

GRUPPO CERAMICHE RICCHETTI

ANNUAL REPORT 1999

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OY PUKKILA AB

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GRES 2000 S.R.L.

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TILENET S.R.L.

Strada delle Fornaci, 20 -I-41100 Modena

L.G.S. LA GENERALE SERVIZI S.R.L.

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BELLEGGROVE CERAMICS PLC

Salisbury Road, Watling Street - Dartford, Kent DA2 6EJ (Gran Bretagna)

CASA REALE CERAMIC INC.

913 W.N. Carrier Parkway - Grand Prairie, Texas 75050 (Usa)

RICCHETTI CERAMIC INC.

200 S. Harbor City Bld., S.te 403 - Melbourne, Fl. 32901 (Usa)

EVERS AS

Ejby Industrivej 2 - P.O. Box 1402 - 2600 Glostrup (Danimarca)

HÖGANÄS BYGGKERAMIKK AS

Brobekkveien 107 - Box 46 - 0516 Oslo (Norvegia)

HÖGANÄS CÉRAMIQUES FRANCE SA

R.N. 6 - Le Cornu Z.A. - 38110 Rochetoirin (Francia)

C.F.C. COMPAGNIE FINANCIERE CERAMIQUE SA

54 Avenue Pasteur - Lussemburgo (Lussemburgo)

UNITED TILES SA

Rue Auguste Neyen 32 L2233 Lussemburgo (Lussemburgo)

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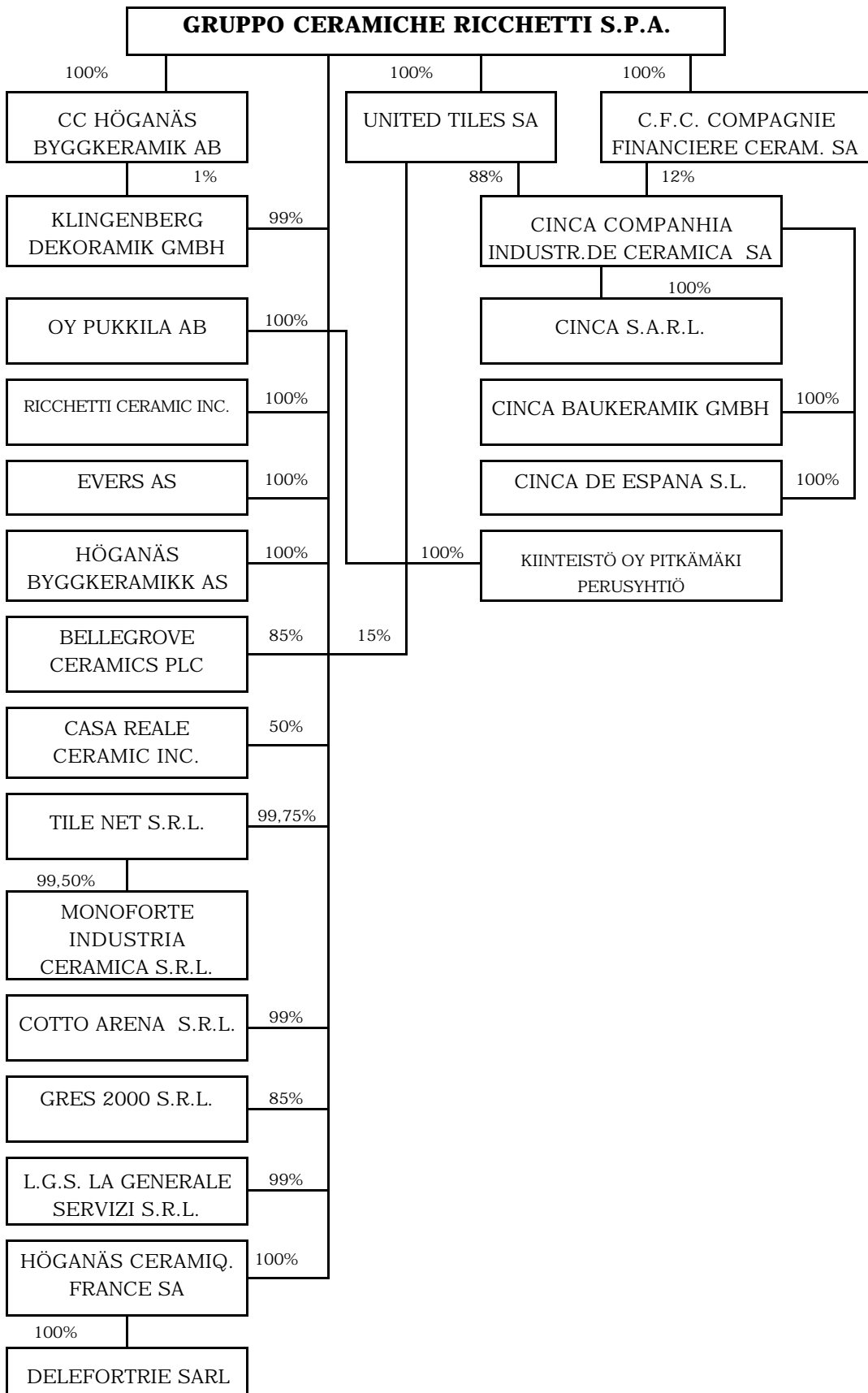
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Lange Wieske 1 D48231 Warendorf (Germania)



MANAGEMENT

BOARD OF DIRECTORS

(The Board's term of office expires on the approval of the financial statements for the year ended 31 December 1999)

OSCAR ZANNONI
Chairman of the Board

RENZO ARLETTI
Managing Director

NEDO BROGI
Director

ANTONIO CAMELLINI
Director

GIULIANO PANIZZI
Director

LOREDANA PANZANI
Director

GIANCARLO PELLATI
Director

GAETANO ZACCARELLI
Director

GIUSEPPE ZANNONI
Director

NEDO BROGI
General Manager

STATUTORY AUDITORS

(The Statutory Auditors' term of office expires on the approval of the financial statements for the year ended 31 -12- 1999)

CLODOMIRO ZANASI
President

ALBERTO BARALDI
Statutory Auditor

CARLO RICCO'
Statutory Auditor

EXTERNAL AUDITORS :

PRICEWATERHOUSECOOPERS S.P.A.

1999 DIRECTORS' REPORT

Dear Shareholders,

The consolidated financial statements at 31 December 1999 are attached to this Report prepared by the Board of Directors. The Board is composed of nine members who are listed below:

Cav. Oscar Zannoni	Chairman of the Board
Dr. Renzo Arletti	Managing Director
Mr. Nedo Brogi	Director
Mr. Antonio Camellini	Director
Dr. Loredana Panzani	Director
Dr. Giuliano Panizzi	Director
Dr. Giancarlo Pellati	Director
Mr. Gaetano Zaccarelli	Director
Mr. Giuseppe Zannoni	Director

The board of directors remains in office until the approval of the financial statements at 31/12/1999, as resolved at the Shareholders' Meeting on 28 April 1999.

The financial statements for the year ended at 31 December 1999 show a profit of Lire 11,154 million, with respect to a profit of Lire 11,020 million for the previous financial year.

On 13 September 1999, the Extraordinary Meeting of Shareholders approved the merger of I.C.C.C., Industrie Ceramiche Cisa Cerdisa SpA, within Gruppo Ceramiche Ricchetti SpA.

The merger took place on the basis of the net equity restated to 31.03.1999 with the cancellation of the entire subscribed share capital of 3,000,000 shares, of a nominal value of Lire 10,000 each, of the merged company and their substitution by new shares of the merging company.

The merger resulted in the allotment to holders of shares of a nominal value of Lire 10,000 each in Industrie Ceramiche Cisa Cerdisa S.p.A. of 26 ordinary shares, of a nominal value of Lire 500 each, in the merging company Gruppo Ceramiche Ricchetti S.p.A. with rights from 1 January 1999, for every ordinary share held in Industrie Ceramiche Cisa Cerdisa S.p.A., with no cash amount payable.

The Extraordinary Shareholders' meeting of the merged company, Industrie Ceramiche Cisa Cerdisa S.p.A., held on 2 June 1998, approved an increase in share capital of a maximum of Lire 14,000,000,000, by issuing, in several allotments, a maximum of 1,400,000 ordinary shares, of a nominal value of Lire 10,000 each, reserved exclusively for the exercise of the subscription facility due to holders of 4,000,000 "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants" linked to the issue of 4,000,000 "Fincisa S.p.A. bonds 1998 – 2002, at variable interest rates, with Industrie Ceramiche Cisa Cerdisa S.p.A. Warrants". The related issue terms accorded the holders of Industrie Ceramiche Cisa Cerdisa S.p.A. Warrants, the facility to subscribe, at any time commencing from 1 January 1999 and up to 31 August 2001, for 7 (seven) ordinary shares in Industrie Ceramiche Cisa Cerdisa S.p.A., of a nominal value of Lire 10,000 each, for every 20 (twenty) warrants presented for conversion, against payment of Lire 28,575 per share, of which Lire 18,575 represents a premium, and up to 31 August 2001, for 7 (seven) ordinary shares in Industrie Ceramiche Cisa Cerdisa S.p.A. of a nominal value of Lire 10,000 each for every 20 (twenty) warrants presented for conversion, against payment of Lire 28,575 per share, of which Lire 18,575 represents a premium.

As of today's date, 10,000 of the "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants" have been exercised. Holders of the said warrants were assigned 26 shares in the merging company Gruppo Ceramiche Ricchetti S.p.A., with a nominal value of Lire 500 each, for every Industrie Ceramiche Cisa Cerdisa S.p.A. ordinary share due in terms of the issue and by effect of exercising the subscription facility. As foreseen by the aforesaid terms, the shares thus assigned will have equal standing with those of the shares of Gruppo Ceramiche Ricchetti S.p.A. already in circulation at the date the warrant is exercised. To provide for the above-mentioned exchange transaction in relation to both the shareholders of the shares of the merged company in circulation and the holders of the "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants", a Shareholders' Meeting of the merging company, Gruppo Ceramiche Ricchetti S.p.A. resolved, at the same time as approving the merger proposal, to increase its share capital by a maximum of Lire 57,200,000,000 (fifty seven billion-two hundred million) by issuing a maximum of 114,400,000 ordinary shares, of which:

78,000,000 shares, for the exchange of 3,000,000 Industrie Ceramiche Cisa Cerdisa S.p.A. shares representing the current subscribed share capital of the latter;
36,400,000 shares maximum to be reserved exclusively in favour of the holders of the 4,000,000 "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants" linked at the time of issue, to 4,000,000 "Fincisa S.p.A. Bonds at variable interest rates 1998 – 2002 with Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants."

In the hypothesis that all the "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants" and the " Gruppo Ceramiche Ricchetti S.p.A. Warrants " are exercised the share capital would be increased by 46,275,000 shares, of a nominal value of Lire 500 each, for a total value of Lire 69,630,000,000, inclusive of the share premium.

SECTOR TRENDS

The sector productive capacity, which was about 590 million square metres in 1998, is now, according to the first estimate available, around 610 million square metres in 1999, a forecast increase of about 3%.

With regard to the composition of the quantity produced, porcelain stoneware demand continues to grow, particularly for the glazed product, against a standstill or a slight further fall in single and double-fired products.

Sales on the internal market, stagnant for some years now, showed signs of recovery in the second-half of last year, reinforced in the early part of the current year, raising the estimates of probable volumes for 2000 to about 180 million square metres, an increase of possibly 3.5% to 4.5%.

This situation derives from incentives for residential restructuring (demand amounted to about half a million at the end of 1999) and from an interest rate level that, notwithstanding the recent limited rises, still makes resorting to a mortgage for home purchase attractive.

With regard to exports, commencing from the second half of last year, 1999 saw the start of sales expansion with reference to both quantity (around 3%) and prices (around 4%).

In terms of macro-geographic areas exports to countries outside the EU were more dynamic (about 5%) with respect to those to EU countries that showed, on average, zero growth.

Within the European Community, in particular, the best performances were in France, Spain and Great Britain together with the Northern European countries, whereas there was again a further fall in the German-speaking areas.

Export growth to the United States continues, where a percentage point growth increase of over 20% was obtained in both quantity and in average price (the latter was also due to the appreciation of the U.S.\$).

The Spanish producers have confirmed their position as the strongest European competitors, with a production volume estimated to have been over 600 million square metres in 1999, up by a further 10% with respect to 1998. Portugal and Turkey are becoming the other important producers, both benefiting from competitive labour costs and the availability of quality raw materials.

On a world level the production in countries such as China and the Far East continues to cover local consumption requirements and appears to be still far from attacking the technological and qualitative superiority of European producers.

GROUP RESULTS, OPERATING CONDITIONS AND DEVELOPMENT OF ACTIVITIES

With the merger of I.C.C.C., Industrie Ceramiche Cisa Cerdisa, the Ricchetti Group has laid the dimensional foundations to present itself as one of the major world groups, with the characteristics necessary to face the challenges of concentration and globalisation that our sector also will see itself engaged in.

The comparative figures for the two financial years obviously refer to both the pre and post-merger situations and are, therefore, relatively comparable even if not for percentage values.

In terms of production volumes the Group has today a capacity of over 45 million square metres while from a sales point of view the volume exceeds 50 million square metres, with the necessary complementary products distributed especially by the foreign subsidiary companies.

As far as product type is concerned the Ceramiche Ricchetti Group has the advantage of having a type of porcelain in its natural glazed configuration that is leading the growth of the entire sector in Italy and with our main Spanish competitors.

Today our Group is amongst the major porcelain stoneware producers and is directing technological investments in Italy and abroad to the development of this type of product in all its various forms, design and wear resistance, market demand.

All the Italian and foreign brands can develop, thanks to the operational autonomy that has been reconfirmed to them, a complete and competitive product range from a production cost point of view with respect to the major competitors.

The seven Italian factories are aiming, as much as possible, to obtain product type specialisation to achieve these productive and management synergies that must benefit the various brands of the Group, guaranteeing both product economies and the necessary supply flexibility that is increasingly becoming a competitive advantage as is customer service, as well as being a means of reducing stocks of finished product.

The Group's consolidated turnover was Lire 713 billion against Lire 336 billion in the previous financial year, net of the inter-company sales that grew to about Lire 70 billion in 1999 (Lire 32 billion in 1998).

Production cost for the financial year was equal to Lire 182.3 billion against the Lire 90.7 billion of 1998, equal to a percentage on turnover of 25.6% and 27.0% in 1999 and 1998, respectively. The average number of employees during the 1999 financial year was 2,762, of whom 1,403 were employed abroad, compared with a total of 1,650, of whom 1,249 were abroad, in 1998.

As far as concerns the Group's finished products inventory, the figures at the end of December 99 show a total value of Lire 227 billion on consolidated turnover of Lire 713 billion.

Subsequent to the merger, there is no compatibility of the figures of the 1999 consolidated financial statements with the corresponding figures of the preceding year, therefore attached to this directors' report is a comparison between these consolidated financial statements and pro forma consolidated financial statements at 31 December 1998, adjusted for the merger effect so as to show appropriate comparisons of the Group's financial results.

As the analysis of the fixed assets is suitably dealt with in the explanatory notes to the consolidated financial statements, it is considered appropriate to dwell here upon the results in terms of costs, revenues, financial situation and their reflection on the balance sheet items.

A cash flow statement is attached to this directors' report.

RESULTS OF GROUP COMPANIES

The principal events that affected the companies of the Ricchetti Group, as well as a summary of the principal results and balance sheet figures of the companies for the 1999 financial year, compared to that of the 1998 financial year, are reported below. The financial statements figures have been translated into Lire utilising the average exchange rate for the financial year and that at the end of the year, respectively, for the profit and loss account and balance sheet items for the corresponding financial years. For this purpose the financial statements were prepared using the homogenous Group principles; items of a fiscal nature were removed.

GRUPPO CERAMICHE RICCHETTI S.P.A.

A summary of the principal trading results and balance sheet items from the financial statements of your company at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	609,157	238,901
Net equity	215,534	139,552
Liabilities	393,623	99,349
Profit and loss account	1999	1998
Production value	393,217	121,525
Production cost	(361,950)	(114,736)
Dividends from subsidiary and associated companies	1,635	9,588
Net financial Income/(Charges)	(16,012)	(4,891)
Write-downs of shareholdings	(2,552)	-
Net extraordinary Income/(Charges)	(222)	-
Taxes	(10,938)	(2,428)
Profit	3,178	9,057

The company's financial statements show a profit of Lire 3,178 million for the year, against Lire 9,057 million in the previous financial year.

The sales for the year, equal to about Lire 376 billion, were made up of 36.1% in Italy and 63.9% abroad (respectively 30.2% and 69.8% in 1998).

The comparative figures for the two financial years obviously refer to pre and post-merger situations and are, therefore, relatively comparable, even if not for the percentage values.

From this point of view, production cost was equal to 92% of production value in 1999 against a percentage value of 94.4% in 1998.

In 1999 the foreign subsidiaries, although showing positive progress, notably reduced dividend distributions. In particular, with relation to the Portuguese subsidiary, Cinca, it was not possible to transfer dividends for reasons related to the Cinca-Servimarketing merger that took place during the financial year.

The percentage weighting of net financial charges (net of income from shareholdings) on turnover was equal to 2.7% (3.1% at 31 December 1998) net of cash discounts that equalled 1.5% (1.1% at 31 December 1998).

The 1999 write-downs were for the write-down to zero of the value of the shareholding in La Generale Servizi S.r.l. and setting up a provision against losses. There was also a write-down, using the suitable provision, of the holding in the English subsidiary, Bellegrave Ceramics Plc. to acknowledge the loss shown for the financial years and the related revaluation of the goodwill paid on acquisition. The goodwill value, which is considered as the market share that our English company holds in the United Kingdom market, was prudently redefined in view of the drop in turnover that took place in the first part of this financial year. However, it is considered that there is the possibility of re-establishing that market share following the actions taken that are described in the paragraph relating to Bellegrave, which follows.

Finally, a suitable provision has been made for the write-down of the Luxembourg subsidiary, United Tiles SA, within the limits of the loss that it has sustained in its own financial statements for the write-down of its shareholding in Bellegrave that is related to the percentage it possesses, consistent with the action taken by the Parent Company.

The EBIT of the Italian Company decisively improved, increasing from 5.7% on turnover in 1998 to 8.3% in 1999.

When comparing the two figures the impact of amortisation and depreciation should be considered. This latter figure was Lire 6 billion in 1999, equal to about 1.6 percentage points.

The increase in EBITDA was even greater, up from 11.8% in 1998 to 16.7% in 1999.

Finally, the fiscal burden was decisively higher in percentage terms, heavily impacting on the net profit for the financial year.

CC HÖGANÄS BYGGKERAMIK AB - SWEDEN

In Sweden, CC Höganäs Byggkeramik AB is the local leader in the production of clinker and markets a wide range of ceramic products and accessories (laying materials), with a century-old brand and a local market share of over 30%.

A summary of the principal results and balance sheet items from the financial statements of CC Höganäs Byggkeramik AB at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	44,821	26,245
Net equity	13,797	12,229
Liabilities	31,024	14,016
Profit and loss account	1999	1998
Production value	73,429	54,388
Production cost	(72,643)	(51,146)
Net financial income/(charges)	(349)	(83)
Extraordinary financial income/(charges)	-	-
Taxes	(142)	(865)
Profit	295	2,294

CC Höganäs Byggkeramik AB closed the financial year with a profit of Swedish Kroner 1.3 million (equal to about Lire 300 million) against about Swedish Kroner 10.5 million in 1998, (equal to about Lire 2.2 billion).

Massive investments for restructuring points of sale, exhibition materials at 250 new customers, internal restructuring due to the acquisition of the Optiroc business branch, the finished products inventory, information systems and Group logistics have heavily penalised the financial year's results. However, the basis has been laid for good results, both in terms of turnover and in terms of profitability, for the current year.

The 1999 turnover was about Swedish Kroner 324 million (Swedish Kroner 241 million in 1998), about Lire 71 billion (Lire 53 billion in 1998).

The turnover increase was due to the acquisition of the ceramic division of the Swedish company, Optiroc, which, with direct sales points in Stockholm and Gothenburg, permitted our company to achieve over 30% of the Swedish market.

It should be underlined, moreover, that about 7.2 percent of turnover is with Group companies, principally Norway (1.5 percent), Denmark (1.8 percent), Finland (1.4 percent) and France (2.5 percent) and about 10 percent are sales outside Sweden.

OY PUKKILA AB - FINLAND

In Finland, OY Pukkila AB produces and distributes a range of high quality glazed products with specific anti-freeze characteristics (external facades, swimming pools) to all the Scandinavian countries and has a local market share of well over 25 percent. In 1999, the Italian Parent Company's products were successfully sold on the market.

A summary of the principal results and balance sheet items from the financial statements of OY Pukkila AB at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire).

Balance sheet	1999	1998
Assets	38,215	25,471
Net equity	24,620	21,101
Liabilities	13,595	4,370
Profit and loss account	1999	1998
Production value	39,558	36,945
Production cost	(35,937)	(33,713)
Net financial income/(charges)	(103)	79
Extraordinary income/(charges)		
Taxes		
Profit	3,518	3,311

OY Pukkila AB closed the 1999 financial year with a profit of Finnish Marks 10.8 million (equal to about Lire 3.5 billion) against about Finnish Marks 10.2 million in 1998, (equal to about Lire 3.3 billion).

The 1999 turnover was about Finnish Marks 121 million (Finnish Marks 115 million in 1998), equal to about Lire 39 billion (Lire 37 billion in 1998). This result appears to be largely positive, if one considers that the company's productive capacity has been reduced and compensated for by the marketing of Group products, in substitution of local product lines with low added value.

Of this turnover about 17.6 percent is to Group companies (principally Sweden - 14.8 percent, Denmark - 1.1 percent and Norway - 1.6 percent) and the balance is mainly sold on the Finnish market (82 percent).

In accordance with a mandate agreed by the Board of Directors on 30 April 1999, the purchase of the land and buildings occupied by the production and logistical activities of the company was completed during the month of June 1999 for Finnish Marks 36 million. It should be recalled that the rental contract for the land (about 90,000 m²) and buildings was expiring and the new contract, at market rates, was set at an annual rental of Finnish Marks 4 million.

KLINGENBERG DEKORAMIK GMBH - GERMANY

In Germany, the Group is represented by the German production company, Klingenberg Dekoramik GmbH. This company has operated for over a century with high-quality, well-known products that also allow an extraordinary means of market penetration for Group products. For some months, the company has been marketing the product of the Portuguese subsidiary, Cinca, with an exclusive agency agreement.

A summary of the principal results and balance sheet items from the financial statements of Klingenberg Dekoramik GmbH at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	23.227	22.576
Net equity	10.904	10.328
Liabilities	12.323	12.248
Profit and loss account	1999	1998
Production value	28.173	26.140
Production cost	(25.602)	(23.542)
Net financial income/(charges)	(740)	(525)
Extraordinary income/(charges)		
Taxes	(933)	(1.051)
Profit	898	1.022

Klingenberg Dekoramik GmbH closed the financial year with a profit of Dm 0.9 million (Dm 1 million in 1998), equal to about Lire 898 million (Lire 1,022 million in 1998).

With depreciation totalling Dm 2,370 million with respect to Dm 1,955 million of the previous financial year, the company intends to re-enter into the timing established by the investments made at the end of 1998; investments that have penalised profitability in the first quarter of 1999 due to start-up problems with the new production line.

The turnover for 1999 was about Dm 27 million (as in 1998); equal to about Lire 27 billion and about 15 percent represent sales to Group companies (above all Sweden, Norway, Denmark and Finland). The balance was principally sales to the German market, 69 percent, other European countries, 13 percent and Asian countries, 3 percent.

The importance of the brand allows the marketing structure to obtain profits that are much superior to that of similar products from other sources.

HÖGANÄS BYGGKERAMIKK AS - NORWAY

In Norway, the commercial company Höganäs Byggkeramikk AS which has its head office in Oslo, distributes the Group's ceramic products as well as accessories for laying tiles, with a market share of about 25 percent.

A summary of the principal results and balance sheet items from the financial statements of Höganäs Byggkeramikk AS at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	5,741	4,063
Net equity	645	923
Liabilities	5,096	3,140
Profit and loss account	1999	1998
Production value	15,392	15,207
Production cost	(15,415)	(15,368)
Net financial income/(charges)	72	(241)
Extraordinary income/(charges)	(382)	-
Taxes	-	-
Loss	(333)	(402)

Höganäs Byggkeramik AS closed the financial year with a loss of Norwegian Kroner 1.4 million, equal to about Lire 333 million, against a loss of Norwegian Kroner 1.7 million in 1998, equal to about Lire 402 million.

The company achieved a substantially break-even situation during the 1999 financial year that was penalised, in the last part of the year, by the negative outcome of a legal action related to the sale of a branch of the business in 1997.

With the acquisition finalised in the early part of the current year of the distribution rights for our product through the Maxbo chain, the company finally expects to make a profit in 2000. This is evidenced by a decisive growth in turnover in the first months of the year.

The 1999 turnover was about Norwegian Kroner 65 million (Norwegian Kroner 66 million in 1998), equal to about Lire 15 billion, and is exclusively on the Norwegian market.

[EVERS AS - DENMARK](#)

In Denmark, the commercial company, Evers AS, with its head office in Copenhagen, is, in terms of both volume and prestige, the largest importer of ceramic tiles and laying accessories. It is the point of reference for architects and builders at the top end of the market and has a local market share of well over 25 percent.

A summary of the principal results and balance sheet items from the financial statements of Evers AS at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	4,429	6,978
Net equity	2,212	2,488
Liabilities	2,217	4,490
Profit and loss account	1999	1998
Production value	16,864	16,459
Production cost	(15,408)	(14,900)
Net financial income/(charges)	(206)	(40)
Extraordinary financial income/(charges)	-	-
Taxes	-	-
Profit	1,250	1,519

Evers AS closed the financial year with a profit of Danish Kroner 4.8 million (Danish Kroner 5.9 million in 1998), equal to about Lire 1.3 billion (Lire 1.5 billion in 1998).

The 1999 turnover was about Danish Kroner 63 million, equal to about Lire 16.5 billion, (Danish Kroner 63 million, equal to Lire 16.4 billion in 1998) and was almost exclusively from the internal market.

The company distributed dividends of Lire 1.5 billion to the Parent Company during the course of the financial year, as revealed by the decrease in net equity with respect to 1998.

The company concentrates all its activities at the central office in Copenhagen, where it promotes all the Group products to the best customers in the market in a prestigious, high-quality showroom. This company also markets accessories for laying tiles, the sales of which representing about 15 percent of its turnover.

HÖGANÄS CERAMIQUES SA - FRANCE

In France, the commercial company Höganäs Céramiques SA integrates distribution of the products of its Swedish fellow-subsidiary with production of adhesives for laying tiles. It supplies a complete service to the special food sector market segment, of which it holds a market share of over 50 percent.

A summary of the principal results and balance sheet items from the financial statements of Höganäs Céramiques SA at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	4,884	4,734
Net equity	2,260	2,379
Liabilities	2,624	2,355
Profit and loss account	1999	1998
Production value	7,998	7,346
Production cost	(7,602)	(6,793)
Net financial income/(charges)	(42)	10
Extraordinary financial income/(charges)	-	-
Taxes	(146)	(244)
Profit	208	319

Höganäs Céramiques SA closed the financial year with a profit of French Francs 0.7 million (French Francs 1.1 million in 1998), equal to about Lire 208 million.

The 1999 turnover was about French Francs 26.4 million, equal to about Lire 7.8 billion, (French Francs 24.3 million, equal to Lire 7.2 billion in 1998) almost exclusively on the internal market.

The company distributed dividends of Lire 327 million to the Parent Company during the course of the financial year, as revealed by the decrease in net equity with respect to 1998.

RICCHETTI CERAMIC. INC. - U.S.A.

The commercial company, Ricchetti Ceramic. Inc. that has its head office in Melbourne, Florida, acts as an agent for the Parent Company, Gruppo Ceramiche Ricchetti S.p.A., in the United States.

A summary of the principal results and balance sheet items from the financial statements of Ricchetti Ceramic. Inc. at 31 December 1999, with comparative figures for 1998, is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	1,095	767
Net equity	872	660
Liabilities	223	107
Profit and loss account	1999	1998
Production value	2,439	1,886
Production cost	(2,348)	(1,876)
Net financial income/(charges)	6	5
Extraordinary financial income/(charges)		
Taxes		
Profit	97	15

UNITED TILES SA - LUXEMBOURG

This is a company formed in the 1998 financial year that was functional in the acquisition of the Portuguese subsidiary, Cinca.

A summary of the principal results and balance sheet items from the financial statements of United Tiles SA. at 31 December 1999 and 1998 is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	36,124	38,807
Net equity	35,374	35,977
Liabilities	750	2,830
Profit and loss account	1999	1998
Production value	-	-
Production cost	(111)	(90)
Net financial income/(charges)	(156)	68
Write-down of shareholdings	(332)	
Extraordinary financial income/(charges)	-	-
Taxes	-	-
Loss	(599)	(22)

As previously described the company has set aside a suitable provision for the write-down of the shareholding in Bellegrave Ceramics Plc to acknowledge the loss shown for the financial year and the related revaluation of the goodwill paid on acquisition, consistent with the action taken by the Parent Company.

C.F.C. COMPAGNIE FINANCIERE CERAMIQUE SA - LUXEMBOURG

This is a company formed in the 1997 financial year that was functional in the acquisition of the Portuguese subsidiary, Cinca.

A summary of the principal results and balance sheet items from the financial statements of C.F.C. Compagnie Financiere Ceramique SA at 31 December 1999 and 1998 is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	40,812	29,667
Net equity	40,802	26,633
Liabilities	10	3,034
Profit and loss account	1999	1998
Production value	-	-
Production cost	(82)	(84)
Net financial income/(charges)	3	(243)
Extraordinary financial income/(charges)	-	-
Taxes	-	-
Loss	(79)	(327)

CINCA COMPANHIA INDUSTRIAL DE CERAMICA SA - PORTUGAL

A summary of the principal results and balance sheet items from the financial statements of Cinca Companhia Industrial de Ceramica at 31 December 1999 and 1998 is provided below (in millions of Lire):

Balance sheet	1999	1998
Assets	93,264	92,948
Net equity	40,607	67,790
Liabilities	52,657	25,158
Profit and loss account	1999	1998
Production value	90,981	87,492
Production cost	(74,381)	(79,535)
Net financial income/(charges)	(1,863)	(2,547)
Extraordinary financial income/(charges)	-	-
Taxes	(5,754)	(1,292)
Profit	8,982	4,119

Cinca Companhia Industrial de Ceramica closed the financial year with a profit of Portuguese Escudos 930 million (Portuguese Escudos 427 million in 1998), equal to about Lire 8,982 million (Lire 4,119 million in 1998).

The 1999 turnover was about Portuguese Escudos 9.5 billion (Portuguese Escudos 9.1 billion in 1998), equal to about Lire 92 billion, of which 52 percent was in the Portuguese market, 46 percent in other European markets (of which 12 percent in France and 10 percent in Germany) and the residual 2% in other countries outside Europe.

The Cinca operation has allowed the Ricchetti Group to complete the range of products it offers and to enter into a market such as the Portuguese one, that has a high level of pro-capita consumption of tiles and for which a positive future growth rate is foreseen, both in terms of the ceramic sector and the economy in general.

The drop in net equity value is due to the merger between Cinca and Servimarketing which took place during the financial year.

COTTO ARENA S.R.L.

Cotto Arena S.r.l. markets ceramic products with the Stilgres and Tilegres brands.

A summary of the principal results and balance sheet items from the financial statements of Cotto Arena S.r.l. at 31 December 1999 and 1998 is given below (in millions of Lire):

Balance sheet	1999	1998
Assets	22,672	21,586
Net equity	(20)	79
Liabilities	22,692	21,507
Profit and loss account	1999	1998
Production value	13,997	15,532
Production cost	(14,595)	(16,504)
Net financial income/(charges)	(81)	58
Extraordinary financial income/(charges)	616	(13)
Taxes	(36)	(34)
Loss	(99)	(961)

Cotto Arena S.r.l. closed the financial year with a loss of Lire 99 million against a loss of about Lire 961 million in 1998.

The 1999 turnover was equal to about Lire 14,343 million (Lire 14,554 million at 31 December 1998); 67% of the sales were made abroad (62% in 1998) and of the remaining about 33% (38% in 1998) were in Italy.

In the month of November the company subscribed to a closing and winding-up transaction of all the disputes in progress with the company Stilgres and Tilegres, both in an arrangement with creditors, deriving from a rental of a business branch and administration contract, signed in 1993 and ceased in 1996.

The elimination of all outstanding balances, both debit and credit, resulted in debits to the profit and loss account of extraordinary charges of about Lire 1.5 billion and a credit to extraordinary income of about Lire 2.1 billion, giving a positive balance of about Lire 600 million.

The transaction established, moreover, payment of the amount agreed over a period of eighteen months.

In 2000, the share capital will be reconstituted.

TILENET S.R.L.

In the month of January 2000, the company changed its name from Ceramiche Arena S.r.l. to Tilenet S.r.l. with the primary strategic objective of developing electronic marketing of our product.

A summary of the principal results and balance sheet items from the financial statements of Tilenet S.r.l. at 31 October 1999 and 1998 is given below (in millions of Lire):

Balance sheet	1999	1998
Assets	1,225	1,173
Net equity	1,163	1,161
Liabilities	62	12
Profit and loss account	1999	1998
Production value	--	--
Production cost	(35)	(14)
Net financial income/(charges)	16	(6)
Extraordinary financial income/(charges)	49	1
Taxes	(3)	--
Profit/(Loss)	27	(19)

Tilenet S.r.l. closed the financial year with a profit of Lire 27 million against a loss of about Lire 19 million in 1998.

The company was engaged in the management of shareholdings during the financial year; in particular the company has the controlling interest (99.5%) in Monoforte Industria Ceramica S.r.l. and a holding equal to 25% in T.C. S.r.l.

[GRES 2000 S.R.L.](#)

Grès 2000 S.r.l. carries out work on ceramic materials for third parties, in particular tile smoothing and cutting services.

A summary of the principal results and balance sheet items from the financial statements of Grès 2000 S.r.l. at 31 December 1999 and 1998 is given below (in millions of Lire):

Balance sheet	1999	1998
Assets	8,359	11,032
Net equity	2,295	1,848
Liabilities	6,064	9,184
Profit and loss account	1999	1998
Production value	13,311	15,123
Production cost	(12,593)	(14,013)
Net financial income/(charges)	(109)	(233)
Extraordinary financial income/(charges)	(3)	--
Taxes	(160)	(331)
Profit	446	546

Grès 2000 S.r.l. closed the financial year with a profit of Lire 446 million compared with a profit of about Lire 546 million in 1998.

The 1999 turnover was about Lire 13.3 billion, of which about 78% were to the Parent Company, Gruppo Ceramiche Ricchetti S.p.A.

LA GENERALE SERVIZI S.R.L.

A summary of the principal results and balance sheet items from the financial statements of L.G.S. – La Generale Servizi S.r.l. at 31 December 1999 and 1998 is given below (in millions of Lire):

Balance sheet	1999	1998
Assets	11,601	980
Net equity	(242)	(18)
Liabilities	11,843	998
Profit and loss account	1999	1998
Production value	443	2,947
Production cost	(693)	(3,980)
Net financial income/(charges)	(117)	(445)
Extraordinary financial income/(charges)	24	80
Taxes	--	(20)
Loss	(343)	(1,418)

L.G.S. La Generale Servizi S.r.l. closed the financial year with a loss of Lire 343 million against a loss of about Lire 1,418 million in 1998.

The company, after having completed, in the course of the first half-year, all the extraordinary operations arising from the termination of the production activities, which took place in 1998, changed its name from RBZ S.r.l. to La Generale Servizi S.r.l. and altered its Articles of Association so as to become a service company especially for services to Group companies. The services include administration, marketing, research and development, production planning, commercial and supplies, logistics, car hire and co-ordination of Group companies.

During the month of April 2000, the company was re-capitalised by an amount of Lire 340 million.

CASA REALE CERAMIC INC.

The commercial company, Casa Reale Ceramic Inc., has its head office in Grand Prairie - Dallas U.S.A., and distributes the ceramic products of the Group.

A summary of the principal results and balance sheet items from the financial statements of Casa Reale Ceramic Inc. at 31 December 1999 and 1998 is given below (in millions of Lire):

Balance sheet	1999	1998
Assets	1,985	937
Net equity	441	188
Liabilities	1,544	749
Profit and loss account	1999	1998
Production value	4,332	1,667
Production cost	(4,075)	(1,695)
Net financial income/(charges)	(16)	-
Extraordinary financial income/(charges)	-	-
Taxes	(31)	-
Profit/(Loss)	210	(28)

Casa Reale Ceramic Inc. closed the financial year with a profit of about US\$ 115 thousand, equal to about Lire 210 million , against a loss of US\$ 17 thousand in 1998, equal to about Lire 28 million.

BELLEGGROVE CERAMICS PLC.

In England, the commercial company, Bellegrave Ceramics Plc., based in Dartford (London), is, for both volumes and image, the leading United Kingdom distributor of ceramic products with a local market share of about 15 percent.

A summary of the principal results and balance sheet items from the financial statements of Bellegrave Ceramics Plc. at 31 December 1999 and 1998 (in millions of Lire):

Balance sheet	1999	1998
Assets	61,379	61,060
Net equity	15,903	14,689
Liabilities	45,476	46,371
Profit and loss account	1999	1998
Production value	105,442	119,803
Production cost	(104,586)	(116,806)
Net financial income/(charges)	(1,454)	(1,760)
Extraordinary financial income/(charges)	-	(3,018)
Taxes	-	338
Loss	(598)	(1,442)

Bellegrave Ceramics Plc closed the financial year with a loss of £ 203 thousand (a loss of £ 501 thousand in 1998), equal to about Lire 598 million.

The reduction in turnover is mainly due to the discontinuation of the sanitary-ware range, agreed with Laufen last spring, and to our main customer's decision to purchase some product lines directly from two English suppliers.

This customer, which accounted for about 63% of the turnover, imposes a transparency policy upon our company in connection with purchase price and all other supplier accessory conditions, in such a manner as to make recovery of profitability difficult, other than through measures such as cost-cutting or increasing the turnover.

The on-cost margin, agreed in an annual contract, and the change in product mix of items sold has not allowed us to cover the distribution costs in a situation, in which turnover has been constantly decreasing over the past few months.

In the last few weeks contacts have been made to modify the commercial agreements with the main customers that should permit us to improve the contribution margins through a net price policy, which will make the situation of strong competition with the English competitors more transparent. The strategic plan for a fast return to profitability foresees the concentration of finished product storage at two sites instead of the present four, with consequent natural reductions in inventory values and structural fixed costs. The appointment of a new marketing director must result in the development of those independent distribution sectors that, for the type of product dealt with, are more appropriate to our medium-high level producer characteristics. Following the resignation of the managing director, the company management is temporarily in the hands of the directors of the Italian Parent Company, guaranteeing a continuous presence that should complete and implement the short and medium-term strategy.

TRANSACTIONS WITH SUBSIDIARY COMPANIES, HOLDING COMPANY, ASSOCIATED COMPANIES AND SUBSIDIARIES OF THE HOLDING COMPANY

As previously shown, during the course of the 1999 financial years, there were commercial and financial transactions were held between Group companies, as detailed below (in millions of Lire):

	Revenues from sales and services	Cost of purchases and services	Financial and other income	Financial and other charges
Gruppo Ceramiche Ricchetti S.p.A.	30,697	13,866	1,578	187
Cinca SA - Portugal	7,988	1,851		
CC Höganäs Byggkeramik AB - Sweden	5,105	13,499		160
OY Pukkila AB - Finland	6,954	8,635	387	
Höganäs Byggkeramik AS - Norway	9	5,009		68
Evers AS - Denmark	652	4,616		
Klingenberg GmbH - Germany	5,209	1,230		
Höganäs Céramiques SA France	8	2,059		
Ricchetti Ceramic Inc. - U.S.A.	2,252			
United Tiles SA - Luxembourg				47
C.F.C. SA - Luxembourg			47	
Bellegrove Ceramics Plc.		8,173		
Casa Reale Ceramic Inc.		1,961		
Cotto Arena S.r.l.	95	9,259		
Tilenet S.r.l.		1		
Monoforte Ind. Ceramiche S.r.l.		1		
Grès 2000 S.r.l.	11,008	24		
La Generale Servizi S.r.l.	407			

Income from sales and services relate to the sales of ceramic tiles by the Parent Company and by the foreign manufacturing companies, and the income of some foreign subsidiary companies is for commissions arising from agency agreements existing between the Parent Company and the former.

The cost relating to purchase of goods and services refers to tile purchases, smoothing and cutting services for our materials and commissions arising from agency agreements existing between the Parent Company and some subsidiary companies.

With regard to financial income the amount of Lire 1,578 million is for a dividend Lire of 327 million distributed by the subsidiary Höganäs Céramiques France SA, and a dividend payable to the Parent Company of Lire 1,250 million from Evers, subject to approval of its financial statements for the 1999 financial year.

The companies included in the scope of the consolidation have maintained commercial transactions for the purchase of goods and services with the following subsidiaries of our holding company, Fincisa S.p.A. :

	Revenues from sales and services	Cost of purchases and services	Financial and other charges	Financial and other income	Extraordinary income
Fincisa S.p.A.		410	49		
C.I.S.F. Ceramiche Ind.li di Sassuolo e Fiorano S.p.A.	204	5,182	67		
Ravenna Mill S.p.A.	444	1,927			
Kabaca		0		67	
Beni Immobili S.p.A.	50	8		4	800
Eurofinanziaria S.p.A.	13	0		17	
Vanguard Ceramiche S.r.l.	4	1			
Target S.r.l.	58	2,023			
Mythos S.r.l.	268	2,251			
Top Campionature S.r.l.	26	1,544			
Adesital S.p.A.	100	1,260		58	
Total	1,167	14,606	116	146	800

The cost of purchases goods and services, in the case of the affiliated company, Ceramiche Industriali di Sassuolo e Fiorano S.p.A., amount to Lire 2,440 million for the rent of a business, and Lire 2,742 million for the purchase of finished product. In relation to Target S.r.l., Mythos S.r.l. and Top Campionature S.r.l., the costs relate to outside production of both decor and the arrangement of sampling. With regard To Ravenna Mill, the costs relate to the purchase of raw materials for glazes. The cost changed by Fincisa S.p.A. relates to services provided.

All the above-mentioned transactions were at current market conditions and prices.

With regard to financial income the amount relative to Kabaca refers to interest receivable on bonds issued by that company, while, with regard to Adesital S.p.A., the amount refers to a dividend distributed during the course of the financial year.

The extraordinary income relates to the transaction of closing and winding-up of all the disputes in progress with the Stilgres and Tilegres companies, as previously described.

With regard to the net equity transactions existing at the end of the financial year, and to financial transactions with affiliated businesses, you should refer to the details in the explanatory notes.

OWN SHARES

At a Shareholders' Meeting held on 11/12/1997 the Board of Directors was authorised to establish electronic trading operations in own shares through authorised intermediary companies. At a Shareholders' Meeting held on 21 June 1999 the renewal, for a further 18 months, of the above-mentioned authorisation was approved.

At 31 December 1999, as a result of the acquisition of 2,285,000 shares and sale of 417,500 shares during the period, a balance of 2,020,000 own shares, with a nominal value of Lire 500 each, is recorded in the financial statements at a cost equal to Lire 4,214 million, which is lower than the market value at the end of the financial year.

A net equity reserve of the same amount has been established against the own shares.

RESEARCH AND DEVELOPMENT

The research and development function is aimed at continuous innovation of production processes, for the purpose of adopting new technologies and optimising production cycles, as well as monitoring the market and consequent development of new products to enrich and renew the range of business merchandise.

For this purpose the Group, which occasionally avails itself of the assistance of the professional services of external organisations, utilises internal structures that include, amongst others, a modern chemistry laboratory equipped with all the necessary apparatus. The latter also has a pilot plant with which it is possible to reproduce, on a reduced scale, the industrial production of the various lines.

SHAREHOLDINGS OF THE DIRECTORS, THE STATUTORY AUDITORS AND THE MANAGING DIRECTORS

Family name and name	Company	Number of shares held at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current financial year
Renzo Arletti	Gruppo Ceramiche Ricchetti S.p.A.	60,000	40,000	100,000	-
Oscar Zannoni	Gruppo Ceramiche Ricchetti S.p.A.	100,000		100,000	-
Nedo Brogi	Gruppo Ceramiche Ricchetti S.p.A.	50,000		50,000	-
Antonio Camellini	Gruppo Ceramiche Ricchetti S.p.A.	18,750	31,250		50,000
Loredana Panzani	Gruppo Ceramiche Ricchetti S.p.A.		50,000		50,000
Gaetano Zaccarelli	Gruppo Ceramiche Ricchetti S.p.A.	2,500	2,500	5,000	-
Giuseppe Zannoni	Gruppo Ceramiche Ricchetti S.p.A.	200,000	250,000	450,000	-

SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

With the exception of the details given above in relation to the subsidiary Bellegrave Ceramics Plc., no significant events have occurred after the closing of the financial year.

EXPECTED BUSINESS TREND

In 2000, the sales achieved by the various brands of our company are showing a positive trend compared to that of the previous financial year, with an increase close to 2%.

Our company is experiencing an important period of integration following the merger, which should lead to greater specialisation and autonomy of the various commercial brands through a retraining of the respective sales forces, from a point of view of product type differentiation and greater market recognition.

With reference to the production type a process of research for the development of products with greater added value particularly within the porcelain range, is in progress, in preparation for the important Cersaie exhibition.

The northern European markets are again showing further growth, thus favouring the development of our foreign subsidiaries, particularly in Sweden and in Finland.

The complex situation of our English subsidiary, Bellegrave, remains to be resolved. We are dedicating the professional resources of the Group to this matter as well as appointing a new marketing director with proven experience in the market sectors with greater evolution.

The operating profit of the Group, also supported by the considerable contribution of our Portuguese subsidiary, Cinca, is estimated to increase with respect to 1999. This is notwithstanding some extraordinary restructuring costs, as foreseen in the strategic plan drawn up following the merger of the two companies Group Ceramiche Ricchetti and Industrie Ceramiche Cisa Cerdisa, which were incurred in the first few months of this year.

Fiorano, 26 May 2000

For the Board of Directors
The Chairman
Cav. del Lav. Oscar Zannoni

**ATTACHMENT TO THE DIRECTORS' REPORT TO THE
CONSOLIDATED FINANCIAL STATEMENTS AT
31/12/1999 COMPARED TO THE PRO FORMA
STATEMENTS AT 31/12/1998**

CONSOLIDATED BALANCE SHEET - ASSETS	31/12/1999	31/12/1998 PROFORMA
Subscribed capital unpaid		
Non-current assets		
Intangible assets		
Formation, start-up and similar costs	3,641,918,341	2,180,523,392
Research, development and advertising costs		189,346,541
Patents and intellectual property rights	1,083,690,813	1,628,103,386
Concessions, licences, trademarks and similar rights	1,181,159,339	1,379,411,933
Goodwill	4,137,647,572	
Goodwill on consolidation	31,502,131,496	37,815,976,646
Other intangible assets	2,540,655,890	2,937,514,959
Total intangible assets	44,087,203,452	46,130,876,857
Tangible assets		
Land and buildings	145,089,151,607	135,822,454,591
Plant and machinery	107,141,143,396	114,870,624,224
Industrial equipment	13,531,685,390	12,089,659,576
Assets under construction and payments on account	1,221,839,173	916,537,246
Total tangible assets	266,983,819,566	263,699,275,637
Financial assets		
Investments in:		
subsidiaries	72,435,555	105,633,392
associated companies	6,565,152,025	7,301,289,134
other companies	2,372,177,550	2,371,160,712
	9,009,765,130	9,778,083,238
Receivables:		
other receivables	3,087,757,141	2,996,913,039
Other securities	12,382,534,433	1,267,264,163
Total Financial assets	24,480,056,704	14,042,260,440
Total Fixed assets	335,551,079,720	323,872,412,934

CONSOLIDATED BALANCE SHEET - ASSETS	31/12/1999	31/12/1998 PROFORMA
Current assets		
Inventories		
Raw materials, supplies consumable stores and merchandise	18,278,011,850	19,614,518,299
Work in progress and semi-finished products	5,041,243,533	6,260,661,668
Finished products and merchandise	204,158,450,002	179,048,128,313
Payments on account	70,329,310	137,909,113
Total Inventories	227.548.034.695	205.061.217.393
Accounts receivable		
From customers		
- due within 12 months	180,910,318,976	172,105,249,302
- due after 12 months	2,923,180,283	
Total	183.833.499.259	172,105,249,302
From subsidiaries		
- due within 12 months		90,000,000
- due after 12 months		
Total		90,000,000
From associated companies		
- due within 12 months	131,326,023	105,750,000
- due after 12 months		
Total	131,326,023	105,750,000
From parent company and its subsidiaries		
- due within 12 months	2,547,581,634	4,287,891,638
- due after 12 months		
Total	2,547,581,634	4,287,891,638
From others		
- due within 12 months	11,035,680,337	15,032,905,498
- due after 12 months	3,738,321,473	3,757,168,563
Total	14,774,001,810	18,790,074,061
Total Accounts receivable	201,286,408,726	195,378,965,001
Current financial assets		
Own shares	4,214,373,946	219,714,460
<i>(Nominal value)</i>	<i>1,010,000,000</i>	<i>76,250,000</i>
Other securities	321,420,820	6,634,269,848
Total current financial assets	4.535.794.766	6.853.984.308
Cash and cash equivalents		
Cash and cash equivalents	58,093,951,126	44,368,270,711
Cheques	63,779,532	108,380,441
Cash and cash equivalents on hand	188,215,726	657,878,268
Total Cash and cash equivalents	58.345.946.384	45.134.529.420
Total current assets	491,716,184,570	452,428,696,122
D) Prepayments and accrued income		
Miscellaneous	2,809,120,391	2,427,389,888
Total prepayments and accrued income	2,809,120,391	2,427,389,888
TOTAL ASSETS	830,076,384,682	778,728,498,944

CONSOLIDATED BALANCE SHEET - LIABILITIES	31/12/1999	31/12/1998 PROFORMA
Net equity		
Share capital	88,875,000,000	88,875,000,000
Share premium reserve	57,679,978,976	57,679,978,976
Revaluation reserve	17,731,578,026	9,195,521,300
Legal reserve	1,242,675,244	789,800,589
Own share reserves	4,214,373,946	219,714,460
Other reserves	77,301,603,102	84,810,844,999
Foreign exchange reserve	-3,912,875,638	-7,064,408,829
Profit for the year	11,153,844,338	13,507,643,871
Minorities' shareholdings of capital and reserves	689,782,755	714,640,266
Total net equity	254,975,960,749	248,728,735,632
Provisions for liabilities and charges		
Provision for retirement benefits and similar obligations	9,773,377,617	9,173,034,596
Provision for taxation	11,549,789,181	11,930,794,942
Other provisions	1,200,797,076	2,032,472,517
Total provisions for liabilities and charges	22,523,963,874	23,136,302,055
Provision for staff termination pay	33,470,814,985	32,050,197,974
Payables		
Bonds		
- due within 12 months	5,061,866,000	14,478,316,115
- due after 12 months		5,000,000,000
Total	5,061,866,000	19,478,316,115
Payable to banks		
- due within 12 months	89,702,461,719	89,665,352,581
- due after 12 months	193,334,593,018	107,412,529,567
Total	283,037,054,737	197,077,882,148
Payable to other financial institutions		
- due within 12 months	1,099,852,994	1,220,008,397
- due after 12 months	2,149,010,224	2,668,803,879
Total	3,248,863,218	3,888,812,276
Payments received on account		
- due within 12 months	181,454,901	82,953,310
- due after 12 months		
Total	181,454,901	82,953,310
Accounts payable to suppliers		
- due within 12 months	157,446,978,939	163,281,890,563
- due after 12 months	1,850,000,000	1,391,938,778
Total	159,296,978,939	164,673,829,341
Accounts payable to associated companies		
- due within 12 months	985,999,807	2,714,481,322
- due after 12 months		
Total	985,999,807	2,714,481,322

CONSOLIDATED BALANCE SHEET - LIABILITIES	31/12/1999	31/12/1998 PROFORMA
Payables to parent company and its subsidiaries		
- due within 12 months	15,184,834,772	6,444,625,409
- due after 12 months		
Total	15,184,834,772	6,444,625,409
Tax payable		
- due within 12 months	19,839,747,265	12,525,865,116
- due after 12 months		303,976,000
Total	19,839,747,265	12,829,841,116
Payables to social security institutions		
- due within 12 months	7,121,500,222	7,644,314,240
- due after 12 months		
Total	7,121,500,222	7,644,314,240
Other payables		
- due within 12 months	22,937,603,821	58,103,952,417
- due after 12 months		
Total	22,937,603,821	58,103,952,417
Total payables	516,895,903,682	472,939,007,694
Deferred income and accrued charges		
Miscellaneous	2,209,741,391	1,874,255,589
Total deferred income and accrued charges	2,209,741,391	1,874,255,589
TOTAL LIABILITIES	830,076,384,682	778,728,498,944

CONSOLIDATED MEMORANDUM ACCOUNTS	31/12/1999	31/12/1998 PRO FORMA
Guarantees, pledges and mortgages	9,880,841,618	24,908,815,897
Contingent liabilities	16,713,205,258	13,098,880,000
TOTAL MEMORANDUM ACCOUNTS	26,594,046,877	38,007,695,897

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/1999	31/12/1998 PROFORMA
Value of production		
Revenues from sales and services	712,902,531,600	737,901,644,345
Change in inventories of work in progress, semi-finished and finished products	12,273,157,234	(22,763,898,986)
Additions to fixed assets from internal work	118,445,480	270,999,413
Other income:		
- miscellaneous	6,708,543,360	12,721,207,341
Total value of production	732,002,677,674	728,129,952,113
Cost of production		
Purchases of raw materials, supplies, consumables stores and merchandise	263,619,394,575	262,535,319,913
Services	171,423,794,442	166,794,834,566
Rents and similar costs	10,245,288,473	12,905,034,218
Payroll costs		
a) Salaries and wages	132,340,716,387	132,384,564,224
b) Social security	39,483,921,563	41,749,392,489
c) Staff termination pay	6,476,188,960	6,115,286,659
d) Retirement benefits and similar obligations	2,602,764,803	705,026,155
e) Other costs	1,409,753,786	1,884,307,375
Total	182,313,345,498	182,838,576,902
Amortisation, depreciation and write-downs		
Amortisation of intangible assets	9,582,682,595	7,233,333,485
Depreciation of fixed assets	41,226,090,355	39,434,851,551
Other non-current assets write-downs	1,582,701,736	
Bad debt write-downs of accounts receivable and write-downs of cash and cash equivalents	1,289,834,785	1,068,405,922
Total	53,681,309,472	47,736,590,958
Changes in inventories of raw materials, supplies, consumable stores and merchandise	(7,174,366,376)	242,751,134
Provisions for risks	22,447,374	202,094,000
Other provisions	229,856,439	155,629,410
Miscellaneous operating costs	7,233,739,004	7,904,428,176
Total cost of production	681,594,808,900	681,315,259,277
Operating profit	50,407,868,774	46,814,692,836
Financial income and charges		
Income from shareholdings	57,922,752	300,888,481
Other financial income:		
a) from non-current receivables	97,495,676	1,792,607,199
b) from non-current securities	77,407,635	79,367,284
c) from current securities	396,607,538	1,489,784,606
d) income other than above:		
- associated companies	3,517,274	
- others	4,517,644,111	9,491,174,744
Total financial income	5,150,594,986	13,153,822,314

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/1999	31/12/1998 PROFORMA
Interest and other financial charges:		
- to associated companies		
- to parent company and their subsidiaries	(116,839,835)	
- other	(26,184,746,693)	(33,713,859,123)
Total financial charges	(26,301,586,528)	(33,713,859,123)
Total financial income and charges	(21,150,991,542)	(20,560,036,809)
Adjustments to financial assets		
Write-ups of shareholdings		12,835,000
Write-downs of shareholdings	(435,204,000)	(584,599,638)
Total adjustments to financial assets	(435,204,000)	(571,764,638)
Extraordinary income and charges		
Income:		
- surplus from sales	19,733,656	1,626,036,568
- miscellaneous	2,379,932,562	140,194,032
Total	2,399,666,218	1,766,230,600
Charges:		
- losses on sales	68,260,946	452,230,101
- previous years' taxation	360,256,639	219,658,731
- miscellaneous	1,847,118,600	2,842,973,277
Total	2,275,636,185	3,514,862,109
Total extraordinary income and charges	124,030,033	(1,748,631,509)
Profit before taxes	28,945,703,264	23,934,259,880
Income taxes for the year	17,580,408,615	10,322,215,256
Profit for the year including minority interests	11,365,294,650	13,612,044,624
Profit for the year pertaining to minority interests	211,450,312	104,400,753
Net profit for the year	11,153,844,338	13,507,643,871

PROFIT AND LOSS ACCOUNT

The principle items in the consolidated profit and loss account, compared with the corresponding figures shown in the 1998 pro forma consolidated financial statements, are analysed and detailed below:

REVENUES FROM SALES AND SERVICES

The breakdown of revenues, by geographic area is as follows (in millions of Lire):

	31/12/1999	31/12/1998 pro forma	Changes
Italy	144,059	151,949	(7.890)
Abroad	568,843	585,953	(17.110)
Total	712.902	737,902	(25.000)

The 1999 revenues from sales and services show a reduction equal to about 3% with respect to 1998. This reduction is, in part, due to the exclusion of the subsidiary, Techimex NV, from the scope of the consolidation, and the remainder due to a fall in turnover principally that of the English subsidiary, Bellegrave Plc, and the Parent Company, only partially compensated by the increase in turnover deriving from the acquisition of Optiroc by the Swedish subsidiary.

OTHER INCOME

Other income principally includes contingent assets and various cost recoveries, surpluses on sales of assets, rent received, insurance reimbursements and allowances, compensation for damages and other ordinary revenues.

The change with respect to the previous year is almost entirely due to the capital gains arising from the sales of assets by Industrie Ceramiche Cisa Cerdisa during 1998.

PRODUCTION COSTS

Balance at 31/12/1999	Lire/ml	681,595
Balance at 31/12/1998 pro forma	Lire/ml	681,315
Changes	Lire/ml	280

The details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Raw and subsidiary materials,merchandise	263,619	262,535	1.084
Services	171,424	166,795	4,629
Rental, leasing and similar costs	10,245	12,905	(2.660)
Salaries and wages	132,341	132,385	(44)
Social security	39,484	41,749	(2.265)
Staff termination pay	6,476	6,115	361
Retirement benefits and similar	2,603	705	1.898
Other personnel costs	1,410	1,884	(474)
Amortisation of intangible assets	9,583	7,233	2.350
Depreciation of tangible assets	41,226	39,435	1.791
Other intangible asset write-downs	1,583		1,583
Bad debts expense on accounts receivable	1,290	1,069	221
Change in raw materials inventories	(7,174)	243	(7,417)
Provisions for liabilities	22	202	(180)
Other provisions	230	156	74
Miscellaneous operating costs	7,234	7,904	(670)
Total	681,595	681,315	280

Purchase of merchandise and finished products include those ceramic products marketed outside the Group and construction materials for laying tiles carried out by some foreign subsidiaries.

The slight increase is due to two opposing phenomena, or rather, to the contraction in sales volumes and an increase in purchases owing to the acquisition of Optiroc and the continuing change in product mix because of the Parent Company's orientation to porcelain stoneware production.

COST OF SERVICES

Details of the costs of services follow:

Description	31/12/1999	31/12/1998 pro forma	Changes
Energy	40,391	43,642	(3.251)
Outsourcing	18,887	17,320	1.567
Commissions and incidental costs	22,017	21,372	645
Maintenance and repairs	20,035	18,224	1,811
Transport on sales	20,075	16,285	3.790
Insurance	2,523	2,970	(447)
Fairs and exhibitions	2,993	3,108	(115)
Customer incentives	742	3,033	(2.291)
Marketing and advertising expenses	10,485	6,190	4.295
Directors' compensation	2,807	3,492	(685)
Statutory auditors compensation	455	494	(39)
Admin., marketing and tech. consultancy	8,057	9,419	(1,362)
Travelling expenses	5,937	5,657	280
Post, telegraph, and telephones	4,287	4,064	223
Other sundry	11,733	11,525	208
Total	171.424	166.795	4,629

The reduction in energy costs derives, substantially, from the reduction in the prices of methane and electricity during the year.

The cost increase in transport relating to sales was due, mainly, to the increased turnover deriving from the acquisition of Optiroc by the Swedish subsidiary.

Advertising and marketing costs went up in relationship to the fall in customer incentive expenses, in consideration of the fact that, commencing from the 1999 financial year, the Parent Company reduced expenditure on the organisation of meetings and travel offered to customers, concentrating largely on more traditional advertising (i.e. press).

RENTS, LEASING AND SIMILAR COSTS

This heading principally includes the business rent payable by the Parent Company to the affiliated companies Ceramiche Industriali di Casalgrande S.p.A. and Ceramiche Industriali di Sassuolo e Fiorano S.p.A. This heading also includes rents paid by some subsidiaries for their business premises as well as showrooms rentals, again by foreign subsidiaries.

The reduction with respect to the 1998 figure derives mainly from the fact that the business rental contract with Ceramiche Industriali di Sassuolo e Fiorano S.p.A. was revised, leading to cost savings of about Lire 2 billion.

PAYROLL COSTS

This item covers the entire employee payroll cost, including merit increases, job changes, contingency costs and holiday pay accrued according to the provisions of the laws of the national labour contracts, according to the prevailing laws in each country. This heading does not show any significant change.

AMORTISATION OF INTANGIBLE ASSETS

Amortisation is calculated on the basis of the residual useful economic life of the asset. The increase in amortisation results from the additional intangible assets recorded as a merger effect, as well as the amortisation of the goodwill paid by the Swedish subsidiary on the acquisition of the Optiroc sales network.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation is calculated on the basis of the residual useful economic life of the asset.

OTHER WRITE-DOWNS OF INTANGIBLE ASSETS

This write-down became necessary following the redefinition of the value of goodwill of the subsidiary, Bellegrave Ceramics Plc., as described in the explanatory notes to the consolidated financial statements, to which you should refer.

WRITE-DOWNS OF CUSTOMER ACCOUNTS RECEIVABLE AND CASH AND CASH EQUIVALENTS:

This item includes a write-down of Lire 1,290 million booked to reduce the accounts receivable to their presumed realisable value.

MISCELLANEOUS OPERATING COSTS

This item is substantially in line with the 1998 figure.

Miscellaneous operating costs principally include charges sustained for income and other taxes (ICI, Invim, refuse tax, non-deductible I.V.A., stamp duties, etc.) of about Lire 3,433 million. Also included are losses on sales of assets and on accounts receivable totalling about Lire 1,213 million.

FINANCIAL INCOME AND CHARGES

Balance at 31/12/1999	Lire/ml	(21,151)
Balance at 31/12/1998 pro forma	Lire/ml	(20,560)
Changes	Lire/ml	(591)

The profit and loss account effect of financial and treasury management can be shown as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Income from shareholdings	58	301	(243)
From non-current loans	97	1,793	(1,696)
From non-current securities	77	79	(2)
From current securities	397	1,490	(1,093)
Income other than above	4,522	9,491	(4,969)
(Interest and other financial charges)	(26,301)	(33,714)	7,413
Total	(21,151)	(20,560)	(591)

INCOME FROM SHAREHOLDINGS

The detail is as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Dividends and tax credits Gruppo Ceramiche Ricchetti S.p.A.		220	(220)
Dividends and tax credits Adesital S.p.A.	58	49	9
Dividends and tax credits from others		32	(32)
Total	58	301	(243)

INCOME FROM NON-CURRENT RECEIVABLES AND SECURITIES

Details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
<i>Holding company and its subsidiaries</i>			
Fincisa S.p.A.		1,284	(1,284)
Kabaca S.r.l.	67	62	5
B.I. Beni Immobili S.p.A.	4	395	(391)
<i>Other businesses</i>			
Interest on severance pay advances	93	52	41
Other	10	79	(69)
Total	174	1,872	(1,698)

The reduction in income deriving from non-current receivables is due to the repayment of a loan made last year to the holding company, Fincisa S.p.A. by Industrie Ceramiche Cisa Cerdisa S.p.A. An amount of Lire 93 million refers to the revaluation of a receivable for staff termination pay advances made by the Parent Company and Italian subsidiaries.

OTHER FINANCIAL INCOME

Details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Income on sale of own shares	390	944	(554)
Income from security sales	7	5,156	(5,149)
Interest from banks and post office	1,337	1,635	(298)
Interest from customers	220	372	(152)
Positive exchange differences	2,129	2,081	48
Other sundry	836	793	43
Total	4.919	10.981	(6.062)

The decrease is principally due to profits realised during 1998 amounting to about Lire 4.6 billion following security negotiations carried out by Industrie Ceramiche Cisa Cerdisa S.p.A. Other financial income included under this heading has not changed significantly.

INTEREST AND OTHER FINANCIAL CHARGES

Details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
<i>Paid to the holding company and its subsidiaries:</i>	116	-	116
Fincisa S.p.A.	49		49
CISF Ceramiche Ind.li Sassuolo e Fiorano	67		67
<i>Others</i>	26,195	33,714	(7.519)
Interest on mortgages and loans	7,522	11,453	(3.931)
Interest on bonds	1,623	3,152	(1.529)
Interest on current bank accounts	3,613	3,695	(82)
Losses on sales of treasury shares	0	2,535	(2.535)
Losses on sale of securities	247		247
Negative exchange differences	2,046	2,158	(112)
Bonuses payable	8,925	9,440	(515)
Other financial charges	2,209	1,281	928
Total	26,301	33,714	(7.413)

The financial charges payable to Fincisa S.p.A. and C.I.S.F. Ceramiche Industriali di Sassuolo e Fiorano derive from two interest-bearing loans shown in the financial statements at Lire 4 billion and Lire 7.3 billion, respectively, made to the subsidiary La Generale Servizi S.r.l.

The reduction in financial charges with respect to the 1998 figure is due principally to the reduction of charges for medium-long term financing (about Lire 4 billion) as a result of obtaining new financing in Italy at advantageous interest rates.

In addition, as a result of repaying Lire 12 billion of bonds there is a reduction of the interest burden in this respect, and in losses on sales of securities, which in 1998 were about Lire 2.5 billion.

ADJUSTMENTS TO FINANCIAL ASSETS

Balance at 31/12/1999	Lire/ml	(435)
Balance at 31/12/1998 pro forma	Lire/ml	(572)
Changes	Lire/ml	137

The effect deriving from the valuation of shareholdings in non-consolidated subsidiaries and associated companies using the net equity method is classified under this item.

Details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Write-ups of shareholdings		13	(13)
Write-downs of shareholdings	(435)	(585)	150
Total	(435)	(572)	137

EXTRAORDINARY INCOME AND CHARGES

Balance at 31/12/1999	Lire/ml	124
Balance at 31/12/1998 pro forma	Lire/ml	(1,749)
Changes	Lire/ml	1,873

EXTRAORDINARY INCOME AND CHARGES

Details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Extraordinary income			
Stilgres Tilegres legal action	2,121		2,121
Capital gains from sales of assets	20	1,626	(1,606)
Use of provision for plant reconstruction			
Gains on contingent assets	79	129	(50)
Other various		11	(11)
Capital grants as per Law 140/97	180		180
Total	2,400	1,766	634
Extraordinary charges			
Previous years' taxation	(358)	(220)	(138)
Stilgres Tilegres legal action	(1,456)		(1,456)
Settlement Lovenskiold legal action	(382)		(382)
Undistributed profits on the date of acquisition of Bellegrave Ceramics Plc and Cinca SA		(2,771)	2,771
Losses on sales of assets	(68)	(452)	384
Other various	(12)	(72)	60
Total	(2,276)	(3,515)	1,239
Total net	124	(1,749)	1,873

The change in extraordinary income is due to two contrary effects, or rather a reduction of extraordinary gains from sales of assets which were higher in 1998 together with a strong increase in gains in contingent assets in 1999, due mainly (about Lire 2.1 billion) to the legal action regarding Stilgres Tilegres concluded by the subsidiary, Cotto Arena,.

With regard to extraordinary charges, notwithstanding the impact of costs for the Stilgres Tilegres legal action of about Lire 1.4 billion, the reduction results from the attribution in the preceding year of the minorities' share of profits at the date of acquisition for the subsidiaries, Cinca SA (about Lire 2.141 million) and Bellegrave Plc (about Lire 630 million).

INCOME TAXES ON PROFIT FOR THE YEAR

Balance at 31/12/1999	Lire/ml	17,580
Balance at 31/12/1998 pro forma	Lire/ml	10,322
Changes	Lire/ml	7,258

Details are as follows:

Description	31/12/1999	31/12/1998	pro forma	Changes
I.R.P.E.G. (National corporation tax)	6,673		1,200	5,473
I.R.A.P. (Regional corporation tax)	5,947		5,183	764
Taxes on foreign subsidiaries' profits	6,055		2,696	3.359
Deferred taxation (prepaid)	(1,095)		1,243	(2,338)
Total	17,580		10,322	7,258

The increase in the tax burden can be explained in the light of the following considerations:

Corporate taxes: the increase is due to the fact that Industrie Ceramiche Cisa Cerdisa S.p.A. suffered a fiscal loss for 1998 which obviously resulted in a smaller consolidated tax burden.

Taxes on foreign subsidiaries' profits: about Lire 5.7 billion of the significant increase comes from the Portuguese subsidiary (Cinca SA) which almost tripled its profit.

Prepaid taxes: with respect to the preceding year, the consolidated result was beneficially affected by the net prepaid taxes of Lire 1,095 million mainly resulting from deductible deferred costs..

In connection with changes affecting balance sheet items, relative to Inventories, Customer accounts receivable Cash and cash equivalents and indebtedness in general, the following information is given:

INVENTORIES

Details are as follows:

Description	31/12/1999	31/12/1998	pro forma	Changes
Raw materials, supplies and consumables	18,278		19,614	(1.336)
Work in progress and semi-finished products	5,041		6,261	(1.220)
Finished products and merchandise	204,159		179,048	25.111
Payments on account	70		138	(68)
Total	227.548		205.061	22.487

The increase in inventories relates to the Parent Company, both for the greater quantities in stock at the end of the accounting period and to the increase in value associated with the different productive-mix, ever more oriented towards porcelain stonework and towards the production of special parts. The remaining increase can be attributed to the greater quantity of stock held by the foreign subsidiaries.

ACCOUNTS RECEIVABLE FROM CUSTOMERS

The increase in accounts receivable is, to a large degree, related to the Optiroc operation (about Lire 4 billion) which, with the increase in sales in Sweden, caused a consequential increase in the customers receivables.

RECEIVABLES FROM HOLDING COMPANY AND ITS SUBSIDIARIES

Details are as follows:

Description	31/12/1999	31/12/1998 pro forma	Changes
Fincisa S.p.A.	1,627	5	1,621
B.I. Beni Immobili	610	990	(380)
Target S.r.l.	37	15	22
Mythos S.r.l.	50	31	19
CISF Ceramiche Ind. Sassuolo Fiorano	164	3,186	(3022)
Kabaca S.r.l.	59	61	(2)
Total	2.547	4.283	(1.736)

OTHER RECEIVABLES

Other accounts receivable are detailed below (in millions of Lire):

Description	31/12/1999	31/12/1998 pro forma	Changes
Receivables from the National Treasury for:			
V.A.T.	3,540	2,169	1,371
IRPEG/ IRAP and other income taxes	1,699	7,163	(5,464)
Prepaid taxes receivable	488		488
Receivable from Social Security Institutions	118	190	(72)
Receivable from employees	445	29	416
Receivables from suppliers	1,995	2,284	(289)
Other receivables	2,750	3,198	(448)
Total of other receivables collectable within the following accounting period	11,036	15.033	(3,997)
V.A.T. receivable from the State Treasury	396	241	155
Receivable from the State Treasury for IRPEG	2,004	817	1,187
Receivable from employees	52		52
Cautionary deposits	1,194	1,137	57
Other receivables	92	1,562	(1,470)
Total of other receivables collectable after the following accounting period	3,738	3,757	(19)
Total of other receivables	14,774	18,790	(4,016)

CASH AND CASH EQUIVALENTS

Details are as follows (in millions of Lire):

Description	31/12/1999	31/12/1998 pro forma	Changes
Bank deposits and post office accounts	58,094	44,368	13.726
Cheques	64	109	(45)
Cash and other effects on hand	188	658	(470)
Total	58.346	45.135	13.211

The increase in available funds is related to new funding at the end of the financial year.

PAYABLES TO BANKS

Description	31/12/1999	31/12/1998 pro forma	Changes
Overdrafts	15,785	19,138	(3.353)
Export finance	10,257	6,092	4.165
Short term loans	30,065	11,000	19.065
Mortgage payments due	33,595	53,435	(19.840)
Total debt due within accounting period	89,702	89.665	37
Long term portion due within 5 years	178,165	81,067	97.098
Long term portion due after 5 years	15,170	26,346	(11.176)
Total debt due after accounting period	193,335	107,413	85.922
Total bank debt	283,037	197,078	85.959

Bank debt did not show a significant shift in comparison to the debt maturing within 12 months; a significant increase in medium term debt did, on the contrary, occur. This increase can be explained as follows:

Italy: the total owing to banks due beyond 12 months in Italy is equal to about Lire 148 billion (as compared to about Lire 94 billion in 1998), the increase is due to new loans under more favourable conditions than those obtained on the loans repaid during the year and on those already existing;

Abroad: the residual part of the increase owing to banks beyond 12 months is attributable to foreign businesses, and in particular to the Portuguese subsidiary Cinca, in order to meet the Laufen residual debt payment, to the Swedish subsidiary CC Hoganas for the acquisition of Optiroc, and, finally to the Finnish subsidiary Pukkila AB for the purchase of industrial buildings for its business.

ACCOUNTS PAYABLE TO SUPPLIERS

The slight decrease of the balance payable to suppliers can be linked to the decrease in the cost of production.

Description	31/12/1999	31/12/1998 pro forma	Changes
Payable due within 12 months	157,447	163,282	(5.835)
Payables due after 12 months	1,850	1,392	458
Total	159,297	164.674	(5,377)

TAXES PAYABLE

The heading "Taxes payable" represents the total indebtedness of all consolidated companies to the State Treasury, as defined below (in millions of Lire):

Description	31/12/1999	31/12/1998 pro forma	Changes
State treasury for current taxes	9,951	2,387	7,564
State treasury for IRPEF	5,954	5,194	760
State treasury for V.A.T.	2,756	3,522	(766)
Other payables to the State treasury	1,178	1,727	(549)
Total	19,839	12.830	7,009

The increase is related both to the fact that in 1998 the merged company ICCS suffered a fiscal loss (and consequentially, did not have a liability for IRPEG), as well as to the increase in taxes payable by the subsidiary, Cinca SA, due to the year's improved results.

OTHER PAYABLES

The amount of other payables is composed of (in millions of Lire):

Description	31/12/1999	31/12/1998 pro forma	Changes
Payable to employees	15,016	14,696	320
Payables to customers for credit notes and others	6,953	7,208	(255)
Payables for the acquisition of shareholdings		29,793	(29,793)
Payables to Stilgres Tilegres		4,771	(4,771)
Payables to bondholders		422	(422)
Payables for directors emoluments		234	(234)
Other minor	969	980	(11)
Total of other payables	22.938	58.104	(3.791)

The reduction of "Other payables" is basically due to the extinction of a loan to purchase a shareholding (about Lire 29.8 billion) referenced to the exchange-rate value in Lire of the residual instalment payments for the purchase of the Bellegrove Ceramics Plc and Cinca Sa shareholdings.

OTHER INFORMATION

PERSONNEL

On 31 December 1999 the Group had 2,762 employees, with a decrease of 196 with respect to the preceding accounting period.

The breakdown per category is shown in the table below:

	Workers	Office	Management	Total
Employees 31/12/1999	1,907	793	62	2.762
Employees 31/12/1998 pro forma	2,057	819	82	2,958
Changes	(150)	(26)	(20)	(196)

Fiorano 26 May 2000

For the Board of Directors
The Chairman
Cav. del Lav. Oscar Zannoni

CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/1999

(in lire)

CONSOLIDATED BALANCE SHEET - ASSETS	31/12/1999	31/12/1998
Subscribed capital unpaid		
Non-current assets		
Intangible assets		
Formation, start-up and similar costs	3,641,918,341	2,131,072,252
Research, development and advertising costs		189,346,541
Patents and intellectual property rights	1,083,690,813	1,132,212,193
Concessions, licences, trademarks and similar rights	1,181,159,339	
Goodwill	4,137,647,572	
Goodwill on consolidation	31,502,131,496	30,718,350,512
Other intangible assets	2,540,655,890	2,568,980,624
Total intangible assets	44,087,203,452	36,739,962,122
Tangible assets		
Land and buildings	145,089,151,607	58,810,496,357
Plant and machinery	107,141,143,396	43,352,382,368
Industrial equipment	2,705,216,437	1,471,945,903
Other fixed assets	10,826,468,953	3,627,446,392
Assets under construction and payments on account	1,221,839,173	856,537,246
Total tangible assets	266,983,819,566	108,118,808,266
Financial assets		
Investments in:		
subsidiaries	72,435,555	72,435,555
associated companies	6,565,152,025	2,604,356,986
other companies	2,372,177,550	3,880,378,715
	9,009,765,130	6,557,171,256
Receivables:		
other receivables	3,087,757,141	862,526,329
Other securities	12,382,534,433	142,264,163
Total financial assets	24,480,056,704	7,561,961,748
Total fixed assets	335,551,079,720	152,420,732,136

CONSOLIDATED BALANCE SHEET - ASSETS	31/12/1999	31/12/1998
Current assets		
Inventories		
Raw Materials, supplies and consumable stores	18,278,011,850	13,192,931,738
Work in progress and semi-finished products	5,041,243,533	2,964,231,199
Finished products and merchandise	204,158,450,002	65,382,189,641
Payments on account	70,329,310	76,145,113
Total Inventories	227,548,034,695	81,615,497,691
Accounts receivable		
From customers		
- due within 12 months	180,910,318,976	67,084,482,968
- due after 12 months	2,923,180,283	
Total	183,833,499,259	67,084,482,968
From associated companies		
- due within 12 months	131,326,023	
- due after 12 months		
Total	131,326,023	
From parent company and its subsidiaries		
- due within 12 months	2,547,581,634	1,297,689,722
- due after 12 months		
Total	2,547,581,634	1,297,689,722
From others		
- due within 12 months	11,035,680,337	7,768,673,657
- due after 12 months	3,738,321,473	1,888,638,561
Total	14,774,001,810	9,657,312,218
Total Accounts Receivable	201,286,408,726	78,039,484,908
Current financial assets		
Own shares	4,214,373,946	219,714,460
<i>(Nominal value)</i>	<i>1,010,000,000</i>	<i>76,250,000</i>
Other securities	321,420,820	6,507,029,528
Total current financial assets	4,535,794,766	6,726,743,988
Cash and cash equivalents		
Cash at bank and post office	58,093,951,126	12,649,172,787
Cheques	63,779,532	60,389,947
Cash and cash equivalents on hand	188,215,726	615,426,032
Total cash and cash equivalents	58,345,946,384	13,324,988,766
Total current assets	491,716,184,570	179,706,715,353
D) Prepayments and accrued income		
Miscellaneous	2,809,120,391	1,397,092,282
Total prepayments and accrued income	2,809,120,391	1,397,092,282
TOTAL ASSETS	830,076,384,682	333,524,539,771

CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES	31/12/1999	31/12/1998
Net equity		
Share Capital	88,875,000,000	49,875,000,000
Share premium reserve	57,679,978,976	57,679,978,976
Revaluation reserve	17,731,578,026	490,521,300
Legal reserve	1,242,675,244	789,800,589
Own share reserve	4,214,373,946	219,714,460
Other reserves	77,301,603,102	40,954,601,157
Foreign exchange reserve	-3,912,875,638	-6,807,148,832
Profit for the year	11,153,844,338	11,019,652,281
Minority shareholdings	689,782,755	4,377,993,876
Total net equity	254,975,960,749	158,600,113,807
Provisions for liabilities and charges		
Provision for retirement benefits and similar obligations	9,773,377,617	5,339,111,305
Provision for taxation	11,549,789,181	1,531,866,616
Other provisions	1,200,797,076	1,341,277,410
Total provisions for liabilities and charges	22,523,963,874	8,212,255,331
Provision for staff termination pay	33,470,814,985	9,562,960,652
Payables		
Bonds		
- due within 12 months	5,061,866,000	2,416,450,115
- due after 12 months		
Total	5,061,866,000	2,416,450,115
Payables to banks		
- due within 12 months	89,702,461,719	35,970,813,895
- due after 12 months	193,334,593,018	28,406,961,743
Total	283,037,054,737	64,377,775,638
Payables to other financial institutions		
- due within 12 months	1,099,852,994	
- due after 12 months	2,149,010,224	
Total	3,248,863,218	
Payments received on account		
- due within 12 months	181,454,901	26,334,340
- due after 12 months		
Total	181,454,901	26,334,340
Accounts payable to suppliers		
- due within 12 months	157,446,978,939	48,127,535,670
- due after 12 months	1,850,000,000	1,391,938,778
Total	159,296,978,939	49,519,474,448
Accounts payable to associated companies		
- within 12 months	985,999,807	
- after 12 months		
Total	985,999,807	

CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES	31/12/1999	31/12/1998
Payables to parent company and its subsidiaries		
- due within 12 months	15,184,834,772	3,756,244,409
- due after 12 months		
Total	15,184,834,772	3,756,244,409
Tax payable		
- due within 12 months	19,839,747,265	6,434,854,534
- due after 12 months		
Total	19,839,747,265	6,434,854,534
Payables to social security institutions		
- due within 12 months	7,121,500,222	3,366,087,432
- due after 12 months		
Total	7,121,500,222	3,366,087,432
Other payables		
- due within 12 months	22,937,603,821	26,729,328,013
- due after 12 months		
Total	22,937,603,821	26,729,328,013
Total payables	516,895,903,682	156,626,548,929
Accrued charges and deferred income		
Miscellaneous	2,209,741,391	522,661,054
Total accrued charges and deferred income	2,209,741,391	522,661,054
TOTAL LIABILITIES	830,076,384,682	333,524,539,771

CONSOLIDATED MEMORANDUM ACCOUNTS	31/12/1999	31/12/1998
Guarantees, pledges and mortgages	9,880,841,618	18,120,007,143
Contingent liabilities	16,713,205,258	13,098,880,000
TOTAL MEMORANDUM ACCOUNTS	26,594,046,877	31,218,887,143

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/1999	31/12/1998
Value of production		
Revenues from sales and services	712,902,531,600	336,338,117,558
Change in inventories of work in progress, semi-finished and finished products	12,273,157,234	4,404,097,401
Additions to fixed assets from internal work	118,445,480	270,999,413
Other income:		
- miscellaneous	6,708,543,360	3,292,333,041
Total value of production	732,002,677,674	344,305,547,413
Cost of production		
Purchases of raw materials, supplies, consumable stores and merchandise	263,619,394,575	109,951,418,243
Services	171,423,794,442	81,423,517,957
Rents, leasing and similar costs	10,245,288,473	7,209,406,078
Payroll costs		
a) Salaries and wages	132,340,716,387	67,082,805,077
b) Social security	39,483,921,563	19,703,739,383
c) Staff termination pay	6,476,188,960	1,793,957,742
d) Retirement benefits and similar obligations	2,602,764,803	293,531,608
e) Other costs	1,409,753,786	1,840,794,560
Total	182,313,345,498	90,714,828,370
Amortisation, depreciation and write-downs		
Amortisation of intangible assets	9,582,682,595	6,279,522,440
Depreciation of fixed assets	41,226,090,355	17,727,848,864
Other non-current asset write-downs	1,582,701,736	
Bad debt write-downs of accounts receivable and write-downs of cash and cash equivalents	1,289,834,785	588,880,722
Total	53,681,309,472	24,596,252,026
Changes in inventories of raw materials, supplies, consumable stores and merchandise	(7,174,366,376)	308,915,817
Provisions for liabilities and charges	22,447,374	202,094,000
Other provisions	229,856,439	155,629,410
Miscellaneous operating costs	7,233,739,004	2,089,100,758
Total production cost	681,594,808,900	316,651,162,659
Operating profit	50,407,868,774	27,654,384,754
Financial income and charges		
Income from shareholding	57,922,752	17,780,507
Other financial income:		
a) from non-current receivables	97,495,676	
b) from non-current securities	77,407,635	13,346,737
c) from current securities	396,607,538	1,158,881,156
d) income other than the above:		
- from associated companies	3,517,274	
- others	4,517,644,111	2,823,358,203
Total financial income	5,150,594,986	4,013,366,603

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/1999	31/12/1998
Interest and other financial charges:		
- to parent company and its subsidiaries	-116,839,835	
- other	-26,184,746,693	-12,134,033,545
Total financial charges	-26,301,586,528	-12,134,033,545
Total financial income and charges	-21,150,991,542	-8,120,666,942
Adjustments to financial assets		
Write-ups of shareholdings		
Write-downs of shareholdings	-435,204,000	-169,882,845
Total adjustments to financial assets	-435,204,000	-169,882,845
Extraordinary income and charges		
Income:		
- surplus from sales of assets	19,733,656	
- miscellaneous	2,379,932,562	-
Total	2,399,666,218	-
Charges		
- losses on sales of assets	68,260,946	
- previous years' taxation	360,256,639	
- miscellaneous	1,847,118,600	2,141,436,458
Total	2,275,636,185	2,141,436,458
Total extraordinary income and charges	124,030,033	-2,141,436,458
Profit before taxes	28,945,703,264	17,222,398,509
Income taxes for the year	17,580,408,615	6,086,142,739
Profit for the year including minority interests	11,365,294,650	11,136,255,770
Profit for the year pertaining to minority interests	211,450,312	116,603,489
Net profit for the year	11,153,844,338	11,019,652,281

Fiorano 26 May 2000

For the Board of Directors
The Chairman
Cav. del Lav. Oscar Zannoni

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

THE STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the 1999 financial year have been prepared in accordance with the provisions of Law Decree no 127/91.

In 1999 Gruppo Ceramiche Ricchetti S.p.A. concluded a merger with Industrie Ceramiche Cisa Cerdisa S.p.A.; the method of the merger operation and the related effects are illustrated in these notes to the accounts in the items "Important events which took place during the course of the financial year" and "Net equity".

The consolidated financial statements were prepared on the basis of the financial statements of the Parent Company and of the subsidiary companies at 31 December 1999, approved by the Shareholders Meeting of these companies. These financial statements were reclassified and, if necessary modified and adjusted to conform to the accounting principles of the Group and to remove items of a purely fiscal nature.

The figures from the 1998 financial statements, appropriately reclassified, have been shown for comparative purposes. Such figures refer to the consolidated financial statements of Gruppo Ceramiche Ricchetti S.p.A. only, excluding, consequently, the effects deriving from the merger with Industrie Ceramiche Cisa Cerdisa S.p.A.

Nevertheless, pro forma consolidated figures for 1998 that include the effects of the above-mentioned merger, are compared with the 1999 consolidated financial statements in an attachment to the Directors' Report that forms part of these statements, in order to provide an adequate view of the effect of the merger on the Group' overall activities.

In the cases where financial statements of consolidated companies had not yet been approved at the respective Shareholders' Meetings at the time the consolidated financial statements were prepared, their draft financial statements, approved by the respective Boards of Directors, were utilised.

Moreover, for a better understanding the following have been included: a cash flow statement, a schedule of the changes in the net equity accounts and a reconciliation between net equity and the results for the financial year of the Parent Company's financial statements and those of the consolidated financial statements.

With respect to Consob's communication no. 98083971 of 26 October 1998 no. 98083971, consolidated financial statements for the 1999 financial year, expressed in thousands of EURO, have also been provided.

GROUP ACTIVITIES AND STRUCTURE

The companies making up the Group operate exclusively in the industrial manufacture and sale of ceramic floors and wall coverings and the accessory materials for laying ceramic tiles.

The consolidated financial statements include the financial statements of the Parent Company, Gruppo Ceramiche Ricchetti S.p.A. and those companies in which the Parent Company holds, directly or indirectly the majority of the voting rights.

The Parent Company is, in turn, controlled by Fincisa S.p.A., which has its registered office in Sassuolo (Modena), Via Mazzini, 340 and a fully paid-up share capital of Lire 9,129,987,500.

The companies consolidated at 31 December 1999 are listed below:

Name	Registered Office	% held 1998	% held 1999	Share capital 31/12/1999	
				Currency	Value
Gruppo Ceramiche Ricchetti Spa	Italy		Holding	Lire	88,875,000,000
Tilenet S.r.l.	Italy	--	99.75	Lire	20,000,000
Cotto Arena S.r.l.	Italy	--	99.00	Lire	100,000,000
La Generale Servizi S.r.l.	Italy	--	99.00	Lire	100,000,000
Grès 2000 S.r.l.	Italy	--	85.00	Lire	98,000,000
Monoforte Ind. Cer. S.r.l.	Italy	--	99.75	Lire	20,000,000
Bellegrove Ceramics Plc	England	--	100.00	GBP	2,000,000
Casa Reale Ceramic Inc.	USA	--	50.00	US\$	130,000
Ricchetti Ceramic Inc.	USA	100.00	100.00	US\$	900,000
Klingenberg Dekoramik GmbH	Germany	100.00	100.00	Dm	7,973,000
OY Pukkila AB	Finland	100.00	100.00	Fim	30,000,000
Kiinteistö Oy Pitkämäki Perusyhtiö	Finland	--	100.00	Fim	50,000
CC Höganäs Bygggeramik AB	Sweden	100.00	100.00	Swk	15,600,000
Höganäs Bygggeramik AS	Norway	100.00	100.00	Nok	6,000,000
Evers AS	Denmark	100.00	100.00	Dkr	3,300,000
Höganäs Céramiq, France SA	France	100.00	100.00	Fr.Fr.	1,000,000
Delefortrie SARL	France	100.00	100.00	Fr.F.	650,000
Techimex NV	Belgium	100.00	--		
United Tiles SA	Luxembourg	99.997	100.00	Lire	36,000,000,000
C,F,C, SA	Luxembourg	85.04	100.00	Lire	12,760,000,000
Servimarketing Lda	Portugal	98.20	--		
Cinca Companhia Industrial de Ceramica SA	Portugal	97.82	100.00	Esc	4,150,000

In 1999 there was a change in the scope of the consolidation, following the merger of Industrie Ceramiche Cisa Cerdisa as detailed in the paragraph "Important events which took place during the course of the financial year".

Moreover, during the course of the financial year, the holding in the Belgian subsidiary, Techimex NV, was sold and Servimarketing Lda was merged within Cinca SA.

The shareholdings in subsidiary companies excluded from the scope of the consolidation, whose respective financial statements showed individually and in aggregate immaterial values, and in associated companies in which the Group holds from 20 to 50 percent, were valued using the net equity method.

SIGNIFICANT EVENTS THAT TOOK PLACE DURING THE COURSE OF THE FINANCIAL YEAR

On 13 September 1999, an Extraordinary Meeting of Shareholders approved the merger of I.C.C.C. Industrie Ceramiche Cisa Cerdisa S.p.A. within Gruppo Ceramiche Ricchetti S.p.A.

The merger took place on the basis of the net equity restated to 31.03.1999 with the cancellation of the entire subscribed share capital of 3,000,000 shares, of a nominal value of Lire 10,000 each, of the merging company and their substitution by new shares of the merged company.

The merger resulted in the allotment to holders of shares of a nominal value of Lire 10,000 each in Industrie Ceramiche Cisa Cerdisa S.p.A. of 26 ordinary shares, of a nominal value of Lire 500 each, in the merged company Gruppo Ceramiche Ricchetti S.p.A. with rights from 1 January 1999, for every ordinary share held in Industrie Ceramiche Cisa Cerdisa S.p.A., without a cash settlement of balance.

The Extraordinary Shareholders' meeting of the merging company, Industrie Ceramiche Cisa Cerdisa S.p.A. held on 2 June 1998, approved an increase in share capital for a maximum of Lire 14,000,000,000, by issuing, in several allotments, a maximum of 1,400,000 ordinary shares of a nominal value of Lire 10,000 each, reserved exclusively for exercising the subscription facility due to holders of 4,000,000 "Ordinary Shares Warrants in Industrie Ceramiche Cisa Cerdisa S.p.A.", linked to the issue of 4,000,000 "Fincisa S.p.A. bonds 1998 – 2002 at variable interest rates with Industrie Ceramiche Cisa Cerdisa S.p.A. Warrants" The related issue terms accorded the holders of Industrie Ceramiche Cisa Cerdisa S.p.A. Warrants, the facility to subscribe, at any time commencing from 1 January 1999 and up to 31 August 2001, for 7 (seven) ordinary shares in Industrie Ceramiche Cisa Cerdisa S.p.A. of a nominal value of Lire 10,000 each for every 20 (twenty) warrants presented for conversion, against payment of Lire 28,575 per share, of which Lire 18,575 represents a premium.

As of today's date, none of the "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants" has been exercised. Holders of the said warrants, who exercise their subscription rights, will be assigned 26 shares in the merged company Gruppo Ceramiche Ricchetti S.p.A., with a nominal value of Lire 500 each, for every Industrie Ceramiche Cisa Cerdisa S.p.A. ordinary share due in terms of the aforesaid terms of issue and by effect of the financial year of the facility to subscribe. As foreseen by the previously mentioned terms, the shares thus assigned will have equal standing with those of the shares of Gruppo Ceramiche Ricchetti S.p.A. already in circulation at the date the warrant is exercised. This is provided that the warrant is not exercised prior to the date on which the merger agreement will have effect, in which case the shares assigned will have rights from the first day of the financial year of the merged company during which the merger agreement is effected.

To provide for the above-mentioned exchange transaction in relation to both the shareholders of the shares of the merged company in circulation and to the holders of the "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants", a Shareholders' Meeting of the merged company, Gruppo Ceramiche Ricchetti S.p.A. resolved, at the same time as approving the merger proposal, to increase the share capital by a maximum of Lire 57,200,000,000 (fifty seven billion-two hundred million) by issuing a maximum of 114,400,000 ordinary shares, of which:

- 78,000,000 shares, for the exchange of 3,000,000 Industrie Ceramiche Cisa Cerdisa S.p.A. shares representing the current subscribed share capital of the latter;
- 36,400,000 shares maximum to be reserved exclusively in favour of the holders of the 4,000,000 "Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants" linked at the time of issue, to 4,000,000 "Fincisa S.p.A. Bonds at variable interest rates 1998 – 2002 with Industrie Ceramiche Cisa Cerdisa S.p.A. Ordinary Share Warrants.

CONSOLIDATED ACCOUNTING PRINCIPLES

The consolidated financial statements of the company were prepared utilising the global integration (line-by-line) method. This consists of aggregating all the assets and liabilities of the Parent Company with those of the consolidated subsidiaries. The interests of minority shareholders are shown under a separate heading in net equity and in the profit and loss account.

The principle criteria adopted for the consolidation are the following:

The book value of the consolidated shareholdings was eliminated against the related net equity at the time of the first consolidation and the resulting differences, if negative, were attributed to a specific heading under consolidated net equity denominated "Consolidation reserve". The positive differences existing at the time of the first consolidation were attributed in the consolidated financial statements, where possible, to the asset items of the relevant company included in the consolidation, or, in past years, in the case where this goodwill would not be justified by future profitability, deducted from the consolidation reserve. The resulting residual difference is shown under assets as a "Goodwill on consolidation" that is amortised, using the straight-line method, over a period of ten years, being the period that it is considered reasonable that there will be future profitability.

The profits (or losses) arising after the first consolidation were charged in the consolidated balance sheet under the heading "Profits (losses) carried-forward" classified under "Other reserves".

The financial statements of foreign companies were translated into Italian Lire at the rate of exchange at the date of the financial statements for all assets and liabilities; profit and loss account items were translated using the average exchange rate for the year. In particular, the assets and liabilities of the financial statements of the foreign companies located in the Euro area were translated into Lire based on the "fixed exchange rate" defined at 31 December 1998. The exchange differences arising on the conversion of both net equity items from the exchange rates at the end of the previous year with respect to those in force at the end of the financial year, as well as that between the average exchange rates for the year and those at the end of the financial year for profit and loss account items, were attributed to the heading "Exchange Reserve" under consolidated net equity. The exchange rates utilised are the following:

Currency		Exchange rate average financial year 1999	Exchange rate 31- 12-1999
USA Dollar	US\$	1,818.46	1,927.21
German Mark	D.M.	989.999131	989.999131
Finnish Mark	FIM	325.657236	325.657236
Swedish Crown	SEK	220.04	225.85
Norwegian Crown	NOK	233.19	240.19
Danish Crown	DKr	260.57	260.02
Pound Sterling	GBP	2942.02	3110.47
French Franc	F.F.	295.182459	295.182459
Portuguese Escudo	PTE	9.658074	9.658074

Reciprocal balances of debit and credit, of costs and income, between consolidated companies and the effects of all transactions of major significance between these companies were eliminated.

REFERENCE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The data of reference of the consolidated financial statements does not differ from that of the closing of the financial statements of the companies included in the scope of the consolidation and is, as indicated, 31/12/1999.

ACCOUNTING PRINCIPLES

The principles utilised in the preparation the consolidated financial statements at 31 December 1999 were the same as those used for the consolidated financial statements of the previous year, in particular for valuations and for the continuity of the same principles.

The valuations were effected following general criteria of prudence and accrual, on an on-going business basis.

The more significant valuation criteria utilised in the preparation the consolidated financial statements and, where necessary, in restating the financial statements of each consolidated subsidiary are as follows:

INTANGIBLE FIXED ASSETS

The intangible fixed assets were valued using the historical cost criteria and subjected to direct amortisation for the amount reasonably chargeable for the financial year, in relation to their residual period of expected future economic use.

These refer to costs incurred that have a multi-year benefit and principally consist of the goodwill on consolidation that is amortised over a period of 10 years.

Goodwill is recorded when it is acquired for value and amortised over 10 financial years.

TANGIBLE FIXED ASSETS

The tangible fixed assets are accounted for at cost of acquisition or construction, inclusive of incidental expenses, and are shown net of the related provision for depreciation. Some of the tangible fixed assets were written-up in previous financial years, both due to the economic write-ups in 1992 in terms of Article 2425, last paragraph of the Civil Code, in the text in force prior to the changes made by Law Decree no. 197/91, as well as the write-up obligation for monetary realignment, provided by Law no. 41330 of December 1991. The value of some land and buildings, moreover, has been increased by a partial allocation of goodwill paid for the acquisition of quotas or shareholdings. These written-up values do not exceed, however, their estimated realisable value.

Depreciation is in equal annual amounts over the expected useful economic lives of the assets concerned.

The period of depreciation commences from the financial year in which the asset was first utilised.

The rates of depreciation that are applied by Group companies are as follows:

Buildings	4 - 6.5%
Plant & machinery	10 - 20%
Industrial and commercial equipment	20 - 40%
Other assets	10 - 33%

Maintenance and repair expenses are charged to the profit and loss account of the financial year in which they are sustained.

Expenses for improvements, modernisation and modifications that increase productivity or the useful live of the assets are capitalised.

FINANCIAL FIXED ASSETS

Shareholdings in non-consolidated subsidiaries and associated businesses are valued using the net equity method; shareholdings in other companies are valued at historic acquisition cost, eventually written-down if there is a permanent loss in value.

Long-term receivables are recorded at estimated realisable value.

Other securities are recorded at the lower of acquisition cost or subscription cost and estimated realisable value.

INVENTORIES

Inventories are valued at the lower of purchase or production cost, or the estimated realisable market value. Cost, including accessory costs, is calculated using an average weighted cost method.

The values thus determined are rectified taking into account the realisable value of raw materials and finished products of an obsolete or slow moving nature.

RECEIVABLES

Receivables are shown at their estimated realisable value.

NON-CURRENT FINANCIAL ASSETS

Own shares are recorded at the lower of purchase cost, including accessory costs, using the FIFO method and the estimated realisable market value.

Securities are recorded at the lower of cost and estimated realisable market value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are shown at nominal value and are not pledged or subject to restrictions.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are established to cover losses or other liabilities known to exist, which cannot be precisely stated at the date of the financial statements.

The provisions for pensions for some foreign companies are established according to local legal requirements for pension plans.

PROVISIONS FOR RETIREMENT BENEFITS AND SIMILAR OBLIGATIONS

This provision, which almost exclusively relates to the Parent Company, is constituted to cover the entire commitment to date towards all employees, in conformity with current legislation and the national labour contracts.

PAYABLES

Payables are shown at nominal value.

ACCRUALS AND PREPAYMENTS

Accrued income and charges, and prepayments and deferred income, are accounted for according to the period to which they refer and include accruals for several financial years.

CONVERSION OF ITEMS IN FOREIGN CURRENCIES

Receivables and payables other than Euro area are converted into Italian Lire using the rate of exchange on the date of the transaction. At the end of the financial year, outstanding assets or liabilities in foreign currencies are converted into Italian Lire at the rate applicable at balance sheet date and the net negative difference is charged to the profit and loss account and the provision for foreign exchange losses, included within the provisions for liabilities and charges. Net unrealised positive exchange differences are not accounted for in accordance with the principle of prudence.

RECOGNITION OF COSTS AND INCOME

Sales income is recorded on transfer of ownership, generally the date of delivery; income from services and income of a financial nature are recorded in the period to which they relate.

Costs are recorded in the period to which they relate.

TAXATION

Taxation on profits is provided based on an estimate of the amount due for the financial year according to the prevailing fiscal laws, taking into account the applicable exemptions and tax credits.

Deferred taxation and deferred tax credits, as well as anticipated taxation, are accounted for where applicable.

Deferred taxation, calculated according to prevailing tax rates, is based on the existing timing differences between amounts shown in the financial statements and the fiscal values. Such differences originate mainly from the costs and/or income which together result in the fiscal profit of a taxation period, which differs from that in which these items make up the profit and loss account. Deferred taxation payable is recorded in a provision classified under the provisions for liabilities and charges, existing or anticipated deferred tax credits are only accounted for when there is a reasonable certainty of the existence, in the financial years in which the deductible timing differences that resulted in recording them reverse, of a taxable income of not less than the amount of that difference. Credits for anticipated taxes are set-off against debts for deferred taxes when the law allows such compensation.

PLEDGES, GUARANTEES AND CONTINGENT LIABILITIES

Pledges and guarantees are detailed in the Memorandum Accounts at their contractual values.

Commitments that are certain or probable are included in the provision for commitments by amounts corresponding to best estimates of the value of these liabilities.

Commitments, for which there is only a contingent liability, are described in the notes to the accounts and are not covered by corresponding provisions.

DETAILS OF THE PRINCIPAL ITEMS IN THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The Directors' Report, to which you should refer, comments on the overall situation of the businesses included in the consolidated financial statements, on business progress and the relationships between Group companies. With regard to individual items of the financial statements, further information is provided below:

ASSETS

INTANGIBLE FIXED ASSETS

Changes in intangible fixed assets were as follows (in millions of Lire):

Description	Original cost	Accumul. Amort.	Balance at 31/12/1998	Change in scope of consolidation	Increases	Amort. and write-downs	Other movements	Balance at 31/12/1999
Formation, start-up and similar costs	4,020	(1,889)	2,131	57	2,805	(1,351)		3,642
Development, research and advertising costs	2,251	(2062)	189			(189)		-
Industrial patents and rights for intellectual property	4,603	(3,471)	1,132	500	800	(1,364)	16	1,084
Concessions licences brands and simil.	148	(148)	-	1,375		(194)		1,181
Goodwill					4,598	(448)	(12)	4,138
Goodwill on consolidation	40,580	(9,862)	30,718	7,157		(6,373)		31,502
Other	5,389	(2,820)	2,569	369	1,677	(1,246)	(829)	2,540
Total	56,991	(20,252)	36,739	9,458	9,881	(11,165)	(825)	44,087

The column "other movements" represents the effects deriving from foreign currency differences.

Formation, start-up and similar costs include costs sustained for increasing the share capital and other changes to the Memorandum and Articles of Association. These costs are amortised over a period of 5 financial years. The 1999 increase is principally related to the costs incurred by the Parent Company for the merger that took place during the financial year, and about Lire 700 million represent the costs sustained by the subsidiary Cinca SA for the merger with Servimarketing Lda that also took place during the financial year.

The heading "Other intangible fixed assets" principally represent the costs sustained by the Parent Company, during the course of the 1996 financial year, for the Stock Exchange flotation. These costs are amortised over a period of 5 years.

The increase for the year principally relates to the costs sustained by the Swedish subsidiary for the renewal of the "Lay-out" at the Optiroc sales points acquired during the course of the financial year (about Lire 1,070 million). These costs are amortised over a period of three years

In addition, this heading includes payment by the Norwegian subsidiary (about Lire 312 million) to Maxbo to obtain the rights for Ricchetti brand products at its sales points for a period of three years.

Commencing from the 2000 financial year, these costs will be amortised over the duration of these rights.

The heading "Goodwill" is the surplus amount paid by CC Höganäs Byggkeramik, Sweden, on the acquisition of a business branch from Optiroc in January 1999. This goodwill will be amortised over a period of ten years, considered appropriate for the same considerations that are valid for amortising the goodwill on consolidation.

Goodwill on consolidation represents the excess paid for the acquisition of a shareholding in a consolidated company over its net worth at the time of acquisition. This is amortised over a ten-year period considered adequate in relation to the reduced level of technical innovation in this product type.

Details, per consolidated company, are as follows (in millions of Lire):

	Balance at 31/12/1998	Increases changes in scope of consolidation	Amortisation and write-downs	Balance at 31/12/1999
Nuove Ceramiche Ricchetti S.p.A.	1,596		(228)	1,368
Klingenberg GmbH - Germany	234		(37)	197
Höganäs Byggkeramik AS - Norway	4,162		(648)	3,514
Evers AS - Denmark	1,754		(273)	1,481
CC Höganäs Byggkeramik AB - Sweden	6,165		(961)	5,204
OY Pukkila AB - Finland	1,971		(307)	1,664
Höganäs Céramiques SA - France	1,066		(154)	912
Cinca SA - Portugal	13,770		(1,450)	12,320
Bellegrave Ceramics Plc		7,052	(2,303)	4,749
Casa Reale Ceramic Inc.		105	(12)	93
Total	30,718	7,157	(6,373)	31,502

The Group has consolidated its productive and commercial presence in countries such as Sweden, Finland, Norway and Denmark through acquisitions where the subsidiaries have a significant market share varying between 20 to 30 percent. Moreover, through the subsidiary Klingenberg Dekoramik GmbH - Germany it was possible to consolidate the Group's presence in the most important European market.

An important step in the penetration of the Portuguese market was made in the last financial year with the acquisition of Cinca SA, which produces and sells a wide range of ceramic products, single-fired tiles, porcelain and clinker for floors and walls, this company is providing the hoped-for results.

The Group has consolidated its commercial presence in the United Kingdom through the Bellegrave Ceramics subsidiary that was acquired during the course of the 1998 financial year. The company has about a 15% share of the distributors' market in that country.

The value for the goodwill, agreed as the market share that our English company holds in the United Kingdom market, was prudently redefined in view of the drop in turnover that took place in the first part of this financial year. However, it is considered that there is the possibility of re-establishing that market share following the actions taken that are described in the paragraph relating to Bellegrave in the Directors' Report, to which you should refer.

The new Group structure offers further opportunities for increasing and completing the product range; in addition, the marketing and distribution network, which is already very widespread in the respective countries, has now been further consolidated.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the course of the financial year are shown in the following schedule (in millions of Lire):

Description	Gross value at 31/12/98	Change in scope of consolidation	Increases	Decreases	Other movements	Gross value at 31/12/99	Net value at 31/12/99
HISTORIC COST							
Land and building	112,400	120,683	14,410	(1,263)	2,514	248,744	145,089
Plant and machinery	195,708	219,122	20,894	(1,786)	1,278	435,216	107,141
Industrial and commercial equipment	4,373	3,454	1,072	(124)	57	8,832	2,705
Other assets	21,580	23,226	6,533	(5,164)	1,681	47,856	10,826
Assets under construction	857	60	729	(424)		1222	1,222
Total tangible fixed assets	334,918	366,545	43,638	(8,761)	5,530	741,870	266,983

The changes in the scope of consolidation shown above derive from the merger.

Description	Final value at 31/12/98	Change in scope of consolidation	Decreases	Deprec. and write-downs	Other movements	Final value at 31/12/99
DEPRECIATION PROVISION						
Land and buildings	53,590	42,781	(1,204)	7,799	689	103,655
Plant and machinery	152,356	148,494	(1,588)	27,824	989	328,075
Industrial and commercial equipment	2,901	2,134	(124)	1,179	37	6,127
Other assets	17,953	17,904	(4,498)	4,424	1,247	37,030
Total provision for depreciation	226,800	211,313	(7,414)	41,226	2,962	474,887

The column "Other movements" principally represents the effects deriving from foreign currency differences.

The increases for the financial year are investments that were considered necessary to implement maintenance programmes for production capacity.

In particular, the increase in "Land and buildings" was due, for the greater part, to completing acquisitions of the land and buildings within which the production activities of the Finnish subsidiary Pukkila are located, for an amount of Finnish marks 36 million, equal to about Lire 11.8 billion.

The increase in the "Plant and machinery" category is substantially for the Parent Company. It constitutes, in addition to physiological upgrading of plant and infrastructure and implementing maintenance programmes for existing production capacity, also includes the installation of a new "Grès" porcelain production line at the Maranello factory, updating some pollution control equipment and the introduction of new electrical automation plant.

No financial costs were charged to the increases in tangible fixed assets for the year.

The fixed assets of the Parent Company are encumbered by various grades of mortgages for a total amount of Lire 162,066 million against residual mortgage loans outstanding of Lire 50,546 million acquired for the merger that was effected during the financial year,

The tangible fixed assets of the Swedish subsidiary, moreover, are mortgaged for loans obtained by that company totalling Lire 16.7 billion.

In terms of Article 10 of Law no. 72/1983, the tangible fixed assets recorded in the consolidated financial statements at 31/12/1998 subjected to monetary write-ups and derogation in terms of the criteria of balance sheet valuation of Article 2425, paragraph III of the Civil Code (in millions of Lire) are listed below:

Description	Write-up L.72/83	Write-up economic	Write-up L.413/91	Total written-up
Land and buildings	4,149	9,375	21,688	35,212
Plant and machinery	607			607
Total	4,756	9,375	21,688	35,819

FINANCIAL FIXED ASSETS

SHAREHOLDINGS

The following summaries the changes in shareholdings (in millions of Lire):

	Value at 31/12/98	Change in scope of conso- lidation	Acquisitions	Sales	Other movements	Write- downs	Value at 31/12/99
Subsidiaries	72						72
Associated companies	2,604	4,321	102	(13)	(14)	(435)	6,565
Other businesses	3,880	1,739			(3,247)		2,372
Total	6,557	6,060	102	(13)	(3,261)	(435)	9,010

The column "Change in scope of consolidation" illustrates the effect deriving from the merger completed during the financial year. In particular, the increase in the value of "Associated companies" relates to the increased value of the shareholding in Adesital S.p.A. (Lire 1,567 million) in consequence of the further 16.02% holding of the merged company Industrie Ceramiche Cisa Cerdisa and the balance is due to the value of shareholdings in associated companies already held by Industrie Ceramiche Cisa Cerdisa prior to the merger,

The column "Other movements" shows in the "Other businesses" category, a reduction referring to the 15% shareholding held by United Tiles SA in Bellegrove Ceramics Plc, because the latter was consolidated integrally in the financial year.

SUBSIDIARY COMPANIES

The detail is as follows:

Name	Registered office	% held indirectly	Net equity valuation	Net worth per financial statements (millions)
Cinca Sa	France	100,00	43	43
Cinca Sa	Spain	100,00	29	29
Cinca GmbH	Germany	100,00	(234)	-
Total				72

The above-mentioned shareholdings are 100% directly controlled by Cinca. These are commercial companies carrying out a limited activity of marketing Cinca products.

The previously mentioned shareholdings were valued on the basis of the net equity method that resulted in Cinca GmbH raising a provision for commitments on the shareholdings for Lire 234 million, allocated within the provision for liabilities and charges.

ASSOCIATED COMPANIES

The details are as follows:

Name	Registered office	Share capital (Currency/ml)	Total net worth (Lire/ml)	Profit (Loss) (Lire/ml)	% held	Net equity valuation (Lire/ml)
Adesital S.p.A.	Modena	Lit/ml 2,000	3,052	48	36,62	3,995
IDB S.A.M.	Monte Carlo	FF/ml 5	1,434	(63)	33,12	475
Finmill S.r.l.	Bologna	Lit/ml 7,050	7,114	8	33,63	2,031
T.C. S.r.l.	Reggio Em.			25,00		-
TopCampionature	Modena	Lit/ml 20	(107)	(147)	30,00	-
Habita S.r.l.	Ravenna	Lit/ml 193,6	194	-	33,33	65
Total						6,566

The net equity and results for the financial year of foreign subsidiaries have been translated into Lire at the year-end exchange rate.

The financial statements figures refer to the last approved financial year ended at 31 December 1998.

OTHER BUSINESSES

The details are as follows:

Name	% held	Value financial statements (Lmillions)
Iatli S.p.A.	0.07	5
Modena Golf Country Club	0.01	72
Caaf dell'Industria Emilia Centrale	0.01	10
Group Elba S.p.A.	0.82	40
Finelba Ceramiche S.p.A.	9.97	1,400
La Guglia S.p.A.	1.34	109
Eurofinanziaria S.r.l.	0.33	10
San Valentino Lago S.r.l.	0.06	25
Mirabello 2000 S.p.A.	1.26	120
FinVolley S.r.l. in liquidation	7.262	0
SA Monthès l'Entrepot	5.00	29
Cincominas - Portugal	12.50	290
Other minor enterprises - Portugal	-	219
Other minor enterprises - Finland	-	32
Betre AB - Sweden	13.30	6
Other minor enterprises - Sweden	-	5
Total		2,372

OTHER RECEIVABLES

Other receivables shown in financial fixed assets concern the item "Due from the State Treasury" for Irpef tax withholdings on severance indemnities (TFR), effected in terms of Law no. 140 of 28/05/1997 by the Parent Company and by the Italian subsidiaries.

OTHER SECURITIES

Movements in the financial year are as follows: (in millions of Lire)

	Value at 31/12/1998	Resulting from merger	Increases	Other movements	Value at 31/12/1999
Other securities	142	1,125	11,111	5	12,383

The column "Resulting from merger" regards 1,125 convertible bonds, each with a nominal value of Lire 1,000,000, equal to a total nominal value of Lire 1,125 million. These bonds were issued by the associated company, Kabaca S.r.l. The bonds, which yield 6 percent annually, mature in 2027 and are reimbursable before that date. Such bonds have the right of conversion, commencing from the 1999 financial year, into Kabaca S.r.l. ordinary shares based on 1 share for every bond. At 31 December 1999 total interest receivable of Lire 67.5 million matured, which has been classified under the "Income from non-current financial receivables" in the profit and loss account.

The increase in the financial year regards a cash investment by the subsidiary L.G.S. La Generali Servizi S.r.l. of Lire 10 billion in Azimut funds and about Lire 1,074 million in shares quoted on the Italian Stock Exchange. As these are not short-term investments, it was correct to classify the latter under financial fixed assets.

The balance at the end of the financial year includes, in addition, about Lire 147 million of shares, pledged as guarantees, owned by the subsidiary Evers.

The column "other movements" represents the effects of foreign exchange differences.

INVENTORIES

Final inventories include (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Raw Materials, supplies and consumables	18,278	13,193	5,085
Work in progress and semi-finished products	5,041	2,964	2,077
Finished products and merchandise	204,159	65,382	138,777
Payments on account	70	76	(6)
Total	227,548	81,615	145,933

Inventories were valued, as was the case in the preceding financial year, on the weighted average cost method. The inventory of the Parent company, valued in its financial statements using the LIFO method commonly used in Italy, were included at that value in the consolidated financial statements, largely in line with international practice and as such utilised by the Group's foreign companies.

The valuation method adopted does not differ significantly from a current cost valuation.

The values are shown net of write-downs of obsolete or slow-moving raw material and finished products.

The inventory is not encumbered by pledges or other ownership restrictions.

The increased value is related to the merger, during the year, of Industrie Ceramiche Cisa Cerdisa S.p.A. In order to provide an analysis between comparable figures, an attachment to the Directors' Report on these consolidated financial statements gives a comparison between the 1999 consolidated figures and those for the pro forma consolidated financial statements at 31 December 1998, adjusted to show the effects of the merger.

RECEIVABLES

The amount of the receivables, equal to a total of Lire 201,286 million (Lire 78,039 million at 31 December 1998), net of the related provision for bad debts, is the estimated net realisable value.

In particular the breakdown of the value reported above shows the following details (in millions of Lire):

ACCOUNTS RECEIVABLE FROM CUSTOMERS

	31/12/1999	31/12/1998	Changes
Receivables from customers	190,503	71,698	118,805
Provision for bad debts	(6,670)	(4,614)	(2,056)
Total customers - net	183,833	67,084	116,749

The following shows the movements in the provision for bad debts:

Movements	Lire Millions
Balance at 31-12-1998	4,614
Change in the scope of consolidation	1,957
Used in the financial year	(1,389)
Provided in the financial year	1,449
Effect of exchange rates changes	39
Balance at 31-12-1999	6,670

The increase in customer accounts receivable is related to the merger of Industrie Ceramiche Cisa Cerdisa S.p.A. during the financial year. Reference should be made to the Directors' Report for comparative figures.

RECEIVABLES FROM SUBSIDIARIES

The details are as follows:

Description	31/12/1999	31/12/1998	Changes
T.C. S.r.l.	105,750,000		105,750,000
Top Campionature S.r.l.	25,323,722		25,323,722
Adesital S.p.A.	252,301		252,301
Total	131,326,023	-	131,326,023

Receivables from associated companies result from commercial transactions concluded at normal market conditions and are due within 12 months.

RECEIVABLES FROM THE PARENT COMPANY AND ITS SUBSIDIARIES

The details are as follows:

Description	31/12/1999	31/12/1998	Changes
Ind. Ceramiche Cisa Cerdisa Spa		333,698,040	(333,698,040)
Bellegrave Ceramics Plc		963,991,682	(963,991,682)
Fincisa S.p.A.	1,627,479,000		1,627,479,000
B.I. Beni Immobili	610,002,500		610,002,500
Target S.r.l.	37,093,428		37,093,428
Mythos S.r.l.	49,861,211		49,861,211
CISF Ceram. Ind. Sassuolo Fiorano	164,082,995		164,082,995
Kabaca S.r.l.	59,062,500		59,062,500
Total	2,547,581,634	1,297,689,722	1,249,891,912

The receivable from Fincisa S.p.A. derives from the cession of an I.V.A. receivable forming part of a Group I.V.A. (Value Added Tax) settlement. The compensation method was abandoned at the end of the 1999 financial year.

The receivable from Kabaca S.r.l. refers to interest accrued on bonds previously held by the merged company, Industrie Ceramiche Cisa Cerdisa S.p.A., that is payable on the closing date of the financial year.

Receivables from the other subsidiary companies that are due to the Parent Company result from commercial transactions concluded at normal market conditions and are due within 12 months.

OTHER RECEIVABLES

Other receivables are detailed below (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Receivable from State Treasury for:			
I.V.A.	3,540	1,601	1,939
IRPEG/ IRAP and other income taxes	1,699	3,531	(1,832)
Receivables for anticipated taxes	488		488
Receivables from Social Security Institutions	118	13	105
Receivables from employees	445	29	416
Receivables from suppliers	1,995	219	1,776
Other receivables	2,750	2,376	374
Total other receivable due within the next financial year	11,036	7,769	3,267
Receivable from State for I.V.A.	396	241	155
Receivable from State for IRPEG	2,004	893	1,111
Receivable from employees	52	8	44
Cautionary deposits	1,194	721	473
Other receivables	92	26	66
Total other receivables due after the next financial year	3,738	1,889	1,849
Total other receivables	14,774	9,658	5,116

Other receivables include, in general terms, receivables from suppliers for deposits, receivables from personnel, cautionary deposits and receivables from the State Treasury. The effect of the merger has also partly influenced this heading of the financial statements. In particular, the following are highlighted:

I.V.A. (Value Added Tax) receivables from the State Treasury: this is the amount outstanding at the end of the financial year and carried-forward for compensation in the next financial year. A request for reimbursement of the amount owing for over 12 months, together with accrued interest, was made in preceding financial years.

Irpeg and other income tax receivables from the State Treasury: the balance owing for over 12 months is substantially composed of the amount paid in the 1998 financial year by the merged company Industrie Ceramiche Cisa Cerdisa S.p.A. This was a provisional payment of about Lire 767 million for the tax due in terms of Art. 15 of Law 602/73 for assessments received for the 1990 and 1992 fiscal periods. This figure also includes the payment by Gruppo Ceramiche Ricchetti S.p.A. in the 1996 financial year of a provisional amount of about Lire 768 million for the tax due in terms of Art. 15 of Law 602/73 for an assessment received during the course 1995. These assessments are described in the paragraph "Provisions for liabilities and charges", to which reference should be made.

During the course of the financial year advance payments for Irpeg alone totalled Lire 2,587 million; these payments were deducted from the total Irpeg payable of Lire 5,725 million, shown under the heading "Taxes payable". Compensation was effected, moreover, by utilising about Lire 1,690 million that was equal to the Irpeg receivable from the preceding financial year, and about Lire 775 million being tax credits ceded by the subsidiaries by the holding companies Fincisa S.p.A., Sic S.p.A., Finanziaria Nordica and the merged company I.C.C.C. Finally, the remaining part of such tax credits was utilised to meet the advance payments for Irpeg.

Receivables for anticipated taxation: these are receivables resulting from part of the write-downs of the subsidiaries Bellegrove Ceramics Plc and United Tiles considered non-deductible.

Receivables from suppliers: Lire 743 million represents advance payments to suppliers made for normal business activities and Lire 1,063 million represents credits to be received for energy consumption discounts and other minor items.

Receivables from personnel: relates to the amount paid for regional additions on payroll costs during the course of the financial year.

Cautionary deposits: these are deposits paid in terms of certain contracts, in particular for electricity supplies.

Sundry receivables include, besides, up-dated actuarial estimates relating to pension funds established for employees of foreign Group companies that are, as is known, used in connection with local legal or company pension arrangements.

CURRENT FINANCIAL ASSETS

Description	31/12/1999	31/12/1998	Changes
Treasury shares	4,214	220	3,994
Other securities	321	6,507	(6,186)
Total	4,535	6,727	(2,192)

A Shareholders' Meeting held on 11/12/1997 authorised the Board of Directors to trade in own shares on the electronic information system through authorised intermediaries A Shareholders' Meeting held on 21 June 1999 renewed the above-mentioned authorisation for a further period of 18 months.

At 31 December 1999, as a result of the acquisition of 2,285,000 shares and sale of 417,500 shares during the period, a balance of 2,020,000 own shares with a nominal value of Lire 500 each are recorded in the financial statements at a cost equal to Lire 4,214 million that is lower than the market value at the end of the financial year.

A net equity reserve of the same amount has been established against the own shares.

The trading in treasury stock has generated a surplus of about Lire 388 million, classified under the heading "Other financial income" in the profit and loss account.

The amount of Lire 6,507 million relating to short-term cash investments by the Finnish subsidiary OY Pukkila AB in the preceding financial year was reimbursed during the early part of 1999,

Securities included in the financial statements at 31 December 1999 are C.C.T. (Italian State Bonds) maturing in 2007 and held by the subsidiary Tilenet S.r.l.

CASH AND CASH EQUIVALENTS

Description	31/12/1999	31/12/1998	Changes
Bank deposits	57,779	12,245	45,534
Post office accounts	315	404	(89)
Cheques	64		64
Cash and other effects on hand	188	676	(488)
Total	58,346	13,325	45,021

The balance represents cash and other effects at the end of the financial year; for comparative figures you are referred to the information given in the Directors' Report.

PREPAYMENTS AND ACCRUED INCOME

Details of prepayments and accrued income are as follows (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Rental prepayments	1,082	518	564
Prepaid advertising	182	147	35
Prepaid insurance	379	220	159
Other minor	1,166	512	654
Total	2,809	1,397	1,412

NET EQUITY AND LIABILITIES

NET EQUITY

For details of the changes please refer to the appropriate schedule of changes in the components of net equity,

The share capital at 31 December 1999 amounted to Lire 88,875 million, fully subscribed and paid and consists of 177,750,000 shares of a nominal value of Lire 500 each.

During the course of 1999, Industrie Ceramiche Cisa Cerdisa S.p.A. was merged within Gruppo Ceramiche Ricchetti S.p.A. This merger was based on the respective net equities of these companies at 31 March 1999 and the cancellation of all the ordinary shares of Industrie Ceramiche Cisa Cerdisa S.p.A. in circulation, with their substitution with ordinary shares of Gruppo Ceramiche Ricchetti S.p.A.

From an accounting viewpoint, the merger transaction was carried out by replacing the net equity of the merging company with an increase in the share capital of the merged company by a total of 78,000,000 shares (equal to Lire 39 billion) additional to the 99,750,000 existing shares and simultaneously creating a merger reserve for a total of Lire 40,760 million. The merger reserve was partially utilised to reconstitute the untaxed reserves, in a tax suspended status, recorded in the financial statements of the merged company for the purpose of avoiding this being subjected to taxation, more precisely:

Revaluation reserve per Law 72/83	8,705
Revaluation reserve per Law 413/91	<u>8,536</u>
Total Revaluation reserve	17,241
Reserve for advance payments for share capital	4,466
Reserve per Law 516/82	<u>121</u>
Total	21,828

The balance remaining, being the fiscal composition of the net equity of the merged company, is sub-divided as follows:

Undistributed profits	17,260
Capital reserves	<u>1,672</u>
Total (Merger reserve)	18,932

The share capital, fully issued and paid up, includes an amount of about Lire 504 million deriving from the use of the monetary revaluation reserve established in the course of 1996,

The other reserves include: (in millions of Lire)

	Balance at 31/12/1999	Balance at 31/12/1998
Extraordinary reserve	498	2,845
Reserve for grants	17,862	17,862
Legal reserve 516/82	121	
Consolidated profit, carried-forward	34,689	19,515
Merger reserve	18,933	
Advance payments for share capital	5,198	732
Total other reserves	77,301	40,954

The own shares reserve, bound utilising the Extraordinary Reserve, was established against the balance of own shares held.

The translation reserve, arising from the translation of financial statements in foreign currencies into Italian Lire, is a negative amount of Lire 3,913 million. It constitutes the result of consolidation of the foreign subsidiaries for the financial years: 1995 - Lire 1,017 million, 1996 - Lire 4,169 million, 1997 - Lire 310 million, 1998 - Lire 1,311 million and 1999 - Lire 2,894 million.

The reconciliation between the net equity and results of the Parent Company with the corresponding consolidated figures, is as follows (in millions of Lire):

	Share capital and reserves	Change due to the merger	Results 1999 year	Total net equity
Net equity of Gruppo Ceramiche Ricchetti S.p.A.	212,356		3,178	215,534
Difference between the net equity of the consolidated subsidiaries and their carrying value in the financial statements of the Parent Company net of pertinent fiscal effect	11,941	3,840	10,358	26,139
Dividends reversed	1,577		(1,577)	-
Net equity valuation of unconsolidated subsidiaries and associated companies	(200)	(712)	(430)	(1,342)
Provision for amortisation and depreciation	1,589	21,497	2,348	25,434
Provision for deferred taxation on net timing differences and consolidation adjustments	1,254	(8,373)	181	(6,938)
Other minor adjustments, principally due to the elimination of inter-Group profits included in inventories	(357)	(1,279)	(2,904)	(4,540)
Group's share of total net equity	228,159	14,973	11,154	254,286
Minorities' share of total net equity	4,324	(3,846)	211	690
Total Net Equity	232,483	11,127	11,365	254,976

The net equities of consolidated companies include untaxed reserves in tax suspended status. No provision for taxation was made for these as it is considered that at present there will not be any transactions that will give rise to taxation.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are identified under the following headings (in millions of Lire):

	Balance at 31/12/98	Change in scope consolid.	Increases	Decreases	Other movements	Balance at 31/12/99
Agents severance indemnities	590	3,833	529	(470)		4,482
Provision for pensions	4,749		327	(66)	282	5,292
Provision for deferred taxation	1,532	10,029		(70)	59	11,550
Provision for product guarantees	207		49	(25)		231
Provision for foreign exchange differ.	35	84	6	(119)		6
Provision for charges arising from legal disputes in progress	69			(49)		20
Provision for restructuring	252			(252)		0
Other minor	778	600	224	(683)	24	943
Total	8,212	14,546	1,135	(1,734)	365	22,524

The column "other movements" represents the effects of foreign exchange differences.

The provision for agents' leaving indemnities included in these financial statements represents a reasonable estimate of the costs, which the company would incur, if the agency relationships were terminated. These are almost entirely for the Parent Company.

Deferred taxation is the fiscal effect of timing differences between the profit for the financial year and taxable income. Such timing differences principally arise from the recording of anticipated depreciation in the financial statements of the consolidated companies, which, being of a strictly fiscal nature, were reversed in the consolidated financial statements in accordance with the Group accounting principles. For the purpose of the above-mentioned calculation, account was taken of the timing differences and the possibility of recovery generated by the existence of tax losses taken to the limit of what could be recoverable with reasonable certainty.

During the course of 1995 Gruppo Ceramiche Ricchetti S.p.A. was notified of an assessment relating to the 1991 spin-off of a business branch of the Fiorano factory. This related to additional taxes totalling Lire 2,106 million, as well as monetary penalties of the same amount. The Modena Provincial Tax Commission issued a judgement on 9 November 1998 reducing the demand from the Sassuolo (Modena) District Direct Tax Office to Lire 1,096 million, together with monetary penalties of the same amount. The company has decided to appeal to the Regional Commission against this judgement.

These financial statements do not include any provision for this potential tax payable because some shareholders have guaranteed to cover the company against the costs that could arise from an unfavourable outcome of this issue.

Moreover, during May and July 1997 the Company was subjected to a tax inspection by the competent tax authorities for the tax years 1995 and 1996. A tax assessment has not yet been received from the competent IIDD and VAT. offices following this inspection. The final observation report drawn up on 24 July 1997 detailed observations in connection with direct taxes, principally related to the write-down of some shareholdings. It is not considered probable that any significant liabilities will emerge from these observations and this is supported by professional advice sought in this connection.

It is reported, besides, that the company Industrie Ceramiche Cisa Cerdisa S.p.A., which was merged during the financial year, received, in preceding financial years, three different assessments valid for the tax periods 1990, 1991 and 1992 that showed substantially similar disputes in connection with direct taxes for the three financial years under examination. Suitable appeals against the assessments were presented, which have already been considered by the Modena Provincial Tax Commission for the financial years 1990 and 1991. The Commission partially accepted the exceptions that the company presented and significantly reduced the amount originally claimed. As a consequence of these decisions in the first grade the taxes due in accordance with ex Art. 15 DPR 602/73, equal to about Lire 767 million (as indicated in other receivables), was provisionally recorded on the role. This amount is influenced by a significant recovery of taxable allowances, ascertained as being typical for all the financial years under examination. The Tax Commission confirmed, when discussing the 1990 financial year, a different verdict to the successive debate in relation to the 1991 financial year when the exceptions presented by the company were accepted. In the light of these considerations, it is considered probable that the current objections will not give rise to significant charges to the company. Consequently, the taxes recorded on the role were shown under other receivables, as they are considered recoverable in the light of the positive first grade decision.

Finally, the merged company was issued with new Ilor and Irpeg assessments in November 1999, relating to the 1993 tax year. As it is the intention of the company to appeal against this assessment, and in consideration of the fact that some tax recoveries achieved were from appeals to similar preceding assessments, already partially accepted by the Commission judging this appeal, it is considered that no significant liabilities will arise from the assessment.

The heading "Other minor" includes an amount of about Lire 234 million provided against the accumulated losses of the subsidiary Cinca GmbH that has a negative net equity.

PROVISION FOR STAFF TERMINATION PAY

Movements in the provision were as follows:

Changes	Amount
Balance at 31/12/1998	9,563
Changes in the scope of consolidation	22,488
Increase for the year	6,476
Decrease for payments during the year	(5,056)
Total	33,471

This amount entirely covers the liability of the Group to all employees at 31 December 1999, in accordance with current legislative and contractual requirements.

PAYABLES

Details of payables, which totalled Lire 516,896 million (Lire 156,627 million at 31 December 1998), are as follows (in millions of Lire):

BONDS

	31/12/1999	31/12/1998	Changes
Residual Bonds, matured in 1994	62		62
ICCC 95-2000 variable rate	5,000		5,000
Cinca 94 expiry 05-99 - 4.75%		2,416	(2,416)
Total Bonds	5,062	2,416	2,646

Bonds include a 1995 issue by Industrie Ceramiche Cisa Cerdisa S.p.A. of a nominal value of Lire 5 billion at a variable interest rate, indexed Prime Rate Italy, maturing in 2000. The residual payable of Lire 61,866,000 represents the remaining bonds, originally issued by Industrie Ceramiche Cisa Cerdisa S.p.A. which matured in 1994, but for which no request for reimbursement has yet been received from the holders of the bonds,

OWING TO BANKS - WITHIN 12 MONTHS

	31/12/1999	31/12/1998	Changes
Current accounts	15,785	8,219	7,566
Export financing	10,257	6,092	4,165
Short-term financing	30,065	11,000	19,065
Mortgage payments due	33,595	10,659	22,936
Total owing to banks short-term	89,702	35,970	53,732

The change in bank indebtedness is, for the most part, consequential to the merger.

OWING TO BANKS - AFTER 12 MONTHS

The details and the movements for the 1999 financial year follow below:

	Lire millions
Balance at 31 December 1998	28,407
Change in the scope of consolidation and merger effect	79,005
Increase	125,654
Short-term amounts due	(33,395)
Repayments in advance	(6,777)
Other movements	441
Balance at 31 December 1999	193,335

The medium-term amount owing to banks was affected by the following loans arranged by Industrie Ceramiche Cisa Cerdisa S.p.A. during the course of 1999:

Lire 60 billion from MB Finstruttura in four equal tranches of Lire 15 billion at fixed interest rates of 3.625%, 3.402%, 3.509% and 4.138%, respectively, repayable in six half-yearly instalments.

Lire 20 billion from Mediobanca in two equal tranches of Lire 10 billion, billion at fixed interest rates of 3.84% and 4.11%, respectively, repayable at maturity on 23 March 2001 and 15 May 2001.

Lire 5 billion from Mediocredito at a fixed interest rate of 3.55%, repayable in two instalments on 1 March 2001 and 1 September 2002.

Lire 2 billion from Banca Popolare dell'Emilia Romagna at a variable Euribor rate plus a spread of 0.5%, repayable in six half-yearly instalments commencing from 26 September 2001.

Lire 316,870,765 from Banca Popolare dell'Emilia Romagna Simest at a fixed interest rate of 2.12%, repayable in ten half-yearly instalments commencing from 22 June 2001.

Moreover, medium-term borrowings include a loan of Lire 14 billion received during the 1998 financial year from Gruppo Ceramiche Ricchetti S.p.A., repayable in quarterly instalments commencing from 30 September 2000 until 30 June 2005.

Payables to banks totalling Lire 50,546 million are guaranteed by a mortgage on assets resulting from the merger of Industrie Ceramiche Cisa Cerdisa S.p.A. In addition, the following should be noted with regard to the foreign companies: the increase in medium-long term bank indebtedness of the Portuguese subsidiary Cinca (about Lire 19 billion) which resulted from the payment of the last tranche of the payable relating to its acquisition; the increase of about Lire 5.3 billion due by the Finnish subsidiary, Pukkila, for financing relating to the acquisition of the land and buildings in which it carries out its productive activities, as well as the increased borrowing of the subsidiary, CC Höganäs, (about Lire 5.4 billion) following the acquisition of a branch of the Optiroc business.

The borrowing of the Swedish subsidiary is secured by a guarantee arranged locally.

The portion payable after five years amounted to Lire 15,170 million.

The line "Other movements" represents the effects of foreign exchange differences.

ACCOUNTS PAYABLE TO OTHER FINANCIAL INSTITUTIONS

This item mainly comprises loan conceded to the Parent Company, for technological innovation in terms of Law 46/82, by the Ministry of Industry & Trade at a preferential interest rate. Movement was as follows:

	Amount
Balance at 31/12/1998	-
Change in scope of consolidation	3,889
Decrease for repayments	(361)
Other movements	(279)
Balance at 31/12/1999	3,249
Of which:	
Short-term portion	1,100
Long-term portion within 5 years	1,207
Long-term portion after five years	942

This item also includes the residual amount, owing at the close of the financial year, for an existing lease of the English subsidiary, Bellegrove Ceramics Plc.

ACCOUNTS PAYABLE TO SUPPLIERS

Accounts payable to suppliers result from the normal business activities of the companies; the increase is related to the merger with Industrie Ceramiche Cisa Cerdisa concluded during the financial year. There are no payables of over five-year's duration.

You are referred to the Directors' Report for comparative figures.

ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES

Description	31/12/1999	31/12/1998	Changes
Adesital S.p.A.	192		192
Ravenna Mill	404		404
Habita S.r.l.	45		45
Top Campionature S.r.l.	345		345
Total	986	-	986

Accounts payable to associated companies result from the normal business activities of the companies at normal market conditions and are payable within 12 months; except for the payable to Habita S.r.l., which is for subscription to share capital.

PAYABLES TO PARENT COMPANY AND ITS SUBSIDIARIES

Description	31/12/1999	31/12/1998	Changes
Fincisa S.p.A.	4,000	1,600	2,400
CISF Ceramiche Ind.li Sassuolo e Fiorano	8,999		8,999
Mythos S.r.l.	885		885
Target S.r.l.	1,163		1,163
Vanguard Ceramiche S.r.l.	138		138
Ind. Ceramiche Cisa Cerdisa Spa		1,733	(1,733)
Grès 2000 S.r.l.		153	(153)
Sic S.p.A.		270	(270)
Total	15,185	3,756	11,429

Payables to the parent company and its subsidiaries result from the normal business activities of the companies at normal market conditions, and loans. The latter are: Lire 4 billion from Fincisa and Lire 7.3 billion from CISF Ceramiche Industriali di Sassuolo e Fiorano, both contracted by the subsidiary L.G.S., La Generale Servizi S.r.l. These loans have a half-yearly renewable maturity at an interest rate equal to 2% annually. Interest on these loans of about Lire 106 million is recorded in these financial statements under financial costs.

TAX PAYABLES

The item "Tax payables" represents the total indebtedness of the consolidated companies to the State Treasury, as defined below (in millions of Lire):

Description	31/12/1999	31/12/1998	Changes
State treasury for current taxes	9,951	2,357	7,594
State Treasury for IRPEF	5,954	1,984	3,970
State Treasury for I.V.A.	2,756	2,091	665
Other payables to State Treasury	1,178	3	1,175
Total	19,839	6,435	13,404

The increase is due to the change in the scope of the consolidation. Please refer to the details in the Directors' Report for comparative figures.

ACCOUNTS PAYABLE TO SOCIAL SECURITY INSTITUTIONS

The item "Accounts payable to social security institutions" amounted to Lire 7,122 million (Lire 3,366 million at 31 December 1998). In this case also, the increase is fundamentally due to the change in the scope of the consolidation.

OTHER ACCOUNTS PAYABLE

The amount of the other payables is made up by (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Payables to employees	15,016	8,405	6,611
Credit notes to be issued	5,689	2,857	2,832
Payables to customers	1,264	177	1,087
Payables for the acquisition of shareholdings	0	14,829	(14,829)
Other minor	969	461	508
Total other payables	22,938	26,729	(3,791)

Accounts payable to employees principally relate to salaries and accruals at 31 December 1999.

Credit notes to be issued are almost totally for bonuses due by the Parent Company and its subsidiary companies to their customers.

The 1998 payable for the acquisition of shareholdings, relating to residual payments to be made for the acquisitions of Cinca SA and Bellegrave Ceramics Plc, was settled during the financial year.

ACCRUED CHARGES AND DEFERRED INCOME

Accrued charges and deferred income constituted (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Interest accrued	1,115	289	826
Insurance premiums accrued	64	70	(6)
Accrued rental	54		54
Other	977	164	813
Total accrued charges	2,210	523	1,687

MEMORANDUM ACCOUNTS

The details are as follows:

	31/12/1999	31/12/1998	Changes
Guarantees on behalf of subsidiary companies	659	132	527
Guarantees to third parties	8,859	17,664	(8,805)
Unexpired leasing commitments	363	325	38
Mortgages	16,713	13,098	3,615
Total memorandum accounts	26,594	31,219	(4,625)

The guarantees given on behalf of subsidiary companies relate to two bank guarantees for bank loans issued to the subsidiary Grès 2000 S.r.l.

Guarantees issued to third parties include a bank guarantee of Lire 4,350 million given by Banca Popolare dell'Emilia Romagna on our account to guarantee the loan of the subsidiary Cotto Arena S.r.l. in connection with the Stilgres Tilegres procedure and a guarantee of Lire 317 million for the SIMEST loan facility, shown under accounts payable to banks. Guarantees also include about Lire 1,963 million of guarantees given by financial institutions on account of the Parent Company, principally in favour of State Institutions for VAT reimbursements (about Lire 910 million), rubbish tax and for credit cards.

During the course of the financial year bank guarantees of Lire 15,278 million in favour of the company Laufen, in connection with the acquisitions of shareholdings in Cinca SA and Bellegrove Ceramics Plc were cancelled following the extinction of the related payable.

With regard to the mortgages, these were registered in connection with a loan issued in favour of the subsidiary, CC Höganäs Sweden, and the value indicated is relative to the value of the original contract.

Finally, the Parent Company signed, other than a "Forward Plus" and an "Interest Rate Swap" contract, two "Collar" contracts to cover interest rate fluctuations on existing financing loans. The differential, between the interest rate of reference (floor), and the actual rate applied to the loan that arose and was realised at the end of the financial year, was accrued.

PROFIT AND LOSS ACCOUNT

Detailed below are the principle items of the consolidated profit and loss account. You should refer to the Directors' Report for an analysis of the principal changes. This report gives a comparison between the 1999 consolidated figures and those for the pro forma consolidated financial statements at 31 December 1998, adjusted to show the effects of the merger, for the purpose of a better understanding of the Group's overall activities.

REVENUES FROM SALES AND SERVICES

A breakdown of revenues, by geographic area, is as follows (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Italy	144,059	36,202	107,857
Europe	485,893	266,719	219,174
North America	44,197	13,110	31,087
South America	2,273	1,998	275
Asia	26,871	12,244	14,627
Australia	6,332	4,584	1,748
Africa	3,277	1,481	1,796
Total	712,902	336,338	376,564

OTHER REVENUES

The other revenues, from ordinary business operations, principally include surpluses and losses from the disposal of assets and recovery of sundry expenses.

PURCHASES OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE

Details of purchases are as follows (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Purchases of raw material	127,642	62,226	65,416
Purchases of merchandise and finished products	128,528	42,128	86,400
Transport	7,449	5,597	1,852
Total	263,619	109,951	153,668

The purchases of merchandise and finished products include the sale of ceramic products not produced by the Group and purchases of construction and tile-laying materials by some foreign subsidiary companies.

COST OF SERVICES

Details of the cost of services follow (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Energy	40,391	18,275	22,116
Third party production	18,887	10,258	8,629
Commissions and incidental costs	22,017	7,848	14,169
Maintenance and repairs	20,035	8,559	11,476
External cleaning	1,501	878	623
Transport on sales	20,075	8,886	11,189
Insurance costs	2,523	1,389	1,134
Fairs and exhibitions	2,993	1,926	1,067
Customer incentives	742	1,490	(748)
Marketing expenses	10,485	5,402	5,083
Directors' compensation	2,807	1,339	1,468
Statutory auditors' compensation	455	243	212
Consultancy	8,057	5,458	2,599
Travelling expenses	5,937	3,353	2,584
Sundry personnel costs	538	274	264
Postages and telephones	4,287	2,286	2,001
Other minor	9,694	3,559	6,135
Total	171,424	81,423	90,001

The changes are principally due to the change in the scope of the consolidation, resulting from the merger completed during the financial year.

The directors and statutory auditors of Gruppo Ceramiche Ricchetti S.p.A., in addition to receiving compensation from the former and Industrie Ceramiche Cisa Cerdisa, merged during the financial year, are also compensated by other companies that are within the scope of the consolidation.

RENTS, LEASING AND SIMILAR COSTS

Details of these costs are as follows (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Rents	8,253	4,436	3,817
Hiring and leasing	1,948	2,695	(747)
Royalties	44	78	(34)
Total	10,245	7,209	3,036

The rent costs are in part for the building occupied by the Finnish subsidiary (which was purchased in June 1999), and in part for the exhibition stands of the foreign subsidiaries and buildings utilised for normal productive activities by some Italian subsidiaries and the Parent Company.

PAYROLL AND ADMINISTRATION COSTS

The payroll and administration costs are composed of the following items (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Bad debts	1,213	23	1,190
Losses on sale of assets	203	158	45
Subscriptions and expenses	236	84	152
Taxes	3,433	899	2,534
Allowances for the year	139		139
Other diverse	2,010	925	1,085
Total	7,234	2,089	5,145

FINANCIAL INCOME AND CHARGES

The effects on the profit and loss account induced by financial and treasury management can be shown as follows (in millions of Lire):

FINANCIAL INCOME

	31/12/1999	31/12/1998	Changes
<i>Income from shareholdings</i>	58	18	40
From associated companies:			
Adesital S.p.A.	58	18	40
<i>Income from non-current receivables</i>	97		97
From the ultimate holding company and its subsidiaries:			
B.I. Beni Immobili	4		4
Other	93		93
<i>Income from securities</i>	77	13	64
From the ultimate holding company and its subsidiaries:			
Kabaca	67		67
Other	10	13	(3)
Income from treasury shares	389	944	(555)
Income from other current securities	7	215	(208)
Interest from customers	220	200	20
Interest on current accounts	1,337	476	861
Interest on diverse receivables	151	80	71
Positive exchange differences	2,129	1,461	668
Bonuses owing	581	603	(22)
Other financial income	104	3	101
Total	5,150	4,013	1,137

FINANCIAL CHARGES

	31/12/1999	31/12/1998	Changes
<i>Paid to the ultimate holding company and its subsidiaries:</i>	116		106
Fincisa S.p.A.	49		49
CISF Ceramiche Ind.li Sassuolo e Fiorano	67		67
<i>Other</i>	26,185	12,134	14,061
Interest on mortgages and loans	7,522	1,349	6,173
Bond interest	1,623		1,623
Overdraft interest	3,613	2,086	1,527
Interest on diverse payables	1,104	212	892
Loss on sale of treasury shares		2,535	(2,535)
Write-down of securities	247		247
Negative foreign exchange differences	2,046	1,164	882
Bonuses payable	8,925	4,270	4,655
Other financial charges	1,105	518	597
Total	26,301	12,134	14,167

WRITE-DOWNS

The details are as follows:

Description	31/12/1999	31/12/1998	Changes
Shareholdings	435	(170)	265
Total	435	(170)	265

EXTRAORDINARY INCOME AND CHARGES

The details are as follows:

Description	31/12/1999	31/12/1998	Changes
Extraordinary income			
Surplus from sales	20		20
Windfalls	79		79
Stilgres Tilegres legal action	2,121		2,121
Contribution Law 140/97	180		180
Total	2,400	-	2,400
Extraordinary charges			
Taxation - previous years	(358)		(358)
Loss on sales	(68)		(68)
Stilgres Tilegres legal action	(1,456)		(1,456)
Settlement Lovenskiold legal action	(382)		(382)
Other minor	(12)		(12)
Total	(2,276)	-	(2,276)
Total net	124	-	124

The extraordinary income and charges for the year mainly relate to the closing of the Stilgres Tilegres dispute by the subsidiary Cotto Arena S.r.l.

INCOME TAXES FOR THE YEAR

These are composed of (in millions of Lire):

	31/12/1999	31/12/1998	Changes
Current taxation	18,187	4,883	13,304
Deferred taxation	(607)	1,203	(1,810)
Total	17,580	6,086	11,494

PERSONNEL

At 31 December 1999, the Group employed 2,762 persons, an increase of 1,112 with respect to the preceding financial year.

A break-down by category is given in the following schedule:

	Workers	Clerical	Managers	Total
Employees 31/12/1999	1,907	793	62	2,762
Employees 31/12/1998	1,122	473	55	1,650
Change	785	320	7	1,112

OTHER INFORMATION

Please refer to the Directors' Report on the consolidated financial statements for information regarding the results for the year, the expectations for the future, as well as significant events that occurred after the closing of the financial year.

The following information is given in terms of the law and in accordance with Article 78 of Consob Regulation no. 11971 of 14 May 1999:

**COMPENSATION PAID TO THE DIRECTORS, THE STATUTORY
AUDITORS AND THE MANAGING DIRECTORS**

Person Family name and Name	Job description		Compensation			
	Position held	Duration of the position	Emoluments for the position	Non-monetary benefits	Bonuses and other incentives	Other Compensation
Oscar Zannoni	Chairman	1-1 31-12-99	861,290,370			
Renzo Arletti	Managing Director	1-1 31-12-99	979,290,370			
Nedo Brogi	Director and General Manager	1-1 31-12-99	58,290,370			612,921,122 (*)
Antonio Camellini	Director	1-1 31-12-99	40,000,000			
Giuliano Panizzi	Director	1-1 31-12-99	60,000,000			
Alfonso Panzani	Director	1-1 31-12-99	30,000,000			
Loredana Panzani	Director	1-1 31-12-99	80,000,000			
Giancarlo Pellati	Director	1-1 31-12-99	133,290,370			
Gaetano Zaccarelli	Director	1-1 31-12-99	58,290,370			189,780,824 (*)
Giuseppe Zannoni	Director	1-1 31-12-99	50,000,000			
	Total		2,350,451,850			802,701,946
Clodomiro Zanasi	Statutory auditor	1-1 31-12-99	32,640,000			
Alberto Baraldi	Statutory auditor	1-1 31-12-99	22,440,000			
Carlo Riccò	Statutory auditor	1-1 31-12-99	4,000,000			
Poli Giovanni	Statutory auditor	1-1 31-12-99	28,662,000			
Vaccari Umberto	Statutory auditor	1-1 31-12-99	23,664,000			
Rosa Pipitone	Statutory auditor	1-1 31-12-99	5,202,000			
Eugenio Orienti	Statutory auditor	1-1 31-12-99	62,577,000			
	Total	Lire	179,185,000			

(*) The figures shown for the directors Nedo Brogi and Zaccarelli Gaetano are for salaries as company executives.

The emoluments paid to directors and statutory auditors represent the compensation they received from the merging company Industrie Ceramiche Cisa Cerdisa, Group Ceramiche Ricchetti S.p.A. and from the subsidiary companies,

Fiorano, 26 May 2000

For the Board of Directors
The Chairman
Cav. del Lav. Oscar Zannoni

CONSOLIDATED CASH FLOW STATEMENT
AT 31/12/1999 (in millions of Lire)

31/12/1999 31/12/1998

Net opening financial debt	46,742	33,256
Cash flow from operations		
Net profit for the year	11,154	11,020
Amortisation and write-downs of intangible assets	11,165	6,279
Depreciation and write-downs of tangible fixed assets	41,226	17,728
Net transfers (charges) to provisions for risks	(599)	140
Transfer to provision for staff severance pay	6,476	1,794
Depreciation of financial assets	435	200
Change in working capital	(128,874)	(5,182)
Total	(59,017)	31,979
Cash flow from capital assets		
Increase in fixed assets due to change in the scope of the consolidation following the merger	(133,726)	(69,909)
Increase in intangible fixed assets	(9,881)	(3,228)
Increase in tangible fixed assets	(43,638)	(18,516)
Increase in financial fixed assets	(11,306)	(5,305)
Exchange rate differences on net fixed assets	(1,368)	153
Net value of tangible fixed assets sold	1,347	112
Decrease in financial fixed assets	14	377
Decrease (Increase) of accounts receivable after 12 months	(4,773)	(583)
Increase (Decrease) of payables after 12 months	458	1,392
Changes to provision for staff severance pay	(5,056)	(1,276)
Total	(207,929)	(96,783)
Cash flow from net equity operations		
Change in share capital	39,000	9,875
Increase in reserves	53,973	43,482
Dividends	(6,957)	(5,106)
Changes in minority shareholdings	(3,688)	4,378
Translation differences	2,894	(1,311)
Total	85,222	51,318
Net closing financial debt	228,466	46,742
Working capital generated from operations		
Change in current assets		
Increase (Decrease) in inventories	145,932	24,368
Increase (Decrease) in accounts receivable from associated companies	131	
Increase (Decrease) in accounts receivable from parent comp	1,250	878
Increase (Decrease) in accounts receivable from customers	113,826	10,693
Increase (Decrease) in other accounts receivable	3,267	6,510
Increase (Decrease) in prepayments and accrued income	1,412	(109)
Total	265,818	42,340
Change in current liabilities		
Increase (Decrease) in accounts payable to suppliers	109,319	18,735
Increase (Decrease) in payables to associated companies	986	
Increase (Decrease) in payable to parent company	11,429	(1,009)
Increase (Decrease) in taxes payable	13,405	1,495
Increase (Decrease) in payables to social security institution	3,755	736
Increase (Decrease) in other payables	(3,637)	17,725
Increase (Decrease) in deferred income and accrued charges	1,687	(524)
Total	136,944	37,158
Change in working capital	128,874	5,182

	31/12/1999	31/12/1998
Details of the Change in the Scope of the Consolidation		
Increase in Intangible fixed assets	(9,458)	(16,857)
Increase in Tangible fixed assets	(155,232)	(53,485)
Increase in Financial assets	(6,070)	(996)
Increase in Provision for risks	14,546	-
Increase in Provision for staff severance pay.	22,488	1,429
Total	(133,726)	(69,909)

SCHEDULE OF THE CHANGES IN CONSOLIDATED NET EQUITY FOR THE FINANCIAL YEARS ENDED AT 31/12/98 AND 31/12/99 (IN MILLIONS OF LIRE)

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for treasury shares	Other reserves	Translation reserve	Profit for the year	Total Group, net equity	Minority interests	Total net equity
Balance at 31-12-1997	40,000	14,198	490	461	1,408	34,181	(5,496)	11,020	96,262		96,262
Allocation of profit				329		5,585		(11,020)	(5,106)		-5,106
Increase in Share Capital payable	9,875	43,482							53,357		53,357
Adjustment in provision for own shares					(1,188)	1,188			-		-
Change in the scope of consolidation										4,262	4,262
Effect of exchange differences on consolidation foreign subsidiaries							(1,311)		(1,311)		-1,311
Profit for the year								11,020	11,020	116	11,136
Balance at 31-12-1998	49,875	57,680	490	790	220	40,954	(6,807)	11,020	154,222	4,378	158,600
Allocation of profit				453		3,610		(11,020)	(6,957)		(6,957)
Increase in Share Capital for merger	39,000								39,000		39,000
Change in reserves for merger effect			17,241			23,519			40,760		40,760
Adjustment in provision for own shares					3,994	(3,994)			-		-
Change in the scope of consolidation						13,213			13,213	(3,899)	9,314
Effect of exchange differences on consolidation foreign subsidiaries							2,894		2,894		2,894
Profit for the year								11,154	11,154	211	11,365
Balance at 31-12-1999	88,875	57,680	17,731	1,243	4,214	77,302	(3,913)	11,154	254,286	690	254,976

CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/1999

re-processed in EURO (1 Euro = 1,936.27 Lire)
(as per CONSOB Requirement n° 98083971 dated October 26th, 1998)

CONSOLIDATED BALANCE SHEET - ASSETS	31/12/1999	31/12/1998
Subscribed capital unpaid		
Non-current assets		
Intangible assets		
Formation, start-up and similar costs	1,880,894	1,100,607
Research, development and advertising costs		97,789
Patents and intellectual property rights	559,680	584,739
Concessions, licences, trademarks and similar rights	610,018	
Goodwill	2,136,917	
Goodwill on consolidation	16,269,493	15,864,704
Other intangible assets	1,312,139	1,326,768
Total intangible assets	22,769,140	18,974,607
Tangible assets		
Land and buildings	74,932,293	30,373,087
Plant and machinery	55,333,783	22,389,637
Industrial equipment	1,397,128	760,197
Other fixed assets	5,591,405	1,873,420
Assets under construction and payments on account	631,027	442,365
Total tangible assets	137,885,636	55,838,704
Financial assets		
Investments in:		
subsidiaries	37,410	37,410
associated companies	3,390,618	1,345,038
other companies	1,225,127	2,004,048
	4,653,155	3,386,496
Receivables:		
other receivables	1,594,693	445,458
Other securities	6,395,045	73,473
Total financial assets	12,642,894	3,905,427
Total fixed assets	173,297,670	78,718,739

CONSOLIDATED BALANCE SHEET - ASSETS	31/12/1999	31/12/1998
Current assets		
Inventories		
Raw materials, supplies and consumable stores	9,439,805	6,813,581
Work in progress and semi-finished products	2,603,585	1,530,898
Finished products and merchandise	105,439,040	33,767,083
Payments on account	36,322	39,326
Total Inventories	117,518,752	42,150,887
Accounts receivable		
From customers		
- due within 12 months	93,432,382	34,646,244
- due after 12 months	1,509,697	
Total	94,942,079	34,646,244
From associated companies		
- due within 12 months	67,824	
- due after 12 months		
Total	67,824	
From parent company and its subsidiaries		
- due within 12 months	1,315,716	670,201
- due after 12 months		
Total	1,315,716	670,201
From others		
- due within 12 months	5,699,453	4,012,185
- due after 12 months	1,930,682	975,400
Total	7,630,135	4,987,586
Total accounts receivable	103,955,754	40,304,030
Current financial assets		
Own shares	2,176,542	113,473
<i>(Nominal value)</i>	521,621	39,380
Other securities	166,000	3,360,600
Total current financial assets	2,342,542	3,474,073
Cash and cash equivalents		
Cash at bank and post office	30,003,022	6,532,753
Cheques	32,939	31,189
Cash and cash equivalents on hand	97,205	317,841
Total Cash and cash equivalents	30,133,167	6,881,782
Total current assets	253,950,216	92,810,773
D) Prepayments and accrued income		
Miscellaneous	1,450,790	721,538
Total prepayments and accrued income	1,450,790	721,538
TOTAL ASSETS	428,698,676	172,251,050

CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES	31/12/1999	31/12/1998
Net equity		
Share capital	45,900,107	25,758,288
Share premium reserve	29,789,223	29,789,223
Revaluation reserve	9,157,596	253,333
Legal reserve	641,788	407,898
Own share reserve	2,176,542	113,473
Other reserves	39,922,946	21,151,286
Foreign exchange reserve	-2,020,832	-3,515,599
Profit for the year	5,760,480	5,691,175
Minority shareholdings	356,243	2,261,045
Total net equity	131,684,094	81,910,123
Provisions for liabilities and charges		
Provision for retirement benefits and similar obligations	5,047,528	2,757,421
Provision for taxation	5,964,968	791,143
Other provisions	620,160	692,712
Total provisions for liabilities and charges	11,632,657	4,241,276
Provision for staff termination pay	17,286,233	4,938,857
Payables		
Bonds		
- due within 12 months	2,614,236	1,247,992
- due after 12 months		
Total	2,614,236	1,247,992
Payables to banks		
- due within 12 months	46,327,455	18,577,375
- due after 12 months	99,848,984	14,670,971
Total	146,176,440	33,248,346
Payables to other financial institutions		
- due within 12 months	568,027	
- due after 12 months	1,109,871	
Total	1,677,898	
Payments received on account		
- due within 12 months	93,714	13,601
- due after 12 months		
Total	93,714	13,601
Accounts payable to suppliers		
- due within 12 months	81,314,579	24,855,798
- due after 12 months	955,445	718,876
Total	82,270,024	25,574,674
Accounts payable to associated companies		
- due within 12 months	509,226	
- due after 12 months		
Total	509,226	

CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES	31/12/1999	31/12/1998
Payables to parent company and its subsidiaries		
- due within 12 months	7,842,313	1,939,938
- due after 12 months		
Total	7,842,313	1,939,938
Tax payable		
- due within 12 months	10,246,374	3,323,325
- due after 12 months		
Total	10,246,374	3,323,325
Payables to social security institutions		
- due within 12 months	3,677,948	1,738,439
- due after 12 months		
Total	3,677,948	1,738,439
Other payables		
- due within 12 months	11,846,284	13,804,546
- due after 12 months		
Total	11,846,284	13,804,546
Total payables	266,954,455	80,890,862
Accrued charges and deferred income		
Miscellaneous	1,141,236	269,932
Total accrued charges and deferred income	1,141,236	269,932
TOTAL LIABILITIES	428,698,676	172,251,050

CONSOLIDATED MEMORANDUM ACCOUNTS	31/12/1999	31/12/1998
Guarantees, pledges and mortgages	5,103,029	9,358,203
Contingent liabilities	8,631,650	6,765,007
TOTAL MEMORANDUM ACCOUNTS	13,734,679	16,123,210

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/1999	31/12/1998
Value of production		
Revenues from sales and services	368,183,431	173,704,141
Change in inventories of work in progress, semi-finished and finished products	6,338,557	2,274,526
Additions to fixed assets from internal work	61,172	139,960
Other income:		
- miscellaneous	3,464,674	1,700,348
Total value of production	378,047,833	177,818,975
Cost of production		
Purchases of raw materials, supplies, consumable stores and merchandise	136,148,055	56,785,169
Services	88,533,001	42,051,738
Rents, leasing and similar costs	5,291,250	3,723,348
Payroll costs		
a) Salaries and wages	68,348,276	34,645,377
b) Social security	20,391,744	10,176,132
c) Staff termination pay	3,344,672	926,502
d) Retirement benefits and similar obligations	1,344,216	151,596
e) Other costs	728,077	950,691
Total	94,156,985	46,850,299
Amortisation, depreciation and write-downs		
Amortisation of intangible assets	4,949,043	3,243,103
Depreciation of fixed assets	21,291,499	9,155,670
Other non-current assets write-downs	817,397	
Bad debt write-downs of accounts receivable and write-downs of cash and cash equivalents	666,144	304,132
Total	27,724,083	12,702,904
Changes in inventories of raw materials, supplies, consumable stores and merchandise	-3,705,251	159,542
Provisions for liabilities and charges	11,593	104,373
Other provisions	118,711	80,376
Miscellaneous operating costs	3,735,914	1,078,930
Total production cost	352,014,341	163,536,678
Operating profit	26,033,491	14,282,298

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/1999	31/12/1998
Financial income and charges		
Income from shareholdings	29,915	9,183
Other financial income:		
a) from non-current receivables	50,352	
b) from non-current securities	39,978	6,893
c) from current securities	204,831	598,512
d) income other than above:		
- from associated companies	1,817	
- others	2,333,169	1,458,143
Total financial income	2,660,060	2,072,731
Interest and other financial charges:		
- to parent company and its subsidiaries	-60,343	
- others	-13,523,293	-6,266,705
Total financial charges	-13,583,636	-6,266,705
Total financial income and charges	-10,923,576	-4,193,974
Adjustments to financial assets		
Write-downs of shareholdings	-224,764	-87,737
Total adjustments to financial assets	-224,764	-87,737
Extraordinary income and charges		
Income:		
- surplus from sales of assets	10,192	
- miscellaneous	1,229,133	
Total	1,239,324	
Charges:		
- losses on sales of assets	35,254	
- previous years' taxation	186,057	
- miscellaneous	953,957	1,105,960
Total	1,175,268	1,105,960
Total extraordinary income and charges	64,056	-1,105,960
Profit before taxes	14,949,208	8,894,627
Income taxes for the year	9,079,523	3,143,230
Profit for the year including minority interests	5,869,685	5,751,396
Profit for the year pertaining to minority interests	109,205	60,221
Net profit for the year	5,760,480	5,691,175

Fiorano 26 May 2000

For the Board of Directors
The Chairman
Cav. del Lav. Oscar Zannoni

REPORT OF THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,

During the course of the financial year ended at 31.12.99 we carried out the duties of vigilance as required by the law, according to the principles for the conduct of the board of statutory auditors recommended by *the Consigli nazionali dei dottori commercialisti e dei ragionieri*. In particular:

we attended meetings of the Board of Directors, called with appreciable frequency, besides, during the course of which the directors supplied ample information on their activities.

the directors kept us constantly informed on their activities and on transactions of major economic, financial or investment importance carried out by the company and its subsidiary companies. In this connection we ensured that the actions agreed and put into being were in accordance with the law and the Articles of Association and were not manifestly imprudent, hazardous, represented potential conflicts of interest or were in contrast with the decisions taken at shareholders' meetings.

More specifically, with reference to the merger within the Company of Industrie Ceramiche Cisa Cerdisa S.p.A., we ensured that the directors observed Articles 2501 to 2504 sexies of the Civil Code, compared the completeness and the conformity with the law of the merger, compliance with the rule of deposit and publication of the actions, the completeness of the merger and its accordance with the relative proposal and the consequent shareholders' resolution and, finally, the correctness of the execution of the merger, therein including the allocation of the shares by exchange.

we evaluated and observed the adequacy of the organisational structure, the internal control system and the administrative-accounting system, as well as the reliability of the latter in correctly reporting the financial results in accordance with correct accounting principles.

In this connection we report that:

during the financial year a special office was established for supervising the management of the foreign subsidiaries, whose function is also to ensure a constant flow of figures to the Company, which is not subject to periodic events, such as changes in management, that may occur within the subsidiaries.

during this financial year, certain directors of the Company assumed direct management functions in the English subsidiary, Bellegrove Ceramics Plc.

we also carried out our functions in full agreement and collaboration with the audit firm, PricewaterhouseCoopers, appointed to audit the financial statements of the Company.

No information of censurable items was received from the auditors.

we verified, through direct checks and with information from the auditors, that the compilation of, and the information contained in, the financial statements and directors' report were in accordance with the requirements of the law. In this connection we report that:

the form adopted for the financial statements is in accordance with the law and is adequate for the activities carried out by the Company. For the purpose of comparability of the figures in the consolidated financial statements at 31.12.1998 with those of the following year, which were affected by the above-mentioned merger operation, suitable “pro forma” consolidated financial statements at 31.12.98 have been prepared;

the accounting principles adopted were adequate for the activities and the operations carried out by the Company;

the financial statements agree with the accounting records and with the information which has come to our attention. On this point we mention that the Board of Directors provided for the depreciation of the shareholding in the foreign subsidiary company (Bellegrove Ceramics Plc.) as specified in the Directors' Report ;

the Directors' Report is in accordance with the regulations of Article 2428 of the Civil Code regarding the figures and results of financial statements and the principles of truth, correctness and clarity established by the law. The Directors' Report and the explanatory notes to the consolidated financial statements list the transactions that took place and the balances due and from related parties.

We have not received any complaints from members of the company in terms of Art. 2408 of the Civil Code, nor, in the fulfilment of our vigilance activities, have any facts emerged that needed to be reported to the officers of the Company or mentioned in this report.

In the light of all the above-mentioned and in agreement with the opinion expressed by the auditors, we hereby approve the financial statements at 31.12.99, and also consider the dividend proposed by the directors to be compatible with the results and financial situation of the Company.

Sassuolo, 5 June 2000

The Board of Statutory Auditors
Clodomiro Zanasi
(President)

Alberto Baraldi
(Auditor)

Carlo Riccò
(Auditor)

