



2010 Third Quarter Report of the GranitiFiandre Group

GRANITIFIANDRE S.p.A.

Registered office at Castellarano (RE) - Via Radici Nord 112

Share Capital Euro 18,431,339 fully paid-in

Registered at the Company's Registration Office of Reggio Emilia

Tax No.: 03 056 540 374

Company subject to the management and direction of Iris Due S.p.A.



ACTIVE™

CLEAN AIR & ANTIBACTERIAL CERAMIC

The positive effects of TiO_2 (titanium dioxide) in the reduction of atmospheric pollution and its antibacterial action are universally known and widely documented, as stated also by Dr. Jennifer Ariss, research scientist for the Tile Council of North America (TCNA).

Fiandre has designed and created a new procedure that maximizes these beneficial effects on ceramic surfaces for both floors and walls (references by the Centro Ceramico Bologna and the Tile Council of North America, www.active-ceramic.com, www.floornature.com).



FIANDRE®

ARCHITECTURAL SURFACES
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Corporate Boards

The Board of Directors

Graziano Verdi	Chairman and CEO
Giuseppe Pifferi	Chief Executive Officer
Mauro Tabellini	Chief Executive Officer
Sergio Stefano Mascaretti	Director
Romano Minozzi	Director
Roberto Nasi	Independent Director
Gianpiero Samori	Independent Director

The Board of Statutory Auditors

Fabrizio Corradini	Chairman
Giuseppe Leoni	Statutory Auditor
Edoardo Rossini	Statutory Auditor
Roberto Lugli	Alternate Auditor

Independent Auditors

Reconta Ernst & Young SpA

Executive responsible for the preparation of corporate accounting documents

Dario Maggioni

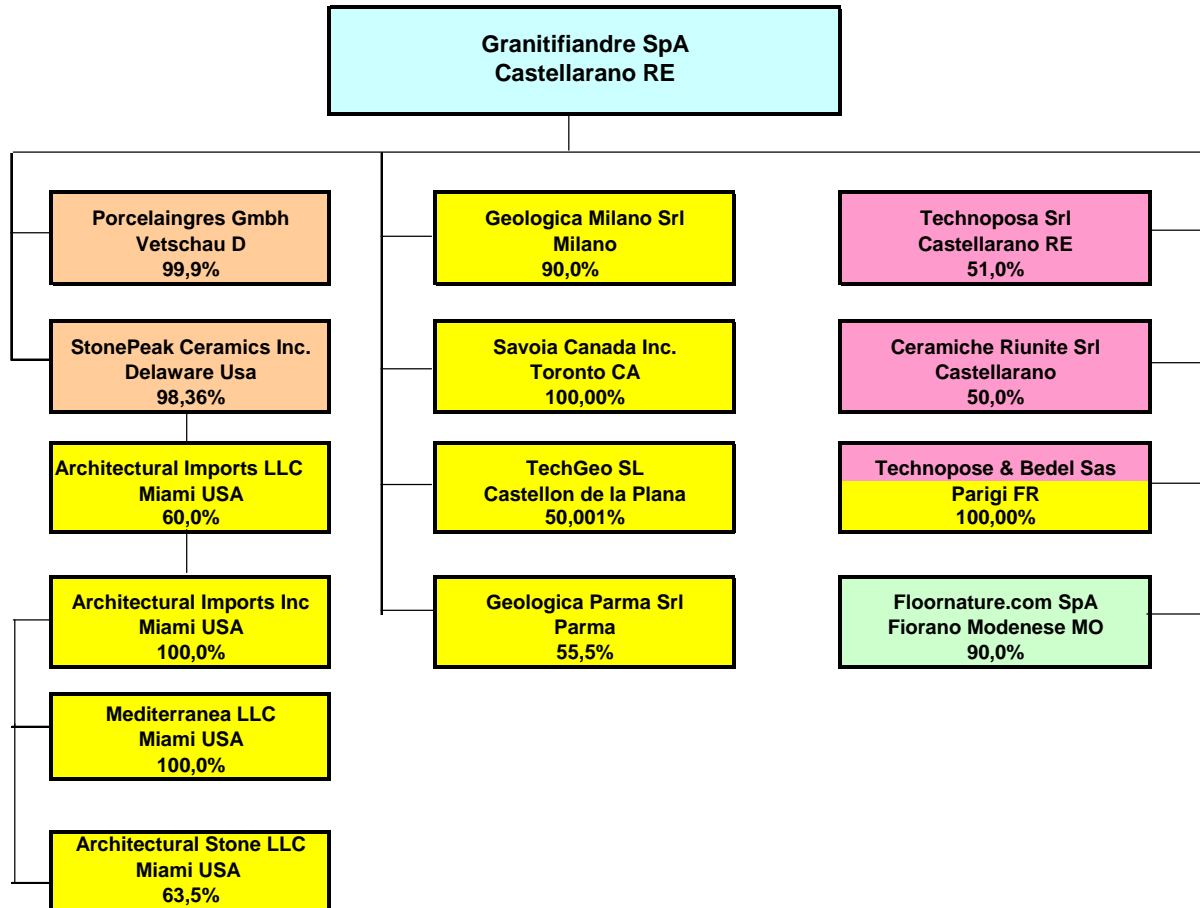
The powers delegated to the Board of Directors are as follows:

Graziano Verdi: responsible for direct management of commercial and marketing activity, the corporate image of the company, relations with personnel, cost management and investor relation activities.

Giuseppe Pifferi: responsible for corporate compliance, the application of health and safety legislation, the management of factory personnel, relations with the factory council and the trade union and welfare organisations, the compliance with laws for the protection of workers and with the role of employer in accordance with Legislative Decree No. 2008 of 81 and the treatment of personal data in compliance with legislation on privacy.

Mauro Tabellini: responsible for management control.

Structure of the
GranitiFiandre Group
at 30/09/2010



Legenda:

Società capogruppo - industriale
Società industriali
Società commerciali
Società di servizi di posa
Società di e-commerce

Operational overview
Group consolidated results
9M 2010 - in Euro thousands

Description	9M 2010	9M 2009	Changes	Cge %	FY 2009
Net sales	148,185	140,962	7,223	5.1%	183,949
EBITDA	20,673	16,886	3,787	22.4%	21,474
EBIT	8,942	7,024	1,917	27.3%	7,482
Profit before taxes and minority interest	9,156	5,254	3,902	74.3%	5,688
Net profit from continuing activities before minority interest	5,568	1,994	3,574	179.2%	2,403
Net profit before minority interest share	5,568	488	5,080	1040.1%	897
Net profit	5,205	597	4,608	772.0%	954
Net financial position	(30,977)	(39,565)	8,588		(41,727)
Consolidated shareholders' equity	162,468	153,772	8,696		155,313
Percentage on sales					
EBITDA	14.0%	12.0%			11.7%
EBIT	6.0%	5.0%			4.1%
Profit before taxes and minority interest	6.2%	3.7%			3.1%
Net profit from continuing activities before minority interest	3.8%	1.4%			1.3%
Net profit before minority interest share	3.8%	0.3%			0.5%
Net profit	3.5%	0.4%			0.5%

Third Quarter 2010 - in Euro thousands

Description	Q3 2010	Q3 2009	Changes	Cge %
Net sales	48,745	45,743	3,001	6.6%
EBITDA	6,841	5,506	1,335	24.2%
EBIT	2,978	2,119	858	40.5%
Profit before taxes and minority interest	1,013	1,285	(272)	(21.2)%
Net profit/(loss) before minority interest share	(482)	145	(627)	(431.4)%
Net profit/(loss)	(629)	47	(676)	(1426.1)%
Percentage on sales				
EBITDA	14.0%	12.0%		
EBIT	6.1%	4.6%		
Profit before taxes and minority interest	2.1%	2.8%		
Net profit/(loss) before minority interest share	(1.0)%	0.3%		
Net profit/(loss)	(1.3)%	0.1%		

As illustrated in the table above, total revenues in the first nine months of the year increased by 5.1% on the same period of 2009, with an even greater increase in the third quarter (6.6%). The Group, despite the continued difficulties in the global economy, increased market share, improved all profit indicators and continued to reduce net debt thanks to the creation of significant cash flows - strongly countering both the trend in the general economy and the market in which the Group operates.

Brand sales (those relating to slabs), although affected by a weak and volatile domestic and international construction market, grew 7.2% in the first nine months on the corresponding period of 2009 and by over 10% in the third quarter alone.

The Group significantly improved all profit indicators in the first nine months of the year, while also succeeding in improving all the relative margins on the same period of 2009.

The Ebitda in the first nine months of 2010 amounted to Euro 20.7 million (+22.4%) with a revenue margin of 14.0% (respectively Euro 16.9 million and 12.0% in 2009). Contributing to the Ebitda, in addition to the parent company GranitiFiandre S.p.A. for Euro 9.5 million, was the American group StonePeak for USD 8.1 million (Euro 5.9 million) and the German subsidiary Porcelaingres for Euro 4.3 million.

The Ebit in the first nine months of 2010 amounted to Euro 8.9 million (+27.3%) with a revenue margin of 6.0% (respectively Euro 7.0 million and 5.0% in 2009). The Ebit generated in the first nine months was approx. Euro 1.5 million greater than that for the full year 2009 (Euro 7.5 million).

The results in the third quarter of 2010 also strongly improved on the same period of 2009: Ebitda grew 24.2% with a revenue margin of 14% and Ebit grew 40.5% with a margin of 6.1%.

The pre-tax result in the first nine months of 2010 was a profit of Euro 9.2 million and a revenue margin of 6.2% (Euro 5.3 million in the same period of 2009 with a margin of 3.7%).

The Group net result in the first nine months of 2010 was very strong with a profit of Euro 5.2 million and a revenue margin of 3.5% (Euro 0.6 million and 0.4% in 2009).

The net loss in Q3 of Euro 0.6 million was significantly affected by exchange losses, which in the quarter amounted to over Euro 1.5 million. Excluding the exchange losses, the net result in Q3 would have been a profit of approx. Euro 1 million.

Exchange differences were negatively affected by movements in the US Dollar which in just three months increased against the Euro from 1.2271 at June 30, 2010 to 1.3648 at September 30, 2010. Exchange differences in the nine months however remained positive with a net gain of Euro 1.2 million (Euro 1.4 million of gains realised and Euro 0.2 million of valuation losses), following net exchange gains in the first half of 2010 of Euro 2.7 million (Euro 1.1 million gains realised and Euro 1.6 million valuation gains).

The net financial position continued to improve strongly – by over Euro 10 million with net debt of Euro 30.9 million at September 30, 2010 from Euro 41.7 million at December 31, 2009. In the third quarter alone the improvement was Euro 7.6 million.

Group turnover

The breakdown of the total consolidated sales by geographic area is shown below:

9M 2010 in Euro thousands

Description	9M 2010		9M 2009		Changes	Cge. %	31/12/09
Italy	38,113	25.7%	38,011	27.0%	102	0.3%	50,334
Europe	53,809	36.3%	56,033	39.8%	(2,224)	-4.0%	73,185
Rest of World	56,263	38.0%	46,918	33.3%	9,346	19.9%	60,430
Total	148,185	100.0%	140,962	100.0%	7,223	5.1%	183,949

Third quarter 2010 in Euro thousands

Description	Q3 2010		Q3 2009		Changes	Cge. %
Italy	12,678	26.0%	13,709	30.0%	(1,031)	-7.5%
Europe	18,041	37.0%	17,834	39.0%	207	1.2%
Rest of World	18,026	37.0%	14,201	31.0%	3,825	26.9%
Total	48,745	100.0%	45,743	100.0%	3,001	6.6%

Consolidated brand sales

The following table shows the macro geographic breakdown of brand material sales:

9M 2010 - in Euro thousands

Description	9M 2010		9M 2009		Changes	Cge. %	31/12/09
Italy	21,297	16.9%	21,107	18.0%	190	0.9%	28,247
Europe	49,540	39.4%	50,706	43.2%	(1,165)	-2.3%	65,074
Rest of World	54,894	43.7%	45,455	38.8%	9,439	20.8%	58,483
Total	125,732	100.0%	117,268	100.0%	8,464	7.2%	151,804

Third quarter 2010 in Euro thousands

Description	Q3 2010		Q3 2009		Changes	Cge. %
Italy	7,656	18.4%	7,915	21.1%	(259)	-3.3%
Europe	16,374	39.4%	15,926	42.4%	447	2.8%
Rest of World	17,502	42.1%	13,734	36.6%	3,769	27.4%
Total	41,532	100.0%	37,575	100.0%	3,957	10.5%

The GranitiFiandre Group recorded sales of brand materials in the first nine months of 2010 of Euro 125.7 million, an increase of 7.2% on the same period of 2009. In the third quarter alone brand sales grew by over 10%

Brand sales in Italy of Euro 21.2 million increased by 0.9% compared to the first nine months of 2009.

In the first nine months these sales decreased slightly in Europe, -2.3% compared to 9M 2009. Revenues in Q3 in Europe however increased by 2.8% thanks to the recovery in the German market.

In the first nine months of 2010 the Group also maintained its positions on the French market (Euro 14.6 million revenues) and recorded growth in Russia, Austria, Poland, Holland and Sweden.

Strong growth in the Rest of the World of +20.8% (growth of Euro +9.4 million), increasing the contribution to total brand turnover by 4.6%. Sales in the United States grew significantly thanks to the strong performance of the subsidiary **StonePeak** Ceramics Inc. with an increase in revenues of 25% in 9M 2010 (USD 58.1 million compared to USD 46.8 million in the same period of 2009 – data relating to the StonePeak Group).

Breakdown of consolidated revenues by product line

The following table illustrates the breakdown of revenues by product line:

9M 2010 - in Euro thousands

Description	9M 2010	9M 2009	Changes	%	31/12/09
Vitrified brand stoneware	124,004	115,793	8,211	7.09%	149,414
Granitech Division – materials	1,728	1,474	253	17.19%	2,390
Brand sales	125,732	117,268	8,464	7.22%	151,804
Granitech – structure	3,907	3,286	620	18.87%	5,019
Branded products and structure	129,639	120,554	9,085	7.54%	156,824
Polishing services	2,786	2,480	306	12.35%	3,836
Semi-finished products	4,807	5,802	(995)	(17.15%)	7,709
Fitting and installation services	8,355	9,649	(1,294)	(13.41%)	12,050
Royalties	35	45	(10)	(22.60%)	71
Other	2,563	2,432	132	5.41%	3,460
Other revenues	18,547	20,408	(1,861)	(9.12%)	27,125
Total	148,185	140,962	7,223	5.12%	183,949

Third quarter 2010 in Euro thousands

Description	Q3 2010	Q3 2009	Changes	%
Vitrified brand stoneware	41,015	37,069	3,946	10.64%
Granitech Division – materials	517	506	11	2.26%
Brand sales	41,532	37,575	3,957	10.53%
Granitech – structure	1,211	1,205	6	0.47%
Branded products and structure	42,743	38,780	3,963	10.22%
Polishing services	844	913	(69)	(7.58%)
Semi-finished products	843	1,638	(796)	(48.56%)
Fitting and installation services	3,310	3,656	(346)	(9.46%)
Royalties	8	15	(8)	(50.33%)
Other	998	741	257	34.61%
Other revenues	6,002	6,963	(962)	(13.81%)
Total	48,745	45,743	3,001	6.56%

Complementary revenues to "Brand" sales, in particular those of polishing and installation services, although with a lower margin than the sale of brand materials and not part of the core business of the GranitiFiandre Group, permitted the group to extend the value chain and offer a "turnkey" product to the final client. The sales performance of the consolidated complementary activities is reported below:

Granitech. The sales in the Granitech division, which operates in the ventilated walls and floating floors sector, recorded growth in the first nine months of 2010 for both services and materials, for a total sales mix of approx. Euro 5.6 million – increasing 18% on the same period of 2009.

Polishing services. The polishing services in the first nine months of 2010 recorded turnover of Euro 2.8 million, an increase of 12% compared to the same period in 2009.

Semi-finished products. The sales of “semi-finished products”, carried out on behalf of other operators, were maintained at satisfactory levels (Euro 4.8 million in 9M 2010) and thus permitted the optimisation of fixed cost absorption at the Italian factory.

Installation. The companies operating in the installation sector recorded sales in 9M 2010 of over Euro 8 million, a decrease of 13.4% compared to 9M 2009. Revenues of the Italian subsidiaries Technoposa and Ceramiche Riunite recovered strongly in the third quarter, while those of the French subsidiary Technopose & Bedel decreased.

Reclassified Consolidated Income Statement

The reclassified income statement of the GranitiFiandre Group is shown below:

In Euro thousands

	Quarter		Year-to-date		
	30/09/10	30/09/09	30/09/10	30/09/09	31/12/09
Revenues	48,745	45,743	148,185	140,962	183,949
Change in inventories	(2,427)	(2,325)	(3,232)	(7,136)	(7,133)
Increase in internal work capitalised	5	111	5	637	638
Other revenues and income	2,655	2,182	7,633	6,947	9,399
Value of production	48,978	45,711	152,592	141,411	186,853
Purchases	(11,431)	(11,151)	(35,883)	(34,346)	(44,314)
Service and operating costs	(20,434)	(19,217)	(62,730)	(58,557)	(78,575)
Personnel costs	(10,272)	(9,837)	(33,306)	(31,622)	(42,491)
EBITDA	6,841	5,506	20,673	16,886	21,474
Amortisation & Depreciation	(3,544)	(3,308)	(10,793)	(9,442)	(12,769)
Provisions and write-downs	(319)	(79)	(938)	(420)	(1,223)
EBIT	2,978	2,119	8,942	7,024	7,482
Financial income/(charges)	(1,965)	(834)	214	(1,771)	(1,794)
Profit before taxes	1,013	1,285	9,156	5,254	5,688
Income taxes	(1,494)	(1,140)	(3,587)	(3,259)	(3,286)
Net profit/(loss) from continuing activities	(482)	145	5,568	1,994	2,403
Net loss from discontinued activities	-	-	-	(1,506)	(1,506)
Net profit/(loss)	(482)	145	5,568	488	897
Net profit/(loss) pertaining to minority interest	(147)	(98)	(363)	108	57
Group profit/(loss)	(629)	47	5,205	597	954

Reclassified Consolidated Balance Sheet

The reclassified consolidated balance sheet is shown below:

In Euro thousands

Description	30/09/10	31/12/09	30/09/09
Fixed assets			
Intangible assets	8,431	8,361	8,253
Tangible assets	121,430	123,627	124,403
Financial assets	5,281	5,993	5,789
Total	135,142	137,981	138,445
Net working capital			
Trade receivables	46,809	46,041	47,960
Other receivables	3,027	2,355	2,644
Tax receivables	9,695	11,774	10,159
Inventories	75,438	76,973	76,477
Trade payables	(54,832)	(56,820)	(59,991)
Tax payables	(4,051)	(3,030)	(3,295)
Other payables	(8,953)	(9,324)	(10,733)
Total	67,133	67,968	63,221
Provisions for risks and employee leaving indemnity			
Employee leaving indemnity provision	(6,544)	(6,686)	(6,664)
Provision for risks and other long-term liabilities	(2,286)	(2,223)	(1,665)
Total	(8,830)	(8,909)	(8,329)
Capital employed	193,445	197,041	193,337
Net financial position			
Cash and securities	(26,585)	(15,381)	(20,036)
Short-term financial payables	56,391	55,980	58,531
Medium/long term debt	1,171	1,128	1,070
Total	30,977	41,727	39,565
Shareholders' equity			
Share capital	18,431	18,431	18,431
Reserves	135,931	132,371	131,251
Group result	5,205	954	597
Minority capital and reserves	2,537	3,615	3,602
Minority interest share	363	(57)	(108)
Total	162,468	155,313	153,772
Total sources of financing	193,445	197,041	193,337

Net Financial Position

The net financial position is as follows:

In Euro thousands

Description	30/09/10	30/06/10	31/03/10	31/12/09
Cash and cash equivalents	20,761	21,871	11,427	15,181
Securities and short-term financial receivables	5,824	250	250	200
Related party loans - short term	(13,610)	(13,554)	(13,503)	(13,454)
Short-term bank payables & other lenders	(42,782)	(45,871)	(43,579)	(42,526)
Net financial position – short term	(29,806)	(37,304)	(45,405)	(40,599)
Medium/long term bank payables	(164)	(181)	(176)	(156)
Medium/long term – other lenders	(36)	(46)	(52)	(68)
Related party loans - long term	(971)	(1,061)	(999)	(904)
Medium/long term net financial position	(1,171)	(1,287)	(1,227)	(1,128)
Net financial position	(30,977)	(38,591)	(46,632)	(41,727)

Net debt at September 30, 2010 was Euro 30.9 million compared to Euro 41.7 million at December 31, 2009, an improvement of Euro 10.7 million.

This data is of even greater significance in that it is net of the payment of the 2009 dividend of Euro 1.2 million and investments of Euro 4.6 million.

In Q3 2010 alone, the net financial position improved by Euro 7.6 million.

Very strong cash flows generated from operating activities in the first nine months amounting to Euro 17 million, as illustrated in the cash flow statement at September 30, 2010.

Consolidated cash flow statement

The consolidated cash flow statement is shown below:

In Euro thousands

CONSOLIDATED CASH FLOW STATEMENT		
Description	30/09/2010	31/12/2009
<u>A. OPERATING ACTIVITIES</u>		
Result for the period	5,205	954
Result pertaining to minority interest	363	(57)
Amortisation & Depreciation	10,793	12,769
Change in employee leaving indemnity	(142)	(879)
Net change in other provisions	63	478
Cash flow generated from operating activities before working capital movements	16,282	13,265
Inventories	1,534	8,581
Trade receivables	(768)	11,543
Tax credit and other receivables	1,406	1,763
Trade payables	(1,988)	(6,757)
Tax payables and other payables	650	(1,898)
Cash flow generated from working capital movements	835	13,232
Total (A) - Cash flow generated from operating activity	17,117	26,497
<u>B. INVESTING ACTIVITIES</u>		
Acquisition of intangible assets	(129)	(658)
Acquisition of property, plant and equipment	(4,642)	(12,819)
Exchange effect on fixed assets	(3,997)	2,257
Sale of property, plant and equipment and deconsolidation	103	7,080
Other net increases/decreases in non-current financial assets	712	(3,307)
Total (B) - Cash flow from investing activity	(7,953)	(7,448)
<u>C - FINANCING ACTIVITIES</u>		
Variations in equity accounts	(1,006)	(3,168)
Exchange effects in equity accounts	3,883	(2,310)
Dividends	(1,290)	(1,843)
Variations in long-term financial debt	43	(1,699)
Total (C) - Cash flow from financing activity	1,629	(9,020)
Net short term financial position at the beginning of the year	(40,599)	(50,629)
Net change in short term financial position (A + B+C)	10,793	10,030
Net short term financial position at the end of the period	(29,806)	(40,599)

Information on the main Group companies

Information on the Group companies

GranitiFiandre S.p.A. The parent company GranitiFiandre S.p.A. recorded sales in the first nine months of Euro 73.9 million compared to Euro 77.7 million in 9M 2009 (-4.8%). In Q3 2010 brand revenues grew 3.3%.

The Ebitda was Euro 9.5 million (Euro 10.5 million in 9M 2009) with a sales margin of 12.9%.

The Ebit amounted to Euro 5.0 million (Euro 6.6 million in the first nine months of 2009), reporting a sales margin of 6.7%.

The net profit in the first nine months of 2010 amounted to Euro 3.2 million (Euro 3.0 million in the same period of 2009) with a margin of 4.3%.

These results, although contracting slightly on 2009, are considered positive in light of the global economic environment and that of the sector. The objectives set by the parent company were reached in terms of margins and cash flow. The net financial position improved from net debt of Euro 41.9 million at December 31, 2009 to Euro 32.6 million.

Porcelaingres. The turnover of the German subsidiary Porcelaingres for the first nine months of 2010 amounted to Euro 23.2 million compared to Euro 22.9 million in the first nine months of 2009 (+1.5%) continuing the growth seen throughout 2009. In the third quarter 2010 revenues grew by 6%. Sales growth therefore continued to be positive despite the difficult environment, further confirming the choices and considerable commercial investments made to promote and develop the Porcelaingres brand.

Margins were positive although in the presence of important and significant commercial and promotional investments concerning the "SCHÖNER WOHNEN" brand, with Ebitda in 9M 2010 of Euro 4.3 million and a sales margin of 18.5%, while in 9M 2009 the Ebitda was Euro 4.1 million with a sales margin of 18.1%.

The Ebit in the first nine months was Euro 2.3 million with a margin of 9.9%, substantially unchanged on the first nine months of 2009 (Euro 2.3 million with a sales margin of 10.0%).

The net profit in the first nine months of 2010 was Euro 1.4 million with a revenue margin of 6.2% compared to Euro 1.2 million in 9M 2009 (revenue margin of 5.4%).

StonePeak Group. The StonePeak Group performed very strongly in the first nine months of 2010 with sales of USD 58.1 million compared to USD 46.8 million – an increase of 24.3% on 9M 2009.

The Ebitda in the first nine months totalled USD 8.1 million with a sales margin of 13.9%, while in the first nine months of 2009 the Ebitda was USD 2.2 million with a margin of 4.8%.

Ebit in 9M 2010 totalled USD 1.7 million, with a margin of 2.9%, a significant improvement on 2009 when the Ebit recorded a loss of USD 3.0 million and a margin of -6.5%.

The net profit in the first nine months of 2010 was USD 1.9 million, a revenue margin of 3.2% (loss of USD 4.2 million in 2009 and -9.0%).

These significant improvements in the profit margins impacted the net financial position which improved on 30/09/2009 by USD 2.7 million with an improvement in the third quarter alone of USD 1.8 million.

These results are very positive, particularly in the context of the global economic climate and the American real estate market, and strongly counter the overall sector performance in North America.

Sales information

Brand shops

Brand shops currently number over 70 outlets, principally in franchising, with a further 30 spaces with a “GranitiFiandre Shop” lay out.

Research and Development

The GranitiFiandre Group continuously engages in research and development - an activity which is essential for the constant stylistic and technological renewal of the collections, as well as for research into new materials to utilise in the making of the product.

The process of development of new products is based on the re-production of samples of quarry materials, whether they be marble, granite or stone in which the morphology, colour, veining and the visual contact between the base and surface is carefully studied.

The new *Extreme* productive lines and the launch of ActiveClean Air & Antibacterial Ceramic™ underline the continued and renewed commitment to R&D.

Extreme is a firm indicator of the ability to respond to the needs of the design world: the input in fact came from renowned international architects and their desire to increasingly work with materials which mimic quarry slabs, not just for aesthetic reasons, but also and particularly for the dimensions which minimise leaks, creating unbroken slab surfaces. The new line allows therefore for the creation of unique materials from an aesthetic technological point of view in the revolutionary 150x75 size: beginning with the 3 metre sizes down to the 75x75 and consequent sub-sizes.

Active Clean Air & Antibacterial Ceramic™ is the new Fiandre production method, a solution which combines high quality ceramic tiles with a refined and modern design and an active environmentally friendly material and are antibacterial and “self cleaning”. Active Clean Air & Antibacterial Ceramic™ can clean air of a large part of harmful emissions and reduce the need for aggressive products for cleaning and maintenance: utilising photocatalysis, the titanium dioxide contained in the slabs is “activated” by any source of light (natural or artificial containing UVA rays), guaranteeing the cleaning of the air, the disinfection of bacteria and an improved cleaning of the surface.

The efficacy of Active Clean Air & Antibacterial Ceramic™, scientifically tested by the **Tile Council of North America (TCNA) and the Bologna Ceramic Centre**, renders the material adaptable to many diverse uses, but works best on external walls where the direct light of the sun optimises the effect and the relative benefits. It is therefore the most appropriate material for environments in which hygiene is particularly important: the health sector, such as hospitals, schools, hospitality and wellness centres. Recently the TCNA and the Bologna Ceramics Centre, in studying the ACTIVE materials, tested that 1000 m² of the “ExtraWhite Active” tiles has the same capacity to reduce Nitrogen Oxide (NOx) as 20 fully grown trees.

The ACTIVE Clean Air & Antibacterial Ceramic™ was also awarded the “Pass Innovation” by the **CSTB (Centre Scientifique et Technique du Bâtiment)** which strongly endorses the innovation of the product.

In addition, the prestigious international certification body “Bureau Veritas” following verifications in accordance with LEED specifications granted GranitiFiandre the “Conformity Certificate”. The LEED (Leadership in Energy and Environmental Design) which represents a measurement system

of the environment energy quality for the construction of high quality “green” buildings, was created in the USA under the auspices of the US Green Building Council and is gaining wide international recognition. Among the various criteria, it requires the use of materials with high recyclable content and within this scope the GranitiFiandre researchers studied blends which, through specific processes, includes a certain percentage of recycled materials deriving from internal processing and from the transformation of by-product composite production cycles. This research permitted a significant reduction in the consumption of natural resources while maintaining the high technical/aesthetic standard typical of GranitiFiandre materials. In particular, the Fiandre laboratories created Serie 100, a collection which combines the large format and ecological needs: slabs which measure 75x75cm aimed at achieving **100% sustainability**. Utilising the highest percentage of recycled products in the ceramic sector, Fiandre has created a new material which combines aesthetic excellence with respect for the environment. Through this special technology, the production cycle reutilises raw materials, waste and residual materials, guaranteeing optimal technical characteristics with a minimal impact on the environment in terms of raw material consumption.

Events

GranitiFiandre launched an intensive promotional campaign of the Active Clean Air & Antibacterial ceramic™ in Italy, Europe and the United States in partnership with the largest sellers of GranitiFiandre products throughout the world. The programme of meetings will continue in the coming months.

Between August 29 and November 21, 2010, GranitiFiandre, with Active Clean Air & Antibacterial Ceramic™, was a partner of the Italian Pavilion at the 12th International Architecture Exhibition in Venice. ACTIVE welcomed visitors to the Italian Pavilion: with its innovative material GranitiFiandre constructed two commanding welcoming signs to the “*AILATI Reflections on the future*” exhibition which highlights the pursuit of new architectural visions and paths.

Between September 28 and October 2, GranitiFiandre took part at Cersaie, the International Ceramic Convention for building and bathroom furniture at Bologna. The stand, completely constructed with Active Clean Air & Antibacterial Ceramic™ materials, welcomed hundreds of visitors who once again expressed their appreciation for the company and its continuously innovative proposals which promote environmental sustainability.

During the week of the fair, the Active Architecture Awards were also presented by the company in collaboration with the *Il Resto del Carlino* newspaper. The Award seeks to encourage and promote eco-compatible projects and a new way to conceive projects with respect for the environment through the use of Active Clean Air & Antibacterial Ceramic™ environmental-friendly materials.

Shanghai Expo 2010

Between May 1 and October 31, 2010, the Universal Expo 2010 took place in Shanghai.

GranitiFiandre was chosen as the Partner of the General Government Commission for the Exposition and supplied the slabs for the creation of the Italian Pavilion, designed by the architect Giampaolo Imbrighi together with the Iodice Architetti studio. The Italian Pavillion presented products and materials which showcased the innovative capacity, the dynamism and the experience acquired by Italian companies in the area of improving the quality of cities and the quality of Italian products.

The choice of the Organising Body to include the company within the partners of the Italian Pavilion is the demonstration of the prestige and quality of the Made in Italy product of GranitiFiandre.

On September 1, 2010 the Italian Pavilion hosted the international symposium “Active sustainable design now”, a captivating study on the theme of sustainable architecture organised by GranitiFiandre with collaboration from the Tongji University, the Italian General Consulate in Shanghai and the participation of five leading Asian architects.

Professor Beniamino Quintieri, General Commissioner of the Italian Government for the Exhibition, jointly with the General Consul Massimo Roscigno, in his opening remarks to the event congratulated GranitiFiandre for the high quality of materials supplied, which highlight the excellence of Italian production.

Projects and commercial agreements

In the quarter the GranitiFiandre Group has carried out significant projects as well as signing further agreements with major commercial partners and key accounts internationally and nationally.

Among the principal orders acquired we highlight:

- the supply of Active Clean Air & Antibacterial Ceramic™ materials for the construction of the FIAT Mirafiori Motor Village in Turin for a value of over Euro 500 thousand; The project was completed within a “Turnkey” solution - including installation by the subsidiary Ceramiche Riunite Srl;
- the order acquired of Active Clean Air & Antibacterial Ceramic™ brand materials for the new headquarters of Granarolo in Cariano (Bologna);
- the supply for the second flooring phase of the Lisbon airport for over Euro 1 million;
- the supply for the flooring of the Budapest airport extension;
- the supply of materials for the arrival and departure halls of the Haneda airport in Tokyo;
- the order for the JAL lounge area in the Haneda airport of Tokyo completed with over 4,000 sq. mtrs. of Fiandre slabs;
- the order for a prestigious 5 star hotel in Tokyo for over 5,000 sq. mtrs.

Significant events after the end of the quarter

In October 2010 the merger by incorporation of the company Technoposa srl into Ceramiche Riunite srl was completed. The accounting and fiscal effects of the merger are retrospective to January 1, 2010. Following the merger the company name changed to Technoriunite srl with the holding of the parent company GranitiFiandre now 50.50% (previously GranitiFiandre held 51% of Technoposa Srl and 50% of Ceramiche Riunite Srl).

The merger was carried out in order to improve the overall service which a single operating entity can provide, given the complementary nature of the services provided by the two companies. The merger will also create significant economies of scale, increasing at the same time commercial opportunities through supplying a wider range of services to a customer base increasingly demanding more diversified services.

GranitiFiandre S.p.A. signed a preliminary contract for the sale of the company Technopose & Bedel Sas. Technopose & Bedel Sas, a French company headquartered in Paris, is a 100% held subsidiary of GranitiFiandre.

The company is involved in the installation of porcelain slabs on the French market and employs approximately 20 persons.

In the first nine months of 2010 the French company recorded revenues of Euro 3.8 million (Euro 4.9 million in the same period of 2009 and Euro 6.4 million for the full year 2009), with an Ebitda loss of Euro 45 thousand (profit of Euro 329 thousand in the same period of 2009 and Euro 474 thousand for the full year 2009) and a net loss of Euro 94 thousand (profit of Euro 164 thousand in the same period of 2009 and Euro 152 thousand for the full year 2009).

The preliminary contract provides for the sale of 100% of Technopose & Bedel by November 2010 with the sales price of the company established at Euro 400 thousand. The holding in Technopose & Bedel Sas is recorded in the financial statements of GranitiFiandre for Euro 259 thousand, therefore on completion of the operation the parent company GranitiFiandre will record a gain of Euro 141 thousand.

Agreements were reached with the French company which will consolidate and develop commercial relations and assistance in installation services within France.

In November the Canadian subsidiary Savoia Canada signed a new favourable rental contract including office, warehouse and showroom areas. This new rental will allow savings of an estimated CAD 500 thousand in the coming five years, with greater visibility and access for the company than previously enjoyed, in addition to improving the company image given the prestige of the building occupied.

Outlook

Management forecasts for the coming months cannot be made without taking account of the uncertainty concerning the general international economy, and particularly in relation to construction activities. Therefore, as outlined in previous quarterly reports in 2010, Group efforts continue to be focused on generating significant cash flows (Euro 10.8 million Free Cash Flow in the first nine months) and maintaining strong operating margins (Ebitda margin in the first nine months of 14%) through a careful ongoing monitoring of costs.

Of particular note:

- For the parent company GranitiFiandre S.p.A., growth is expected in the fourth quarter both in terms of revenues and margins on the same period in 2009. These expectations are based on increases in production and sales of new products of the large “Extreme” format and through the Active Clean Air & Antibacterial Ceramic™ technology, for which strong interest has been shown by clients, by the designer community and as seen through the large number of architects attending all of the presentation events;
- The forecast for the American subsidiary StonePeak is positive. Q4 2010 will see an increase in sales volumes on the same period of 2009, with the objective to confirm the profit growth trend (Ebitda in 9M of USD 8.1 million);
- The outlook for the German subsidiary Porcelaingres is also confirmed as positive, with growth expected in the fourth quarter both in terms of revenues and margins on the same period of 2009 - an outlook which is based also on growth in October alone of over 15%.

Castellarano, November 12, 2010

For the Board of Directors
The Chairman
Graziano Verdi

CONSOLIDATED FINANCIAL STATEMENTS
**Reclassified consolidated balance sheet
(in Euro thousands)**

	30/09/2010	%	30/09/2009	%	31/12/2009	%
Non-current assets						
Goodwill and Intangible assets with infinite life	7,601		7,378		7,431	
Intangible assets with definite life	830		876		930	
Property, plant and equipment	121,430		124,403		123,627	
Equity investments	2,385		2,367		2,385	
Non-current financial assets	2,674		3,201		3,386	
Non-current tax receivables	55		335		174	
Non-current deferred tax assets	8,613		8,453		8,773	
Non-current trade receivables	1,028		1,283		1,683	
Total non-current assets	144,615	48.7%	148,294	50.1%	148,389	51.1%
Current assets						
Inventories	75,438		76,477		76,973	
Current trade receivables	45,781		46,677		44,358	
Current tax receivables	1,005		1,346		2,804	
Current deferred tax assets	22		26		22	
Current financial assets	6,046		389		422	
Other current assets	3,027		2,644		2,355	
Cash and cash equivalents	20,761		19,868		15,181	
Total current assets	152,081	51.3%	147,427	49.9%	142,115	48.9%
Total assets	296,697	100.0%	295,721	100.0%	290,505	100.0%
Group Net Equity						
Share capital	18,431		18,431		18,431	
Share premium reserve	106,430		106,431		106,430	
Legal reserve	3,686		3,686		3,686	
Other reserves	25,815		21,134		22,255	
Profit for the period/year	5,205		597		954	
Total Group shareholders' equity	159,567	53.8%	150,279	50.8%	151,756	
Minority capital and reserves	2,537		3,602		3,615	
Minority interest share	363		(108)		(57)	
Total Group and minority interest net equity	162,468	54.8%	153,772	52.0%	155,313	53.5%
Non-current liabilities						
Non-current employee liabilities	6,544		6,664		6,686	
Non-current deferred tax liabilities	706		938		724	
Bank payables – non-current portion	164		152		156	
Non-current risks and charges	2,258		1,651		2,191	
Non-current financial payables	1,007		918		972	
Other non-current payables	0		1		1	
Total non-current liabilities	10,679	3.6%	10,323	3.5%	10,729	3.7%
Current liabilities						
Current financial payables	14,558		13,478		13,515	
Bank payables – current portion	41,833		45,053		42,465	
Current provisions for risks and charges	28		14		33	
Current trade payables	54,832		59,991		56,820	
Current tax payables	3,345		2,357		2,306	
Other current payables	8,953		10,733		9,323	
Total current liabilities	123,550	41.6%	131,626	44.5%	124,462	42.8%
Total shareholders' equity and liabilities	296,697	100.0%	295,721	100.0%	290,505	100.0%

CONSOLIDATED FINANCIAL STATEMENTS
**Consolidated Income Statement
(in Euro thousands)**

INCOME STATEMENT	9M 2010	%	9M 2009	%	FY 2009	%
Revenues	148,185		140,962		183,949	
Other revenues and income	7,633		6,947		9,399	
Increase in internal work capitalised	5		637		638	
Change in inventory of finished products	(3,820)		(5,992)		(6,406)	
Costs for raw materials, ancillary, consumables and goods	(35,883)		(34,346)		(44,314)	
Services	(56,630)		(52,168)		(70,370)	
Rent, leases and similar costs	(3,758)		(3,704)		(4,898)	
Personnel costs	(33,306)		(31,622)		(42,491)	
Changes in inventories of raw materials, ancillary, consumables and goods	588		(1,144)		(728)	
Other operating charges	(2,342)		(2,685)		(3,306)	
EBITDA	20,673	14.0%	16,886	12.0%	21,474	11.7%
Amortisation & Depreciation	(10,793)		(9,442)		(12,769)	
Provisions and write-downs	(938)		(420)		(1,223)	
EBIT	8,942	6.0%	7,024	5.0%	7,482	4.1%
Financial income	1,985		1,299		1,469	
Financial charges	(1,771)		(3,070)		(3,262)	
Profit before taxes	9,156	6.2%	5,254	3.7%	5,688	3.1%
Income taxes	(3,587)		(3,259)		(3,286)	
Profit from continuing activities	5,568	3.8%	1,994	1.4%	2,403	1.3%
Profit (loss) from discontinued activities	-		(1,506)		(1,506)	
Net profit	5,568	3.8%	488	0.3%	897	0.5%
Net profit/(loss) pertaining to minority interests	(363)		108		57	
Group net profit	5,205	3.5%	597	0.4%	954	0.5%

The executive responsible for the preparation of the corporate accounting documents, Dario Maggioni, declares in accordance with article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present interim report corresponds to the underlying accounting documents, records and accounting entries.

Castellarano, November 12, 2010

Notes to the consolidated financial statements as at September 30, 2010**Content and form of the consolidated quarterly report**

The quarterly report relating to the period July 1 - September 30, 2010 was prepared in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in particular with IAS 34 relating to interim reporting.

The amounts in the report were prepared in Euro rounded to the nearest thousand and are compared with the consolidated financial statements of the previous quarter and year prepared in accordance with uniform criteria.

The financial statements used are comparable with those of the annual consolidated financial statements and consist of the consolidated balance sheet, the consolidated income statement and the statement of change in shareholders' equity and the consolidated net financial position.

The income statement data relates to the quarter under examination; comparative data for the same period in the previous year is provided, as is the data from the previous year.

The balance sheet data and the data for the net financial position are provided with reference to the closing date of the quarter and are compared to the end of the previous quarter and the end of the previous year.

Consolidation scope

GranitiFiandre S.p.A. is the holding company of a Group operating in the production and distribution of vitrified stoneware materials for prestigious architectural solutions, with a wide-ranging offer that also includes pre and post sales complementary services. GranitiFiandre S.p.A. is directly controlled by the company Finanziaria Ceramica Castellarano with its registered office at Modena, Via Canalino 16, share capital of Euro 1,200,230.72, which is in turn controlled by the company Iris Due S.p.A., with its registered office at Modena, Via Canalino 16, share capital of Euro 1,000,000.00.

The consolidation scope at September 30, 2010 includes the Parent Company GranitiFiandre S.p.A. and the companies in which GranitiFiandre S.p.A. holds, directly or through subsidiary companies, control or which in any case exercises a dominant influence.

Control is considered as the power to determine, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. In the evaluation of control, consideration is taken of the existence and the effect of potential voting rights that are effectively exercisable or convertible. Subsidiaries are consolidated from the date in which control occurs until the moment in which this control terminates. The companies included in the consolidation at September 30, 2010 are the following:

Company	Registered office	Currency	Share Capital	% held (direct and indirect)	Note	Group Holding
Granitifiandre S.p.A.	Castellarano (IT)	Euro	18,431,339	Parent Company		
Porcelaingres GmbH	Vetschau (D)	Euro	43,000,000	99.99%	9)	99.99%
StonePeak Ceramics Inc	Delaware (USA)	USD	122,921,568	98.36%	7) 8)	98.36%
Architectural Stone LLC	Miami (USA)	USD	4,302	63.50%	6)	37.48%
Architectural Imports LLC	Miami (USA)	USD	8,617,550	60.00%	2) 3)	59.02%
Architectural Imports Inc.	Miami (USA)	USD	335,728	100.00%	4)	59.02%
Mediterranea LLC	Miami (USA)	USD	645,507	100.00%	5)	59.02%
Ceramiche Riunite Srl	Castellarano (IT)	Euro	98,800	50.00%	1)	50.00%
Techgeo SL	Castellon de la Plana (SP)	Euro	250,000	50.001%		50.001%
Geologica Parma Srl	Parma (IT)	Euro	198,000	55.50%	11)	55.50%
Technoposa Srl	Castellarano (IT)	Euro	99,500	51.00%		51.00%
Savoia Canada INC	Toronto (CA)	CAD	100,000	100.00%		100.00%
Floornature.com S.p.A.	Fiorano Modenese (IT)	Euro	2,500,000	90.00%	Oiuu	90.00%
Geologica Milano Srl	Milan (IT)	Euro	327,943	90.00%	10)	90.00%
Technopose & Bedel Sas	Paris (FR)	Euro	200,000	100.00%		100.00%

(1) Ceramiche Riunite Srl is subject to dominant influence by the Parent Company;

(2) The value of the share capital derives from the value of 100% of the investment in Architectural Import Inc. conferred by the shareholders;

(3) Architectural Import LLC is held 60% by StonePeak Ceramics Inc;

(4) Architectural Import Inc is held 100% by Architectural Import LLC;

(5) Mediterranea LLC is held 100% by Architectural Import Inc;

(6) Architectural Stone LLC is held 63.50% by Architectural Import Inc;

(7) Value includes increase in share capital of USD 3 million made in Transceramica Ltd, incorporated in 2006 into StonePeak Ceramics Inc. ;

(8) Value includes increases in share capital of USD 3 million, USD 15 million, USD 11.8 million and USD 80 million made respectively in 2002, 2003, 2004 and 2007;

(9) Value includes increase in share capital of Euro 13 million made in 2003;

(10) Value includes increase in share capital of Euro 30 thousand, Euro 151 thousand, Euro 50 thousand respectively in 2007, 2009 and 2010.

(11) Value includes increase in share capital of Euro 100 thousand made in 2009.

The consolidation scope of the GranitiFiandre Group at September 30, 2010 has not changed compared to December 31, 2009.

Basis of Consolidation

For the financial statements of the companies consolidated the method utilised was the full integration method that consists of taking all of the items in the assets, liabilities and income statement into account in their entirety, showing the quota relating to minority shareholders in specific accounts in the consolidated net equity and income statement.

The criteria adopted for the consolidation were as follows:

- The assets and liabilities, as well as the income and charges of the financial statements consolidated under the full integration method are included in the financial statements of the Group, without consideration of the holding in the subsidiary. In addition, the book value of the investments were eliminated against the quota of net equity in the holding, attributing to the minority shareholders, in separate accounts, their share of shareholders' equity and the net result for the period where the subsidiary was consolidated under the integral method. Where necessary, adjustments are made to the financial statements of subsidiaries in order to apply uniform Group accounting policies.
- The positive differences resulting from the elimination of the investments against the book net equity at the date of the first consolidation is allocated to the higher values attributed to the assets and liabilities, and the residual part to goodwill. In accordance with the transitory provisions of IFRS 3, the Group has modified the accounting criteria for goodwill from the transition date.
Therefore, from January 1, 2004, the Group no longer amortises goodwill and applies impairment tests.
- The payables/receivables, costs/revenues between consolidated companies and the gains/losses resulting from inter-company operations are eliminated, as are the effects of mergers and the sale of business units between companies in the consolidation scope.
- The quota of net equity and of the result for the period pertaining to minority shareholders are recorded respectively in a separate account in Shareholders' Equity "Minority Interest capital and reserves" and in the Income Statement in the account "Profit/(loss) pertaining to minority interests".

Accounting principles and valuation criteria

The accounting principles and policies adopted to draw up the consolidated quarterly financial statements at September 30, 2010 have not changed compared to those utilised in the preparation of the consolidated financial statements at December 31, 2009, to which reference should be made.

Statement of changes in consolidated shareholders' equity

The movement in the consolidated shareholders' equity is shown in the table below:

Description	Share Capital	Share premium reserve	Legal reserve	Other reserves of the parent company	Other reserves: Translation reserve	Consolidation reserve	Net result	Total
December 31, 2008	18,431	106,430	3,686	34,594	(12,018)	(2,350)	6,147	154,920
Allocation of profit:								
Allocation profit - reserve				5,218		(1,843)	(3,375)	
Allocation profit - dividends							(1,843)	(1,843)
Effect variation of exchange rates					(2,291)	(19)		(2,310)
Other movements					37	(3)		34
Consolidated profit carried forward						929	(929)	--
Net profit for the year							954	954
December 31, 2009	18,431	106,430	3,686	39,812	(14,271)	(3,286)	954	151,756
Allocation of profit:								
Allocation profit - reserve				2,822		(1,290)	(1,531)	--
Allocation profit - dividends							(1,290)	(1,290)
Effect variation of exchange rates					3,883	14		3,896
Consolidated profit carried forward						(1,868)	1,868	--
Net profit							5,205	5,205
September 30, 2010	18,431	106,430	3,686	42,633	(10,389)	(6,430)	5,205	159,567

The present shareholders' equity includes the distribution of the profits for the year 2009 of the Parent Company GranitiFiandre SpA, deliberated by the shareholders' meeting on April 30, 2010. The appropriation of the net profit for the year of Euro 4,111,823.63 as approved by the shareholders' meeting is as follows:

- Euro 1,290,193.73 as dividend; a dividend of Euro 0.035 per share;
- Euro 2,821,629.90 to the extraordinary reserve.