



**DIRECTORS' REPORT ON THE
CONSOLIDATED FINANCIAL STATEMENTS OF
PRIMA INDUSTRIE GROUP
AS AT MARCH 31, 2003**

This is a free translation from the Italian original into English

Board of Directors
May 15, 2003

PRIMA INDUSTRIE SpA

Paid-up Share Capital Euro 11,500,000
Company House of Turin
Register no. 3549/80
R.E.A. of 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 (CEO)
Gianfranco Carbonato

Directors:

Giulia Della Rosa
Sandro D'Isidoro
Domenico Peiretti
Francesco Takanen

(**) Giuseppe Morfino

(**) Paolo Mazzotto

Secretary

Giuseppe Favalaro

Corporate General Manager

Alberto Delle Piane

General Manager

Ezio Basso

STATUTORY AUDITORS (*)**

President of the Statutory Auditors Committee
Riccardo Formica

Active Auditors

Andrea Mosca
Roberto Petrigiani

Substitute Auditors

Roberto Coda
Stefano Maria Ruggeri

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

(*) Appointed by the Shareholders' Meeting of May 14, 2002 for the three years term 2002-2004

(**) Independent Directors

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

DIRECTORS' POWER

The Board of Directors held on May 14, 2002 appointed Mr Gianfranco Carbonato as the Managing Director granting him all operating powers safe those that the law reserves to the Board of Directors. Both, the Chairman and the Managing Director have the Company legal representation in accordance with article 23 of the Company bylaws.

PRIMA INDUSTRIE GROUP

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2003

(Approved by the Company Board of Directors held on May 15, 2003)

INTRODUCTION

This quarterly report, covering the Group consolidated financial information as at March 31, 2003, 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. Data related with the quarter under consideration have not been audited by PricewaterhouseCoopers SpA because 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 01/01/2003-03/31/2003 and 01/01/2002-03/31/2002 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, 2003 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, the Group leader, 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.

Estimation procedures eventually different from those normally practiced in preparing the annual accounts still assure reliable information and communication to the market. However, in commenting the schedules which follow, it is given explanation of such possible estimating procedures.

As for treasury stocks held by the company, these have been valued (in accordance with the accounting principles) at the lowest between cost and market value, the later being determined as the average of the quotations of the month before the closing period.

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, 2002 are noticed the following, purely formal, variations within the consolidation area:

- in consequence of Laserdyne Prima merging with Convergent Prima, only one 100% controlled organization remains in the U.S.A. This is denominated Prima North America Inc. and it is operating on 3 divisions: Convergent Lasers Division, Laserdyne Division and the Prima Laser Tools Division.

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

STABLE TURNOVER

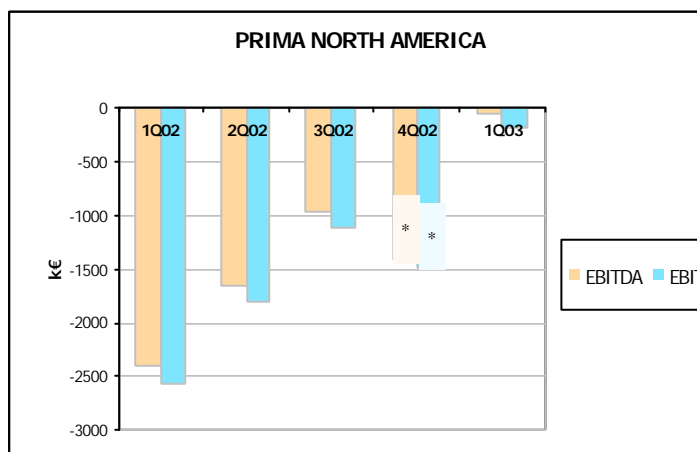
Consolidated sales for the quarter amount at 21,523 thousand of euro, almost the same as last year same period. Sales realized by Prima North America , though significantly increased in respect of the previous year, have been strongly affected by the exchange rate euro/dollar.

The stable level of turnover has to be considered a positive fact considering the economic general situation, particularly in the investment goods sector.

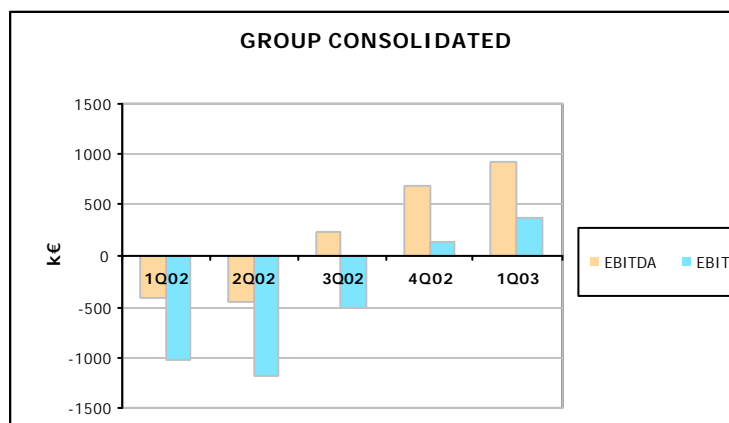
IMPROVEMENT OF THE GROUP PROFITABILITY

The evolving economical quarterly trend, starting on from the first quarter of 2002, confirms the change of profitability at consolidated level in consequence of the improvement achieved by Prima North America, where the reduction of costs following the restructuring process generated tangible effects and whose end-markets showed some slight signs of recovery.

On the following diagrams it is possible to stress the above:



* = prudential depreciation of Inventory of 645 thousand of euro



In particular it is noted that:

- Prima North America margins of profit are now almost breaking even (EBITDA – 62 thousand of euro and EBIT – 180 thousand of euro)
- The Group margins of profit are again positive as the previous quarter but with a further improvement although the first quarter of the year is historically characterized by volumes and margins of profit lower than the rest of the year.

CAPITAL INCREASE

On February 11, 2003 the Board of Directors executed a capital increase as resolved by the previous Board held in November 13, 2002. Such increase was made as directed by the Shareholders Extraordinary Meeting of May 14, 1999 by issuing n° 450,000 new ordinary shares of € 2,50 each face value at the subscribing price of € 8,85 each.

The subscription involved two institutional investors, already company shareholders: Lestri Holding B.V. and Erste International S.A., respectively for n° 125,000 and 325,000 shares.

In consequence of this operation, the company capital changed as from € 10,375,000 to € 11,500,000 and the net equity increased of 3,982 thousand of euro.

As a result of the capital increase and of positive cash-flow generated in the quarter the debt/equity ratio returned towards one.

NEWCO LASER TAKE-OVER BID

On February 11, 2003 NEWCO LASER SpA promoted a non agreed take-over bid on 100% of Prima Industrie share capital.

Prima Industrie Board of Directors held on March 5, 2003 judged such offer as hostile and the price offered (€7,50 for share) largely inadequate in respect of the company economic capital. This was also the opinion of Akros Bank, which acted as the company financial advisor. At the end of the “adhesion” period (10/03/2003 – 11/04/2003) the number of the adhesions to the offer was extremely poor corresponding to about 4,42% of the Company capital.

Hence, the offer, whose condition to be effective was the achievement of at least 34% of the capital, resulted ineffective.

Prima Industrie SpA, in expressing its warm thanks to its shareholders for the trust granted to the company future and to its management, emphasizes that its main scope will be the creation of value to the benefit of its shareholders.

ACQUISITION OF PARTICIPATION IN CHINA

Prima Industrie signed a letter of intents for the acquisition, through a capital increase, of a share participation (27.5%) into a Chinese Laser Systems manufacturer, located in Shanghai controlling about 40% of the country laser system market.

Prima Industrie, which already holds directly about 10% of the market (with its own and Laserdyne products) will increase its Chinese market share reaching a leading position.

The expected investment is approximately \$ 650,000, partly covered by transfer of technology. The Shareholders meeting of March 28, 2003 has already expressed its favourable opinion to this operation (and at present is underway an Audit and a Due Diligence on the Chinese Company). The operation should be finalized in the next months, compatibly with the evolution of the Sars problem.

PURCHASING OF TREASURY STOCKS

The authorization to purchase treasury stocks granted by the Shareholders Meeting of December 4, 2001 (and confirmed on March 28, 2003, take-over bid pending) is now near to expire (03/06/2003). Therefore Prima Industrie Board, in its Meeting of March 28, 2003 suggested the revocation of the previous authorization against a new one, with the same goals.

The request made to the Shareholders on the Meeting of April 30, 2003 - May 15, 2003 concerns therefore a possible purchase on the market of treasury stocks up to a maximum of 200,000 shares corresponding to 4,3% of the Company capital. The authorization will last 18 months as from the date of the resolution, may be discretionally used by the Board in order to support the market if necessary or to develop the Company stock-option plan or other extraordinary financial transaction.

As at the date of March 31, 2003 the Company held on its portfolio n° 17.181 treasury stocks which is the remaining of various operations dealt with in force of the Shareholders resolution previously obtained.

RESTRUCTURING OF THE US COMPANIES

During the quarter under examination was substantially completed the restructuring of Prima North America, which, as already mentioned, is the new Company resulting from the merging of Laserdyne Prima with Convergent Prima realized towards the end of 2002.

In details, during January 2003, the division Laserdyne Systems moved into the Champlin (Minnesota) premises; during February, Convergent Lasers and Prima Lasers Tools divisions moved into new premises in Springfield (Massachusetts). Both premises, as above, enjoy long term rent agreements, sizes adequate to the current business level and therefore allow considerable savings to the Company advantage.

At this time, improving measures of the commercial set-up of Prima Lasers Tools are in progress.

COMMERCIAL TREND

As for Prima Industrie SpA, during the current quarter were acquired customer orders for a countervalue of 10,194 thousands of euro as against 13,082 thousands of euro acquired during the previous year same period.

The reduction is caused by generally poor market conditions together with the uncertainty due to the Iraqi political situation, which, in particular, affected the commercial activity of the first two weeks of March.

In consolidated figures the orders backlog as at March 31, 2003 is 21,985 thousands of euro (26,182 as at March 31, 2002) and therefore over 3 months sales.

It must be pointed out that the amount of the backlog as at March 31, 2003 has been affected, as far as the Prima North America order acquisition, by the dollar .

RESEARCH AND DEVELOPMENT

During the quarter under consideration continued the Group R&D activity aimed to the accomplishment of several projects. This required an investment of Euro 1,600 thousand for the period fully charged to the Company profit and loss accounts as against 1,913 thousand of euro for same period of 2002.

Prima Industrie decided to join an R&D consortium localized near Bari lead by C.N.R. together with a limited number of other Italian firms each-one leader in non-competing instrumental goods markets. Such participation will assure continuity to the access at financial resources destined to the research, fundamental for the Company competitive development. The take-over of mentioned consortium is expected by September 2003, also through the acquisition in the area of specialized human resources.

TRADING INFORMATION

Sales as at march 31, 2003 are basically in line with same period of previous year.

At profitability level, Group EBIT and EBITDA have considerably improved, being both again positive. They respectively moved as from – 425 thousand of euro and – 1,033 thousand of euro at March 31, 2002 to 925 thousand of euro and to 387 thousand of euro as at March 31, 2003. As mentioned, the recovery has to be related with the rationalized Company structure of Prima North America and with a certain recovery of his end-markets.

The result before taxes of the period was negative for 796 thousand of euro mainly in consequence of extraordinary items and has, however considerably improved in respect of the negative result of the previous year (-1,358 thousand or euro).

This accounts, in fact, for 666 thousand of euro of extraordinary charges, of which 398 thousand of euro sustained by Prima Industrie SpA related to the take-over bid (legal, financial expenses,...) and 268 thousand of euro by Prima North America for the transfer into the new premises.

Briefly, consolidated accounts may be summarized as follows:

	03/31/2003		03/31/2002	
	Thousands of Euro	%	Thousands of Euro	%
Sales	21,523	100.0	21,546	100.0
MOL/EBITDA	925	(4.3)	(425)	(2.0)
Operating profit	387	1.8	(1,033)	(4.8)
Profit before taxes	(796)	(3.7)	(1,358)	(6.3)
Number of shares at the end of the period (face value Euro 2.5 each)	4,600,000		4,150,000	
Average number of shares during the period	4,375,000		4,150,000	
MOL/EBITDA per share	(0.21)		(0.10)	
Operating profit per share	(0.09)		(0.25)	
Result before taxes per share	(0.18)		(0.33)	

With the following schedule are shown condensed information regarding the 3 operating companies consolidated: it is noticeable the positive trend of Prima Electronics and the improving trend of the American Companies both in terms of sales an profitability.

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				Prima North America Inc.			
	03/31/03		03/31/02		03/31/03		03/31/02		03/31/03		03/31/02	
	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%	Thousands of Euro	%
Sales	13,077	100.0	12,557	100.0	3,910	100.0	4,243	100.0	7,986	100.0	5,909	100.0
MOL/EBITDA	168	1.3	613	4.9	787	20.1	1,005	23.70	(62)	(0.8)	(2,385)	(40.4)
Operating profit (EBIT) ⁽²⁾	5	0.0	408	3.2	698	17.9	910	21.4	(180)	(2.3)	(2,565)	(43.4)
Core business gross operating profit	(398) ⁽¹⁾	(3.0)	277 ⁽¹⁾	2.2	680	17.4	896	21.1	(302)	(3.8)	(2,736)	(46.3)
Extraordinary items	(170) ⁽³⁾	(1.3)	-	-	-	-	-	-	(268) ⁽⁴⁾	(3.4)	-	-
Profit before taxes	(568) ⁽¹⁾	(4.3)	277 ⁽¹⁾	2.2	680	17.4	896	21.1	(571)	(7.2)	(2,736)	(46.3)

EXCHANGE RATES USED FOR NON-EURO CURRENCIES

Currency	Average exchange rate for the period		Period-end exchange rate	
	03/31/03	03/31/02	03/31/03	03/31/02
US dollar	1,0734	0,8765	1,0895	0,8724

- (1) Pro-forma data before Prima North America relevant participations whose results are above respectively shown.
- (2) The total of each operating result (as shown) does not coincide with the consolidated operating result because of consolidation adjustment
- (3) Extraordinary costs sustained by Prima Industrie to face the take-over bid.
- (4) Extraordinary costs sustained by Prima North America to move into new facilities.

SALES BREAKDOWN

Sales as at March 31 may be classified as follows (in thousand of Euro):

BY PRODUCT AND BY GEOGRAPHICAL AREA

	03/31/03	03/31/02
	Thousands of euro	Thousands of euro
2D laser systems:		
Italy	256	2,221
Europe	3,280	2,741
USA	2,769	2,106
Rest of the world	1,512	298
Total	7,817	7,366
3D laser systems:		
Italy	604	2,270
Europe	2,244	2,050
USA	2,257	793
Rest of the world	923	604
Total	6,028	5,717
Electronic systems:		
Italy	378	921
Europe	2,339	2,527
USA	-	-
Rest of the world	-	-
Total	2,717	3,448
Laser generators:		
Italy	-	-
Europe	-	194
USA	429	83
Rest of world	-	-
Total	429	277

	03/31/03	03/31/02
	Thousands of euro	Thousands of euro
After-sale assistance and miscellaneous:		
Italy	1,149	1,089
Europe	1,386	1,173
USA	1,412	1,911
Rest of the world	585	565
Total	4,532	4,738
Total sales	21,523	21,546

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

	03/31/03	03/31/02
2D laser machines	36.3%	34.2%
3D laser machines	28.0%	26.5%
Other systems	12.6%	16.00%
Electronic systems and laser generators	2.0%	1.3%
After sale and miscellaneous	21.1%	22.0%
Total	100.00%	100.00%

The distribution of the Group sales among each product category show an increase for the 3D laser systems (6,028 thousand of euro as against 5,717 thousand of euro) thanks to the consolidation of Prima North America sales and to the success of the Laserdyne System Division products and of the Domino by Prima Laser Tools.

The increase of the bi-dimensional machines (7,817 thousand of euro as against 7,366 thousand of euro) is instead mainly performed by the Group Parent company. A stable trend show also the returns dues to the after-sale servicing, always above 20% of the consolidated turnover. This is a positive aspect because for the Group the after-sale is traditionally a component of stability with high profitability.

In terms of geographical distribution the evolution of sales was the following:

	03/31/03		03/31/02	
	Thousands of euro	%	Thousands of euro	%
Italy	2,387	11.1%	6,501	30.2%
Europe	9,249	43.0%	8,685	40.3%
USA	6,867	31.9%	4,893	22.7%
Rest of world	3,020	14.0%	1,467	6.8%
Total	21,523	100.0%	21,546	100.0%

Where it appears in absolute and percentage terms growth realized by the Group on foreign markets and, in particular, in U.S.A where sales were 32% of the consolidated total (31/03/2002 = 22,7%).

In Europe, accounting for 43% of the total (2002 was 40%), the leading markets have been Spain and Germany which together enjoy almost 50% of the European market as a whole.

At the opposite, a sales drop was felt on the home market (where weight in percentage goes down from 30% to 11%) principally in consequence of the expiration of the "Tremonti-bis" law, which, because of the incentives granted, generated a concentration of the investments on the last quarter of the year.

NET FINANCIAL POSITION

The Group paid particular attention to the financial position which reduced from 39,254 thousand of euro as at December 31, 2003. The strong reduction, is the result of the capital increase of February 11, 2003 (3,982 thousand euro) together with the cash-flow of the period due to an improved management of the working capital.

	03/31/03	12/31/02	03/31/02
Liquidity available	4,928	3,329	3,142
Short-term debts towards banks and financial institution	(19,659)	(24,897)	(18,328)
Medium-long term debts towards banks and others financial institution (*)	(16,957)	(17,686)	(19,227)
Net financial position	(31,688)	(39,254)	(34,413)

(*) Include also the recalculation of Leasings in accordance with IAS rulings and the debt items against the SABATINI pro-solvendo financial operations. These items amounts to 4,538 thousand of euro (4,771 thousand of euro at December 31, 2002 and 3,150 thousand of euro at March 31,2002)

SHORT-TERM EVOLUTION

After the situation of uncertainty of the first part of the month of March in the order acquisition, April showed a slightly improved trend, allowing an increase in the Group of some 3 millions of euro net from sales of the period.

The general economic scene stays, nonetheless, uncertain, even after the Iraqi war. The new problem of SARS will surely cause a slow-down, hopefully temporary, in the economy of China and other South-East Asian countries.

In such a situation is hence quite difficult to foresee a medium term outlook, even though the company level of commercial activities stays high.

On April 14, 2003 (right after the take-over bid on Prima Industrie conclusion) it has been decided to recapitalize Prima North America. The operation was performed by transferring 3 million of dollars of Prima Industrie commercial credits towards the affiliate, through its previous transfer to financial credits, to its net capital.

Purpose of the operation was to re-balance the gearing ratio of the controlled company, as well as, the balancing of credits and debts expressed in U.S. Dollars in the Parent Company accounts, which are now definitely well balanced.

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



PRIMA INDUSTRIE GROUP

FINANCIAL STATEMENTS AS AT MARCH 31, 2003

(all amounts are expressed in thousands of Euro)

BALANCE SHEET

	03/31/2003	12/31/2002	03/31/2001
	Unaudited	Audited	Unaudited
ASSETS			
Assets			
Intangible assets	4,949	4,509	6,256
Tangible assets	5,518	5,394	5,926
Total fixed assets	1,073	1,082	2,079
Total assets	11,540	10,985	14,261
Working capital			
Inventories	29,629	28,077	33,859
Trade receivables	46,302	52,625	43,142
Other receivables	9,934	10,477	9,164
Cash and banks	4,928	3,329	3,142
Total working capital	90,793	94,508	89,307
Accrued income and prepaid expenses	154	145	376
Total assets	102,487	105,638	103,944
LIABILITIES			
Shareholders' equity			
Shareholders' equity - Group	(*) 30,379	27,248	(*) 31,113
Minority interest	-	-	(*) 1,444
Total shareholders' equity - Group	(*) 30,379		(*) 32,557
Employees' severance pay	3,784	3,708	3,266
Contingent liabilities fund	4,329	4,730	4,364
Loans			
Medium-long term loans	16,957	17,686	19,228
Short term loans	19,659	24,897	18,328
Trade payables	21,409	21,412	19,501
Other payables	5,469	5,142	5,783
Total loans	63,494	69,137	62,840
Accrued liabilities and deferred income	501	815	917
Total liabilities	102,487	105,638	103,944

(*) before income tax of the period

PRIMA INDUSTRIE GROUP

STATEMENT OF INCOME AS AT MARCH 31, 2003 (PROFIT AND LOSS ACCOUNT)

(all amounts are expressed in thousands of Euro)

	As at 03/31/2003	As at 03/31/2002
Revenues from sales and services	21,523	21,546
Changes in WIP and finished goods	829	1,405
Increase from internal work (assets)	297	29
Other revenues and income	223	404
TOTAL VALUE OF PRODUCTION	22,872	23,384
Purchase of raw materials and suppliers	(11,015)	(11,769)
Service expenses	(4,265)	(4,836)
Lease and rent costs	(405)	(550)
Other operating expenses	191	697
TOTAL COSTS OF PRODUCTION	(15,494)	(16,458)
ADDED VALUE	7,378	6,926
Personnel expenses	(6,453)	(7,351)
MOL (EBITDA)	925	(425)
Amortization and depreciation	(538)	(608)
OPERATING PROFIT (EBIT)	387	(1,033)
Financial income and net financial charges	(553)	(325)
Adjustments to net financial operations	-	-
Extraordinary items	(630)	-
PROFIT BEFORE INCOME TAX	(796)	(1,358)
- of which others	-	-
- of which Group	(796)	(1,358)

PRIMA INDUSTRIE SPA

**FINANCIAL STATEMENTS AS AT
MARCH 31, 2003**

PRIMA INDUSTRIE SPA

FINANCIAL STATEMENTS AS AT MARCH 31, 2003

(all amounts are expressed in thousands of Euro)

BALANCE SHEET

	03/31/2003	12/31/2002	03/31/2002
	Unaudited	Audited	Unaudited
ASSETS			
Assets			
Intangible assets	615	1,121	1,007
Tangible assets	1,871	1,669	1,693
Financial assets	8,536	13,254	10,501
Total fixed assets	11,022	16,044	13,201
Working capital			
Inventories	16,623	13,843	15,675
Trade receivables	40,545	37,638	37,326
Other receivables	7,872	6,933	6,653
Cash and banks	4,066	6,385	2,187
Total working capital	69,106	64,799	61,841
Accrued income and prepaid expenses	474	347	507
Total assets	80,602	81,190	75,549
LIABILITIES			
Shareholders' equity			
Shareholders' equity	(*) 29,577	31,797	(*) 29,326
Employees' severance indemnity	2,770	2,360	2,388
Contingent liabilities fund	3,559	3,508	3,135
Loans			
Medium-long term loans	10,848	11,708	11,708
Short term loans	8,844	16,757	6,994
Trade payables	19,980	19,664	17,963
Other payables	4,445	3,663	3,266
Total loans	44,117	47,895	39,931
Accrued liabilities and deferred income	579	683	769
Total liabilities	80,602	82,125	75,549

(*) before income tax of the period

PRIMA INDUSTRIE SPA**STATEMENT OF INCOME AS AT MARCH 31, 2003 (PROFIT AND LOSS ACCOUNT)**

(all amounts are expressed in thousands of Euro)

	As at 03/31/2003	As at 03/31/2002
Revenues from sales and services	13,077	12,557
Changes in WIP and finished goods	2,136	1,828
Increase from internal work (assets)	286	-
Other revenues and income	263	287
TOTAL VALUE OF PRODUCTION	15,762	14,672
Purchase of raw materials and suppliers	(9,172)	(7,662)
Service expenses	(3,362)	(3,248)
Lease and rent costs	(278)	(271)
Other operating expenses	332	171
TOTAL COSTS OF PRODUCTION	(12,480)	(11,010)
ADDED VALUE	3,282	3,662
Personnel salaries and expenses	(3,114)	(3,049)
MOL (EBITDA)	168	613
Amortization and depreciation	(163)	(205)
OPERATING PROFIT (EBIT)	5	408
Financial income and net financial charges	(403)	(131)
Adjustments to financial assets	(562)	(2,748)
Extraordinary items	(362)	-
PROFIT BEFORE INCOME TAX	(1,322)	(2,471)