



**BOARD OF DIRECTORS' REPORT ON
PRIMA INDUSTRIE SPA AND ON THE GROUP
CONSOLIDATED ACCOUNTS
AS AT MARCH 31, 2000**

Board of Directors
May 12, 2000

BOARD OF DIRECTORS' REPORT ON PRIMA INDUSTRIE SPA AND ON THE GROUP CONSOLIDATED ACCOUNTS AS AT MARCH 31, 2000

NOTES

This report as at March 31, 2000 related with Prima Industrie SpA and the Group consolidated accounts has been prepared and divulged as directed by article 2.6.2. of Nuovo Mercato regulations. Data and information as at March 31, herein contained have not been submitted to PricewaterhouseCoopers for examination since not obliged by law.

KEY EVENTS OF THE PERIOD

Orders collection of laser machines continued with the favourable trend already obtained during the past year. In fact during the first quarter of the year 2000 have been acquired orders for 42 machines (no. 17-3D and no. 25-2D) as against 36 of same period of previous year (no. 14-3D and no. 22-2D).

At the end of March laser machines backlog of orders covered 55 machines for Euro 25,065 thousand (no. 29-3D machines and no. 26-2D) which compares with March 31, 1999 stating 42 machines for Euro 14,708 thousand (no. 13-3D and no. 29-2D).

Equally positive is the trend of acquisition for electronic products and technical assistance.

As from the financial stand point, having made no investments of any importance, the positive short-term financial situation (following the debts medium-long term restructuring in September 1999 together with the Company capital increase in consequence of the October listing at the Nuovo Mercato as better described by the Board report as at December 31, 1999) modified only in conjunction with the ordinary transactions of the period involving the Company current business which generated an increase of the working capital due to the remarkable growth of turnover as further-on explained.

Furthermore, the remaining part of liquidity has been temporarily invested in short-term State bonds waiting for future strategic investments (see the “short-term evolution paragraph).

The Group personnel, during the period under consideration, moved as follows:

	Employee at 31.03.2000	Employee at 31.12.1999
PRIMA INDUSTRIE SpA		
• Managers	12	12
• Seniors	17	16
• Employees	85	79
• Intermediary staff	2	2
• Workers	76	67
FOREIGN BRANCHES AND PRIMA US	21	21
PRIMA ELECTRONICS SpA		
• Managers	3	3
• Seniors	8	8
• Employees	35	32
• Workers	18	16
Total	<u>277</u>	<u>256</u>

ACCOUNTING PRINCIPLES

There have been no changes on the accounting principles from previous statements. Data comparisons with the past is therefore homogeneous.

SHORT-TERM EVOLUTION

The trend of customers orders collection has been going-on satisfactorily also after March 31, 2000. In fact, during April have been acquired 11 customers orders of which no. 5-3D and no. 6-2D (April 1999 = 12 orders).

April invoicing related with laser machines only amounted to Euro 2,504 thousand (no. 1-3D and no. 5-2D) compared with Euro 2,483 thousand in April 1999 (6 machines). The order backlog as at April 30, 2000 is of 60 machines (no. 33 3D and no. 27 2D) for the equivalent value of Euro 27,630 thousand. At April 30, 1999 was the equivalent of Euro 17,043 thousand.

Similar satisfactory trend is also registered for the electronic products. At April 30, 2000 Prima Electronics SpA orders backlog (net from intercompany transactions) is Euro 6,135 thousand as about Euro 4,215 thousand at April 30, 1999.

During next few months will be completed the extension of the manufacturing area of Prima Industrie workshop and part of its activity will move into the new premises located next to the actual plant thus increasing production capacity. The new premises will be purchased through a nine years leasing contract which is expected to be finalised by June 2000.

During the current month of April, the Company also signed a letter of intent for the take-over of the American firm Convergent Energy very well established in USA (please refer to the press release of April 12, 2000) manufacturer of laser and laser systems.

This is a first step towards the achievement of one of the Company major strategic targets: the internalisation of the laser technology and the Company expansion through the American market.

It is expected to accomplish this take over operation in a reasonable short time and feel confident that the new challenge, we are getting involved with, will represent for the Company a quality jump of strategic importance. We will therefore soon invest in this operation part of the financial means collected through the Company listing at the Nuovo Mercato of the Italian Stock Exchange.

PRIMA INDUSTRIE SPA

TURNOVER

The first three months of the year 2000 have been, most certainly, very good in terms of sales: the highest of the Company history if compared with same period of past years. Invoicing got up to Euro 13,885 thousand (1999 = Euro 9,537 thousand) with a growth of 45.6 percent due to the combination of three fundamental issues: the excellent health of our reference market; the extremely intense commercial activity (which permitted to start the year with a conspicuous order backlog); the vigorous effort performed by the management in order to equilibrate production and deliveries throughout the year more evenly which in the past penalised the first quarter.

The turnover at March 31, 2000 may be classified as follows (thousands of Euro):

BY PRODUCT

	03/31/2000	%	03/31/1999	%
3D laser machine	5,692	41	2,682	28
2D laser machine	6,508	47	5,195	55
Total laser machine	<u>12,200</u>	<u>88</u>	<u>7,877</u>	<u>83</u>
Technical assistance and various	1,685	12	1,660	17
TOTAL	<u>13,885</u>	<u>100</u>	<u>9,537</u>	<u>100</u>

The above show, the increased weight carried by the laser machines on the overall products mix. In absolute values the increase in percentage was for the 3D (+112 percent) and for 2D (+ 25 percent).

BY GEOGRAPHY

	03/31/2000	%	03/31/1999	%
Italy	6,793	49	3,802	40
Europe	4,534	33	4,408	46
Extra European countries	2,558	18	1,327	14
TOTAL	<u>13,885</u>	<u>100</u>	<u>9,537</u>	<u>100</u>

The above shows the growth obtained on all markets and home market in particular. Export reduced from 60 percent to 51 percent because within the market overall growth, the domestic market increased to a rate remarkable higher. Please note the improvement registered on the extra European countries which, in 1999, suffered a drop.

LASER MACHINES BY NUMBERS

With reference to laser machines only the number of same invoiced and delivered is the following:

	03/31/2000	%	03/31/1999	%
Total 3D machines	10	33	5	24
Total 2D machines	20	67	16	76
TOTAL LASER MACHINES	<u>30</u>	<u>100</u>	<u>21</u>	<u>100</u>

The increase in percentage is approximately 43 percent. In particular, deliveries of 3D doubled and therefore the weight of 3D on the product mix get up from 24 to 33 percent with an obvious benefit for the margins of profit.

MOL (EBITDA)

The gross operating margins of profit achieved for the first quarter of the current year is Euro 1,391 thousand (10 percent on turnover) which compares with Euro 443 thousand of the previous year (4.6 percent on turnover). The increase is 214 percent on the absolute values.

Such an important growth is the result of the laser machines favourable sales mix together with scale economy generated by larger production volumes.

OPERATING RESULTS (EBIT)

The operating profit achieved for the first quarter 2000 has been Euro 1,180 thousand (8.5 percent on turnover) as against Euro 302 thousand (3.2 percent on turnover) for the same period of the previous year. The increase is 290 percent in absolute values.

PROFIT BEFORE TAXES

The gross profit for the period is Euro 945 thousand (6.8 percent of turnover) as against Euro 131 thousand (1.4 percent on turnover) of 1999 same period. In percentage the increase is 623 percent. This is the direct effect of the EBIT good trend due to a limited increase of financial expenses and charges and no extraordinary items.

NET FINANCIAL POSITION

Segregating medium-long term debts (Euro 9,221 thousand) unchanged with respect to December 31, 1999, the temporarily short-term cash liquidity available with banks, reduced from Euro 5,648 thousand (December 31, 1999) to Euro 1,860 thousand because of the working capital requirements (particularly the inventory) in consequence of the remarkable expansion of the manufacturing activity performed during this first quarter of the year according to next months delivery plan.

PRIMA INDUSTRIE SPA**FINANCIAL STATEMENTS AS AT MARCH 31, 2000**

(all amounts are expressed in thousands of Euro)

BALANCE SHEET

	03/31/2000 (*) Unaudited	03/31/1999 (*) Unaudited	12/31/1999
Shareholders' equity (A)	17,399	6,420	16,454
Intangible assets	931	1,100	1,028
Tangible assets	591	378	484
Financial assets	2,136	1,609	2,140
Total fixed assets (B)	3,658	3,087	3,652
Equity net of fixed assets (A-B)	13,741	3,333	12,802
Contingent liabilities fund	2,800	1,889	2,413
Employees' severance indemnity	1,822	1,825	1,791
Medium-long term loans	9,221	721	9,222
NET PERMANENT CAPITAL	27,584	7,768	26,228
Bank borrowings	1,877	12,169	1,959
Borrowing from other fin. Institutions	37	1,085	202
Trade payables	15,464	12,407	14,964
Other payables	2,832	1,527	4,857
Accrued liabilities and deferred income	1,291	700	651
Total short term liabilities (C)	21,501	27,888	22,633
Cash and banks	3,774	309	7,809
Trade receivables	29,292	23,394	28,029
Inventories	11,924	9,918	9,435
Other receivables	3,550	1,473	3,111
Accrued income and prepaid expenses	545	562	477
Total short-term assets (D)	49,085	35,656	48,861
NET WORKING CAPITAL (D-C)	27,584	7,768	26,228
	03-31-2000	03-31-1999	12-31-1999
NET FINANCIAL POSITION			
- short-term liquidity (debts)	1,860	(12,944)	5,648
- medium and long-term loans	(9,221)	(721)	(9,221)
	<u>(7,361)</u>	<u>(13,665)</u>	<u>(3,573)</u>

(*) The value of the Company net capital as at March 31, 2000 is before income tax for the period.

PRIMA INDUSTRIE SPA**STATEMENT OF INCOME AS AT MARCH 31, 2000**

(all amounts are expressed in thousands of Euro)

	03-31-2000 Unaudited	03-31-1999 Unaudited
Revenues from sales and services	13,885	9,537
Changes in WIP and finished goods	1,693	1,386
Increase from internal work (assets)	24	7
Other revenues and income	132	65
TOTAL VALUE OF PRODUCTION	15,734	10,995
Purchase of raw materials and suppliers	(8,480)	(6,328)
Service expenses	(2,873)	(2,347)
Lease and rent costs	(152)	(143)
Other operating expenses	(506)	166
TOTAL COSTS OF PRODUCTION	(12,011)	(8,653)
ADDED VALUE	3,723	2,343
Personnel expenses	(2,332)	(1,900)
MOL (EBITDA)	1,391	443
Amortisation and depreciation	(211)	(141)
Operating results (EBIT)	1,180	302
Financial income and depreciation	(236)	(178)
Adjustments to financial assets	-	-
Extraordinary items	-	7
PROFIT BEFORE INCOME TAX	944	131

PROFIT INDEXES (in Euro except for number of shares and percentages)

	31-03-2000	31-3-1999
Number of shares at reference date	857,000	557,000 (2)
Share par value	10.33	10.33 (2)
MOL per share	1.62	0.80
EBIT per share	1.38	0.55
GROSS PROFIT per share	1.11	0.24
EQUITY per share (1)	20.30	11.53

(1) the value per share of Company net capital is before tax for the period

(2) at March 31, 1999 shares par value was 1,000 lire each and capital was represented by 11,134,189 shares. Therefore the above values have been adjusted accordingly to make figures comparable.

PRIMA INDUSTRIE GROUP

TURNOVER

The positive economic trend of 1999 continued also for the early months on the current year. Invoicing of these first three months of the year accounts for Euro 16,721 thousand as against Euro 11,241 thousand of previous year same period. The increase is equal to 48.7 percent. Therefore, also at consolidated level, the Group registers a remarkable performance for the period which, together with the substantial orders backlog in hand, establishes a solid base for a satisfactory prosecution of the year.

As at March 31, 2000 sales may be classified as follows (thousands of Euro):

BY PRODUCT

	03/31/2000	%	03/31/1999	%
3D laser machine	6,150	37	3,239	29
2D laser machine	6,220	37	4,896	44
Total laser machine	<u>12,370</u>	<u>74</u>	<u>8,135</u>	<u>73</u>
Electronic products (Regulators and convectors)	2,587	15	1,618	14
Technical assistance and various	1,764	11	1,488	13
TOTAL	<u>16,721</u>	<u>100</u>	<u>11,241</u>	<u>100</u>

This representation makes clear the increased weight carried by the 3D machines on the overall mix of products with consequent benefit for the margins of profit.

BY GEOGRAPHY

	03/31/2000	%	03/31/1999	%
Italy	7,579	45	3,763	33
Europe	6,528	39	5,796	52
Extra Europe	2,614	16	1,682	15
TOTAL	<u>16,721</u>	<u>100</u>	<u>11,241</u>	<u>100</u>

It is here just the case to point out that (as shown above) improvements have been attained on all markets with a particular note for the home market. In consequence, export reduced from 67 percent to 55 percent emphasising the domestic market performance more than proportional with respect to the overall growth.

BY NUMBER OF MACHINES

Referring to the laser machines only invoiced and delivered during the period the position is:

	03/31/2000	%	03/31/1999	%
Total 3D machines	11	37	6	29
Total 2D machines	19	63	15	71
TOTAL LASER MACHINES	<u>30</u>	<u>100</u>	<u>21</u>	<u>100</u>

The machines percentage increase has been nearly 43 percent. In particular, 3D machines = 83 percent and 2D machines = 27 percent. Whilst, the weight carried by 3D on the mix stepped-up to 37 percent (1999 = 29 percent) improving the margins of profit as a whole. The different mix in respect with that of Prima Industrie SpA originates from the intercompany transactions.

MOL (EBITDA)

As at March 31, 2000 the operating margins of profit is Euro 1,962 thousand (11.7 percent of turnover) as against Euro 727 thousand (6.5 percent of turnover) for the corresponding period of 1999.

The improvement is equal to 170 percent on the absolute values. Such an important upward trend is generated by the changed mix occurred on laser machines sales and from the scale economy realised in manufacturing larger volumes.

OPERATING RESULT (EBIT)

The operating result achieved for the quarter March 31, 2000 has been equal to Euro 1,730 thousand (10.3 percent of turnover) as against Euro 520 thousand (4.6 percent of turnover) for the corresponding period of 1999. The increase is 232.6 percent in absolute values.

PROFIT BEFORE TAXES

The gross profit at March 31, 2000 has been Euro 1,482 thousand (8.9 percent of turnover) as against Euro 422 thousand for the corresponding period of previous year (3.8 percent of turnover). The improvement in absolute value is 250 percent.

NET FINANCIAL POSITION

Compared with December 31, 1999 the overall financial position reduces short-term resources by Euro 3,483 thousand. Apart from small financial movements this means that liquidity has been absorbed mainly by the inventory (+ Euro 3,810 thousand in respect with December 31, 1999) due to the remarkable increase of the manufacturing activity in order to consent deliveries according to the production plan.

PRIMA INDUSTRIE GROUP

FINANCIAL STATEMENTS AS AT MARCH 31, 2000

(all amounts are expressed in thousands of Euro)

BALANCE SHEET

	03/31/2000 (*) Unaudited	03/31/1999 (*) Unaudited	12/31/1999
Shareholders' equity – Group (A)	19,074	7,577	17,645
Intangible assets	964	1,125	1,058
Tangible assets	2,387	1,895	2,123
Financial assets	1,388	1,157	1,269
Total fixed assets (B)	4,739	4,177	4,450
Equity net of fixed assets (A-B)	14,335	3,400	13,195
Contingent liabilities fund	2,099	1,863	2,112
Employees' severance indemnity	2,517	2,575	2,482
Minority interest	1,150	757	1,021
Medium-long term loans	9,221	721	9,221
NET PERMANENT CAPITAL	29,322	9,316	28,031
Bank borrowings	2,772	13,195	2,745
Borrowing from other fin. Institutions	360	1,274	450
Trade payables	18,366	14,052	17,402
Other payables	3,453	2,408	5,619
Accrued liabilities and deferred income	1,501	722	575
Total short term liabilities (C)	26,452	31,651	26,791
Cash and banks	5,404	920	8,950
Trade receivables	29,867	24,260	29,586
Inventories	15,896	12,571	12,086
Other receivables	4,051	2,778	3,791
Accrued income and prepaid expenses	556	438	409
Total short-term assets (D)	55,774	40,967	54,822
NET WORKING CAPITAL (D-C)	29,322	9,316	28,031
	03-31-2000	03-31-1999	12-31-1999
NET FINANCIAL POSITION			
- short-term liquidity (debts)	2,272	(13,549)	5,755
- medium and long-term loans	(9,221)	(722)	(9,221)
	<u>(6,949)</u>	<u>(14,271)</u>	<u>(3,466)</u>

(*) The value of the Company net capital as at March 31, 2000 is before income tax for the period.

PRIMA INDUSTRIE GROUP

STATEMENT OF INCOME AS AT MARCH 31, 2000

(all amounts are expressed in thousands of Euro)

	03-31-2000	03-31-1999
	Unaudited	Unaudited
Revenues from sales and services	16,721	11,241
Changes in WIP and finished goods	2,419	1,407
Increase from internal work (assets)	45	16
Other revenues and income	116	68
TOTAL VALUE OF PRODUCTION	19,301	12,732
Purchase of raw materials and suppliers	(10,460)	(6,804)
Service expenses	(3,275)	(2,648)
Lease and rent costs	(140)	(155)
Other operating expenses	(377)	130
TOTAL COSTS OF PRODUCTION	(14,252)	(9,477)
ADDED VALUE	5,049	3,255
Personnel expenses	(3,087)	(2,528)
MOL (EBITDA)	1,962	727
Amortisation and depreciation	(232)	(207)
Operating results (EBIT)	1,730	520
Financial income and depreciation	(248)	(119)
Adjustments to financial assets	-	-
Extraordinary items	-	21
PROFIT BEFORE INCOME TAX	1,482	422
- of which others	237	113
- of which Group	1,245	309

PROFIT INDEXES (in Euro except for number of shares and percentages)

	31-03-2000	31-3-1999
Number of shares at reference date	857.000	557.000 (2)
Share par value	10.33	10.33 (2)
MOL per share	2.29	1.31
EBIT per share	2.02	0.93
GROSS PROFIT per share	1.73	0.76
EQUITY per share (1)	22.26	13.60

- (1) the value per share of Company net capital is before tax for the period
(2) at March 31, 1999 shares par value was 1,000 lire each and capital was represented by 11,134,189 shares. Therefore the above values have been adjusted accordingly to make figures comparable.