



**DIRECTORS' REPORT ON THE
CONSOLIDATED FINANCIAL STATEMENTS OF
PRIMA INDUSTRIE GROUP
AS AT MARCH 31, 2002**

This is a free translation from the Italian original into English

Board of Directors
May 14, 2002

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

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

BOARD OF DIRECTORS (*)

Chairman of the Board
Aldo Palmeri

Managing Director
Gianfranco Carbonato

Directors

Giulia Della Rosa
Sandro D'Isidoro
Renato Russo (resigned March 18, 2002)
Francesco Takanen

(**) Giuseppe Morfino

(**) Paolo Mazzotto

Secretary to the Board
Giuseppe Favalaro

General Manager

Alberto Delle Piane

**BOARD OF
STATUTORY AUDITORS (***)**

Chairman of the Board of Statutory Auditors
Riccardo Formica

Standing auditors
Andrea Mosca
Roberto Pettrignani

Alternate Auditors
Roberto Coda
Stefano Maria Ruggeri

INDEPENDENT AUDITORS PricewaterhouseCoopers S.p.A.

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

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

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

DIRECTORS' POWERS

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

PRIMA INDUSTRIE GROUP

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2002

(Approved by the Company Board of Directors held on May 14, 2002)

INTRODUCTION

This quarterly report covering the Group consolidated financial information as at March 31, 2002 is prepared and it is divulged in accordance with article 2.6.2. of the New Market of the Italian Stock Exchange regulations and IA 2.4.1 of the Instructions and complies with article 82 of Consob rulings ex resolution 11971 and successive amendments. Datas related with the quarter under consideration have not been audited by PricewaterhouseCoopers SpA being not compulsory.

The information which follow have been prepared on same principles previously used by the Group for its interim and end-of-the year accounts. Therefore the comparison between the two periods 01/01/2002-03/31/2002 and 01/01/2001-03/31/2001 is homogeneous.

All figures are expressed in thousands of Euro unless otherwise specified.

The financial statements concerning Prima Industrie SpA (the Group leader) as at March 31, 2002 are also herewith enclosed.

THE GROUP ACTIVITY

During the period under consideration there have been no changes in the activity performed by Prima Industrie SpA nor by the other companies of the Group.

ACCOUNTING PRINCIPLES

During the period under examination, there have been no changes on the accounting principles and therefore data comparison is consistent with those of the past.

In drawing the accounts have not been made estimations which could have in anyway influenced the overall Group position.

However, estimation procedures eventually different from those normally practised in preparing the annual accounts still assure reliable information and communication to the market. Through the comment to the schedules which follows, is given explanation of such possible estimating procedures.

FORM AND CONTENT OF THE CONSOLIDATED ACCOUNTS

The companies involved with the consolidation process have been consolidated using the line-by-line method. In respect of March 31, 2001 are noticed the following variations within the area of consolidation:

- because of the full control of Prima Electronics SpA (from 60 percent to 100 percent of its capital) acquired by Prima Industrie SpA as the result of the share-exchange concluded between the two companies (on December 18, 2001), the economic result of Prima Electronics for the year is now fully consolidated with the Group;
- because of Prima US Inc. acquiring since April 1, 2001 some of the assets and liabilities of Laserdyne Inc. (a company of the GSI Lumonics Group) changing at the same time also its name into "Laserdyne Prima Inc.", the overall financial and economic structure changed accordingly.

Companies directly controlled or controlled through other controlled companies have all been fully consolidated. Other participations have been evaluated with the net asset method.

The economic transactions between the consolidated companies of the Group and those evaluated with the net asset method do not generated any significant impact on the Group result.

MOST SIGNIFICANT EVENTS

ITALIAN COMPANIES TREND

In spite of the non-favourable economic situation and, in particular, of the capital goods sector difficulties within the two last quarters (respectively -18 percent and -28 percent according to the UCIMU official survey), positive have been the results performed by the parent Company Prima Industrie and by Prima Electronics of which we acquired the complete control (from 60 percent to 100 percent) last December.

Prima Industrie, although recording a slow-down in the orders for 3D systems (with higher profitability), achieved a turnover of Euro 12,557 thousand (Euro 12,965 thousand at 03/31/2001) with an EBIT of Euro 408 thousand (Euro 904 thousand at 03/31/2001).

Excellent was the performance carried-out in the first quarter by Prima Electronics, which achieved a turnover of Euro 4,243 thousand (with an increase of 9.7 percent on Euro 3,867 thousand of last year same period) and an increased EBIT of Euro 910 thousand (+34,6 percent on Euro 676 thousand of last year same period).

RESTRUCTURING OF THE US COMPANIES

During the quarter under examination we have practically completed the reorganisation of the American companies recently acquired. In particular, payrolls have been reduced from 177 units of September 2001 to 131 of March 2002. A further reduction of 7 people materialised in April. We are now organised with a number of employees more adequate to the present business. The restructuring carried-out obviously implied interventions also on the production process and improvements on the flexibility of the services organisation. It remains to be accomplished the companies relocation with the logistic concentration of the activity into new premises, already singled-out which will become available the beginning of the year 2003. This will create suitable conditions to considerably reducing the companies fixed costs and expenses.

COMMERCIAL TREND

As for Prima Industrie SpA up to March 31, 2002 were acquired customers orders for an overall value of Euro 13,082 thousand as against Euro 17,653 thousand for last year same period (acquisitions in line with the official UCIMU statistics for 2002 first quarter).

The reduction is due to the enduring difficulties on some important goods markets (such as aerospace, motorvehicles and electronics) in spite of timid signs of recovery.

In terms of consolidation, the orders backlog as at March 31, 2002 is however of Euro 29,063 thousand (was Euro 30,006 thousand as at December 31, 2001) remaining therefore above the approximately 3 months sales threshold.

RESEARCH AND DEVELOPMENT

During the quarter under consideration continued an intense R&D activity aimed to the accomplishment of several projects (laser generator, numerical control, new industrial applications, various technological improvements on the existing products, etc.). This required an investment of Euro 1,913 thousand fully charged to the profit and loss accounts as against Euro 891 thousand for same period of 2001 (this did not take into consideration Laserdyne Prima activity acquired and consolidated as from April 1, 2001).

SHORT-TERM EVOLUTION

The world-wide slow improvement of the economic trend has not generated yet a full recovery of the investment goods market so making more difficult to figure-out a reasonable short-term scenery. Also for the Prima Group which operates on international basis, it is therefore essential to carefully take into account the uncertain situation prevailing on the world economic panorama expecting recovery signals by the second half of 2002.

However, the Group takes advantage of the fact that, operating in the sector of high technology for industrial laser applications, this is historically less sensitive to the change of the economical cycles compared with the sector of the traditional machine tools. In point of fact, in spite of the adverse climate dominating interest for investments, the Group order acquisition, with the exception of Laserdyne Prima (which is badly suffering from the situation of its reference markets), appears to be satisfactory. This is due to the to the range of available products as well as to the Group operating on various markets responding in a more favourable way than USA and Europe.

The short-term targets of the Group may therefore be summarised in organisational terms particularly for the American companies from which largely depends the improvement of the Group profitability.

COMMERCIAL ACTIVITY

The slow-down trend registered by the world economy including Italy starting from the second semester of the year 2001 does not seem to have changed during these early months of the current year. But once again we must stress the circumstances that whilst Prima Industrie and Prima Electronics keep collecting a satisfactory number of customers orders basically in line with the previous year, the two American companies (Convergent Prima Inc. e Laserdyne Prima Inc.) are directly suffering from the difficult situation of the Country economy.

The expected budget for the year 2002 remains therefore rather prudent though the Group trusting on its medium term capability of growth because of its complete and competitive range of products which will soon be further enriched by some new, innovative system, for additional industrial applications.

EVOLUTION OF THE FINANCIAL STRUCTURE

Having completed the Laserdyne acquisition, for the year 2002 are not expected other investments of importance.

The financial structure will therefore evolve suffering from the deteriorating sale conditions (= increase of the working capital) and according to the profit cash flow that the Group will be able to generate.

COMPANY EVENTS

Besides the approval of this report, the Board of Directors is today requested to appoint Mr Alberto Delle Piane as the Corporate General Manager. Mr Delle Piane presently holds the position of Prima Industrie SpA general manager.

Considering the important and committing task of the Group companies activity integration, the new position becomes indispensable. Mr Ezio Basso, presently vice-general manager of Prima Industrie SpA, will take off the Company general manager.

With the approval of this quarterly report the Board of Directors expires its three years mandate. Today's shareholders meeting, after the approval of the 2001 Company accounts, will therefore appoint a new Board for next three years term. In thanking the Company shareholders for the trust granted to the leaving Directors, the Board wishes every possible success to the new office for the continuance of the Company growth.

TRADING INFORMATION

The growth of the Group as at March 31, 2002 in respect of March 31, 2001 expressed in terms of sales: Euro 21,546 thousand as against Euro 21,106 thousand was in percentage 2.1 percent, in spite of the non-favourable economic situation. But the pressure on the margins of profit and the consolidation of the American companies (still loosing at operating level) are those to have determined the relevant reduction of the Group profitability: the Group EBIT is in fact dropped from Euro 1,472 thousand to a negative Euro 1,033 thousand.

Please note that the reduction at EBIT level of Euro 2,505 thousand is due for Euro 1,022 thousand to the R&D investment.

Briefly, consolidated accounts may be summarised as follows

	03/31/2002		03/31/2001	
	Thousands of Euro	%	Thousands of Euro	%
Sales	21,546	100.0	21,106	100.0
MOL/EBITDA	(425)	(2.0)	1,921	9.1
Operating profit	(1,033)	(4.8)	1,472	7.0
Profit before taxes	(1,358)	(6.3)	1,544	7.3
Number of shares at the end of the period (face value Euro 2.5 each)	4,150,000		(*) 3,600,000	
Average number of shares during the period	4,150.000		(*) 3,600,000	
MOL/EBITDA per share	(0.10)		0.53	
Operating profit per share	(0.25)		0.41	
Profit before taxes per share	(0.33)		0.43	

(*) number of share after splitting (1 old for 4 new shares) executed on June 4, 2001.

With the following table are shown condensed information regarding the 4 operating companies consolidated: it is noticeable the positive trend of the two Italian companies whose results are diluted by the two American firms recently acquired and still under reorganisation.

CONDENSED INDICATION OF MOST SIGNIFICANT PARAMETERS AND PROFITABILITY INDEX (expressed in thousands of Euro excluding number of shares and profit per share)

	Prima Industrie SpA				Prima Electronics SpA				Convergent Prima Inc.				Laserdyne Prima Inc. (formerly Prima US Inc.) (2)			
	03/31/02		03/31/01		03/31/02		03/31/01		03/31/02		03/31/01		03/31/02		03/31/01	
	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%
Sales	12,557	100.0	12,965	100.0	4,243	100.0	3,867	100.0	2,247	100.0	4,950	100.0	3,631	100.0	1,603	100.0
MOL/EBITDA	613	4.9	1,104	8.5	1,005	23.7	756	19.6	(1,112)	(49.5)	86	1.8	(2,198)	(60.5)	(35)	(2.2)
Operating profit (EBIT) (4)	408	3.2	904	7.0	910	21.4	676	17.5	(963)	(42.9)	17	0.3	(1,602)	(44.1)	(64)	(4.0)
Core business gross operating profit	277 (1)	2.2	1,153 (1)	8.9	896	21.1	663	17.1	(1,037)	(46.2)	(104)	(2.1)	(1,699)	(46.8)	(100)	(6.2)
Extraordinary items	-	-	-	-	-	-	-	-								
Profit before taxes	277 (1)	2.2	1,153 (1)	8.9	896	21.1	663	17.1								

EXCHANGE RATES USED FOR NON-EURO CURRENCIES

Currency	Average exchange rate for the period		Period-end exchange rate	
	03/31/02	03/31/01	03/31/02	03/31/01
US dollar	0.8765	0.9232	0.8724	0.8832

- (1) Pro-forma data before Laserdyne Prima and Convergent Prima relevant participations whose results are above respectively shown.
- (2) Data as at March 31, 2001 concerns Prima US only. Prima US acquired Laserdyne Prima on April 1, 2001.
- (3) The total of each operating result (as shown) does not coincide with the consolidated operating result because of consolidation adjustment.

SALES

Sales have been Euro 21,546 thousand with an increase of 2.1 percent as against Euro 21,106 thousand of same period of previous year.

As at March 31, sales may be classified as follows (in thousands of Euro):

BY PRODUCT AND BY GEOGRAPHICAL AREA

	03/31/02	03/31/01
	Thousands of euro	Thousands of euro
2D laser system:		
Italy	2,221	2,393
Europe	2,741	2,482
USA	2,106	237
Rest of the world	298	1,096
Total	7,366	6,208
3D laser system:		
Italy	2,270	1,146
Europe	2,050	2,628
USA	793	1,489
Rest of the world	604	396
Total	5,717	5,659
Other laser systems:		
Italy	-	-
Europe	-	-
USA	-	1,059
Rest of the world	-	-
Total	-	1,059
Electronic systems and laser generators:		
Italy	921	963
Europe	2,721	2,666
USA	83	362
Rest of world	-	67
Total	3,725	4,058

	03/31/02	03/31/01
	Thousands of euro	Thousands of euro
After sale assistance and miscellaneous:		
Italy	1,089	1,017
Europe	1,173	837
USA	1,911	1,281
Rest of the world	565	987
Total	4,738	4,122
Total sales	21,546	21,106

As for the above, the breakdown in percentage of the turnover was the following:

	03/31/02	03/31/01
2D laser machine	34.19%	29.42%
3D laser machine	26.53%	26.81%
Other systems	-	5.02%
Electronic systems and laser generators	17.29%	19.22%
After sale and miscellaneous	21.99%	19.53%
Total	100.00%	100.00%

The sales breakdown by weight carried by the various products of the Group shows a remarkable increase in the category of bi-dimensional laser systems which increase both in absolute terms from Euro 6,208 thousand to Euro 7,366 thousand and in percentage on turnover. A good trend is also that of after sale which in percentage steps from 19.53 percent to 21.99 percent. This in percentage represents a large share of the American turnover (more than 60 percent) for Convergent Prima due to the high number of systems installed with customers. This is a good point because after sale is for the group a component of stability with high returns.

The cancelling of “other laser systems” category is a consequence of the Group focusing on the products with higher profitability and wider potential markets.

Sale distribution by geographical area is the following:

	03/31/02		03/31/01	
	Thousands of euro	%	Thousands of euro	%
Italy	6,501	30.20%	5,519	26.10%
Europe	8,685	40.30%	8,613	40.80%
USA	4,893	22.70%	4,428	21.00%
Rest of world	1,467	6.80%	2,546	12.10%
Total	21,546	100.00%	21,106	100.00%

The above shows, absolute numbers and in percentage, the growth achieved on the home market with an interesting recovery of the 3D systems which were penalised the previous year. The strengthening of our position on the American market in respect of the previous year is mainly due to the acquisition of Laserdyne Prima (consolidated as from April 1, 2001) which has permitted through its sales net being present all over the country, to offer a range of new products substantiating our leadership in the sector of the 3D applications.

Basically unchanged are the sales realised in Europe which confirm a good market hold whilst a reduction was registered in the “overseas” markets because of some differed deliveries to customers.

MOL (EBITDA) AND OPERATING RESULT (EBIT)

The operating gross margin of profit as at March 31, 2002 is negative for Euro 425 thousand (-2 percent on turnover) as against a profit of Euro 1,921 thousand (9.1 percent on turnover) for the same period of the previous year.

The operating profit as at March 31, 2002 is negative for Euro 1,033 thousand (-4.8 percent on turnover) as against a profit of Euro 1,472 thousand (7 percent on turnover) for the same period of the year 2001.

The remarkable drop suffered in respect of the year 2001 is to be related with the negative trend of the American domestic market and to some specific reference markets which generated an heavy position for the two American affiliate of the Prima Industrie Group and to the increased R&D investment, which is Euro 1 million higher than last year, same period. However, the action taken for the restructuring of these companies particularly oriented to the reduction of fixed costs to adequate them to the effective business dimensions, will generate its positive effects during the second part of the year.

PROFIT BEFORE TAX

The gross result of the period was a loss of Euro 1,358 thousand (-6.3 percent of turnover) compared with a profit of Euro 1,544 thousand (7.3 percent of turnover) of the previous year.

NET FINANCIAL POSITION

	03/31/02	12/31/01	03/31/01
Liquidity available	3,142	8,188	5,218
Short-term debts towards banks and financial institution	(18,328)	(14,404)	(10,879)
Medium-long term debts towards banks and others	(19,227)	(22,973)	(8,513)
Total position towards banking system	(34,413)	(29,189)	(14,174)

The borrowing increase registered vis-à-vis March 31, 2001 relates to the increased tension on the working capital together with the negative economic result of the first quarter of the year due to the losses incurred by the American companies.

In particular, the working capital increased by Euro 3 million because of the reduction of the debt towards suppliers due to lower purchases which always distinguish the first quarter of every year.

Furthermore, early in January 2002 was paid to GSI Lumonics the balance (Euro 1.2 million) still due for Laserdyne acquisition.

For the Board of Directors
The Managing Director
Ing. Gianfranco Carbonato



PRIMA INDUSTRIE GROUP

FINANCIAL STATEMENTS AS AT MARCH 31, 2002

(all amounts are expressed in thousands of Euro)

BALANCE SHEET

	03/31/2002	12/31/2001	03/31/2001
	Unaudited	Audited	Unaudited
ASSETS			
Assets			
Intangible assets	6,256	6,444	3,960
Tangible assets	5,926	5,829	5,230
Total fixed assets	2,079	2,086	1,506
Total assets	14,261	14,359	10,696
Working capital			
Inventories	33,859	33,040	28,224
Trade receivables	43,142	43,778	36,288
Other receivables	9,164	9,472	6,806
Cash and banks	3,142	8,173	5,218
Total working capital	89,307	94,463	76,536
Accrued income and prepaid expenses	376	171	470
Total assets	103,944	108,993	87,702
LIABILITIES			
Shareholders' equity			
Shareholders' equity - Group	(*) 31,113	32,433	(*) 26,809
Minority interest	(*) 1,444	1,430	(*) 3,021
Total shareholders' equity - Group	(*) 32,557	33,863	(*) 29,830
Employees' severance pay	3,266	3,204	2,872
Contingent liabilities fund	4,364	5,374	4,621
Loans			
Medium-long term loans	19,228	17,908	8,513
Bank borrowings	16,358	16,212	7,393
Borrowing from other fin. institutions	1,970	3,257	3,486
Trade payables	19,501	22,879	24,519
Other payables	5,783	5,161	5,587
Total loans	62,840	65,417	49,498
Accrued liabilities and deferred income	917	1,135	881
Total liabilities	103,944	108,993	87,702

(*) before income tax of the period

PRIMA INDUSTRIE GROUP

STATEMENT OF INCOME AS AT MARCH 31, 2002 (PROFIT AND LOSS ACCOUNT)

(all amounts are expressed in thousands of Euro)

	As at 03/31/2002	As at 03/31/2001
Revenues from sales and services	21,546	21,106
Changes in WIP and finished goods	1,405	3,723
Increase from internal work (assets)	29	15
Other revenues and income	404	355
TOTAL VALUE OF PRODUCTION	23,384	25,199
Purchase of raw materials and suppliers	(11,769)	(13,376)
Service expenses	(4,836)	(4,389)
Lease and rent costs	(550)	(433)
Other operating expenses	697	76
TOTAL COSTS OF PRODUCTION	(16,458)	(18,122)
ADDED VALUE	6,926	7,077
Personnel expenses	(7,351)	(5,156)
MOL (EBITDA)	(425)	1,921
Amortisation and depreciation	(608)	(449)
OPERATING PROFIT (EBIT)	(1,033)	1,472
Financial income and net financial charges	(325)	72
Adjustments to net financial operations	-	-
Extraordinary items	-	-
PROFIT BEFORE INCOME TAX	(1,358)	1,544
- of which others	-	226
- of which Group	(1,358)	1,318

PRIMA INDUSTRIE SPA

**FINANCIAL STATEMENTS AS AT
MARCH 31, 2002**

PRIMA INDUSTRIE SPA

FINANCIAL STATEMENTS AS AT MARCH 31, 2002

(all amounts are expressed in thousands of Euro)

BALANCE SHEET

	03/31/2002	12/31/2001	03/31/2001
	Unaudited	Audited	Unaudited
ASSETS			
Assets			
Intangible assets	1,007	1,121	1,321
Tangible assets	1,693	1,669	1,211
Financial assets	10,501	13,254	8,287
Total fixed assets	13,201	16,044	10,819
Working capital			
Inventories	15,675	13,843	13,768
Trade receivables	37,326	37,638	30,797
Other receivables	6,653	6,933	5,831
Cash and banks	2,187	6,385	4,495
Total working capital	61,841	64,799	54,891
Accrued income and prepaid expenses	507	347	439
Total assets	75,549	81,190	66,149
LIABILITIES			
Shareholders' equity			
Shareholders' equity	(*) 29,326	31,797	(*) 24,807
Employees' severance indemnity	2,388	2,360	2,082
Contingent liabilities fund	3,135	3,508	3,138
Loans			
Medium-long term loans	11,708	11,708	6,813
Bank borrowings	5,179	4,022	2,333
Borrowing from other fin. institutions	1,815	3,257	3,166
Trade payables	17,963	21,235	19,052
Other payables	3,266	2,491	4,151
Total loans	39,931	42,713	35,515
Accrued liabilities and deferred income	769	812	607
Total liabilities	75,549	81,190	66,149

(*) before income tax of the period

PRIMA INDUSTRIE SPA**STATEMENT OF INCOME AS AT MARCH 31, 2002 (PROFIT AND LOSS ACCOUNT)**

(all amounts are expressed in thousands of Euro)

	As at 03/31/2002	As at 03/31/2001
Revenues from sales and services	12,557	12,965
Changes in WIP and finished goods	1,828	2,988
Increase from internal work (assets)	-	-
Other revenues and income	287	372
TOTAL VALUE OF PRODUCTION	14,672	16,325
Purchase of raw materials and suppliers	(7,662)	(8,737)
Service expenses	(3,248)	(3,531)
Lease and rent costs	(271)	(284)
Other operating expenses	171	100
TOTAL COSTS OF PRODUCTION	(11,010)	(12,452)
ADDED VALUE	3,662	3,873
Personnel salaries and expenses	(3,049)	(2,769)
MOL (EBITDA)	613	1,104
Amortisation and depreciation	(205)	(200)
OPERATING PROFIT (EBIT)	408	904
Financial income and net financial charges	(131)	249
Adjustments to financial assets	(2,748)	(105)
Extraordinary items	-	-
PROFIT BEFORE INCOME TAX	(2,471)	1,048