



**PRIMA INDUSTRIE GROUP**

**REPORT ON CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE SIX MONTHS ENDED  
30 JUNE 2001**

**Board of Directors  
28 August 2001**

Ladies and gentlemen,

Presenting to you the results of your Company as at 30 June 2001 we believe that after the very positive year 2000 which enjoyed very favourable market conditions (only during the last period of the year we acknowledged signs of the market slowing down from United States) the first six months of 2001 has passed through a progressive and general climate of deterioration. Whilst have not been registered, at least for the time being, the expected signs of the economy recovery from the American market, in Europe France, Great Britain and most of all Italy have registered a remarkable decline as regards investments as a logic consequence of a disappointing growth of the gross internal product (GDP). Also the driving German economy has reduced its pace during the second quarter of the year. In Asia, Japan does not succeed in getting-out from its condition of economy recession of which is suffering since a couple of years. Promising countries like Argentina, Turkey and Korea are still looking for a way-out to their local crisis. The only positive signals are those coming from the emerging countries like China and Brazil.

In this overall negative picture, the laser sector in general and your Company in particular have confirmed: the first-one to be less sensitive to the market fluctuations of the macro-economic cycles (being a high technological area not of replacement yet) and the other to have been capable of multiplying its efforts at technical and commercial level to catch the opportunities of the moment. In consequence, the turnover of the period has grown by internal lines (Prima Industrie and Prima Electronics) of about 6% to which it must be added the external growth due to the recent acquisitions, Convergent Prima (consolidated at 30 June 2000 for only two months) and Laserdyne Prima (recently acquired and consolidated as from 1/4/2001). At consolidated level the turnover is therefore grown of about 31% to 51 million Euro for the semester.

The turnover geographic breakdown shows a remarkable growth in Europe (+43%) with a drop in Italy of 16%. Outside Europe the growth was very strong in USA (more than 200%) where the acquisitions have generated the expected effects and more limited (7%) in the rest of the world where was particularly positive the order acquisition from China (thanks to the Joint Venture Shenyang Prima), from Brazil (where started a co-operation with an important distributor) and Japan (from where we received the first orders due to the partnership with SNK and Hanwa – HTS).

In absolute terms, 74% of the turnover was therefore exported and realised abroad confirming, at this point, the global structure of your Group.

Considering now the various outlet markets we may point-out:

- a strong growth in the aerospace and energetic market (3D Yag machines) where the Laserdyne Prima acquisitions and Convergent Prima allowed us to reach an indisputable world wide leadership
- the holding in the sector of “sheet metal fabrication”, a very large market of the 2D CO<sub>2</sub> machines of which we have a relatively small quota. This, however, allowed us a further growth though the market stationary situation
- the slowing-down of the “automotive” area (3D machines CO<sub>2</sub>) in which the Laserdyne acquisition granted us anyhow to gain a leadership position in USA in addition to Prima Industrie first row position in Europe
- a freezing process in the ICT area in which, for the time being, our business trade is somewhat limited waiting the outcome of Convergent Prima co-operation with Pluritec (our partners for 20% of the Company) in the area of the Via Laser drilling of printed circuits.

In terms of margin of profit, the unfavourable external situation generated a hotter pressure on the machines destined to the automotive sector (3D CO<sub>2</sub>) also in consideration of a turnover mix mostly realised abroad on markets most competitive and/or where sales are managed through distributors (Germany).

The margins of profit of the 2D (sheet metal fabrication) kept almost steady to the non particularly satisfactory level of previous year because the action taken for their improvement (to start from the internalisation of the laser generator in Convergent Prima) is, at this time, still underway.

In consequence of the above Prima Industrie SpA though realising a limited growth (31 million Euro as against 29.9 for the six months of 2000) has registered a MOL (EBITDA) of 2.4 million Euro (3.3 in 2000) and an operating result (EBIT) of 2 million Euro (2.7 in 2000). The profit before taxes, taking away the extraordinary items as at 30 June 2000 equal to 0.9 million Euro (due to contributions related with R&D of previous years) is decreasing from 2.2 to 1.4 million Euro because of the loss incurred by the American newly acquired Companies.

The newly acquired Convergent Prima and Laserdyne Prima have however diluted the Group profitability respectively by 0.5 and 0.6 million Euro after having charged to their respective P&L accounts 0.4 and 0.5 million Euro R&D expenses on new products and products integration (laser on CNC) of the various companies.

These activities must therefore be interpreted as important investments for a range of products more ample and integrated of which the Company should receive its returns as from next year.

Prima Electronics has given a positive contribution to the Group results (1.3 million Euro) which value is in line with previous year so confirming the high profitability of the Company and its strategic importance within the Group.

Because of the above and of the consolidation adjustments due to delivering products in USA (which invoicing to the customers was made in July implying forward results of about 0.3 million Euro) at consolidated level it is registered:

- MOL (EBITDA) at 3.2 million Euro (4.2 million Euro at 30/6/00)
- Operating result (EBIT) at 2.1 million Euro (3.6 million Euro at 30/6/00)
- Profit before taxes 2.3 million Euro (3.1 million Euro net from the extraordinary items above mentioned for the previous year).

As mentioned, the economic results are net from 2.7 million Euro of R&D expenses (2000=1.6) so confirming the important involvement of all Companies towards the improvement of the products range with a view to improve profitability. The list of the developments underway covers contents never registered before in the Company history ranging from new and more powerful versions of CNC (in Prima Electronics) to the laser generators and Via drillers systems (in Convergent Prima) to new 2D and 3D machines (in Prima Industrie and Laserdyne Prima).

Some of the new products will be presented to the market with next international exhibitions (EMO in Germany and Fabtech in USA). Our aim is therefore to be ready with a renewed, wider and more profitable range of products to the appointment of when the macroeconomic trend will revert to consent to the Group a further strong growth for the future. As an important fact we like to mention that the first machine fully realised within the Group (mechanic, control, laser) will be presented at the EMO exhibition halfway through September.

The order backlog as at 30/6/01 is 41.2 million Euro (2000 = 38.2 million Euro) and this confirms the group vitality also in market conditions not particularly good. The excellent order acquisition of July together with the expected benefits coming from the new fiscal allowances which should soon be granted on new investments, makes us to imagine a further growth on our sales also during the second part of the year.

In financial terms the ratio between net financial position and net capital holds its satisfactory 0.5 in spite of the assets increase in consequence of the acquisitions made thanks to the generated cash flow and to a capital increase fully subscribed by Helios Private Equity.

In conclusion, we may say that even in market conditions not favourable the Group shows its capacity to continuing its growth also by internal lines and to be able to bear the temporary dilution generated by the acquisition made, with which the Group is completing the strategic picture anticipated at the time of the Company stock-exchange listing which was foreseeing expansion in USA and integration of the laser with consequent synergy exchanges within the Group companies. Next challenge is to integrate as rapidly as possible the acquired structures in order to lead the Group toward higher level of profitability on larger dimensions and balanced collection of its proceeds all over the world markets.

Inside this picture we are confident to successfully pursue our main target which is a better value creation to the benefit of our shareholders, improving our relationship with the investors and the market in general and therefore be ready to promptly catch the expected return to normality of the financial markets after months of a negative trend.

Ing. Gianfranco Carbonato  
Chief Executive Officer

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

Share capital €9,650,000  
Fully subscribed  
Recorded at the Companies Office of Turin  
at No. 3549/80  
R.E.A. of Turin No. 582421

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**BOARD OF  
DIRECTORS (\*)**

*President*  
Aldo Palmeri

*Managing Director*  
Gianfranco Carbonato

*Directors*  
Giulia Della Rosa  
Sandro D'Isidoro  
Renato Russo  
Francesco Takanen  
(\*\*) Giuseppe Morfino  
(\*\*) Paolo Mazzotto

*Secretary*  
Giuseppe Favaloro

**General Director**

Alberto Delle Piane

**STATUTORY AUDITORS  
(\*\*\*)**

*President*  
Riccardo Formica

*Effective statutory auditors*  
Andrea Mosca  
Roberto Pettrignani

*Supplementary statutory auditors*  
Roberto Coda  
Stefano Maria Ruggeri

**AUDITORS**

PricewaterhouseCoopers S.p.A.

- (\*) Nominated at the shareholders' meeting of 14 May 1999 for the three year period 1999-2001  
(\*\*) Independent director nominated at the shareholders' meeting of 11 May 2001 for the current year  
(\*\*\*) Nominated at the shareholders' meeting of 11 May 2001 for the three year period 2001-2003

**RESPONSIBILITIES OF DIRECTORS**

The Board of Directors, with the deliberation of 14 May 1999, conferred the responsibility of Managing Director to Mr. Gianfranco Carbonato including all operating rights with the exception of those reserved by law expressly for the Board of Directors. The President and the Managing Director are the legal representatives of the Company in line with article 23 of the Company statute.

## **PRIMA INDUSTRIE GROUP**

### **REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2001**

(Approved by the Board of Directors of the Company on 28 August 2001)

#### **INTRODUCTION**

The following financial information is based on the same principles as those applied in the preparation of the Group's interim and year-end financial statements. Accordingly, the comparison between the two six month periods (30/6/2001 and 30/6/2000) is presented using accounting principles which have been applied on a consistent and uniform basis.

The data and information contained in the following paragraphs have been subject to a limited review conducted by PricewaterhouseCoopers S.p.A., the Company's auditors. Consequently, the financial information contained herein should be considered "unaudited".

All amounts are expressed in thousands of Euro, unless otherwise stated.

Included the appendix is the following:

- the financial statements of the parent Company, Prima Industrie SpA for the six months ended 30 June 2001.

#### *ACTIVITY OF THE GROUP*

There were no significant changes in the activity of the parent company, Prima Industrie SpA or other group companies in the six month period under review.

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

The companies included in the consolidated financial statements have been consolidated using the line-by-line method. The area of consolidation has not changed with respect to 31 December 2000, however, on 1 April 2001 Prima US Inc. acquired certain assets and liabilities of Laserdyne (GSI Lumonics Group), and simultaneously changed its name to Laserdyne Prima Inc.. This resulted in a change in the financial and economic structure of the Group.

The subsidiaries of the group, both held directly and indirectly, have been consolidated using the line-by-line method. Other investments are carried under the equity method.

Transactions between companies consolidated on a line by line basis and those carried under the equity method do not significantly impact the results of the Group.

## SIGNIFICANT EVENTS

### *ACQUISITION OF LASERDYNE INC. (USA)*

On 8 March 2001, with effect from 2 April 2001, the contract has been signed for the acquisition from the GSI Lumonics Group, a company listed on the Nasdaq in North America and in Toronto, the Laserdyne division, a leader in the US market in three dimensional laser applications and a world leader in aerospace laser applications.

The acquisition, which included certain assets of Laserdyne (trade mark and inventories, net of certain liabilities), was effected by Prima US Inc., a 100 percent subsidiary of Prima Industrie SpA, which subsequently changed its name to Laserdyne Prima Inc. and increased its share capital to US\$ 10 million in order to support the investment.

Based in the vicinity of Minneapolis (Minnesota – USA) in a modern facility of some 10,000 square meters, Laserdyne brought to the Group an important client base, on site installed laser based systems (approximately 500) and highly qualified employees (some 90 staff).

The net assets acquired can be summarised as follows:

	In US dollars
Fixed assets (net)	599,086
Goodwill	2,000,000
Inventories (net)	8,034,404
Installation and guarantee provision	(549,622)
Customer advances	(1,260,417)
Accrued employee liabilities	(230,678)
Total	8,592,773

Negotiations are still in process in relation to the final determination of the net value of the assets acquired. This process should be completed by 31 December 2001, the date when the operation will be closed. The discussions between the buyer and the seller in relation to the final acquisition price are centred around an amount of US\$ 700 thousand.

At the date of this report, an amount of US\$ 6 million had already been advanced. The operation in total is financed 50 percent by an increase in share capital of Prima Industrie (which in turn increased the share capital of Laserdyne Prima) with the remaining 50 percent leveraged finance with financial institutions.

We believe that this is an important strategic horizontal investment which allows a significant reinforcement of the Group's competitive position in the US market in general, and in the aerospace sector in particular. This sector is experiencing growth despite the downward trend of the economy in general. In addition, the investment results in a wide and modern productive base in the USA, which will create productive synergies with the Italian facilities. With this acquisition, the strategic plan outlined during the quotation has been completed. This plan included the expansion into the US market and the integration of lasers with the resulting production synergies with



companies of the Group. In fact, as a result of the acquisition, the Group now has two laser system production companies (Prima Industrie in Europe and Laserdyne Prima in the USA) and two strategic suppliers of laser systems (Prima Electronics for electronics and Convergent Prima for lasers). The challenge in the immediate future is to quickly integrate the structure in order to bring the Group to a satisfactory level of profitability as soon as possible.

As an important fact we like to mention that the first machine fully realised within the Group (mechanic, control, laser) will be presented at the EMO exhibition halfway through September.

#### *INCREASE IN SHARE CAPITAL AND TRANSFORMATION INTO EURO*

As approved by the extraordinary shareholders meeting of 11 May 2001, the Company took the necessary steps (in accordance with Law No. 213 of 29 June 1998 and subsequent revisions in relation to the introduction of the Euro) to convert share capital from Lire into Euro and to subsequently (on 4 June 2001) split the nominal value of shares at a ratio of four new shares at Euro 2.5 each in place of the previous share of Euro 10 each. The operation was effected with the intention of increasing the liquidity in the marketplace where the Group's share was previously one of the highest on the stock exchange (Nuovo Mercato).

Subsequently, in order to finance a part of the acquisition of Laserdyne, an operation was effected to increase the share capital of Prima Industrie which issued 260,000 new ordinary shares (with a nominal value of Euro 2.5 each). Such shares were subscribed on 18 June 2001 by Helios Private Equity SA (UNICREDIT Group), a closed Luxembourg fund which expressed its intention to remain a shareholder for the medium-long term.

The subscription allowed the Company to maintain (at level constant with respect to 31 December 2000) the debt to equity ratio which is currently some 0.5 compared to a minimal dilution of the value of the shares.

#### *JOINT-VENTURE IN THE JAPANESE MARKET*

On 5 June 2001, Prima Industrie signed a joint venture with a Japanese company, Shin Nippon Koki (SNK) (one of the largest Japanese companies in the instrument products sector) and Hanwa-HTS (a trading company specialised in the distribution of steel and sheet metal plates). The aim of the joint venture is to cover the Japanese market (which represents 30 percent of the world-wide market) where, within now, our Group was not significantly present. The percentages of the joint venture, which has a share capital of Yen 90 million, are 40 percent for Prima Industrie and SNK and the remaining 20 percent for Hanwa.

Prima Industrie's investment essentially consists of supplying the technology by means of patents for which it will receive royalties from the joint-venture.

The operations of the joint venture, which will have its head office within the SNK facilities, will consist of assembly of machines for three dimensional cutting and for the Mosaico for which Prima Industrie will supply technological components (laser, numerical controls, software and beam director) and the sale of these products exclusively in the Japanese market, in addition to Korea, Taiwan in the form of non exclusive agreements.

It is foreseen that the joint venture will be established by autumn 2001 and begin operations from 2002.

#### *REINFORCEMENT OF AND INCENTIVES TO MANAGEMENT*

The high level of complexity of the business in the US market resulted in the necessity of introducing a new management structure of the Group with new important roles including a new general manager for the US activity who will report directly to the managing director. This role has been assigned to Mr Paolo Cigna, a manager with previous experience in the sector.

In addition, in order to promote a higher level of involvement of top management in this important phase of integration, the Board of Directors of Prima Industrie have implemented a stock option plan for 2001 and 2002 for foreign management and managers (quadri) of the Italian companies. This plan will be based on the achievement of certain financial parameters in terms of revenues and EBIT.

#### *SUPPLY CONTRACT WITH THE ATLAS COPCO GROUP*

In March 2001, Prima Electronics formalised the continuation of the supply relationship with Atlas Copco until 2006, dissolving definitively the doubt relating to the potential slowdown of growth noted during the quotation of Prima Industrie.

The confirmation of this important and continuing supply relationship, together with the new customers acquired, form the basis for a high level of future growth for the Company.

#### *RESEARCH AND DEVELOPMENT ACTIVITY*

The Group has never before committed itself to the development of numerous projects (lasers, numeric controls, new industrial applications, technological improvements to existing products) as in the current year. The investment sustained in the period (totally charged to P/L) was Euro 2.7 million (Euro 1.6 million in the first half 2000). During the second half of 2001 and in 2002, the new products will allow the Company to extend and renew the range of products offered to the market place.

#### *INTRODUCTION IN ITALY OF THE INTEGRATED SYSTEM, SAP*

After the installation of the new integrated software system, SAP in Prima Electronics in July 2000, from 1 January 2001 Prima Industrie also adopted SAP which, amongst other things, allowed for the immediate adoption of the Euro as the reporting currency.

After the necessary implementation phase, it is expected that improved organisation and integration of the Group will be achieved.

#### *MOVEMENT OF SHARE PRICE*

For the whole of 2000 and until the beginning of May 2001, a share price before the share split of between Euro 95-105 was maintained (after the split Euro 24-26), despite a downward trend of the stock market (Nuovo Mercato). From May 2001, we experienced, in line with a strong decrease in the overall stock exchange index, a decrease in the share price to the actual value of Euro 17.

Notwithstanding this decrease, which was not connected to the economic and financial trend of the Group, the current market value is more than 100 percent higher than the IPO price (Euro 7.5 per share after split) and the overall movement in the first semester of 2001 is higher than the relevant stock exchange index (NUMTEL).

## **REPORT ON OPERATIONS**

In the first semester of 2001, the Prima Industrie Group continued a growth trend increasing revenues by 31 percent reaching Euro 51.1 million against Euro 39.0 million in the same period in 2000.

The increase was obtained primarily in the laser sector, however sales of electronic products and after sales service also experienced positive growth. The consolidation of the USA activity, currently in the restructuring and integration phase, somewhat diluted the overall economic results of the Group, also as a consequence of the mentioned R&D investments. For this reason, operating profit was Euro 2,054 thousand compared to Euro 3,560 thousand for the six months ended 30 June 2000, while profit before income taxes was Euro 2,257 thousand against some Euro 3,966 thousand for the 2000 period. Such decreases are also in consideration of the fact that 2000 was influenced for Euro 912 thousand as a result of a contribution for extraordinary costs sustained for the year ended 31 December 1999 on the Eureka/Public project.

Notwithstanding the downward economic trend on a world-wide level, revenues for the period were growing of 31 percent, of which 25 percent is due to the new acquisitions. This confirms that the laser machine market has a growth rate higher than markets with a lower level of technology.

Given that the Group operates in a diversified market, it was able offset the contraction in the automobile sector (evident in the 3D laser systems) with good performances in the sheet metal processing area and in aerospace which experienced growth in the period under review.

## **SUMMARY OF KEY PARAMETERS AND INCOME INDICIES**

Given the problems associated with comparisons of information for the six months ended 30 June 2001 and 2000 (due to the timing of the acquisitions of the two companies in the USA in 2001 and 2000), we believe it is useful to provide a brief commentary on the activities of the four significant companies included in the consolidation (the other two subsidiaries consolidated on a line by line basis, Prima Industrie GmbH and Prima Industrie International BV are only marginally operative).

(Exchange rate utilised with the \$ at 30/6/01: average 0.89814; period end 0.848)

	Prima Industrie SpA				Prima Electronics SpA				Convergent Prima Inc.				Laserdyne Prima Inc. (previously Prima US Inc.) (3)			
	30/6/01		30/6/00		30/6/01		30/6/00		30/6/01		30/6/00 (2)		30/6/01		30/6/00	
	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%
Revenues from sales and services	31,041	100.0	29,928	100.0	8,202	100.0	7,179	100.0	9,133	100.0	2,565	100.0	6,845	100.0	1,984	100.0
EBITDA	2,435	7.8	3,285	11.0	1,457	17.8	1,381	19.2	(193)	(2.1)	(150)	(5.8)	(391)	(5.7)	(327)	(16.5)
Operating profit (EBIT) (4)	2,015	6.5	2,731	9.1	1,296	15.8	1,276	17.8	(335)	(3.7)	(205)	(8.0)	(564)	(8.2)	(334)	(16.8)
Profit before income taxes from ordinary activities	2,532 (1)	8.2	2,224	7.4	1,271	15.5	1,276	17.8	(533)	(5.8)	(206)	(8.0)	(641)	(9.4)	(331)	(16.7)
Extraordinary items	-	-	912	3.1												
Profit before income taxes after extraordinary items	2,532 (1)	8.2	3,136	10.5												

- (1) Pro-forma balance which excludes the write down of the investment in Laserdyne Prima and Convergent Prima, which is included in their respective columns.
- (2) Convergent Prima Inc. as at 30 June 2000 was operative for only two months (acquired on 1 May 2000).
- (3) The information for the period ended 30 June 2000 relates only to Prima US. The information for the period ended 30 June 2001 includes six months of operations of Prima US plus three months of the operations purchased from Laserdyne.
- (4) Consolidated EBIT is different from the sum of this line because of consolidation adjustments, mostly due to intercompany profit cancelled for delay in delivery to final customers.

## PRIMA INDUSTRIE SPA

Notwithstanding the less than favourable economic environment, revenues increased some 3.7 percent with respect to the same period in 2000. In addition, the market experienced a certain revival in the previous two months (above all in Italy where the market was stagnant in the past 7-8 months), which allows the Group to maintain a portfolio at the end of July which should keep the Company engaged until 2001.

The contraction in terms of profitability is due to the mix of laser products which resulted in a drop in demand for 3D (highly sensitive to the automotive market) in favour of 2D, where profitability is lower.

## PRIMA ELECTRONICS SPA

Revenues increased 14.2 percent with respect to the same period in 2000. This growth resulted from the acquisition of new customers together with the continuation of the contract with Atlas Copco, which was renewed during the period.

Profitability decreased in percentage terms substantially as a result of the learning curve in relation to supplying new customers. The period closes with a backlog which covers the remainder of entire 2001 year.

## CONVERGENT PRIMA INC.

This Company was acquired on 1 May 2000. The process of commercial integration in the Group was managed during this first year of activity. Eliminating non profitable activities (special products and product lines with high production costs), the Company focused on planning the "CP4000" laser (4 Kw) for Prima Industrie and the "via driller" system for Pluritec. In this phase of restructuring, margins generated on actual products (laser yag "pulsato" P50, leader in the micro-perforation of aeronautic components) and service offered, even if at a good level, are not considered sufficient to fully support the structure required for the development noted above.

The completion of the laser project and via driller, foreseen in the next few months (with a prototype at the end of 2001) will allow the Company to have a more balanced revenue and cost structure. Considering that both products in the development phase will have an important captive market (with Prima Industrie and Pluritec), it is realistic to assume a positive economic future for the Company.

## LASERDYNE PRIMA INC.

This acquisition strengthened the Group's strategic competitive position in the USA. In these first months, the Group is concentrating on commercial and production integration. The economic results for the period are not particularly significant due to the start up phase and certain problems associated with temporary delays to certain customers resulting from the downward economic trend in the American market.

The revenues of the period refer to the acquired inventory, whose turnover is satisfactory.

The Company structure is adequate for the potential business in the market in which it operates. According to how the market responds to our solicitation, fixed costs will be managed to bring them in line with the level of revenues.

The first push should come in Autumn 2001 during the first important fair (Fabtech) in the USA where the Prima Industrie and Laserdyne Prima products will be presented.

#### CONSOLIDATED FINANCIAL INFORMATION

After the necessary introduction in relation to the change in the structure of the Group, the following is an analysis of certain summarised consolidated financial information (in thousands of Euro, with the exception of number of shares and result per share – exchange rate used with the \$ at 30 June 2001: average 0.89814 – period end 0.848):

	30/6/01		30/6/00	
	Thousands of Euro	%	Thousands of Euro	%
Revenues from sales and services	51,149	100.0	39,057	100.0
EBITDA	3,189	6.2	4,189	10.7
Operating profit	2,054	4.0	3,560	9.1
Profit before income taxes	2,257	4.4	3,966	10.2
Normalised profit before income taxes (*)	2,257	4.4	3,054	7.8
Number of shares (nominal value of Euro 2.5)	3,860,000		3,428,000	
EBITDA per share	0.83		1.22	
Operating profit per share	0.53		1.04	
Profit before income taxes per share	0.58		1.16	
Normalised profit before income taxes per share (*)	0.58		0.89	

(\*) net of the contribution for research of an extraordinary nature recorded during 2000.

The consolidated financial information accurately summarises the events of the first six months of 2001 taking account of:

- a constant level (net of the acquisition of Laserdyne) of revenues notwithstanding the unfavourable economic background;
- a reduction in profitability resulting from the increased competition in the markets in which the Group operates, a less favourable mix of revenues, the integration of the two USA acquisitions which are considered strategic for the future of the Group and from the increase in R&D investments (already mentioned) totally charged to profit and loss statement.

The positive trend of the Group is also reflected in the information relative to orders received.

#### ORDERS RECEIVED

	Orders received from 1/1/01 to 30/6/01		Orders received from 1/1/00 al 30/6/00	
	Thousands of Euro	Number of Machines	Thousands of Euro	Number of Machines
2D laser machines	16,471	51	15,184	50
3D laser machines	17,057	27	14,853	32
Other laser systems	1,985	8	2,039	7
Electronic products	5,742	-	6,599	-
Lasers	2,366	17	2,664	18
Assistance and sundry	9,420	-	9,052	-
<b>Total</b>	<b>53,041</b>	<b>103</b>	<b>50,391</b>	<b>107</b>

#### ORDER BACKLOG

	At 30/6/01		At 30/6/00	
	Thousands of Euro	Number of Machines	Thousands of Euro	Number of Machines
2D laser machines	10,449	31	10,108	31
3D laser machines	15,790	23	15,138	28
Other laser systems	4,383	12	3,254	10
Electronic products	6,177	-	5,366	-
Lasers	2,189	12	1,354	7
Assistance and sundry	2,168	-	2,932	-
<b>Total</b>	<b>41,156</b>	<b>78</b>	<b>38,152</b>	<b>76</b>

The backlog at the end of the period allows the Group to look at the second half of the year with a degree of optimism.

In particular, the order backlog of Prima Electronics SpA covers substantially a period of six months and that of Prima Industrie SpA a period of four months. This portfolio is normal for this type of business.



## WORKING CAPITAL

	30/6/01	30/6/01	30/6/01	31/12/00	30/6/00
	Including the assets acquired of Laserdyne Prima	Of which the assets acquired of Laserdyne Prima	Excluding the assets acquired of Laserdyne Prima		
Inventories	37,738	9,475	28,263	21,197	22,971
Trade receivables	39,646		39,646	37,647	35,103
Other receivables	8,185		8,185	7,918	5,960
Accrued income and prepaid expenses	239		239	498	597
Provisions for risks and charges	(5,937)	(648)	(5,289)	(4,749)	(4,411)
Trade payables	(28,224)		(28,224)	(20,977)	(20,773)
Other payables	(7,347)	(1,486)	(5,861)	(5,459)	(7,083)
Accrued liabilities and deferred income	(721)	(272)	(449)	(823)	(536)
Total	43,579	7,069	36,510	35,252	31,828

The trend represented above reflects an increase in the working capital of the group, which is less than proportional with respect to the growth in activity due also to the improvement in debtors days.

Clearly the acquisition of the activities of Laserdyne resulted in an additional level of working capital by external means.

## NET FINANCIAL POSITION

	30/6/01	31/12/00	30/6/00
Current financial assets	11,153	4,421	3,926
Short term loans with banks and other financial institutions	(15,546)	(6,741)	(7,589)
Medium and long term loans with banks and other financial institutions	(13,999)	(12,105)	(11,166)
Net financial position	(18,392)	(14,425)	(14,829)

The above represents total exposure to lending institutions (Mediocrediti, Ministry of Industry, Commerce and Craftsmen, IMI etc.). Credit lines on current accounts for Prima Industrie SpA (parent company) amounted to some Euro 30 million, Prima Electronics SpA for some Euro 2.2 million and Convergent Prima Inc. for US\$ 3 million.

As at 30 June 2001, a financing operation is being formalised and will be completed as soon as possible on behalf of Laserdyne Prima for US\$ 2 million.

MOVEMENT IN FIXED ASSETS AND MEDIUM AND LONG TERM FINANCING  
(from 1/1/01 to 30/6/01)

Increase in shareholders' equity of the group	7,691
(-) Net investments in fixed assets	(3,807)
(+) Increase in minority interests	350
(+) Net increase in employees' severance indemnity	126
Liquidity generated from operations net of investments in fixed assets	4,360

Such liquidity partially contributed to financing the increase in working capital.

Increase in net working capital	8,327
(-) Increase in net financial position	(3,967)
Difference	4,360

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	30/6/01	31/12/00	30/6/00
Shareholders' equity of the group (A)	33,075	25,384	21,138
Total fixed assets (B)	14,108	10,301	9,356
Surplus (A-B)	18,967	15,083	11,782
Employees' Severance Indemnity	2,951	2,825	2,546
Minority interests	3,269	2,919	2,671
Permanent surplus capital	25,187	20,827	16,999
Net working capital (C)	43,579	35,252	31,828
Net financial position (D)	(18,392)	(14,425)	(14,829)
Surplus working capital (C-D)	25,187	20,827	16,999

## **SUBSEQUENT EVENTS**

Subsequent to the closing of the financial statements for the six month period, which have been summarised numerically and in the notes to this report, no matters materialised which could have a significant impact on the financial position, shareholders' equity and results for the period in relation to companies included in the consolidation.

The following is a summary of operations that will be concluded in the second six month period of 2001:

- **COMMERCIAL ACTIVITIES:**

In the next few months, the 2001 commercial activities will be completed as a result of the following two important autumn fairs which will allow the Group to jointly present the new products of Prima Industrie and the range of Laserdyne Prima products:

- EUROBLECH Hanover (Germany)
- FABTECH Chicago (USA)

These two events will provide important indications of the market trends for 2002, which will allow the Group to correctly plan production activities in the near future. In particular, the level of market appreciation in relation to product innovation of goods that the Group is developing will be highlighted. This will allow important improvements in the actual range of products in the next few months.

- **CHANGE IN FINANCIAL POSITION:**

At the end of 2001, the payment for the acquisition of Laserdyne will be completed which will absorb some US\$ 3 million. The net financial position of the Group will change accordingly, net of the operating cash flow that will be generated during the period.

- **ORDERS RECEIVED:**

In terms of orders received, contrary to the historical trend that indicates low levels of activity in the months of July and August, the Group experienced a good performance in the month of July 2001. This confirms a certain revitalisation particularly in the domestic market, which, more than other markets, felt an economic slowdown due to the waiting for the results of the general elections and the consequent provisions for investment incentives. We believe that autumn will represent a re-launch of the normal market conditions.

If we review only the information relative to the order acquisition of Prima Industrie laser machines, in July 2001, 18 were ordered (for some Euro 7.4 million) against 7 orders (for some Euro 2.8 million) in July 2000.

This results in a portfolio of Prima Industrie alone as at 31 July 2001 of 57 machines (same as at 31 July 2000) for a total amount of Euro 26 million (some Euro 24 million as at 31 July 2000).

- RAMBAUDI INDUSTRIALE SPA:

On 2 July, the Group converted into share capital a debenture loan, which was in turn subscribed. Consequently, the Group's investment in this Company (which has commercial synergies) increased from some Euro 516,000 to some Euro 775,000 (from 7.41 percent previously to 8.42 percent after the conversion).

- MECHANICAL INDUSTRIES SPA:

On 17 July, the Group subscribed and paid up some Euro 105,000 for an increase in share capital in this company which is our usual supplier of mechanical workmanship that means strategic from the point of view of productive efficiency. Once the subscription is completed, the Group's investment should be around some 20 percent of the share capital of this Company.

- STOCK OPTION PLAN:

On 10 July 2001, an increase in share capital was effected as a result of exercising stock options on behalf of management. This was due to the achievement of the financial parameters in terms of revenues and operating income. The subscription of the whole amount of the stock options available, increased ordinary shares and share capital by 50,000 new shares with a value of Euro 375,000. Following this operation, the share capital was made up of 3,910,000 ordinary shares with a nominal value of Euro 2.5 each (total of Euro 9,775,000).

## ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the six months financial statements are those applied in the year-end consolidated financial statements and have been applied on a consistent basis for the two six month periods under examination. These policies are applied on a uniform basis for all companies in the area of consolidation.

### *PRINCIPLES OF CONSOLIDATION:*

Subsidiaries have been consolidated under the line-by-line method, which briefly consists of recording all assets and liabilities as well as revenues and costs of the individual companies on a line-by-line basis.

The minority interest in the share capital and reserves of subsidiaries is recorded as a separate caption "minority interests". The minority interest in the consolidated results for the year is recorded under "minority interests" in the income statement.

The principal adjustments in arriving at the consolidation of the balance sheets and income statements at 30 June 2001 from a simple aggregation are the same as those utilised in the preparation of the statutory and consolidated financial statements at 31 December 2000.

### *EXCHANGE RATES APPLIED:*

The exchange rates applied in the translation of foreign currency financial statements into Euro are as follows:

Currency	Average exchange rate for the period		Period-end exchange rate	
	30/6/01	30/6/00	30/6/01	31/12/00
US dollar	0.89814	1.042	0.848	1.075

## **COMMENTS ON THE PRINCIPAL BALANCE SHEET COMPONENTS**

### **INTANGIBLE ASSETS**

During first six months of 2001, no research and development costs were capitalised. Such activities, which as in previous years were very intensive, related to the expansion of product lines and to technological improvements and efficiencies, and were expensed in the profit and loss account as in the previous year. The balance as at 30 June 2001 of Euro 348 thousand reduced with respect to the Euro 447 thousand as at 31 December 2000 as a result of the amortisation for the period.

The significant increase in the caption industrial patents, intellectual properties and similar rights (from Euro 553 thousand as at 31 December 2000 to Euro 788 thousand as at 30 June 2001) relates to the capitalisation of costs sustained by Prima Industrie for the acquisition and installation of the integrated software system, SAP. The costs were capitalised and amortised since the program entered into operation on 1 January 2001.

The significant increase in the caption Goodwill (Euro 1,755 thousand as at 31 December 2000 to Euro 4,123 thousand as at 30 June 2001) was due an amount (equivalent to US\$ 2 million) relating to GSI Lumonics and represented by the difference between the assets and liabilities acquired and the technology intrinsic in the activity of Laserdyne. This goodwill, which is added to the amount generated in 2000 from the acquisition of Convergent, is amortised over ten years. The amount presented is net of the amortisation for the period. The increase in "other intangible assets" primarily relates to leasehold improvements to update the facilities where the Group carries out its operations.

Amortisation for the period was Euro 99 thousand for research and development costs and Euro 477 thousand for other intangible assets for a total of Euro 576 thousand, compared to Euro 337 thousand for the six months ended 30 June 2000.

### **TANGIBLE ASSETS**

The increase of Euro 645 thousand with respect to 31 December 2000 is due to the fixed assets (plant, machinery and other machines) resulting from the acquisition of the division of Laserdyne which are estimated at Euro 706 thousand as at 30 June 2001, in addition to the normal investments for production, net of the depreciation for the period (Euro 559 thousand against Euro 292 thousand for the period to 30 June 2000).

### **FINANCIAL FIXED ASSETS**

These assets remained unchanged from the position as at 31 December 2000 and relate to a joint venture with Shenyang Prima Laser Machine Co Ltd for Euro 391 thousand and the investment held by Prima Electronics SpA in MLTA Srl (a company in the industrial electronics business) for some Euro 10 thousand.

Financial receivables (Euro 582 thousand against Euro 597 thousand as at the end of 2000) consist of a financial loan provided by Prima Electronics to its affiliate MLTA for Euro 124 thousand and a convertible bond issued by Rambaudi Industriale and subscribed by Prima Industrie for an amount of Euro 258 thousand, which was converted on 2 July 2001 into an increase in share capital in Rambaudi Industriale. The remaining amount represents an advance for taxation on employee severance indemnity (TFR).

#### INVENTORIES

Inventories increased by Euro 16,541 thousand with respect to 31 December 2000; Euro 7,289 thousand for raw materials, Euro 5,330 thousand for work in progress and Euro 3,922 thousand for finished products.

A significant part of the overall increase relates to the consolidation in that Laserdyne Prima accounted for Euro 9,475 thousand as at 30 June 2001. The increase in inventories in other companies of the Group, equivalent to Euro 7,066 thousand reflects the increase in volumes produced during the period in addition to the higher percentage of inventories on hand throughout the year in comparison to the end of the year. This phenomena is correlated to the productive cycle of the Group.

#### TRADE RECEIVABLES

Total trade receivables as at 30 June 2001 amounted to Euro 47,211 thousand, an increase with respect to Euro 44,687 thousand as at 31 December 2000. This situation is due to the significant increase resulting from the growth in revenues during the period which necessitated an increase in the investment in working capital. Trade receivables amount to Euro 39,646 thousand, net of a provision for bad debts of Euro 1,446 thousand. Considering the high level of revenues for the period (Euro 51,149 thousand) the amount of cash receipts in six months ended 30 June 2001 were satisfactory which resulted in an improvement in debtors days from 159 at the end of 2000 to the actual level of 146, continuing the trend of improving the average timing of cash receipts.

A portion of the reduction in average debtors days is also due to the seasonality of revenues which reaches a peak in the fourth quarter of each year (resulting in a high level of receivables at the end of the year), compared to the activity in the first quarter which is somewhat contained, and where the level of receivables is lower.

There are no receivables that are due over five years.

#### SHAREHOLDERS' EQUITY OF THE GROUP

Shareholders' equity increased principally as a result of the positive net result for the period (Euro 1,908 thousand) and the increase in share premium resulting from the premium paid for the subscription of share capital increase of Prima Industrie effected on 18 June 2001. The total amount increased from Euro 25,384 thousand as at 31 December 2000 to Euro 33,075 thousand as at 30 June 2001.

Movements can be summarised as follows:

	Share Capital	Reserves	Profit for the period	Total
Balance at 31/12/00	9,296	11,223	4,865	25,384
Increase in share capital (18/6/01) including relative share premium	650	4,818	-	5,468
Appropriation of 2000 result	-	4,865	(4,865)	-
Conversion of share capital into Euro	(296)	296	-	-
Currency translation adjustments and other movements	-	315	-	315
Profit for the period to 30/6/01	-	-	1,908	1,908
Balance at 30/6/01	9,650	21,517	1,908	33,075

#### SHAREHOLDERS' EQUITY AND RESULTS OF MINORITY INTERESTS

With respect to 31 December 2000 (Euro 2,919 thousand), the total value increased to Euro 3,269 thousand as a result of the effect of both the result applicable to minority interests for the period of Prima Electronics and Convergent Prima and currency translation adjustments of Convergent relative to third parties, net of the distribution of dividends of Prima Electronics effected in May 2001.

Movements can be summarised as follows:

	Total
Balance at 31/12/00	2,919
Dividends paid	(124)
Profit for the period to 30/6/01	349
Currency translation adjustments	125
Balance at 30/6/01	3,269



## PROVISIONS FOR RISKS AND CHARGES

The total amount increases from Euro 4,749 thousand as at 31 December 2000 to Euro 5,937 thousand as at 30 June 2001. The most significant captions in this category consist of the warranty provision which increased from Euro 2,347 thousand to Euro 3,216 thousand (at 30 June 2001 this provision was higher than the corresponding provision at 31 December 2000 since the number of machines delivered but not installed was higher in the six month period ended 30 June 2001 in addition to the provision relating to acquisition of Laserdyne) and the restructuring provision relating to Convergent Prima to cover restructuring costs considered necessary in start up phase of the Company.

## BORROWINGS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings with banks increased from Euro 6,741 thousand as at 31 December 2000 to Euro 13,950 thousand as at 30 June 2001 due to the increase in volumes of the Group. As a result of bank borrowings, it was possible to finance the increase in the investment in working capital. Short term borrowings as at 30 June 2001 are offset by positive cash and bank balances deriving from the receipts of the increase in share capital subscribed and paid up by the Helios fund at the end of June.

Borrowings with other financial institutions (Euro 15,595 thousand as at 30 June 2001 compared to Euro 12,105 thousand as at 31 December 2000) are made up as follows:

Short term borrowings of Prima Industrie	1,596
Medium/long term borrowings of Prima Industrie	12,035
Medium/long term borrowing of Prima Electronics	286
Finance leasing of the Group	1,678
Total	15,595

With respect to the borrowings already in the financial statements as at 31 December 2000, Prima Industrie obtained the following new borrowings:

- A borrowing for a total amount of Euro 1,483 thousand with San Paolo IMI in relation to a "Special Fund for Applied Research" in line with Law No.1089/1968 in accordance with Law No. 46/1982 on behalf of the Ministry of Universities and Scientific and Technological Research. The reimbursement is based on 12 post-dated six monthly instalments with an interest rate of 1 percent every six months. Since the principal will be reimbursed after July 2003, the borrowing is considered medium-long term.
- A borrowing of Euro 2,582 thousand with Banca Mediocredito signed on 15 May 2001 which has a reimbursement plan of eight six monthly instalments commencing from 31 March 2003 to 30 September 2006 with a variable interest rate (up to 30 September 2001, 5.39 percent annually; for the six months thereafter the interest rate is equivalent to Euribor (6 months) plus a spread of 0.9 percent).

- A borrowing of Euro 1,111 thousand with Banca Popolare di Novara of Luxembourg which has a reimbursement plan of eight quarterly instalments of US\$ 125,000 each commencing from 23 July 2002. The interest rate (given that the borrowing is in US dollars) is equivalent to LIBOR + 0.80 percent.

This borrowing was undertaken by Prima Industrie with the intention of collecting financing the activity of the newly acquired Laserdyne Prima whereby the funds were furnished in the form of an increase in share capital of the American Company from US\$ 1,500,000 as at 31 December 2000 to the actual level of US\$ 10,000,000.

There are no guarantees on any of the Company's premises assisting debts.

#### TRADE PAYABLES

Trade payable increased from Euro 20,977 thousand at the end of 2000 to Euro 28,224 thousand as at 30 June 2001. This increase reflects the increased production volumes during the six month period under review, and also includes the payable to the GSI Lumonics Group for the acquisition of Laserdyne (currently some Euro 3,000 thousand).

In relation to purchases of raw materials, service expenses and lease and rent costs, the average payment period improved from some 117 days at the end of 2000 to some 122 days as at 30 June 2001 also in light of increased contractual force of a Group connected to production volumes.

#### OTHER PAYABLES, ACCRUED LIABILITIES AND DEFERRED INCOME

Other payables increased from Euro 6,282 thousand as at 31 December 2000 to Euro 8,068 thousand as at 30 June 2001. The increase is essentially due to the increase in employees which generated higher payables for holiday pay and bonus' payable and the corresponding portion of social contributions, net of the reduction of certain payables as at 31 December 2000 (e.g. taxation) as a result of payments made during the period.

## MEMORANDUM ACCOUNTS

Memorandum accounts are not presented within the financial statements, however in order to complete the information on the balance sheet of the group, the following is a brief analysis of guarantees, commitments and pending liabilities.

### PERSONAL GUARANTEES GIVEN

Sureties given to others

These amount to Euro 33 thousand and refer to two sureties given to Consorzio Garanzia Fidi Unionfidi. They are unchanged from the situation at 31 December 2000.

### COMMITMENTS

Lease commitments

Financial lease commitments relate to the factory No. 2 of Prima Industrie and computer equipment and amount to Euro 2,063 thousand (against Euro 2,262 thousand at 31 December 2000).

Such amounts represent the total value of the lease obligations payable, including the purchase option at the end of the contract and excluding the instalments already paid.

### RISKS OF BILLS OF EXCHANGE

The balance of Euro 1,481 thousand (compared to Euro 2,204 thousand as at 31 December 2000) is relative to bills of exchange signed by customers of Prima Industrie towards sales (with recourse) effected in relation to Sabatini Law.

The decrease results from the fact that during the first six months of 2001, there were no new Sabatini Law cases (with recourse) while other cases existing at 31 December 2000 matured.

### OTHER

Re-purchase commitments regarding customers and suppliers

These amount in total to Euro 3,073 thousand compared to Euro 1,818 thousand as at 31 December 2000.

Such commitments relate to re-purchase commitments signed by Prima Industrie in favour of leasing companies against sales to customers for Euro 2,881 thousand. This type of guarantee is released by Prima Industrie to reduce financing operations for clients where the client could not autonomously guarantee third party financing. The remaining amount of Euro 192 thousand is relative to the commitment to re-purchase certain machines sold to the group company Macro Meccanica SpA under a 60 month leasing contract at the end of 1997.

The increase of Euro 1,255 thousand with respect to 31 December 2000 is a result of new guarantees and the normal reduction due to payments by customers for instalments falling due during the period.

Assets with third parties

Such assets amount to Euro 2,461 thousand and relate to raw materials, work in progress, inventory on display and third party deposits.

#### SURETIES GIVEN BY THIRD PARTIES ON OUR BEHALF

The amount is equivalent to Euro 1,654 thousand and represents a bank surety primarily in favour of customers for advances on orders and to guarantee (a surety connected within the limits of the line of the credit) the sureties released to suppliers: Rofin Sinar, Kugelman and other.

The above balance includes guarantee received from third parties amounting to Euro 83 thousand primarily in relation to two policies issued by “La Viscontea Assicurazioni” in favour of Prima Electronics to guarantee VAT for 1994 and the fourth quarter of 1997.

## COMMENTS ON PRIMARY INCOME STATEMENT COMPONENTS

### REVENUES

The following analysis provides details of sales by product and geographic market during the first half of 2001 compared to the same period in 2000.

The division per product has been restructured into order to take account of the changes in the structure of the Group following the American acquisition.

The table highlights the sales of 2-D and 3-D laser systems (the latter includes in addition to the Prima Industrie systems the Laserdyne Machines produced) and other laser systems (including products of the American companies of the Group, Convergent Prima and Laserdyne Prima), electronic products, lasers and other services (technical assistance, spare parts etc.) offered by all the companies of the Group. Revenues are then divided into geographic segments, in order to highlight, for each type of product, the market that has the highest level of revenues.

In relation to laser systems, certain observations can be made. For the parent company, Prima Industrie, the mix for products sold shifted towards to 2-D systems which is less connected to the automobile sector (which has higher signs of slowdown in the overall global economic situation in the first six months of 2001) and is oriented towards industrial markets which are more diversified.

In light of the above, the increase in absolute terms of revenues generated from three dimensional systems, which can be seen in the table, is in part due to the inclusion in this category of 3-D laser systems of Laserdyne Prima and a small part to Convergent Prima.

In addition, with respect to the corresponding period in 2000, activities increased in Convergent Prima (also for the fact that the Company was consolidated for the entire six month period for 2001 while in the previous year it was only part of the Group from 1 May 2000) due to revenues deriving from lasers where the percentage to total revenues increased from some 2 percent to over 6 percent.

The “other laser systems” category, which for the period to 30 June 2000 included solely cutting systems, with the non three dimensional characteristics of Convergent Prima, increased for the effect of the division Laserdyne, which produced a reasonable number of laser systems with these characteristics.

The increase in revenues for technical assistance and other services offered by the Group was excellent which for the six months ended 30 June 2001 represented 16.47 percent of total revenues (compared to 13.19 percent for the same period in 2000) primarily resulting from the increase in activities and the effect of the acquisition of Laserdyne, where the high number of system installed generates a significant level of revenues for after sales service.

In relation to the division by geographic segment, during the six months to 30 June 2001, a slowdown in sales in the domestic market was experienced where the percentage to total revenues decreased from 40 percent for the six months ended 30 June 2000 to 25.6 percent for the same period in the current year.

This decrease, which should probably be seen in light of the unfavourable economic environment and the waiting period for the approval of laws for incentives for investments, slowed down in the beginning of the second 2001 semester where, Prima Industrie in particular acquired an excellent order backlog from domestic customers.

The European market performed very well (in particular a very good increase in activities was experienced in Germany) where activities increased in the first six months of the year in absolute terms by almost 43 percent and where the percentage to total revenues increased from 40.47 percent (30 June 2000) to 43.97 percent (30 June 2001).

Revenues in the United States more than tripled as a result of the recent acquisition of Laserdyne, a leader in three dimensional cutting systems primarily for the aeronautics and aerospace markets. These markets did not demonstrate signs of decline in the first 2001 semester unlike other American industrial sectors. The restructuring in process in Convergent Prima allowed the Group to focus on few key strategic product lines.

	30/6/01		30/6/00	
	Thousands of Euro	Quantity	Thousands of Euro	Quantity
<b>2D Laser systems:</b>				
Italy	5,951	19	6,096	19
Europe	6,493	19	4,846	16
USA	-	-	592	2
Rest of world	1,568	6	837	3
<b>Total</b>	<b>14,012</b>	<b>44</b>	<b>12,371</b>	<b>40</b>
<b>3D Laser systems:</b>				
Italy	2,860	5	5,734	10
Europe	8,732	16	5,325	10
USA	4,126	6	1,156	2
Rest of world	993	1	2,478	3
<b>Total</b>	<b>16,711</b>	<b>28</b>	<b>14,693</b>	<b>25</b>
<b>Other laser systems:</b>				
Italy	-	-	-	-
Europe	16	1	-	-
USA	1,244	6	276	2
Rest of world	881	7	291	1
<b>Total</b>	<b>2,141</b>	<b>14</b>	<b>567</b>	<b>3</b>

	30/6/01		30/6/00	
	Thousands of Euro	Quantity	Thousands of Euro	Quantity
<b>Electronic products:</b>				
Italy	2,215		1,685	
Europe	4,364		3,763	
USA	1		-	
Rest of world	26		-	
<b>Total</b>	<b>6,606</b>		<b>5,448</b>	
<b>Lasers:</b>				
Italy	-	-	74	1
Europe	901	5	181	1
USA	2,048	7	363	1
Rest of world	306	1	208	2
<b>Total</b>	<b>3,255</b>	<b>13</b>	<b>826</b>	<b>5</b>
<b>Assistance and sundry:</b>				
Italy	2,066		2,039	
Europe	1,987		1,620	
USA	3,798		1,253	
Rest of world	573		240	
<b>Total</b>	<b>8,424</b>		<b>5,152</b>	
<b>Total revenues</b>	<b>51,149</b>	<b>99</b>	<b>39,057</b>	<b>73</b>

In relation to information presented above, it should be noted that:

1. The percentage trend in the product breakdown of sales is as follows:

	30/6/01	30/6/00
2D laser machines	27.39%	31.67%
3D laser machines	32.67%	37.62%
Other laser systems	4.19%	1.45%
Electronic products	12.92%	13.95%
Lasers	6.36%	2.12%
Assistance and sundry	16.47%	13.19%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

2. The percentage trend in the geographic distribution breakdown of sales is as follows:

	30/6/01	30/6/00
Italy	25.60%	40.00%
Europe	43.97%	40.47%
USA	21.93%	9.16%
Rest of the world	8.50%	10.37%
Total	100.00%	100.00%

#### OTHER REVENUES AND INCOME

Other revenues and income in the six months to 30 June 2001 were Euro 1,126 thousand (Euro 662 thousand for 30 June 2000) and consist of Euro 419 thousand for contributions for research (project PUBLICS) received in the first semester (Euro 436 thousand for 30 June 2000), Euro 217 thousand for extraordinary income, and Euro 283 thousand for services invoiced by Laserdyne to GSI Lumonics for the use of the factory and machines (allocated costs). The remaining portion includes the reimbursement of other costs and other sundry services.

#### PRODUCTION COSTS

Production costs sustained during the first semester increased as a result of the growth in production volumes, which resulted in a higher need for materials, production workmanship and employee costs. In addition, the process sub-contracting certain stages of the production process to third parties continued during the period. This has the objective of reducing fixed assets and machinery and the related maintenance to a minimum.

In terms of personnel costs, the increase, which is more than proportional to the increase in activities, is due to the difference in costs between the European and US markets, which was also influenced by a particularly unfavourable US\$ to Euro exchange rate.

#### DIFFERENCE BETWEEN PRODUCTION REVENUES AND COSTS (EBIT)

The percentage to total revenues decreased from 9.1 percent (30 June 2000) to 4.0 percent. This decrease was due to some 2 percentage points in the Italian companies resulting from a temporary reduction in margins which in turn is due to the downward trend in the global markets. For the remaining portion, the activities of the American companies which on one hand contributed to an increase in activities in the Group, while on the other, being in an internal reorganisation phase, registered a negative EBIT which has the effect of diluting the overall consolidated results.



## FINANCIAL EXPENSES

In the six months to 30 June 2001, analogous to the same period in 2000, tax credits on dividends were recorded by the subsidiary, Prima Electronics for Euro 104 thousand.

Interest and other finance costs represent costs (amounting to Euro 1,390 thousand compared to Euro 1,395 thousand for 30 June 2000) sustained by the Company in relation to financial instruments.

Details of finance charges are as follows:

Interest expense on overdrafts	196
Discount on Sabatini Law transactions	467
Interest expense on medium and long term loan	280
Interest expenses on leasing transactions	54
Exchange differences	71
Other	322
Total	1,390

The discount on Sabatini Law transactions is offset by the same amount recorded in financial income (this relates to a simple accounting entry relative to contracts with recourse).

Where possible (in Italy), companies utilise a form of financing (Sabatini) which permits it to accelerate the realisation of machine sales which are characterised by lengthy payment terms. In addition, the finance charges associated with such operations are the responsibility of the client.

The caption "Other financial income" (Euro 845 thousand for 30 June 2000) is composed as follows:

Interest income on current accounts and postal accounts	148
Sabatini discounts	586
Exchange differences	716
Interest income on short term investments	18
Other	21
Total	1,489

As noted in the tables above, the net finance charges/income for the period is positive as a result of favourable exchange differences with the US dollars, where our financial statements for the six months ended 30 June 2001 cover a medium to long term period.

Considering the expected in the decrease in the dollar for the future, where possible, the Group entered into certain operations to hedge the exchange risk.

#### EXTRAORDINARY INCOME AND EXPENSES

While in the previous year, contributions for research received during the year but relating to prior years, were recorded in the caption extraordinary income and expenses, this year the contributions received relate solely to activities for the six month period under review and accordingly were classified in the caption “Other revenues and income”.

#### PROFIT BEFORE INCOME TAXES

Profit before taxes reduced from Euro 3,966 thousand for the six months ended 30 June 2000 to Euro 2,257 thousand for the same period in 2001. The percentage to total revenues changed from 10.2 percent in 2000 (Euro 3,054 thousand equivalent to 7.8 percent if the effect the extraordinary result previously discussed is eliminated) to 4.4 percent in 2001. The result of the Group takes into account, in addition to the unfavourable global economic environment, the not yet positive results of the two American companies, which, as previously indicated, are currently in an internal restructuring phase with the intention of focusing their productive capacity on a series of key products and standardised components, the realisation of which will result in economies of scale and synergies with other Group companies.

A calculation of taxation for the period has not been performed, as allowed by section 7 of article 81 of the Consob regulation approved on the deliberation No. 11971 of 14 May 1999 with subsequent modifications.

## OTHER INFORMATION

The average number of employees in the first six months of 2001 amounted to 437 compared to 332 for the year ended 31 December 2000 and 301 for the six months ended 30 June 2000.

The increase is due to physiological factors necessary to respond to the increase in Group activities and the acquisition of the American company, Laserdyne Prima (86 employees at 30 June 2001). These employees are added to the 8 employees of Prima US, which on 1 April 2001 incorporated the activities of the American company.

However, in considering the calculation of the average number of employees, it is necessary to take account of the fact that this subsidiary entered into the Group structure only from 1 April 2000

Employees at 30 June 2001 can be divided geographically as follows:

	Italy	France	Spain	Great Britain	Benelux	Switzerland	USA	30/6/01 Total	31/12/00 Total
Prima Industrie SpA	209	6	7	11	-	3	-	236	218
Prima Electronics SpA	77	-	-	-	-	-	-	77	68
Laserdyne Prima Inc.	-	-	-	-	-	-	94	94	8
Convergent Prima Inc.	-	-	-	-	-	-	87	87	84
Prima Industrie International BV	-	-	-	-	1	-	-	1	1
<b>Total</b>	<b>286</b>	<b>6</b>	<b>7</b>	<b>11</b>	<b>1</b>	<b>3</b>	<b>181</b>	<b>495</b>	<b>379</b>

## AREA OF CONSOLIDATION

As previously noted, the area of consolidation as at 30 June 2001 has not changed in terms of components companies. However, it should be noted that the former Prima US, by acquiring the activities of Laserdyne, assumed a new name and changed the economic and financial dimension of the Company.

COMPANIES CONSOLIDATED ON A LINE BY LINE BASIS

Company/ Headquarters	Currency	Share capital	Direct percentage held at 30/6/01	Indirect percentage held at 30/6/01
<b>Parent company</b>				
Prima Industrie SpA Collegno (TO)	Euro	9,650,000	-	-
<b>Subsidiaries</b>				
Prima Electronics SpA Moncalieri (TO)	Euro	1,500,000	59.99% (**)	-
Laserdyne Prima Inc. (ex Prima US Inc.) Maple Grove, Minnesota, USA	US\$	10,000,000 (*)	100%	-
Prima Industrie GmbH Kronberg, Germany	DM	50,000	100%	-
Prima Industrie International BV (previously Laserworld BV) Amsterdam, Holland	HFL	50,000	99%	1% held by Prima Electronics SpA
Convergent Prima Inc. Sturbridge, Massachussets, USA	US\$	6,300,000 (*)	-	80% held by Laserdyne Prima Inc. (***)

(\*) The balance corresponds to an amount subscribed and paid up. In reality, the American company has a nominal capital for an amount which is purely figurative.

(\*\*) Remaining 40 percent of Prima Electronics shares is hold by that Company management.

(\*\*\*) Remaining 20 percent of Convergent Prima shares is hold by Pluritec SpA.

COMPANIES CONSOLIDATED UNDER THE PROPORTIONAL METHOD

There are no companies carried under the proportional consolidation method.

## COMPANIES CARRIED UNDER THE EQUITY METHOD

Company/ Headquarters	Currency	Share capital	Direct percentage held at 30/6/01	Indirect percentage held at 30/6/01
Shenyang-Prima Laser Machine Company Ltd. Shenyang, China	\$	1,000,000	50%	-

## OTHER INVESTMENTS CARRIED AT COST

Company/ Headquarters	Currency	Share capital	Direct percentage held at 30/6/01	Indirect percentage held at 30/6/01
Rambaudi Industriale SpA Rivoli (TO)	Lire	13,500,000,000	7.41%	-
Macro Meccanica SpA (in liquidation) Savonera (TO)	Lire	1,000,000,000	25%	-
MLTA Srl Nichelino (TO)	Lire	65,000,000	-	7.7% held by Prima Electronics
Convergent Energy Srl (in liquidation) Asti	Lire	20,000,000	-	99.5% held by Convergent Prima
Convergent Energy UK Ltd Cambridge (UK)	Lst	12,500	-	100% held by Convergent Prima

Prima Electronics also holds an investment (at 70 percent) in a Swiss company, MI Industrial Automotion AG (previously Atlas Copco Elesta AG with share capital of CHF 400,000 with headquarters in San Gallo), which is classified in current assets since it is in the process of being sold (it is contractually foreseen the sale of 30 percent by the end of 2001 and the remaining 40 percent by 2003).

For the Board of Directors

The President

Mr. Aldo Palmeri