



PRIMA INDUSTRIE GROUP

**BOARD OF DIRECTORS' REPORT
ON THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
DECEMBER 31, 2000**

This is a free translation from Italian original into English

Board of Directors
February 14, 2001

PRIMA INDUSTRIE S.p.A.	<p>Paid-up Share Capital L. 18.000.000.000 Company House of Turin Register no. 3549/80 R.E.A. of Turin no. 582421</p> <p>Registered office: Collegno (Turin) Via Antonelli, 32 website internet: http://www.primaindustrie.com e-mail: prima.dg@primaindustrie.com</p>
BOARD OF DIRECTORS (*)	<p><i>Chairman of the Board</i> Aldo Palmeri</p> <p><i>Managing Director (CEO)</i> Gianfranco Carbonato</p> <p><i>Directors:</i> Giulia Della Rosa Rafic Y Mansour Renato Russo Francesco Takanen</p> <p><i>Secretary</i> Giuseppe Favalaro</p>
General Manager	Alberto Delle Piane
STATUTORY AUDITORS (**)	<p><i>President of the Statutory Auditors Committee</i> Riccardo Formica</p> <p><i>Active Auditors</i> Andrea Mosca Roberto Pettrignani</p> <p><i>Substitute Auditors</i> Giuseppe Di Claudio Stefano Maria Ruggeri</p>
INDEPENDENT AUDITORS	PricewaterhouseCoopers S.p.A.

(*) Appointed by the Shareholders' Meeting of May 14, 1999 for the three years term 1999-2001

(**) Appointed by the Shareholders' Meeting of October 26, 1998 for the three years term 1998-2000

DIRECTORS' POWER

The Board of Directors held on May 14, 1999 appointed Mr Gianfranco Carbonato Managing Director granting him all operating powers safe those that the law reserves to the Board of Directors. Both, the Chairman and the Managing Director have the Company legal representation in accordance with article 23 of the Company bylaws.

PRIMA INDUSTRIE GROUP

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED DECEMBER 31, 2000

(Approved by the Company Board of Directors held on February 14, 2001)

INTRODUCTION

This report covers the Group consolidated financial information up to December 31, 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 of the 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 10/01/2000-12/31/2000 and 10/01/1999-12/31/1999 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 by Prima Industrie SpA up to December 31, 2000 nor by the other companies of the Group.

ACCOUNTING PRINCIPLES

During the period under examination, there have been no changes on the accounting principles (except for the economic revaluation of Prima Electronics plant according to law no. 342/2000) and therefore data comparison is consistent with those of the past.

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 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. In terms of profitability, Convergent Prima has instead registered a limited loss for the period due to interests and financial charges. However, the operating result of the first 8 months of activity inside the Group is basically a break-even. The Company turnaround goes on as expected though its consolidation generates a dilution effect, principally in percentage, on the Group gross profitability as it appears from the table which follows.

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

Elesta AG, acquired on July 1, 2000, was not consolidated as at December 31, 2000 (it is classified as a financial activity not representing immobilisation) because will be probably transferred to a third party during the year 2001 and because in any case its performance would have not significantly affected the financial and economical position of the Group.

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)

	12/31/00	%	12/31/00	%	12/31/99	%
	including Convergent Prima		excluding Convergent Prima			
Sales	174,196	100.0	150,632	100.0	115,264	100.0
Mol/Ebitda	20,438	11.7	19,947	13.2	13,668	11.9
Operating profit (EBIT)	16,539	9.5	16,834	11.2	10,995	9.5
Profit before taxes (EBT)	17,469	10.0	18,007	11.9	9,473	8.2
Number of shares (face value 20,000 lire each)	900,000		900,000		857,000	
Mol/Ebitda per Share	22,709		22,163		15,949	
Operating profit per share	18,377		18,704		12,830	
Profit before taxes per share	19,410		20,008		11,054	

RATES OF EXCHANGE USED TO CONVERT NON EURO CURRENCIES

Currency	Average exchange rate for the period		Period-end exchange rate	
	12/31/00	12/31/99	12/31/00	12/31/99
US dollar	2,101.65	1,891.03	2,080.89	1,927.17

MOST SIGNIFICANT EVENTS

COMMERCIAL TREND

The slowing down of the durable goods market of which we made a mention in our previous report as at September 30, 2000 was confirmed during the last quarter of the year. In such period, as for laser machines were acquired 38 orders for a total value of Lire 29,276 million as against 40 orders acquired during the same period of 1999 for a corresponding value of Lire 37,085 million.

In all, during the year 2000 total acquisition have been Lire 121,352 million (147 machines) as against Lire 118,673 million for the previous year (129 machines).

At the end of period, the order backlog is however important (47 machines equal to Lire 38,703 million) as against 42 machines equal to Lire 40,646 million for the previous year same date. The difference is basically due to a different mix of the orders acquisition.

As a Group, thanks to the good orders collection of electronic products lasers and laser systems, the total order backlog is of Lire 66.2 billion equal to almost 4.6 months referred to the consolidated sales of the year 2000 which compares with Lire 48.9 billion as at December 31, 1999 equal to 5.1 months referred to 1999 turnover.

RESEARCH AND DEVELOPMENT CONTRIBUTIONS

Project Eureka/EU 1784 (file no. 64275 Push button machine). On the basis of the accounts documentation as at June 30, 2000 subject to verification by the paying Entity during November, we received the related amount of Lire 2,579 million on December 15, 2000.

This mainly refers to the research and development performed up to December 31, 1999 for Lire 1,766 million and to work performed during the first semester of the year 2000 for Lire 813 million.

In addition, a further Lire 1,164 million have been posted to Profit and Loss account related with the second half of 2000.

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 percent of the expenses (maximum Lire 1.6 billion) plus a 65 percent granted as a preferential line of credit (maximum Lire 5.4 billion).

The relevant costs as at May 31, 2000 have been ascertained during the last quarter of the year and this will allow us to be granted with a long-term loan of approximately Lire 2,004 million at an interest rate of 2 percent p.a. and a financial contribution (not refundable) of approximately Lire 818 million of which Lire 513 million related with previous years and Lire 305 million pertaining to the year 2000. The overall amount of Lire 2,822 million was received on February 8, 2001.

Still referring to this project a further Lire 200 million have been brought to profit and loss account related with the period 30/06-31/12/2000.

Towards the end of December 2000 the Company registered also a contribution of Lire 102 million (ex-law no. 140) which is expected to be received early in 2001.

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 January 31, 2001 is further increased to 53 machines for a value of Lire 44,000 million (same date for the previous year was 50 machines).

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

Closing the year 2000 in which the Group obtained an outstanding performance in terms of sales (also thanks to Convergent Prima) as well as gross profitability and considering the satisfactory order collection of January 2001 we think that the current year should be regarded as a period of growth consolidation.

We believe however that an internal growth of sales of +51 percent registered for the year 2000 cannot be repeated whilst we feel confident to continue with rate of growth equal or superior to those of the reference market of which studies of sector expect to be approximately 10 percent for the year 2001.

Furthermore, as from January 1, 2001 the Company started the use of the ERP technology system (Enterprise Resource Planning) through the SAP software. This is a further step forward towards the improvement of the Company internal efficiency.

The controlled Company Prima Electronics started with the new software on July 1, 2000. The two main firms of the Group are therefore already operating in Euro.

REPORT ON OPERATIONS

SALES

The positive performance registered up to September 30, 2000 continued throughout the fourth quarter of the year. Sales involving the twelve months up to December 31, reached Lire 174,196 million (1999 was Lire 115,264 million). The increase in percentage is 51.1 percent but segregating Convergent Prima in order to compare homogeneous figures the increase corresponds to 30.1 percent. In particular, sales of the fourth quarter reached Lire 54,846 million as against Lire 38,812 million of 1999 (+41.3 percent). We could therefore say that the current year growth in respect of 1999 has been very strong and equitably spread all along the year.

At consolidated level the Group registers remarkable results through both, internal growth and external acquisitions.

As at December 31, sales may be classified as follows (in millions of lire):

BY PRODUCTS AND GEOGRAPHICAL AREA

	12/31/00		12/31/99	
	Millions of lire	%	Millions of lire	%
3D products:				
Italy	21,359		16,296	
Europe	27,252		18,005	
USA	6,287		3,740	
Rest of world	8,520		1,392	
Total	63,418	36.4%	39,433	34.2%
2D products:				
Italy	23,990		21,268	
Europe	19,572		20,170	
USA	4,299		3,776	
Rest of world	3,692		980	
Total	51,553	29.6%	46,194	40.1%

	12/31/00		12/31/99	
	Millions of lire	%	Millions of lire	%
Electronic systems, other products and services:				
Italy	11,632		9,477	
Europe	21,867		17,286	
USA	1,182		1,841	
Rest of world	980		1,033	
Total	35,661	20.5%	29,637	25.7%
Subtotal	150,632	86.5%	115,264	100.0%
Laser generators and systems and services (Convergent Prima):				
Italy	782		-	
Europe	7,688		-	
USA	7,560		-	
Rest of world	7,534		-	
Total	23,564	13.5%	-	
Total sales	174,196	100.0%	115,264	100.0%

From the above 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. Excluding therefore the effect due to such 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:

	12/31/00		12/31/99	
	Machine number	%	Machine number	%
Total number of 3D	59	41.8%	38	33.9%
Total number of 2D	82	58.2%	74	66.1%
Total	141	100.0%	112	100.0%

By geographical areas:

	12/31/00		12/31/99	
	Millions of lire	%	Millions of lire	%
Italy	57,763	33.2%	47,041	40.8%
Europe	76,379	43.8%	55,461	48.1%
USA	19,328	11.1%	9,357	8.1%
Rest of world	20,726	11.9%	3,405	3.0%
Total	174,196	100.0%	115,264	100.0%

As for our position the above confirms the growth, in absolute values, performed in Europe as a whole due to the good macroeconomic situation but also in America where our position strengthen because of Convergent Prima whose sales net successfully integrated with that of Prima US. Thanks to an appropriate commercial strategy the Company realised a good performance for the period also in south-Americans and Asiatic markets (4 times the previous year). The Company has more then doubled the export outside Europe which got up to 23 percent (1999: 11.1 percent) of the overall turnover.

MOL (EBITDA)

The gross operating margin of profit as at December 31, 2000 is Lire 20,438 million (11.7 percent on turnover). At same period of 1999 was Lire 13,668 million (11.9 percent on turnover). Considering absolute values the growth stands-up at plus 49.5 percent.

OPERATING RESULT (EBIT)

The result of the period is Lire 16,539 million (9.5 percent on turnover); 1999 same period was Lire 10,955 million (9.5 percent on turnover). Considering absolute values the growth stands-up at plus 50.4 percent.

Such an important result 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 295 million) for the 8 months period inside the Group.

We believe that to have succeeded in keeping steady the overall EBIT percentage through the reorganisation process of Convergent Prima (getting quickly to a break-even) it may be considered a good starting point for the USA market growth.

PROFIT BEFORE TAXES

The gross profit of the period is Lire 17,469 million (10 percent on turnover); 1999 same period was Lire 9,473 million (8.2 percent on turnover). In absolute values the variation is equal to 84.4 percent (Convergent Prima loss = Lire 538 million).

The result of the Group before taxes is of Lire 930 million higher than the operating result because Prima Industrie SpA has entered net extraordinary incomes on its profit and loss account for research and development contributions received belonging to previous years (see paragraph short term evolution).

NET FINANCIAL POSITION

	12/31/00	09/30/00	12/31/99
Liquidity	8,224	14,123	17,330
Short-term debts with financial institutions	(12,450)	(27,154)	(5,316)
Medium and long-term debts with banks and other institution: short-term position	(6,276)	(6,295)	(871)
Medium and long-term debts with banks and other institution: long-term position	(17,163)	(15,966)	(17,855)
Total position	(27,665)	(35,292)	(6,712)

Excluding the net medium-long term position which increased from Lire 15,966 million to Lire 17,163 million, debts towards banks reduced from Lire 19,326 million as at September 30 to Lire 10,502 million as at December 31, because of a lower inventory and an improved trend of cash collection (customers and R&D contributions).

At the end of the period the ratio between own financial means/borrowed capitals (before taxation) exceeds 2, which grants to the Company a deeper breathing for investment planning.

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

PRIMA INDUSTRIE GROUP

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2000

(all amounts are expressed in millions of Italian lire)

BALANCE SHEET

	12/31/2000	09/30/2000	12/31/1999
	Unaudited	Unaudited	Audited
ASSETS			
Assets			
Intangible assets	7,010	6,737	2,048
Tangible assets	9,992	9,127	4,111
Total fixed assets	2,634	3,011	2,457
Total assets	19,636	18,875	8,616
Working capital			
Inventories	41,129	48,258	23,401
Trade receivables	73,999	75,298	57,286
Other receivables	16,494	13,096	7,341
Cash and banks	8,224	14,123	17,330
Total working capital	139,846	150,775	105,358
Accrued income and prepaid expenses	937	1,492	792
Total assets	160,419	171,142	114,766
LIABILITIES			
Shareholders' equity			
Shareholders' equity - Group	(*) 56,045	(*) 51,658	34,165
Minority interest	(*) 6,291	(*) 5,821	1,978
Total shareholders' equity - Group	62,336	57,479	36,143
Employees' severance pay	5,468	5,138	4,806
Contingent liabilities fund	7,608	8,510	4,087
Loans			
Medium-long term loans	17,163	15,966	17,855
Bank borrowings	12,450	27,154	5,316
Borrowing from other fin. institutions	6,276	6,295	871
Trade payables	39,912	40,355	33,694
Other payables	7,623	9,269	10,880
Total loans	83,424	99,039	68,616
Accrued liabilities and deferred income	1,583	976	1,114
Total liabilities	160,419	171,142	114,766

(*) before income tax of the period

PRIMA INDUSTRIE GROUP

STATEMENT OF INCOME AS AT DECEMBER 31, 2000

(all amounts are expressed in millions of Italian lire)

	As at 12/31/2000	As at 12/31/1999	Fourth quarter 2000	Fourth quarter 1999
Revenues from sales and services	174,196	115,264	54,846	38,812
Changes in WIP and finished goods	(1,999)	3,429	(5,812)	(1,776)
Increase from internal work (assets)	552	665	172	153
Other revenues and income	4,098	2,192	2,419	743
TOTAL VALUE OF PRODUCTION	176,847	121,550	51,625	37,932
Purchase of raw materials and suppliers	(85,674)	(59,914)	(23,738)	(17,082)
Service expenses	(32,459)	(23,044)	(10,361)	(7,930)
Lease and rent costs	(2,029)	(1,206)	(667)	(300)
Other operating expenses	(3,554)	(2,079)	(19)	(1,255)
TOTAL COSTS OF PRODUCTION	(123,716)	(86,243)	(34,785)	(26,567)
ADDED VALUE	53,131	35,307	16,840	11,365
Personnel expenses	(32,693)	(21,639)	(9,514)	(5,893)
MOL (EBITDA)	20,438	13,668	7,326	5,472
Amortisation and depreciation	(3,899)	(2,673)	(1,856)	(727)
OPERATING RESULTS (EBIT)	16,539	10,995	5,470	4,745
Financial income and depreciation	(1,141)	(995)	304	(407)
Adjustments to financial assets	(208)	(725)	(16)	(495)
Extraordinary items	2,279	198	512	693
PROFIT BEFORE INCOME TAX	17,469	9,473	6,270	4,536
- of which others	1,701			
- of which Group	15,768			

PRIMA INDUSTRIE SPA

**FINANCIAL STATEMENTS AS AT
DECEMBER 31, 2000**

PRIMA INDUSTRIE SPA

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2000

(all amounts are expressed in millions of Italian lire)

BALANCE SHEET

	12/31/2000	09/30/2000	12/31/1999
	Unaudited	Unaudited	Audited
ASSETS			
Assets			
Intangible assets	2,068	2,003	1,990
Tangible assets	2,129	1,908	937
Financial assets	16,121	18,536	4,145
Total fixed assets	20,318	22,447	7,072
Working capital			
Inventories	18,819	23,965	18,268
Trade receivables	63,114	62,581	54,272
Other receivables	10,874	9,533	6,024
Cash and banks	5,960	10,233	15,121
Total working capital	98,767	106,312	93,685
Accrued income and prepaid expenses	1,282	1,547	924
Total assets	120,367	130,306	101,681
LIABILITIES			
Shareholders' equity			
Shareholders' equity	(*) 51,582	(*) 46,250	31,860
Employees' severance indemnity	4,009	3,730	3,469
Contingent liabilities fund	4,792	7,286	4,673
Loans			
Medium-long term loans	13,727	13,037	17,855
Bank borrowings	4,280	17,775	3,793
Borrowing from other fin. institutions	5,629	5,629	392
Trade payables	29,759	30,001	28,975
Other payables	5,097	5,815	9,404
Total loans	58,492	72,257	60,419
Accrued liabilities and deferred income	1,492	783	1,260
Total liabilities	120,367	130,306	101,681

(*) before income tax of the period

PRIMA INDUSTRIE SPA

STATEMENT OF INCOME AS AT DECEMBER 31, 2000

(all amounts are expressed in millions of Italian lire)

	As at 12/31/2000	As at 12/31/1999	Fourth quarter 2000	Fourth quarter 1999
Revenues from sales and services	122,718	95,487	37,084	31,712
Changes in WIP and finished goods	(2,238)	3,407	(4,314)	(520)
Increase from internal work (assets)	423	562	144	(397)
Other revenues and income	4,399	1,785	2,723	936
TOTAL VALUE OF PRODUCTION	125,302	101,241	35,637	31,731
Purchase of raw materials and suppliers	(60,464)	(52,169)	(16,425)	(16,146)
Service expenses	(26,255)	(19,905)	(9,060)	(6,089)
Lease and rent costs	(1,631)	(1,226)	(541)	(378)
Other operating expenses	(2,079)	(1,969)	(132)	(788)
TOTAL COSTS OF PRODUCTION	(90,429)	(75,269)	(26,158)	(23,401)
ADDED VALUE	34,873	25,972	9,479	8,330
Personnel expenses	(19,837)	(16,260)	(5,400)	(4,437)
MOL (EBITDA)	15,036	9,712	4,079	3,893
Amortisation and depreciation	(2,045)	(2,000)	619	(530)
OPERATING RESULTS (EBIT)	12,991	7,712	4,698	3,363
Financial income and depreciation	(511)	(759)	764	(43)
Adjustments to financial assets	(1,135)	(725)	(943)	-
Extraordinary items	2,279	(3,721)	513	(3,737)
PROFIT BEFORE INCOME TAX	13,624	2,507	5,032	(417)