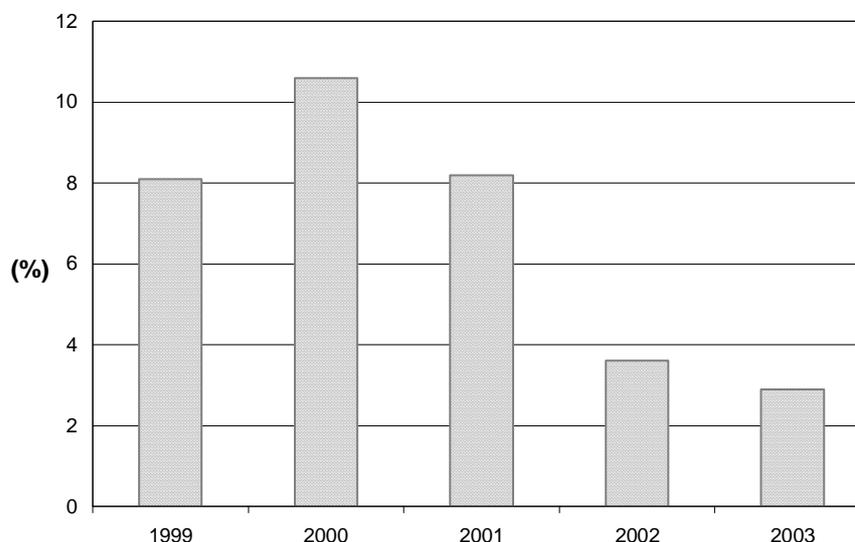
The Company's EBITDA margin amounted to 2,566 thousand Euros or 4.1 per cent of turnover, as against 3,428 thousand Euros or 5.1 per cent of turnover in the previous year. This decrease was the consequence of lower sales, which resulted in a narrower contribution margin while structural costs remained at the levels reached in 2002.

Factors contributing to the year's EBITDA performance included:

- Current additions to provisions totaling 2,026 thousand Euros, including 2,001 thousand Euros to the provisions for contract-related risks and charges set aside to cover installation and warranty costs for machines and systems delivered and invoiced in 2003 (utilization of these provisions amounted to 2,163 thousand Euros during the year).
Other minor additions to provisions included the 10 thousand Euros set aside during the year for customer claims advanced against the company's agents, and 15 thousand Euros for collection risks on receivables.
- Research and development costs totaling 3,555 thousand Euros (as against 3,494 thousand Euros in 2002), all charged directly against income.
- Additional provisions of 709 thousand Euros to cover staff severance indemnities matured at the year-end.

After 730 thousand Euros in depreciation and amortization, EBIT amounted to 1,836 thousand Euros or 2.9% of turnover, as against 2,455 thousand Euros or 3.6% of turnover in 2002.

OPERATING INCOME (EBIT) VERSUS SALES



The Company posted a pretax loss of 2,695 thousand Euros, a significant improvement over the 6,401 thousand Euro loss in 2002.

The following factors contributed:

- Interest payments (net of interest income) and bank commissions totaling 853 thousand Euros, as against 1,215 thousand Euros in 2002. This reduction was chiefly due to lower net borrowings, as well as to the more favorable interest rates which were applied.
- Exchange rate losses (net of gains) amounting to 191 thousand Euros. The fact that these losses are relatively small despite the Euro's sharp rise against a number of currencies, and against the US dollar in particular, was due to careful management of the Company's total exchange rate exposure, which ensured that dollar-denominated payables and receivables were evenly matched while hedging all risks arising from collections and payments effected in US dollars.
- Writedowns on investment holdings totaling 3,378 thousand Euros, largely in connection with the losses incurred by Prima North America, which amounted to 3,319 thousand Euros as against 6,863 thousand Euros in 2002.
- Extraordinary expenses of 571 thousand Euros.

The main components of this item included:

- 435 thousand Euros in expenses incurred in defending the Company from the hostile takeover bid advanced by Newco Laser, which included the costs of legal counsel, fees charged by the financial advisors who evaluated the bid, and amounts due to consultants who assisted in preparing and validating the Company's strategic business plan.
- 360 thousand Euros (net of amounts billed to other Group companies) in expenses incurred in a emergency retrofit campaign carried out to update the electronic systems and software used on one of the Company's product lines. This family of machines had originally been equipped with a new and more advanced generation of numerical control units which were found to cause certain performance problems. Solving these problems expeditiously was imperative in order to safeguard one of the Company's vital assets: its customer satisfaction index.
- 152 thousand Euros in costs incurred in introducing new outsourcing programs.

The year ended with a net loss of 2,834 thousand Euros following 825 thousand Euros in provisions for current tax liabilities and 686 thousand Euros in deferred tax assets recognized for deductible temporary differences. In 2002, the net loss was 4,880 thousand Euros.

Key performance indicators for the year are shown below by comparison with 2002:

	Dec 31, '03	Dec 31, '02
Weighted-average common shares outstanding during the year	4,543,750	4,150,000
Book value per share		
Euros	2.50	2.50
Net earnings (Loss) per share		
Euros	(0.62)	(1.18)
Net asset value per share		
Euros	6.18	6.49

The Company's financial position can be summarized as follows:

Amounts in thousands of Euros	Dec 31, 2003	Dec 31, 2002
Fixed assets	17,114	11,378
Net working capital	27,546	40,160
TOTAL ASSETS	44,660	51,538
Shareholders' equity	28,064	26,917
Staff severance indemnities	3,046	2,725
Net financial position	13,550	21,896
Medium-term liabilities	9,077	7,811
Short-term liabilities	4,473	14,085
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44,660	51,538

As can be seen, there was a dramatic improvement in the Company's net financial position. The factors that made this possible included:

- The 3,982 thousand Euro capital increase (inclusive of the 2,834 thousand Euro loss for the year) subscribed and paid in on February 11, 2003.
- Better management of working capital, which hinged chiefly on careful screening of prospective customers and more aggressive procedures for ensuring that receivables are collected.

Short-term liabilities consist entirely of medium-term loan amortization installments falling due during 2004, as the Company's cash and equivalents totaled 2,228 thousand Euros at December 31, 2003.

The Company's debt to equity ratio showed substantial improvement, passing from 0.8 at the 2002 year-end to 0.5 at December 31, 2003.

EQUITY INVESTMENTS HELD DIRECTLY OR INDIRECTLY BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS IN PRIMA INDUSTRIE SPA AND IN ITS SUBSIDIARIES (DISCLOSURE PURSUANT TO ARTICLE 79, CONSOB REGULATION 11971 OF MAY 14, 1999)

As required by Article 79 of CONSOB Regulation 11971 approved on May 14, 1999, details of equity investments held by company directors, statutory auditors and general managers are disclosed below.

Surname and name	Investee	Shares owned at Jan. 1, 2003	Shares purchased in 2003	Shares sold in 2003	Shares owned at year-end (Dec 31, '03)
Palmeri, Aldo	Prima Industrie SpA	2,500	--	--	2,500
Carbonato, Gianfranco	Prima Industrie SpA	173,000	1,500	--	174,500
Della Rosa, Giulia	Prima Industrie SpA	--	--	--	--
D'Isidoro, Sandro	Prima Industrie SpA	--	1,000	--	1,000
Mansour, Rafic Y.	Prima Industrie SpA	462,068	376,726	--	838,794
Mazzotto, Paolo	Prima Industrie SpA	--	--	--	--
Morfini, Giuseppe	Prima Industrie SpA	--	--	--	--
Peiretti, Domenico	Prima Industrie SpA	82,992	8,008	--	91,000
Takanen, Francesco	Prima Industrie SpA	--	--	--	--
Formica, Riccardo	Prima Industrie SpA	--	--	--	--
Mosca, Andrea	Prima Industrie SpA	--	--	--	--
Petrignani, Roberto	Prima Industrie SpA	--	--	--	--
Coda, Roberto	Prima Industrie SpA	--	--	--	--
Ruggeri, Stefano Maria	Prima Industrie SpA	--	--	--	--
Basso, Ezio	Prima Industrie SpA	16,144	--	2,700	13,444
Delle Piane, Alberto	Prima Industrie SpA	20,800	--	--	20,800
Gagliardi, Franca (i)	Prima Industrie SpA	6,452	--	--	6,452
Monticone, Emilia (ii)	Prima Industrie SpA	69,522	5,638	--	75,160

- (i) Spouse of Mr Carbonato
(ii) Spouse of Mr. Peiretti

None of the parties listed above has direct or indirect shareholdings or quotas in the subsidiaries Prima Electronics SpA, Prima Industrie GmbH, Prima Industrie International BV (formerly Laserworld BV) or Prima North America Inc..

SALES TURNOVER

Sales for 2003 amounted to 62,583 thousand Euros. Breakdown by product type and geographical area is shown in the tables below, where amounts are expressed in thousands of Euros:

SALES BREAKDOWN BY PRODUCT TYPE

	Dec 31, 2003	%	Dec 31, 2002	%
3D laser machines	24,529	39.0	23,419	34.7
2D laser machines	26,211	42.0	34,016	50.4
After-sales service and other sales	11,843	19.0	10,029	14.9
TOTAL	62,583	100.0	67,464	100.0

SALES BREAKDOWN BY GEOGRAPHICAL AREA

	Dec 31, 2003	%	Dec 31, 2002	%
Italy	20,285	32.0	24,225	35.9
Europe	31,411	50.0	33,211	49.2
USA	2,718	5.0	3,653	5.4
Rest of world	8,169	13.0	6,375	9.5
TOTAL	62,583	100.0	67,464	100.0

As can be seen from the breakdown by product type, 3D laser machines showed strong sales, while the steadily growing number of installed machines also fueled an increase in turnover from after-sales service.

By contrast, sales of 2D laser machines were hampered by sluggish market conditions throughout Europe, and in Italy in particular.

That Italy has suffered from the ongoing recession more than its neighbors is confirmed by the sales breakdown by geographical area, which shows that sales have dropped more drastically in Italy than in other markets, where turnover was moderately stable on the whole.

As there is no reason to believe that Prima Industrie has lost market share in Italy, this situation appears to have affected all manufacturers who do business in the country, where an underperforming economy, widespread misgivings about the future, and a complete lack of fiscal incentives such as those that did so much to boost sales in the closing months of 2002 all combined to create a climate that did little to encourage investment.

COMMERCIAL ACTIVITIES

The Company booked orders totaling 59,269 thousand Euros in 2002, as against 69,092 thousand Euros in the preceding year.

As discussed above, the market is far from being the place it was a year ago. Investments are made only when they can be put off no longer, and once customers have reached that point, the last thing they want to do is wait for their new machines to be delivered. This attitude, which puts a premium on fast delivery, is shared by all of Europe's major markets today, and obliges all capital goods makers to trim their backlogs and introduce leaner, more flexible manufacturing processes.

Accordingly, the order backlog was reduced as shown below, where amounts are expressed in thousands of Euros:

	Backlog at Jan 1, 2004	Backlog at Jan 1, 2003
3D machines	5,461	6,598
2D machines	7,080	10,286
TOTAL	12,541	16,884

These figures indicate that the 3D market is holding its own, as the backlog covers over three months of production with sales continuing at the rates seen in 2003. The backlog for 2D machines, on the other hand, reflects the difficulties that have hit harder in this market than elsewhere.

Among other highlights of the year, the branch office in the United Kingdom was incorporated as a limited liability company with effect from January 1, 2004, Prima Scandinavia AB was set up in September, and the Company participated in Europe's leading machine tool trade fair, EMO, in October.

TRANSACTIONS WITH RELATED PARTIES

PRIMA ELECTRONICS SPA

Sales made by Prima Electronics to Prima Industrie amounted to 2,295 thousand Euros, down 15.2% from 2,706 thousand Euros in the previous year.

All sales were arm's length transactions at current market prices, and involved:

	2003	2002
Supplies of numerical control units, accessories, services and miscellaneous	2,095	2,376
Design activities	200	330
Total	2,295	2,706

In the same period, Prima Industrie billed a total of 123 thousand Euros to Prima Electronics for technical and administrative consulting and other services which Prima Industrie provides to other Group companies on a centralized basis, as compared to 119 thousand Euros in 2002. The amounts thus billed included licenses, maintenance fees and customization costs for the corporate information system, as well as the management and financial expenses incurred by Prima Industrie on behalf of Prima Electronics.

During the year, Prima Industrie also charged 120 thousand Euros to Prima Electronics as the latter's contribution to the extraordinary expenses incurred in the retrofit campaign carried out for the new P20-L numerical control unit installed on Prima Industrie machines.

Intercompany payables and receivables at the year-end are shown below in thousands of Euros:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	216	--
Invoices pending issue	--	--
Dividends to be collected	300	--
Trade accounts payable	--	695
Medium and long-term debt	--	1,500
Total	516	2,195

PRIMA NORTH AMERICA INC.

In 2003, Prima Industrie billed Prima North America 1,864 thousand Euros for machinery (as against 2,792 thousand Euros in 2002) and 776 thousand Euros for accessories and spare parts (as compared with 692 thousand Euros in 2002). In addition, Prima Industrie charged 40 thousand Euros in interest on intercompany loans.

In turn, Prima North America billed Prima Industrie 1,779 thousand Euros for systems, laser generators and spares, as well as 651 thousand Euros for various services carried out under contract. Intercompany payables and receivables in thousands of Euros at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable	440	
Trade accounts payable		695
Invoices pending issue	10	
Invoices pending receipt		10
Medium and long-term debt	6,087	
Total	6,537	705

PRIMA INDUSTRIE GMBH

Prima Industrie GmbH has not done business for several years.

No transactions took place between Prima Industrie S.p.A. and Prima Industrie GmbH during the year.

Intercompany payables and receivables at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Prima Industrie GmbH		
• Trade accounts receivable	16	--
• Trade accounts payable	--	30
Total	16	30

PRIMA INDUSTRIE INTERNATIONAL BV

The company was wound up during the year, as there was no longer any reason for it to remain in business.

SHENYANG PRIMA LASER MACHINE COMPANY LTD.

Prima Industrie billed the Shenyang Prima joint venture approximately 931 thousand Euros for sales of 2D laser cutting machine subsystems. In 2002, sales totaled 1,460 thousand Euros.

Intercompany payables and receivables at the year-end were as follows:

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable:		
• Shenyang Prima Laser Machine Company Ltd	1,307	--

Prima Industrie significantly reduced this exposure in the early months of 2004.

SHANGHAI UNITY PRIMA LTD.

Prima Industrie acquired a 27.5% interest in this company through a share issue last December, paying RMB 2,400,000 (equivalent to 250 thousand Euros) in cash and entering into a technology transfer arrangement valued at RMB 2,000,000 (equivalent to 200 thousand Euros).

The company is expected to become operative in March 2004 after completing the necessary bureaucratic formalities. During 2003, the company did business as Shanghai Unity Best Choice, whose assets will be transferred to the new joint venture when the latter starts operations.

SNK PRIMA COMPANY LTD.

There were no significant commercial transactions between Prima Industrie and the joint venture with SNK, which was set up in Japan in the latter half of 2001.

	Prima Industrie receivables	Prima Industrie payables
Trade accounts receivable:		
• SNK – Prima Company Ltd	1	--

SUBSIDIARIES

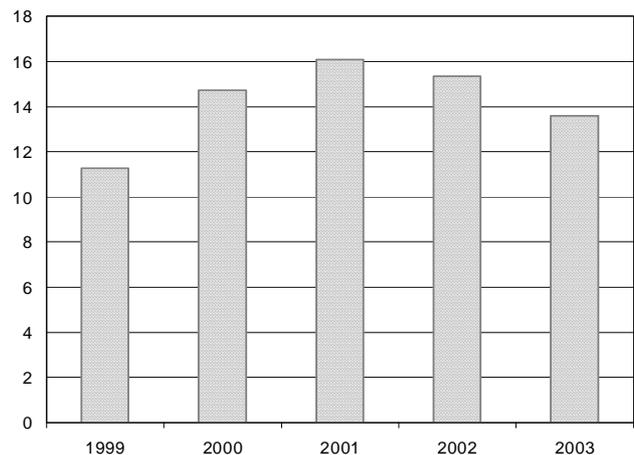
PRIMA ELECTRONICS SPA

The company ended the year with sales totaling 13,589 thousand Euros, down 11.4% from the 15,339 thousand Euros invoiced in 2002.

Shrinking sales reflected lower demand from the company's OEM customers, all of whom are capital goods manufacturers and as such are among the first to suffer from the problems now harrying Europe's markets.

Nevertheless, the company's cost-cutting procurement policies and decision to regain direct control over certain activities that had previously been outsourced helped sustain profitability.

PRIMA ELECTRONICS SALESTURNOVER
(in millions of Euros)



The year closed with a net profit of 992 thousand Euros, as against 1,149 thousand Euros in 2002.

Earnings before interest and taxes amounted to 1,817 thousand Euros or 13.4% of turnover, as compared with 2,126 thousand Euros (13.9 per cent of turnover) in 2002.

The Company booked orders totaling 12,461 thousand Euros, down sharply from the previous year's 15.185 thousand Euros.

As for the other Group companies, buyers' reluctance to invest took its toll of Prima Electronics' order backlog, which shrank from 6,460 thousand Euros at the beginning of 2003 to 5,309 thousand Euros at January 1, 2004.

In addition, market problems forced several of the Company's customers to delay scheduled product launches until later this year.

R&D costs were all charged directly against income, and totaled 1,243 thousand Euros (or 9.1% of turnover). In 2002, these expenditures amounted to 1,244 thousand Euros net of 54 thousand Euros in funding due for 2003.

Research and development focused on:

- Developing innovative performance features for the new-generation P20-L CNC which equips Prima Industrie laser systems.
- Developing and building prototypes and preproduction models of a new portable programming unit – the PPB 3 – which will be featured on Prima Industrie 3D laser systems. Work also focused on robot controls for a new OEM customer and injection molding equipment for another customer.

- Completing development of new line of smart regulators for brushless motors with optical fiber connections and self-regulating capabilities. For this work, the Company received 251 thousand Euros in research grants and 523 thousand Euros in subsidized loans.

The Company's net financial position improved, with assets outweighing liabilities by 1,660 thousand Euros at the year-end as against 544 thousand Euros in 2002: an increase of 1,116 thousand Euros.

The workforce at the year-end consisted of 80 employees, the same number as in the preceding year.

PRIMA NORTH AMERICA, INC.

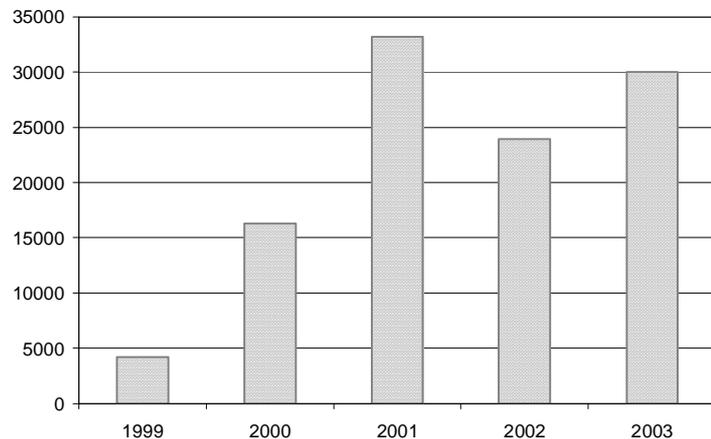
Following the move to new facilities in Chicopee, Massachusetts and Champlin, Minnesota, Prima North America's sales grew significantly as the US economy showed signs of renewed vigor and the aerospace industry climbed back out of the slump that bogged it down in 2002.

Turnover thus rose by 25.1%, totaling 30,010 thousand dollars at the year-end as against 23,979 thousand dollars for the year before.

The Laserdyne Systems division showed particularly impressive growth, with turnover climbing from 8,931 thousand dollars in 2002 to 15,987 thousand dollars at December 31, 2004: an increase of over 79%.

The Convergent Lasers division made sales totaling 10,459 thousand dollars, closely matching 2002's 10,564 thousand dollars.

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



In any case, 2003 was still a year of transition for

Convergent Lasers, as deliveries of the new CP3500 and CP4000 lasers were deliberately kept low in order to minimize the risks that introducing components as innovative as these revolutionary new units could entail for Prima Industrie and Laserdyne systems.

Convergent Lasers' intergroup sales are thus expected to increase during 2004.

The Prima Laser Tools division, which markets, installs and services Prima Industrie products, invoiced 5,612 thousand dollars, a slight dip down from the 5,909 thousand dollars posted in 2002.

With operating losses by the Convergent Lasers and Prima Laser Tools divisions outstripping the profits achieved by Laserdyne Systems, the Company ended the year with net operating losses of 2,874 thousand dollars. However, this was a highly encouraging improvement over the 6,727 thousand dollar loss in 2002.

Looking at EBIT division by division, Laserdyne Systems did particularly well, with this key indicator reaching almost 12% of turnover. The other two divisions, though improving, are still below the breakeven point. Convergent Lasers in particular has not achieved turnover targets, as intergroup sales have not yet hit their stride.

Total orders for the year amounted to 24,901 thousand dollars, with a backlog of 3,007 thousand dollars as compared with 8,258 thousand dollars in 2002. This reduction resulted

both from strong last-quarter sales, and from market demand for faster delivery times. In January 2004, the Company received orders totaling 3,491 thousand dollars.

The workforce was downsized yet again, dropping from 110 employees in 2002 to 100 at the end of 2003.

As it now stands, the workforce is well able to meet the Company's business needs, particularly after the recent addition of a small number of key recruits whose professional skills and extensive experience promise to make the organization even more effective.

Research and development costs, all of which were expensed during the year, totaled 2,356 thousand dollars as against 2,587 thousand dollars in the previous year.

R&D work focused on completing the family of CP3000, CP3500 and CP4000 Fast Flow lasers. These units, which will equip a growing proportion of Prima Industrie systems, are now well into the product engineering stage.

PRIMA INDUSTRIE GMBH

The Company, which is not currently operative, posted a limited loss of 9 thousand Euros.

PRIMA INDUSTRIE INTERNATIONAL BV

The Company was wound up as of November 3, 2003.

Operating losses of 10 thousand Euros incurred in liquidation are shown on the Parent Company's financial statements.

UNCONSOLIDATED EQUITY INVESTMENTS

PRIMA SCANDINAVIA AB

Wholly owned by Prima Industrie S.p.A., the company was set up in September 2003 to oversee sales and after-sales service for Prima Industrie products on the Scandinavian

market. As the company has just started business, it was not included in the scope of consolidation and start-up expenses are consequently not shown on the Parent Company's accounts. Intercompany payables and receivables at December 31, 2003 were as follows:

- Accounts payable to Prima Industrie 104 thousand Euros
- Accounts receivable from Prima Industrie 11 thousand Euros

PRIMA INDUSTRIE UK LTD.

The company was set up on December 3, 2003 and is wholly owned by Prima Industrie S.p.A.. On December 16, 2003 (through the transaction did not take effect until January 1, 2004), Prima Industrie arranged to acquire a business unit consisting essentially of inventories of finished products and spare parts from the company's branch in the United Kingdom. The branch's employees were thus transferred to the new company on January 1, 2004, the date from which Prima Industrie UK Ltd. will be responsible for marketing and after-sales service in Great Britain and the Republic of Ireland.

SHENYANG PRIMA LASER MACHINE COMPANY LTD.

The company achieved a sales turnover of 1.8 million dollars, well above its 1.1 million dollars in 2002.

Net losses for 2003 amounted to 123 thousand dollars, and showed little change with respect to the previous year. These losses arose chiefly because the company pays for the products it buys from Prima Industrie in Euros, whereas its sales are in remimbi. As the latter currency is pegged to the US dollar, this fact cut into the company's profit margins. Half of the loss is shown in the Prima Industrie financial statements.

Late in the year, the company began manufacturing certain mechanical components locally in order to bring costs down. The benefits of this initiative should make themselves felt as the year proceeds.

SNK PRIMA COMPANY LTD.

The company is still at the start-up stage, and is now preparing to promote several Prima Industrie 3D systems on the Japanese market. As Prima Industrie has a 40% interest in the company, this percentage of the company's net loss at March 31, 2002 (date on which its latest financial statements were approved) is carried on the Prima Industrie books. In October and November 2003, SNK and Prima Industrie each acquired 10% of the shareholdings previously held by Hanwa. Consequently, the two companies now have an equal interest in the joint venture.

To increase its holdings, Prima Industrie invested 60 thousand Euros (equivalent to ¥ 7,704,000).

SHANGHAI UNITY PRIMA

In December 2003, Prima Industrie acquired a 27.5% interest in Shanghai Unity Prima through a share issue. The total investment in this transaction was RMB 4,400,000

(equivalent to 531 thousand dollars), including RMB 2,400,000 (or 290 thousand dollars) in cash and RMB 2,000,000 (241 thousand dollars) in technology transfers.

The company continued to do business under its former name (Shanghai Unity Best Choice) in 2003, as procedures for changing its legal status from that of a 100% Chinese company to a joint venture with foreign investors are still under way.

The necessary operations have been obtained, but the new joint venture will not be able to start operating until early in 2004.

In 2003, Shanghai Unity Prima made sales amounting to RMB 62,810,000 (7.6 million dollars), including RMB 26.9 million (or 3.5 million dollars) in sales of imported lasers, Net profit was RMB 1,148,865 or 139 thousand dollars.

Following the share issue, the company's share capital totaled RMB 16,000,000 (equivalent to 1,932 thousand dollars).

MACRO MECCANICA SPA (in liquidation)

No commercial transactions with this company took place in 2003. There were no outstanding accounts payable to or receivable from Prima Industrie at the year-end.

Prima Industrie's 35% equity investment in the company was written off in 1999. Though the liquidation process is not yet complete, no further expenses are expected to emerge in the future.

RAMBAUDI INDUSTRIALE SPA

The company was declared bankrupt by the Court of Torino on September 30 and October 27, 2003, though the Prima Industrie equity investment had been written off in 2002. There were no commercial transactions with this company in 2003.

MECHANICAL INDUSTRIES SRL

The company was declared bankrupt by the Court of Torino on March 28-31, 2003. The Prima Industrie equity investment was written off in 2002. At the end of the year, Prima Industrie was owed 43 thousand Euros, an amount stated on the Mechanical Industries books as an unsecured debt and covered by the provisions for bad and doubtful debt set aside by Prima Industrie.

THE OUTLOOK FOR 2004

The 2002 Annual Report warned of the prevailing uncertainty that made any attempt to formulate reliable forecasts for 2003 extremely difficult.

Just how difficult it was received abundant confirmation when the Eurostat consensus estimates that had put Eurozone GDP growth at 1.5% in December 2002 were revised downwards to 0.5% in September 2003. And when the latter forecast came true, it was clear that 2003 had been a year of stagnation for Europe's economies, and of contraction for the capital goods market.

Now, Eurostat expects to see Europe's GDP rising by 1.7% in 2004: a rate that, if it is to be believed, should work wonders in restoring consumer confidence and boosting investments.

Nevertheless, the harsh lessons of the past year – and the European elections now looming ahead of us – suggest that it would be foolhardy indeed to put much trust in an EU market recovery anytime sooner than midyear.

Prospects, fortunately, are brighter on the other side of the Atlantic, where IMF and World Bank consensus estimates call for 3.9% GDP growth in 2004: a figure that the U.S. reached and passed in the second half of 2003. High hopes for the upcoming presidential elections and the significant increase in investments seen in the last few months thus leave ample room for optimism in this crucial market.

The outlook is also good for Asia's economies, where China and Japan are expected to do particularly well.

In 2004, Prima Industrie thus looks forward to achieving a modest increase in revenue, chiefly from North America and Asia, together with the improved profit margins that can be expected as Prima North America tightens its hold on the market and the Group as a whole implements rigorous cost containment policies.

Improving our net financial position continues to be a prime goal for 2004, as does finding longer term sources of subsidized funding.

This year, the Group resolved to approve its financial statements in February, far earlier than usual. As a result, the information concerning our performance in the current year is necessarily limited to January, a month which is not normally a busy one for the capital goods market.

We are pleased to be able to announce, however, that our orders for January were higher than in the previous year, amounting to 6.4 million Euros as against 5.9 million Euros in January 2003. The month's sales totaled 3.3 million Euros, as compared to 4.3 million Euros at January 31, 2003.

PRIMA INDUSTRIE SpA
BALANCE SHEET
At 31 December 2003

<u>ASSETS</u>	<u>31-Dec-03</u>		<u>31-Dec-02</u>	
A. SUBSCRIBED CAPITAL UNPAID		<u>0</u>		<u>0</u>
B. FIXED ASSETS				
I. Intangible assets				
1) Formation, start-up and similar costs	33.735		67.471	
2) Research, development and advertising costs	0		52.892	
3) Industrial patent and intellectual property rights	121.124		188.016	
4) Concessions, licences, trademarks and similar rights	8.817		5.932	
5) Goodwill	0		0	
6) Assets under development and payments on account	0		0	
7) Other intangible assets	<u>318.502</u>	479.178	<u>345.706</u>	660.017
II. Tangible assets				
1) Land and buildings:	717.322		660.455	
less: accumulated depreciation	(184.821)	532.501	(153.543)	506.912
2) Plant and machinery	1.569.029		1.601.421	
less: accumulated depreciation	(1.062.319)	506.710	(978.989)	622.432
3) Industrial and commercial equipment	1.683.170		1.331.937	
less: accumulated depreciation	(1.238.651)	444.519	(1.101.016)	230.921
4) Other tangible assets	1.422.735		1.378.536	
less : accumulated depreciation	(1.214.911)	207.824	(1.126.546)	251.990
5) Assets under construction and payments on account	<u>0</u>	1.691.554	<u>0</u>	1.612.255
III. Financial fixed assets				
1) Equity investments in:				
a) subsidiaries	22.691.379		18.348.873	
less: provision for losses related to shares	(15.460.021)		(12.385.233)	
b) associated companies	1.855.767		1.346.928	
less: provision for losses related to shares	(732.977)		(684.284)	
c) other companies	774.686		774.686	
less: provision for losses related to shares	(774.686)	8.354.148	(774.686)	6.626.284
2) Financial accounts receivable from :				
a) subsidiaries	0	6.357.947	0	2.211.168
b) associated companies	0	150.416	0	150.416
c) parent companies	0	0	0	0
d) other	0	80.650	0	118.302
3) Other securities		0		0
4) Treasury stocks		<u>0</u>		<u>0</u>
TOTAL FIXED ASSETS (B)		<u>17.113.893</u>		<u>11.378.442</u>
C. CURRENT ASSETS				
I. Inventories				
1) Raw materials, consumables and supplies		7.425.471		8.185.621
2) Products in course of manufacture and semifinished goods		2.333.895		2.752.891
3) Contract work in progress		0		0
4) Finished goods and merchandise		2.481.058		3.577.593
5) Advances		0		0
less: provision for writedown of raw materials		(666.138)		(413.166)
less: provision for writedown of finished goods		<u>(183.000)</u>		<u>(114.000)</u>
		11.391.286		13.988.939
II. Accounts receivable	(**)		(**)	
1) Trade accounts receivable	279.656	31.314.751	0	38.690.245
less: provision for bad debts (taxed and untaxed)		(1.050.000)		(1.000.000)
2) From subsidiaries		0		985.023
3) From associated companies		0		1.350.850
4) From parent companies		0		0
5) Other accounts receivable		<u>0</u>		<u>7.270.576</u>
		39.871.200		53.073.051
III. Current financial assets				
1) Equity investments in subsidiaries		0		0
less: provision for losses related to shares		0		0
3) Equity investments in other companies		129		129
less: provision for losses related to shares		0		0
4) Treasury stocks		323.797		472.373
5) Other securities		<u>0</u>		<u>517.000</u>
		323.926		989.502
IV. Cash and cash equivalents				
1) Bank and postal accounts		2.214.011		2.147.056
2) Cheques		0		0
3) Cash and cash equivalents on hand		<u>14.481</u>		<u>7.446</u>
		2.228.492		2.154.502
TOTAL CURRENT ASSETS (C)		<u>53.814.904</u>		<u>70.205.994</u>
D. ACCRUED INCOME AND PREPAID EXPENSES				
1) Issue discounts and other similar charges on loans		0		23.862
2) Other accrued income and prepaid expenses		<u>377.066</u>		<u>516.612</u>
		377.066		540.474
TOTAL ASSETS		<u>71.305.863</u>		<u>82.124.910</u>

(*) DUE WITHIN ONE YEAR

(**) DUE BEYOND ONE YEAR

PRIMA INDUSTRIE SpA
BALANCE SHEET
at 31 December 2003

LIABILITIES AND
SHAREHOLDERS' EQUITY

31-Dec-03

31-Dec-02

A. SHAREHOLDERS' EQUITY

I. Share capital	11.500.000	10.375.000
II. Share premium reserve	16.862.488	14.019.798
III. Revaluation reserves	0	0
IV. Legal reserve	729.550	714.740
V. Reserve for treasury stocks in portfolio	323.797	472.373
VI. Statutory reserves	0	0
VII. Other reserves	1.483.662	6.214.908
VIII. Profits (losses) carried forward	0	0
IX. Net profit (loss)	(2.834.448)	(4.879.822)

TOTAL SHAREHOLDERS' EQUITY

28.065.049

26.916.997

B. PROVISIONS FOR LIABILITIES AND EXPENSES

1) Provisions for pension and similar costs	0	0
2) Provisions for income taxes	964.991	1.060.183
3) Other provisions	3.201.057	2.845.160
	<u>4.166.048</u>	<u>3.905.343</u>

C. EMPLOYEES'

SEVERANCE PAY

3.046.000

2.725.221

D. ACCOUNTS PAYABLE

	(**)		(**)	
1) Bonds	0	0	0	0
2) Convertible bonds	0	0	0	0
3) Amounts due to banks	8.265.519	14.884.450	9.448.042	20.873.688
4) Amounts due to other lenders	810.821	893.812	893.812	3.693.812
5) Payments on account	0	1.203.980	0	943.482
6) Trade accounts payable	0	13.531.540	0	16.201.194
7) Notes payable	0	0	0	0
8) Accounts payable to subsidiaries	0	2.786.622	0	3.462.492
9) Accounts payable to associated companies	0	0	0	0
10) Accounts payable to parent company	0	0	0	0
11) Taxes payable	0	779.527	0	959.934
12) Amounts owing to social security institutions	0	664.638	0	959.918
13) Other accounts payable	0	884.488	0	799.533
		<u>35.629.057</u>		<u>47.894.053</u>

E. ACCRUED LIABILITIES AND DEFERRED INCOME

1) Issue premiums	0	0
2) Other accrued liabilities and deferred income	399.709	683.296
	<u>399.709</u>	<u>683.296</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

71.305.863

82.124.910

(**) DUE BEYOND ONE YEAR

MEMORANDUM ACCOUNTS

	<u>31 December 2003</u>		<u>31 December 2002</u>	
1. Guarantees given				
a) Bank guarantees given to:				
- subsidiaries	4.837.210		5.160.802	
- associated companies	0		0	
- parent companies	0		0	
- subsidiaries under parent companies' control	0		0	
- other companies	<u>63.571</u>	4.900.781	<u>69.881</u>	5.230.683
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>4.900.781</u>		<u>5.230.683</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		1.970.359		0
c) leases falling due in the short term		1.504.347		1.680.479
Total commitments		<u>3.474.706</u>		<u>1.680.479</u>
4. Contingencies				
a) bills discounted		3.601.300		4.004.602
b) other		0		0
Total contingencies		<u>3.601.300</u>		<u>4.004.602</u>
5. Other memorandum accounts				
a) Repurchase commitments		4.789.784		1.764.513
b) Company goods held by third parties		3.525.671		4.191.072
c) Bank guarantees given by third parties on our behalf		8.047.879		10.018.334
Total other memorandum accounts		<u>16.363.334</u>		<u>15.973.919</u>
		<u>28.340.121</u>		<u>26.889.683</u>

PRIMA INDUSTRIE SpA
INCOME STATEMENT

	31-Dec-03	31-Dec-02
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	62.582.661	67.464.432
2) Change in inventories of work in process, semifinished and finished goods	(1.165.535)	(1.103.896)
3) Change in contract work in progress	(418.995)	362.513
4) Capitalisation of internal construction costs	313.895	73.383
5) Other revenues and income		
a) operating grants	0	0
b) sundry	1.757.216	1.367.310
	1.757.216	1.367.310
TOTAL VALUE OF PRODUCTION (A)	63.069.242	68.163.742
B. COSTS OF PRODUCTION		
6) Purchase of raw materials, consumables and supplies	(31.951.396)	(36.898.180)
7) Service expenses	(13.305.870)	(14.728.669)
8) Lease and rent costs	(1.066.425)	(1.128.916)
9) Personnel expenses :		
a) salaries and wages	(8.884.662)	(8.571.865)
b) social security	(2.961.487)	(2.709.099)
c) employees' severance pay	(556.548)	(519.756)
d) pension and similar costs	0	0
e) other	(254.134)	(202.360)
	(12.656.831)	(12.003.080)
10) Amortization, depreciation and writedowns		
a) amortization of intangible assets	(325.075)	(542.799)
b) depreciation of tangible assets	(354.235)	(307.774)
c) writedown of tangible and intangible assets	0	0
d) provisions for writedown of current assets and cash and cash equivalents receivable	(50.000)	(122.023)
	(1.039.310)	(1,072,376)
11) Changes in inventories of raw materials, consumables, supplies and merchandise	(1.013.123)	886.834
12) Provision for risks	136.852	(130.277)
13) Other provisions	0	0
14) Sundry operating expenses	(647.146)	(733.743)
	(61.233.249)	(65.708.627)
TOTAL COST OF PRODUCTION (B)	(61.233.249)	(65.708.627)
OPERATING PROFIT (LOSS) (A-B)	1.835.993	2.455.115
C. FINANCIAL INCOME AND EXPENSES		
15) Investment income		
a) dividends and other income from subsidiaries	454.530	468.750
b) dividends and other income from associated companies	0	0
c) dividends and other income from other companies	0	0
	454.530	468.750
16) Other financial income:		
a) from accounts receivable included in fixed assets		
- from subsidiaries	0	49.442
- 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 commissions from subsidiaries	40.936	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	2.222.926	1.299.999
	2.222.926	1.299.999
17) Interest and other financial expenses		
a) due to subsidiaries	(33.602)	(10.475)
b) due to associated companies	0	0
c) due to parent companies	0	0
d) other	(3.267.394)	(2.683.649)
	(3.267.394)	(2.683.649)
TOTAL FINANCIAL INCOME AND EXPENSES (C)	(582.604)	(875.933)

D. VALUE ADJUSTMENTS TO FINANCIAL ASSETS

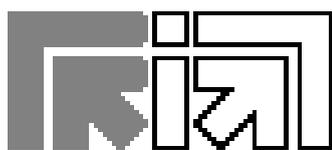
18) Revaluations of:				
a) equity investments	0		0	
b) financial assets	0		0	
c) current securities	0	0	0	0
19) Writedowns of:				
a) equity investments	(3.377.646)		(7.831.223)	
b) financial assets	0		0	
c) current securities	0	(3.377.646)	0	(7.831.223)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)		(3.377.646)		(7.831.223)

E. EXTRAORDINARY INCOME AND EXPENSES

20) Extraordinary income				
a) gains on disposal of assets	52.941		544	
b) other extraordinary income	443.960	496.901	0	544
21) Extraordinary expenses	0		0	
a) losses on disposal of assets	(228)		0	
b) taxes for prior years	0		0	
c) other extraordinary expenses	(1.067.334)	(1.067.562)	0	(150.000)
TOTAL EXTRAORDINARY INCOME AND EXPENSES (E)		(570.661)		(149.456)
PROFIT (LOSS) BEFORE INCOME TAXES (A -B +- C +- D +- E)		(2.694.918)		(6.401.497)
22) INCOME TAXES				
a) current income taxes		(825.122)		(1.271.490)
b) deferred income taxes		685.592		2.793.165
23) NET PROFIT (LOSS)		(2.834.448)		(4.879.822)

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

For the Board of Directors
The Managing Director
Mr Gianfranco CARBONATO



PRIMA INDUSTRIE SpA

**Registered office: Via Antonelli No. 32, Collegno (Turin)
Fully paid-in Capital Stock €11,000,000
Registered in the Turin Company Register under No. 03736080015**

2003 FINANCIAL STATEMENTS

PRIMA INDUSTRIE SpA

**Registered, administrative and operational offices: Via Antonelli 32, Collegno (Turin)
Registered in the Turin Company Register under No. 03736080015**

NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with 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.

The notes describe, analyse and, in some cases, supplement the figures presented in the Financial Statements. They also contain the information required by article 2427 of the Italian Civil Code, the other provisions of Legislative Decree No. 127/1991 or other prior laws. Even though it is not required by law, additional information considered necessary to present a true and fair view has also been provided.

The Financial Statements contain no exceptions as would be permitted by paragraph 4 of Article 2423 of the Italian Civil Code.

All amounts are expressed in thousands of Euro.

VALUATION CRITERIA

The most significant valuation criteria adopted in the preparation of the Financial Statements at December 31, 2003, in compliance with article 2426 of the Italian Civil Code are described in the paragraphs below.

Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, inclusive of incidental charges and amortized systematically over the period of their remaining estimated future useful life.

Other intangible fixed assets having long-term utility are recorded among the assets 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 are not of long-term benefit, they are entirely charged to income in the financial year when they are incurred.

Insofar as the criteria of amortization for the various items of intangible fixed assets are concerned, the following is relevant:

⇒ Plant and expansion costs	5 years
⇒ Research and development costs	5 years
⇒ Industrial patent and intellectual property rights	5/3 years
⇒ Concessions, licences, trademarks and similar rights	10 years
⇒ Other long-term expenses	5 years/duration of the contract

With respect to the above we specify the following:

- the criterion adopted for the amortization of industrial patent and intellectual properties rights is considered to be in keeping with the remaining estimated useful life of the assets;
- the criteria adopted for the amortization of “Other intangible fixed assets” depend on the various types of costs capitalized and more specifically they are as follows:
 - ⇒ 5 years for extraordinary maintenance and long-term costs
 - ⇒ over the life of the lease for leasehold improvements

Tangible fixed assets

Tangible fixed assets are stated at purchase or production cost, adjusted, in some cases, in the application of specific legislation dealing with monetary alignment, as shown in the relevant schedule. Cost includes additional expenses chargeable to the asset.

In this regard, no financial revaluations were made under Act No. 342 of 11/21/2000 and subsequent extensions.

Fixed assets are depreciated using the straight-line method on the basis of the maximum rates allowed by the fiscal regulations.

Ordinary depreciation, presented in a specific schedule, is calculated at rates designed to write off the tangible fixed assets over their remaining estimated useful lives. The rates applied are as follows:

Industrial premises	3%
Light constructions	10%
General plant	10%
Specific plant and machinery	15.50%
Metal dies	25%
Equipment and tools	25%
Electronic office equipment	20%
Furniture, fixtures and office equipment	12%
Motor vehicles	25%
Cellular telephones	20%
Means of internal transport	20%

The abovementioned rates, reduced by 50%, were applied to the additions during the financial year in order to take into account the shorter period of utilization of the new assets.

Ordinary maintenance costs are entirely charged to the Income Statement. Maintenance costs, which extend over the life of the assets, are charged to the assets to which they refer and

depreciated over the remaining estimated useful life of the asset concerned.

Assets acquired under leasing agreements are accounted for in accordance with the Italian practice in force, which provides that the lease instalments paid should be recorded in the Income Statement.

Equity investments

Equity investments are valued using the cost method and the value recorded in the Financial Statements is determined on the basis of the purchase or subscription price, adjusted whenever at the time of closing the accounts, the fixed asset has a value, which is persistently below cost. In this case the equity investment is recorded at this lower value. Where a writedown is made, the original value will be restored in successive financial periods if the factors that caused the adjustment no longer apply.

Inventories

Raw materials are valued at the weighted average purchase price during the year, adjusted for statutory purposes, by an adequate provision for writedowns to take account of the estimated realizable value.

Work in progress is valued at the average progressive cost during the year at the time the materials are requisitioned, increased by the average industrial hourly cost of labour for internal work and by the cost price for external work.

Finished products are valued in the same way as work in progress.

The values determined as set out above are below market values.

Receivables

Receivables are stated at their nominal value, reduced to the estimated realizable value by a suitable allowance for doubtful accounts.

The allowance for doubtful accounts is increased with amounts allocated as a matter of prudence, in relation to the risk of some credit positions.

Accruals and deferrals

Accruals include the portions of income or expenses that relate to more than one financial year, already partially due in the current financial year and to be received or paid in future periods. Deferrals are portions of costs or income paid or received in the current year but referring to the financial year or future periods.

Provisions for risks and charges

The provisions for risks and charges are set aside to cover losses or liabilities whose existence is certain or probable, but in respect of which at year-end, the amount or the date on which they

will arise could not be determined. The allocations made reflect the best possible estimates based on the available information.

Employees' severance pay

Employees' severance pay is set aside to cover the entire liability matured as regards employees in conformity with the legislative provisions in force, the national collective labour agreements and supplementary corporate agreements. This liability is subject to revaluation based on indices.

Payables

Payables are stated at nominal value.

Recognition of revenues

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

The transactions, which relate to the financial year just ended but in respect of which the related document (the invoice) will be issued in the next year are recorded in the invoices to be issued.

Accounting for grants

The accounting treatment adopted in respect of grants depends on whether the grant is an operating grant, a grant related to assets or a set-up grant. In the case of operating grants, both the statutory recording of the positive portion of the income, as well as the recording of its taxability take place according to the accrual principle, which makes reference to the year in which the legal entitlement to the receipt of the grant comes into force and the amount to be received becomes certain. This will normally be in the same year as the year when the resolution assigning the grant is adopted.

In the case of grants related to assets, the revenue is recorded for statutory purposes on an accrual basis and the time frame is established with reference to the stipulation of the contracts with the entities paying the grant or, in certain cases with reference to the approval of the contract by the competent authorities. Such grants are taxable on constant rates, over a maximum period of five years, starting from the financial year in which the grant is 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 improvement and maintenance of existing ones. These costs are charged to the Income Statement in the financial year in which they are incurred.

Dividends

Dividends are recognized on an accrual basis, i.e. at the time the dividend entitlement arises, which is whenever the investee company resolves to distribute the dividend.

Dividends from subsidiaries are recorded according to the "maturity" principle, i.e. on the basis of the distribution proposal resolved upon by the subsidiary, before the approval of the parent company's Financial Statements.

This method puts substance over form, because it reflects the certainty of the title acquired over the dividends resolved upon by the 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 in the year in which the dividends to which it refers are received.

Income taxes

Income taxes are calculated applying the tax provisions to estimated taxable income, taking into account any applicable tax relief.

With effect from the financial year ended December 31, 1999 accounting principle No.25 relating to deferred taxes has been applied. In compliance with the accrual principle of costs and revenues the deferred taxes on the temporary differences between the value attributed to an asset or a liability according to statutory criteria and the value attributed to that asset or liability for tax purposes, are provided for. Deferred tax liabilities are recorded in the item "Provisions for taxes". 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 utilization rate.

The provision for deferred taxes and the credit for taxes paid in advance have not been offset. Additional information on deferred taxes is provided in the section dealing with "Income taxes for the period".

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

Conversion of items in foreign currency

Receivables and payables originally expressed in foreign currency are converted into Euro at the historical exchange rates at the date of the relative transactions. Exchange differences arising at the time of collection or payment of debts in foreign currency are recorded in the Income Statement.

Receivables and payables in foreign currency, due after the close of the financial year, calculated at the exchange rate prevailing at year-end result in a net value lower than that indicated in the Financial Statements. Accordingly, in the application of accounting principle No. 26, the total net debt deriving from these positions has been recorded in the provision for exchange rate fluctuations, debiting the financial expenses for the period with the same amount (771 thousand Euro). Individual items were not credited owing to the difficulties inherent in managing such an operation.

OTHER INFORMATION

Significant subsequent events

In relation to the significant events occurring after the closure of the financial year, reference is made to the report on operations.

Monetary revaluation of fixed assets

The company did not take advantage of the possibility of revaluing existing fixed assets, since it is believed that the intangible and tangible fixed asset values stated in the Financial Statements accurately reflect their economic value. In relation to the equity investment held in Prima Electronics, valued at cost and which thus expresses a value far lower than the corresponding portion of the stockholders' equity of the investee company, because our company draws up the Group Consolidated Financial Statements, as a fact the complete correct financial value of the investee company is expressed therein.

Consolidated Financial Statements – Notice

In 1997, Prima Industrie SpA exceeded the limits set out in Articles 27 and 46 of Legislative Decree No. 127 of the 4/09/91 and thus became liable to prepare and lodge Consolidated Financial Statements with effect from the 1998 financial year.

COMMENTS TO THE MAIN ASSET ITEMS (amounts expressed in thousands of Euro)

FIXED ASSETS

Specific schedules, set out hereinafter, have been prepared for the three categories of fixed assets (intangible, tangible and financial), which show for each item the historical cost, the accumulated amortization and depreciation, the previous revaluations and writedowns, the movements during the year and the closing balances, as well as the total revaluations at the end of the year.

INTANGIBLE FIXED ASSETS

- 1) The item Plant and expansion costs relates to the capitalization of internal costs incurred by the company during the year 2000 to expand the production area at the adjoining new factory acquired under a leasing contract during the course of that financial year. These costs, with a residual value of 67 thousand Euro at 01/01/03, were amortized during the year in an amount of 34 thousand Euro. Consequently, as at 12/31/2003 the residual cost to be amortized is 34 thousand Euro.
- 2) At 01/01/03 Research and development costs were made up of research and development costs incurred in 1999, which were completely amortized for an amount of 53 thousand Euro in the 2003 financial year.

The item does not include R & D costs for years subsequent to 1999, since in those financial years they were entirely expensed to income.

Research and development costs incurred in previous years are deemed to produce recurring benefits, insofar as they refer to projects with a very high technological content, which create products that can be clearly identified and which have a ready market. Through the marketing of these products we are achieving profit margins that are sufficient to also cover the amortization of the capitalized costs.

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

	Balance 12/31/03	Balance 12/31/02
- Industrial patent rights		
- Patents	71	48
- Intellectual property rights		
- Software	50	140
	121	188

The increases registered for this item during the year amounted to 101 thousand Euro and the

decreases, arising from amortization charges for the year, amounted to 168 thousand Euro.

- 4) Concessions, licences, trademarks and similar rights: The item increased during the financial year by 1 thousand Euro and relates to the registration of the “Prima Industrie and symbol” trademark in the European Union and the USA. The decrease is due to the amortization charge for the 2003 financial year of approximately 1 thousand Euro. The remaining cost to be amortized is approximately 6 thousand Euro.

- 5) The item Other intangible fixed assets includes the following at year-end:

	Balance 12/31/03	Balance 12/31/02
- Leasehold improvements		
- Factory 1 – Collegno	127	140
- Factory 2 – Collegno	148	148
- branch offices - France	12	13
- branch offices - Spain	22	26
- Extraordinary maintenance costs	10	19
	319	346

The increases during the year relate to work carried out relative to:

⇒ factory 1 – Collegno (for 13 thousand Euro)

⇒ factory 2 – Collegno (for 29 thousand Euro)

The amortization charge for the period totalled 69 thousand Euro.

6) **TANGIBLE FIXED ASSETS**

The increases during the year refer to purchases of:

⇒ minor constructions amounting to 57 thousand Euro of which 12 thousand Euro relates to capitalization of internal constructions;

⇒ general installations amounting to 9 thousand Euro;

⇒ industrial and commercial equipment amounting to 351 thousand Euro of which 302 thousand Euro is for capitalization of internal construction of equipment;

⇒ ordinary office furniture, furnishings and equipment for 3 thousand Euro and electronic office equipment for 45 thousand Euro.

The decreases related to:

⇒ specific installations and operating machinery for 41 thousand Euro;

⇒ electronic office equipment for 1 thousand Euro.

The total depreciation charge during the year relative to tangible fixed assets is approximately 354 thousand Euro. The provision for depreciation was utilized pursuant to the disposal of assets, as follows:

- alienation of specific installations and operating machinery for 10 thousand Euro
- the alienation of electronic office equipment for 1 thousand Euro

During 2003 four cellular telephones were scrapped insofar as they were obsolete and could no longer be used. In this regard a declaration was made in terms of Act 15 of January 4, 1968. Consequently, the asset item "Cellular telephones" and related provision equal to 2.7 thousand Euro was cleared.

The amount of the assets still on the books at December 31, 2000, in respect of which revaluations were made in prior periods according to the provisions of specific laws, are disclosed as required by Article 10 of Act No. 72 of 1983 and presented in a specific schedule attached to these notes.

The new factory, located at No. 28 Via Antonelli, Collegno and adjoining the main factory, was purchased under a leasing agreement. Had the transaction been accounted for according to International Accounting Standard IAS 17, the result for the year would have been higher by 74 thousand Euro and the stockholders' equity would have been higher by 283 thousand Euro.

FINANCIAL FIXED ASSETS

7) Equity investments

Equity investments can be analysed as follows:

	Balance 12/31/02	Inc.	Dec.	Balance 12/31/03
Subsidiaries				
- Valued according to the cost method:				
- Prima Electronics SpA	1,705	-	-	1,705
- Prima North America Inc.	16,326	4,649	-	20,975
- Provision for writedowns Prima North America Inc.	(12,141)	(3,319)	-	(15,460)
- Prima Industrie International BV	318		(318)	
- Provision for writedowns Prima Industrie International BV	(244)	(10)	254	-

- Prima Scandinavia AB	-	11	-	11
Total subsidiaries	5,964	1,331	(64)	7,231
Associated companies				
- Valued according to the cost method:				
- Macro Meccanica SpA – in liquidation	413		-	413
- Provision for writedowns Macro Meccanica SpA – in liquidat.	(413)		-	(413)
- Shenyang Prima Laser Machine Company Ltd	498		-	498
- Provision for writedowns for S.P.L.M. Co Ltd	(166)	(49)	-	(215)
- SNK Prima Co.	330	60	-	390
- Mechanical Industries Srl	105		-	105
- Provision for writedowns Mechanical Industries Srl	(105)		-	(105)
- Shanghai Unity Prima Laser Machinery Co. Ltd	-	450		450
Total associated companies	662	461	-	1,123
Other companies				
- Valued according to the cost method:				
- Rambaudi Industriale SpA	775		-	775
- Provision for writedowns Rambaudi Industriale SpA	(775)		-	(775)
Total other companies	-		-	
Total equity investments	6,626	1,792	(64)	8,354

The most significant changes that occurred during the financial year in the equity investments in subsidiary companies already held at the end of the previous financial period (which can moreover be seen in the enclosed Statement of Changes, as required by Paragraph 5 of Article 2427 of the Italian Civil Code) are the following:

- ⇒ the equity investment in Prima North America Inc. increased by 4,649 thousand Euro as a result of two increases in capital stock, which was thus increased from 15 to 20 million dollars. At the end of the financial year, after Prima North America Inc. reported losses amounting to approximately 3,319 thousand Euro, the provision for writedowns was increased by the same amount and now stands at 15,460 thousand Euro.
- ⇒ Insofar as the equity investment in Prima Industrie International BV is concerned, because the company was placed into liquidation during the course of the financial year, the value of the equity investment and the related provision for writedowns were cleared, after a loss of 10 thousand Euro had been set aside relative to the final liquidation accounts.

During 2003 Prima Scandinavia AB was incorporated in respect of which Prima Industrie acquired 100% control for an amount of 11 thousand Euro (the amount of the capital stock subscribed for by Prima Industrie).

As regards the equity investments in associated companies, the investment in Macro Meccanica SpA (placed into liquidation at the end of 1999) is carried in the Financial Statements at a nil balance because the liquidation was still not complete at the end of the financial year.

The value of the equity investment in Shenyang Prima Laser Machine Company, a joint venture established in China in 1999 to manufacture the "Platino" for the Asian market (by assembling kits sent by Prima Industrie) and to undertake the related marketing, was written down during the year by 49 thousand Euro, the equivalent of 50 per cent of the value of the loss for the period. This reflects the proportional stake in that Prima Industrie SpA holds 50 per cent of the capital of the joint venture.

The equity investment in the Japanese joint venture SNK Prima Co. Was increased during the financial year by an amount of 60 thousand Euro as a result of Prima Industrie increasing its stake from 40 to 50 per cent by taking over, together with SNK, the share previously held by Hanwa.

The equity investment in Mechanical Industries Srl, which was placed into liquidation on the 28 – 31 /03/2003 is reflected in the Financial Statements at a zero value.

In addition, during December 2003 a stake of 27.5 per cent in the Chinese company Shangai Unity Prima was acquired. This took place by means of the subscription for an increase in the capital stock. The acquisition totalled 450 thousand Euro (which was the amount of the increase in capital), by means of the subscription in cash for 250 thousand Euro and the transfer of technology for 200 thousand Euro.

The equity investment in Rambaudi Industrial SpA, which was placed into liquidation by the Court of Turin on 09/30 – 10/27/2003 is still reflected in the Financial Statements, but is completely written down.

Kindly refer to the relevant section in the report on operations for additional information on the investee companies.

8) Financial receivables

	Balance 12/31/03	Balance 12/31/02
- Prima North America Inc.	6,087	2,041
- Prima Industrie GmbH	170	170
- Prima Scandinavia AB	101	
Total receivables from subsidiaries	6,358	2,211
- Mechanical Industries Srl	150	150
Total receivables from associated companies	150	150
- Taxes paid in advance - employees' severance pay	72	111
- Advance withholding tax on employees' severance pay	9	7
Total Other Receivables	81	118
Total Financial Receivables	6,589	2,479

This item includes receivables in respect of loans to subsidiaries payable within one year of 6,358 thousand Euro. The receivable from Prima North America Inc. refers to a loan made to the subsidiary, at the beginning of 2003 in an amount of \$2,000,000 and which was increased during the year by \$9,650,000. This loan was then decreased by \$5,000,000 pursuant to the transformation of part of the loan granted into capital stock. At the end of 2003, therefore, the receivables from the US subsidiary amounted to \$6,650,000.

The receivables from Prima Scandinavia AB amounting to 101 thousand Euro relate to funds transferred to the Company for the Start-up of the business after the recent acquisition.

The receivables from Mechanical Industries refer to 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 - in liquidation. In the light of the difficult financial situation of Mechanical Industries, this receivable was deemed doubtful and in previous financial periods the Company increased its allowance for doubtful accounts by an similar amount.

The receivable for employees' severance pay taxes paid in advance relates to the amount paid by the company in 1997 and 1998 to the revenue authorities (111 thousand Euro at 12/31/03) in compliance with Legislative Decree No. 79 of 1997, plus accrued interest of 4 thousand Euro as provided for in terms of the fourth paragraph of article 2120 of the Italian Civil Code, net of the amounts utilized from 01/01/2000 (as per Legislative Decree No. 79 of 1997) equal to 43

thousand Euro for the 2003 financial year.

CURRENT ASSETS

9) **INVENTORIES**

Inventories are made up of the following:

	Balance 12/31/03	Balance 12/31/02
- Raw materials, consumables and supplies	7,425	8,186
- Provision for writedown of raw materials	(666)	(413)
- Contract work in progress	2,334	2,753
- Finished products	2,481	3,577
- Provision for writedown of finished products	(183)	(114)
	11,391	13,989

The total inventories for the 2003 financial year decreased thanks to careful planning and the lesser number of machines produced.

The finished products in stock were substantially reduced, going from 3,577 thousand Euro at the end of 2002 to 2,481 thousand Euro at 12/31/03 and are made up as follows:

- 1 Rapido and 1 Platino machine temporarily being used for R&D purposes;
- 1 Domino HS prototype;
- 1 Platino on free loan to DTU (Danmarks Tekniske Universitet) until mid-2004;
- 2 Dominos earmarked for delivery to customers at the beginning of 2004;
- 2 Platinos on loan to customers;
- 3 Platinos waiting to be delivered to customers in 2004;
- 1 Domino earmarked for demonstrations to customers;
- 1 Domino, which will be delivered on loan to Linde (Germany) for promotional purposes in 2004.

The remaining part of the reduction relates to raw materials (7,425 thousand Euro compared to 8,186 thousand Euro 12/31/02) and contract work in progress (2,334 thousand Euro compared 2,753 thousand Euro at 12/31/02). An amount of 253 thousand Euro was allocated to the provision for writedowns of raw materials in 2003 to cover the slow rate of turnover and obsolescence.

Relative to the previous financial year, a provision of 183 thousand Euro was allocated to the provision for writedowns of finished products of which 133 thousand Euro relates to a buy-back of a machine earmarked for a Spanish customer (and corresponds to the difference between the purchase cost and the selling price). The remaining 50 thousand Euro relates to the writedown of the machines earmarked for research and development and to the Platino on free loan to DTU (Danmarks Tekniske Universitet).

In the course of the financial year the provision was utilized in an amount of 114 thousand Euro because the machines for which the provision had been created were sold.

RECEIVABLES

10) Trade receivables

At the end of the year this item is made up as follows:

	Balance 12/31/03	Balance 12/31/02
- Trade receivables due within one year	31,037	38,611
- Trade receivables due beyond one year	278	79
- Allowance for doubtful accounts	(1,050)	(1,000)
	30,265	37,690

The substantial reduction of 7,475 thousand Euro compared to the previous financial year is linked to the improved management of collections and the recovery of receivables throughout 2003.

The allowance for doubtful accounts was not used during the financial year and a further 50 thousand Euro was allocated to the provision to bring it into line with the overdue accounts at the end of the year.

Foreign currency debts are mainly made up of US dollars and pounds sterling. In the face of the open positions at 12/31/03 the adjustments to the rate of exchange were entered on the basis of the market exchange rate on the same date.

Receivables due beyond one year

This amount refers to two Italian customers, one French customer, one Israeli customer and three Spanish customers, who have been granted extensions of time in respect of their payments, with appropriate interest being charged.

11) Receivables from subsidiaries

This item includes trade and financial receivables. At year-end the balance was 985 thousand Euro compared to 6,042 thousand Euro at 2002.

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

Trade accounts receivable from Prima Industrie GmbH for 16 thousand Euro, Prima North America Inc. for 440 thousand Euro, Prima Electronics SpA for 216 thousand Euro and Prima Scandinavia for 3 thousand Euro are entirely due to the sale of finished products and the performance of services (for a total of 675 thousand Euro). It is reiterated that the sale of finished products to subsidiaries is carried out on normal market terms.

At the end of the financial year, the company had yet to issue invoices totalling 10 thousand Euro to Prima North America Inc.

The total also includes receivables from Prima Electronics for 300 thousand Euro relative to the dividend distribution relating to the net profit for the 2003 financial year, as shown in the pro forma Financial Statements approved by the Board of Directors on the 02/20/04.

12) Receivables from associated companies

At 12/31/03 this item consists of the receivables from the Shenyang Prima Laser Machine joint venture for 1,307 thousand Euro (1,696 thousand Euro at 12/31/02), plus a smaller amount of 43 thousand Euro due by Mechanical Industries Srl for advances on orders and by amounts due by the SNK Prima Co. joint venture totalling 1 thousand Euro.

Pursuant to Mechanical Industries S.r.l.'s being placed into liquidation the amount necessary to cover the receivables for advances on orders was provided for.

13) Other receivables

The details are as follows:

	Balance 12/31/03	Balance 12/31/02
-Receivables from the tax authorities for IRPEG, IRAP and withholding taxes	1,930	3,000
- Receivables for prepaid taxes	3,740	3,423
- Grants related to assets to be received	836	474
- Advances to suppliers	459	251
- Security deposits	82	117
- Advances to employees	18	23
- Others	205	509
	7,270	7,546

These receivables are due within one year and are all collectable and thus no adjustments to their values have been made.

Total Other receivables decreased by 276 thousand Euro compared to the previous year.

Receivables for taxes paid in advance, allocated pursuant to Accounting Standard No. 25, decreased by 719 thousand Euro as a result of utilizations made during the year and increased by 1,036 thousand Euro as a result of the provision for the period.

Receivables from tax authorities for IRPEG, ILOR and withholding taxes consist of receivables for direct taxes from previous years for which claims for refunds have been submitted or in respect of which a set-off will be made. This item includes the accrued interest earned, calculated according to the rate provided for in the relevant tax regulations.

At the end of the 2003 financial year the receivable from the tax authorities for the refund of IRPEG for 1990, amounting to approximately 440 thousand Euro was collected. In January 2004 the receivable for the refund of IRPEG for 1998 amounting to approximately 29 thousand Euro and the accrued interest earned on the aforesaid refunds, equal to approximately 410 thousand Euro (already provided for at 12/31/03) were collected.

The item "Advances to employees" includes advances made for travel expenses.

The item "Advances to suppliers" relates to goods/services ordered but not yet delivered.

The item "Others" includes the tax credit on dividends on the net profit for 2002 of Prima Electronics received in the 2003 financial year (amounting to 155 thousand Euro); the VAT receivable relating to the French branch (10 thousand Euro) and other minor items (20 thousand Euro).

CURRENT FINANCIAL ASSETS

14) Equity investments in other companies

This caption totals 0.1 thousand Euro and refers to the equity investment in Unionfidi, as described in the specific schedule showing the changes as required by point 5 of Article 2427 of the Italian Civil Code.

There were no changes during the year.

15) Treasury stock

At the end of 2003, treasury stock amounted to 47,000 shares with a weighted average price of 6.8893 Euro each, for a total value of 324 thousand Euro.

The weighted average price is less than the average listing price at December 2003 that amounts to 6.941 Euro per share.

16) CASH AND CASH EQUIVALENTS

	Balance at 12/31/03	Balance 12/31/02
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- Bank and postal accounts	2,214	2,147
- Cash and cash equivalents on hand	14	7
	2,228	2,154

The item refers to funds that are immediately available as they are deposited in current accounts or held as cash on hand within the company.

17) ACCRUED INCOME AND PREPAID EXPENSES

At December 31, this item is made up as follows:

	Balance at 12/31/03	Balance 12/31/02
Loan charges		
- IMI loan	-	24
Total issue discounts	-	24
Accrued income		
- Travel expenses – others	3	17
Total accrued income	3	17
Prepaid expenses		
- Interest on low-rate loan under Sabatini law	234	405
- Prepaid expenses on supplier invoices	70	48
- Insurances/guarantees	70	46
Total prepaid expenses	374	499
Total accrued income and prepaid expenses	377	540

Loan charges related to accessory brokerage fees for the securing of the loan granted to us by San Paolo IMI in September 1999. The amortization of these charges is over in that the loan was extinguished in September 2003.

The item "Accrued income " includes travel expenses of 3 thousand Euro.

The item "Prepaid expenses" amounting to 374 thousand Euro, decreased by 125 thousand Euro with respect to the previous year (499 thousand Euro). The decrease refers to the interest for 2003 relative to Sabatini transactions already in existence as at December 31, 2002.

INFORMATION REQUIRED BY ACT 72 OF 03/19/1983

In compliance with Article 10 of Act 72 of 03/19/1983, it is specified that the company effected the revaluation permitted by Act 576 of 12/02/75 and Act 72 of 03/19/1983 and the amount was entered in the corresponding reserve of the stockholders' equity.

The revaluations made in accordance with the abovementioned statutory provisions referred to the following items relating to assets still contained in the Financial Statements:

Machinery, office furniture and equipment, electronic office equipment and motor vehicles.

The revaluation of assets included in the Financial Statements amounts to 17 thousand Euro. The breakdown is as follows (amounts expressed in Euro):

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

COMMENTS TO THE MAIN LIABILITY ITEMS

18) STOCKHOLDERS' EQUITY

The changes in the classes comprising Stockholders' Equity are set out in an enclosure to the Notes.

The main classes comprising Stockholders' Equity and the related changes are described below:

19) CAPITAL STOCK

Capital stock at December 31, 2003 is fully subscribed for and paid-in and consists of 4,600,000 ordinary shares with a par value 2.5 Euro each, for a total of 11,500,000 Euro. The capital stock was increased by 450,000 new ordinary shares with a par value of 2.50 Euro each for a total amount of 1,125,000 Euro as a result of the increase in capital subscribed for on 02/11/03.

During 2003 the stock options assigned on 02/14/02 to executives, officers and front-line managers of Prima Industrie and the subsidiaries for 142,600 shares were not exercised. This was partly due to the fact that the pre-established company objectives were not achieved and partly due to the fluctuation in the stock trend (which remained consistently lower than the exercise price of the rights, equal to 13.11 Euro per share).

On the 05/15/03 the Board of Directors of Prima Industrie re-assigned a total of 90,400 shares that had not been utilized by previous plans, which were not converted, to be exercised in July 2004, at a price of 7.88 Euro per share, on the basis of the achievement of the 2003 turnover and profit margins of Prima Industrie and the Group.

For additional information on the stock option plans, reference should be made to the appropriate section in the report on operations.

20) SHARE PREMIUM RESERVE

This item is generated by the share premium on the issue of the new shares compared to their par value of 2.5 Euro; during the 2003 financial year the reserve increased by 2,843 thousand Euro as a result of the increase in the capital of 02/11/03 that was subscribed for in an amount of 8.85 Euro per share.

21) LEGAL RESERVE

This item amounts to 730 thousand Euro (compared with 715 thousand Euro at 12/31/02) and includes an allowance of 15 thousand Euro that corresponds to the provision made at the time of the new share issue against payment to keep account of the rounding off difference that was created at the time of the conversion of the capital into Euro (from 18,000,000,000 Lire to 9,000,000 Euro).

22) **RESERVE FOR TREASURY STOCK IN PORTFOLIO**

In the 2003 financial year, as a result of the acquisition by the company of treasury stock, the non-distributable reserve for treasury stock was adjusted, pursuant to Article 2357 ter of the Italian Civil Code. The reserve amounts to 324 thousand Euro, which is the value of the treasury stock in portfolio at 12/31/2003.

23) **EXTRAORDINARY RESERVE**

This item amounts to 1,484 thousand Euro (against the 6,215 thousand Euro at 12/31/2002) and includes the utilization of 4,880 thousand Euro to cover the result of the 2002 financial year. This item was increased by a sum of 149 thousand Euro to adjust the reserve for treasury stock in portfolio.

24) **PROVISIONS FOR RISKS AND CHARGES**

The composition of and movements in these provisions are as follows:

	1/1/03	Allocations	Utilizations	12/31/03
Provisions for deferred taxes	1,060	350	(445)	965
Other provisions:				
- provision for contractual risks and charges	2,163	2,001	(2,163)	2,001
- provision for losses on equity investments	131	-	-	131
- provision for litigation risks	54	15	-	69
- provision for agents' customer indemnity	69	10	-	79
- provision for exchange rate fluctuations	278	771	(278)	771
- provision for probable taxes	150	-	-	150
Total other provisions	2,845	2,797	(2,441)	3,201

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

For further information on the composition of the amount due for deferred taxes kindly refer to the note on the item taxes.

Other provisions are mainly represented by:

⇒ The provision for contractual risks and charges relating to the provisions for the costs of completing installations and work on products under warranty that will be carried out in the

next 12 months. The allocation of 2,001 thousand Euro substantially re-establishes the provision that was reduced as the result of utilizations during the financial year. The provision is considered sufficient in relation to the cost of completing the supplies of the year.

- ⇒ The provision for losses on equity investments relative to the allocations to meet the losses reported by Prima Industrie GmbH: there was no change with respect to the previous year
- ⇒ Provision for litigation risks: increased with respect to the previous financial year by 15 thousand Euro in order to adjust the value to the sum, which the Court determined in relation to the ATM suit (Spain).
- ⇒ Provision for agents' customer indemnity: refers to liabilities, which could arise from the company cancelling agency contracts with Italian operators. The provision was increased by 10 thousand Euro in 2003 on the basis of the rates established in terms of current legislation governing the relationship between agents and sales representatives and their principals.
- ⇒ Provision for exchange rate fluctuations: the amount provided for was calculated as an adjustment of the net position in foreign currency at 12/31/03 with respect to the historical accounting exchange rates of the various items in foreign exchange.
- ⇒ Provision for probable taxes: refers to an allocation of 150 thousand Euro made as a matter of prudence pursuant to a tax re-assessment issued by the Finance Police at the end of a tax audit that took place during the second half of the 2002 financial year.

25) EMPLOYEES' SEVERANCE PAY

The changes during the year were as follows:

Balance 01/01/2003	2,725
Amount due allocated to the Income Statement	709
Benefits paid during the financial year	(388)
Balance 12/31/2003	3,046

The balance at December 31, 2003, which is recorded under financial fixed assets is net of payments in advance made to employees in respect of severance pay and gross of payments made to tax authorities in compliance with the law. This provision represents the overall gross liability matured in favour of employees on the basis of the regulations in force at year-end and the contractual obligations for each employee.

The item Benefits paid during the financial year, is made up of 180 thousand Euro paid to employees who resigned, 165 thousand Euro paid in advances to employees in accordance with the regulations in force and approximately 43 thousand Euro in payments made to supplementary social security funds and payments for lieu taxes in accordance with Article 11 of

Legislative Decree 47/2000.

During the financial year 152 thousand Euro was set aside as extraordinary expenses as incentives for early retirement. This is linked to the business decision to outsource certain activities previously undertaken internally.

PAYABLES

The composition of and movements that took place during the year in the items that make up this grouping, are as follows:

26) Amounts due to banks

The amounts due to Banks are made up as follows:

	Balance 12/31/03	Balance 12/31/02
- Advances against orders and invoices	-	3,124
- Bank overdrafts	588	2,719
- Advances to branches	504	571
- Medium/long-term loans	13,792	14,460
	14,884	20,874

The decrease in the bank overdrafts is a result of the improvement in the company's financial position. At year-end there were no advances on orders and invoices.

Loans from credit institutions are made up of:

⇒ A loan granted by Mediocredito dell'Umbria for an initial amount of 775 thousand Euro. This loan is guaranteed by the European Investment Fund (E.I.F) and was secured in order to finance the work undertaken in the new factory. This is a 5-year loan (with a pre-amortization period that expired on 01/31/01), which provides for quarterly deferred repayments bearing interest at the Euribor rate plus one percentage point. The principal instalments due in 2004 of 194 thousand Euro represent the short-term portion of the loan, whereas the balance of capital of 101 thousand Euro is to be considered as a medium/long-term debt. The residual debt at 12/31/03 was 295 thousand Euro.

⇒ A loan of 2,582 thousand Euro from Banca Mediocredito on 05/15/01 to be repaid by way of eight six-monthly instalments commencing on 03/31/03 until the 09/30/06 at a floating rate (up to 09/30/01 at a rate of 5.39 per cent per annum; for the six month periods that follow, the applicable rate will be the 6-month Euribor rate plus a spread equal to 0.9 per cent). The short-term component of the loan amounts to 646 thousand Euro, whereas the residual medium/long-term liability amounts to 1,291 thousand Euro.

⇒ A loan in US dollars of 1,000,000 dollars (equal to 792 thousand Euro) from the Banca Popolare di Novara of Luxembourg to be repaid by way of eight quarterly instalments of US\$ 125,000 each, commencing on 07/23/02 and bearing interest at the LIBOR

rate plus 0.80 per cent. Consequently, the residual debt amounting to 198 thousand Euro is to be considered a short-term liability.

- ⇒ A loan of 2,000,000 US dollars equivalent to 1,584 thousand Euro from San Paolo IMI advanced on 07/01/2003 and repayable after 18 months less one day and bearing interest at the LIBOR rate plus 0.5 per cent.
- ⇒ A loan from San Paolo IMI for 2,309 thousand Euro with a pre-amortization period until 07/01/03. This is a research loan released from the special fund for Applied Research established by Act 1089/1968, in accordance with Act No. 46/82 and made on behalf of the M.U.R.S.T. The loan is repayable in 12 half-yearly deferred instalments and bears interest at 1 per cent per six months. The principal portion falling due in 2004 is 453 thousand Euro, which represents the short-term component of the loan. The residual debt amounting to 1,413 thousand Euro is to be considered as a medium to long-term liability.
- ⇒ A loan from Mediocredito Intesa BCI for an initial amount of 5 million Euro with an annual interest rate of 4.45 per cent until 09/30/02 and thereafter for each successive period, at the EURIBOR three-month rate + 0.90 per cent. The loan is to be repaid by way of 16 quarterly instalments. In 2004, four instalments equal to 1,250 thousand Euro will be repaid. The residual debt amounting to 2,812 thousand Euro is to be considered as the medium/long-term component.
- ⇒ A loan in foreign currency (1,025,000 US dollars) equivalent to 812 thousand Euro from the Banca Popolare di Lodi, falling due on 03/31/2004 and bearing interest at the LIBOR rate plus 1.2 per cent. The loan is repayable in a single lump-sum settlement at the date of maturation. Consequently, this is a short-term loan equal to 812 thousand Euro.

During the financial year the company had access to the following additional forms of financing.

- ⇒ A loan granted by the Cassa di Risparmio di Parma e Piacenza for an amount of 1,200 thousand Euro. The loan bears interest at the average EURIBOR rate of the preceding three months increased by 1.1 points and is repayable in 36 monthly instalments.
- ⇒ A loan of 2 million Euro secured from the Unicredit Banca d'Impresa for a period of 18 months less one day, bearing interest at the Euribor rate plus a spread of 1.25. The capital is to be repaid in a single instalment on 04/22/2005 and interest is repayable quarterly. The abovementioned loan was used to reduce the exposure of the subsidiary, Prima North America Inc. and the related signature loan in an amount of USD 2,300,000.

27) Amounts due to other lenders

At 12/31/03 the amounts due to other lenders consisted of:

⇒ A loan of 894 thousand Euro from the Ministry of Industry and Trade pursuant to Act 46/82, which established a special revolving fund for technological innovation. This loan has a ceiling of 1,069 thousand Euro and is for 15 years. Five of the fifteen years is a pre-amortization period bearing interest at a rate of 0.9825 per cent per annum. The loan is to be amortized over the remaining 10-year period with interest at a rate of 3.275 per cent. Consequently, the short-term portion of the loan equals 83 thousand Euro, whereas the remaining debt amounting to 811 thousand Euro is to be considered totally medium/long-term.

⇒ During the course of the financial year the loan granted in 1999 by a pool of credit institutions led by our stockholder Investire Partecipazioni, was completely extinguished. At 12/31/2002 this loan amounted to 2,800 thousand Euro.

We specify that the exchange adjustments on foreign currency loans were carried out directly in the Income Statement.

28) **Advances**

This item includes advances received from customers against uncompleted orders for 1,067 thousand Euro, as well as down payments from customers in confirmation of orders for 137 thousand Euro (the total liability at 12/31/2003 amounts to 1,204 thousand Euro).

This item increased by 260 thousand Euro with respect to the previous year, when it totalled 944 thousand Euro.

29) Trade accounts payable

With respect to the previous financial period, trade accounts payable decreased from 16,201 thousand Euro at 12/31/02 to 13,532 thousand Euro at 12/31/03, reflecting a reduction of 2,669 thousand Euro.

The decrease in trade accounts payable is a result of a combination of factors, primarily the reduction in the purchases of raw materials, as well as an improved use of warehouse inventories.

The details are as follows:

	Balance 12/31/03	Balance 12/31/02
- Trade accounts payable	11,536	15,070
- Invoices to be received	1,574	1,021
- Refunds to customers	422	110
	13,532	16,201

30) Amounts due to subsidiaries

Amounts due to subsidiaries amount to 2,787 thousand Euro compared with the 3,462 thousand Euro of the previous financial year.

Commercial supplies by these companies to us are conducted on normal market terms.

During 2003 the loan from the subsidiary company, Prima Electronics SpA increased by 500 thousand Euro. At the end of the financial year this loan amounts to 1,500 thousand Euro and bears interest at the Euribor rate + 0.50%. The trade accounts payable declined from 1,679 thousand Euro at 12/31/02 to 1,265 thousand Euro at 12/31/03.

The amounts due to subsidiaries in respect of liabilities of a commercial nature are as follows:

- Prima Electronics SpA for 695 thousand Euro
- Prima North America Inc. for 540 thousand Euro
- Prima Industrie GmbH for 30 thousand Euro

Moreover, at the end of 2003, the company had yet to receive invoices for 21 thousand Euro of which 10 thousand Euro is payable to Prima North America Inc. and 11 thousand Euro to Prima Scandinavia AB compared to the total amount of 783 thousand Euro at the end of 2002.

31) Taxes payable

This item can be broken down as follows:

	Balance 12/31/03	Balance 12/31/02
Amounts due to tax authorities for:		
- deductions of tax for IRPEF	338	315
- VAT foreign branches	200	151
- VAT to tax authorities	237	228
- Tax authorities for IRPEG	-	259
- Other taxes and dues	4	7
	779	960

IRPEF taxes deducted in December were duly paid to the tax authorities in January 2004. For more information kindly refer to the section on Income taxes.

32) Amounts due to provident and social security institutions

This item can be broken down as follows:

	Balance 12/31/03	Balance 12/31/02
- Amounts due to INPS	414	374
-Amounts due to INAIL	3	328
-Amounts due to INPDAI	-	55
- Amounts due to PREVINDAI	20	17
- Amounts due to ENASARCO	6	4
-Amounts due to Social security institutions for deferred compensation	221	182
	664	960

The item Amounts due to Social security institutions for deferred compensation, refers to the contributions relative to leave provided for but not taken, the thirteenth cheque, and other incentives for employees hired on a trial basis and business incentives earned at 12/31/03 but not yet paid.

All the other items refer to the liability due to social security institutions for compensation paid in December (INPS, INPDAI) or in the last quarter of the year (PREVINDAI, ENASARCO) or as the balance for the year (INAIL).

The decrease of 296 thousand Euro is mainly due to the cancellation of provisions, raised as a matter of prudence, relating to prior financial years.

33) Other payables

This item can be broken down as follows:

	Balance 12/31/03	Balance 12/31/02
- Amounts due for insurance policy adjustments	72	71
- Amounts due for deferred compensation	697	587
- Amounts due for directors' remuneration	33	47
- Amounts due as refunds to employees for travel	66	86
- Other minor items	16	9
	884	800

The amount due for deferred compensation relates to the charges due but not yet paid out for the balance of leave not taken, the thirteenth cheque for employees in their trial periods and business incentives earned at 12/31/2003 as well as the December salaries of the employees of the Swiss branch, duly paid in January 2004.

The remuneration payable to directors refers to emoluments for 2003 and those of prior periods still to be paid.

The item "Amounts due as refunds to employees for travel expenses" also includes corporate credit card charges to be received.

34) **ACCRUED EXPENSES AND DEFERRED INCOME**

At December 31, 2003 this item, compared to December 31, 2002, is made up as follows:

	Balance 12/31/03	Balance 12/31/02
Accrued expenses		
- Interest on MICA loan Act 46	12	7
- Interest on ITAINVEST loan	-	38
- Interest on UNICREDIT loan	13	-
- Interest on Mediocredito loan	19	30
- Branch costs	6	22
- Bank charges	7	3
- Other loans	2	5
- Sundry items	13	13
Total accrued expenses	72	118
Deferred income		
- Interest earned on discount transactions under the Sabatini Act	234	475
- Customer maintenance contracts	94	69
- SAP costs charged to PE	-	21
Total deferred income	328	565
Total accrued expenses and deferred income	400	683

Deferred income for interest on discount transactions under the Sabatini Act decreased

owing to the (pro quota) decrease in the transactions existing at 12/31/02 and the increase relative to a new transaction finalized during 2003.

MEMORANDUM ACCOUNTS

35) Unsecured guarantees given

Guarantees given on behalf of subsidiaries – The sum of 4,837 thousand Euro refers to two guarantees given to credit institutions that provided loans to Prima North America Inc. The item decreased by 324 thousand Euro owing to the difference in the Euro/Dollar exchange rate.

Guarantees given on behalf of others – These amount to 63 thousand Euro and refer to two guarantees: one (for 33 thousand Euro), given to Consorzio Garanzia Fidi Unionfidi, of which Prima Industrie is a member; the other, given to San Paolo IMI against a contract drawn up with a Chinese customer. These guarantees decreased by approximately 7 thousand Euro compared with the previous year, but only as a result of differences in the Euro/Dollar exchange rate.

36) Commitments

Interest Rate Swap Contract - On 05/30/03 an Interest Rate Swap contract was entered into with the Banca Akros. The contract is on the following terms and conditions:

- Starting date: 06/03/03
- Final expiry: 06/05/06
- Periodical expiry: quarterly
- Capital: 5,000,000 Euro
- Rate 1: 1st year 2.2
2nd year: 2.5
3rd year: 2.75
Basis: ACT/360
- Rate 2 : Euribor 3-month, for foreign currency applicable at the starting date of each period
Basis: ACT/360

At the expiry of each quarterly period the difference between the amount resulting from the application of rate 1 and the amount resulting from the application of rate 2 shall be paid by the Banca Akros to Prima Industrie, if the difference is a positive one. Vice-versa, Prima Industrie shall pay Banca Akros if the difference is a negative one.

During 2003, the effect of this transaction on the Income Statement equalled 145 Euro in Prima Industrie's favour.

PK9 Export Plus Contract – On 09/23/03 a contract to cover exchange rate risk was signed with the Banca Monte dei Paschi di Siena S.p.A.. The transaction called the PK9 Export Plus contract is on the following terms:

- Notional amount: USD 1,000,000
- Exercise price: the average rate of exchange for the USD/EUR applicable on 09/29/03 – 09/30/03 – 10/01/03 – 10/02/03
- Final price: the arithmetic average rate of exchange for the USD/EUR applicable on the following dates: 10/08/03 – 10/27/03 – 11/07/03 – 11/26/03 – 12/23/03 – 01/26/04 – 02/26/04 – 03/26/04
- Expiry date of the option: 03/29/04
- Premium: 2.85% on the notional value in USD
- Conditions of settlement: on the expiry of the option, the Banca Monte dei Paschi di Siena shall pay Prima Industrie an amount in Euro, equal to the positive difference between the equivalent value of the notional amount calculated at the exercise price and the equivalent value of the aforesaid amount calculated on the basis of the final price.
If the difference is negative, Prima Industrie shall not be required to pay anything.

Commitments in respect of currency transactions - The sum of 1,970 thousand Euro refers to a foreign currency futures transaction of USD 2,300,000. This transaction was effected to protect a repayment by Prima North America Inc. of 2,300,000 USD envisaged for April 2005, to be used to repay the loan of 2,000,000 Euro granted to us by UNICREDIT.

Commitments for lease instalments-These amounts total 1,504 thousand Euro (compared with 1,680 thousand Euro in the previous financial year) and relate to commitments for lease instalments: they relate to contracts for electronic office equipment (for 80 thousand Euro) and motor vehicles (38 thousand Euro) and to the factory at No. 28, Via Antonelli (1,386 thousand Euro). They represent the total amount of lease instalments falling due to leasing companies, including the final redemption price established by contract, but excluding the instalments already paid. Lease instalments falling due per annum are as follows:

Office equipment

2004	32 thousand Euro + 1 thousand Euro for redemptions
2005	26 thousand Euro + 10 thousand Euro for redemptions
2006	<u>10</u> thousand Euro + 1 thousand Euro for redemptions
Total	80

Motor vehicles

2004	16 thousand Euro
2005	<u>21</u> thousand Euro + 1 thousand Euro for redemption.
Total	38

Factory at No. 28 Via Antonelli

2004	222 thousand Euro
2005	222 thousand Euro
2006	222 thousand Euro
2007	222 thousand Euro
2008	222 thousand Euro
2009	<u>111</u> thousand Euro + 165 thousand Euro for redemption.
Total	1,386

37) CONTINGENCIES FOR BILLS DISCOUNTED

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

During 2003 a new transaction was carried out relative to the supply of a Tower Server to a customer that had already acquired the machine in 2002. Consequently, the overall contingency at the end of the financial year amounted to 3,001 thousand Euro compared with 4,005 thousand Euro in 2002.

The transactions still in existence relate to 9 customers.

Two of these transactions will be finalized in 2005, two in 2006 and five in 2007.

Furthermore 600 thousand Euro must be added relative to bills presented for discounting at the Banca Nazionale del Lavoro during the course of the 2003 financial year. This relates to cash orders that will fall due in the first few months of 2004.

38) Others

At December 31, 2003 the item includes the following other memorandum accounts:

Commitments to repurchase from customers and third parties – These total 4,790 thousand Euro (they were 1,765 thousand Euro at 12/31/2002) and 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 independent guarantees for the transaction to the third party lender.

The repurchase commitment is usually given for values that do not exceed market values at the time of the possible discussion in terms of the guarantee.

Company assets held by third parties – At December 31, 2003 these goods totalled 3,526 thousand Euro (4,191 thousand Euro in 2002). They relate to the following:

- materials and products at branch warehouses for 1,643 thousand Euro;
- spare parts held by customers for 70 thousand Euro;
- materials on deposit/for processing at suppliers amounting to 987 thousand Euro;
- semifinished and finished products held by third parties amounting to 826 thousand Euro.

The finished products include four machines, namely: a Platino situated at a Danish university and used for technological development relating to the “Publics” research project; a Platino 1530 at the UK branch, used for demonstrations; a Platino 1530 situated at a Spanish customer and which will be removed during February 2004 and a Platino 1530, which is being inspected at the premises of another Spanish customer.

These assets are included in the final inventory balance in the Financial Statements.

Guarantees given by third parties for our account – The sum of 8,048 thousand Euro (10,018 thousand in 2002) is made up of bank guarantees issued for bank loans mainly in favour of the subsidiary, Prima North America Inc. (altogether amounting to 4,197 thousand Euro); in favour 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 supplier Rofin Sinar and other minor ones.

It should also be noted that the company issued guarantees in favour of the real estate companies that own the factories, where the divisions of the subsidiary, Prima North America were transferred to, in 2003. More precisely:

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

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

39) REVENUES FROM SALES AND SERVICES

Revenues from the sales of goods are made up as follows:

	TOTAL		ITALY		EUROPE		R.O.W.		N.AMERICA	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
3D SYSTEMS	24,529	39	8943	14	10,744	17	3,177	5	900	2
2D SYSTEMS	26,211	42	7,067	11	14,907	24	4,038	6	964	2
CUSTOMER AND OTHER SERVICES	11,843	19	4,275	7	5,760	9	954	2	854	1
Total	62,583	100	20,285	32	31,411	50	8,169	13	2,718	5

Revenues in 2003 reduced by 7% with respect to the 67,464 thousand Euro of the previous year. The number of machines sold declined, but there was a shift in favour of the sale of 3D systems, with unit sale prices (and profitability) being higher on average.

40) CHANGES IN INVENTORIES OF WORK IN PROGRESS, SEMIFINISHED AND FINISHED PRODUCTS AND CONTACT WORK IN PROGRESS

In 2003, the value of finished products in inventory decreased by 1,097 thousand Euro (from 3,578 thousand Euro at the beginning of the year to 2,481 thousand Euro at year-end) pursuant to the decommissioning of a number of demo machines. Moreover, an allocation of 183 thousand Euro was made to the provision for writedowns of finished products in respect of used machines that will be resold in 2004 and a utilization of 114 thousand Euro was made in closure of the provision of the previous financial year.

Semifinished products in inventory also decreased by 419 thousand Euro (going from 2,753 thousand Euro to 2,334 thousand Euro).

41) INCREASES IN FIXED ASSETS FOR INTERNAL WORK

During 2003 the following costs were capitalized under the item "Tangible fixed assets":

	2003	2002
- Internal constructions	314	73
Total	314	73

The increases for internal constructions consist of off-line testing equipment for finished units and a machine used for simulation relating to the development of parts of new products, for a total of 302 thousand Euro. The increases also include light constructions for work relating to the new demo hall amounting to 12 thousand Euro.

42) OTHER INCOME AND REVENUES

This item is made up as follows:

	2003	2002
Grants related to assets	950	502
Insurance refunds	19	28
Services rendered and costs recharged to Prima Electronics	122	211
Non-operating profits and gains on disposals	379	439
Services rendered and costs recharged to Prima North America Inc.	83	98
Trade fair costs recharged to Matra Werke	-	53
Sundry income	203	35
Discounts and rebates	1	1
Total other income and revenues	1,757	1,367

Grants related to assets recorded in the Income Statement in 2003 relate to the portions of forgivable loans for research and development, which accrued in the course of 2003 and which relate to the following projects:

- EUREKA/PUBLICS, in respect of which the outstanding balance of 114 thousand Euro was collected.
- PAMELA, in respect of which the first tranche for the financial year, amounting to 462 thousand Euro, was confirmed.
- RESALT, in respect of which the first tranche for the financial year, amounting to 374 thousand Euro, was confirmed.

The non-operating profits (379 thousand Euro) mainly refer to adjustments of appropriations made in the previous year and in particular 109 thousand Euro relates to a greater amount refunded for IRPEG direct taxes for 1990.

Sundry income (equal to 203 thousand Euro) refers to Royalties collected of 32 thousand Euro, against the sale of licences, as well as to a machine purchased and resold during 2003 in an amount of 99 thousand Euro and other minor income totalling 72 thousand Euro.

COSTS OF PRODUCTION

43) PURCHASE OF RAW MATERIALS, CONSUMABLES AND SUPPLIES

This item is made up as follows::

	2003	2002
- Raw materials	31,039	36,047
- Consumables and supplies	714	661
- Other purchases	198	190
	31,951	36,898

In particular and insofar as raw materials are concerned, the following is worth mentioning:

	2003	2002
- Laser generators and parts	9,240	12,003
- Numeric controls and parts	1,968	2,653
- Completed sub-systems and mechanical components according to design	12,154	12,864
- Commercial components and others	7,677	8,527
	31,039	36,047

44) SERVICE EXPENSES

This item can be detailed as follows:

	2003	2002
- Work by third parties	4,483	5,169
- Travel expenses	2,012	2,051
- Technical, legal, tax & administrative consulting fees	1,628	2,251
- Freight	1,024	1,180
- Commissions	1,174	1,071
- Advertising and promotion	293	479
- Electricity, telephone, etc.	501	455
- Insurance	274	313
- External maintenance expenses	374	370
- Directors' remuneration	317	290
- Statutory auditors' remuneration	85	71
- Temporary work	330	216
- Other	811	812
	13,306	14,728

As regards work by third parties in 2003, a decrease of 686 thousand Euro occurred because the company reduced the number of outsourced contracts to third parties in favour of the purchase of complete (turnkey) components.

Technical consulting fees, (development of R&D projects), amounted to 961 thousand Euro; commercial consultancy fees amounted to 156 thousand Euro; and administrative and legal consultancy fees (lawyers, notaries, auditors, tax advisors etc.) amounted to 511 thousand Euro.

The most significant expenses for services included in the item "other" are entertainment expenses of 73 thousand Euro, translations - 57 thousand Euro, cleaning expenses - 110 thousand Euro and royalties- 52 thousand Euro.

45) LEASES AND RENTALS

This item can be detailed as follows:

	2003	2002
- Rent	275	260
- Motor vehicle and sundry leasing	250	311
- Sundry rental	345	352
- Leasing for Factory 2:	196	206
	1,066	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 portion of depreciation on the assets purchased under leasing contracts, commensurate with the estimated useful life of the assets, in addition to recording the asset in the Balance Sheet and the residual amount payable in the liabilities.

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

Sundry rental includes the costs incurred for electronic office equipment (personal computers) for 110 thousand Euro, for company cars, totalling 211 thousand Euro and other minor items for 24 thousand Euro.

The item "Leasing for Factory 2" refers to the nine-year leasing contract signed in June 2000 for the use of the manufacturing facility situated at No.28 Via Antonelli, adjoining the main factory.

46) PERSONNEL COSTS

Personnel costs rose from 12,003 thousand in 2002, to 12,657 thousand Euro in 2003. The increase was the result of higher labour costs and the growth (even if contained) in the number of our employees. During the year the Company hired a number of new employees, although it strove to keep the increase in costs to a minimum.

Furthermore, it should be borne in mind that because our company operates in a high-tech sector, staff are on average more specialized and thus the cost is higher than the average industry standard.

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

	12/31/02	Hired	Ceased employmnt	Promotions	12/31/03	Average for the period
Executives	12	1	(3)	1	11	11.5
Officers	7		(1)	2+(1)	7	7
Front-line managers	11	2	-	1+1+1+(2)	14	12.5
Office staff	120	9	(11)	13	131	125.5
Specialized workers	2	1	(1)	(1)	1	1.5
Production workers	70	4	(2)	(12)	60	65
Total	222	17	(18)	19+(16)	224	223

Insofar as staff employed by the branches is concerned the number remained constant at 31, compared with 2002.

Taking into account that the total increase in personnel was 0.9 per cent and that the increase in the cost of labour, in absolute terms was 5.5 per cent, it follows that the wage dynamics had an effect of 4.6 per cent.

47) AMORTIZATION/DEPRECIATION

Amortization of intangible fixed assets

Reference should be made to the applicable schedule showing changes in intangible fixed assets.

Depreciation of tangible fixed assets

Reference should be made to the applicable schedule showing changes in tangible fixed assets.

48) WRITEDOWN OF RECEIVABLES INCLUDED IN CURRENT ASSETS AND WRITEDOWN OF CASH AND CASH EQUIVALENTS

During the financial year, the company raised 50 thousand Euro to the allowance for doubtful accounts. The provision was made in compliance with civil and fiscal laws and taking into account the extent to which the receivables in portfolio could be collected. Thus the provision is tax deductible. The provisions made in previous years were not used during the financial year.

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

Inventories of raw materials, consumables and supplies decreased by 1,013 thousand Euro compared with the end of the previous financial year. This figure, which is a reflection of the improved management of inventories, includes a writedown of inventories for obsolescence equal to 253 thousand Euro.

50) PROVISIONS FOR RISKS

This item includes the provisions made during the financial year, net of utilizations, as detailed below:

	2003	2002
- Appropriations to the provision for contractual risks and charges	2,001	2,163
- Utilization of the 2001 provision for contractual risks and charges	(2,163)	(2,050)
- Appropriation to the provision for losses by investees:		
⇒ Prima Industrie GmbH (2002 financial year)	-	9
- Appropriations for potential liabilities:		
⇒ Provision for agents' customer indemnity	10	8
⇒ Litigation risks	15	-
Total	(137)	130

51) SUNDRY OPERATING EXPENSES

This item is made up as follows:

	2003	2002
- Non-operating losses and losses on disposals	303	382
- Penalties from customers	19	3
- Taxes and dues other than those on income	49	43
- Non-deductible gratuities and costs	122	138
- Association dues	77	75
- Branch taxes	15	24
- Sundry operating expenses	62	68
	647	733

Non-operating losses mainly refer to amounts pertaining to prior financial years where an incorrect provision was made. They also refer to assets that were found not to exist. The aforementioned were nevertheless related to the characteristic activity of the company.

The item Penalties from customers refers to the settlement and finalization of technical and commercial litigation with certain customers, as well as delays in deliveries due to technical problems.

The item "Sundry operating expenses" pertains to corporate expenses totalling 56 thousand Euro, deductible gratuities of 5 thousand Euro and other minor items of approximately 1 thousand Euro.

FINANCIAL INCOME AND EXPENSES

52) **INCOME FROM EQUITY INVESTMENTS**

The total amount of 454 thousand Euro refers to:

➤ Tax credits on the dividend distributed by Prima Electronics on the 2002 result received in 2003	154
➤ Dividends declared by Prima Electronics on the 2003 result, to be received in 2004	300
	=====
	454

The dividend for the 2003 financial year approved by the Prima Electronics SpA stockholders' meeting amounts to 300 thousand Euro and will be paid out with effect from May 2004.

53) **OTHER FINANCIAL INCOME FROM RECEIVABLES INCLUDED IN FINANCIAL FIXED ASSETS**

This refers to interest of 40 thousand Euro and 1 thousand Euro respectively due on loans made by the parent company Prima Industrie to the subsidiaries Prima North America Inc. and Prima Scandinavia AB. In the previous year these totalled 40 thousand Euro.

54) **OTHER FINANCIAL INCOME**

This item is made up of the following:

	2003	2002
- Positive exchange differences	1,734	832
- Interest income from customers	440	374
- Interest income on IRPEG refunded	-	29
- Interest earned on securities	7	22
- Interest income from banks and others	42	43
	2,223	1,300

Positive exchange differences refer to the collection of receivables and the payment of debts at exchange rates that were more favourable than those at the time of invoicing. The item also includes the gain made on certain covering transactions that matured during the course of 2003. Interest income from customers includes the 2003 portion of interest relating to the Sabatini pro solvendo transactions in existence.

INTEREST AND OTHER FINANCIAL EXPENSES

55) **INTEREST AND OTHER FINANCIAL EXPENSES DUE TO SUBSIDIARIES**

The sum of approximately 34 thousand Euro relates entirely to the interest accrued on a loan of 1,500 thousand Euro made by Prima Electronics to the parent company Prima Industrie.

56) **OTHER INTEREST AND FINANCIAL EXPENSES**

The item is made up as follows:

	2003	2002
- Interest paid on bank borrowings	181	300
- Interest paid on discount transactions under Sabatini Act	402	357
- Negative foreign exchange differences	1,925	1,260
- Other bank charges	266	173
- Interest paid on medium/long-term payables	400	537
- Interest paid on factoring	34	-
- Others	59	57
	3,267	2,684

Interest paid on medium/long-term payables includes interest on the loans granted by Mica (13 thousand Euro), IMI (approximately 44 thousand Euro), Mediocredito Umbro (approximately 14 thousand Euro), Banca Mediocredito (approximately 164 thousand Euro), Banca Intesa BCI Mediocredito (approximately 85 thousand Euro), Cassa Risparmio Parma e Piacenza (15 thousand Euro), Unicredit (13 thousand Euro) and Italinvest (52 thousand Euro).

The negative foreign exchange differences increased from 982 thousand Euro in 2002 to 1,154 thousand Euro in 2003. This was brought about by the weakening of the US dollar experienced throughout the year, which led to losses on receivables collected in that period and on sales invoiced in previous periods at a higher dollar exchange rate. To off set these losses, the company entered into hedging transactions, the positive results of which are highlighted in the item "Positive exchange differences".

The appropriations to the provision for exchange fluctuations amounted to 771 thousand Euro, against the 278 thousand Euro in 2002. This is a considerable increase and reflects, as previously indicated, the weakening of the US dollar in 2003, which is the main currency that Prima Industrie uses to invoice its American and overseas markets.

The item "Others" mainly refers to charges paid to financial institutions (45 thousand Euro).

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

57) WRITEDOWN OF EQUITY INVESTMENTS

The sum of 3,378 thousand Euro is made up of the appropriation made to cover losses sustained by the following companies:

- Prima North America Inc.	3,319
- Prima International BV	10
- Shenyang Prima Laser Machine Company Ltd	49
	<u>3.378</u>

EXTRAORDINARY INCOME AND EXPENSES

58) CAPITAL GAINS ON SALES

In 2003, pursuant to the sale of treasury stock, a capital gain of approximately 53 thousand Euro was made.

59) OTHER EXTRAORDINARY INCOME

The amount of 444 thousand Euro is made up of:

- partial recharging of costs incurred by the Parent company to the subsidiary Prima Electronics for a intervention campaign on new generation controls supplied by Prima Electronics (120 thousand Euro).

- the write-off of a debt budgeted for in previous years and unclaimed by the creditor for 5 years and in respect of which the risk of payment being claimed is deemed remote (324 thousand Euro).

60) **OTHER EXTRAORDINARY EXPENSES**

Other extraordinary expenses totalling 1,067 thousand Euro refer to:

- Costs incurred in relation to the OPA (take-over bid) for legal (133 thousand Euro), financial (257 thousand Euro) and communication advice (45 thousand Euro).
- Costs relative to an intervention campaign on new generation systems supplied by Prima Electronics (480 thousand Euro).
- Early retirement incentives relating to the outsourcing of activities previously carried out internally (152 thousand Euro).

61) **INCOME TAXES FOR THE FINANCIAL YEAR**

Current taxes

Current taxes total 825 thousand Euro compared to 1,271 thousand in the previous year and relate to the utilization of the provision for deferred taxes (409 thousand Euro) gross of credits for taxes paid in advance (709 thousand Euro), as well as IRAP for the year (551 thousand Euro), which is also net of the utilization of the provision for deferred taxes (36 thousand Euro) and gross of credits for taxes paid in advance (10 thousand Euro).

Deferred taxes

The application of Accounting Principle No. 25 relating to deferred taxes, had a net positive effect on income for the year (equal to 686 thousand Euro).

As a matter of prudence, the amount of the deferred tax assets derived from the tax loss for the year was not included. Had this been included it would have resulted in a positive effect equal to approximately 323 thousand Euro.

The details are as follows:

	Taxability Deferred asset	Deferred tax asset
<i>Amounts at 37.25%</i>		
Entertainment expenses	53	
Provision for contractual risks and charges	2,001	
Provision for writedowns of inventory	849	
Provision for agents' customer indemnity	79	
Provision for litigation risks		
Association dues	7	
Total	2,989	1,113
<i>Amounts at 33%</i>		
Non-deductible allowance for doubtful accounts	375	
Directors' remuneration not paid	33	
Provision for probable taxes	150	
Writedown of equity investments	7,401	
Total	7,959	2,627
Total taxability –deferred asset	10,948	3,740
(-) Deferred tax asset at 12/31/2002		(3,423)
(+) Utilization at 12/31/2003		719
Total recorded in the 2003 Income Statement		1,036

	Taxability Deferred liability	Deferred tax liability
<i>Amounts at 37.25%</i>		
Capital gains 2000	1	
Taxable credit Act 140	74	
Eureka/Publics grant	1,126	
Brite Hatlas grant	180	
Sincrono (formerly Lightpress) grant	360	
PAMELA grant	462	
Resalt grant	374	
Total	2,577	960
<i>Amounts at 33%</i>		
5% Dividends Prima Electronics 2003	15	
Total	15	5
Total Taxability-deferred liability	2,592	965
(-) Deferred tax liability at 12/31/2002		(1,060)
(+) Utilization at 12/31/2003		445
Total recorded in the 2003 Income Statement		350

APPENDICES

The following appendices contain additional information to the Notes and form an integral part of same.

The aforesaid information is contained in the following schedules:

- Statement of changes in stockholders' equity in the years ended December 31, 2003 and 2002.
- List of equity investments in subsidiaries and associated companies at December 31, 2003 ex-art. 2427, No.5 of the Italian Civil Code.
- Statement of changes in financial fixed assets: equity investments in subsidiaries.
- Statement of changes in current assets: equity investments in other companies.
- Statement of changes in intangible fixed assets for the financial year ended December 31, 2003.
- Statement of changes in tangible fixed assets for the financial year ended December 31, 2003.
- Summary of the highlights of the most recently approved Financial Statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code).
- Statement of cash flows for the financial years ended 2003 and 2002.

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

- Statement of compensation paid to directors, statutory auditors and the general manager
- Information on stock options assigned to directors and the general manager

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
IN THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(thousands of Euro)**

Description	Capital Stock	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for Treasury Stock	Statutory reserve	Coverage of Losses during the year	Profits (Losses) carried forward	Profit (Loss) for the year	Total Stockholders' equity
Balances at 12/31/01	10,375	14,020	-	658	-	5,610	-	-	1,134	31,797
• Allocation of 2001 result	-	-	-	57	-	1,077	-	-	(1,134)	-
• Adjustment of Reserve for treasury stock	-	-	-	-	472	(472)	-	-	-	-
• Profit (loss) for the year	-	-	-	-	-	-	-	-	(4,880)	(4,880)
Balances at 12/31/02	10,375	14,020	-	715	472	6,215	-	-	(4,880)	26,917
• Allocation of 2002 result						(4,880)			4,880	
• Increase in capital on the 11/02/03 reserved for institutional investors	1,125	2,842	-	15	-	-	-	-	-	3,982
• Reserve for treasury stock					(149)	149				
• Profit (loss) for the year									(2,511)	(2,511)
Balances at 12/31/03	11,500	16,862	-	730	323	1,484	-	-	(2,511)	28,388

LIST OF EQUITY INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES
(at December 31, 2003)

Capital stock	Stake	Result for the year (thousands of Euro)	Net stockholders' equity (thousands of Euro)	Book value Prima Industrie SpA (thousands of Euro)
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SUBSIDIARIES

(included in the area of consolidation)

Prima Electronics SpA	Strada Carignano, 48/2 10024 Moncalieri (Turin)		€ 1,500,000	100%	992	5,352	1,705
Prima North America, Inc.	<i>Convergent Lasers Divison & Prima Laser Tools Division:</i> 711 East Main Street Chicopee, MA 01020 (USA)	<i>Laserdyne Systems Division:</i> 8600 109 th Av. North Champlin, MN 55316 (USA)	U.S. 20,000,000	100%	(3,705)	2,657	5, 515
Prima Industrie GmbH	Shöne Aussicht 5a Kronberg (D)		D.M. 50,000	100%	(9)	(150)	(131)
Prima Scandinavia AB	Mölnålsvägen 30c SE-412 63 Goteborg (S)		SEK 100.00	100%			11

ASSOCIATED COMPANIES

(unconsolidated)

Macro Meccanica SpA (in liquidation) (*)	Via don Sapino 134 10040 Venaria – Fraz. Savonera (Turin)		Lire 630 million	35.48%	213	(1,222)	0
Shenyang Prima Laser Machine Company Ltd	Shenyang Liaoning Province, China 45 Huanghai Rd, Yuhong District		U.S. 1,000,000	50%	(97)	142	283
SNK Prima Company Ltd (**)	Misaki Plant Fuke, Misaki-Cho, Sennan-Gun, Osaka - Japan		Yen 90,000,000	50%	(55)	571	390
Shanghai Unity Prima Laser Machinery Co Ltd.	2019, Kunyang Rd. Shanghai 201111 - China		Rmb 16,000,000	27.50%			450
Mechanical Industries Srl (insolvent (***))	Via don Sapino 134 10040 Venaria – Fraz. Savonera (Turin)		€487,289	21.62%	1	492	0

(*) most recently approved liquidation Financial Statements: 12/31/2001

(**) most recently approved Financial Statements 03/31/03

(***) most recently approved Financial Statements 12/31/01

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

(thousands of Euro)

	Initial position			Movements during the year		Final position
	Original cost valued according to the Cost method	Revaluations Writedowns	Balance at 01/01/2003	Increases	Decreases	Balance at 12/31/2003
Prima Electronics SpA Strada Carignano, 48/2 10024 Moncalieri (Turin)	1,705	-	1,705	-	-	1,705
Prima North America, Inc. 711 East Main Street Chicopee, MA 01020 (USA) 8600 109 th Av. North Champlin, MN 55316 (USA)	16,326	(12,141)	4,185	4,649	(3,319)	5,515
Prima Industrie GmbH Shöne Aussicht 5a - Kromberg (D)	-	-	-	-	-	-
Prima Scandinavia AB Mölnsdalsvägen 30c SE-412 63 Goteborg (S)	-	-	-	11	-	11
TOTAL	18,031	(12,141)	5,890	4,660	(3,319)	7,231

STATEMENT OF CHANGES IN CURRENT ASSETS

(thousands of Euro)

EQUITY INVESTMENTS IN OTHER COMPANIES:

Description	Accounting position	Movements during the year		Final position Balance at 12/31/2003	Stake
		Increases	Decreases		
Unionfidi	0.1 Original cost 1/1/03 valued according to the cost method	-	-	0.1	-

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 2003

(thousands of Euro)

Fixed assets	Initial position			Movements during the year		Final position		
	Original cost	Accumulated depreciation	Balance 1.1.2003	Acquisitions	Amortization, Depreciation and writedowns	Original cost	Accumulated depreciation	Balance 12/31/2003
Plant and expansion costs	168	(101)	67	-	(34)	168	(135)	33
Research, development and advertising costs	6,539	(6,486)	53	-	(53)	6,539	(6,539)	-
Industrial patent and intellectual property rights	1,163	(975)	188	102	(169)	1,265	(1,144)	121
Concessions, licences, trademarks and similar rights	9	(3)	6	1	(1)	10	(4)	6
Goodwill	-	-	-	-	-	-	-	-
Fixed assets under construction and advances	-	-	-	-	-	-	-	-
Other intangible fixed assets	1,391	(1,045)	346	42	(69)	1,433	(1,114)	319
	-----	-----	-----	-----	-----	-----	-----	-----
Total	9,270	(8,610)	660	145	(326)	9,415	(8,936)	479
	=====	=====	=====	=====	=====	=====	=====	=====

**STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003**

(thousands of Euro)

Fixed assets	Initial position				Movements during the year				Final position			
	Original cost	Revaluations	Accum. Deprec.	Bal. at 1.1.2003	Additions	Disposals.	Depreciat.	Utilization of Accum. Deprec.	Original cost	Revaluations	Accum. Deprec.	Bal. at 12/31/2003
Land and buildings	661	-	(154)	507	57	-	(31)	-	718	-	(185)	533
Plant and machinery	1,591	11	(980)	622	9	(42)	(92)	10	1,558	11	(1,062)	507
Industrial and commercial equipment	1,333	-	(1,102)	231	351	-	(138)	-	1,684		(1,240)	444
Other tangible assets	1,373	6	(1,127)	252	48	(4)	(93)	4	1,417	6	(1,216)	207
Fixed assets under construction and advances	-	-	-	-	-	-	-	-	-	-	-	-
Total	4,958	17	(3,363)	1,612	465	(46)	(354)	14	5,377	17	(3,703)	1,691

**SUMMARY OF THE HIGHLIGHTS
OF THE MOST RECENTLY APPROVED FINANCIAL STATEMENTS OF
SUBSIDIARIES AND ASSOCIATED COMPANIES (ART. 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
Currency of account	Thousands of Euro	Thousands of US\$	Thousands of Euro	Thousands of Euro	Thousands of US\$	Thousands of Yen	Thousands of Euro	Thousands of Euro
Reference period of the Financial Statements	2003	2003	2003	Company in liquidation	2003	31/03/2003	2001	2001
Included in the area of consolidation (line-by-line)	YES	YES	YES	YES	NO	NO	NO	NO
<u>ASSETS</u>								
Fixed assets	1,673	5,492	-	-	270	55,620	-	1,809
Current assets	9,303	16,278	45	-	1,082	59,182	503	1,098
Accrued income & prepaid expenses	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457</u>
Total assets	<u>10,997</u>	<u>21,770</u>	<u>45</u>	<u>=</u>	<u>1,352</u>	<u>114,802</u>	<u>503</u>	<u>3,364</u>
<u>LIABILITIES</u>								
Stockholders' equity	5,352	3,355	(150)	-	179	77,050	(1,222)	492
Provision for risk and charges	193	1,791	2	-	-	-	410	-
Employees' severance pay	1,118	-	-	-	-	-	35	383
Payables	4,312	16,624	191	-	1,173	37,752	1,280	2,472
Accrued expenses & deferred income	<u>22</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
Total liabilities	<u>10,997</u>	<u>21,770</u>	<u>45</u>	<u>=</u>	<u>1,352</u>	<u>114,802</u>	<u>503</u>	<u>3,364</u>
<u>INCOME STATEMENT</u>								
Sales	13,589	29,550	-	-	1,790	4,739	-	2,997
Value of production	13,644	27,582	-	-	1,790	4,739	15	3,237
Costs of production	<u>(11,828)</u>	<u>(30,455)</u>	<u>(9)</u>	<u>(7)</u>	<u>(1,954)</u>	<u>(12,299)</u>	<u>(304)</u>	<u>(3,094)</u>
Difference between value and cost of production	1,816	(2,873)	(9)	(7)	(164)	(7,560)	(289)	143
Financial management	(30)	(568)	-	(3)	(35)	2	(5)	(37)
Extraordinary management	79	(809)	-	-	76	-	507	(2)
Taxes	<u>(873)</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103)</u>
Net profit (loss)	<u>992</u>	<u>(4,192)</u>	<u>(9)</u>	<u>(10)</u>	<u>(123)</u>	<u>(7,558)</u>	<u>213</u>	<u>1</u>

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 2003
(thousands of Euro)

	2003	2002
A) Opening net financial position	(21,896)	(12,602)
B) Cash flow from operations	(1,106)	(2,888)
• Net profit (loss)	(2,834)	(4,880)
• Amortization/Depreciation	679	851
• Net change in provision for employees' severance pay	321	366
• Net change in provisions for risks	356	539
• Allocations to provision for doubtful accounts	50	122
• Allocations to provision for writedown of finished products	69	114
• Allocations to provision for writedown of raw materials	253	-
B)bis Capital increases	3,982	
C) Cash flow from changes in current assets	11,884	(10,220)
• Net decrease / (increase) in inventories	2,276	(259)
• Net decrease / (increase) in trade accounts receivable	7,375	(7,305)
• Net decrease / (increase) in receivables from subsidiaries and associated companies	5,501	(706)
• Decrease / (Increase) in other receivables	275	(613)
• Decrease / (Increase) accrued income & prepaid expenses	163	(193)
• (Decrease) / Increase in provision for tax	(95)	(142)
• (Decrease) / Increase in advances from customers	261	459
• (Decrease) / Increase in trade payables	(2,670)	(1,905)
• (Decrease) / Increase in payables to subsidiaries and associated companies	(676)	334
• (Decrease) / Increase in other payables	(391)	711
• (Decrease) / Increase in accrued expenses & deferred income	(283)	(129)
• Decrease / (Increase) in treasury stock	148	(472)
D) Cash flow from changes in fixed assets	(6,414)	3,814
• Capitalisation of intangible fixed assets	(144)	(82)
• Purchases of tangible fixed assets	(465)	(256)
• Sales of assets	46	13
• Utilization of accumulated depreciation	(14)	(8)
• Decrease / (Increase) in equity investments	(5,106)	(5,044)
• Decrease / (Increase) in financial receivables	(4,109)	1,362
• Decrease / (Increase) in guarantee securities	-	-
• Allocations to provision on equity (+G/C)	3,378	7,831
E) Closing net financial position	(13,550)	(21,896)
• Amounts due to banks	(14,884)	(20,874)

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

(894)	(3,694)
2,228	2,155
-	517

COMPENSATION PAID TO DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS
(information expressed in thousands of Euro)

As required by article 78 of Consob regulation No. 11971 approved on 5/14/99 a summary of the compensation paid to directors, statutory auditors and the general manager by Prima Industrie SpA and the subsidiary companies, relating to the persons who held such appointments during the year 2003, is provided hereinbelow.

Surname and name	Appointment	Term of office	Date on which the appointment terminates	Remuneration for the appointment in the company which prepares the Financial Statements	Non-monetary benefits	Bonuses and other incentives	Other compensation (salaries)
PALMERI Aldo	Chairman of the Board of Directors Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	16,500	-	-	-
CARBONATO Gianfranco	Chief Executive Officer Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	268,000	Car 4,010	-	-
DELLA ROSA Giulia Luigia	Director Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	5,500	-	-	-
TAKANEN Francesco (2)	Director Prima Industrie	From 01/01/03 to 06/19/03	Approv. Financial Statements 2004	2,750	-	-	-
RAFIC Y Mansour	Director Prima Industrie	From 8/28/03 to 12/31/03	Approv. Financial Statements 2004	1,833	-	-	-
D'ISIDORO Sandro	Director Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	5,500	-	-	-
MORFINO Giuseppe	Director Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	5,500	-	-	-
MAZZOTTO Paolo	Director Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	5,500	-	-	-
PEIRETTI Domenico	Director Prima Industrie	1/01/03 – 12/31/03	Approv. Financial Statements 2004	5,500	-	-	-
FORMICA Riccardo	Chairman of the Board of Statutory Auditors	1/01/03 – 12/31/03	Approv. Financial Statements 2003	27,162	-	-	-
MOSCA Andrea	Statutory auditor	1/01/03 – 12/31/03	Approv. Financial Statements 2003	23,521	-	-	-
PETRIGNANI Roberto	Statutory auditor	1/01/03 – 12/31/03	Approv. Financial Statements 2003	20,755	-	-	-
RUGGERI Stefano Maria	Alternate auditor	1/01/03 – 12/31/03	Approv. Financial Statements 2003	-	-	-	-
CODA Roberto	Alternate auditor	1/01/03 – 12/31/03	Approv. Financial Statements 2003	-	-	-	-
DELLE PIANE Alberto	Corporate General Manager	1/01/03 – 12/31/03	-	-	Car 3,197	-	159,651

BASSO Ezio	General Manager	1/01/03 – 12/31/03	-	-	Car 2,193	-	148,705
CARBONATO Gianfranco	Chairman Prima Electronics	1/01/03 – 12/31/03	Approv. Financial Statements 2003	-	-	-	13,500
PEIRETTI Domenico	Chief Executive Officer Prima Electronics	1/01/03 – 12/31/03	Approv. Financial Statements 2003	-	Car 3,331	-	164,626 (3)

(1) Determined on the accrual basis

(2) The remuneration of Mr Takanen is charged by Investire Partecipazioni SpA

(3) Of which €38,500 as remuneration for the appointment of Chief Executive Officer of Prima Electronics and €126,126 as remuneration as an employee in Prima Electronics

STOCK OPTIONS ASSIGNED TO THE DIRECTORS AND GENERAL MANAGERS

As required by article 78 of Consob regulation No. 11971 approved on 5/14/99 a summary of stock options assigned to the directors and general manager by Prima Industrie SpA and subsidiary companies, relating to the persons who held such appointments during the year 2003, is provided hereinbelow.

Name and surname	Appointment	Options held at the start of the year			Options assigned during the year			Options exercised during the year			Options lapsed during yr.	Options held at the end of the year		
		Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Ave. market price at exercise date		Number of options	Number of options	Average exercise price
Gianfranco CARBONATO	C.E.O Prima Industrie	8000	Euro 13.11	July 03	8000	Euro 7.883	July 04	-	-	-	8000	8000	Euro 7.883	July 04
Alberto DELLE PIANE	Corporate general manager	4000	Euro 13.11	July 03	6000	Euro 7.883	July 04	-	-	-	4000	6000	Euro 7.883	July 04
Ezio BASSO	General manager Prima Industrie	4000	Euro 13.11	July 03	6000	Euro 7.883	July 04	-	-	-	4000	6000	Euro 7.883	July 04
Domenico PEIRETTI	C.E.O Prima Electronics	4000	Euro 13.11	July 03	6000	Euro 7.883	July 04	-	-	-	4000	6000	Euro 7.883	July 04

For further information on the terms envisaged by the Stock option plan, as well as a general description of the main elements and objectives of same, kindly refer to the relevant section in the report on operations.

PRIMA INDUSTRIE GROUP
CONSOLIDATED BALANCE SHEET

At 31 December 2003

(in euros)

<u>ASSETS</u>	<u>31-Dec-03</u>	<u>31-Dec-02</u>
A. SUBSCRIBED CAPITAL UNPAID	<u>0</u>	<u>0</u>
B. FIXED ASSETS		
I. Intangible assets		
1) Formation, start-up and similar costs	33.735	67.471
2) Research, development and advertising costs	0	52.892
3) Industrial patent and intellectual property rights	121.957	292.385
4) Concessions, licences, trademarks and similar rights	7.976	8.494
5) Goodwill	2.506.395	3.470.992
6) Assets under development and payments on account	0	0
7) Other intangible assets	<u>1.175.084</u>	<u>616.964</u>
	3.845.147	4.509.198
II. Tangible assets		
1) Land and buildings:	3.342.427	3.298.316
less: accumulated depreciation	(493.650)	(396.885)
2) Plant and machinery	3.120.081	3.350.393
less: accumulated depreciation	(2.309.026)	(2.287.258)
3) Industrial and commercial equipment	4.231.453	3.873.861
less: accumulated depreciation	(3.490.732)	(3.320.107)
4) Other tangible assets	4.740.882	5.065.664
less: accumulated depreciation	(4.087.355)	(4.189.899)
5) Assets under construction and payments on account	<u>0</u>	<u>0</u>
	5.054.080	5.394.085
III. Financial fixed assets		
1) Equity investments in:		
a) subsidiaries	10.955	0
less: provision for losses related to shares	0	0
b) associated companies	1.133.119	672.973
c) other companies	<u>0</u>	<u>0</u>
	1.144.074	672.973
2) Financial accounts receivable from:		
a) subsidiaries	100.920	0
b) associated companies	150.416	230.416
c) parent companies	0	0
d) others	<u>137.211</u>	<u>178.131</u>
	388.547	408.547
3) Other securities	0	0
4) Treasury stocks	<u>0</u>	<u>0</u>
	1.532.621	1.081.520
TOTAL FIXED ASSETS (B)	<u>10.431.848</u>	<u>10.984.803</u>
C. CURRENT ASSETS		
I. Inventories		
1) Raw materials, consumables and supplies	13.615.980	15.718.987
2) Products in course of manufacture and semifinished goods	1.478.907	0
3) Contract work in progress	4.203.040	7.227.615
4) Finished goods and merchandise	5.056.401	7.121.100
5) Advances	41.250	0
less: provision for writedown of raw materials	(1.834.924)	(1.589.982)
less: provision for writedown of finished goods	<u>(995.212)</u>	<u>(400.336)</u>
	21.565.442	28.077.384
II. Accounts receivable		
1) Trade accounts receivable	40.538.885	52.252.221
less: provision for bad debts (taxed and untaxed)	(1.541.789)	(1.462.661)
2) from subsidiaries	3.132	0
3) from associated companies	1.350.850	1.835.018
4) from parent companies	0	0
5) other accounts receivable	<u>9.295.613</u>	<u>10.004.894</u>
	49.646.691	62.629.472
III. Current financial assets		
1) Equity investments in subsidiaries	0	0
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	323.797	472.373
5) Other securities	<u>0</u>	<u>517.000</u>
	323.926	989.502
IV. Cash and cash equivalents		
1) Bank and postal accounts	3.589.661	2.798.929
2) Cheques	0	0
3) Cash and cash equivalents on hand	<u>17.728</u>	<u>12.653</u>
	3.607.389	2.811.582
TOTAL CURRENT ASSETS (C)	<u>75.143.448</u>	<u>94.507.940</u>
D. ACCRUED INCOME AND PREPAID EXPENSES		
1) Issue discounts and other similar charges on loans	0	23.862
2) Other accrued income and prepaid expenses	164.443	120.894
	<u>164.443</u>	<u>144.756</u>
TOTAL ASSETS	<u>85.739.739</u>	<u>105.637.499</u>

PRIMA INDUSTRIE GROUP
CONSOLIDATED BALANCE SHEET

At 31 December 2003
(in euros)

LIABILITIES AND
SHAREHOLDERS' EQUITY

31-Dec-03

31-Dec-02

A. SHAREHOLDERS' EQUITY

I. Share capital	11.500.000	10.375.000
II. Share premium reserve	15.733.513	12.890.823
III. Revaluation reserves	0	0
IV. Legal reserve	729.550	714.740
V. Reserve for treasury stocks in portfolio	323.797	472.373
VI. Statutory reserves	0	0
VII. Other reserves	1.483.662	6.214.908
VIII. Profits (losses) carried forward	1.584.314	1.728.010
IX. Net profit (loss)	(2.952.729)	(5.023.517)
XI. Reserve for exchange difference	(672.668)	(123.894)
XII. Consolidation reserve	0	0

TOTAL SHAREHOLDERS' EQUITY - GROUP

	<u>27.729.439</u>	<u>27.248.443</u>
X. Minority interest	0	0

TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY

	<u>27.729.439</u>	<u>27.248.443</u>
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B. PROVISIONS FOR LIABILITIES AND EXPENSES

1) Provisions for pension and similar costs	0	0
2) Provisions for income taxes	150.000	150.000
3) Other provisions	3.659.701	3.322.050
4) Provisions for deferred taxes	1.217.486	1.257.986
	<u>5.027.187</u>	<u>4.730.036</u>

C. EMPLOYEES'

SEVERANCE PAY	<u>4.163.618</u>	<u>3.707.729</u>
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D. ACCOUNTS PAYABLE

1) Bonds	0	0
2) Convertible bonds	0	0
3) Amounts due to banks	22.888.373	37.207.690
4) Amounts due to other lenders	3.042.379	5.375.386
5) Payments on account	1.440.977	1.126.542
6) Trade accounts payable	17.553.869	21.412.213
7) Notes payable	0	0
8) Accounts payable to subsidiaries	11.528	0
9) Accounts payable to associated companies	0	0
10) Accounts payable to parent company	0	0
11) Taxes payable	958.319	1.287.713
12) Amounts owing to social security institutions	821.644	1.095.839
13) Other accounts payable	1.655.857	1.630.947
	<u>48.372.946</u>	<u>69.136.330</u>

E. ACCRUED LIABILITIES AND DEFERRED INCOME

1) Issue premiums	0	0
2) Other accrued liabilities and deferred income	446.549	814.961
	<u>446.549</u>	<u>814.961</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>85.739.739</u>	<u>105.637.499</u>
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PRIMA INDUSTRIE GROUP

MEMORANDUM ACCOUNTS

At 31 December 2003

(in euros)

	31 December 2003	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	63.571	69.881
	63.571	69.881
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	63.571	69.881
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	1.970.359	0
c) leases falling due in the short term	37.566	50.022
Total commitments	2.007.925	50.022
4. Contingencies		
a) bills discounted	599.681	107.426
b) other	0	0
Total contingencies	599.681	107.426
5. Other memorandum accounts		
a) Repurchase commitments	4.789.784	1.764.513
b) Company goods held by third parties	4.026.992	4.640.328
c) Bank guarantees given by third parties on our behalf	3.851.521	2.791.265
Total other memorandum accounts	12.668.297	9.196.106
	15.339.474	9.423.435

PRIMA INDUSTRIE GROUP
CONSOLIDATED INCOME STATEMENT

At 31 December 2003

(in euros)

	31-Dec-03	31-Dec-02
A. VALUE OF PRODUCTION		
1) Revenues from sales and services	94.999.959	100.527.764
2) Changes in inventories of work in process, semifinished and finished goods	(2.247.731)	(1.778.822)
3) Changes in contract work in progress	(1.112.545)	302.351
4) Capitalisation of internal construction costs	372.315	163.931
5) Other revenues and income		
a) operating grants		
b) sundry	1.630.084	1.480.899
	<u>2.552.248</u>	<u>1.480.899</u>
TOTAL VALUE OF PRODUCTION (A)	<u>93.642.082</u>	<u>100.696.123</u>
B. COSTS OF PRODUCTION		
6) Purchase of raw materials, consumables and supplies	(44.449.329)	(53.160.273)
7) Service expenses	(17.954.871)	(20.119.531)
8) Leases and rent costs	(1.729.245)	(1.889.399)
9) Personnel expenses :		
a) salaries and wages	(17.134.461)	(19.707.059)
b) social security	(5.111.151)	(5.214.708)
c) employees' severance pay	(746.746)	(693.279)
d) pension and similar costs	0	0
e) other	(505.456)	(353.031)
	<u>(23.497.814)</u>	<u>(25.968.077)</u>
10) Amortization, depreciation and writedowns		
a) amortization of intangible assets	(1.019.054)	(1.432.868)
b) depreciation of tangible assets	(982.554)	(1.084.257)
c) writedown of tangible and intangible assets	0	0
d) provisions for writedown of current assets and cash and cash equivalents receivable	(140.418)	(129.874)
	<u>(2.142.026)</u>	<u>(2.646.999)</u>
11) Changes in inventories of raw materials, consumables, supplies and merchandise	(1.598.617)	1.455.333
12) Provisions for risks	(657.578)	452.269
13) Other provisions	0	0
14) Sundry operating expenses	(1.023.389)	(1.342.890)
	<u>(93.052.869)</u>	<u>(103.219.567)</u>
TOTAL COST OF PRODUCTION (B)	<u>(93.052.869)</u>	<u>(103.219.567)</u>
OPERATING PROFIT (LOSS) (A - B)	589.213	(2.523.444)
C. FINANCIAL INCOME AND EXPENSES		
15) Investment income		
a) dividends and other income from subsidiaries	154.530	168.750
b) dividends and other income from associated companies	0	0
c) dividends and other income from other companies	0	168.750
	<u>154.530</u>	<u>0</u>
16) Other financial income:		
a) from accounts receivable included in fixed assets	0	0
- from subsidiaries	546	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	2.296.809	1.290.824
	<u>2.296.809</u>	<u>1.290.824</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	(3.869.677)	(3.417.494)
	<u>(3.869.677)</u>	<u>(3.417.494)</u>
TOTAL FINANCIAL INCOME AND EXPENSES (C)	<u>(1.417.792)</u>	<u>(1.957.920)</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	(48.693)		(938.468)	
b) financial assets	0		0	
c) current securities	0	(48.693)	0	(938.468)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS (D)		(48.693)		(938.468)

E. EXTRAORDINARY INCOME AND EXPENSES

20) Extraordinary income:				
a) gains on disposal of assets	55.291			
b) other extraordinary income	520.856	576.147	544	544
21) Extraordinary expenses:				
a) losses on disposal of assets	(228)		0	
b) taxes for prior years	(1.782.094)	(1.782.322)	(150.000)	(150.000)
c) other extraordinary expenses				
TOTAL EXTRAORDINARY INCOME AND EXPENSES (E)		(1.206.175)		(149.456)

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

22) INCOME TAXES :				
- current income taxes		(1.582.358)		(2.162.631)
- deferred income taxes		713.076		2.708.402

23) NET PROFIT (LOSS)		(2.952.729)		(5.023.517)
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PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTEREST 0 0

PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP (2.952.729) (5.023.517)

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

For the Board of Directors
The Managing Director
Mr Gianfranco CARBONATO

THE PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 12/31/03

NOTES TO THE FINANCIAL STATEMENTS

1. GROUP ACTIVITIES

PRIMA INDUSTRIE SpA's corporate mission is the design, manufacture and sale of electrical and electronic equipment, instruments, machines and mechanical systems and the related software programs for use in industrial automation or in other sectors in which the company's technology may be usefully employed.

The company is also capable of providing industrial services of a technical, planning and organizational nature in the field relating to the production of capital goods and industrial automation.

The company's main business is focused in the sector of laser machines for cutting and welding.

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

The company may also acquire and grant manufacturing licences.

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

- the Convergent Lasers Division: which designs, manufactures, sells and renders assistance in respect of industrial lasers throughout the world.
- the Laserdyne Systems Division: which designs, manufactures, sells and renders assistance in respect of Laserdyne systems throughout the world. These systems are specialized in the use of lasers for the production of components for aeronautic motors and turbines for the generation of energy.
- the Prima Laser Tools Division: which is engaged in the sale and installation in North America of Prime Industrie's products, as well as the provision of technical assistance in respect thereof.

PRIMA INDUSTRIE GmbH, a company incorporated in terms of German law, is primarily engaged in providing after-sales service. Since the 1996 financial year and also because of the commercial agreement with Matra-Werke, the company has been dormant.

Prima Industrie International BV (a company incorporated in terms of Dutch law), was placed into liquidation during the course of the 2003 financial year.

PRIMA SCANDINAVIA AB (incorporated in terms of Swedish law) carries out management and promotional activities and also provides assistance for Prima Industrie's products on the Scandinavian market. It commenced its operations at the end of the 2003 financial year and therefore it has not been included in the consolidation of the Financial Statements, which closed at 12/31/03 in that it was not significant.

PRIMA UK (a company incorporated in terms of English law) was incorporated on the 12/03/03 and with effect from 01/01/04 it took over the activities of the English branch of Prima Industrie. It will be included in the consolidation with effect from the 2004 financial year.

2. FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Prima Industrie Group are comprised of the Financial Statements of Prima Industrie S.p.A, which is the parent company, Prima Electronics SpA, Prima North America and Prima Industrie GmbH, which companies are all wholly-owned subsidiaries.

These companies are consolidated using the full consolidation method. The companies included in the area of the consolidation are listed in the Appendix.

The reference date for the Consolidated Financial Statements coincides with the closure of the Financial Statements of the parent company.

The Financial Statements that have been used are those that were put forward to the stockholders and members of the individual companies by the respective administrative and controlling bodies. These statements are reclassified and, where necessary, also modified to render them consistent with the standard accounting principles within the group and to eliminate the effects of adjustments made purely for the purposes of compliance with tax legislation. These adjustments are reflected in the "Connection between the Stockholders' Equity and the Financial Results of Prima Industrie S.p.A and the Stockholders' Equity and the Financial Results of the Consolidated Financial Statements".

All amounts are expressed in thousands of Euro.

3. CONSOLIDATION PRINCIPLES

The subsidiaries are included in the consolidated accounts using the full consolidation method, which essentially consists in the assumption of the assets and liabilities, as well as the income and expenditure of the individual subsidiary companies.

Where present, the sum of the capital and the reserves of subsidiaries that corresponds to the minority interest is recorded under the item of stockholders' equity called "Minority interests in

capital and reserves". The share of the consolidated result corresponding to the minority interest is recorded under "Profit (loss) for the year pertaining to minority interests".

The main adjustments to pass from the simple aggregation to the consolidation of the Balance Sheets and Income Statements are the following:

- the elimination of the equity investments in companies included in the area of consolidation and the elimination of the corresponding portion of stockholders' equity. If this elimination gives rise to a negative difference, it is recorded under the item of stockholders' equity called "consolidation reserve"; if it causes a positive difference, it is included, where possible, in the assets of the companies included in the consolidation or where ever the conditions exist then the positive difference is recorded in the asset item called "consolidation difference";
- the elimination of the receivables and payables between the companies included in the consolidation, as well as the revenues and expenses arising from transactions between Group companies; in addition profits and losses resulting from transactions between these companies and relating to values included in the equity, are also eliminated if they are significant;
- the reversal of value adjustments and provisions made purely in order to comply with tax laws, taking account of the related tax effect (where the necessary conditions exist);
- the conversion of the Financial Statements that were expressed in a currency different from the Euro was effected using the average exchange rate for the financial year for the Income Statement entries and using the current exchange rate at the end of the financial year for the Balance Sheet items.

The differences arising out of the application of the two exchange rates and those originating from the conversion of the opening items of stockholders' equity at the current exchange rate at the end of the financial year compared to those that applied at the end of the previous financial year are recorded in an appropriate reserve under stockholders' equity called "conversion reserve".

The exchange rates used in converting the Financial Statements of companies expressed in currencies other than the Euro are the following:

Currency	Average exchange rate for the financial year		Current exchange rate at year-end	
	2003	2002	2003	2002
Euro/US dollar	1.13116	0.944906	1.2630	1.04870

4. VALUATION CRITERIA

The valuation criteria are the same as those used in the annual Financial Statements of the company that prepares the Consolidated Financial Statements. The criteria are consistent with those used in the previous financial year.

The assets and liabilities are valued using uniform criteria.

The valuation criteria are set out below.

Intangible fixed assets

Intangible assets are valued at purchase price reduced by amortization, which is effected taking into account the remaining useful life of the assets.

Goodwill relates to the recording of the difference between the assets and liabilities acquired in Laserdyne Prima and Convergent Prima, which are now merged in Prima North America Inc. Goodwill is amortized over ten years. Other long-term expenses have been recorded in the Financial Statements subject to the agreement of the Board of Statutory Auditors and are amortized over a period of five years, except for costs, which extend over the life of the asset and extraordinary maintenance on leasehold property, which are amortized over the life of the contract.

Advertising costs are entirely charged to income in the financial year when they are incurred.

The amortization criteria adopted for the various items in Intangible fixed assets are set out below:

- Plant and expansion costs	5 years
- Industrial patent and intellectual property rights	5/3 years
- Concessions, licences, trademarks and similar rights	10 years
- Goodwill	10 years
- Others	5 years/duration of the contract

With respect to the above we specify the following:

- the criterion adopted for the amortization of industrial patent and intellectual property rights is considered to be in keeping with the estimated period of the future benefit of the assets;
- insofar as the item Other intangible fixed assets is concerned the criteria depends on the various types of costs capitalized and more precisely:
 - five years for extraordinary maintenance and long-term costs
 - over the life of the lease agreement for leasehold improvements.

Tangible fixed assets

Tangible fixed assets are stated at purchase or production cost, adjusted, in some cases, in the application of specific legislation dealing with monetary alignment. Cost includes additional expenses chargeable to the asset.

Tangible fixed assets are depreciated using the straight-line method on the basis of the economic-technical rates determined in relation to the remaining estimated useful life of the asset.

Ordinary maintenance costs are entirely charged to the Income Statement. Maintenance costs, which extend over the life of the asset, are charged to the assets to which they refer and depreciated over the remaining estimated useful life of the asset concerned.

The following depreciation rates have been applied:

Industrial premises	3%
Light constructions	10%
General plant	10%
Plant and machinery	10-15.50%
Metal dies	25%
Equipment and tools	25%
Electronic office equipment	20%
Furniture, fixtures and office equipment	12%
Handling equipment	20%
Motor vehicles	25%
Cellular telephones	20%
Handling equipment	20%

The abovementioned rates, reduced by 50 per cent, were applied to the additions during the financial year.

Leased assets

Where leases have a substantial value, the underlying asset is recorded in the Balance Sheet at its normal value at the start of the contract and the relevant payable is shown as a liability.

The depreciation of assets under leasing agreements is calculated on the straight-line method, taking into account the remaining estimated useful life of the assets. The depreciation rates applied are in line with those used to depreciate tangible fixed assets.

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

Equity investments

Non-consolidated equity investments are valued using the cost method and the value recorded in the Financial Statements is determined on the basis of the purchase or subscription price, adjusted whenever at the time of closing the accounts the equity investment has a value, which is persistently below cost.

Where a writedown is made, the original value will be restored in successive financial years if the factors that caused the writedown no longer apply.

The values that flow from the use of this method of valuation for the equity investments in non-consolidated subsidiaries and for associated companies are not significantly different from the valuation using the equity method envisaged by the accounting principle of reference.

Inventories

Raw materials are valued at the weighted average purchase price during the year, adjusted for statutory purposes by an adequate provision for writedowns to take account of the estimated realizable value. Contract work in progress is valued at the average progressive cost during the year at the time the materials are requisitioned increased by the average hourly industrial cost of labour for internal work and by the cost price for external work.

Finished products are valued in the same way as contract work in progress. The values determined as set out above are below market values.

Receivables

Receivables are stated at their nominal value.

The value is reduced to the estimated realizable value by a suitable allowance for doubtful accounts.

The allowance for doubtful accounts is increased with amounts allocated as a matter of prudence in relation to the risk of some credit positions.

Accruals and deferrals

Accruals include the portion of income or expenses that relate to more than one financial year, already partially due in the current financial year and to be received or paid in future periods. Deferrals are portions of costs or income paid or received in the current year but referring to the financial year or future periods.

Provisions for risks and charges

The provisions for risks and charges are set aside to cover losses or liabilities whose existence is certain or probable, but in respect of which at year end, the amount or the date on which they will arise could not be determined. The allocations made reflect the best possible estimates based on the available information.

Employees' severance pay

Employees' severance pay is set aside to cover the entire liability matured as regards employees in conformity with the Italian legislative provisions in force, the national collective labour agreements and supplementary corporate agreements. This liability is subject to revaluation based on indices.

This institution does not exist in the USA where instead, employees have a pension and a health plan that is accounted for as payables to third party institutions that manage such services, in accordance with the rules of law and local agreements.

Payables

Payables are stated at nominal value.

Recognition of revenues

Revenues from the sale of products are accounted for according to the accrual principle and are recognized at the time of the transfer of ownership, which generally coincides with delivery.

Revenue from services is recorded at the time the service is completed.

The transactions, which relate to the financial year just ended but in respect of which the related document (the invoice) will be issued in the next year are recorded in the invoices to be issued.

Accounting for grants

The accounting treatment adopted in respect of grants depends on whether the grant is an operating grant, a grant related to assets or a set-up grant. In the case of operating grants, both the statutory recording of the positive portion of the income, as well as the recording of its taxability, takes place according to the accrual principle, which makes reference to the year in which the legal entitlement to the receipt of the grant comes into force and the amount to be received becomes certain. This will normally be in the same year as the year when the resolution assigning the grant is adopted.

In the case of grants related to assets, the revenue is recorded for statutory purposes on an accrual basis and the time frame is established with reference to the stipulation of the contracts with the entities paying the grants or in certain cases with reference to the approval of the contract by the competent authorities. Such grants are taxable on constant rates, over a maximum period of five years, starting from the financial year in which the grant is received.

There are no set-up grants.

Conversion of items in foreign currency

Receivables and payables originally expressed in foreign currency are converted into Euro at the historical exchange rates at the date of the relative transactions. Exchange differences arising at the time of collection or payment of debts in foreign currency are recorded in the Income Statement.

Receivables and payables in a currency other than the Euro, payable after the close of the financial year, have been adjusted to the exchange rates in force at the date of the Financial Statements and the positive and/or negative difference that originated from the conversion was accounted for in the Income Statement, as well as in the Balance Sheet in application of 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 improvement and maintenance of existing ones. These costs are charged to the Income Statement in the financial year in which they are incurred.

Income taxes

Income taxes are calculated applying the tax provisions to estimated taxable income, taking into account any applicable tax relief. In addition, the receivables for prepaid taxes originating from the previous tax losses, which can be carried forward were partially recorded. The deferred tax liabilities are recorded in the item "Provisions for taxes". The deferred tax assets are recorded in the item " Other receivables".

Deferred income taxes arise whenever temporary differences exist between the result for the purposes of the statutory accounts and the result relevant for the purposes of current taxation. The tax effects of current temporary differences have been deferred and charged to the future financial periods in which these differences will no longer exist. They are computed by applying the tax rate estimated to be in force at the time of their discharge, being the best estimate of the utilization rate. 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 recovery.

5. OTHER INFORMATION

Exceptions under paragraph 4 of article 2423 of the Italian Civil Code.

The Financial Statements contain no exceptions as would be permitted by paragraph 4 of Article 2423 of the Italian Civil Code.

Under Article 10 of Act 72/83 it is specified that the tangible fixed assets include assets that were revalued in terms of the provisions of Act 576 of 12/02/75, Act 72 of 03/19/83 and the more recent Act 342 of 11/21/00.

These revaluations, which are however not significant, are set out in the relevant schedule.

Valuation criteria

The valuation criteria used in the previous financial year were not changed.

Significant subsequent events

In relation to the significant events occurring after year-end, kindly refer to the report on operations.

Reclassifications

In drawing up these Financial Statements, in some cases certain of the items have been reclassified.

In these instances the change in classification with respect to the previous financial year is adequately explained at the foot of the individual groupings in the Notes to the Financial Statements.

COMMENTS TO THE MAIN ASSET ITEMS

FIXED ASSETS

INTANGIBLE FIXED ASSETS

- 1) The item Plant and expansion costs relates to the capitalization of the internal costs incurred by the company during 2000 for the expansion of the production area of Prima Industrie SpA in the new adjoining factory leased during the course of that financial year. These costs, with a residual balance of 67 thousand Euro as at 01/01/03 were amortized during the year in an amount of 34 thousand Euro. At 12/31/2003 there is a residual cost to be amortized of 33 thousand Euro.
- 2) At 01/01/03 Research and development costs were made up of research and development costs incurred in 1999, which were completely amortized for an amount of 53 thousand Euro in the 2003 financial year.

Research and development costs do not include such costs for the years subsequent to 1999 since, in these financial years they were entirely expensed to income.

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

	Balance 12/31/2003	Balance 12/31/2002
- Industrial patent rights		
- Patents	71	48
- Intellectual property rights		
- Software	51	244
Total	122	292

In 2003, this item underwent an overall decrease of 170 thousand Euro. With respect to patents, the increases during the year came to 51 thousand Euro and the decreases, as a result of amortization for the year amounted to 28 thousand Euro. "Software" increased by 51 thousand Euro and decreased by 238 thousand Euro owing to the amortization for the year and by 6 thousand Euro owing to the rate of exchange.

- 4) The item Concessions, licences, trademarks and similar rights (equal to 8 thousand Euro) decreased by 1 thousand Euro as a result of amortization for the year.
- 5) Goodwill: Goodwill is the amount recognized as being due to the seller for the acquisition during 2000 and 2001 of the activities that converged into the present Prima North America Inc., i.e. the difference between the assets and liabilities acquired. At 12/31/02 this item amounted to 3,471 thousand Euro and decreased by 481 thousand Euro as a result of amortization and by 484 thousand Euro as a result of differences in the exchange rate between the value at 12/31/2002 and the corresponding value at 12/31/2003 owing to the depreciation of the dollar. Accordingly, at 12/31/03 goodwill amounts to 2,506 thousand Euro.
- 6) The item Other intangible fixed assets includes the following at year-end:

	Balance 12-31-2003	Balance 12-31-2002
- Leasehold improvements		
--immovable property at No.32 Via Antonelli, Collegno	127	140
--immovable property at No.28 Via Antonelli, Collegno	148	148
-- branch offices: France	12	13
-- branch offices: Spain	22	26
-- Prima North America Inc. factories	713	-
-- Prima Electronics factory	2	3
- Other long-term expenses	151	287
Total	1,175	617

In total during the financial year there were increases totalling 816 thousand Euro for costs relating to the restructuring of the two premises of Prima Industrie in Collegno (42 thousand Euro) and the fitting out of the factories of Prima North America Inc. (774 thousand Euro). In the first few months of 2003 the activities of Prima North America inc. were transferred from the old premises to the two new factories. The Laserdyne Systems division moved to the premises in Champlin and the Convergent Lasers and Prima Laser Tools divisions were transferred to the premises in Chicopee. The portion relative to the decrease for amortization for the year was 184 thousand Euro.

The additional decrease of 74 thousand Euro was caused by the exchange rate.

7) TANGIBLE FIXED ASSETS

The details are as follows:

	Value of asset	Accumulated depreciation	Balance at 12-31-2003	Balance at 12-31-2002
Land and buildings	3,342	(493)	2,849	2,901
Plant and machinery	3,120	(2,309)	811	1,063
Industrial and commercial equipment	4,231	(3,491)	741	554
Other assets	4,741	(4,087)	653	876
Total	15,434	(10,380)	5,054	5,394

The total amount of ordinary depreciation charged in the financial year was 983 thousand Euro. Ordinary depreciation is calculated at rates considered representative of the estimated useful life of the related tangible fixed assets.

The overall gross increase in assets equal to 745 thousand Euro relates to land and buildings (for 57 thousand Euro), to the purchase of plant and machinery (for 22 thousand Euro), factory equipment (for 489 thousand Euro) and other assets (for 177 thousand Euro).

For further details see the related schedule enclosed herewith.

FINANCIAL FIXED ASSETS

8) Equity investments

In detail, these are as follows:

	Balance 12/31/02	Inc.	Dec.	Balance 12/31/03
Unconsolidated subsidiaries				
- Prima Scandinavia AB	-	11	-	11
Total unconsolidated subsidiaries	-	11	-	11
Associated companies				
- Macro Meccanica S.p.A. (in liquidation)	413	-	-	413
- Provision for writedown Macro Meccanica S.p.A. (in liquidation)	(413)	-	-	(413)
- Shenyang Prima Laser Machine Company Ltd	498	-	-	498

- Provision for writedown Shenyang	(166)	(49)	-	(215)
- MLTA Srl	10	-	-	10
- SNK Prima Co.	330	60	-	390
- Mechanical Industries Srl	105	-	-	105
- Provision for writedown Mechanical Industries Srl	(105)	-	-	(105)
- Shanghai Unity Prima Laser Machine Co. Ltd	-	450	-	450
Total associated companies	672	461	-	1,133
Other companies				
- Rambaudi Industriale SpA	775	-	-	775
- Provision for writedown Rambaudi Industriale SpA	(775)	-	-	(775)
Total other companies	-	-	-	-
Total equity investments	672	472	-	1,144

During 2003 Prima Scandinavia AB was incorporated in respect of which Prima Industrie acquired 100% control for an amount of 11 thousand Euro (the amount of the capital stock subscribed for).

As regards equity investments in associated companies, the investments in Macro Meccanica SpA (placed into liquidation at the end of 1999) and in Mechanical Industries (which was placed into liquidation on the 28-31/03/2003) are carried in the Financial Statements at a nil balance.

The joint venture, which was established in China in 1999 in collaboration with Shenyang Machine Tool Company Limited and in which we have a 50% stake (called Shenyang Prima Laser Machine Co Ltd.) manufactures the Platino for the Asian market (by assembling kits sent by Prima Industrie) and takes care of the related marketing. During the course of 2003 the joint venture incurred a loss for the year equal to 98 thousand Euro in respect of which an amount equal to the stake held, was set aside in the Provision for writedowns.

M.L.T.A.: is an industrial electronics company in which Prima Electronics acquired a small equity interest (7.7 per cent corresponding to approximately 10 thousand Euro) in that the investment is useful for the industrial development of its products.

The equity investment in the Japanese joint venture SNK Prima Co. was increased during the financial year by an amount of 60 thousand Euro as a result of Prima Industrie's increasing its stake from 40 to 50 per cent by taking over, together with SNK, the stake previously held by HANWA.

In addition, during December 2003 a stake of 27.5 % in the Chinese company Shangai Unity Prima was acquired. This took place by means of the subscription for an increase in the capital stock. The acquisition totalled 450 thousand Euro, which was the amount of the increase in capital.

The equity investment in Rambaudi Industriale SpA (which was placed into liquidation by the Court of Turin on 09/30/ – 10/27/03) is also still reflected at a nil balance in the Financial Statements, among the Equity investments in other companies.

9) **Financial receivables from subsidiaries**

This item amounts to 101 thousand Euro and relates to funds transferred to Prima Scandinavia SB after the recent acquisition, for the start-up of the activity.

10) **Financial receivables from associated companies**

This item amounts to 150 thousand Euro and refers to receivables claimed by Prima Industrie from the associated company Mechanical Industrie Srl, relating to the re-charging of the lease instalments for its use of certain machine tools. There was no variation compared to the previous financial year. In the light of this debt, during the last financial year already, a similar amount was allocated to the allowance for doubtful accounts.

11) **Other financial receivables**

This item amounts to 137 thousand Euro and refers to the tax paid in advance for employees' severance pay in 1997 and 1998, partially used in set-off during the 2003 financial year. Thus the item reduced from 178 thousand Euro at 12/31/2002 to 137 thousand Euro at 12/31/2003.

CURRENT ASSETS

12) **INVENTORIES**

At the end of the financial year the item is made up as follows:

	Balance 12-31-2003	Balance 12-31-2002
Raw materials, consumables and supplies	13,616	15,719
Work in progress and semifinished products	1,479	-
Contract work in progress	4,203	7,227
Finished products	5,056	7,121
Advances	41	-
Provision for writedown of raw material inventories	(1,835)	(1,590)
Provision for writedown of finished product inventories	(995)	(400)
Total inventories	21,565	28,077

The value of inventories declined by 6,512 thousand Euro following on from improved planning in the management of raw materials and in consequence of fewer systems being manufactured.

The provision for writedown of raw materials was increased by 433 thousand Euro through the allocations made during the year by Prima Industrie and Prima North America and decreased by 188 thousand Euro as a result of the exchange rate.

The provision for writedown of finished products was increased by 757 thousand Euro through allocations made during the year by Prima Industrie and Prima North America and decreased by 114 thousand Euro through utilizations by Prima Industrie. The provision also decreased by 48 thousand Euro as a result of the exchange rate.

RECEIVABLES

13) Trade receivables

At the end of the year this item is made up as follows:

	Balance 12-31-2003	Balance 12-31-2002
Trade receivables	40,539	52,252
Allowance for doubtful accounts	(1,542)	(1,463)
Net value	38,997	50,789
of which due beyond one year	2,768	2,969

The substantial reduction of 11,792 thousand Euro compared to the previous financial year is linked to the improved management of collections and the recovery of receivables throughout 2003. Consequently the average number of days necessary for the collection of trade receivables decreased from 184 days in 2002 to 150 days in 2003.

The allowance for doubtful accounts is made up as follows:

- 1,050 thousand Euro for Prima Industrie (which made provisions of 50 thousand Euro);
- 164 thousand Euro for Prima Electronics (which utilized the provision in an amount of 1 thousand Euro);
- 328 thousand Euro for Prima North America (which made provisions of 204 thousand Euro and used 123 thousand Euro). The additional decrease of 51 thousand Euro was due to the exchange rate.

Receivables due beyond one year

The total of the amount mentioned above refers to two Italian customers, one French customer, one Israeli customer and three Spanish customers of Prima Industrie, who were granted

extensions of time in respect of their payments, with appropriate interest being raised. The amount also relates to the pro solvendo Sabatini transactions.

14) Receivables from subsidiaries

The item in question includes amounts owed to Prima Industrie by Prima Scandinavia for 3 thousand Euro.

15) Receivables from associated companies

At 12/31/2003 this item amounts to 1,351 thousand Euro (against the 1,307 thousand Euro at 12/31/2002) and is made up of the following amounts owed to Prima Industrie: 1,307 thousand Euro by Shenyang Prima Laser Machines Company; 43 thousand Euro by Mechanical Industries and 1 thousand Euro by the joint venture, Prima SNK. There is an overall reduction of 484 thousand Euro compared to the previous financial year.

Following on from Mechanical Industries S.r.L being placed into liquidation, an amount to cover the sum claimed for advances against orders was allocated to the allowance for doubtful accounts.

16) Other receivables

The details are as follows:

	Balance 12-31-2003	Balance 12-31-2002
Tax authorities for direct taxes	2,198	3,265
Receivables for prepaid deferred tax assets	5,294	5,068
VAT	47	91
Grants to be received in respect of assets	890	474
Security deposits	87	120
Advances to employees	27	33
Sundry other advances	459	250
Other sundry receivables	293	704
Total	9,295	10,005

The balance at 12/31/03 decreased by 710 thousand Euro with respect to the previous financial year.

This item is mainly comprised of amounts due from the tax authorities for direct taxes of previous financial years (in respect of which a refund was requested), including the accrued interest on such amounts, calculated at the rates prescribed in terms of the applicable fiscal provisions, as well as the taxes paid in advance during the financial year, for an overall amount of 2,198 thousand Euro. At the end of 2003, the parent company collected the amount due from the tax authorities in respect of the refund for the 1990 IRPEG, amounting to approximately 440 thousand Euro.

Also noteworthy is the portion of the amount due as a deferred tax asset (equal to 5,294 thousand Euro).

This amount relates to:

- 843 thousand Euro, allocated by Prima North America mainly in connection with the tax loss of the 2001 financial year
- 3,740 thousand Euro, allocated by Prima Industrie, in connection with the losses on investees (2,442 thousand Euro), the allocations to the provisions for risks (1,084 thousand Euro) and other temporary changes (214 thousand Euro)
- 67 thousand Euro allocated by Prima Electronics in connection with temporary changes
- 644 thousand Euro, derived from the consolidation adjustments relating to the adjustments of the amortization of start-up, goodwill and software (350 thousand Euro), the reversals of profit in stock (198 thousand Euro) and to the capital gains on the sale of licences to the joint ventures (96 thousand Euro)

Further details regarding this item can be found in the comments in the section of the Income Statement items relating to taxes.

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

The item "Other receivables" includes tax credits on dividends received during the 2003 financial year in an amount of 155 thousand Euro, in addition to many other minor items amounting to 138 thousand Euro.

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

CURRENT FINANCIAL ASSETS

17) Equity investments in other companies

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

18) Treasury stock

This refers to the value of treasury stock held in the parent company's portfolio at 12/31/03 pursuant to a buy-back operation carried out in compliance with a resolution to this effect by the stockholders at an Extraordinary Meeting held on 05/15/2002. The item amounts to 324 thousand Euro, equal to 47,000 treasury stock with a weighted average price of 6.8893 Euro each.

19) CASH AND CASH EQUIVALENTS

	Balance 12-31-2003	Balance 12-31-2002
- Bank and postal accounts	3,590	2,799
- Cash and cash equivalents on hand	17	13
Total	3,607	2,812

The item refers to funds that are immediately available as they are deposited in current accounts or held as cash on hand by the Group.

20) ACCRUED INCOME AND PREPAID EXPENSES

At December 31 this item totalled 164 thousand Euro, compared with 145 thousand Euro at 12/31/02. The details are as follows:

	Balance 12/31/03	Balance 12/31/02
Loan charges		
- IMI loan	-	24
Total issue discounts	-	24
Accrued income	5	19
Prepaid expenses	159	102
Total accrued income, prepaid expenses and discounts	164	145

The total balance increases by 19 thousand Euro compared to the previous financial year.

The item "loan charges" is related to the accessory brokerage fees for the securing of the medium-long term loan granted to us by San Paolo IMI in 1999. The amortization of these charges is over, in that the loan was extinguished in September 2003.

The accrued income mainly refers to travel expenses in an amount of 5 thousand Euro.

Prepaid expenses include invoices from suppliers, invoices from customers for maintenance and insurance premiums.

COMMENTS TO THE MAIN LIABILITY ITEMS

21) STOCKHOLDERS' EQUITY

The changes in Stockholders' Equity are set out in an enclosure to the Notes.

The main components of Stockholders' Equity and the related changes are described below:

22) CAPITAL STOCK

Capital stock at December 31, 2003 is fully subscribed for and paid-in and consists of 4,600,000 ordinary shares with a par value 2.5 Euro each, for a total of 11,500,000 Euro. The capital stock was increased by 450,000 new ordinary share with a par value of 2.50 Euro each for a total amount of 1,125,000 Euro, as a result of the increase in capital subscribed for on 02/11/03.

During 2003 the stock options assigned on 02/14/02 to executives, officers and front-line managers of Prima Industrie and the subsidiaries for 142,600 share were not exercised. This was partly due to the fact that the pre-established company objectives were not achieved and partly due to the fluctuation in the stock trend (which remained consistently lower than the exercise price of the rights equal to 13.11 Euro per share).

On 05/15/03 the Board of Directors of Prima Industrie re-assigned a total of 90,400 shares that had not been utilized by previous plans, which were not converted, to be exercised in July 2004, at a price of 7.88 Euro per share, on the basis of the achievement of the 2003 turnover and profit margins of Prima Industrie and the Group.

For additional information on the stock option plans, reference should be made to the appropriate section in the report on operations.

23) SHARE PREMIUM RESERVE

This item is generated by the share premium on the issue of the new stock compared to their par value of 2.5 Euro; during the 2003 financial year the reserve increased by 2,843 thousand Euro as a result of the increase in capital of 02/11/03 that was subscribed for in an amount of 8.85 Euro per share.

24) LEGAL RESERVE

This item amounts to 730 thousand Euro (compared with 715 thousand Euro at 12/31/02) and includes an allowance of 15 thousand Euro that corresponds to the provision made by the company at the time of the new stock issue against payment to keep account of the rounding off difference that was created at the time of the conversion of the capital into Euro (from 18,000,000,000 Lire to 9,000,000 Euro).

25) RESERVE FOR TREASURY STOCK IN PORTFOLIO

In the 2003 financial year, as a result of the acquisition by the company of treasury stock, the non-distributable reserve for treasury stock was adjusted, pursuant to Article 2357 ter of the Italian Civil Code. The reserve amounts to 324 thousand Euro, which is the value of the treasury stock at 12/31/2003.

26) OTHER RESERVES

This item amounts to 1,484 thousand Euro (against the 6,215 thousand Euro 12/31/2002) and includes the utilization of 4,880 thousand Euro to cover the result of the 2002 financial year of the parent company. This item was increased by a sum of 149 thousand Euro to adjust the reserve for treasury stock in portfolio.

27) PROFITS CARRIED FORWARD

This item relates to the consolidation adjustments, whose effect on the stockholders' equity spans several financial years. At 12/31/03 this item amounts to 1,584 thousand Euro, a decrease of 144 thousand Euro compared to the 1,728 thousand Euro of the previous financial year. This was due to the effect of the appropriation of the consolidated result for 2002 (5,024 thousand Euro) net of the reclassification to other reserves of the 2002 result of the parent company (4,880 thousand Euro).

RESERVE FROM EXCHANGE DIFFERENCE

The negative exchange difference in an amount of 673 thousand Euro, originates from the application of the average rate of exchange of the financial year to the Income Statement items and of the current rate of exchange at year end to the Balance Sheet items in converting the Financial Statements expressed in a currency other than the legal tender of the state (Prima North America Inc.).

This item increases by 549 thousand Euro compared to the previous financial year, as a result of the trend of the US dollar.

PROVISIONS FOR RISKS AND CHARGES

29) PROVISION FOR TAXES

This item is an allocation of 150 thousand Euro made as a matter of prudence, pursuant to a tax re-assessment issued by the Finance Police at the end of an audit that took place during 2002 on the parent company.

30) PROVISIONS FOR RISKS AND CHARGES

The composition and movements of the item "Other provisions" are as follows:

	1/1/03	Allocations	Utilizations	12/31/03
Provision for contractual risks and charges	3,025	3,470	3,025	3,470
Provision for litigation risks	54	15	-	69
Provision for agents' customer indemnity	69	10	-	79
Restructuring provision	80	40	80	40
Other provisions	94	-	92	2
Total in thousands of Euro	3,322	3,535	3,197	3,660

Other provisions are mainly represented by:

⇒ The provision for contractual risks and charges relating to the provisions for the costs of completing installations and work on products under warranty that will be carried out in the next 12 months.

The amount "set aside" of 3,740 thousand Euro includes 2,001 thousand Euro allocated by the parent company, 90 thousand Euro by Prima Electronics and 1,379 thousand Euro by

Prima North America. The provision decreases in an amount of 2,163 thousand Euro through utilizations by the parent company, 80 thousand Euro by Prima Electronics and 650 thousand Euro by Prima North America. It was further reduced by 132 thousand Euro due to exchange rate.

- ⇒ Provision for litigation risks and sundries: this increases with respect to the previous financial year by an amount of 15 thousand Euro, which was allocated by the parent company in connection with potential future expenses relating to a dispute with an agent who no longer works for the company.
- ⇒ Provision for agents' customer indemnity: this refers to liabilities that could arise in the event of cancellation by the company of agency contracts with Italian operators. The provision was increased by 10 thousand Euro in 2003 on the basis of the rates established in terms of current legislation governing the relationship between agents and sales representatives and their principals.
- ⇒ Restructuring provision this refers to the allocations carried out during previous financial years in order to meet the restructuring costs of Prima North America. In 2003, 40 thousand Euro was allocated to the provision and 66 thousand Euro was used to complete the restructuring processes. The provision also decreased by 14 thousand Euro as a result of the exchange rate.
- ⇒ Other minor provisions (2 thousand Euro).

31) PROVISION FOR DEFERRED TAXES

The item includes the deferred tax liabilities, which were allocated to the provision pursuant to Accounting Standard No. 25 issued by the Italian Accounting Profession.

It totals 1,217 thousand Euro, a decrease of 41 thousand Euro compared to the previous year (1,258 thousand Euro).

This amount relates to:

- 965 thousand Euro allocated by Prima Industrie in connection with research grants (960 thousand Euro) and other minor temporary differences (5 thousand Euro).
- 100 thousand Euro allocated by Prima Electronics in connection with temporary differences
- 152 thousand Euro, derived from the consolidation adjustment in respect of the capitalization of the leasing transactions

Further details regarding this item can be found in the comments on the Income Statement items relating to taxes.

32) EMPLOYEES' SEVERANCE PAY

The changes in the item during the year were the following:

Balance 01/01/2002	3,708
Amount fallen due and allocated to the Income Statement	899
Benefits paid during the financial year	(443)
Balance 12/31/2003	4,164

The balance at December 31, 2003, which is recorded under financial fixed assets, is net of payments in advance made to employees in respect of severance pay and gross of payments made to tax authorities in compliance with the law. During the 2003 financial year, 152 thousand Euro was set aside as extraordinary expenses as incentives for early retirement. This is linked to the business decision to outsource certain activities previously undertaken internally. This provision represents the overall gross liability of the Italian companies matured in favour of employees on the basis of the regulations in force at year-end and the contractual obligations for each employee.

PAYABLES

The composition of and the movements that took place during the year in the items that make up this grouping, are as follows:

33) **Amounts due to banks**

The amounts due to Banks are made up as follows:

	Balance 12-31-2003	Balance 12-31-2002
-Advances on orders and invoices	-	3,124
- Bank overdrafts	4,744	12,795
-Sabatini discount transactions	2,767	3,600
-Short-term payables	5,527	6,024
-Medium/long-term payables	9,850	11,665
Total	22,888	37,208

Amounts due to banks decreased by 14,320 thousand Euro as a consequence of the improvement in the financial position of the Companies. At the end of the 2003 financial year there are no advances on orders and invoices.

The Sabatini discount transactions relate to the consolidation adjustment carried out to comply with correct accounting principles relating to the Consolidated Financial Statements, which evidences the risk of recourse in relation to financial institutions with reference to the pro solvendo transactions.

Bank loans total 15,377 thousand Euro (5,527 thousand Euro short-term and 9,850 thousand Euro medium/long term). Insofar as the parent company is concerned, the amounts due to banks total 13,793 thousand Euro and relate to the following transactions:

- ⇒ Loan granted by Mediocredito dell'Umbria for an initial amount of 775 thousand Euro. This loan is guaranteed by the European Investment Fund (E.I.F.) and was secured in order to finance the work undertaken in the new factory. This is 5-year loan (with a pre-amortization period that expired on 01/31/01), which provides for quarterly deferred repayments bearing interest at the Euribor rate plus one percentage point. The principal instalments due in 2004 of 194 thousand Euro represent the short-term portion of the loan, whereas the balance of capital of 101 thousand Euro is to be considered as a medium/long-term debt. The residual debt at 12/31/03 was 295 thousand Euro.

- ⇒ A loan of 2,582 thousand Euro from Banca Mediocredito on 05/15/01 to be repaid by way of eight six-monthly instalments commencing on 03/31/03 until 09/30/06 at a floating rate (up to 09/30/01 at a rate of 5.39 per cent per annum; for the six month periods that follow, the rate will be the 6-month Euribor rate plus a spread of 0.9 per cent). The short-term component of the loan amounts to 646 thousand Euro, whereas the residual medium/long-term liability amounts to 1,291 thousand Euro.

- ⇒ A loan in US dollars of 1,000,000 dollars (equal to 792 thousand Euro) from the Banca Popolare di Novara of Luxembourg to be repaid by way of eight quarterly instalments of US\$ 125,000 each, commencing on 07/23/02 and bearing interest at the LIBOR rate + 0.80 per cent. Consequently, the residual debt in an amount of 198 thousand Euro is to be considered a short-term liability.

- ⇒ A loan of 2,000,000 US dollars equivalent to 1,584 thousand Euro from San Paolo IMI advanced on 07/01/2003 and repayable after 18 months less one day and bearing interest at the LIBOR rate plus 0.5 per cent.

- ⇒ A loan from San Paolo IMI for 2,309 thousand Euro with a pre-amortization period until 07/01/03. This is a research loan released from the special fund for Applied Research established by Act 1089/1968, in accordance with Act No. 46/82 and made on behalf of the M.U.R.S.T.. The loan is repayable in 12 half-yearly deferred instalments and bears interest at 1 per cent per six months. The principal portion falling due in 2004 is 453 thousand Euro, which represents the short-term component of the loan. The residual debt amounting to 1,413 thousand Euro is to be considered as a medium-long term liability.

- ⇒ A loan from Mediocredito Intesa BCI for an initial amount of 5 million Euro with an annual interest rate of 4.45 per cent until 09/30/02 and thereafter for each successive period at the EURIBOR three-month rate + 0.90 per cent. The loan is to be repaid by way of 16 quarterly instalments. In 2004, four instalments equal to 1,250 thousand Euro will be repaid. The residual debt amounting to 2,812 thousand Euro is to be considered as the medium/long-term component.
- ⇒ A loan in foreign currency (1,025,000 US dollars) equivalent to 812 thousand Euro from the Banca Popolare di Lodi, falling due on 03/31/2004 and bearing interest at the LIBOR rate plus 1.20 per cent. The loan is repayable in a single lump sum settlement at the date of maturation. Consequently, this is a short-term loan equal to 812 thousand Euro.

During the financial year the company had access to the following additional forms of financing.

- ⇒ A loan granted by the Cassa di Risparmio di Parma e Piacenza for an amount of 1,200 thousand Euro. The loan bears interest at the average EURIBOR rate of the preceding three months increased by 1.1 points and is repayable in 36 monthly instalments.
- ⇒ A loan of 2 million Euro secured from the Unicredit Banca d'Impresa for a period of 18 months less one day, bearing interest at the Euribor rate plus a spread of 1.25. The capital is to be repaid in a single instalment on 04/22/2005 and interest is repayable quarterly. The abovementioned loan was used to reduce the exposure of the subsidiary, Prima North America Inc. and the related signature loan in an amount of USD 2,300,000.

The exchange adjustments in respect of currency loans were directly carried out directly in the Income Statement.

In addition, the 1,584 thousand Euro relating to a loan of USD 2,000,000 granted to Prima North America by the Banca di Roma for 18 months less one day must be added.

34) Amounts due to other lenders

Amounts due to other lenders, totalling 3,042 thousand Euro decreased by 2,333 thousand Euro (compared to the 5,375 thousand Euro at 12/31/02) as a result of the repayments made relative to the instalments, which fell due during the financial year and are made up of:

- ⇒ Various leases for electronic office machines in an amount of 72 thousand Euro, as a consolidation adjustment made in compliance with correct accounting principles (of which 27 thousand Euro is the short-term portion and 45 thousand Euro is the medium/long-term component);

- ⇒ lease for factory no. 2 in Collegno for 1,196 thousand Euro, as a consolidation adjustment made in compliance with correct accounting principles (of which 158 thousand Euro is the short-term portion and 1,038 thousand Euro is the medium/long-term component);
- ⇒ an interest-bearing loan of 880 thousand Euro secured according to the terms of Act 46/1982 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 is for 15 years, of which 10 years is for amortization at the rate of 1.175 per cent per annum and 5 years is for use and pre-amortization at a rate of 0.705 per cent per annum. Since the loan is still in a pre-amortization stage, it is considered to be entirely a medium/long-term liability.
- ⇒ A loan of 894 thousand Euro granted to Prima Industrie by the Ministry of Industry and Trade in terms of Act 46/82, which established a "Special Revolving Fund for Technical Innovation". This loan, which has a ceiling of 1,089 thousand Euro is for a period of 15 years. Five of the 15 years is a pre-amortization period at a rate of 0.9825 per cent per annum. The loan is to be amortized over the remaining 10-year period at a rate of 3.275 per cent. Consequently, the short-term portion of the loan equals 83 thousand Euro, whereas the remaining debt amounting to 811 thousand Euro is to be considered totally medium/long-term.

During the course of 2003 the loan granted in 1999 by a pool of credit institutions led by Investire Partecipazioni, a stockholder in Prima Industrie, was completely extinguished. At 12/31/2002 this loan amounted to 2,800 thousand Euro.

35) **Advances**

This item includes advances from customers against uncompleted orders, as well as down payments from customers in confirmation of orders and amounts to 1,441 thousand Euro. This item reduced by 314 thousand Euro with respect to the end of the previous year, when it totalled 1,127 thousand Euro.

36) **Trade accounts payable**

Trade accounts payable amount to 17,554 thousand Euro against the 21,412 thousand Euro in the previous financial year. The decrease was therefore 3,858 thousand Euro.

The decrease in trade accounts payable is a result of a combination of factors, which include the reduction in the purchases of raw materials, as well as an improved use of warehouse inventories.

37) **Amounts due to subsidiaries**

This item amounts to 12 thousand Euro and refers to amounts due by the parent company to Prima Scandinavia.

38) Taxes payable

This item is made up as follows:

	Balance 12-31-2003	Balance 12-31-2002
Amounts due to tax authorities for:		
- income taxes	4	317
- VAT	237	228
- short-term tax payables	717	743
Total	958	1,288

39) Amounts due to provident and social security institutions

This items relates to the payables due at year-end to the abovementioned institutions for the amounts due by the company and employees on the salaries and wages for December and amounts to 822 thousand Euro compared to the 1,096 thousand Euro in the previous financial year - a reduction of 274 thousand Euro.

The amount was duly paid in 2004, on the due dates established by law.

40) Other payables

	Balance 12-31-2003	Balance 12-31-2002
Remuneration to employees	1,295	1,386
Directors' remuneration	33	64
Other minor items	328	180
Total	1,656	1,630

The item refers to various payables amounting to 1,656 thousand Euro compared with 1,630 thousand Euro at the end of the previous financial year. As shown in the table above, the accounts due but not yet paid are made up of: deferred compensation (leave not taken, production bonus, 13th cheque for employees on trial contracts and trade incentives due as at 12/31/2003), directors' remuneration and other minor items.

41) ACCRUED EXPENSES AND DEFERRED INCOME

At December 31, 2003 this item compared to 12/31/02 is made up as follows:

	Balance 12-31-2003	Balance 12-31-2002
Accrued expenses		
-Interest on sundry loans	46	80
- Others	50	60
Total accrued expenses	96	140
Deferred income		
-Interest on discount transactions under the Sabatini Act	-	71
- Others	351	604
Total deferred income	351	675
Total accrued expenses and deferred income	447	815

The item “Other deferred income ” includes an amount of 257 thousand Euro relating to income from the licences sold to the joint ventures, relative to the stakes equal to the percentage held by the parent company.

INFORMATION REQUIRED BY ACT 72 OF 3/19/1983

In compliance with Article 10 of Act 72 of 3/19/83 it is specified that the company effected the revaluation allowed by the provisions of Act 576 of 12/2/75 and Act 72 of 3/19/83 and the amount was entered in the corresponding reserve of stockholders' equity.

The revaluations made in accordance with the legislation set out above referred to the following items relating to assets still contained in the Financial Statements:

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

As allowed by Act No. 342 of 11/21/00, Prima Electronics also carried out the revaluation on the building used as the head office of the company.

The figures, standardized and tabulated, are set out below (amounts expressed in Euro):

<u>ASSETS</u>	<u>HISTORICAL COST</u>	<u>REVAL. Act 576/75</u>	<u>REVAL. Act 72/83</u>	<u>REVAL. Act 342/00</u>	<u>TOTAL</u>
Buildings	121,591	-	--	833,854	955,445
Machinery	8,226	10,938	--	--	19,164
Ordinary office furniture and equipment	11,258	2,866	--	--	14,124
Electronic office equipment	11,491	2,868	--	--	14,359

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Total	152,566	16,672	--	833,854	1,003,092

MEMORANDUM ACCOUNTS

42) Unsecured guarantees given

Guarantees given on behalf of others – These amount to 63 thousand Euro and refer to two guarantees: one (for 33 thousand Euro), given to Consorzio Garanzia Fidi Unionfidi, of which Prima Industrie is a member; the other, given to San Paolo IMI against a contract drawn up with a Chinese customer. These guarantees decreased by 7 thousand Euro compared with the previous year, but only as a consequence of changes in the exchange rate.

43) Commitments

Interest Rate Swap Contract - On the 05/30/03 an Interest Rate Swap contract was entered into with the Banca Akros. The contract is on the following terms and conditions:

- Starting date: 06/03/03
- Final expiry: 06/05/06
- Periodical expiry: quarterly
- Capital 5,000,000 Euro
- Rate 1: 1st year 2.2
2nd year 2.5
3rd year 2.75
Basis: ACT/360
- Rate 2: Euribor 3-month, for foreign currency applicable at the starting date of each period
Basis: ACT/360

At the expiry of each quarterly period the difference between the amount resulting from the application of rate 1 and the amount resulting from the application of rate 2 shall be paid by the Banca Akros to Prima Industrie, if the difference is a positive one Vice-versa, Prima Industrie shall pay Banca Akros if the difference is a negative one.

During 2003, the effect of this transaction on the Income Statement equalled 145 Euro in Prima Industrie's favour.

PK9 Export Plus Contract – On the 09/23/03 a contract to cover exchange rate risk was signed with the Banca Monte dei Paschi di Siena S.p.A..The transaction called the PK9 Export Plus contract is on the following terms:

- Notional amount: USD 1,000,000
- Exercise price: the average rate of exchange for the USD/EUR applicable on 09/29/03 – 09/30/03 – 10/01/03 –10/02/03

- Final price: the arithmetic average rate of exchange for the USD/EUR applicable on the following dates: 10/08/03 –10/27/03 – 11/07/03 – 11/26/03 – 12/23/03 – 01/26/04 – 02/26/04 –03/ 26/04
- Expiry date of the option: 03/29/04
- Premium: 2.85% on the notional value in USD
- Conditions of settlement: on the expiry of the option, the Banca Monte dei Paschi di Siena shall pay Prima Industrie an amount in Euro, equal to the positive difference between the equivalent value of the notional amount calculated at the exercise price and the equivalent value of the aforesaid amount calculated on the basis of the final price.
If the difference is negative, Prima Industrie shall not be required to pay anything.

Commitments in respect of currency transactions -The sum of 1,970 thousand Euro refers to a foreign currency futures transaction of USD 2,300,000.

Commitments for lease instalments - These amount in total to 38 thousand Euro (compared with the 50 thousand Euro of the previous financial year) and relate to commitments for lease instalments for motor vehicles. They represent the total amount of lease instalments falling due to leasing companies, including the final redemption price established by contract, but excluding the instalments already paid. Lease instalments falling due by year are as follows:

Motor vehicles

2004	16 thousand Euro
2005	<u>21</u> thousand Euro + 1 thousand Euro for redemption.
Total	38

44) Contingencies for bills discounted

The total of 600 thousand Euro (it was 107 thousand Euro at 12.31.2002) is made up of cash orders presented for discounting at the bank, which are due in the first few months of 2004.

45) Others

Commitments to repurchase from customers and third parties – These total 4,790 thousand Euro (they were 1,765 thousand Euro at 12/31/2002) and refer to commitments to repurchase signed by the parent company in favour of leasing companies for sales made to customers.

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

The repurchase commitment is usually given for values that do not exceed market values at the time of the possible discussion in terms of the guarantee.

Company assets held by third parties – At December 31, 2003 these goods totalled 4,027 thousand Euro (4,640 thousand Euro in 2002). They relate to the following:

- materials and products at branch warehouses for 1,643 thousand Euro;
- spare parts held by customers for 70 thousand Euro;
- materials on deposit/for processing held by suppliers amounting to 1,488 thousand Euro;
- semifinished and finished products held by third parties amounting to 826 thousand Euro.

The finished products include four machines, namely: a Platino situated at a Danish university and used for technological development relating to the “Publics” research project; a Platino 1530 at the UK branch, used for demonstrations, a Platino 1530 situated at a Spanish customer and which will be removed during February 2004 and a Platino 1530, which is being inspected at the premises of another Spanish customer.

These assets are included in the final inventory balance in the Financial Statements.

Guarantees given by third parties for our account – The sum of 3,852 thousand Euro (2,791 thousand Euro in 2002) is made up of bank guarantees issued in favour of customers for advances against orders and for guarantee purposes (guarantees given within the limits of the receipts made by the same customers) in favour of the supplier Rofin Sinar and other minor ones.

It should also be noted that the parent company issued guarantees in favour of the real estate companies that own the factories to which the company transferred the divisions of the subsidiary Prima North America in 2003. More precisely:

- guarantees in favour of Oxford Investment LLC for the lease agreement in respect of the premises located on East Main Street, Chicopee River Business Park, Chicopee, Massachusetts.

The lease instalments for future years are as follows:

- 2004	565 thousand USD
- 2005	565 thousand USD
- 2006	565 thousand USD
- 2007	609 thousand USD
- 2008	594 thousand USD
- 2009/2018	<u>6,005</u> thousand USD
Total	8,903 thousand USD

- guarantees in favour of OIRE Minnesota LLC for the lease agreement in respect of the factory situated at 8600 109th Avenue North, Champlin, Minnesota.

The lease instalments for future years are as follows:

- 2004	175 thousand USD
- 2005	175 thousand USD
- 2006	189 thousand USD
- 2007	191 thousand USD
- 2008	<u>64 thousand USD</u>
Total	794 thousand USD

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

46) REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to 95,000 thousand Euro compared to the 100,528 thousand Euro at the 12/31/02 a decrease of approximately 5 per cent. This decrease is more than adequately explained by the depreciation of the dollar against the Euro by approximately 20% during the year.

The substantial stability in the turnover values stems from a growth in sales achieved by Prima North America, following on from the first signs of a recovery of the American economy contrasted by a slight drop in income by Prima Industrie and Prima Electronics, which are still being influenced by the persisting difficult situation of the European investment asset market.

Also noteworthy is the improvement in the sector relating to three-dimensional systems (+20% with respect to the 12/31/02), which is also confirmed by the strength of the order portfolio for 2004 and the sales in the c.d. "overseas" countries, the weight of which increased by approximately 25%.

The details are as follows:

	2003	2002
2D laser systems:		
Italy	7,067	14,119
Europe	14,142	13,923
USA	5,373	3,891
Rest of the world	4,332	5,221
Total	30,914	37,154
3D laser systems:		
Italy	8,943	6,355
Europe	13,030	14,148
USA	8,965	6,547
Rest of the world	3,838	1,957
Total	34,776	29,007
Electronic systems:		
Italy	1,752	2,960
Europe	8,386	8,758
USA	-	-
Rest of the world	-	16
Total	10,138	11,734

	2003	2002
Laser generators		
Italy	-	217
Europe	-	693
USA	720	1,671
Rest of the world	666	214
Total	1,386	2,795
Assistance and other services		
Italy	4,795	4,703
Europe	6,167	4,725
USA	5,138	8,901
Rest of the world	1,686	1,509
Total	17,786	19,838
Total sales	95,000	100,528

A total of 156 laser systems (164 in the previous year) and 12 laser generators (17 in 2002) were delivered and invoiced to external customers.

47) INCREASES IN FIXED ASSETS FOR INTERNAL WORK

During 2002 the following costs were capitalized under the item, Tangible and intangible fixed assets:

	2003	2002
Internal construction of equipment	372	164
Total	372	164

The internal construction of equipment is (as far as Prima Industrie is concerned) made up of testing equipment and machinery used for simulation relative to the development of parts of new products in an amount of 302 thousand Euro and by light constructions for work relating to the new Demo hall for 12 thousand Euro. As regards Prima Electronics, they relate to equipment in an amount of 58 thousand Euro.

48) OTHER INCOME AND REVENUES

This item is made up as follows:

	2003	2002
-Sundry income and revenues	1,630	1,481

Total other income and revenues	1,630	1,481

Sundry income and revenues, which totalled 1,630 thousand Euro, are made up of:

	<u>Thousands of Euro</u>	
	<u>12.31.2003</u>	<u>12.31.2002</u>
• Research grants	1,004	477
• Non-operating profit	399	499
• Insurance refunds	21	43
• Trade fair costs recharged to Matra	-	53
• Capital gains	8	5
• Tax bonus Act 140 – Act 341	4	43 xxx
• Other minor items	194	361
Total	<u>1,630</u>	<u>1,481</u>

The research grants recorded in the 2003 Income Statement relate to the portions of forgivable loans for research and development, which accrued during the course of the 2003 financial year to the companies Prima Industrie for 950 thousand Euro and Prima Electronics for 54 thousand Euro.

"Other minor items" (equal to 194 thousand Euro) includes 22 thousand Euro relating to royalties collected in connection with licences and 99 thousand Euro relating to a machine that was purchased and resold during the course of 2003.

COSTS OF PRODUCTION

49) PURCHASE OF MATERIALS

The details are as follows:

	2003	2002
Production materials	41,874	50,539
Packaging	353	332
Consumables	736	705
Others	1,486	1,584
Total	44,449	53,160

This item includes the purchase of raw materials, consumables, supplies and merchandise and totals 44,449 thousand Euro compared with 53,160 thousand Euro in the previous financial year. The decrease in the year was mainly due to fewer purchases of production materials by the American companies. This was as a result of a decline in sales, as well as the more efficient use of materials in stock.

50) SERVICE COSTS

The details are as follows:

	Balance 12-31-2003	Balance 12-31-2002
Work by third parties	4,968	5,776
Travel expenses	3,140	3,570
Consultancy fees	1,999	2,516
Freight	1,188	1,331
Commissions	1,572	1,363
Advertising and promotion	827	920
Electricity, telephone etc.	1,029	1,113
Insurance	412	474
Maintenance	705	679
Directors' and statutory auditors' remuneration	490	448
Other	1,625	1,930
Total	17,955	20,120

The decrease with respect to the previous financial year can be explained by the lower turnover. In terms of Article 38 of Legislative Decree 127/91, it is specified that the compensation due to the Directors of the parent company amounts to 317 thousand Euro, whereas the compensation due to the Statutory Auditors amounts to 85 thousand Euro.

The item “Other” includes costs sustained by the Group for temporary labour (789 thousand Euro), entertainment expenses (75 thousand Euro), royalties on licences and patents (52 thousand Euro) and the use of other external services (709 thousand Euro).

51) LEASES AND RENTALS

The details are as follows:

	Balance 12-31-2003	Balance 12-31-2002
Rent	1,141	800
Motor vehicle leasing	142	226
Other leasing	4	360
Motor vehicle and equipment rental	321	365
Other minor items	121	138
Total	1,729	1,889

52) PERSONNEL COSTS

Personnel costs amount to 23,498 thousand Euro compared with 25,968 thousand Euro in the previous year and are made up as follows:

	2003	2002
Salaries and wages	17,134	19,707
Social security contributions	5,111	5,215
Employees' severance pay	747	693
Other personnel costs	506	353
Total	23,498	25,968

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

Other personnel costs include catering, training courses and contributions to the Provident Fund for executives of the Prima Group for insurance cover.

We set out hereunder the breakdown, subdivided in terms of the personnel of the Group:

	12/31/02	12/31/03	Average for the year
Production & Quality	196	200	198
R & D	73	72	72.5
Sales & Marketing	51	41	46
Customer service	69	77	73
Management and Administration	44	45	44.5
Inactive and temporary personnel	10	11	10.5
Total	443	446	444.5

53) AMORTIZATION, DEPRECIATION AND WRITEDOWNS

The breakdown into the three sub-items required is the following:

	12-31-2003	12-31-2002
Amortization of intangible fixed assets	1,019	1,433
Depreciation of tangible fixed assets	982	1,084
Writedown of receivables and cash and cash equivalents	140	130
Total	2,141	2,647

The criteria for amortization/depreciation are amply considered in the relevant section.

As regards the allowance for doubtful accounts, during the course of the financial year utilizations amounted to 124 thousand Euro and allocations amounted to 254 thousand Euro.

54) PROVISIONS FOR RISKS

This item includes appropriations (net of the utilization of provisions that already exist) allocated during the year to cover potential liabilities. At December 31, 2003 they amount to 658 thousand Euro compared to the positive value of 452 thousand Euro of the previous financial year. The composition of these provisions is set out in detail under the item "Provision for Risks and Charges" under the comments to the Balance Sheet items.

55) SUNDRY OPERATING EXPENSES

The details are as follows:

	Balance 12-31-2003	Balance 12-31-2002
Non-operating losses	346	387
Taxes and dues	90	489
Penalties and fines	19	5
Others	568	462
Total	1,023	1,343

Non-operating losses mainly refer to costs pertaining to prior financial years, where no provision had been made. They also refer to assets that were found not to exist. The aforementioned items nevertheless related to the characteristic activity of the company.

The item "Others" includes the payment of membership fees and industry association fees (88 thousand Euro), gratuities and non-deductible costs (125 thousand Euro), and other operating costs (355 thousand Euro).

FINANCIAL INCOME AND EXPENSES

56) INCOME FROM EQUITY INVESTMENTS

Income from equity investments, amounting to 154 thousand Euro in 2003 compared to the 169 thousand Euro in 2002, relates to the tax credit on the dividends distributed in 2003 by Prima Electronics on the profits for 2002.

57) OTHER FINANCIAL INCOME

The following details are provided as regards the other sundry income:

	2003	2002
- Interest income from customers	442	380
- Interest income from banks and others	19	51
- Interest earned on securities	6	22
- Interest income on refund of VAT/IRPEG	-	29
- Positive exchange differences	1,802	808
Total	2,297	1,290

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

58) INTEREST AND OTHER FINANCIAL EXPENSES

The item is made up as follows:

	2003	2002
- Interest paid on bank borrowings	201	321
- Interest on other payables	1,624	1,734
- Negative exchange differences	1,969	1,279
- Interest on leasing contracts	76	83
Total	3,870	3,417

The following are included in the interest paid on other payables: interest paid on transactions under the Sabatini Act amounting to 402 thousand Euro, interest paid on medium and long-term borrowings of 400 thousand Euro and other financial expenses of 822 thousand Euro.

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

59) WRITEDOWN OF EQUITY INVESTMENTS

The portion accounted for in 2003, equal to 49 thousand Euro, refers to the allocation made in connection with the writedown of the equity investment held by the parent company in the Chinese joint venture, Shenyang Prima Laser Machine Company Ltd, for 49 thousand Euro.

EXTRAORDINARY INCOME AND EXPENSES

60) CAPITAL GAINS ON SALES

The amount of 55 thousand Euro refers to the capital gain generated by the sale, by the parent company, of treasury stock for 53 thousand Euro and the capital gain generated by the sale of corporeal property by Prima Electronics for 2 thousand Euro.

61) OTHER EXTRAORDINARY INCOME

The overall amount of 521 thousand Euro relates to:

- The write-off of a debt of Prima Industrie budgeted for in previous years and unclaimed by the creditor for 5 years and in respect of which the risk of payment being claimed is deemed remote (324 thousand Euro).
- Collection by Prima Electronics of research grants relating to previous financial years (for 197 thousand Euro)

62) OTHER EXTRAORDINARY EXPENSES

The extraordinary expenses, which total 1,782 thousand Euro refer to:

- Costs incurred by Prima Industrie in relation to the OPA (take-over bid) for legal, financial and communication advice (435 thousand Euro).
- Costs incurred by Prima Industrie relative to an intervention campaign on new generation systems supplied by Prima Electronics (for 480 thousand Euro).
- Costs incurred by Prima North America Inc. for the transfer to the new premises and the re-organization of the activities at the start of the year (for 335 thousand Euro).
- Costs incurred by Prima North America Inc. for an intervention campaign on laser generators (344 thousand Euro).
- Costs incurred by Prima Industrie for early retirement incentives relating to the outsourcing of activities previously carried out internally (152 thousand Euro).
- Other minor costs amounting to 36 thousand Euro.

63) INCOME TAXES FOR THE FINANCIAL YEAR

Current taxes

The amount totalling 1,582 thousand Euro compared to the 2,163 thousand Euro of the previous financial year, decreased by virtue of the decline in the Group's result, which felt the effect of the losses incurred by the American company Prima North America.

Deferred taxes

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

	Deferred tax assets	Deferred tax liabilities
From the Financial Statements of the companies:		
• Prima Industrie SpA	1,035	350
• Prima Electronics SpA	(2)	62
From consolidation adjustments:		
• Capitalization of Prima Industrie's leased immovables and electronic machines	-	(3)
• Amortization of goodwill, software and start-up costs in Laserdyne Prima and Convergent Prima	76	-
• Reversal of intercompany margins	(2)	-
• Capital gain from granting licences to Shenyang Prima Laser Machine Company Ltd and SNK Prima Company Ltd	17	-
• Stocks of goods in transit	-	-
• Diff. IRPEG/IRES tax rate	(6)	4
Total movements arising out of consolidation adjustments	85	(7)
Total	1,118	405

Thus the net positive difference amounting to 713 thousand Euro affected the net result for the year in closure.

APPENDICES

The following appendices contain additional information to the Notes and form an integral part of same.

The aforesaid information is contained in the following schedules:

- Statement of changes in stockholders' equity in the years ended December 31, 2003 and 2002
- List of consolidated equity investments at 12/31/03
- Statement of changes in current assets: equity investments in subsidiaries and other companies
- Reconciliation between the Financial Statements of the Parent Company and the Consolidated Financial Statements at December 31, 2003 relating to the Stockholders' Equity and Profit.
- Statement of changes in intangible fixed assets for the financial year ended December 31, 2003.
- Statement of changes in tangible fixed assets for the financial year ending December 31, 2003.
- Summary of the highlights of the most recently approved Financial Statements of subsidiaries and associated companies (art. 2429 of the Italian Civil Code).
- Statement of cash flows for the financial years ended 2003 and 2002.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
IN THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(in thousands of Euro)

Description	Capital Stock	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for Treasury Stock	Other Reserves	Conversion Reserve	Profits (losses) carried forward	Profit (Loss) for the year	Total Stockholders' equity
Balances at 12/31//01	10,375	12,890	-	658	-	5,610	37	2,666	197	32,433
Appropriation of 2001 result	-	-	-	57	-	1,077	-	(937)	(197)	-
Reserve for treasury stock	-	-	-	-	472	(472)	-	-	-	-
Exchange difference from conversion, reclassifications and other net movements from consolidation	-	-	-	-	-	-	(161)	-	-	(161)
Loss for 2002	-	-	-	-	-	-	-	-	(5,024)	(5,024)
Balances at 12/31//02	10,375	12,890	-	715	472	6,215	(124)	1,729	(5,024)	27,248
Appropriation of 2002 result	-	-	-	-	-	(4,880)	-	(144)	5,024	-
Capital increase of 02/11/2003 reserved for institutional investors	1,125	2,843	-	15	-	-	-	-	-	3,983
Adjustment of Reserve for treasury stock	-	-	-	-	(149)	149	-	-	-	-
Exchange difference from conversion, reclassifications and other net movements from consolidation	-	-	-	-	-	-	(549)	-	-	(549)
Loss for 2003	-	-	-	-	-	-	-	-	(2,953)	(2,953)
Balances at 12/31//03	11,500	15,733	-	730	323	1,484	(673)	1,585	(2,953)	27,729

LIST OF EQUITY INVESTMENTS AT DECEMBER 31, 2003

COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS WITH THE FULL INTEGRATION METHOD

Company name / Office	Currency	Capital Stock	Stake 2003	Stake 2002
<i>Parent Company:</i>				
Prima Industrie S.p.A., Collegno (Turin)	€	11,500,000	-	-
<i>Subsidiary Companies:</i>				
Prima Electronics S.p.A., Moncalieri (Turin)	€	1,500,000	100%	100%
Prima North America, Inc. Massachussets, USA	US\$	20,000,000	100%	100%
Prima Industrie GmbH, Kronberg, Germany	€	25,565	100%	100%
Prima Scandinavia AB, Goteborg, Sweden	SEK	100,000	100%	-

STATEMENT OF CHANGES IN CURRENT ASSETS
EQUITY INVESTMENTS IN SUBSIDIARY
AND OTHER COMPANIES

(in thousands of Euro)

Description	Accounting position	Movements during the year		Final position	Stake
		Increases	Decreases		
	Original cost valued according to the cost method			Balance at 12/31/03	

Other companies:

Unionfidi	0.1	--	--	0.1	--
Total	0.1	--	--	0.1	

THE PRIMA INDUSTRIE GROUP

**RECONCILIATION BETWEEN THE
FINANCIAL STATEMENTS OF THE PARENT COMPANY
AND THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2003
RELATING TO THE STOCKHOLDERS' EQUITY AND PROFIT**

(in thousands of Euro)

	S.E. at beginning of year	Increase in Capital	Increases / (Decreases) Stockholders' Equity	Result for the year	Stockholders' equity at year end
As per Prima Industrie S.p.A.'s Financial Statements at 12/31/03	26,917	3,982		(2,834)	28,065
Financial Statements of companies consolidated using the full consolidation method	11,813		(1,222)	(2,733)	7,858
Adjustments to make the Financial Statements conform to correct Group Accounting Principles:					
➤ Exchange difference and amortization/depreciation	(795)		133	(393)	(1,055)
➤ Capitalization of leases	417			(7)	410
Consolidation adjustments:					
➤ Elimination of book value of equity investments	(10,457)		217	3,306	(6,934)
➤ Reversal of effect of inter-group margins	(537)		24	(37)	(550)
➤ Reversal of Prima Electronics dividends	(300)		300	(300)	(300)
➤ Reversal of licences: China and Japan	(210)			(47)	(257)
➤ Accounting for net deferred taxes	400			92	492
➤ Minority interest in equity and result	-				
As per Consolidated Financial Statements	27,248	3,982	(548)	(2,953)	27,729

**STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2003**

(in thousands of Euro)

Intangible fixed assets (amounts in thousands of Euro)	Balance 1/1/2003	Movements during the year			Balance 12/31/2003
		Acquisitions	Net Disinvest. and reclassific. (*)	Amortization	
Plant and expansion costs	67	-	-	(34)	33
Research, development and advertising costs	53	-	-	(53)	-
Industrial patent and intellectual property rights	292	102	(6)	(266)	122
Concessions, licenses, trademarks and similar rights	9	-	-	(1)	8
Goodwill	3,471	-	(484)	(481)	2,506
Fixed assets under construction and advances	-	-	-	-	-
Other intangible fixed assets	617	816	(73)	(184)	1,176
Total	4,509	918	(563)	(1,019)	3,845

(*) This value also includes the exchange differences arising during the course of 2003.

**STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2003.**

(in thousands of Euro)

Fixed assets	Initial position				Movements during the year				Final position			
	Original cost	Revaluations	Accum. Deprec.	Balance 1.1.2003	Additions	Disposals (*)	Utilization of Accum. Deprec. (*)	Depreciat.	Original cost	Revaluations	Accum. Deprec.	Balance 12/31/2003
Land and building	2,464	834	(397)	2,901	57	(13)	14	(110)	2,508	834	(493)	2,849
Plant and machinery	3,339	11	(2,287)	1,063	22	(252)	207	(229)	3,109	11	(2,309)	811
Industrial and commercial equipment	3,874	-	(3,320)	554	489	(132)	108	(279)	4,231	-	(3,491)	740
Other tangible assets	5,060	6	(4,190)	876	177	(502)	468	(365)	4,735	6	(4,087)	654
Fixed assets under construction and advances	-	-	-	-	-	-	-	-	-	-	-	-
Total	14,737	851	(10,194)	5,394	745	(899)	797	(983)	14,583	851	(10,380)	5,054

(*) The items “Disposals” and “Utilization of accumulated depreciation” are calculated net of any consolidation reclassifications and exchange differences.

**SUMMARY OF THE HIGHLIGHTS OF THE MOST RECENTLY APPROVED FINANCIAL
STATEMENTS OF SUBSIDIARIES AND ASSOCIATED COMPANIES
(ART. 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
Currency of account	Thousands of Euro	Thousands of US\$	Thousands of Euro	Thousands of Euro	Thousands of US\$	Thousands of Yen	Thousands of Euro	Thousands of Euro
Reference period of the information in the Financial Statements	2003	2003	2003	Company in liquidation	2003	03/31/2003	2001	2001
Inserted in the area of consolidation (line-by-line)	YES	YES	YES	YES	NO	NO	NO	NO
<u>ASSETS</u>								
Fixed assets	1,673	5,492	-	-	270	55,620	-	1,809
Current assets	9,303	16,278	45	-	1,082	59,182	503	1,098
Accrued income & prepaid expenses	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457</u>
Total assets	<u>10,997</u>	<u>21,770</u>	<u>45</u>	<u>=</u>	<u>1,352</u>	<u>114,802</u>	<u>503</u>	<u>3,364</u>
<u>LIABILITIES</u>								
Stockholders' equity	5,352	3,355	(150)	-	179	77,050	(1,222)	492
Provision for risk and charges	193	1,791	2	-	-	-	410	-
Employees' severance pay	1,118	-	-	-	-	-	35	383
Payables	4,312	16,624	191	-	1,173	37,752	1,280	2,472
Accrued expenses & deferred income	<u>22</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
Total liabilities	<u>10,997</u>	<u>21,770</u>	<u>45</u>	<u>=</u>	<u>1,352</u>	<u>114,802</u>	<u>503</u>	<u>3,364</u>
<u>INCOME STATEMENT</u>								
Sales	13,589	29,550	-	-	1,790	4,739	-	2,997
Value of production	13,644	27,582	-	-	1,790	4,739	15	3,237
Costs of production	<u>(11,828)</u>	<u>(30,455)</u>	<u>(9)</u>	<u>(7)</u>	<u>(1,954)</u>	<u>(12,299)</u>	<u>(304)</u>	<u>(3,094)</u>
Difference between value and costs of production	1,816	(2,873)	(9)	(7)	(164)	(7,560)	(289)	143
Financial management	(30)	(568)	-	(3)	(35)	2	(5)	(37)
Extraordinary management	79	(809)	-	-	76	-	507	(2)
Taxes	<u>(873)</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103)</u>
Net profit (loss)	<u>992</u>	<u>(4,192)</u>	<u>(9)</u>	<u>(10)</u>	<u>(123)</u>	<u>(7,558)</u>	<u>213</u>	<u>1</u>

THE PRIMA INDUSTRIE GROUP

CONSOLIDATED FINANCIAL STATEMENTS

**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 2003 AND 2002
(in thousands of Euro)**

	2003		2002	
A) Opening net financial position	(39,254)		(29,203)	
B) Cash flow from operations	(9)		(1,580)	
• Net profit (loss)	(2,953)		(5,024)	
• Amortization/Depreciation	2,002		2,517	
• Employees' severance pay allocations	456		504	
• Net allocations to provisions for risks and sundry charges	297		(645)	
• Allocation to provision for writedown of equity investments	49		938	
• Allocations to provision for doubtful accounts	140		130	
C) Cash flow from change in current assets	15,004		(6,800)	
• Net decrease / (increase) in inventories	6,512		4,963	
• Net decrease / (increase) in trade accounts receivable	11,653		(8,977)	
• Decrease / (Increase) in other sundry receivables	1,190		(728)	
• Decrease / (Increase) in other financial assets	148		(277)	
• Decrease/ (Increase) accrued income & prepaid expenses	(20)		26	
• (Decrease) / Increase in advances from customers	314		34	
• (Decrease) / Increase in trade payables	(3,858)		(1,467)	
• (Decrease)/ Increase in other payables	(567)		(54)	
• (Decrease)/ Increase in accrued expenses & deferred income	(368)		(320)	
D) Cash flow from changes in fixed assets	(1,498)		(80)	
• Decrease / (Increase) in intangible fixed assets	(355)		502	
• Net decrease / (increase) in tangible fixed assets	(643)		(649)	
• Decrease / (Increase) in equity investments	(520)		-	
• Decrease / (Increase) in other financial fixed assets	20		67	
• Decrease / (Increase) in guarantee securities	-		-	
E) Movements in Stockholders' Equity	3,434		(1,591)	
• Dividends paid to minority	-		-	
• Increase in capital stock and share premium reserve	3,968		-	
• Change in other sundry reserves (including the conversion reserve)	(534)		(161)	
• Decrease in minority capital and reserves (net)	-		(1,430)	
F) Closing net financial position	(22,323)		(39,254)	
• Amounts due to banks	(22,888)		(37,208)	
• Amounts due to other lenders	(3,042)		(5,375)	
• Cash and cash equivalents	3,607		2,812	
• Liquidity invested in repurchase agreements or other government securities	-		517	