

BOARD OF DIRECTORS REPORT ON THE CONSOLIDATED ACCOUNTS OF PRIMA INDUSTRIE GROUP AS AT SEPTEMBER 30th, 1999

TURNOVER

The positive trend of the first six months of the year continued also during the third quarter. The turnover as at September 30th was Euro 39.484 thousand as against Euro 29.615 thousand of same period of the previous year. The increase is 33.3%.

In particular, the sales of the third quarter alone amounted to Euro 13.521 thousand which compares with Euro 10.100 thousand of 1998 (+33.9%) and this means that the growth was homogeneous throughout the previous periods.

A good trend is expected also for 1999 last 3 months (as always at the end of the year) but likely with a lower per cent impact on the overall growth if compared with 1998 because of seasonal peculiarities, always important, but less important this year having had the opportunity of better spreading deliveries over the preceding quarters.

Sales as at September 30th, expressed in thousand of Euro, may be divided as follows:

BY PRODUCT

	30/09/99	%	30/09/98	%
Optimo	3.225	8.2	3.679	12.4
Rapido	8.355	21.2	7.868	26.6
Domino	382	1.0	--	--
Laserwork	1.122	2.8	320	1.1
Platino	15.196	38.5	8.139	27.5
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Total laser machines	28.280	71.7	20.006	67.6
Electronics equipments	5.169	10.6	5.053	14.1
After sales service & others	6.035	15.3	4.556	15.4
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Grand Total	39.484	100.-	29.615	100.-

The above shows the increasing weight carried by the laser machines on the overall products mix which confirms both the good health of the reference market as well as of our machines.

BY GEOGRAPHICAL AREAS:

	30/09/99	%	30/09/98	%
Italy	14.677	37.2	6.244	21.1
Europe	19.914	50.4	16.499	55.7
Outside Europe	4.893	12.4	6.872	23.2
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Total	39.484	100.-	29.615	100.-

This analysis emphasises the growth achieved in Europe as a whole (and in particular the excellent performance of the home market) due to the favourable macro-economic trend of our sector of activity together with the improvement of our market share.

The economical uncertainty of which, during the period under consideration, suffered some non-European countries (Far East and South America) generated a temporary reduction of the usual volume of business but the situation is expected to return back to normal in the near future.

Considering the laser machines only, the number of machines invoiced and delivered as at September 30th has been:

	30/09/99	%	30/09/98	%
Optimo	5	6.8	6	12.2
Rapido	17	23.-	14	28.6
Domino	1	1.3	--	--
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Total 3D machines	23	31.1	20	40.8
Laserwork	3	4.-	1	2.-
Platino	48	64.9	28	57.2
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Total 2D machines	51	68.9	29	59.2
Total Laser machines	74	100.-	49	100.-

From the above it clearly appears the new and remarkable increase of the 2D machines and, in particular, Platino whose rise, in terms of market share, continue at a noticeable rate.

OPERATING RESULT (EBIT)

The operating profit achieved for the first nine months of the current year is Euro 3.228 thousand equal to 8.2% on turnover as against Euro 2.104 thousand for 1998 (7.1% on turnover) with an increase of 53.4% on absolute values.

Such an outstanding growth is due to scale economies generated by larger production volumes, improved efficiency together with better margins of profit on job-orders.

PROFIT BEFORE TAXES

The gross profit for the period is Euro 2.550 thousand (6.5% on turnover) as against Euro 1.345 thousand (4.5% on turnover) for 1998. The result at September 30th is negatively affected by Euro 256 thousand due to pending costs, posted on June 30th, in connection with the listing operation with NASDAQ (withdrawn) and now extinguished.

THE GROUP NET PROFIT

Having congruously estimated with the accounts as at June 30th a tax rate of 45% for the current year, it follows that the net profit as at September 30th is Euro 1.149 thousand (2.9% on turnover).

At September 30th, 1998 was Euro 240 thousand (0.8% on turnover).

Therefore, the net profit per share, is of Euro 2,06 as against Euro 0,43 at September 30th, 1998.

NET FINANCIAL POSITION

The increased volume of business, together with the reduction of trade payables, temporarily deteriorated, in absolute value, the net financial position of the Company but in percentage it reduces to 39% referred to the turnover as against 42,3% of 1998.

KEY EVENTS OF THE PERIOD

From the industrial point of view, the Company is enjoying a very favourable pace of order acquisition from customer, with a mix variation in favour of the 3D machines which promises a higher margins of profit.

In fact, during the first nine months of the year, have been acquired 91 orders of which 40 for 3D and 51 for 2D machines as against 65 orders for same period of 1998, of which 20 for 3D and 45 for 2D machines.

From the financial point of view, in September was successfully concluded a medium term operation for the purpose of consolidating short term debts. This involved a 4 years loan of 8,5 million Euro, managed by Sanpaolo IMI, to which participated some medium term financial institutions and Itainvest S.p.A., a well known Company Shareholder.

Furthermore, early in September, a joint-venture agreement was signed in China with SMTCL (one of the largest machine tools manufacturers of the country) for the production on site of the Platino machine.

This agreement, having obtained a special governmental authorisation, will allow Prima to operate and be directly present in this important market and, at the same time, makes it possible to evaluate costs reduction through local manufacturing of certain components of the Platino machine.

ACCOUNTING PRINCIPLES

For the period under examination, there have been no changes on the accounting principles applied. Data comparisons are therefore correctly homogeneous.

SHORT TERM EVOLUTION

For the last quarter of the year, it is expected to achieve a turnover in line with the absolute values of those achieved in 1998.

The order backlog at the end of September contained 42 machines (20/3D ad 22/2D) for an overall value of Euro 17.973 thousand (same date 1998 was 31 machines for a total value of Euro 10.897 thousand).

The order backlog for the electronics equipments as at September 30, 1999 was of Euro 3.828 thousand (Euro 3.548 thousand as at September 30, 1998).

At the end of October 1999 backlog contained 47 machines (22/3D and 25/2D) for an overall value of Euro 20.916 thousand (same date 1998 was 38 machines for a total of Euro 13.170 thousand).

At the end of October was also successfully concluded the procedure for the Company be listed at the EURO NM (Nuovo Mercato) at the Italian Stock Exchange (negotiations started on October 27, 1999) and thanks to the ensuing increase of the Company net capital (equal to Euro 9.000 thousand) the Company may now look at the future also in terms of strategic investments.

PRIMA INDUSTRIE GROUP					
Financials at September 30					
(in thousands of euro)					
BALANCE SHEET	Sep 30,99	Sep 30,98	Dic 31,98		
Shareholders equity - Group (A)	8.390	7.053	7.245		
Intangible assets	1.144	1.271	1.225		
Tangible assets	2.100	1.493	1.831		
Financial assets	914	1.740	800		
Total fixed assets - net (B)	4.158	4.504	3.856		
Equity net of fixed assets (A-B)	4.232	2.549	3.389		
Contingent liabilities fund	1.452	1.274	1.339		
Employees' severance indemnity	2.716	2.364	2.507		
Minority interests	897	718	752		
Medium-long term loans	9.221	0	0		
NET PERMANENT CAPITAL	18.519	6.905	7.988		
Bank borrowings	7.103	12.179	12.760		
Borrowing from other fin.institutions	509	1.148	917		
Trade payables	12.699	11.393	14.502		
Other payables	3.775	2.648	2.362		
Accrued liabilities and def. Income	395	631	388		
Total short term liabilities (C)	24.481	27.999	30.929		
Cash and banks	1.427	797	1.437		
Trade receivable	23.839	18.482	23.493		
Inventories	14.024	12.376	10.684		
Other receivable	2.916	2.896	3.209		
Accrued income and prepaid exp.	793	352	93		
Total short term activity (D)	43.000	34.904	38.917		
NET WORKING CAPITAL	18.519	6.905	7.988		
(D-C)					
				Jun 30,99	Jun 30,98
NET FINANCIAL POSITION	-15.406	-12.530	-12.240	-11.802	-11.845

INCOME STATEMENT	Sep 30,99	Sep 30,98	Dec 31,98		3°Q.99	3°Q.98
Revenues from sales and services	39.484	29.615	46.089		13.521	10.100
Change in WIP, and finished goods	2.688	2.255	1.473		392	755
Increase from internal work (assets)	264	368	484		76	120
Other revenues and income	748	398	1.115		281	108
TOTAL PRODUCTION VALUE	43.185	32.636	49.161		14.271	11.084
Purchase of raw materials and supp	-22.121	-15.432	-23.406		-6.653	-5.299
Service expenses	-7.806	-6.785	-9.560		-2.785	-2.443
Lease and rent costs	-468	-456	-664		-150	-98
Other operating expenses	-426	-99	-634		-277	-125
TOTAL PRODUCTION COSTS	-30.820	-22.772	-34.263		-9.865	-7.965
ADDED VALUE	12.365	9.864	14.898		4.406	3.119
Personnel expenses	-8.132	-7.057	-9.757		-2.599	-2.226
EBITDA	4.233	2.807	5.140		1.807	893
Amortisation and depreciation	-1.005	-704	-1.254		-332	-202
EBIT	3.228	2.104	3.886		1.475	691
Financial income and expenses	-304	-758	-697		-390	-396
Adjustments to financial assets	-119	0	-294		0	0
Extraordinary items	-256	0	-933		-1	0
PROFIT BEFORE INCOME TAXES	2.550	1.345	1.962		1.084	294
Income taxes	-1.148	-852	-1.242		-488	-186
NET PROFIT FOR THE PERIOD	1.402	494	720		596	108
Minority interests	254	254	288		138	79
GROUP PERIOD NET PROFIT	1.149	240	432		458	29
PROFIT INDEXES (in euro except for number of shares and percentages)						
	Sep 30,99	Sep 30,98	Dec 31,98			
	pre-ipo	pre-ipo	pre-ipo			
Number of shares	557.000	557.000	557.000			
EBITDA per share	7,60	5,04	9,23			
EBIT per share	5,80	3,78	6,98			
GROSS PROFIT per share	4,58	2,42	3,52			
NET PROFIT per share	2,06	0,43	0,78			
EQUITY per share	15,06	12,66	13,01			
% net profit on share par value	19,96	4,16	7,50			
% equity on equity per share	145,82	122,58	125,91			