

**“What nature
takes ages to create
we do in a matter of hours”**

CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

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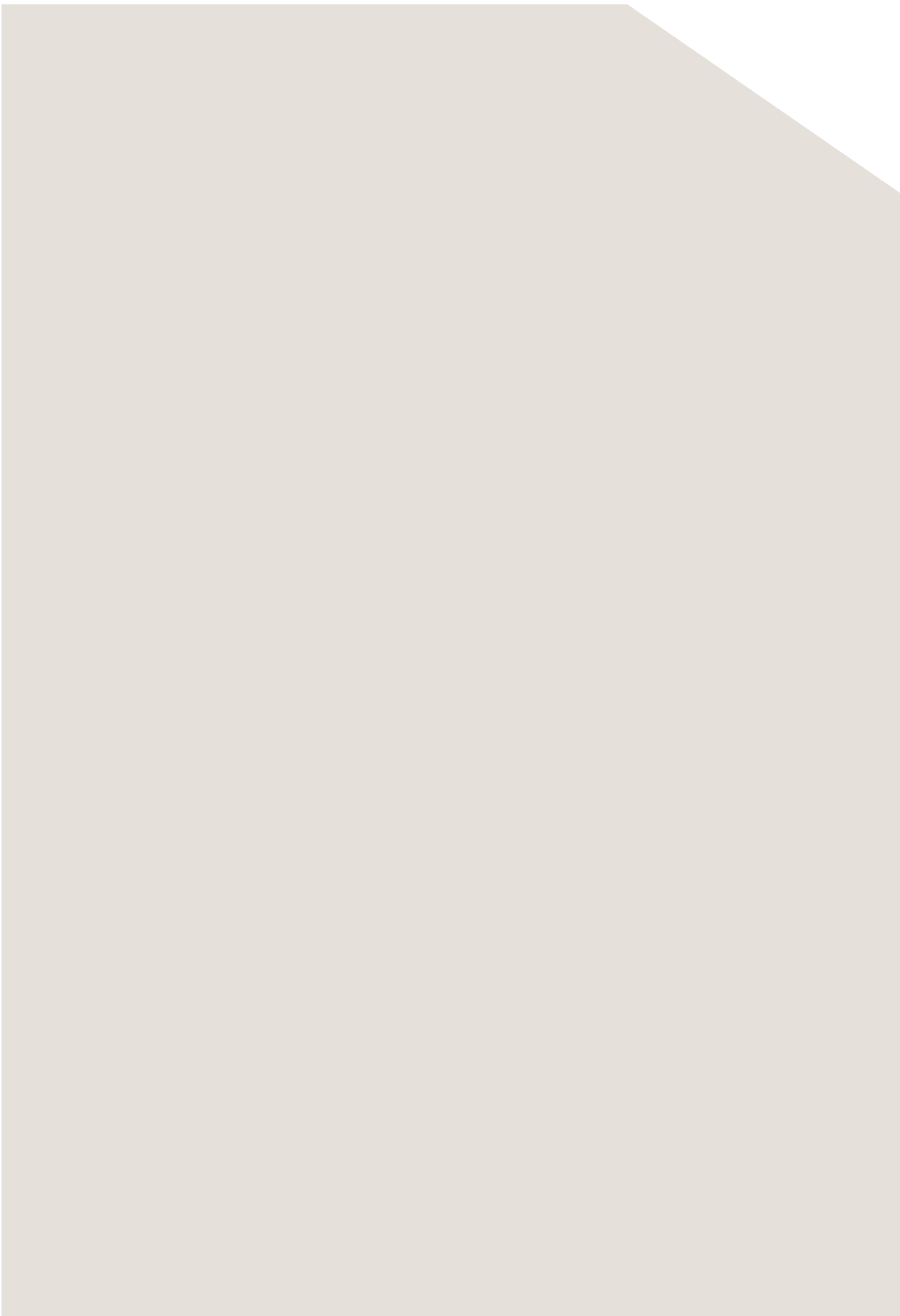
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Capitale sociale Euro 11.336.000=i.v.

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CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in millions of lire

BALANCE SHEET - ASSETS

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
A) RECEIVABLES FOR CAPITAL TO BE PAID IN		0		0
B) FIXED ASSETS				
I) INTANGIBLE ASSETS				
1) Set-up and expansion costs		13		5
2) Research, development and advertising costs		0		9
3) Patents and right to use intellectual property		74		78
4) Concessions, licenses, trademarks and similar rights		50		15
7) Other		950		324
TOTAL INTANGIBLE ASSETS		1.087		431
II) TANGIBLE ASSETS				
1) Land and buildings	55.808		52.347	
Cumulative depreciation	(24.015)	31.793	(22.094)	30.253
2) Plant and machinery	129.955		148.992	
Cumulative depreciation	(109.311)	20.644	(126.307)	22.685
3) Industrial and trade equipment	5.070		5.579	
Cumulative depreciation	(4.658)	412	(5.285)	294
4) Other assets	10.556		8.162	
Cumulative depreciation	(7.664)	2.892	(6.383)	1.779
5) Assets under construction and advances		135		0
TOTAL TANGIBLE ASSETS		55.876		55.011
III) FINANCIAL ASSETS				
1) Participation in:				
a) subsidiary companies		4.412		0
b) associated companies		0		24.631
d) other companies		68.829		68.829
Total Participation		73.241		93.460
2) Receivables:				
a) from holding companies				
- receivable within 12 months		29.193		35.747
d) from others				
- receivable within 12 months	118		1	
- receivable over 12 months	11.128	11.246	10.803	10.804
Total Receivables		40.439		46.551
TOTAL FINANCIAL ASSETS		113.680		140.011
TOTAL FIXED ASSETS (B)		170.643		195.453

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in millions of lire

BALANCE SHEET - ASSETS

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
C) CURRENT ASSETS				
I) INVENTORY				
1) raw, ancillary and consumable materials		8.301		7.947
2) work in process and semifinished goods		338		202
3) work in progress on job orders		0		91
4) finished products and goods		46.958		40.492
TOTAL INVENTORY		55.597		48.732
II) RECEIVABLES				
1) Customers:				
- receivable within 12 months	58.534		47.272	
- receivable over 12 months	434	58.968	875	48.147
3) Associated companies:				
- receivable within 12 months	0		25	
- receivable over 12 months	0	0	50	75
4) Holding companies:				
- receivable within 12 months		7.369		8.740
5) Others:				
a) group companies				
- receivable within 12 months	19.760		14.078	
b) others				
- receivable within 12 months	23.299		27.980	
- receivable over 12 months	2.607	45.666	5.608	47.666
TOTAL RECEIVABLES (CURRENT ASSETS)		112.003		104.628
III) CURRENT FINANCIAL ASSETS				
6) Other securities		39.410		30.708
TOTAL CURRENT FINANCIAL ASSETS		39.410		30.708
IV) CASH AND BANKS				
1) Bank and postal accounts		53.303		10.971
2) Cheques		17		6
3) Cash and equivalents		45		12
TOTAL CASH AND BANKS		53.365		10.989
TOTAL CURRENT ASSETS (C)		260.375		195.057
D) PREPAYMENTS AND ACCRUED INCOME				
1) Accrued income		659		438
2) Prepayments		828		590
TOTAL PREPAYMENTS AND ACCRUED INCOME (D)		1.487		1.028
TOTAL ASSETS (A+B+C+D)		432.505		391.538

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in millions of lire

BALANCE SHEET - LIABILITIES

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
A) SHAREHOLDERS' EQUITY				
I) Capital		21.950		21.800
II) Share premium reserve				
III) Revaluation reserve				
IV) Legal reserve		4.360		4.360
V) Reserve for treasury stock				
VI) Statutory reserve				
VII) Other reserves				
- Extraordinary reserve	157.398		131.425	
- Reserve for capital payments	434		434	
- Reserve for shares in the holding company	2.449		0	
- Foreign exchange reserve	491		31	
- Consolidation reserve	1.891	162.663	1.162	133.052
VIII) Retained earnings (losses)		0		0
IX) Net profit (loss) for the year		34.728		30.114
GROUP SHAREHOLDERS' EQUITY		223.701		189.326
MINORITY INTEREST				
- Minority interest in equity		932		472
- Minority interest in income		85		71
MINORITY SHAREHOLDERS' EQUITY		1.017		543
TOTAL SHAREHOLDERS' EQUITY (A)		224.718		189.869
B) RESERVES FOR RISKS AND CHARGES				
1) For pension and similar obligations		613		603
2) For taxation		300		0
3) Other reserves:				
a) Foreign exchange reserve	10.583		7.405	
b) Others	23	10.606	4.843	12.248
TOTAL RESERVES FOR RISK AND CHARGES (B)		11.519		12.851
C) PROVISION FOR STAFF LEAVING INDEMNITY		12.710		11.903
D) PAYABLES				
3) Due to banks				
- payable within 12 months	37.222		60.576	
- payable over 12 months	31.111	68.333	26.667	87.243
4) Due to other financiers				
- payable within 12 months	7		0	
- payable over 12 months	2.373	2.380	3.281	3.281
5) Advances				
- payable within 12 months		2.620		1.936
6) Trade accounts				
- payable within 12 months		44.683		31.929

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in millions of lire

BALANCE SHEET - LIABILITIES

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
9) Due to associated companies				
- payable within 12 months		0		3.137
10) Due to holding companies				
- payable within 12 months		21.459		10.062
11) Taxes payable				
- payable within 12 months		20.863		22.837
12) Due to social security authorities				
- payable within 12 months		2.656		2.042
13) Other payables				
a) group companies				
- payable within 12 months	11.152		7.855	
b) Others				
- payable within 12 months	9.117	20.269	5.659	13.514
TOTAL PAYABLES (D)		183.263		175.981
E) ACCRUED LIABILITIES AND DEFERRED INCOME				
1) Accrued liabilities		295		934
2) Deferred income		0		0
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)		295		934
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)		432.505		391.538
MEMORANDUM ACCOUNTS				
I) RISKS FOR GUARANTEES GIVEN				
a) Sureties				
- in favour of third parties		350		350
b) Personal guarantees				
- in favour of third parties		16.000		16.000
c) Collateral				
- in favour of third parties		84.000		93.600
TOTAL RISKS FOR GUARANTEES GIVEN		100.350		109.950
II) OTHER MEMORANDUM ACCOUNTS		9.407		38.472
TOTAL MEMORANDUM ACCOUNTS		109.757		148.422

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in millions of lire

INCOME STATEMENT

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
A) VALUE OF PRODUCTION				
1) Revenue from sales and services		267.658		231.114
2) Changes in inventory of work in process, semi-finished and finished products		(2.655)		2.686
3) Change in job order work in progress		0		91
4) Increases in fixed assets constructed internally		34		12
5) Other income and revenues		10.944		10.929
TOTAL VALUE OF PRODUCTION (A)		275.981		244.832
B) COSTS OF PRODUCTION				
6) For raw, ancillary and consumable materials and goods		94.099		78.431
7) Services		67.517		57.030
8) Use of third party assets		2.099		1.364
9) Personnel:				
a) wages and salaries	35.060		30.146	
b) social security contributions	11.540		10.488	
c) staff leaving indemnity	2.468		2.242	
e) other costs	0	49.068	0	42.876
10) Depreciation, amortization and write-downs:				
a) amortization of intangible assets	205		109	
b) depreciation of tangible assets	15.456		18.074	
d) Write-downs of receivables included in working capital and liquid assets	753	16.414	609	18.792
11) Changes in inventory of raw, ancillary and consumable materials and goods		(335)		(395)
12) Provision for risks		23		9
13) Other provisions				
14) Other operating costs		1.134		818
TOTAL COSTS OF PRODUCTION (B)		230.019		198.925
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)		45.962		45.907
C) FINANCIAL INCOME AND CHARGES				
15) Income from participation in:				
- associated companies		0		1.670
- other companies		3		3
Total income from participation (15)		3		1.673

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in millions of lire

INCOME STATEMENT

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
16) Other financial income				
a) from receivables shown under non-current assets				
- holding companies	1.945		1.206	
- other companies	439	2.384	429	1.635
c) securities shown under current assets which do not constitute participation		1.758		501
d) income other than those above				
- other companies		4.167		2.692
Total other financial income (16)		8.309		4.828
17) Interest and other financial charges				
- from other companies		8.534		6.238
Total other financial charges		8.534		6.238
TOTAL FINANCIAL INCOME AND CHARGES (C) (15+16-17)		(222)		263
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS				
19) Writedowns:				
c) of securities shown under current assets which do not constitute participation		161		204
		161		204
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS (D) (18-19)		(161)		(204)
E) EXTRAORDINARY INCOME AND CHARGES				
20) Income:				
- Gain on disposal of fixed assets		6.843		0
- Other income		4.895		4.696
21) Charges:				
- Taxes relating to previous years		300		1
- Other charges		14		0
TOTAL EXTRAORDINARY INCOME AND CHARGES (E) (20-21)		11.424		4.695
PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)		57.003		50.661
22) Taxes for the year		(22.190)		(20.476)
26) PROFIT (LOSS) FOR THE YEAR		34.813		30.185
OF WHICH:				
- Group		34.728		30.114
- Minority interest		85		71

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in Euro

BALANCE SHEET - ASSETS

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
A) RECEIVABLES FOR CAPITAL TO BE PAID IN		0		0
B) FIXED ASSETS				
I) INTANGIBLE ASSETS				
1) Set-up and expansion costs		6.714		2.582
2) Research, development and advertising costs		0		4.648
3) Patents and right to use intellectual property		38.218		40.284
4) Concessions, licenses, trademarks and similar rights		25.823		7.747
7) Other		490.634		167.332
TOTAL INTANGIBLE ASSETS		561.389		222.593
II) TANGIBLE ASSETS				
1) Land and buildings	28.822.427		27.034.969	
Cumulative depreciation	(12.402.712)	16.419.714	(11.410.599)	15.624.371
2) Plant and machinery	67.116.156		76.947.946	
Cumulative depreciation	(56.454.420)	10.661.736	(65.232.122)	11.715.825
3) Industrial and trade equipment	2.618.436		2.881.313	
Cumulative depreciation	(2.405.656)	212.780	(2.729.475)	151.838
4) Other assets	5.451.719		4.215.321	
Cumulative depreciation	(3.958.126)	1.493.593	(3.296.544)	918.777
5) Assets under construction and advances		69.722		0
TOTAL TANGIBLE ASSETS		28.857.546		28.410.810
III) FINANCIAL ASSETS				
1) Participation in:				
a) subsidiary companies		2.278.608		0
b) associated companies		0		12.720.850
d) other companies		35.547.212		35.547.212
Total Participation		37.825.820		48.268.062
2) Receivables:				
a) from holding companies				
- receivable within 12 months		15.076.926		18.461.785
d) from others				
- receivable within 12 months	60.942		516	
- receivable over 12 months	5.747.132	5.808.074	5.579.284	5.579.800
Total Receivables		20.885.001		24.041.585
TOTAL FINANCIAL ASSETS		58.710.820		72.309.647
TOTAL FIXED ASSETS (B)		88.129.755		100.943.050

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in Euro

BALANCE SHEET - ASSETS

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
C) CURRENT ASSETS				
I) INVENTORY				
1) raw, ancillary and consumable materials		4.287.109		4.104.283
2) work in process and semifinished goods		174.562		104.324
3) work in progress on job orders		0		46.998
4) finished products and goods		24.251.783		20.912.373
TOTAL INVENTORY		28.713.454		25.167.978
II) RECEIVABLES				
1) Customers:				
- receivable within 12 months	30.230.288		24.413.951	
- receivable over 12 months	224.142	30.454.430	451.900	24.865.850
3) Associated companies:				
- receivable within 12 months	0		12.911	
- receivable over 12 months	0	0	25.823	38.734
4) Holding companies:				
- receivable within 12 months		3.805.771		4.513.833
5) Others:				
a) group companies				
- receivable within 12 months	10.205.188		7.270.680	
b) others				
- receivable within 12 months	12.032.929		14.450.464	
- receivable over 12 months	1.346.403	23.584.521	2.896.290	24.617.435
TOTAL RECEIVABLES (CURRENT ASSETS)		57.844.722		54.035.852
III) CURRENT FINANCIAL ASSETS				
6) Other securities		20.353.566		15.859.358
TOTAL CURRENT FINANCIAL ASSETS		20.353.566		15.859.358
IV) CASH AND BANKS				
1) Bank and postal accounts		27.528.702		5.666.049
2) Cheques		8.780		3.099
3) Cash and equivalents		23.241		6.197
TOTAL CASH AND BANKS		27.560.722		5.675.345
TOTAL CURRENT ASSETS (C)		134.472.465		100.738.533
D) PREPAYMENTS AND ACCRUED INCOME				
1) Accrued income		340.345		226.208
2) Prepayments		427.626		304.710
TOTAL PREPAYMENTS AND ACCRUED INCOME (D)		767.971		530.918
TOTAL ASSETS (A+B+C+D)		223.370.191		202.212.501

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in Euro

BALANCE SHEET - LIABILITIES

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
A) SHAREHOLDERS' EQUITY				
I) Capital		11.336.000		11.258.760
II) Share premium reserve				
III) Revaluation reserve				
IV) Legal reserve		2.251.752		2.251.752
V) Reserve for treasury stock				
VI) Statutory reserve				
VII) Other reserves				
- Extraordinary reserve	81.288.969		67.875.329	
- Reserve for capital payments	223.964		223.964	
- Reserve for shares in the holding company	1.265.061		0	
- Foreign exchange reserve	254.043		16.207	
- Consolidation reserve	976.620	84.008.658	600.123	68.715.623
VIII) Retained earnings (losses)		0		0
IX) Net profit (loss) for the year		17.935.515		15.552.583
GROUP SHAREHOLDERS' EQUITY		115.531.925		97.778.719
MINORITY INTEREST				
- Minority interest in equity		481.338		243.768
- Minority interest in income		43.899		36.668
MINORITY SHAREHOLDERS' EQUITY		525.237		280.436
TOTAL SHAREHOLDERS' EQUITY (A)		116.057.161		98.059.155
B) RESERVES FOR RISKS AND CHARGES				
1) For pension and similar obligations		316.588		311.424
2) For taxation		154.937		0
3) Other reserves:				
a) Foreign exchange reserve	5.465.663		3.824.363	
b) Others	11.879	5.477.542	2.501.201	6.325.564
TOTAL RESERVES FOR RISK AND CHARGES (B)		5.949.067		6.636.988
C) PROVISION FOR STAFF LEAVING INDEMNITY		6.564.167		6.147.386
D) PAYABLES				
3) Due to banks				
- payable within 12 months	19.223.559		31.284.893	
- payable over 12 months	16.067.491	35.291.049	13.772.356	45.057.249
4) Due to other financiers				
- payable within 12 months	3.615		0	
- payable over 12 months	1.225.552	1.229.167	1.694.495	1.694.495
5) Advances				
- payable within 12 months		1.353.117		999.861
6) Trade accounts				
- payable within 12 months		23.076.844		16.489.952

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in Euro

BALANCE SHEET - LIABILITIES

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
9) Due to associated companies				
- payable within 12 months		0		1.620.125
10) Due to holding companies				
- payable within 12 months		11.082.649		5.196.589
11) Taxes payable				
- payable within 12 months		10.774.840		11.794.326
12) Due to social security authorities				
- payable within 12 months		1.371.710		1.054.605
13) Other payables				
a) group companies				
- payable within 12 months	5.759.527		4.056.769	
b) Others				
- payable within 12 months	4.708.538	10.468.065	2.922.630	6.979.399
TOTAL PAYABLES (D)		94.647.441		90.886.602
E) ACCRUED LIABILITIES AND DEFERRED INCOME				
1) Accrued liabilities		152.355		482.371
2) Deferred income		0	0	
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (E)		152.355		482.371
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E)		223.370.191		202.212.501
MEMORANDUM ACCOUNTS				
I) RISKS FOR GUARANTEES GIVEN				
a) Sureties				
- in favour of third parties		180.760		180.760
b) Personal guarantees				
- in favour of third parties		8.263.310		8.263.310
c) Collateral				
- in favour of third parties		43.382.380		48.340.366
TOTAL RISKS FOR GUARANTEES GIVEN		51.826.450		56.784.436
II) OTHER MEMORANDUM ACCOUNTS		4.858.310		19.869.130
TOTAL MEMORANDUM ACCOUNTS		56.684.760		76.653.566

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in Euro

INCOME STATEMENT

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
A) VALUE OF PRODUCTION				
1) Revenue from sales and services		138.233.821		119.360.420
2) Changes in inventory of work in process, semi-finished and finished products		(1.371.193)		1.387.203
3) Change in job order work in progress		0		46.998
4) Increases in fixed assets constructed internally		17.560		6.197
5) Other income and revenues		5.652.104		5.644.357
TOTAL VALUE OF PRODUCTION (A)		142.532.291		126.445.176
B) COSTS OF PRODUCTION				
6) For raw, ancillary and consumable materials and goods		48.598.078		40.506.231
7) Services		34.869.620		29.453.537
8) Use of third party assets		1.084.043		704.447
9) Personnel:				
a) wages and salaries	18.106.979		15.569.110	
b) social security contributions	5.959.913		5.416.600	
c) staff leaving indemnity	1.274.616		1.157.896	
e) other costs	0	25.341.507	0	22.143.606
10) Depreciation, amortization and write-downs:				
a) amortization of intangible assets	105.874		56.294	
b) depreciation of tangible assets	7.982.358		9.334.442	
d) Write-downs of receivables included in working capital and liquid assets	388.892	8.477.124	314.522	9.705.258
11) Changes in inventory of raw, ancillary and consumable materials and goods		(173.013)		(204.000)
12) Provision for risks		11.879		4.648
13) Other provisions				
14) Other operating costs		585.662		422.462
TOTAL COSTS OF PRODUCTION (B)		118.794.899		102.736.189
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)		23.737.392		23.708.987
C) FINANCIAL INCOME AND CHARGES				
15) Income from participation in:				
- associated companies		0		862.483
- other companies		1.549		1.549
Total income from participation (15)		1.549		864.032

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31/12/2000

value expressed in Euro

INCOME STATEMENT

	31-12-2000		31-12-1999	
	Partial	Total	Partial	Total
16) Other financial income				
a) receivables in non-current assets				
- holding companies	1.004.509		622.847	
- other companies	226.725	1.231.233	221.560	844.407
c) securities shown under current assets which do not constitute participation		907.931		258.745
d) income other than those above				
- other companies		2.152.076		1.390.302
Total other financial income (16)		4.291.240		2.493.454
17) Interest and other financial charges				
- from other companies		4.407.443		3.221.658
Total financial charges (17)		4.407.443		3.221.658
TOTAL FINANCIAL INCOME AND CHARGES (C) (15+16-17)		(114.653)		135.828
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS				
19) Write-downs:				
c) of securities shown under current assets which do not constitute participation		83.150		105.357
TOTAL ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS (D) (18-19)		(83.150)		(105.357)
E) EXTRAORDINARY INCOME AND CHARGES				
20) Income:				
- Gain on disposal of fixed assets		3.534.115		0
- Other income		2.528.057		2.425.282
		6.062.171		2.425.282
21) Charges:				
- Taxes relating to previous years		154.937		516
- Other charges		7.230		0
		162.167		516
TOTAL EXTRAORDINARY INCOME AND CHARGES (E) (20-21)		5.900.004		2.424.765
PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)		29.439.593		26.164.223
22) Taxes for the year		(11.460.179)		(10.574.971)
26) PROFIT (LOSS) FOR THE YEAR		17.979.414		15.589.251
OF WHICH:				
- Group		17.935.515		15.552.583
- Minority interest		43.899		36.668

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

GRANITIFIANDRE S.P.A.

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CONSOLIDATED FINANCIAL STATEMENTS

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group Granitifiandre for the year ended 31 December 2000 and the report on the operations are in accordance with the Civil Code and Legislative Decree 127/91 concerning consolidated financial statements.

It is noted that the present consolidated financial statements are the first prepared by Granitifiandre Spa, in that up to the year 1999 the company availed of the faculty of exemption permitted by article 27 of the Legislative Decree 127/91. For completeness of information the comparative amounts for the previous year are shown.

The companies included in the consolidation and the consolidation principles used, the most significant accounting principles applied, as well as the contents of the individual balances in the consolidated financial statements are shown below.

Method of consolidation

The consolidation method used for the consolidated financial statements for which the company has direct or indirect control is the line-by-line basis, which provides to include in the consolidated financial statements all of the assets and liabilities, and costs and revenues, regardless of the possession held by the group.

No companies have been consolidated on the basis of the proportional method.

Financial statement used

The consolidated financial statements have been prepared based on the financial statements approved at the shareholders' meetings, or in the absence of this based on the financial statements approved by the Board of Directors. There are no differences as to the year end date within the group.

All the financial statements are re-classified and rectified as necessary in order to ensure uniform accounting principles with those adopted by the parent company, except those of modest proportions, as noted in the individual line items.

Conversion of financial statements in foreign currencies

The financial statements of foreign subsidiaries are translated into Italian Lire using the exchange rates prevailing at the year-end for balance sheet items and average exchange rates for the year for income statement items. The resulting translation gain and losses are credited to, or charged directly against "Translation reserve".

For the translation of financial statements in foreign currencies the following exchange rates have been used:

- For the US Dollar exchange at 31/12/2000 Lire 2,080.89;
- For the US Dollar average lire 2,102.59;
- For the Czech crown exchange at 31/12/2000 Lire 55.25;
- For the Czech crown average Lire 54.40;
- For the French Franc fixed Lire 295.18.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATION PRINCIPLES

The consolidation of the financial statements are prepared using the “line by line method” in accordance with VII Directive of the EC and Document no. 17 of the Commission for Issuing Accounting Principles by the Accounting Profession in Italy.

The application of the consolidation results in the following principal adjustments:

- a) The book value of the participations included in the consolidation are eliminated against the shareholders' equity of the Group. The assets and liabilities and the income and expenses of the individual companies consolidated are fully included regardless of the possession held.
- b) The differences that arise from the elimination of the participations consolidated with the method used above are recorded as an adjustment to the consolidated shareholders' equity.
In case of acquisition the above mentioned difference is attributed to the difference assets and liabilities of the company included in the consolidation.
Any balance remaining, is recorded in a “Consolidation reserve”, or more precisely, when the amount refers to negative consolidation differences which arise it is recorded as a "Consolidation reserve for risks and charges"; if positive, the balance remaining is included under intangible assets as "Consolidation differences".
- c) The amount of capital and reserves held by third parties in controlled subsidiaries are recorded in specific accounts in the balance sheet and income statement.
- d) The exchange differences that arise on the conversion of financial statement in foreign currencies are recorded in an account called "Translation Reserve " in shareholders' equity.
- e) Receivables and payables and income and expenses between the companies in the consolidation are eliminated, including dividends.
- f) The profits included in the inventory of companies in the consolidation purchased from other companies in the Group have been eliminated and the gains realised through the sale of fixed assets, except those of modest proportions.

CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION ON THE GROUP

La **Granitifiandre S.p.a.** whose registered office is in Castellarano (Reggio Emilia), has as its principal activity, the production and selling of ceramic products.

As at 31/12/2000 Granitifiandre S.p.a. has direct control of the following companies:

- **Ceramiche Riunite S.r.l.**
the company sells ceramic products and performs fixing services.
The participation of 50% has been fully consolidated due to the controlling influence of the holding company Granitifiandre Spa.
- **Geologica Milano S.r.l.**
the company sells ceramic products.
- **Geologica Prato S.r.l.**
the company sells ceramic products. The participation of 50% has been fully consolidated due to the controlling influence of the holding company Granitifiandre Spa.
- **GranitiFiandre Praha S.r.o.**
the company, constituted in 2000 in the Czech Republic, sells ceramic products.
- **Floornature.com S.p.a.**
the company, constituted at the end of 2000 has been valued at cost as it is not yet operative.
- **Granitifiandre Industries Deutschland GmbH**
the company, constituted in Germany at the end of 2000 has been valued at cost as it is not yet operative.
- **Technoposa S.r.l.**
the company sells ceramic products and performs fixing services.
- **Technopose S.a.r.l.**
the company, with head office in France, sells ceramic products and performs fixing services.
- **Trans Ceramica Ltd.**
the company, with head office in the United States, sells ceramic products. The company is a result of the merger in the year 2000 between Eurowest Decorative Surfaces Limited and Trans Ceramica Limited.

As at 31/12/2000 Granitifiandre Sp.a. held minority interests in the following companies:

- **ATS Finanziaria S.r.l.**
the company carries out financial activities.
- **Banca di Modena S.c.p.a.**
the company carries out financial activities.
- **Cerafirst S.a.**
the company carries out financial activities.

CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Following are shown the most significant accounting principles and valuation criteria adopted in the preparation of the consolidated financial statements.

It is noted that in the present financial statements no departures with respect to the decree 127/91 have taken place.

Intangible assets

Intangible fixed assets are recorded at purchase or production cost, including incidental charges, and amortised on a straight-line basis over their expected useful lives. The amortisation commences when the asset is available for use or begins to produce economic benefits.

The amortisation is calculated as follows:

- patents and rights to use intellectual property:
for one third of the corresponding cost;
- trade marks:
for one tenth of the corresponding cost.
- the costs of the cancellation of the mortgage (classified in others):
in correlation to the duration of each mortgage;
- other items:
for one fifth of the relative cost.

Research and development and advertising costs are charged fully to the income statement in the year in which they occur.

Assets whose value at the balance sheet date have suffered permanent impairment in value are written down to their current economic value using the above mentioned criteria.

Fixed assets

Tangible assets are valued at purchase or production cost, including directly imputable incidental charges.

The depreciation charged to the income statement is calculated on the basis of the asset's estimated useful life: these depreciation rates are increased with respect to the normal rates used, where there is greater utilisation of the tangible assets for the production activity. For the first year of use, the depreciation rates used are 50% representing an approximation to the period in possession.

For those individual tangible assets with a minor value, whose possible future use at maximum efficiency is not over one year, considering their fast wear and tear and high probability of damage, the amount of depreciation has been prudently calculated as one quota equal to the cost of the tangible asset.

Assets whose value at the balance sheet date have suffered permanent impairment in value are written down to their current economic value using the above mentioned criteria.

On-going maintenance costs are charged completely to the income statement in the year in which they are sustained; maintenance costs having an added value nature are attributed to the tangible assets to which they refer and depreciated over the expected useful lives of the assets.



Financial assets

The participations in controlled companies not consolidated are recorded at cost for the reasons previously noted, adjusted for permanent impairment in value.

The other participations are recorded at cost.

Financial assets non long term

Government and other securities, purchased by the Company for short term investments due to excess liquidity are valued at the lower of cost or carrying value (increased by the issue discount) and the valuation on the stock exchange (average price for the month of December).

Inventory

Inventories are valued at the lower of purchase price or production, including incidental charges, and the estimated realisable value based on market trends at the balance sheet date.

The configuration of the cost adopted is:

- LIFO by year of formation for raw materials, finished goods and packaging.
- cost of production, referring to the state of advancement, for the goods in work-in-progress.

The inventories of obsolete or slow moving articles are written down taking into account the possibility of future use.

Receivables

Receivables are classified under "Financial assets" or "Current assets" depending on their nature.

Trade receivables are recorded at their estimable realisable value net of a provision for doubtful debts calculated on a prudential basis.

Other receivables are recorded at their nominal value; for financial receivables and those from the State interest matured has been calculated.

Other receivables relative to capitalisation certificates, which are classified under financial assets, and are recorded as per the value of the first payment as stipulated in the contract increased for the interest matured at the balance sheet date.

Payables

Payables are shown at their nominal value.

The payable for taxes for the year has been calculated based on a realistic estimate of the fiscal charge for the period taking into consideration current fiscal legislation.

Prepayments and accrued income, accrued expenses and deferred income

Prepayments and accrued income, accrued expenses and deferred income include exclusively revenues and costs relating to two or more periods and revenues and costs sustained before the end of the year relating to future years. Only the relevant quota of revenues and costs are recorded in the period.

CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Provision for risks and charges

Provisions for risks and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.

The amounts provided represent a best possible estimate on the basis of available information.

The risks that the company are exposed to which may possibly give risk to a liability and for which no provision has been made are shown in the memorandum accounts.

Provision for staff leaving indemnities

The provision for staff leaving indemnities is accrued to cover the full liability to employees in accordance with current legislation at the balance sheet date. The provision is net of advances paid.

Taxes

Taxes have been calculated based on a realistic estimate of the fiscal charge in each company for the period taking into consideration current fiscal legislation in each of the countries.

Deferred taxation is recorded on differences of a temporary nature between the statutory and the fiscal result.

In accordance with the Accounting Principle no. 25, deferred taxation assets are included within "Other receivables" based on a prudent estimate of their future utilisation; the amount is recorded net of the deferred tax liability.

In addition deferred taxes are calculated on timing differences between the fiscal result of the companies consolidated and the financial statements utilised for the consolidation.

The deferred taxes are calculated based on the current rates at the moment when the temporary differences arise, taking into account changes in rates at the end of each period.

The regional tax on production activity is included within the taxes for the year.

Revenue recognition

Revenues from sales are normally credited to the income statement:

- for products, at the moment of consignment of the goods;
- for services, at the moment of the performance of the services.

Revenues of a financial nature are recorded based on the accruals principle.

Dividends

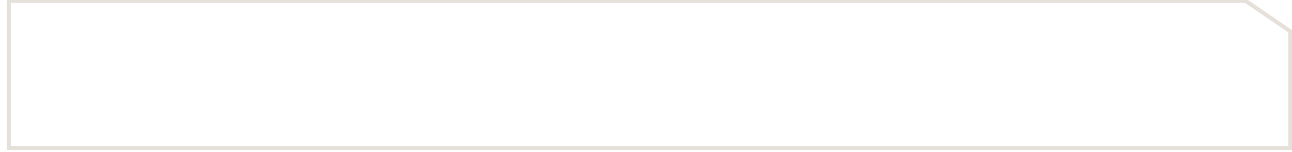
Dividends are recorded in the period in which they are deliberated and received.

Translation of foreign currency balances

Receivables and payables in non-EMU foreign currencies are recorded in the financial statements at the exchange rate at the date of the transaction, and converted using year-end exchange rates.

The above adjustments, if negative, are recorded under provision for exchange losses.

Receivables and payables nominated in foreign currencies of countries adherent to the EMU, have been converted to Lire at the relevant fixed conversion rate of the individual currencies in Euro.

**Memorandum accounts**

Within the memorandum accounts are included:

- a) commitments and guarantees given and received at their contractual value;
- b) the value of property of the company held by third parties;
- c) the value of the property of third parties held by the company;
- d) future purchase commitments;
- e) future sales commitments;
- f) future leasing commitments;
- g) the value of receivables in administration, written off from receivables.

Currency

All amounts indicated in the current notes to the financial statements are expressed in millions of lire, except where indicated otherwise.

Financial statements in Euro

In order to consent a better appreciation and evaluation of the financial statements in Euro, following those presented in Lire, are shown the balance sheet and income statement in Euro.

The conversion in Euro of the individual balance sheet items was effectuated using the fixed exchange rate of Euro/lire (1 Euro=1936.27 Lire). The amounts have been rounded to the nearest Euro.

CONSOLIDATED FINANCIAL STATEMENTS

COMPANIES INCLUDED IN THE CONSOLIDATION

Criteria

The consolidated financial statements include the financial statements of the parent company and those of the Italian and Foreign companies which Granitifiandre Spa has directly or indirectly the majority of voting rights in the ordinary general meeting and the companies which it has control based on agreements with other shareholders. Excluded from the line-by-line consolidation are those companies whose size is irrelevant. The participations included in financial assets which are controlled but not consolidated are valued at cost.

Variations with the previous year

Compared to the previous year 1999, the companies included in the consolidation have changed following the merger between Trans Ceramica Ltd, controlled 100% by Granitifiandre Spa and Eurowest Decorative Surfaces Ltd, controlled 100% by Iris Ceramica Spa.

Following the merger the company denominated Trans Ceramica Ltd is controlled 96.70% by Granitifiandre Spa and the remaining 3.30% by Iris Ceramica Spa.

Granitifiandre Praha Sro, constituted in 2000, is included in the consolidation.

Companies included in the consolidation

Name of the company	Registered office	Share capital in		Percentage held	
			full local currency	% direct	% indirect
Ceramiche Riunite	Bologna	Bo	Lire 190,000,000	50.000	
Geologica Milano Srl	Milan	Mi	Lire 190,000,000	51.000	
Geologica Prato Srl	Prato	Po	Lire 190,000,000	50.000	
Granitifiandre Praha Sro	Prague – Czech Republic		Czk 100,000	66.000	
Technoposa S.R.L.	Castellarano	Re	Lire 199,000,000	51.000	
Technopose S.A.R.L.	Paris – France		Ff 600,000	52.483	2.500 Cer. Riunite
Trans Ceramica Ltd.	California – Usa		Us\$ 2,611,000	96.70	

The following controlled participations have been excluded from the consolidation, being valued at cost:

Granitif. Ind. Deutschland	Germany		Euro 25,000	99.000
Floornature.Com Spa	Fiorano Mod.	Mo	Euro 2.500,000	90.000

The following minority participations have been excluded from the consolidation, being valued at cost:

A.T.S. Finanziaria Srl	Modena	Mo	Lire 1,822,000,000	16.465
Banca Di Modena Scpa	Modena	Mo	L. 19,326,000,000	0.414
Cerafirst Holding S.A.	Luxemberg		Dm 486,500,000	17.170

BALANCE SHEET

FIXED ASSETS

For the three types of fixed assets – intangibles, tangibles and financial assets – the schedules indicate the historical cost, the cumulative amortisation, the movements in the year, and the balance at the end of the year.

Intangible assets

The intangible assets, net of amortisation, amount to:

	31/12/2000	31/12/1999
• Set up and expansion costs	13	5
• Research & development and advertising	0	9
• Patents and rights to use intellectual property	74	78
• Concessions, licenses, trademarks and similar rights	50	15
• Others	950	324
Total	1,087	431

The increases in intangible assets relate principally to the improvements made to third party assets by the company Ceramiche Riunite Srl.

The column “Other movements”, apart from some re-classifications, includes increases due to variations in the companies included in the consolidation.

MOVEMENTS IN INTANGIBLE ASSETS

Category	Balance at 31 Dec 99	Purchases	Other Movements	Amortisation	Balance at 31 Dec 00
1) Set up and Expansion Costs	5		16	(8)	13
2) Research & Devel. and Advertising	9		(9)		0
3) Patent and Rights to use Intellectual Property	78	60		(64)	74
4) Concessions, Licenses, Trademarks and Similar rights	15	40	1	(6)	50
7) Other Intangible Assets	324	678	75	(127)	950
Total	431	778	83	(205)	1,087

BALANCE SHEET

FIXED ASSETS

Tangible assets

Tangible assets, net of depreciation, amounts to:

	31/12/2000	31/12/1999
• Land and buildings	31,793	30,253
• Plant and machinery	20,644	22,685
• Industrial and commercial equipment	412	294
• Other assets	2,892	1,779
• Assets under construction and advances	135	0
Total	55,876	55,011

The acquisitions relate principally to the holding company Granitifiandre Spa as follows:

- Land and buildings for Lire 3,461 million, invested principally in improvements to industrial buildings.
- Machinery for Lire 11,323 million invested for the most part in the improvement to existing specific and general plant.
- Industrial and commercial equipment for Lire 663 million related to the acquisition of equipment for the work shop and lift trucks.
- Other assets for Lire 2,103 million, related to the acquisition of furniture and fittings, the renewal of motor vehicles, and investment in EDP equipment.

The sale of tangible assets, for a value of Lire 1,874 million net of the depreciation, are principally related to specific plant and machinery sold by the parent company Granitifiandre Spa to its parent company Iris Ceramica Spa and to the group company Ariostea Spa previously located in the same premises.

The column "Other movements" include increases due to variations in the companies included in the consolidation.

MOVEMENTS IN TANGIBLE ASSETS (net value)

Category	Balance at 31 Dec 99	Purchases	Other movements	Depreciation	Sales	Balance at 31 Dec 00
Land and buildings	30,253	3,461		(1,921)		31,793
Plant and machinery	22,685	11,323		(11,558)	(1,805)	20,644
Ind. & comm. equipment	294	663		(546)	(1)	412
Other assets	1,779	2,103	509	(1,431)	(68)	2,892
In construction & advan.	0	135				135
Total	55,011	17,686	509	(15,456)	(1,874)	55,876

Accumulated depreciation

The depreciation charged to the income statement is calculated on the basis of the asset's remaining useful life. These depreciation rates are increased with respect to the normal rates used, where there is greater utilisation of the tangible assets for production.

Category	Normal Rate
Industrial buildings	4.00%
Other constructions	10.00%
General plant and machinery	10.00%
Specific plant and machinery	12.50%
Ecological plant	15.00%
Ovens and related items	14.00%
Equipment	40.00%
Furniture and office machines	12.00%
EDP equipment	20.00%
Automobiles	25.00%
Internal transport	20.00%

Financial assets

	31/12/2000	31/12/1999
Participation		
Controlled companies not consolidated		
• Granitifiandre Industries Deutschland	56	0
• Floornature.com Spa	4,356	0
Total	4,412	0
Associated companies		
• Maffei Spa	0	24,536
• Geologica Prato	0	95
Total	0	24,631
Other companies		
• Ats Finanziaria S.r.l.	2,450	2,450
• Banca di Modena Scpa	80	80
• Cerafirst Holding S.a.	66,299	66,299
Total	68,829	68,829
Total Participations	73,241	93,460

BALANCE SHEET

FIXED ASSETS

MOVEMENTS IN PARTICIPATIONS

	Value	Purchases	Sales	Other	Gains	Value
	at			movements	(losses)	at
	31 dec 99					31 dec 00
Controlled companies	0	4,412				4,412
Associated companies	24,631		(31,379)	(95)	6,843	0
Other companies	68,829					68,829
	93,460	4,412	(31,379)	(95)	6,843	73,241

Within the scope of an internal re-organisation of participations, in the year 2000 Granitifiandre Spa transferred to its parent company Iris Ceramica S.p.a. shares in the associated company Maffei S.p.a., realising a gain of over Lire 6.8 billion.

For further information on the subscription during the year in the share capital in Granitifiandre Industries Deutschland and Floornature.Com Spa reference should be made to the "report on the operations".

Financial receivables

On these receivables no adjustments to the values have been made.

Receivables from subsidiary companies

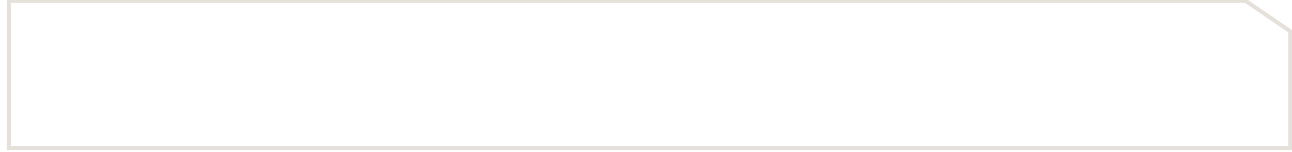
	31/12/2000	31/12/1999
• Iris Ceramica Spa	29,193	35,747

The receivables refer to:

- for Lire 9,193 million to a current account with the holding company Iris Ceramica S.p.A. regulated at an interest rate of average monthly Euribor plus 0.25%;
- for Lire 20 billion for the equivalent of the transfer of a loan to our company, originally amounting to Lire 30 billion, equal to the balance of the debt due by Iris Ceramica. The receivable was fully received in the first days of January 2001.

Receivables from others

	31/12/2000	31/12/1999
- receivable within one year		
• others	118	1
- receivables over one year		
• Capitalisation certificates	9,959	9,600
• Advance tax on leaving indemnity	845	905
• Others	324	298
Total	11,128	10,803



Others refer to deposits, employee loans and a loan to the Company Spinnaker from the holding company Granitifiandre Spa of Lire 150 million (of which Lire 125 million is long term) with expiry date in 2007.

The capitalisation certificates, which expire in 2004, are indicated net of taxes.

MOVEMENTS OF FINANCIAL RECEIVABLES

	Balance			Balance	
Description	at 31 Dec 99	Increases	Decreases	at 31 Dec 00	
Holding Companies	35,747	39,946	(46,500)	29,193	
Others	10,804	698	(256)	11,246	
Total receivables	46,551	40,644	(46,756)	40,439	

BALANCE SHEET

CURRENT ASSETS

Inventory

The inventory amounts to:

	31/12/2000	31/12/1999
• Raw materials, ancillary and consumables	8,301	7,947
• Products in work-in-progress	338	202
• Contract work-in-progress	0	91
• Finished products and goods	46,958	42,733
• Provision for slow moving goods	0	(2,241)
Total	55,597	48,732

The increase in inventory of Lire 6,865 million is principally due to the variation in the companies included in the consolidation caused by the merger Trans Ceramica – Eurowest.

The provision for slow moving goods has been completely reversed as the slow moving materials are no longer in inventory.

Receivables

Receivables from customers

	31/12/2000	31/12/1999
- <i>receivable within one year</i>	61,590	54,749
- <i>receivables over one year</i>	434	875
- Provision for doubtful debts	(3,056)	(7,477)
Total	58,968	48,147

The provision for doubtful debts was utilised for the losses realised as well as being reversed to reflect the current actual risk, estimated based on prudential criteria.

The receivables from associated, holding and group companies derive from commercial transactions at market conditions.

Receivables from associated companies

	31/12/2000	31/12/1999
- <i>receivable within one year</i>	0	25
- <i>receivables over one year</i>	0	50
Total	0	75

Receivables from holding companies

	31/12/2000	31/12/1999
- <i>receivable within one year</i>		
• Iris Ceramica Spa	7,369	8,740

Receivables from others

a) group companies

	31/12/2000	31/12/1999
<i>- receivable within one year</i>		
• Ariostea Spa	10,145	8,235
• Edilcarani Spa	4,474	1,822
• Savoia Canada	3,155	1,878
• Indus Ceramica Spa	1,642	1,594
• Eurowest Dec. Ltd.	0	486
• Technokolla Srl	265	0
• La Ceramica Srl	79	63
Total	19,760	14,078

b) others

	31/12/2000	31/12/1999
<i>- receivable within one year</i>		
1. Tax authorities		
• Irpeg/Irap tax payments on account	18,233	20,255
• VAT receivables	4,083	651
2. Securities at spot repurchase	0	6,490
3. Others	983	584
Total	23,299	27,980

<i>- receivables over one year</i>		
1. Tax authorities		
• Interest on tax credits	119	122
• Deferred tax asset	2,457	5,396
2. Others	31	90
Total,	2,607	5,608

The deferred tax asset has substantially reduced due to the reversal of the following provisions in the parent company Granitifiandre Spa: provision for slow moving inventory, provision for doubtful debts, provision to cover losses in participations.

Receivables Due over 5 years

The details are as follows:

Description	Included	Receivable at	Last Expiry	Expiry
	Under	31/12/2000	Year	Over 5 years
Spinnaker loan	Spinnaker loan	150	2007	46

BALANCE SHEET

NON LONG TERM FINANCIAL ASSETS

Other securities

This item is comprised of:

	31/12/2000	31/12/1999
• Government securities CCT and BTP	24,795	18,798
• Other Italian bonds	12,214	9,790
• Foreign bonds	431	150
• Shares in investment fund	1,970	1,970
Total	39,410	30,708

The above securities, are deposited in custody at credit institutions.

BALANCE SHEET

CASH AND BANKS

This item is comprised of:

	31/12/2000	31/12/1999
• Bank deposits	53,303	10,971
• Cheques	17	6
• Cash and equivalents	45	12
Total	53,365	10,989

BALANCE SHEET

PREPAYMENTS AND ACCRUED INCOME

This item is comprised of:

	31/12/2000	31/12/1999
Accrued income		
- Interest on government securities	480	270
- Others	179	168
Total	659	438
Prepayments		
- Insurance premiums	592	522
- Others	236	68
Total	828	590

BALANCE SHEET

EQUITY

The shareholders' equity as of 31 December 2000 amounts to Lire 224,856 million of which Lire 223,839 million relates to the group and Lire 1,017 million relates to minority third party interests.

This item is comprised of:

	31/12/2000	31/12/1999
• Share capital	21,950	21,800
• Legal reserve	4,360	4,360
• Other reserves of the holding company	160,281	131,859
• Translation reserve	491	31
• Consolidation reserve	1,891	1,162
• Profit for the year	34,728	30,114
Shareholders' equity	223,701	189,326
• Minority interest capital and reserves	932	472
• Minority third party interest profit for the year	85	71
Minority third party interest equity	1,017	543
TOTAL SHAREHOLDERS' EQUITY	224,718	189,869

All the movements and information concerning shareholders' equity are shown in the schedule denominated "Analysis of movements of shareholders' equity of the Group" and "Schedule of link between shareholders' equity and profit of the holding company and the shareholders' equity and profit of the consolidated financial statements".

BALANCE SHEET

SHAREHOLDERS'

ANALYSIS OF MOVEMENTS OF THE SHAREHOLDERS' EQUITY OF THE GROUP

	Share Capital	Legal Reserve	Extraordinary reserve	Provision as per law	Reserve for shares of the parent company	Translation reserve	Consolida- tion reserve	Profit for the year	Total
				55 917/86					
Situation on 31.12.99	21,800	4,360	131,425	434		31	1,162	30,114	189,326
Distribution dividends								(1,090)	(1,090)
Destination profits			28,572				452	(29,024)	0
Conversion of capital in Euro	150		(150)						0
Reserve for shares of the parent company			(2,449)		2,449				0
Translation difference of financial statements in foreign currencies						460			460
Other variations							277		277
Profit for the year 2000								34,728	34,728
Situation on 31.12.2000	21,950	4,360	157,398	434	2,449	491	1,891	34,728	223,701

Schedule of link between the shareholders' equity and profit of the parent company and the shareholders' equity and profit of the consolidated financial statements

Net profit

Profit of the parent company for year 31/12/2000	33,813
- pro-rata profits of the consolidated companies	936
- Elimination on inter group profits in inventory	(57)
- Elimination on inter group losses in participations	44
- Elimination of inter group dividends	(8)
Consolidated net profit for year 31/12/2000	34,728

Shareholders' equity

Shareholders' equity of the parent company on 31/12/2000	220,403
- Elimination on inter group profits in inventory	(1,609)
- Elimination on inter group losses in participations	44
- Difference between shareholders' equity and carrying value of the companies	4,863
Consolidated shareholders' equity on 31/12/2000	223,701

BALANCE SHEET

PROVISION FOR RISKS AND CHARGES

The item is comprised as follows:

	31/12/2000	31/12/1999
• Agent's indemnity	613	603
• Provision for taxes	300	0
Other provisions:		
• Foreign exchange differences	10,583	7,405
• Provision for legal risks	23	0
• Provision for losses in participations	0	4,843
Total	11,519	12,248

Provision for agent's leaving indemnity and similar obligations

The provision for agent's leaving indemnity and similar obligations includes the liability to agents in the case where the relationship is ended at the initiative of the company.

Provision for taxes

The provision includes a prudent provision for taxes for previous years, in relation to a tax assessment by the Reggio Emilia tax department which is currently being finalised.

Other provisions:

Provision for exchange losses

The provision for exchange losses relates to the adjustment at year-end to receivables and payables in non-EMU foreign currencies, recorded at the exchange rate at the date of the transactions.

Provision for legal risks

The provision includes a prudent provision for a legal case in course.

Provision for losses in participations

The provision for losses in participations was completely reversed in the year, as the reasons for its creation no longer exist.

BALANCE SHEET

PROVISION FOR STAFF LEAVING INDEMNITY

	31/12/2000	31/12/1999
• Staff leaving indemnity	12,710	11,903

The amount represents the liability matured against employees in the work force on 31/12/00; at that date the personnel in the work force amounted to 552 units.

BALANCE SHEET

PAYABLES

Due to banks

Payables to banks are divided as follows:

	31/12/2000	31/12/1999
<i>- payable within one year:</i>		
• Current accounts	827	848
• Advances for import/export operations	20,841	20,840
• Loans – short term portion	15,554	38,888
Total	37,222	60,576
<i>- payable over one year:</i>		
• Loans – long term portion	31,111	26,667
Total	31,111	26,667
Total due to banks	68,333	87,243

Following is a list of loans as of 31/12/2000:

Credit Institution	Original Value in Lire	Date of loan	Periodic interest payments	Interest Rate	Date Final payment	Residual value	Current Portion	note
IMI	70,000	20/12/96	Quarterly	Variable	12/2003	46,666	15,554	(1)

Note

(1) mortgage guarantee in buildings of Granitifiandre for Lire 84,000 million;
interest rate = RIBOR+0.34:

The capital is repayable in bi-annual instalments since 31/12/99;

Due to other financiers

	31/12/2000	31/12/1999
- payable within one year :		
• Others	7	0
- payable over one year:		
• Minister of industry	2,373	3,281
Total	2,380	3,281

The payable to the Minister of industry relates to subsidised financing for a period of 15 years obtained by the parent company Granitifiandre Spa with expiry date of 30/06/2012.

Advances

	31/12/2000	31/12/1999
- payable within one year:		
• Payments on account from customers	2,620	1,936

Due to trade payables

	31/12/2000	31/12/1999
- Payable within one year:	44.683	31.929

Due to associated companies

	31/12/2000	31/12/1999
- payable within one year:		
• Maffei Group	0	2,947
• Other	0	190
Total	0	3,137

Due to holding companies

	31/12/2000	31/12/1999
- payable within one year:		
• Iris Ceramica Spa – commercial payable	14,892	10,062
• Iris Ceramica Spa – financial payable	6,567	0
Total,	21,459	10,062

The financial payable refers to loans given by Iris Ceramica Spa to the ex Eurowest, now Trans Ceramica Ltd.

BALANCE SHEET'

PAYABLES

Due to tax authorities

The amounts due to tax authorities are gross of the payments on account and withholding taxes.

	31/12/2000	31/12/1999
<i>- payable within one year:</i>		
• Taxes on income	18,228	20,268
• IRPEF – employee and consultants retention tax	2,502	2,281
• VAT	133	110
• Others	0	178
Total	20,863	22,837

Due to social security institutions

Refers to obligatory contributions matured in relation to the company and employees.

	31/12/2000	31/12/1999
<i>- Payable within one year:</i>	2.656	2.042

Due to others

a) group companies

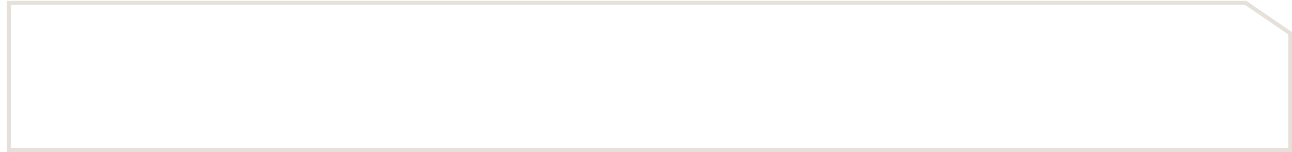
	31/12/2000	31/12/1999
<i>- payable within one year:</i>		
• Ariostea Spa	7,186	6,437
• Edilcarani Srl	1,623	961
• Group Maffei	1,681	0
• Savoia Canada	421	33
• Technokolla Srl	238	78
• Indus Ceramica Spa	0	40
• La Ceramica Srl	3	2
• Eurowest	0	304
Total	11,152	7,855

b) Others

	31/12/2000	31/12/1999
<i>- payable within one year:</i>		
• Employee retribution	5,195	4,686
• Customers with positive balances	403	906
• 7/10 of share capital in Floornature.com	3,050	0
• Others	469	67
Total	9,117	5,659

The payables to group companies are of a commercial nature under market conditions.

The payable to employees includes the salaries for the month of December, bonuses and vacation days matured.



Credit notes to issue to customers relates to bonuses and quantitative discounts.

Payable due over 5 years

The details are as follows:

Description	Included	Payable	Last	Amount
	In	at	Payment	due
		31-Dec-00	Year	Over 5 years
Ministry of industry	Other financiers	2,373	2012	2,373

BALANCE SHEET

ACCRUED LIABILITIES AND DEFERRED INCOME

The amounts consist of:

	31/12/2000	31/12/1999
<u>Accrued liabilities</u>		
- Interest payable	133	136
- Others	162	798
Total	295	934

BALANCE SHEET

MEMORANDUM ACCOUNTS

The memorandum account is summarised as follows:

	31/12/2000	31/12/1999
Risks for guarantees given		
Guarantees given to third parties		
Guarantees given to banks for:		
- Buildings	350	350
Other personal guarantees – IMI mortgage	16,000	16,000
Collateral given to third parties		
- Mortgage on buildings and plant – IMI	84,000	84,000
Securities as pledge on loan	0	9,600
Total	84,000	9,600
Total risks for guarantees given to third parties	100,350	109,950
Other memorandum accounts		
Guarantees received from third parties		
- Guarantees received from parent	0	30,000
- Guarantees received from third parties	5,073	4,778
- Collateral received from third parties	150	0
	5,223	34,778
Assets of the company held by third parties	524	349
Sales commitments	1,800	965
Customers in administration	1,860	1,656
Others	0	724
Total other memorandum accounts	9,407	38,472
TOTAL MEMORANDUM ACCOUNTS	109,757	148,422

INCOME STATEMENT

VALUE OF PRODUCTION

Revenues from sales and services

	Year	Year
	2000	1999
• Revenues from Italian customers	136,185	119,169
• Revenues from foreign customers	131,473	111,945
Total	267,658	231,114

Following is a division of revenues by geographical area; the division of revenues by category of activity has been omitted as it is not significant:

Geographical area	2000	%	1999	%
Italy	136,185	50.88	119,169	51.56
Europe	67,650	25.28	65,824	28.48
Others	63,823	23.84	46,121	19.96
Total	267,658	100.00	231,114	100.00

Changes in work-in-progress and finished goods

	Year 2000	Year 1999
• Changes in inventory	(2,655)	2,686

Changes in contract work

	Year 2000	Year 1999
• Change in work in progress	0	91

Increases in fixed assets for internal work

	Year 2000	Year 1999
• Cost for the internal production of fixed assets	34	12

Other income

This item is comprised of:

	Year 2000	Year 1999
• Rentals	3,202	8,472
• Profits on the sale of fixed assets	234	205
• Over accruals in previous years	566	187
• Insurance compensation	62	162
• Reversal of the provision for doubtful debts fiscally deductible	4,891	424
• Other income	1,989	1,479
Total	10,944	10,929

INCOME STATEMENT

VALUE OF PRODUCTION

The income from rents, principally related to plant and machinery rented to Iris Ceramica Spa and Ariostea Spa, have decreased due to the sale of this plant and machinery during the year.

The provision for doubtful debts has been partially reversed for the part necessary to ensure the provision is in line with the current effective risk, estimated using prudent criteria.

The profit on the sale of assets relates to disposals following the normal depletion of their economic usage in the production process.

The over accrual in previous years relates to the over provision of indemnities and charges in the previous years.

INCOME STATEMENT

COSTS OF PRODUCTION

Costs for purchases

This item is comprised of:

	Year 2000	Year 1999
• Raw materials and ancillary	15,847	15,054
• Semifinished	18,362	18,379
• Products for re-sale	46,036	35,387
• Packaging	4,648	3,786
• Other purchases	9,206	5,825
Total	94,099	78,431

Costs for services

This item is comprised of:

	Year 2000	Year 1999
• Third party services	10,788	8,406
• Electrical energy –Methane	14,637	11,300
• Maintenance	6,595	6,737
• Consultants	791	469
• Transport	6,573	7,443
• Insurance	611	525
• Travel expenses	2,723	2,609
• Commissions	6,920	6,719
• Advertising and exhibitions	6,873	5,011
• Director's and legal representative fees	1,565	1,465
• Other services	9,441	6,346
Total	67,517	57,030

Costs for use of third party assets

This item is comprised of:

	Year 2000	Year 1999
• Rents payable	2,088	1,354
• Royalties	11	10
Total	2,099	1,364

Personnel costs

This item is comprised of:

	Year 2000	Year 1999
• Wages and salaries	35,060	30,146
• Social security contributions	11,540	10,488
• Leaving indemnity for the year	2,468	2,242
Total	49,068	42,876

INCOME STATEMENT

COSTS OF PRODUCTION

Amortisation and Provisions

Amortisation

	Year 2000	Year 1999
• Amortisation of intangible assets	205	109
• Depreciation of tangible assets	15,456	18,074
Total	15,661	18,183

Provisions

	Year 2000	Year 1999
• Provision for doubtful debts	753	609

Change in raw, ancillary and consumable goods

	Year 2000	Year 1999
Change in inventory	(335)	(395)

Provision for risk and charges

	Year 2000	Year 1999
• Provision for legal risks	23	0
• Other provisions	0	9
Total	23	9

Other operating costs

This item is comprised of:

	Year 2000	Year 1999
• Stationery	325	236
• Taxes other than for earnings	425	364
• Loss on the sale of fixed assets	34	17
• Under accrual of previous years	73	51
• Other charges	277	150
Total	1,134	818

The loss on the sale of assets relates to disposals following the normal depletion of their economic usage in the production process.

The under accrual in previous years relates to the under provision of indemnities and charges in the previous years.

INCOME STATEMENT

FINANCIAL INCOME AND CHARGES

Income from participations

	Year 2000	Year 1999
• Dividends from Maffei Spa	0	1,052
• Related tax credit	0	618
• Dividends from other companies	3	3
Total	3	1,673

Other financial income

Income from receivables included in fixed assets

	Year 2000	Year 1999
• Interest on loans to Iris Ceramica S.p.A.	1,945	1,206
• Interest on capitalisation certificates	409	389
• Other income	29	40
Total	2,384	1,635

Income from securities included in current assets

	Year 2000	Year 1999
• Interest on bonds	530	128
• Interest on government securities	1,146	335
• Issue discounts	82	31
• Profit on the sale of securities	0	1
Total	1,758	495

Other income

From other companies:

	Year 2000	Year 1999
• Interest on bank accounts	721	504
• Interest on extension of payments	230	192
• Interest on overdue receivables	252	189
• Foreign exchange gains	2,858	1,568
• Interest on spot re-purchases	72	229
• Other income	34	10
Total	4,167	2,692

INCOME STATEMENT

FINANCIAL INCOME AND CHARGES

Interest and other financial charges

The item is comprised of::

	Year 2000	Year 1999
• Interest on bank accounts	2,396	1,551
• Interest on bank loans	2,137	2,506
• Losses on sale of securities	3	22
• Provision for foreign exchange losses	3,966	2,144
• Other financial charges	32	15
Total	8,534	6,238

The exchange losses at the balance sheet date have been covered by the utilisation of the provision for foreign exchange losses.

During the year financial charges have not been included within the assets recorded in the balance sheet.

INCOME STATEMENT

ADJUSTMENTS TO FINANCIAL ASSET VALUES

Revaluations

In the two years no re-valuations have taken place.

Write-downs of investments

	Year 2000	Year 1999
• Write-downs of securities in current assets	161	204

The losses refer to the re-aligning with market values (average for the month of December) of securities recorded in current assets.

INCOME STATEMENT

EXTRAORDINARY INCOME AND CHARGES

Income

The item is comprised of:

	Year 2000	Year 1999
• Gain on sale of participation in Maffei Spa	6,843	0
• Reversal of provision for losses on participations	4,843	0
• Deferred tax asset	0	4,685
• Over accruals in previous years and other income	52	11
Total	11,738	4,696

Charges

The item is comprised of:

	Year 2000	Year 1999
• Provision for taxes in previous years	300	1
• Under accruals in previous years and other charges	14	0
Total	314	1

INCOME STATEMENT

TAXATION FOR THE YEAR

Taxes

The item is comprised of:

	Year 2000	Year 1999
• Current taxes	22,225	20,599
• Deferred taxes	(35)	(123)
Total	22,190	20,476

OTHER INFORMATION

DIRECTORS AND STATUTORY AUDITORS COMPENSATION

The Directors and Statutory Auditors of the holding company received, with reference to all of their responsibilities in the companies within the Group, total amounts of respectively Lire 927 million (850 in 1999) and Lire 94 million (84 in 1999) comprising all of their compensation.

AVERAGE NUMBER OF EMPLOYEES

Category	Average number	
	2000	1999
Blue collar and intermediary	315	315
White collar and managers	212	184
Directors	18	18
Total	545	517

The current financial statements, composed of the Balance Sheet, Income Statement and Notes to the financial statements, represent a true and fair view of the financial position as well as the result for the year of all of the companies included in the consolidation.

Castellarano, 10/02/2001

The Board of Directors

Mr Renzo Arletti
- President -

Ms Maria Cristina Minozzi
- Vice President -

Mr Graziano Verdi
- Vice President -

Mr Leandro Guidetti
- Managing Director -

Mr Giuseppe Marasti
- Managing Director -

Mr Giacomo Mazzoni
- Managing Director -

Mr Ermanno Pernici
- Managing Director -

**2000 DIRECTORS' REPORT
ON THE OPERATIONS OF THE GROUP FOR THE YEAR ENDED
31 DECEMBER 2000**

GRANITIFIANDRE S.P.A.

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2000 DIRECTORS' REPORT

GENERAL CONSIDERATIONS

Dear Shareholders,

The consolidated financial statements which are presented for your consideration closed the year with a profit of Lire 34,813 million of which Lire 34,728 million relates to the group.

Together with what is already noted in the report on operations of the holding company, we note here the characteristics of the activity carried out by the company:

- In the sector of fixing ceramic materials the Group operates through three companies Ceramiche Riunite srl, Technoposa srl and Technopose sarl, whose activities of complementary services to the clientele has developed positively.
- In the sector of distribution the Group operates through two companies in Italy, one in the United States of America and one in the Czech Republic.
Also the activities of these companies demonstrated to be of profitable support to the development of sales of the holding company.

STRUCTURE OF THE GROUP

GRANITIFIANDRE S.P.A.
Holding company
Production,
processing and
distribution of
stoneware porcelain

Controlled Companies

Ceramiche
Riunite Srl

Geologica
Milano Srl

Granitifiandre
Praha Sro

Technoposa Srl

Technopose sarl

Trans
Ceramica Ltd

Geologica
Prato Srl

Controlled companies not consolidated:

Granitifiandre Ind.
Deutschland
GmbH

Floornature.com
Spa

OPERATIONS OF THE GROUP

Matters occurring during the year

Within the operations of the financial activities in relation to the investments in participations we have effectuated the following operations:

- the participation, with a 66% stake, in the constitution of Granitifiandre Praha Sro, a company that has commenced the distribution activity of ceramic products in the Czech Republic;
- the participation, with a 90% stake, in the constitution of Floornature.com Spa, a company whose activity will be concentrated in the development of services via *Internet* for the promotion and utilisation of Granitifiandre products. This activity will be realised through a vertical portal for the possibility of the principle interlocutors of the company to be in contact via internet (in particular the architects).
- the participation, with a 99% stake in the constitution of Granitifiandre Industries Deutschland GmbH, a company that will operate a new industrial plant in Germany, in the Brandenburg area. The investment, planned in the order of Euro 50 million partially financed by the Development Authority of Brandenburg with a contribution of 35% of the capital, will be completed with a production factory having a production capacity of approximately 6 million square meters per year.

In relation to the re-organisation of the participations we note the following:

- The merger between Trans Ceramica Ltd, controlled 100% by Granitifiandre Spa and Euowest Decorative Surfaces Ltd, controlled 100% by Iris Ceramica Spa. Following this merger the company denominated Trans Ceramica Ltd is controlled 96.70% by Granitifiandre Spa and for the remaining 3.30% by Iris Ceramica Spa.
- The transfer of the shares held in the associated company Maffei S.p.a by Granitifiandre Spa to the holding company Iris Ceramica Spa, with the realisation of a gain of over Lire 6.8 billion.

Own shares

The company holds as of 31/12/2000 300,000 shares in the company A.T.S. Finanziaria Srl, which indirectly controls the company. This quota is part of the assets related to the spin-off operation deliberated in the extraordinary shareholder meeting of 27/11/2000.

Costs and revenues

For an analysis of revenues and costs reference should be made to the details contained in the notes to the financial statements.

Investments and disposals

The total investments in tangible assets amounted to Lire 17,685 million of which Lire 16,939 relates to the holding company Granitifiandre Spa.

The disposals, net of accumulated depreciation, amounted to Lire 1,874 million.

The percentage of the tangible assets depreciated at the end of the year was equal to 72.3%.

THE COMPOSITION OF THE GROUP

The personnel of the Group as at 31/12/2000 was 552 units divided as follows:

year	Graniti fiandre	Other companies	Total
2000	482	70	552
1999	467	46	513

THE RESULTS FOR THE YEAR

The year ended 2000 presents the following results, together with the comparison for the previous year (in millions of Lire):

	2000	1999
- net sales	267,658	231,114
- net profit	34,813	30,185
- net profit of the group	34,728	30,114
- amortisation	15,661	18,183
- taxes	22,190	20,476
- net cash-flow (net profit plus amortisation)	50,474	48,368
- - profit before taxes	57,003	50,661
- profit before taxes plus amortisation	72,664	68,844
- added value	112,601	108,402
- gross operating margin	62,399	64,708
- operating result	45,962	45,907
- shareholders' equity	224,718	189,869
- shareholders' equity of the group	223,701	189,326
- net liquid assets	71,878	22,196
(current assets less inventory less current liabilities)		
- net working capital	127,475	70,928
(current assets less current liabilities)		
- Structural margin	167,755	134,427
(shareholders' equity less tangible assets)		
- average number of employees	545	518
- sales per employee	491	446

Financial ratios

The financial analysis of the financial statements as at 31.12.2000 are summarised by the following ratios:

	2000	1999
1) <u>Acid test</u>	0.58	0.27
Comparison of liquid assets (cash, banks, securities) and current liabilities.		
2) <u>Quick ratio</u>	1.45	1.14
Comparison of current assets less inventory and current liabilities:		
3) <u>Liquidity ratio</u>	1.79	1.46
Comparison of current assets and current liabilities:		
4) <u>Ratio of financial independence</u>	0.52	0.48
Comparison of shareholders' equity to total assets less total liabilities.		
5) <u>Ratio Long Term Coverage</u>	1.88	1.43
Comparison of shareholders' equity and medium/long term debt, and fixed assets		
6) <u>Ratio Capital Coverage</u>	1.56	1.14
Comparison of shareholders' equity and fixed assets		

Activity ratio

The analysis of the profitability for the year ended 31.12.2000 is summarised with the following ratios:

	2000	1999
1) <u>R.O.E.</u>		
(net profit to shareholders' equity)	15.52%	15.91%
2) <u>R.O.D.</u>		
(cost of borrowings)	4.11%	3.09%
3) <u>R.O.I.</u>		
(gross profit to total assets)	10.63%	11.72%
4) <u>R.O.S.</u>		
(gross profit to net sales)	17.17%	19.86%
5) <u>Ratio of cash-flow</u>		
(compared to net sales)	18.86%	20.93%

Other ratios

	2000	1999
- compared to total assets, inventory represents	12.85%	12.45%
- compared to total assets, short term receivables represent	31.97%	34.18%
- compared to total assets, total current assets represent	66.62%	57.54%
- Percentage of short term bank debts to sales for the year represent	13.91%	26.21%
- Percentage of tangible assets (net of cumulative depreciation) to total assets represents	12.92%	14.05%

ANALYSIS OF THE PROFITABILITY

The income statement for the year 2000 is summarised by the following amounts, expressed in millions of Lire and shown with the comparison of the previous year::

	2000	1999	diff.
1 Revenues for sales and services	267,658	231,114	36,544
2 Change in inventory of finished and semifinished goods	(2,655)	2,686	(5,341)
3 Change in job order work in progress	0	91	(91)
4 Increases in fixed assets constructed internally	34	12	22
5 Other income	10,944	10,929	54
TOTAL VALUE OF PRODUCTION	275,981	244,832	31,149
6 Raw, ancillary and consumable materials	94,099	78,431	15,668
11 Change in inventory of raw materials and consumables	(335)	(395)	60
7 Costs for services	67,517	57,030	10,487
8 Costs for use of third party assets	2,099	1,364	735
Added value	112,601	108,402	4,199
9 Personnel costs	49,068	42,876	6,192
14 Other operating costs	1,134	818	316
Gross operating margin	62,399	64,708	(2,309)
10 Amortisation, depreciation and write-downs	16,414	18,792	(2,378)
12 Provision for risks	23	9	14
13 Other provisions	0	0	0
TOTAL COST OF PRODUCTION	230,019	198,925	31,094
Operating result	45,962	45,907	55
15 Income from participations	3	1,673	(1,670)
16 Other financial income	8,309	4,828	3,481
17 Interest and other financial charges	8,534	6,238	2,296
TOTAL FINANCIAL INCOME AND CHARGES	(222)	263	(485)
18 Revaluations	0	0	0
19 Write-downs	161	204	(43)
TOTAL ADJUSTMENT TO FINANCIAL ACTIVITIES	(161)	(204)	43
Result before extraordinary operations and taxes	45,579	45,966	(387)
20 Extraordinary income	11,738	4,696	7,042
21 Extraordinary charges	314	1	313
TOTAL EXTRAORDINARY INCOME AND CHARGES	11,424	4,695	6,729
Result before taxes	57,003	50,661	6,342
22 Taxes for the year	(22,190)	(20,476)	(1,714)
26 PROFIT (LOSS) FOR THE YEAR	34,813	30,185	4,628
Of which:			
Group	34,728	30,114	4,614
Minority interests	85	71	14

ANALYSIS OF THE BALANCE SHEET

The financial structure of the Group as of 31 December 2000 is summarised by the following amounts, expressed in millions of Lire:

	31/12/00	31/12/99	var.
A NET FIXED ASSETS			
Intangible assets	1,087	431	656
Tangible assets	55,876	55,011	865
Financial assets	113,680	140,011	(26,331)
	170,643	195,453	(24,810)
B WORKING CAPITAL			
Inventory	55,597	48,732	6,865
Receivables	112,003	104,628	7,375
Other receivables	1,487	1,028	459
Payables	(105,983)	(85,457)	(20,526)
Other payables	(295)	(934)	639
Provision for risks and charges	(11,519)	(12,851)	1,332
	51,290	55,146	(3,856)
C TOTAL CAPITAL INVESTED (A+B)			
(less liabilities)	221,933	250,599	(28,666)
D STAFF LEAVING INDEMNITY	(12,710)	(11,903)	(807)
E CAPITAL REQUIREMENTS(C+D)	209,223	238,696	(29,473)
Covered by:			
F SHAREHOLDERS' EQUITY			
Holding company share	223,701	189,326	34,375
Minority interest share	1,017	543	474
	224,718	189,869	34,849
G FINANCIAL INDEBTEDNESS M/L TERM	33,484	29,948	3,536
H FINANCIAL INDEBTEDNESS SHORT TERM			
Short term financial debts	43,796	60,576	(16,780)
Cash and short term financial activity	(92,775)	(41,697)	(51,078)
	(48,979)	18,879	(67,858)
TOTAL (G+H)	(15,495)	48,827	(64,322)
I TOTAL (F+G+H)	209,223	238,696	(29,473)

CASH FLOW STATEMENTS

	2000
BEGINNING CASH EQUIVALENTS	41,697
CASH FLOW FROM OPERATING ACTIVITY (a)	
Profit for the year	34,728
Amortisation	15,661
Variation in working capital	3,856
Variation in staff leaving indemnity	807
Losses (Gains) on sale of fixed assets	(200)
Losses (Gains) on sale of participations	(6,843)
	48,009
CASH FLOW FROM INVESTMENT ACTIVITY (b)	
Investments in intangible assets	(778)
Investments in tangible assets	(17,686)
Investments in participations	(4,412)
Other fixed asset variations	(497)
Value realised on sale of assets	2,074
Value realised on sale of participations	31,379
	10,080
CASH FLOW FROM FINANCIAL ACTIVITY (c)	
New financing received	26,573
Reimbursement financing received	(39,817)
New financing granted	(40,644)
Reimbursement financing granted	46,756
	(7,132)
DIVIDENDS DISTRIBUTED (d)	(1,090)
DIFFERENCE OF CONVERSION AND OTHER EQUITY VARIATIONS (e)	737
VARIATIONS DERIVING FROM MINORITIES (f)	474
NET FINANCIAL CASH FLOW FOR THE YEAR	
G = (a)+(b)+(c)+(d)+(e)+(f)	51,078
ENDING CASH EQUIVALENTS	
(available cash plus current financial assets)	92,775

SCHEDULE OF SUMMARY OF INFORMATION FROM THE FINANCIAL STATEMENTS OF CONTROLLED COMPANIES AND ASSOCIATED COMPANIES

COMPANY CONTROLLED	SECTOR Of ACTIVITY	ASSETS	LIABILITIES	SHARE HOLDERS' EQUITY	REVENUES	COSTS	PROFITS (LOSSES)	INVESTMENTS	SALES
CERAM. RIUNITE	Ceramic	2,413	1,835	578	5,508	5,399	109	368	5,311
GEOLOG. MILANO	Ceramic	926	821	105	1,072	1,157	(85)	0	1,003
GEOLOGICA PRATO	Ceramic	431	260	171	433	478	(45)	5	433
GRANITI PRAHA	Ceramic	609	724	(115)	1,822	1,940	(118)	192	1,775
TECHNOPOSA	Ceramic	2,066	1,628	438	5,622	5,502	120	107	5,347
TECHNOPOSE (F)	Ceramic	1,136	831	305	2,552	2,454	98	74	2,626
TRANS CERAMICA	Ceramic	30,452	22,048	8,404	38,656	37,714	942	200	38,135

FORECAST FOR THE YEAR IN COURSE

Subsequent events to the year end

In the month of January 2001 a 51% participation was acquired in the company Hydrodesign srl, a company which specialises in the processing of special pieces for ceramic products.

All of the activity in relation to the presentation for quotation on the stock exchange of the parent company has gone ahead, respecting the time frame programmed, as well as the final phase of the programmed spin-off operation, for which more details can be found in the "Report on the operations" of the parent company Granitifiandre Spa.

Forecast for the year 2001

All of the companies of the Group have commenced the year 2001 maintaining the trend of increased activity in the previous year.

It is envisaged that the positive trend can be maintained for the whole of the year 2001, and thus the overall operations will produce satisfying results.

THE BOARD OF DIRECTORS

Castellarano, 10/02/2001

The Board of Directors

Mr Renzo Arletti
- President -

Ms Maria Cristina Minozzi
- Vice President -

Mr Graziano Verdi
- Vice President -

Mr Leandro Guidetti
- Managing Director -

Mr Giuseppe Marasti
- Managing Director -

Mr Giacomo Mazzoni
- Managing Director -

Mr Ermanno Pernici
- Managing Director -

**REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000**

GRANITIFIANDRE S.P.A.

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/200

Dear shareholders of the holding company GRANITIFIANDRE S.p.A.,

The Board of Directors have prepared the consolidated financial statements for the year ended 31.12.2000 that comprises the Balance Sheet, Income Statement and Notes, together with the Report on the operations of the Group.

The Statutory Auditors, the body that performs controls on the parent company, have performed the controls in accordance with article 41 of the Legislative Decree of 9 April 1991 no 127 and therefore have certified the correctness and the agreement of the Consolidated Financial Statements with the accounting entries in the parent company and have verified the information transmitted by the companies included in the consolidation.

The structure and the contents of the consolidated Balance Sheet and Income Statement are those prescribed for the financial statements of the companies included in the consolidation that are subject to the regulations of the Legislative Decree 127/91.

Criteria for the preparation of the consolidated financial statements

The amount of the capital and reserves of the companies controlled, corresponding to the participation of third parties, is registered in the shareholders' equity under "Minority interest – divided into capital and reserves and profit and losses"; the part of the consolidated profit, corresponding to participation of third parties is registered under "Minority interest".

The consolidation Reserve has included in the consolidated financial statements for 1999 (effectuated for comparison purposes), modified for the effect of new acquisitions and disposals of participations, and in the profit and losses in the year 1999 and carried forward.

The companies included in the consolidation have been correctly determined in accordance with the criteria as per article 26 of the Legislative Decree 9.4.91 no 127.

The controlled participations Floornature.com spa and Granitifiandre Deutschland have been excluded from the line-by-line method of consolidation and consolidated with the cost method as the companies were constituted at the end of the year and had not yet commenced their activities.

We believe this treatment is correct in accordance with articles 28 paragraph II and 30 paragraph II of the Legislative Decree 127/91.

In fact their inclusion in the consolidation would be irrelevant of the presentation of a true and fair balance sheet, financial position and economic results for the group.

The companies include in the consolidation are companies controlled directly, the parent company holding the majority of voting rights in the ordinary meeting of the shareholders, or operatively control with precise agreements with other shareholders.

The financial statements of the controlled companies, used for the consolidation, at the moment of the preparation of the Consolidated Financial Statements, were those approved by the respective Board of Directors.

The Board of Statutory Auditors have reviewed the report of the controlling bodies, where existing, of the companies included in the consolidation.

On the financial statements without a controlling body we have not performed any direct control and therefore we do not assume any responsibility for these financial statements.

The reference date of the financial statements of the companies controlled coincides with that of the parent company.

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/200

The financial statements of the foreign companies controlled, prepared in currencies different from the Lira, have been converted in Italian Lira, using, for the Balance Sheet, the exchange rate at the end of the year; for the Income Statement the average exchange rate for the year.

The difference between the result for the year due to using the average exchange rate and the exchange rate at the end of the year and the effects on the assets and liabilities of variations in exchange rates at the beginning of the year and the end of the year, have been registered in the shareholders' equity in the account denominated "Translation reserve".

The valuation criteria adopted by the various companies included in the consolidation are uniform.

The consolidation of the companies controlled has been effectuated with the line-by-line method, in accordance with VII directive of the EC and by Accounting Principles.

The other participations have been recorded in the financial statements based on the acquisition cost.

The Statutory Auditors have performed some controls and sample testing of the consolidation entries performed by the parent company, which proved to be correct.

The Notes to the financial statements and the Report on the operations, contain all the elements required by the Legislative Decree 127/91.

The Report on the operations corresponds to the consolidated financial statements.

In conclusion, we can affirm that, in general, the Consolidated Financial Statements have been prepared correctly and correspond to the accounting entries of the parent company and the information transmitted by the controlled companies.

Synthesis of the consolidated financial statements

The results of the consolidated financial statements are summarised in the following synthesis in millions of lire:

Balance Sheet		
TOTAL ASSETS	L.	432,505
GROUP SHAREHOLDERS' EQUITY	L.	223,701
MINORITY SHAREHOLDERS' EQUITY	L.	1,017
LIABILITIES	L.	207,787
TOTAL LIABILITIES AND GROUP SHAREHOLDERS' EQUITY	L.	432,505
Memorandum accounts	L.	109,757
Income Statement		
VALUE OF PRODUCTION	L.	275,981
COSTS OF PRODUCTION	L.	(230,019)
FINANCIAL INCOME AND CHARGES	L.	(222)
ADJUSTMENTS TO THE FINANCIAL ACTIVITIES	L.	(161)
TOTAL EXTRAORDINARY ITEMS	L.	11,424
TAXES	L.	(22,190)
GROUP PROFIT	L.	34,728
MINORITY INTEREST PROFIT	L.	85

Castellarano, 13 February 2001

Mr. Rino Bigliardi - Chairman

Mr. Giuseppe Leoni

Mr. Dario Maggioni

AUDITOR'S REPORT

GRANITIFIANDRE S.P.A.

AUDITOR'S REPORT

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**Deloitte
& Touche**

AUDITOR'S REPORT

*To the Shareholders of
Granitifiandre S.p.A.*

We have audited the consolidated financial statements of Granitifiandre S.p.A. as of December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements of the prior year, presented for comparison in accordance with legal requirements, have not been examined by us and therefore we do not express any opinion on it.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Granitifiandre S.p.A. as of December 31, 2000, and the results of its operations for the year then ended and comply with the principles which regulate the preparation of financial statements in Italy.

This report has been translated into the English language solely for the convenience of international readers.

DELOITTE & TOUCHE S.p.A.


Antonio Cocco
Partner

Bologna, February 16, 2001

**Deloitte
Touche
Tohmatsu**

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