



1999 FACTS AND FIGURES

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## Profile

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Over 20 years ago, Prima Industrie S.p.A. started to be active in designing, manufacturing, selling and servicing of advanced technology industrial products with high content of electronics, software and mechanical know-how. A three-dimensional laser system was one of the first products to be successfully designed and installed.

As from 1995, after the Company implemented its strategy to focus its main business on laser systems, a regular and strong two-digit growth was achieved, thus making Prima Industrie one of the major European players in its business. Keeping its world-wide leadership in three-dimensional applications, during the last years Prima Industrie has been achieving an important position also in flat laser cutting systems, thanks to its remarkable investments in new innovating products and in wider marketing coverage.

Together with its controlled company Prima Electronics S.p.A., Prima Industrie has development skills in the areas of industrial electronics and real time software to the benefit of its strong push to product innovation.

During 1999 the Company has successfully completed its IPO on the Nuovo Mercato - Borsa Italiana, which is a member of the EURO-NM network.

Active in a high technology - high growth market, Prima Industrie mission is to grow as a world-wide player in quality laser systems for industrial applications.



**Listed**



ISO 9001 - Cert. n° 0758

**Certified**



**Audited**



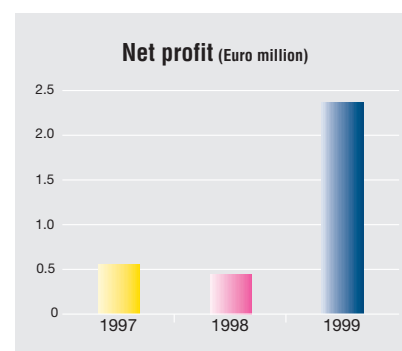
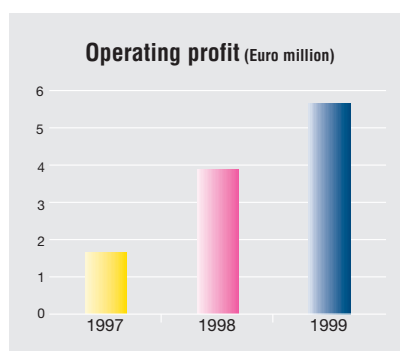
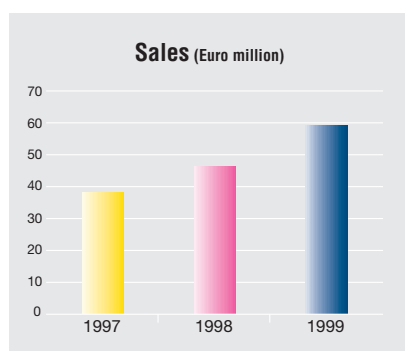
**Member**

## Financial highlights

Year ended December 31<sup>st</sup>, (Euro thousand, except per share data)

	1999	1998	1997
<b>PROFIT AND LOSS STATEMENT</b>			
Net Sales	59,529	46,088	38,490
Operating Margin (EBITDA)	7,058	5,140	2,920
Operating Profit (EBIT)	5,678	3,886	1,664
Profit before taxes (EBT)	4,892	1,962	1,275
Minority interests	(378)	(288)	(140)
Group Net Profit	2,374	432	558
<b>BALANCE SHEET</b>			
Fixed Assets (net)	4,450	3,855	3,914
Working Capital (net)	20,165	18,889	14,104
Shareholders' Equity and Minority Interests	18,667	7,997	7,361
Financial Position (net)	3,466	12,240	8,305
Employees' severance indemnity	2,482	2,507	2,352
<b>PER SHARE DATA</b>			
Number of outstanding shares	857,000	557,000	557,000
Weighted average outstanding shares	607,000	557,000	557,000
Net Profit per share (on weighted average)	3.91	0.78	1.00
Book value per share (on weighted average)	29.07	13.00	12.23
<b>RATIOS</b>			
Operating Incomes/Net Sales (ROS)	9.5%	8.4%	4.3%
Operating Income Invested Capital (ROI)	25.7%	19.2%	10.6%
Net Income Stockholders' Equity (ROE) <sup>(1)</sup>	29.6%	18.9%	6.0%
<b>OTHER KEY INFORMATION</b>			
Research and Development Expenses	2,503	2,100	1,908
Year-end Order Backlog	25,616	14,099	8,967
Number of employees	256	230	210

NOTES: (1) ROE is calculated before Extraordinary Expenses. For 1999 ROE is calculated on average Stockholders' Equity.



## To our Shareholders

First of all, I would like to warmly welcome all new Shareholders who joined the Company through the successful IPO on the Nuovo Mercato - Borsa Italiana made on October 27, 1999. Also on behalf of all Company Directors and Officers, I wish to express my appreciation for the confidence received by both professional and private investors who have subscribed more than 10 times the offering.

To the more than 1000 new Shareholders of Prima Industrie, we guarantee our utmost commitment in pursuing an healthy Company growth and increasing Shareholders values in the future.

It is with pride that we present to you 1999 results, which have been extremely positive, surpassing both the budget and all analysts forecasts.

The turnover of the year reached Euro 59.5 million, with an increase of 29.2% compared with Euro 46.1 million of 1998. In the last five years (1995-1999) the Company enjoyed a steady and strong growth (CAGR 25.7%) and its sales increased over 3 times with respect to 1994.

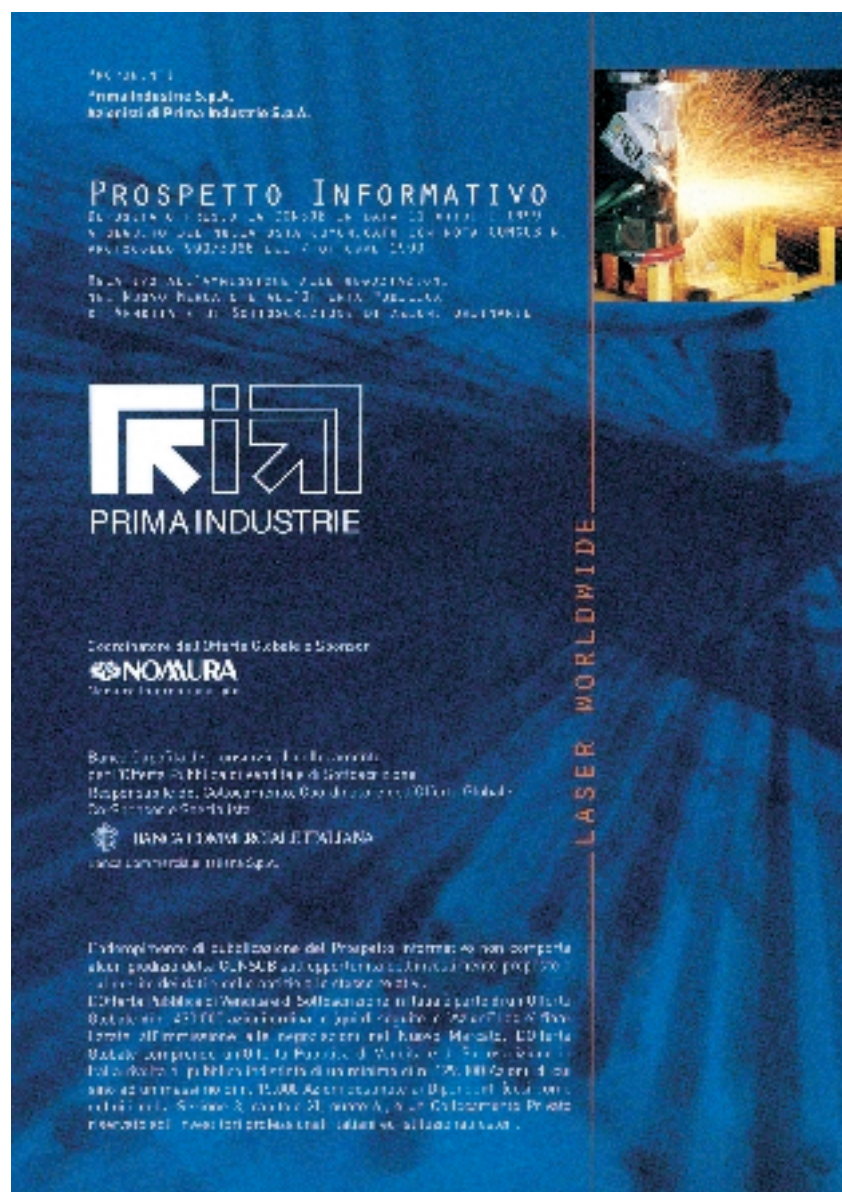
All Company products (3D laser systems, 2D laser systems, electronic products and after-sale services) have contributed to this expansion.

The healthy situation of the laser systems market, our commitment to product quality and innovation, together with an aggressive marketing effort, have been the key drivers of our success so far.

The operating margin increased by 37% to over Euro 7.0 million as against Euro 5.1 million of 1998, after having charged to Profit and Loss Euro 2.2 million of Research and Development expenses (Euro 1.7 million in 1998).

Operating profit has increased by 47.5% to Euro 5.7 million as against Euro 3.8 million of 1998. In percentage on sales, EBIT increased to 9.5% from 8.4% of the previous year.

Net profit enjoyed a sharp turn to Euro 2.4 million, as against Euro 0.4 million of 1998, though 1998 was penalised by extraordinary expenses amounting to over Euro 0.9 million. Consequently the net profit increase in



1999 has been 73.9% compared with previous year.

After the IPO and the good result of the year, our balance sheet looks definitely stronger and Shareholders' equity is now Euro 18.7 million compared with Euro 8.0 million of 1998.

In order to support the working capital increase (which has been 6.8% as

against 29.2% of the net sales increase), the Company has contracted in September 1999 a medium term loan (4 years) with a pool of medium term banks for Euro 8.5 million.

Consequently the short term financial position is now positive for Euro 5.7 million, which will permit further growth and strategic investments for the Company future.



The year 2000 started very well: the excellent order backlog at the beginning of the year (over Euro 25.6 million) and the excellent order booking of January and February 2000 strengthen our confidence in a further step forward for this first year of the new millennium.

The market for laser systems is forecasted to be healthy for next few years and the expected GNP growth for the countries of our home market (the European Union) justifies our optimism for the near future. Moreover, the considerable prolonged growth of the US economy and the recovery in Asia and South America allow us to pursue our strategic objective of improving our presence also in overseas markets in order to become a more global player.

In this exciting scenario, some concerns are however raised by the increase of the inflation and by the continuous

strengthening of the US Dollar against the Euro. While it is true that a weak Euro may favour indeed our overseas export, it is also true that it may affect our margins of profit because of the possible increase of the costs of the components we buy from the US.

We will of course closely monitor the situation and take all possible steps to minimize such possible impact on our profitability.

During the current year, the Company will expand and improve its premises to cope with the increasing manufacturing volumes. The preliminary purchasing contract for a plant next to the present one has already been signed and we will move-in during the second quarter of the year. The third quarter will also see the introduction (starting from Prima Electronics) of the new ERP Information System SAP R/3.

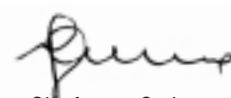
In Asia we will be busy in the start-up of the recently established Joint Venture Prima-Shenyang Laser Machine Company Ltd. for the manufacturing and sale of our 2D machines in the People's Republic of China.

Our growth in the North American market and the insource of the technology of the laser resonator are our top priority targets.

The management of the Company is actively working on these topics and we strongly hope our efforts to generate positive results of which we will keep you timely posted.

Finally, warm thanks must go also to all our Employees, Officers and Directors for their invaluable contribution to our success.

Sincerely



Gianfranco Carbonato  
Chief Executive Officer



## The IPO on the Nuovo Mercato - Borsa Italiana

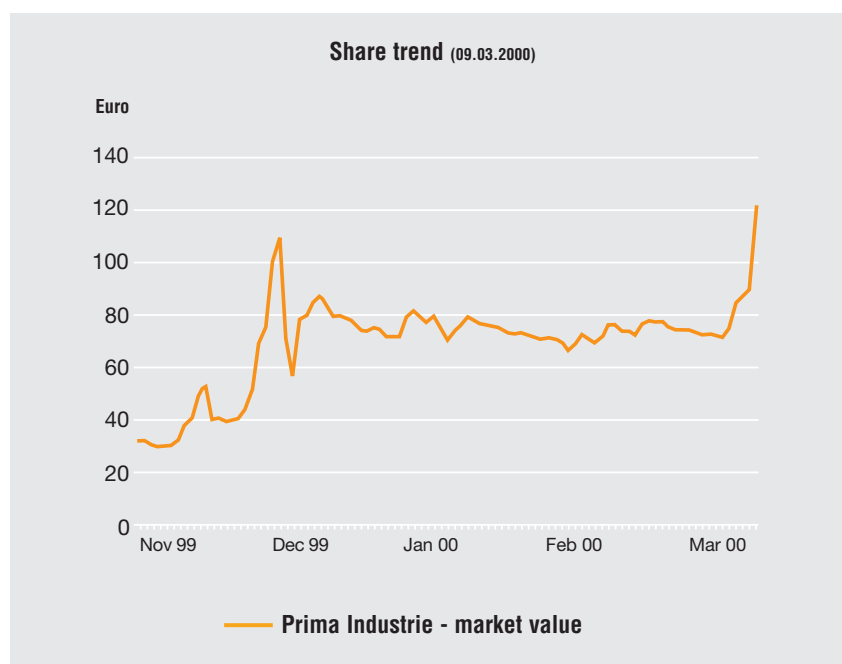
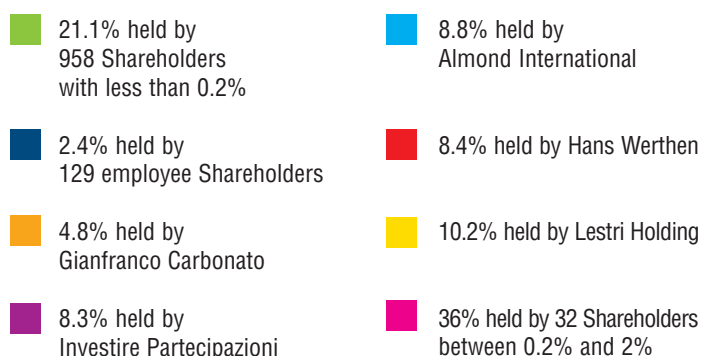
On October 27, 1999, Prima Industrie completed its IPO on the Nuovo Mercato - Borsa Italiana, which is a member of the Euro-NM network. Prima Industrie was one among the very first companies listed on this new stock-exchange market for high-growth and high-tech firms.

The Global Offering was worth about Euro 13 million, of which 70% aimed at funding Company business growth. In addition, the Green Shoe was fully exercised for an amount of Euro 1.8 million. The underwriting structure was the institutional book building followed by an open price offering in Italy. During the seven days of the book building with Institutions and in the three days of Public Offering the demand was of nearly 4.5 million shares, more than ten times the offering size.

As resolved by the Extraordinary Shareholders Meeting on May 14, 1999 and subsequently ruled by the Board of Directors, 15,000 shares out of the new 300,000 share issue were reserved to the Company employees at a 20% discount on the IPO price of Euro 30 and with a 12 month lock-up period. This lot has been fully subscribed by 129 employees.

As a consequence of the public listing, the Shareholders structure as at December 31, 1999 was as shown in the diagram.

After-market was also successful and the share value recorded an important increase together with noticeable trading volumes.





We would like to take this opportunity to thank here for their fundamental support to our IPO:

- The Directors and Officers of Nuovo Mercato - Borsa Italiana and Consob.
- The Sponsors and Joint Global Coordinators Nomura International and Banca Commerciale Italiana.
- The other Managers of the Underwriting Syndicate Intermobiliare Securities, BNP Pasfin and Caboto Sim.
- The Auditors PricewaterhouseCoopers.
- The Legal Advisors Chiomenti Studio Legale and Brosio, Casati & Associati in association with Allen & Overy.
- The Communication Advisors Barabino & Partners.



Very important was the research activity of the Analysts of the Sponsors and of the Syndicate Members.

Also Banca Leonardo issued a research report, leading the total of reports published to 6.

This set of publications on the Company, its reference market and its future perspectives supply essential information for the whole investors community.



## Sales revenue analysis

Net sales of 1999 reached Euro 59.5 million, up 29.2% from Euro 46.1 million of 1998.

The sales breakdown by product shows a 19.5% increase of the 3D laser systems, where our leadership in Europe has been confirmed. Outstanding has been the growth of the 2D laser systems (+53%) thanks to the increase of our market share in this vast and competitive segment.

Also electronics products and after-sale services have increased, compared with previous year (+20% and +7% respectively).

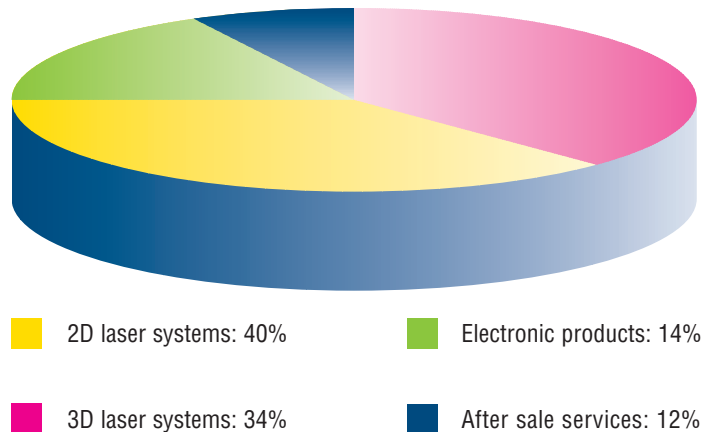
The diagrams show the breakdown of sales by product and percentage variations, compared with 1998.

Expressed in laser system units, 112 machines have been shipped in 1999, up 35% from 1998. 3D systems shipped have been 38 (31 in 1998) and 2D systems shipped have been 74 (52 in 1998).

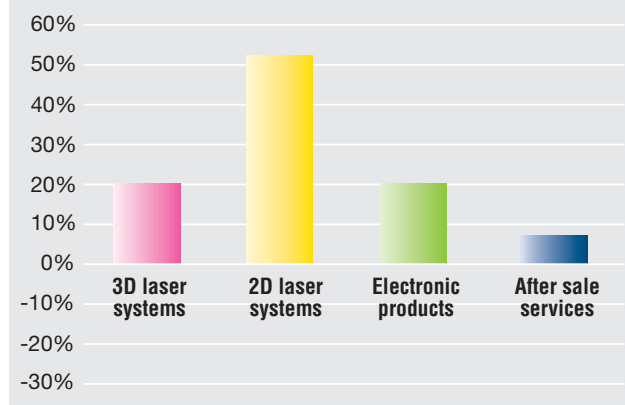
By geography, particularly significant was the growth in Italy (+86%), also thanks to the higher visibility that the Company received because of its stock market listing.

A good increase was also registered in the rest of the European Union (+16%), mostly because of the recovery of some of the major markets as France and UK.

1999 sales by product



1999/1998 revenues variation by product



On the contrary, a sales decline was experienced on the overseas markets (-22%) mainly due to the still critical economic situation on the Asian and South American countries. Unsatisfactory was also the performance of our US subsidiary, which has experienced a sales decrease of 8% compared with the previous year.

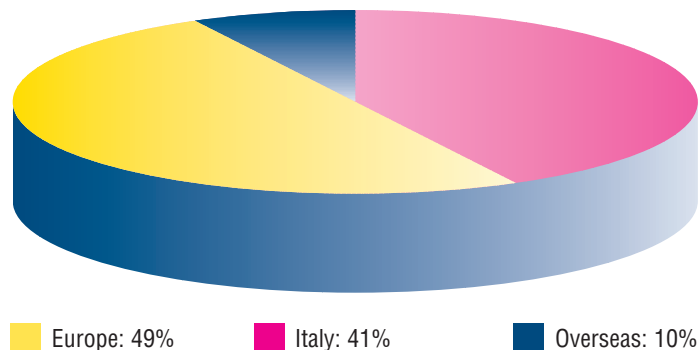
The diagrams synthetically show the breakdown of sales by geographical area with percentage variations, compared with 1998.

The Company growth on overseas markets is one of our strategic targets. In Asia we expect a recovery during the year 2000, thanks to improving economic conditions and to the first results of the joint-venture established, at the end of 1999, with a major local company in the People's Republic of China. In North America, at the end of 1999, the Licence Agreement with a local partner involving the 2D product Platino expired and we are now planning to aggressively pursue an expansion in this large and very competitive market.

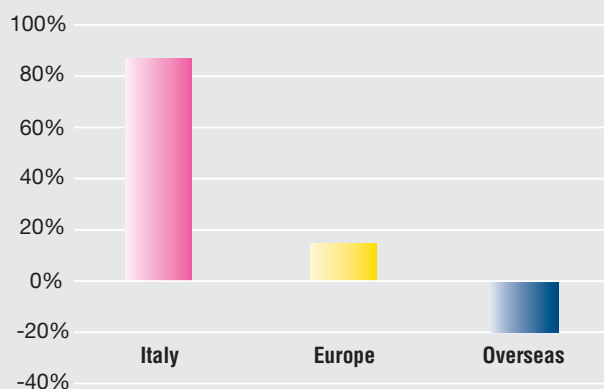
As a result of the sales growth and thanks to the higher efficiency of our manufacturing activity, the operating margin increased by 37% (to over Euro 7.0 million) and to 11.8% in percentage on net sales (1998 = 11.1%).

A particular attention has been devoted to constantly improve the quality and the reliability of our products in cooperation with our external co-makers, increasingly involved in our lean manufacturing and outsourcing organisation process. Finally we wish to point-out that, at the beginning of the year 2000, we have successfully obtained the renewal for further three years of the ISO 9001 certification.

**1999 sales by geography**



**1999/1998 revenues variation by geography**



## Marketing and sales

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During 1999, new orders for Euro 70.5 million were received with an increase of 32.7% compared with Euro 53.1 million of 1998.

Particularly gratifying was the order collection of the new Optimo, introduced to the market in October 1998.

Positive have been also the first results with the new product Domino, exhibited for the first time in May 1999.

Thanks to the above and to the good performance of the Rapido, the order acquisition for 3D machines was very satisfactory, registering a total of 57 orders received (up 84% from the 31 units of 1998). Furthermore, the good orders backlog on January 1<sup>st</sup>, 2000 of 3D machines should allow a favourable mix change with better perspective margins of profit.

Important was also the order acquisition of 2D machines (mainly Platino) with 72 units acquired, up 11% from the 66 units of 1998.

In conclusion, the new year started with an order backlog of Euro 25.6 million, up 82% from Euro 14.1 million of 1998.

During 1999 we participated to major international exhibitions such as EMO 99 (Paris) in May, CIMT 99 (Beijing) in October and FABTECH 99 (Chicago) in November.

In Europe, as usual in all odd years, the European Machine Tool Exhibition (EMO) was the focusing event: we have taken the opportunity to present there our new Domino, together with the Optimo and the Platino.

In Beijing (People's Republic of China) we exhibited our Platino and announced the joint-venture established with Shenyang Machine Tool Company Ltd. for the local manufacturing and sale of our 2D machines.

Finally, at Fabtech in the US, we exhibited for the first time in North America the Domino and Platino machines, on which we count for the expansion of our presence there.

The sale activity was constantly supported by an important marketing action to improve the visibility of the Company and of its products on main international markets.

In this regard we are glad to report that we have started a substantial investment to improve our image and presence on the Internet. At our websites [www.primaind.it](http://www.primaind.it), [www.primaelectronics.com](http://www.primaelectronics.com) and [www.primalaser.com](http://www.primalaser.com) it is now possible to get last minute information on the Company, its products and services, news and press releases, annual and interim reports.

Internet access provides our Customers with real time information

on laser systems offered at special conditions and will soon allow them to connect for Teleservicing and Consulting purposes.

This is the first step towards our E-business, which we plan to further develop in the near future.

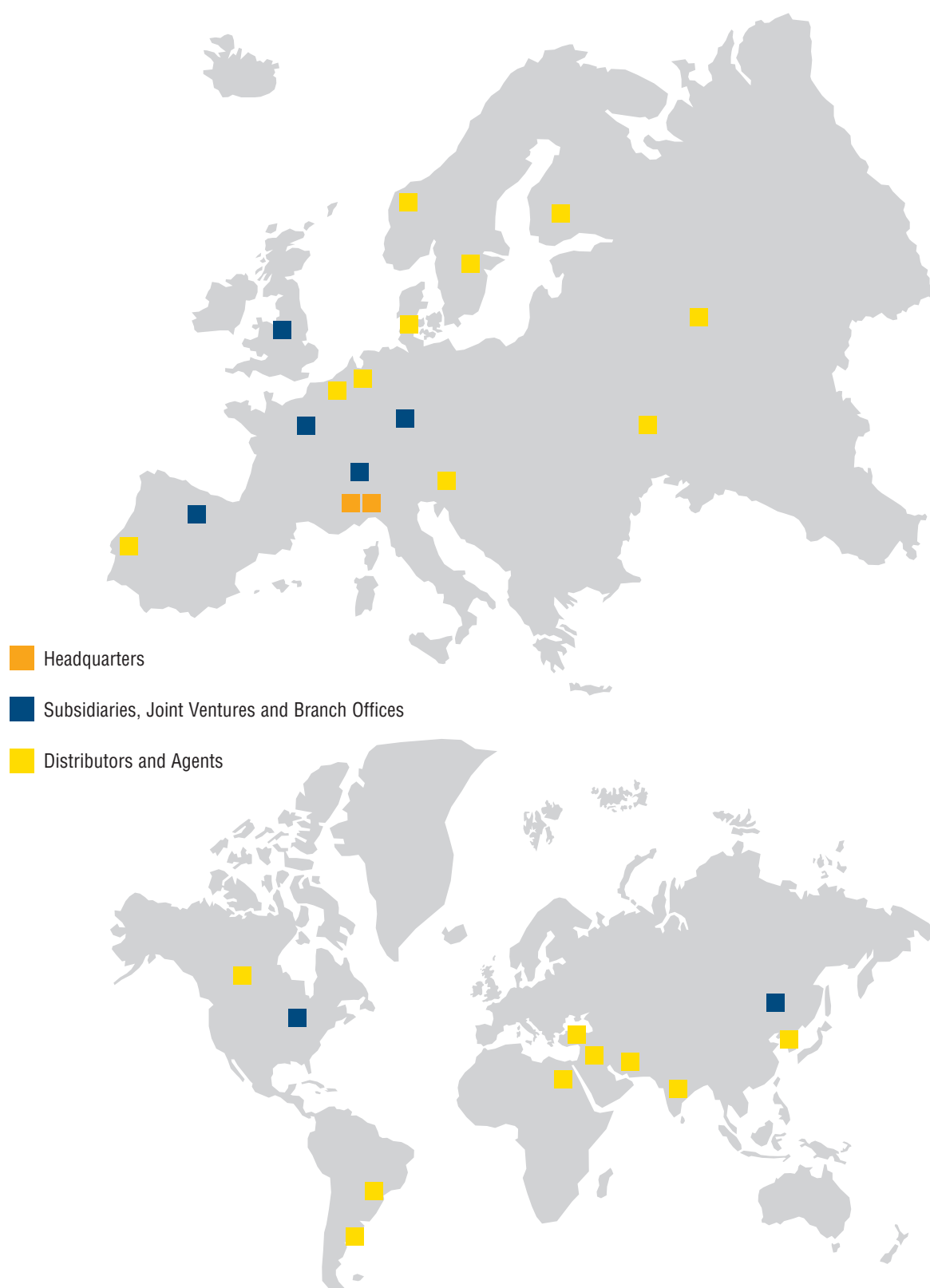






## Worldwide coverage

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## Italy

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

Via Antonelli, 32 - 10097 Collegno (To) ITALIA

Tel. +39.011.4103.1 - Fax +39.011.411.28.27 Numero Verde 800-234502 <http://www.primaind.it>

### **PRIMA ELECTRONICS S.p.A.**

Strada Carignano, 48/2 - 10024 Moncalieri (To) ITALIA

Tel. +39.011.682.72.11 - Fax +39.011.640.42.77 <http://www.primaelectronics.com>

## Europe

### **PRIMA INDUSTRIE FRANCE**

Villa Parc Le Cèdre Rue Lech Walésa Z.A.I. PARIS-EST - 77322 Lognes/Marne La Vallée FRANCE

Tel. +33.(0)1.60.17.11.11 - Fax +33.(0)1.60.17.38.74

### **PRIMA INDUSTRIE U.K.**

Suite 21, Wellesbourne House Walton Road - Wellesbourne Warwickshire CV359JB UNITED KINGDOM

Tel. +44 (0)1789 842880 - Fax +44 (0)1789 842881

### **PRIMA INDUSTRIE ESPAÑA**

Parque Tecnológico de Zamudio Edificio 208 - 48016 Zamudio (Bizkaia) ESPAÑA

Tel. +34 609 494 338

### **PRIMA INDUSTRIE GmbH**

c/o Matra-Werke GmbH Dieselstrasse 30-40 D 60314 Frankfurt am Main DEUTSCHLAND

Tel. +49/(0)69/4016-0 - Fax +49/(0)69/4016-225

### **PRIMA INDUSTRIE SCHWEIZ**

Seuzachstrasse, 42 - CH 8413 Neftenbach SCHWEIZ

Tel. +41/(0)52/315.17.21 - Fax +41/(0)52/315.24.29

## Overseas

### **PRIMA U.S. Inc.**

23399 Commerce Drive, Suite B-10 - Farmington Hills, MI 48335 U.S.A.

Tel. +1/248/442.49.94 - Fax +1/248/442.70.88 <http://www.primalaser.com>

### **SHENYANG-PRIMA LASER MACHINE COMPANY LTD.**

No. 45 Huanghai Road Yuhong District - Shenyang City PEOPLE'S REPUBLIC OF CHINA

Tel. +86-(0)24-25833989 - Fax +86-(0)24-25833989

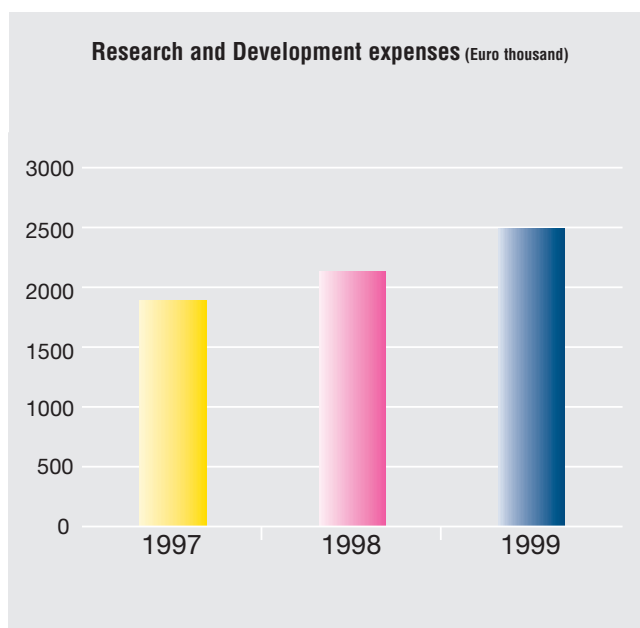
## Research and Development

During 1999, the Research and Development activity was particularly intense.

Relevant expenses amounted to Euro 2.5 million, of which Euro 2.2 million charged to the Profit and Loss statement of the year.

Among the new products developed, we wish to mention Domino, a new laser machine conceived for both three-dimensional (3D) and bi-dimensional (2D) applications. Domino is an innovative product, ideal for job shops willing to expand their activities beyond flat sheet metal processing.

The product has been very well received by the market, already during the first few months from its introduction, thanks to its innovative conception and competitive pricing.



Another new product was designed during 1999 in cooperation with a Partner experienced in large sheet metal processing: Maximo allows laser cutting of very large parts as those used in the construction, ship building and big machinery industries.

As a fundamental add-on to our Platino option list, LaserServer has been also developed in cooperation with an external Company specialised in sheet metal handling and storage. LaserServer allows the automatic loading and unloading of laser machines, with optional rough and finished parts storage.

With this option the laser machine becomes an unmanned manufacturing cell with “round-the-clock” operating capability. The new option has been developed to meet a growing market demand for laser cells, induced by the growing reliability and productivity of the laser cutting technology, particularly for thin metal processing.



During 1999, we have also actively invested in medium term projects in the areas of “intelligent laser processing” through real time monitoring of the process parameters (project PUBLICS) and of ultra-high speed laser processing. Both these projects will receive fundings from Government Agencies (PUBLICS is an European EUREKA project with international partners) and the relevant resolutions of the Ministry for Italian Research and University have been published on the Official Gazette on December 24, 1999 and January 5, 2000 respectively.

The signature of the final contracts and cash contribution of the first instalments are expected during the current year.



As for Prima Electronics, the Research and Development investments have focused on the DSP (Digital Signal Processing) technology which allows superior real time processing, thanks to its extremely high computing power. Based on this technology, a new version of numerical control (Primach 3M) and a new line of brushless motor digital drives have been developed.

## Personnel and organization

At the end of 1999, the Group employed 256 units, with an increase of 26 (+11%) compared with 1998. Out of this total, 174 employees are based in the main Prima Industrie plant and 59 in Prima Electronics facilities. The remaining 23 operate with our foreign Subsidiaries and Branch Offices.

Sales-per-employee was Euro 232 thousand, 16% up on 1998, thanks to the Company increased efficiency in all activities.

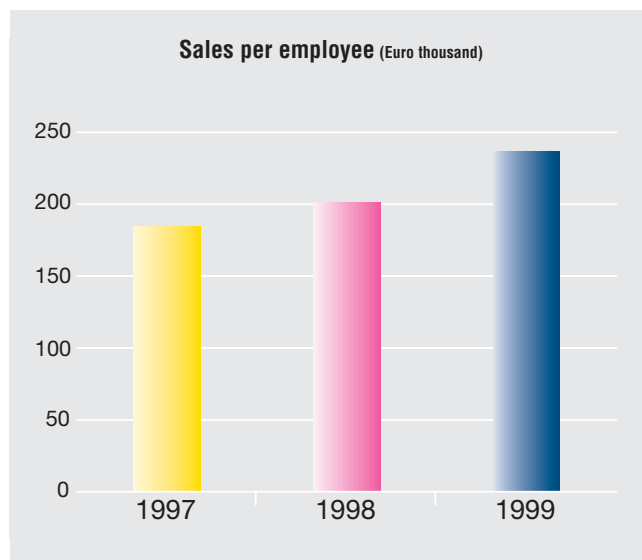
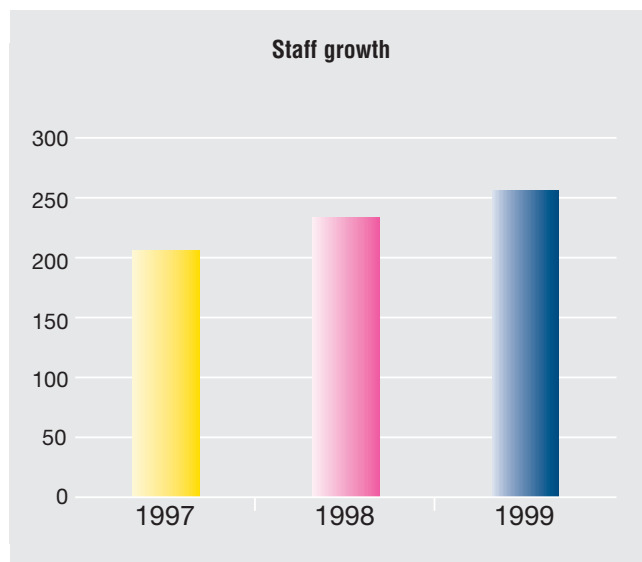
From the organisational stand-point, during 1999 continued the activity for the development and personalization of the new ERP Information Systems, based on SAP R/3. Its start-up is expected on July 1<sup>st</sup>, 2000 for Prima Electronics and on January 1<sup>st</sup>, 2001 for Prima Industrie. In the meantime, we are pleased to inform that no Y2K related problem was experienced after January 1<sup>st</sup>, 2000 on our actual information system nor on our machines.

A preliminary agreement has been signed for the purchase of the plant adjacent to the present Prima Industrie facilities in order to allow the Company sufficient room for its manufacturing and office needs.

The manufacturing area will be enlarged by 70% (to about 7,000 square meters) and the offices by 27% (to about 3,000 square meters).

The investment (Euro 1.7 million) will be made through a 9-year financial leasing contract. We expect to move into the new premises during the second quarter of the year.

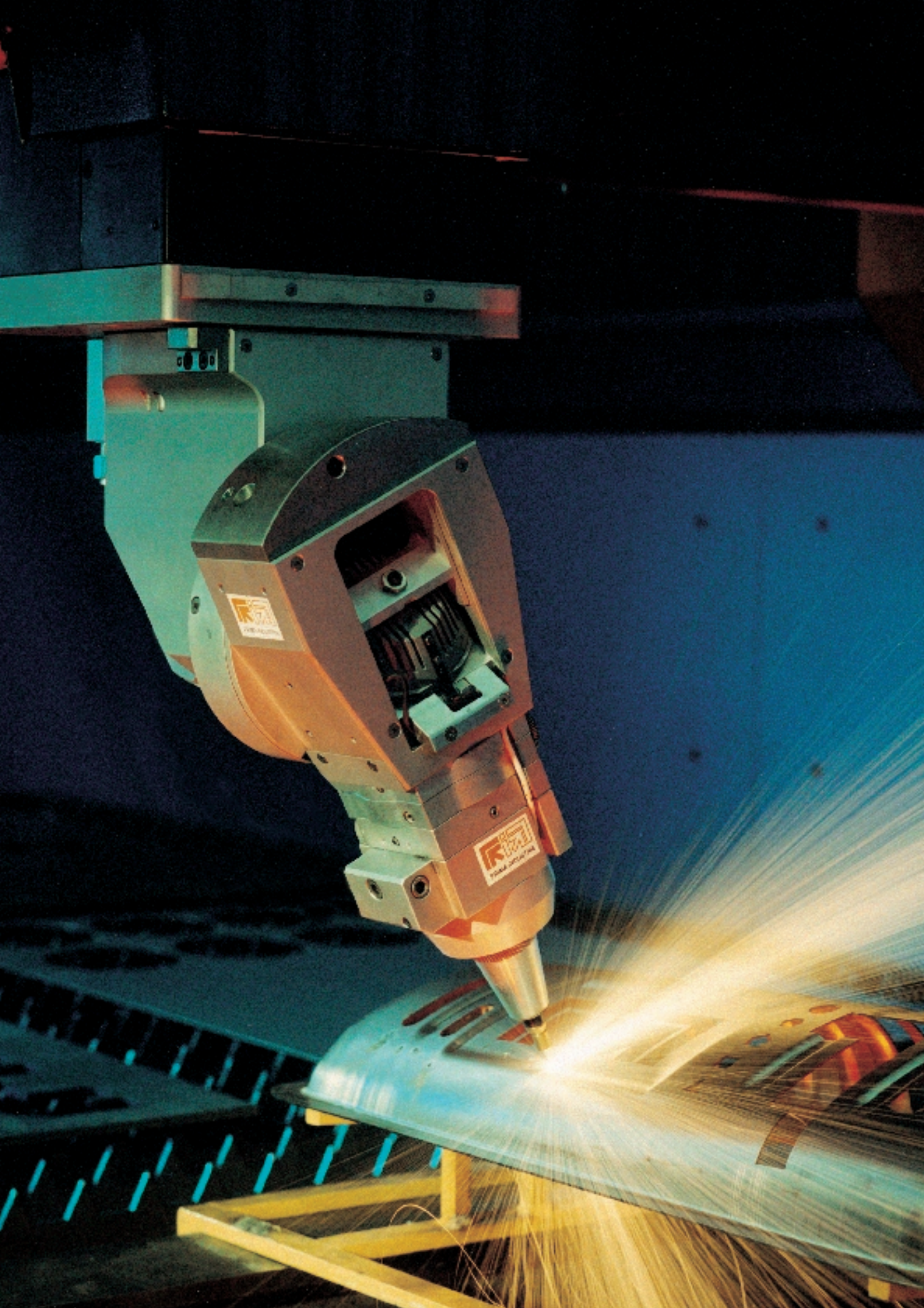
A further investment of about Euro 0.8 million is planned for the second and third quarters in order to rationalize the logistics of the new facilities and to improve part of the offices.















**PRIMA INDUSTRIE S.P.A.**  
Collegno (Torino) - ITALY

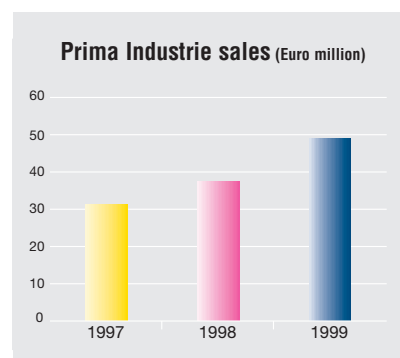
Prima Industrie enjoyed a positive 1999. Net sales improved of 32% and operating profit of 51% compared with 1998.

Though charging to the Profit and Loss of the year the whole amount of the IPO expenses (Euro 1.9 million), net profit enjoyed a remarkable 171% increase. As for the consolidated financial statement, in accordance with International Accounting Standards, same amount was deducted from the IPO proceeds.

In consequence, IPO expenses will have no effect on future Company accounts.

In 1999 Prima Industrie acquired a minority stock (7.4%) in Rambaudi Industriale S.p.A. with an investment of Euro 0.5 million. Rambaudi Industriale is active in manufacturing and sale of high speed milling machines for dies manufacturing for the automotive industry. Prima Industrie and Rambaudi Industriale have many common Customers and they will implement together marketing and distribution synergies.

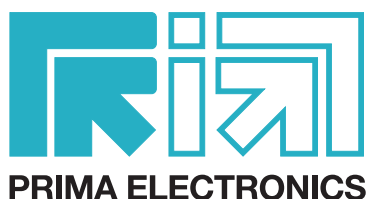
The good order backlog at January 1<sup>st</sup>, 2000 and the positive market trend, as confirmed by the order acquisition of the early months of the current year, enable us to forecast a further growth of Prima Industrie for the year 2000.



(Euro million)	1999	1998	1997
Net Sales	49.3	37.4	31.2
Operating Profit	4.0	2.6	1.1
Net Profit	1.3	0.5	0.9
Order booking	61.2	42.0	32.5
Research and Development expenses	1.9	1.6	1.3
Number of employees	191	171	156



## Group companies



**PRIMA ELECTRONICS S.P.A.**  
**Moncalieri (Torino) - ITALY**

For this company 1999 has been an excellent year. Net sales increased by 16%, operating profit by 75% and net profit by a record 94% compared with the previous year.

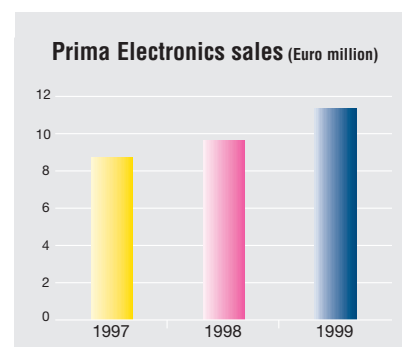
Operating margins took advantage from the price trend of the electronic components as well as from the return on the investment made on the modern assembly line for printed circuit boards with Surface Mounting Devices (SMD) technology.

The Company acquired new Customers and is preparing to face the expected reduction of its sales to Atlas Copco Airpower as from the second part of 2001.

The positive cash flow of the year has strengthened the Company financial position (positive by Euro 0.7 million) allowing future strategic investments.

As a first step in this direction, at the beginning of the year 2000, Prima Electronics acquired a minority interest (7.7%) in a small company active in the design of advanced electronic equipment. Prima Electronics has furthermore the right to acquire a majority stock, at predefined conditions, by June 30, 2002.

The year 2000 should be another favourable year for the Company, of which Prima Industrie owns 60%. The remaining 40% is held by Prima Electronics Management to which we would like to express warm congratulations for the outstanding results achieved in 1999.



(Euro million)	1999	1998	1997
Net Sales	11.3	9.7	8.5
Operating Profit	2.0	1.1	0.6
Net Profit	1.1	0.6	0.2
Order booking	11.8	11.1	8.7
Research and Development expenses	0.6	0.5	0.6
Number of employees	59	53	49





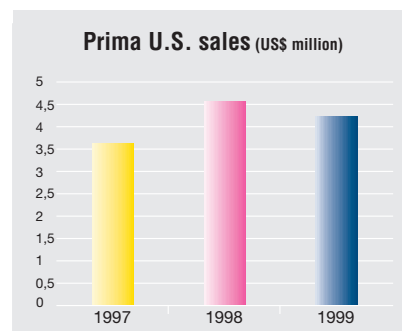
**PRIMA U.S. Inc. - Farmington Hills  
(Detroit), Michigan - U.S.A.**

Prima U.S., after its 1998 noticeable growth, experienced a quite difficult 1999.

Since the Company, for the time being, has a limited distribution coverage, its marketing activity is mainly focused on exhibitions. This year the main event occurred in November and therefore the company 1999 sales could not take full advantage of it.

Sales dropped 8% and net result is slightly positive, thanks to the receipt of US Dollars 276 thousand for royalty proceeds.

Prima U.S. stock capital is 100% owned by Prima Industrie.



(US\$ million)	1999	1998	1997
Net Sales	4.2	4.6	3.5
Net Profit	0	(0.1)	(0.4)
Number of employees	6	6	5



Prima-Shenyang Laser Machine Company has been established towards the end of 1999 as a 50/50 joint-venture with the local partner SMTCL.

SMTCL (Shenyang Machine Tool Company Ltd.) is the major machine tools manufacturer in China.

It is listed on the Shenzhen stock market and is certified ISO 9001. Based in Shenyang, one of the main industrial city of the country, the joint-venture is operational since January 1<sup>st</sup>, 2000 and



actually employs 8 engineers. Prima Industrie investment for the 50% of the share capital has been US Dollars 0.5 million, of which 0.3 million accounted-for as technology transfer.

We expect that manufacturing 2D machines (Platino) in a low labour cost country may improve our competitiveness in the Chinese and Asian markets where competition is very fierce.

## Dividend policy and stock option plan

While pursuing our IPO last Fall, we declared in our Prospectus and Offering Circular that the Board of Directors, for the time being, does not intend to propose to the Shareholders any distribution of dividends. The background of this intention, which is confirmed today, is in the type of business in which our Company operates.

We are fortunately active in a high tech - high growth market, whose potential has been recently confirmed by an external marketing research firm as over 10% growth for the next ten years (see diagram).

In addition, the laser technology will experience in the next 3 to 5 years both major technological changes and a consolidation process among the more than 20 players who operate world-wide in this sector.

The above is a typical situation of an industry which has not reached yet maturity and where the potential of growth, as well as the need to invest for the future, is quite high.

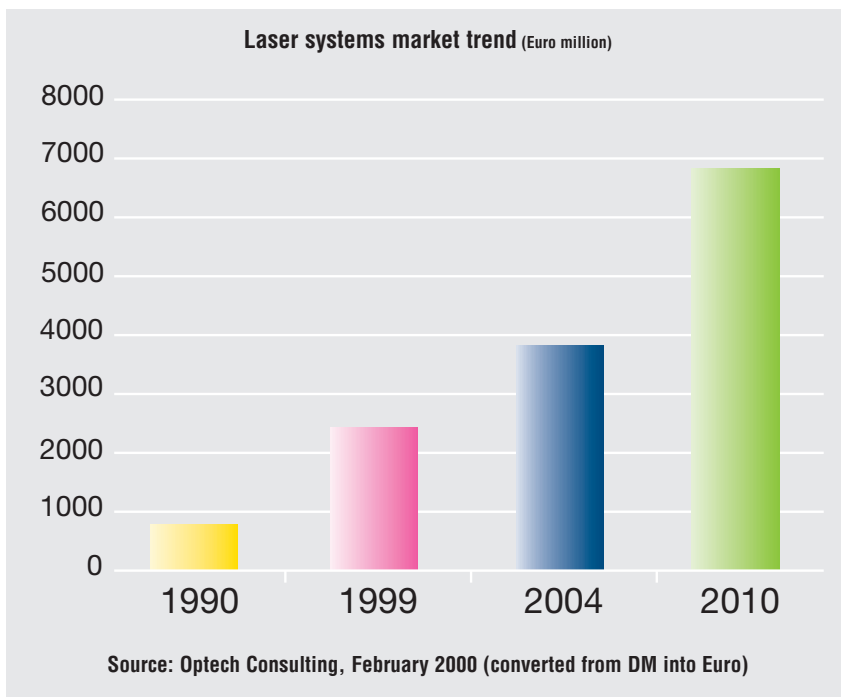
This, for laser industry, is still a seeding season and we are very confident that all our Shareholders will approve and support the proposal.

We have also to re-state that in a business like ours, one of the winning points is the management quality. Our Company has the invaluable asset of a good quality, high experienced and relatively young management team. They well cover all Company functions from marketing to sales, from Research and Development to manufacturing, to administration and finance. As resolved by our Shareholders' Meeting on May 14, 1999 and ruled by the Board of Directors on December 17, 1999 a Stock Option Plan has been implemented to improve fidelity of this team of managers and motivate them to create value for all Shareholders. 50% of the options available (75,000) have been assigned to the actual management (16 persons) for a total of 37,500 stock-options to be exercised over a three-year period, based on the

achievement of growth and profitability targets consistent or higher than our business plan.

The targets for 1999 have been more than successfully reached and 1/3 of the above stock options can be exercised in July 2000.

The remaining 50% of the options available has not been assigned yet and will be possibly used in the near future to attract and motivate new managers the Company may need to recruit to accomplish its ambitious targets.





### Board of Directors

Aldo PALMERI	Chairman
Gianfranco CARBONATO	Chief Executive Officer
Gian Luca ROSSIGNOLO	Director
Renato RUSSO	Director
Francesco TAKANEN	Director
Giulia DELLA ROSA	Director

### Statutory Auditors Committee

Riccardo FORMICA	President
Roberto PETRIGNANI	Effective Auditor
Andrea MOSCA	Effective Auditor

### Management

Standing (L-R): Maurizio GATTIGLIO, Roberto DELPIANO, Domenico PEIRETTI, Michele BERGERO, Claudio BANCHI.

Seated (L-R): Ezio BASSO, Alberto DELLE PIANE, Gianfranco CARBONATO, Domenico APPENDINO.



# Consolidated Financial Statements

## CONSOLIDATED INCOME STATEMENT

Year ended December 31 <sup>(1)</sup> , (Euro thousand, except per share data)	1999	1998	1997
<b>PRODUCTION VALUE</b>			
Revenues from sales and services (Net Sales)	59,529	46,088	38,490
Changes in work-in-progress, semi-finished and finished goods	1,771	1,473	674
Increase from internal work (assets)	343	484	365
Other revenues and income	1,132	1,116	977
<b>TOTAL PRODUCTION VALUE</b>	<b>62,775</b>	<b>49,161</b>	<b>40,506</b>
<b>PRODUCTION COSTS</b>			
Purchases of raw material, consumables and supplies, net of inventory variation	(30,943)	(23,406)	(19,841)
Service expenses	(11,901)	(9,560)	(7,326)
Lease and rent costs	(623)	(664)	(558)
Other expenses	(1,074)	(633)	(759)
<b>TOTAL PRODUCTION COSTS</b>	<b>(44,541)</b>	<b>(34,263)</b>	<b>(28,484)</b>
<b>ADDED VALUE</b>	<b>18,234</b>	<b>14,898</b>	<b>12,022</b>
Personnel expenses	(11,176)	(9,758)	(9,102)
<b>EBITDA</b>	<b>7,058</b>	<b>5,140</b>	<b>2,920</b>
Amortisation and depreciation	(1,380)	(1,254)	(1,256)
<b>OPERATING PROFIT (EBIT)</b>	<b>5,678</b>	<b>3,886</b>	<b>1,664</b>
Financial income and expenses	(514)	(697)	(536)
Adjustments to financial assets	(119)	(294)	-
Extraordinary items	(153)	(933)	147
<b>PROFIT BEFORE INCOME TAXES (EBT)</b>	<b>4,892</b>	<b>1,962</b>	<b>1,275</b>
Income taxes	(2,140)	(1,242)	(577)
<b>NET PROFIT FOR THE YEAR</b>	<b>2,752</b>	<b>720</b>	<b>698</b>
Minority interests	(378)	(288)	(140)
<b>NET PROFIT FOR THE YEAR-GROUP</b>	<b>2,374</b>	<b>432</b>	<b>558</b>
<b>EARNINGS PER SHARE</b>	<b>3.91<sup>(1)</sup></b>	<b>0.78</b>	<b>1.00</b>

(1) Calculated on weighted average number of shares (607,000). At the end of year, outstanding shares were 857,000.

## CONSOLIDATED BALANCE SHEET

Year ended December 31<sup>st</sup>, (Euro thousand)

	1999	1998	1997
<b>FIXED ASSETS (NET)</b>	<b>4,450</b>	<b>3,855</b>	<b>3,914</b>
Intangible assets	1,058	1,224	1,320
Tangible assets	2,123	1,831	1,299
Financial assets	1,269	800	1,295
<b>EMPLOYEES' SEVERANCE INDEMNITY</b>	<b>2,482</b>	<b>2,507</b>	<b>2,352</b>
<b>NET WORKING CAPITAL</b>	<b>20,165</b>	<b>18,889</b>	<b>14,104</b>
Inventories	12,085	10,684	7,544
Trade receivables	29,586	23,493	17,969
Other receivables	3,791	3,209	3,238
Accrued income and prepaid expenses	409	93	198
Trade payables	(19,166)	(14,502)	(11,902)
Other payables	(5,965)	(3,700)	(2,608)
Accrued liabilities and deferred income	(575)	(388)	(335)
<b>FINANCIAL POSITION (NET)</b>	<b>3,466</b>	<b>12,240</b>	<b>8,305</b>
Cash and banks	(8,950)	(1,437)	(1,119)
Bank borrowings	2,745	12,760	8,538
Borrowing from other financial institutions	9,671	917	886
<b>TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY</b>	<b>18,667</b>	<b>7,997</b>	<b>7,361</b>
Minority interests	1,022	753	547
Shareholders' equity-group	17,645	7,244	6,814

## SHAREHOLDERS' EQUITY

	Share capital	Reserves	Net profit for the year	Total
01.01.1997	5,750	19	522	6,291
Appropriation 1996 results	-	522	(522)	-
Translation adjustment	-	(35)	-	(35)
Net profit 1997	-	-	558	558
31.12.1997	5,750	506	558	6,814
Appropriation 1997 results	-	558	(558)	-
Translation adjustment	-	(1)	-	(1)
Net profit 1998	-	-	432	432
31.12.1998	5,750	1,063	432	7,245
Appropriation 1998 results	-	432	(432)	-
Equity increase for listing	3,099	5,811	-	8,910
IPO costs	-	(1,129)	-	(1,129)
Translation and other adjustments	3	242	-	245
Net profit 1999	-	-	2,374	2,374
31.12.1999	8,852	6,419	2,374	17,645

# Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 <sup>st</sup> , (Euro thousand)	1999	1998	1997
<b>A) NET FINANCIAL POSITION AT 01.01</b>	<b>(12,240)</b>	<b>(8,305)</b>	<b>(9,989)</b>
<b>B) CASH-FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,481</b>	<b>3,357</b>	<b>2,270</b>
Consolidated net income	2,752	720	698
Amortisation/depreciation of tangible/intangible assets	955	999	1,167
Accrual of employees' severance indemnity, net of payments	(25)	155	316
Accrual to bad debt and other funds	425	255	89
Depreciation of financial assets	374	1,228	-
<b>B-BIS) GROUP'S EQUITY VARIATIONS</b>	<b>7,918</b>	<b>(84)</b>	<b>(36)</b>
Cash from listing at Nuovo Mercato	8,910	-	-
IPO costs (effect net from taxation)	(1,129)	-	-
Dividend paid to third parties	(108)	(84)	-
Translation adjustments and other small variations	245	-	(36)
<b>C) CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>(1,702)</b>	<b>(5,039)</b>	<b>802</b>
(Increase) decrease in inventories	(1,401)	(3,140)	(1,210)
(Increase) decrease in trade receivables	(6,518)	(5,779)	(1,459)
(Increase) decrease in other receivables	(582)	29	1,772
(Increase) decrease in short-term accruals (net)	(129)	158	324
Increase (decrease) in payables to suppliers	3,218	2,600	803
Increase (decrease) in other payables	3,710	1,093	572
<b>D) CASH-FLOW PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>(1,923)</b>	<b>(2,169)</b>	<b>(1,352)</b>
(Additions) to intangible assets	(353)	(560)	(531)
(Additions) to tangible assets	(705)	(894)	(339)
(Additions) to financial assets	(865)	(1,058)	(975)
Proceeds from sale of fixed assets	-	343	493
<b>E) NET FINANCIAL POSITION AT 31.12</b>	<b>(3,466)</b>	<b>(12,240)</b>	<b>(8,305)</b>

## BUSINESS OF THE GROUP

Prima Industrie SpA designs, manufactures and sells machines and mechanical, electric and electronic engineering systems and the related software for use in industrial automation. The Company provides also technical services in the same field. The main business of the Company focuses on laser sheet metal cutting and welding machines.

Prima Electronics SpA designs, manufactures and sells apparatus, instruments, machines and mechanical, electric and electronic engineering systems and the related software.

Prima US Inc. operates in the North American market. It imports Prima Industrie machines for their subsequent sale. Prima US Inc. also provides after-sales service.

Prima Industrie GmbH and Laserworld BV are other non operating Group Companies (commercial and financial ones).

## FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting principles adopted in the preparation of the consolidated financial statements are the same as those adopted in the statutory financial statements of Prima Industrie SpA. Such accounting principles have been applied on a consistent basis over the years. Assets and liabilities are valued using uniform criteria.

The above mentioned Companies are included in consolidation on the line-by-line consolidation method.

The date of reference for the consolidated financial statements coincides with the closing date of the financial statements of the Group holding Company.

The financial statements used in consolidation are those approved by the legal bodies governing the individual Companies. Such financial statements have been reclassified and, where

necessary, adjusted to conform to the accounting principles used by the entire Group.

## PRINCIPLES OF CONSOLIDATION

The consolidated subsidiaries are those in which Prima Industrie holds a direct interest of more than 50 per cent of that company's share capital.

The minority interest in the share capital and reserves of subsidiaries are recorded separately under "minority interests" in Shareholders' equity, and the minority interest in the consolidated results for the year are recorded under "minority interests" in the income statement.

The main adjustments in arriving at the consolidation of the balance sheets and income statements from a simple aggregation, are the following:

- elimination of the carrying value of the investments against the underlying share of net equity;
- elimination of intercompany receivables and payables and income and expenses arising from intercompany transactions;
- elimination of the valuation adjustments and accruals made solely for tax purposes, taking into account, where applicable, the related tax effect;
- the translation of financial statements expressed in foreign currencies has been effected by applying the average rate for the year to the income statement and the year-end rate to the balance sheet. Exchange differences arising from the translation of the net investment in foreign subsidiaries, associated undertakings and borrowings which hedge such investments are recorded in "Cumulative translation adjustments" in Shareholders' equity.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Intangible assets

Intangible assets are stated at purchase cost and reduced by amortisation.

Among them, research and development

are expensed to the income statement of the year incurred with the exception of those relating to new products; they mainly relate to studies for prototypes which are considered to benefit future periods.

Advertising costs are entirely charged to the income statement in the year incurred.

Other intangible assets are recorded with the agreement of the Board of Statutory Auditors and are amortised over a period of five years, with the exception of leasehold improvements and extraordinary maintenance on factory leaseholds which are amortised over the period of the lease contract.

Intangible assets are amortised as follows:

- Research and development 5 years
- Industrial patents, intellectual property and similar rights 5 years
- Other 5 years/over the contract period

With respect to the above:

- the amortisation of industrial patents, intellectual properties and similar rights is considered sufficient in view of the estimated period of future benefit of the assets;
- the amortisation of "other" intangible assets depends on the costs capitalised:
  - 5 years for extraordinary maintenance and deferred charges;
  - over the life of the lease contract for leasehold improvements.

### Tangible assets

Tangible assets are stated at purchase or production cost. Cost includes expenses directly chargeable to the asset.

Tangible assets are depreciated on the straight-line method over the estimated useful lives of the assets.

Ordinary maintenance is charged to the income statement when incurred.

Maintenance costs which extend the life of the assets are charged to tangible assets and depreciated over the life of the assets to which they refer.



# Notes to the Consolidated Financial Statements

Depreciation rates are as follows:

• Light structures	10%
• Plant and machinery	10-15.50%
• Equipment and tools	25%
• Electronic office equipment	20%
• Office furniture machines and fixtures	12%
• Internal transport vehicles	20%
• Motor vehicles	25%
• Cellular phones	20%

Additions during the year are depreciated at half the normal rate.

## Assets under financial leases

Assets acquired under financial leases, if significant, are accounted for by recording the assets under tangible assets and the lease obligation under liabilities and are depreciated on the straight-line method over the estimated useful lives of the assets.

Assets under financial leases are depreciated on the straight-line method over the estimated useful lives of the assets. The depreciation rates are in line with those used to depreciate tangible assets. Lease instalments are recorded in financial expenses and as reduction of the residual lease payable.

## Investments and securities recorded in financial assets

Unconsolidated investments are stated at cost, determined in relation to the purchase or subscription price, adjusted for any permanent diminution in value.

Fixed rate securities are recorded in "Financial Assets" at face value.

## Inventories

Inventory are stated at the lower between cost and net realisable value.

Raw materials are valued at the weighted average purchase cost during the year, adjusted to realisable value by an allowance for write-downs.

Contract work in progress is valued at the weighted average purchase cost of materials during the year at the time the materials are used in production, plus the

average hourly production labour cost and the purchase cost of external work. Finished goods are valued in the same way as contract work in progress.

## Receivables

Receivables are stated at nominal value and reduced to estimated realised value by an allowance for doubtful receivables.

## Prepayments and accruals

Accruals are portions of income or expenses to be received or paid in future periods but referring the current year. Prepayments are portions of costs or income paid or received in the current year but referring to future periods.

## Provisions for liabilities and expenses

The provisions for liabilities and expenses include accruals relating to losses or liabilities likely to be incurred but uncertain as to the amount or as to the date on which they will arise.

## Employees' severance indemnity

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

## Recognition of revenues

Revenues for the sale of goods are recognised at the time of the transfer of ownership, which generally coincides with delivery.

## Grants

Operating grants received from the state or other public body to cover specific operating costs are credited to the income statement when legal certainty of the receipt of the contribution has been ascertained, or when the body disbursing the grant has issued a resolution approving the payment order.

Capital grants received for capitalised research and development costs are credited to income gradually over the

amortisation of the assets to which they refer.

## Income taxes

Income taxes are calculated on the basis of estimated taxable income applying existing laws and taking into account any tax exemptions.

Deferred taxes are provided at an enacted statutory tax rate expected to apply to future periods for all differences between the value of assets and liabilities for financial reporting purposes and their underlying tax basis when it is probable that such assets and liabilities will be realised.

## Translation of balances in foreign currency

In the financial statements expressed in Italian Lire, the receivables and payables originally denominated in foreign currency are translated into Italian Lire at the historical exchange rates as of the transaction date. Exchange differences arising at the time of collection or payment are recorded in the income statement. Receivables and payables expressed in foreign currencies not belonging to the Euro area, and which will be settled after the end of the year, have been adjusted to the exchange rates in effect at the balance sheet date and any positive or negative difference arising therefrom has been recorded to profit and loss. Realised gains and losses are recorded in the income statement.



Via Antonelli, 32 - 10097 Collegno (To) ITALY Tel. + 39.011.4103.1 Fax + 39.011.411.28.27 <http://www.primaind.it> E-mail: [prima.sales@primaind.it](mailto:prima.sales@primaind.it)