



PRIMA INDUSTRIE GROUP

**BOARD OF DIRECTORS' REPORT
ON THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
SEPTEMBER 30, 2000**

Board of Directors
November 14, 2000

PRIMA INDUSTRIE GROUP

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2000

(Approved by the Company Board of Directors held on November 14, 2000)

INTRODUCTION

This report covers the Group consolidated financial information up to September 30, 2000 prepared and divulged in accordance with article 2.6.2. of the New Market of the Italian Stock Exchange regulations and IA 2.4.1 instructions and complies with article 82 of Consob rulings ex resolution 11971 and successive amendments. Datas related with the quarter under consideration have not been audited by PricewaterhouseCoopers SpA being not compulsory.

The information which follow have been prepared on same principles previously used by the Group for its interim and end-of-the year accounts. Therefore the comparison between the two periods 9/30/2000 and 9/30/1999 is homogeneous.

All amounts are expressed in millions of Italian lire unless otherwise indicated.

The financial statements concerning Prima Industrie SpA (the Group leader alone) are also herewith enclosed.

THE GROUP ACTIVITY

There have been no changes in the activity performed up to September 30, 2000 by Prima Industrie SpA nor by the other companies of the Group.

ACCOUNTING PRINCIPLES

During the period under examination, there have been no changes on the accounting principles applied and therefore data comparison is consistent with its uniform basis.

In drawing the accounts have not been estimated values which could have not in anyway influenced the overall position of the Group.

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

FORM AND CONTENT OF THE CONSOLIDATED ACCOUNTS

The companies involved with the consolidation process have been consolidated using the line-by-line method. The area of consolidation, in respect of December 31, 1999 has changed because of the insertion of Convergent Prima Inc (USA) as from May 1, 2000. Sales of this Company generate an increase of the consolidated turnover which is explained on the table shown below. In terms of profitability, Convergent Prima has instead registered a limited loss for the period which concentrate on May and June showing the period July-September a small profit. However, the Company turnaround goes on as expected though its consolidation generates a dilution effect, principally in percentage, on the Group profitability as it appears on the table which follows.

Participated companies which have not been consolidated are evaluated with the net assets 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.

CONDENSED INDICATION OF MOST SIGNIFICANT PARAMETERS AND FINANCIAL INDEXES (in millions of lire excluding number of shares and profit per share)

	9/30/00	%	9/30/00	%	9/30/99	%
	including Convergent Prima		excluding Convergent Prima			
Sales	119,350	100.0	106,018	100.0	76,452	100.0
Mol/Ebitda	13,112	11.0	13,137	12.4	8,196	10.7
Operating profit	11,069	9.3	11,371	10.7	6,250	8.2
Profit before taxes	11,199	9.4	11,559	10.9	4,937	6.5
Number of shares (face value 20,000 lire each)	900,000		900,000		557,000	
Mol/Ebitda per share	14,569		14,597		14,715	
Operating profit per share	12,299		12,634		11,221	
Profit before taxes per share	12,443		12,843		8,864	

RATES OF EXCHANGE USED TO CONVERT NON EURO CURRENCIES

Currency	Average exchange rate for the period		Period-end exchange rate	
	09/30/00	09/30/99	09/30/00	12/31/99
US dollar	2,059.37	1,809.34	2,209.09	1,874.31

MOST SIGNIFICANT EVENTS

COMMERCIAL TREND

As for laser machines, the order acquisition during the quarter was in line with the previous year. In fact, as from July 1 to September 30, 2000 have been acquired orders for 30 machines for Lire 22,315 million as against 26 orders during the same period of 1999 for Lire 23,486 million. The difference is due to a 3D/2D different mix. Hence, after a semester in which the market registered a very strong growth, it is now felt a certain slow-down partly justified because of the summer period.

As a whole, total acquisitions during the 9 months of the year under consideration amounted to Lire 80,476 million (112 machines) as against Lire 72,001 million of same period of 1999 (91 machines).

At the end of period, the order backlog is however important (57 machines equal to Lire 45,676 million) as against 42 machines equal to Lire 28,479 million for the previous year same date. This makes us look at the near future with a certain tranquillity in spite of the slowing-down impression received as previously mentioned.

It has been positive also the trend for the electronic products, the after sale servicing and for the activity of the newly acquired Convergent Prima Inc (laser and laser systems).

OPERATION ON THE COMPANY CAPITAL

During the third quarter, two operations have been brought to a favourable conclusion involving the Company capital increase and consequent increase of the number of shares in circulation.

- Stock option plan

On July 5, 2000 were offered to the management of the Company no. 12,500 new shares at a special price of Euro 27 each as directed by the shareholders resolution of May 14, 1999 having the Company surpassed (in 1999, consolidated accounts being approved) the established parameters for the year linking the execution of the plan to the reaching of such subordinating targets.

These shares fully subscribed and paid-for increased the number of shares in circulation from 857,000 to 869,500 and the Company capital to Lire 17,390,000,000.

- Convergent Prima

Subsequently, during September, in order to complete the acquisition of Prima Convergent Inc (USA) (the residual 30 percent of the acquisition price was payable by September 30) the Company, in accordance with the above mentioned resolution of May 14, 1999, and subsequent Board resolution of July 5, 2000 decided to issued a further 30,500 new ordinary shares.

These shares were offered to some institutional investors at the price of Euro 92 each corresponding to the average listed prices over the last 30 days preceding the operation as well as to the net value of each share after deduction of the normal discount practised in the financial market in respect of the current market price for similar operations.

Four institutional investors, interested with the proposed operation, did request a much higher number of shares and therefore it was necessary to apportion the shares offered.

The operation was closed on September 8, 2000 being all the shares subscribed and paid-for.

In consequence of these operations as at September 30, 2000 the Company capital resulted increased to 18,000,000,000 subdivided into 900,000 shares of 20,000 lire each face value.

As for the position of some of our main shareholders we must inform that the holding of Mr Hans Lennart Oskar Werthen (deceased) approximately 8 percent of the Company capital on September 14, 2000 was totally purchased by Erste International Holding SA, a Company established in Luxembourg wholly controlled by Mr Rafic Y Mansour.

FINAL PAYMENT RE CONVERGENT PRIMA INC

During September was therefore perfected the acquisition of the American Company Convergent Prima Inc by paying the 30 percent residual balance (\$ 1,890,000) of the agreed purchasing price. The payment was financed through capital increase of Prima Industrie reserved to institutional investors (see above: operation on capital).

In conclusion, Prima Industrie through its fully owned Company Prima US Inc holds 80 percent of Convergent Prima Inc share capital being the remaining 20 percent detained by Pluritec SpA (located in Burolo – Turin) which is a leader Company manufacturing machinery for electronic printed circuits for which Convergent Prima is developing and supplying products in the market segment denominated Micro Vialaser Drilling expected to considerably grow within next few years.

SIGNATURE OF THE PURCHASING AGREEMENT ATLAS COPCO ELESTA AG

The controlled Company Prima Electronics SpA during August has concluded the purchasing of the Swiss Company Atlas Copco Elesta AG formerly belonging to the Atlas Copco Group and then transferred to the American Danaher.

The interest for this acquisition is due to the fact that Elesta AG, an engineering Company specialised in manufacturing electronics control systems, in 1999 was granted by the Atlas Copco Group with a job order for developing and subsequently manufacture the Mark IV line of regulators which would allow Prima Electronics to maintain and extend its present business relationship with Atlas Copco up to the years 2001-2005 as its main customer.

The agreed price for the take-over was 1,350,000 Swiss Francs and was paid on August 24, 2000.

From the books view point, as at September 30, 2000, this Company was not consolidated (was classified as a financial activity not representing immobilisation) because of too recent acquisition and because its performance in any case would have not affected the financial and economical position of the Group.

REINFORCEMENT OF THE COMPANY PRESENCE IN USA

During the third quarter of the year, new energies have been invested in order to continuing the strengthening of Prima Industrie Group on the American market. It has in fact been accomplished the integration of Convergent Prima sales organisation (commercial sales net) with Prima US staff. The two companies attended together to the IMTS exhibition of Chicago, the most important biennial American show of machine tools and durable goods of high technology presenting to the market the common trade mark Convergent Prima.

A further step forward for the purpose of increasing the coverage of a such big market, was made by Prima Industrie by signing an agreement with Noble Metal Processing Inc. This is a corporate listed at the Nasdaq stock exchange, invoicing 100 million US\$ per year, leader of the American industry for Tailored Blank Welding process which is a technology oriented to the improvement of safety, reducing weights and consumptions of auto vehicles.

The agreement foresees an exclusive supply to Noble Metal Processing Inc from Prima Industrie for the USA only of MOSAICO machine (the new flexible production system of Tailored Blanks developed and realised by Prima Industrie) to Noble Metal Processing Inc with the Noble engagement to buy a minimum number of machines by the year 2001. Noble Metal Processing Inc may use the machine on its own or resale it to a third party and the agreement may be renewed on year to year basis after 2001.

RESEARCH AND DEVELOPMENT CONTRIBUTIONS TO BE RECEIVED

Project Eureka/EU 1784 (file no. 64275 Push button machine). We have prepared the accounts documentation as at June 30, 2000 subject to verification by the paying Entity during the month of November.

We expect to receive the related amount of Lire 2,800 million by the end of the current financial year.

Project MURST (no. 6175, concerning the development of a cutting and welding system of high productivity and flexibility). The relevant contract has been signed with IMI (the paying entity) on September 19, 2000. This provides a contribution (not refundable) of 20% of the expenses (maximum Lire 1.6 billion) plus a 65% granted as a preferential line of credit (maximum Lire 5.4 billion).

The relevant costs as at May 31, 2000 will be summarised during the last quarter of the current year and the pertaining documentation shall be available for verification by the paying entity likely to occur by the end of the year.

During the quarter under examination, we have received the contribution related with the EEC research and development concerning a project on the laser heads which was already included among the credits at the end of 1998 (approximately Lire 240 million).

In October instant we have also cashed Lire 450 million related with the BRITE/HATLAS project dealing with laser treatments now almost terminated.

The above confirms the Company engagement and vitality on the ground of research and development of new products and improving performances of those existing.

SHORT-TERM EVOLUTION

The order backlog related with the laser machines only as at October 30, 2000 is further increased to 60 machines for a value of Lire 49,483 million (1999 same date was Lire 40,605 million covering 47 machines).

Similar trend is also registered for the other products of the Group.

As usual, we are now facing the last and most important quarter of the year in terms of production and deliveries. However, the present trend of both production and invoicing, gives us an optimistic outlook as regards the performance for the period.

Financially speaking, no cash outflow is expected for investments during the last few months of the year, but an increase in working capital is physiological (mostly for credits) because all machines available from the production schedule will be delivered.

REPORT ON OPERATIONS

SALES

The positive performance registered up to June 30, 2000 continued its trend also for the third quarter of the year. Sales involving the nine months up to September 30 reached Lire 119,350 million (the whole 1999 was Lire 115,264 million) as against Lire 76,452 million of same period of the previous year. The increase in percentage is 56.1 percent but segregating Convergent Prima in order to compare homogeneous figures the increase corresponds to 38.7 percent. In particular, sales of the third quarter reached Lire 43,725 million as against Lire 28,181 million of 1999 (+67 percent). We could therefore say that the current year growth in respect of 1999 has been very strong and equitably spread all along the various period of the year. A satisfactory performance is expected also for the last quarter but, it would likely appear less aggressive in respect of the past for the reason just explained.

At consolidated level the Group registers therefore remarkable results for the period which together with the outstanding orders backlog, promises a very positive closing of the financial year.

As at September 30, sales may be classified as follows (in millions of lire):

BY PRODUCTS AND GEOGRAPHICAL AREA

	09/30/00		09/30/99	
	Millions of lire	%	Millions of lire	%
3D products:				
Italy	15,955		9,521	
Europe	18,188		10,000	
USA	5,788		2,248	
Rest of world	6,127		1,392	
Total	46,058	38.6%	23,161	30.3%
2D products:				
Italy	15,471		11,616	
Europe	14,849		15,804	
USA	1,980		3,164	
Rest of world	1,620		1,012	
Total	33,920	28.4%	31,596	41.3%

	09/30/00		09/30/99	
	Millions of lire	%	Millions of lire	%
Electronic systems, other products and services:				
Italy	8,433		7,281	
Europe	15,698		12,756	
USA	964		835	
Rest of world	945		823	
Total	26,040	21.8%	21,695	28.4%
Subtotal	106,018	88.8%	76,452	100.0%
Laser generators and systems and services (Convergent Prima):				
Italy	1,008		-	
Europe	962		-	
USA	7,636		-	
Rest of world	3,726		-	
Total	13,332	11.2%	-	
Total sales	119,350	100.0%	76,452	100.0%

From the above table it can be noted the important Company growth in absolute values. Percentages must be evaluated in relation with the presence of Convergent Prima products which did not appear in 1999. Therefore, excluding the effect due to the acquisition it appears to have grown the laser machines weight on the product mix (and inside same 3D on 2D) which confirms the good health of the reference market as well as of our products.

In fact, referring to the laser machines only the number of units delivered and invoiced has been the following:

	09/30/00		09/30/99	
	Machine number	%	Machine number	%
Total number of 3D	41	42.7%	23	31.1%
Total number of 2D	55	57.3%	51	68.9%
Total	96	100.0%	74	100.0%

By geographical areas:

	09/30/00		09/30/99	
	Millions of lire	%	Millions of lire	%
Italy	40,867	34.2%	28,418	37.2%
Europe	49,697	41.6%	38,560	50.4%
USA	16,368	13.7%	6,247	8.2%
Rest of world	12,418	10.5%	3,227	4.2%
Total	119,350	100.0%	76,452	100.0%

Hence, our position improved everywhere in absolute values but particularly on the domestic market due the good macroeconomic situation of the country. In percentage, the pursuing strengthening policy in USA also trough the acquisition of Convergent Prima, made it possible to reach in the area almost 14 percent of the overall turnover, which, together with the “rest of the world” (10.5 percent) brings the export outside Europe to exceed 24 percent of the total.

MOL (EBITDA)

The gross operating margin of profit as at September 30, 2000 is Lire 13,112 million (11.0 percent on turnover). At same period of 1999 was Lire 8,196 million (10.7 percent on turnover). Considering absolute values the growth stands-up at plus 60.0 percent.

OPERATING RESULT (EBIT)

The nine months operating result of the current period is Lire 11,069 million (9.3 percent on turnover) 1999 same period was Lire 6,250 million (8.2 percent on turnover). Considering absolute values the growth stands-up at plus 77.1 percent. Such an important growth is due to the improved manufacturing efficiency, to the scale economy generated by larger production volumes, to the improved margins of profit. This result is however negatively influenced, though marginally, by the Convergent Prima loss (Lire –302 million).

PROFIT BEFORE TAXES

The gross profit of the period is Lire 11,199 million (9.4 percent on turnover) 1999 same period was Lire 4,937 million (6.5 percent on turnover). In absolute values the variation is equal to 126.8 percent (Convergent Prima loss = Lire 360 million).

NET FINANCIAL POSITION

	09/30/00	06/30/00	12/31/99
Liquidity	14,123	7,601	17,330
Short-term debts with financial institutions	(27,154)	(14,694)	(5,316)
Medium and long-term debts with banks and other institution: short-term position	(6,295)	(6,321)	(871)
Medium and long-term debts with banks and other institution: long-term position	(15,966)	(15,299)	(17,855)
Total position	(35,292)	(28,713)	(6,712)

Taking away the medium/long-term position i.e. Lire 15,966 million (Lire 15,299 plus Lire 667 million increase of the period), the debt towards banks has increased from Lire 13,414 million (30/6/2000) to Lire 19,326 million as at September 30, 2000 because of the increase registered on the net working capital (inventory and credits) as a consequence of the remarkably increased production volumes which is typical of the season in view of the closing of the financial year. To complete the picture it must also be reminded the cash payment made (Lire 1,700 million) for the taking over of Atlas Copco Elesta AG.

At the end of the period the ratio between own financial means/borrowed capitals (before taxation) always exceeds the accepted equilibrium of 1 to 1 (i.e. 1.63 approximately).

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

PRIMA INDUSTRIE GROUP

FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2000

(all amounts are expressed in millions of Italian lire)

BALANCE SHEET

	09/30/2000	06/30/2000	12/31/1999
	Unaudited	Limited review	Audited
ASSETS			
Assets			
Intangible assets	6,737	6,464	2,048
Tangible assets	9,127	8,552	4,111
Total fixed assets	3,011	3,100	2,457
Total assets	18,875	18,116	8,616
Working capital			
Inventories	48,258	44,479	23,401
Trade receivables	75,298	69,497	57,286
Other receivables	13,096	10,011	7,341
Cash and banks	14,123	7,601	17,330
Total working capital	150,775	131,588	105,358
Accrued income and prepaid expenses	1,492	1,157	792
Total assets	171,142	150,861	114,766
LIABILITIES			
Shareholders' equity			
Shareholders' equity - Group	(*) 51,658	(*) 40,928	34,165
Minority interest	(*) 5,821	(*) 5,171	1,978
Total shareholders' equity - Group	57,479	46,099	36,143
Employees' severance pay	5,138	4,930	4,806
Contingent liabilities fund	8,510	8,541	4,087
Loans			
Medium-long term loans	15,966	15,299	17,855
Bank borrowings	27,154	14,694	5,316
Borrowing from other fin. institutions	6,295	6,321	871
Trade payables	40,355	40,223	33,694
Other payables	9,269	13,715	10,880
Total loans	99,039	90,252	68,616
Accrued liabilities and deferred income	976	1,039	1,114
Total liabilities	171,142	150,861	114,766

(*) before income tax of the period

PRIMA INDUSTRIE GROUP

STATEMENT OF INCOME AS AT SEPTEMBER 30, 2000

(all amounts are expressed in millions of Italian lire)

	As at 09/30/2000	As at 09/30/1999	Third quarter 2000	Third quarter 1999
Revenues from sales and services	119,350	76,452	43,725	26,181
Changes in WIP and finished goods	3,813	5,205	1,703	759
Increase from internal work (assets)	380	512	126	148
Other revenues and income	1,679	1,449	397	544
TOTAL VALUE OF PRODUCTION	125,222	83,618	45,951	27,632
Purchase of raw materials and suppliers	(61,936)	(42,832)	(23,109)	(12,882)
Service expenses	(22,098)	(15,114)	(7,849)	(5,393)
Lease and rent costs	(1,362)	(906)	(646)	(290)
Other operating expenses	(3,535)	(824)	(1,621)	(536)
TOTAL COSTS OF PRODUCTION	(88,931)	(59,676)	(33,225)	(19,101)
ADDED VALUE	36,291	23,942	12,726	8,531
Personnel expenses	(23,179)	(15,746)	(8,207)	(5,032)
MOL (EBITDA)	13,112	8,196	4,519	3,499
Amortisation and depreciation	(2,043)	(1,946)	(343)	(643)
OPERATING RESULTS (EBIT)	11,069	6,250	4,176	2,856
Financial income and depreciation	(1,445)	(588)	(565)	(755)
Adjustments to financial assets	(192)	(230)	(92)	-
Extraordinary items	1,767	(495)	1	(2)
PROFIT BEFORE INCOME TAX	11,199	4,937	3,520	2,099
- of which others	1,270	950	420	476
- of which Group	9,929	3,987	3,100	1,623

PRIMA INDUSTRIE SPA

**FINANCIAL STATEMENTS AS AT
SEPTEMBER 30, 2000**

PRIMA INDUSTRIE SPA

FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2000

(all amounts are expressed in millions of Italian lire)

BALANCE SHEET

	09/30/2000	06/30/2000	12/31/1999
	Unaudited	Limited review	Audited
ASSETS			
Assets			
Intangible assets	2,003	2,003	1,990
Tangible assets	1,908	1,504	937
Financial assets	18,536	14,453	4,145
Total fixed assets	22,447	17,960	7,072
Working capital			
Inventories	23,965	22,667	18,268
Trade receivables	62,581	61,934	54,272
Other receivables	9,533	8,545	6,024
Cash and banks	10,233	4,720	15,121
Total working capital	106,312	97,866	93,685
Accrued income and prepaid expenses	1,547	1,256	924
Total assets	130,306	117,082	101,681
LIABILITIES			
Shareholders' equity			
Shareholders' equity	(*) 46,250	(*) 37,933	31,860
Employees' severance indemnity	3,730	3,565	3,469
Contingent liabilities fund	7,286	6,569	4,673
Loans			
Medium-long term loans	13,037	12,370	17,855
Bank borrowings	17,775	12,110	3,793
Borrowing from other fin. institutions	5,629	5,486	392
Trade payables	30,001	31,539	28,975
Other payables	5,815	6,573	9,404
Total loans	72,257	68,078	60,419
Accrued liabilities and deferred income	783	937	1,260
Total liabilities	130,306	117,082	101,681

(*) before income tax of the period

PRIMA INDUSTRIE SPA

STATEMENT OF INCOME AS AT SEPTEMBER 30, 2000

(all amounts are expressed in millions of Italian lire)

	As at 09/30/2000	As at 09/30/1999	Third quarter 2000	Third quarter 1999
Revenues from sales and services	85,634	63,775	27,686	21,652
Changes in WIP and finished goods	2,076	3,927	937	442
Increase from internal work (assets)	279	447	114	422
Other revenues and income	1,676	1,361	378	120
TOTAL VALUE OF PRODUCTION	89,665	69,510	29,115	22,636
Purchase of raw materials and suppliers	(44,039)	(36,023)	(14,519)	(10,798)
Service expenses	(17,195)	(13,816)	(5,728)	(4,494)
Lease and rent costs	(1,090)	(848)	(469)	(264)
Other operating expenses	(3,348)	(1,138)	(888)	(626)
TOTAL COSTS OF PRODUCTION	(65,672)	(51,825)	(21,604)	(16,182)
ADDED VALUE	23,993	17,685	7,511	6,454
Personnel expenses	(14,437)	(11,823)	(4,316)	(3,776)
MOL (EBITDA)	9,556	5,862	3,195	2,678
Amortisation and depreciation	(1,563)	(1,513)	(491)	(706)
OPERATING RESULTS (EBIT)	7,993	4,349	2,704	1,972
Financial income and depreciation	(1,275)	(716)	(393)	(359)
Adjustments to financial assets	(192)	(725)	(92)	(2)
Extraordinary items	1,766	16	-	16
PROFIT BEFORE INCOME TAX	8,292	2,924	2,219	1,627