

Press release

March 31, 2006

Ricchetti Group: the Board of Directors approves the Annual Report for the year 2005. Net Profit: 3.5 millions Euro versus a loss of 2.6 millions Euro in 2004.

The distribution of dividends worth 2.1 millions Euro, equivalent to 0.04 Euro per share, has been proposed. The date for the detachment of the dividend coupon has been fixed for 22 of May; payment date 25 of May.

As far as the Consolidated financial statements are concerned, taking into account the transition to international accounting standards (IAS/IFRS), the results have been:

- **Net profit: 3.5 millions Euro versus a loss of 2.6 millions Euro in 2004**
- **Net financial position: 81.3 millions Euro versus 90.8 millions Euro in 2004**
- **EBITDA margin: 8.77% (7.40% in 2004)**
- **EBIT margin: 3.27% (1.34 in 2004), taking into account 1.7 million Euro of provisions and non-recurrent costs**
- **Value of production loss: 300.9 millions Euro versus 306.5 millions Euro in 2004.**

The Parent Company, that still draws up the balance sheet according to the Italian accounting standards (CNDCE), showed the following results:

- **Net income for the year: 1.7 millions Euro versus 3.5 millions Euro in 2004**
- **EBITDA margin: 8.97% (8.28 in 2004)**
- **EBIT margin: 3.79% (2.85 in 2004), influenced by provisions and non-recurrent costs worth about 2.3 millions Euro (2.3 millions Euro in 2004)**
- **Value of production loss: 138.2 millions Euro versus 147.4 millions Euro in 2004.**

The Board of Directors of Ricchetti Group has approved today the Annual Report for the financial year 2005.

As far as the Consolidated financial statements are concerned, it has been reported a positive result, equal to 3.5 millions Euro, clearly showing an opposite trend compared to the loss of 2.6 millions Euro of the previous year.

The EBITDA margin is 8.77% (7.40% in 2004). The EBIT margin is 3.27% (1.34% in 2004), taking into account 1.5 million Euro of stock provision and 0.2 millions Euro as incentive payments for employees.

The Net Financial Position shows a debt of 81.3 million Euro, with an improvement of 9.5 millions Euro compared to the 31 of December 2004, in spite of the payment of dividends worth 2.1 millions Euro.

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The value of production is equal to 300.9 millions Euro, versus 306.5 millions Euro of the previous year.

As far as the Parent Company is concerned, the net income for the year is 1.7 millions Euro, compared to 3.6 millions Euro in 2004. The EBITDA margin is 8.97% compared to 8.28% in 2004. The EBIT margin is 3.79% compared to 2.85% in 2004 and has been influenced by provisions for loss of subsidiary companies equal to 286 thousands Euro (435 thousands Euro in 2004), by the decrease of the value of production as a consequence of the stock provisions for inventory of finished products equal to 0.5 millions Euro (1.3 millions Euro in 2004) and by higher amortisation and depreciation worth 1.4 millions Euro due to the elimination of adjustments and provisions applied only according to fiscal laws in the previous years.

The value of production is equal to 138.2 millions Euro compared to 147.4 millions Euro in 2004 (with a 6.2% drop compared to a 1.9% contraction in 2004).

Oscar Zannoni, President and Managing Director of Ricchetti Group stated: "Thanks to a correct cost control and a better financial management, in 2005 we succeeded in having a net income after two years of loss. Our turnover has been only slightly lower compared to 2004, but substantially in line with market levels. Although the recovery of the sector is, in our opinion, still remote, we keep focusing our efforts on investments that privilege products with an higher added value, by giving great importance to research and development".

Ricchetti Group is an industrial holding that produces and distributes ceramic wall and floor tiles for internal and external use. It was the first company in the ceramic sector to be listed at the Stock Exchange in 1996 and it is one of the largest group, both in Italy and worldwide, in the ceramic tile industry.

Ricchetti Group has 15 manufacturing facilities (seven in Italy, mostly in the ceramic district of Sassuolo, and eight in Europe), with about 2.250 employees and an annual production of around 40 millions square meters of tiles, about 80% of which is sold abroad.

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Consolidated financial statements (31.12.2005)

(in thousands of Euro)

<i>(in thousands of Euro)</i>	<i>31 December 2005</i>	31 December 2004
Tangible Assets	205,752	216,443
Start up	5,163	5,520
Intangible assets	284	672
Equity investments in associated companies	4,136	2,578
Available-for-sale assets	30,456	24,213
Other financial assets	1,102	1,070
Receivables from others	1,637	3,250
Financial receivables	336	336
Receivables for prepaid taxes	539	1,331
Total non-current assets	249,405	255,413
Trade receivables	66,763	72,520
Inventory	149,543	133,066
Other receivables	4,368	3,231
Receivables for prepaid taxes	6,909	6,479
Available-for-sale assets	4,986	5,389
Financial receivables	31	35
Total cash and cash equivalent	8,114	6,869
Total current assets	240,714	227,590
Total assets	490,118	483,003
Loans	39,571	44,148
Deferred tax liabilities	48,235	47,818
Severance and pension indemnity fund	26,466	26,810
Provisions for contingencies and other liabilities	467	348
Total non-current liabilities	114,739	119,124
Loans	85,274	83,114
Trade payables	57,666	54,830
Other payables	17,811	19,442
Taxes	4,780	4,900
Derivative financial products	104	229

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Total current liabilities	165,635	162,514
Total liabilities	280,373	281,638
Share capital	54,858	54,395
Additional paid-in capital	37,207	37,394
Other reserves	18,691	17,284
Fair-value reserve	12,582	6,028
Retained earnings	82,740	89,013
Profit for the year	3,528	(2,580)
Minority interest in equity	138	(169)
Group shareholders' equity and minority interests in equity	209,744	201,365
Total shareholders' equity and liabilities	490,118	483,003

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Consolidated profit and loss account

<i>(in thousands of Euro)</i>	1.1-31.12.2005	%	1.1-31.12.2004	%
Revenues	281,346	93.50	291,613	95.15
Other income	1,962	0.65	1,961	0.64
Change in stock of finished and semi-finished products	17,601	5.85	12,918	4.21
VALUE OF PRODUCTION	300,909	100.0	306,492	100.0
Goods purchased	(90,727)	(30.15)	(92,928)	(30.32)
Services purchased	(90,356)	(30.03)	(93,240)	(30.42)
Personnel expenses	(88,676)	(29.47)	(91,821)	(29.96)
Other expense	(4,756)	(1.58)	(5,827)	(1.90)
OPERATIVE RESULT (EBITDA)	26,395	8.77	22,676	7.40
Amortization and depreciation	(16,546)	(5.5)	(18,578)	(6.06)
OPERATING INCOME	9,849	3.27	4,098	1.34
Financial expense-Net	(1,677)	(0.56)	(3,942)	(1.28)
Adjustments in the value of financial fixed assets	172	(0.06)	904	0.29
PROFIT BEFORE TAX	8,344	2.77	1,060	0.35
Income taxes for the period	(4,842)	(1.61)	(3,836)	(1.25)
Minority interest in equity	26	0.01	196	0.06
NET INCOME	3,528	1.17	(2,580)	(0.84)
EPS <i>(in Euro)</i>	0.067			(0.053)
Basic earnings per share				
Diluted earnings per share	0.067			(0.053)

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Statutory Financial Statement (31.12.2005)

(in thousands of Euro)

FINANCIAL STATEMENTS	31-12-2005	31-12-2004
Intangible assets	291	464
Tangible assets	51,033	56,364
Financial assets	87,496	86,992
Total non-current assets	138,820	143,820
Inventory	76,927	67,490
Accounts receivable	64,488	65,748
Marketable securities	1,445	1,807
Cash on hand	808	2,618
Total current assets	143,668	137,663
Accruals and prepaid expenses	339	551
TOTAL ASSETS	282,828	282,034
Shareholders' equity	117,132	117,542
Provisions for contingencies and other liabilities	4,686	4,906
Severance indemnity fund	16,185	16,108
Amounts owed to members	1,300	-
Financial payables	94,068	94,713
Other payables	48,752	48,312
Accruals and prepaid expenses	705	454
TOTAL LIABILITIES	282,828	282,034

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PROFIT AND LOSS ACCOUNT	31-12-2005	%	31-12-2004	%
Net turnover from sales and services	126,130	91.27	136,432	92.57
Total value of production	138,191	100.0	147,382	100.0
Total cost of production	125,788	91.02	135,192	91,73
Operative result-EBITDA	12,403	8.97	12,190	8.28
Amortization, depreciation and write-downs	7,162		7,995	
Earnings Before Interest and Tax-EBIT	5,241	3.79	4,195	2.85
Income (loss) on equity investments	6,200	4.48	5,065	3.44
Total financial expense, net	-4,183	-3.02	-4,274	-2.90
Total adjustments to financial assets	-2,927	-2.11	-2,870	-1.95
Total extraordinary income (expense), net	271	-	6,609	4.48
Profit before tax	4,602	3.33	8,724	5.92
Income taxes	2,913	2.11	5,193	-3.52
Net profit for the year	1,689	1.11	3,531	2.40

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