



Interim Report of the GranitiFiandre Group at September 30, 2009

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

Board of Directors

Graziano Verdi	Chairman and CEO
Alberto Selmi	Executive Officer
Mauro Tabellini	Executive Officer
Sergio Stefano Mascaretti	Director
Romano Minozzi	Director
Roberto Nasi	Independent Director
Alfredo Scotti	Independent Director

Board of Statutory Auditors

Edoardo Rossini	Chairman
Francesca Pagliani	Statutory Auditor
Rosa Carla Parisi	Statutory Auditor
Stefania Luppi	Alternate Auditor
Gianluca Riccardi	Alternate Auditor

Independent Auditors

Deloitte & Touche SpA

Executive responsible for the preparation of the corporate accounting documents

Dario Maggioni

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

Graziano Verdi: responsible for direct management in the commercial and marketing sectors, industrial operations and services, personnel and relations with the factory councils and trade unions, responsible for cost management and responsible for investor relations.

Alberto Selmi: responsible for corporate compliance, the application of health and safety legislation, compliance with laws for the protection of workers and with the role of employer in accordance with Legislative Decree No. 626 of 1994 and the treatment of personal data in compliance with legislation on privacy.

Mauro Tabellini: responsible for management control.

**Structure of the
GranitiFiandre Group
at 30/9/2009**



Key:

Parent company - industry
Industry
Commercial activity
Services and installation activity
E-commerce activity

Report on operations
Group consolidated results
YTD in Euro thousands

Description	9/30/09	9/30/08	Changes	%	12/31/08
Net sales	140,962	152,254	(11,292)	(7.4)%	203,803
Gross operating result (EBITDA)	16,886	21,517	(4,630)	(21.5)%	28,191
Operating result (EBIT)	7,025	11,478	(4,453)	(38.8)%	13,443
Net result before taxes and minority interest	5,254	10,265	(5,012)	(48.8)%	11,311
Result from continuing operations before minority interest	1,995	5,639	(3,644)	(64.6)%	5,916
Net profit (*)	597	5,776	(5,179)	(89.7)%	6,147
Net financial position	(39,565)	(46,365)			(53,456)
Free cash flow 9 months	13,891	(47)			
Consolidated shareholders' equity	153,772	159,570			161,738
Percentage on sales					
Gross operating result (EBITDA)	12.0%	14.1%			13.8%
Operating result (EBIT)	5.0%	7.5%			6.6%
Net result before taxes and minority interest	3.7%	6.7%			5.5%
Result from continuing operations before minority interest	1.4%	3.7%			2.9%
Net profit	0.4%	3.8%			3.0%

() net of the extraordinary operation relating to the sale of Hydrodesign srl*
Third Quarter 2009 in Euro thousands

Description	9/30/09	9/30/08	Changes	%
Net sales	45,743	50,369	(4,626)	(9.2)%
Gross operating result (EBITDA)	5,506	5,728	(223)	(3.9)%
Operating result (EBIT)	2,119	2,014	105	5.2%
Net result before taxes and minority interest	1,285	2,732	(1,447)	(53.0)%
Result from continuing operations before minority interest	145	1,590	(1,445)	(90.9)%
Net profit	47	1,611	(1,564)	(97.1)%
Free cash flow 3 months	6,474	2,458		
Percentage on sales				
Gross operating result (EBITDA)	12.0%	11.4%		
Operating result (EBIT)	4.6%	4.0%		
Net result before taxes and minority interest	2.8%	5.4%		
Result from continuing operations before minority interest	0.3%	3.2%		
Net profit	0.1%	3.2%		

As illustrated in the table above, total revenues in the nine months report a small decrease of 7.4% on the same period of 2008, substantially in line with the expectations of management and significantly better than the forecast for the first nine months of 2009 in the ceramics sector of a contraction of over 25%.

Despite the crisis which has hit all economies, in the third quarter 2009 the Group improved Ebitda and Ebit margins on the same period of 2008 although recording a drop in revenues of 9.2% - Ebit in fact increasing in absolute terms by 5.2%.

In this unfavourable macroeconomic scenario, also affected by a serious liquidity crisis, the net financial position improved significantly thanks to the creation of Free Cash Flow of Euro 13.9 million (Free Cash Flow of Euro 6.5 million in the third quarter of 2009 alone). Extremely positive cash flow was generated from operations – over Euro 27 million, of which Euro 9 million in the third quarter.

In relation to margins, the Ebitda in the first nine months amounted to Euro 16.9 million - Euro 5.5 million in the third quarter - with a sales margin in both periods of 12%. Contributing to the Ebitda, in addition to the parent company GranitiFiandre S.p.A. for Euro 10.5 million, was the American group StonePeak for USD 2.2 million and the German subsidiary Porcelaingres for Euro 4.1 million.

The Ebit in the nine months was Euro 7 million (Euro 2.1 million in the third quarter alone), with a sales margin respectively of 5% and 4.6%.

The pre-tax profit amounted to Euro 5.3 million with a sales margin of 3.7%.

The net profit from continuing operations was Euro 2 million - sales margin of 1.4%. As described in detail in the half-year report, the effect of the deconsolidation of the Hydrodesign Group (including the results of the first quarter of 2009) negatively affected the net result of the Granitifiandre Group for Euro 1.5 million; despite this the net result was a profit of Euro 597 thousand.

Group turnover

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

YTD in Euro thousands

Description	09/30/09		09/30/08		Variation	Var. %	12/31/08
Italy	38,011	27.0%	49,245	32.3%	(11,234)	-22.8%	66,456
Europe	56,033	39.8%	58,820	38.6%	(2,787)	-4.7%	78,328
Rest of the world	46,918	33.3%	44,189	29.0%	2,728	6.2%	59,018
Total	140,962	100.0%	152,254	100.0%	(11,292)	-7.4%	203,803

Third Quarter 2009 in Euro thousands

Description	09/30/09		09/30/08		Variation	Var. %
Italy	13,709	30.0%	15,882	31.5%	(2,173)	-13.7%
Europe	17,834	39.0%	19,175	38.1%	(1,341)	-7.0%
Rest of the world	14,201	31.0%	15,312	30.4%	(1,111)	-7.3%
Total	45,743	100.0%	50,369	100.0%	(4,626)	-9.2%

Consolidated brand sales

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

YTD in Euro thousands

Description	09/30/09		09/30/08		Variation	Var. %	12/31/08
Italy	21,107	18.0%	28,770	23.0%	(7,663)	-26.6%	38,594
Europe	50,706	43.2%	53,617	42.9%	(2,911)	-5.4%	70,916
Rest of the world	45,455	38.8%	42,498	34.0%	2,957	7.0%	56,662
Total	117,268	100.0%	124,885	100.0%	(7,617)	-6.1%	166,172

Third Quarter 2009 in Euro thousands

Description	09/30/09		09/30/08		Variation	Var. %
Italy	7,915	21.1%	9,275	22.5%	(1,360)	-14.7%
Europe	15,926	42.4%	17,257	42.0%	(1,331)	-7.7%
Rest of the world	13,734	36.6%	14,600	35.5%	(867)	-5.9%
Total	37,575	100.0%	41,132	100.0%	(3,558)	-8.6%

In the first nine months of 2009, the GranitiFiandre Group recorded brand revenues of Euro 117.3 million, a small decrease of 6.1% on the same period of 2008, within a decisively altered and recessionary macroeconomic environment, and in which the Group was able to increase its market share.

Brand sales in Italy, amounting to Euro 21.1 million (18.0% of total brand revenues), decreased by 26.6% on 9M 2008, largely due to the recession already underway and with forecasts of a drop in GDP of approx. five percentage points in 2009.

Brand sales in Europe dropped slightly, -5.4% compared to the same period of 2008, a positive result given the current economic situation in Europe. In particular, we report the strong growth on the German market (+30.8%, with total revenues in the first nine months of over Euro 19.3 million)

with a significant contribution from the subsidiary Porcelaingres, which recorded revenue growth of over four percentage points.

In the first nine months of 2009 the Group also maintained its positions on the French market (Euro 14.5 million revenues) and recorded growth in Denmark, Austria, Switzerland, Norway and Turkey.

Strongly countering the overall market trend, brand revenues in the rest of the world grew by 7% (increase of Euro 3.0 million) on the same period of 2008. Revenues in the United States and Canada grew by 10.2% and 10.0% respectively in the first nine months of 2009. The good result of the **StonePeak brand** thanks both to the important promotional work with larger clients and merchandising activity in 2008 is noted within a North American market which has seen a strong contraction in imports and a sharp slowdown in both the residential and commercial real estate markets, with growth in revenues of 3%, continuing the gains in market share.

Breakdown of consolidated revenues by product line

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

YTD in Euro thousands

Description	9/30/09	9/30/08	Changes	%	12/31/08
Vitrified brand stoneware	115,793	122,640	(6,847)	(5.58%)	162,372
Granitech Division - materials	1,474	2,244	(770)	(34.31%)	3,799
Branded products	117,268	124,885	(7,617)	(6.10%)	166,171
Granitech Division - structure	3,286	5,523	(2,236)	(40.49%)	8,027
Branded products and structure	120,554	130,407	(9,853)	(7.56%)	174,198
Polishing services	2,480	3,381	(901)	(26.66%)	4,520
Semi-finished products	5,802	5,628	174	3.09%	7,693
Fitting and installation services	9,649	9,797	(148)	(1.51%)	13,412
Royalties	45	34	12	34.04%	50
Others	2,432	3,007	(575)	(19.13%)	3,931
Other revenues	20,408	21,847	(1,439)	(6.59%)	29,605
Total	140,962	152,254	(11,292)	(7.42%)	203,803

Third Quarter 2009 in Euro thousands

Description	9/30/09	9/30/08	Changes	%
Vitrified brand stoneware	37,069	40,397	(3,327)	(8.24%)
Granitech Division - materials	506	737	(231)	(31.37%)
Branded products	37,575	41,133	(3,559)	(8.65%)
Granitech Division - structure	1,205	1,973	(767)	(38.89%)
Branded products and structure	38,780	43,106	(4,326)	(10.04%)
Polishing services	913	873	40	4.55%
Semi-finished products	1,638	1,256	382	30.37%
Fitting and installation services	3,656	3,895	(239)	(6.13%)
Royalties	15	20	(5)	(22.99%)
Others	741	1,219	(478)	(39.22%)
Other revenues	6,963	7,263	(300)	(4.13%)
Total	45,743	50,369	(4,626)	(9.18%)

Complementary revenues to "Brand" sales, and 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 a drop in 9M 2009 for materials and services, for a total sales mix of approx. Euro 5 million.

For the Granitech division, which principally operates on the Italian market and as stated is one of the markets which was affected greatest by the world economic downturn, expectations for the coming months are however positive and supported by a significant order backlog.

Polishing services. The polishing services in the first nine months of 2009 recorded turnover of Euro 2.5 million, a decrease on the same period in 2008.

Semi-finished products. The sales of semi-finished products, carried out on behalf of other operators, despite the general downturn in volumes in the ceramics sector, recorded an increase of 3% (+30% in the third quarter), achieving therefore more than satisfactory levels (Euro 5.8 million for the first nine months of 2009) and thus permitted the optimisation of fixed cost absorption at the Italian factory.

Installation. The companies operating in the installation sector - and countering the overall market - recorded sales of Euro 9.6 million in the first nine months of 2009, in line with 2008.

Reclassified Group Income Statement

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

In Euro thousands

Description	Quarter		Year to date		
	9/30/09	9/30/08	9/30/09	9/30/08	12/31/08
Revenues	45,743	50,369	140,962	152,254	203,803
Changes in inventory	(2,325)	(2,031)	(7,136)	7,050	12,290
Increase in internal work capitalised	111	-	637	29	19
Other revenues and income	2,182	2,469	6,947	6,564	8,316
Value of production	45,711	50,807	141,411	165,897	224,427
Purchases	(11,151)	(13,333)	(34,346)	(44,997)	(60,606)
Services and operating costs	(19,217)	(21,814)	(58,557)	(67,338)	(92,840)
Personnel costs	(9,837)	(9,931)	(31,622)	(32,045)	(42,790)
EBITDA (*) - Gross operating result	5,506	5,728	16,886	21,517	28,191
Amortisation & depreciation	(3,308)	(3,258)	(9,442)	(9,509)	(13,169)
Provisions & write-downs	(79)	(457)	(420)	(530)	(1,579)
EBIT (*) - Operating result	2,119	2,014	7,025	11,478	13,443
Net financial incomes (charges)	(834)	718	(1,771)	(1,212)	(2,132)
Result before taxes	1,285	2,732	5,254	10,265	11,311
Income taxes	(1,140)	(1,142)	(3,259)	(4,626)	(5,395)
Result from continuing operations	145	1,590	1,995	5,639	5,916
Result from discontinued operations	-	89	(1,506)	562	617
Result before minorities	145	1,679	489	6,201	6,533
Net profit/(loss) pertaining to minority interests	(98)	(67)	108	(425)	(385)
Group result	47	1,611	597	5,776	6,147

Reclassified Group Balance Sheet

The reclassified consolidated balance sheet is shown below:

In Euro thousands

Description	9/30/09	12/31/08	9/30/08
Fixed assets			
Intangible	8,253	10,374	10,847
Tangible	124,403	130,243	127,236
Financial	5,789	2,685	2,712
Total	138,445	143,303	140,795
Net working capital			
Trade receivables	47,960	57,584	61,531
Other receivables	2,644	2,886	3,400
Tax credits	10,159	13,005	11,194
Inventories	76,477	85,554	80,186
Trade payables	(59,991)	(63,577)	(64,014)
Tax payables	(3,295)	(4,519)	(5,730)
Other payables	(10,733)	(9,733)	(11,778)
Total	63,221	81,200	74,789
Provisions for risks and employee leaving indemnity			
Provisions for employee leaving indemnity	(6,664)	(7,564)	(8,028)
Prov. for risks/other long term liabilities	(1,665)	(1,745)	(1,620)
Total	(8,329)	(9,309)	(9,649)
Capital employed	193,337	215,194	205,935
Net financial position			
Cash and securities	(20,036)	(8,643)	(14,110)
Short-term loans payables	58,531	59,272	57,336
Medium long-term loans payables	1,070	2,827	3,140
Total	39,565	53,456	46,365
Shareholders' equity			
Share capital	18,431	18,431	18,431
Reserves	131,251	130,342	128,576
Group result	597	6,147	5,776
Minority interest capital and reserves	3,602	6,433	6,361
Minority interest result	(108)	385	425
Total	153,772	161,738	159,570
Total source of financing	193,337	215,194	205,935

Net Financial Position

The net financial position is as follows:

In Euro thousands

Description	09/30/09	06/30/09	03/31/09	12/31/08
Cash and banks	19,868	16,251	9,319	8,376
Securities and short-term financial receivable	167	267	268	268
Related parties loans - short term	(13,404)	(13,349)	(13,283)	(13,194)
Short-term bank payables & other lenders	(45,127)	(48,170)	(46,551)	(46,078)
Net financial position - short term	(38,495)	(45,001)	(50,246)	(50,629)
Medium/long term bank payables	(152)	(148)	(211)	(210)
Medium/long term - other lenders	(47)	(50)	(1,722)	(1,813)
Related parties loans - long term	(870)	(840)	(819)	(804)
Total medium/long term	(1,070)	(1,037)	(2,753)	(2,827)
Net financial position	(39,565)	(46,039)	(52,999)	(53,456)

The debt position at September 30, 2009 was Euro 39.6 million compared to Euro 53.5 million at December 31, 2008, an improvement of Euro 14 million.

This data is of even greater significance in that it is net of the payment of the 2008 dividend of Euro 1.8 million and investments of Euro 11.8 million.

In Q3 alone, the net financial position improved by Euro 6.5 million.

The cash flow generation from operating activities was extremely positive at Euro 27 million; the working capital in the first nine months of the year, as illustrated in the cash flow statement as at September 30, 2009 generated liquidity of Euro 18 million.

Consolidated cash flow statement

The consolidated cash flow statement is shown below:

In Euro thousands

CONSOLIDATED CASH FLOW STATEMENT		
Description	09/30/2009	12/31/2008
<u>A - OPERATING ACTIVITIES</u>		
Result of the period/year	597	6,147
Result pertaining to minority interest	(108)	385
Amortization and depreciation	9,442	13,912
Net variation in employment leaving indemnity	(901)	(559)
Net variation provisions	(80)	126
Write-down of intangible assets with non definite lives	--	595
Cash flow generated from operating activity before working capital movements	8,950	20,606
Inventory	9,077	(13,039)
Trade receivables	9,624	1,852
Tax and other receivables	3,088	(1,073)
Trade payables	(3,586)	6,613
Tax and other payables	(223)	(980)
Cash flow generated from working capital movements	17,980	(6,627)
Total (A) - Cash flow generated from operating activity	26,929	13,978
<u>B - INVESTING ACTIVITY</u>		
Acquisition of intangible assets	(425)	(443)
Acquisitions of property, plant and equipment	(11,350)	(14,069)
Exchange effect on assets	3,294	(3,667)
Sales of property, plant and equipment and deconsolidation	7,000	387
Other net increases/decreases in non-current financial assets	(3,104)	(1,126)
Total (B) - Cash flow from investing activity	(4,584)	(18,918)
<u>C - FINANCING ACTIVITY</u>		
Variations in equity accounts	(3,175)	(511)
Exchange effects in equity accounts	(3,436)	3,935
Dividends	(1,843)	(5,529)
Variations in long-term financial debts	(1,758)	(836)
Total (C) - Cash flow from financing activity	(10,212)	(2,941)
Net short term financial position at the beginning of the year	(50,629)	(42,749)
Net change in short term financial position (A+B+C)	12,133	(7,880)
Net short term financial position at the end of the year	(38,495)	(50,629)

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 2009 of Euro 77.7 million compared to Euro 97.7 million in 9M 2008 (-20.5%).

The Ebitda was Euro 10.5 million (Euro 15.1 million in 9M 2008) with a sales margin of 13.6%.

The Ebit amounted to Euro 6.6 million (Euro 10.8 million in the first nine months of 2008), reporting a sales margin of 8.5%.

The net profit in the first nine months of 2009 amounted to Euro 3.0 million (Euro 5.9 million in the same period of 2008) with a sales margin of 3.9%.

These results, although contracting on 2008, are considered positive in light of the global economic scenario and that of the sector, which contracted overall in revenue terms by over 25%. The objectives set by the parent company were reached in terms of margins and cash flow. The net financial position improved from a debt position of Euro 50.6 million at December 31, 2008 to Euro 40.6 million.

Porcelaingres. The turnover of the German subsidiary Porcelaingres for the first nine months amounted to Euro 22.9 million compared to Euro 22.0 million in the first nine months of 2008 (+4.1%) continuing the growth seen throughout 2008. Sales growth therefore continued to be positive, despite the difficult background, further confirming the choices and considerable commercial investments made to promote and develop the Porcelaingres brand.

Positive margins, although in the presence of significant commercial and promotional investments, with Ebitda in the first nine months of Euro 4.1 million and a sales margin of 18.1%, while in the same period of 2008 the Ebitda was Euro 4.3 million with a sales margin of 19.7%. The performance in the third quarter of 2009 was even more significant, with an Ebitda of Euro 1.5 million and a sales margin of 20.8%.

The Ebit in the first nine months was Euro 2.3 million with a margin of 10.0%, while in the first nine months of 2008 the Ebit was Euro 2.5 million with a sales margin of 11.4%. The Ebit performance in the third quarter was also strong amounting to Euro 0.9 million - a margin of 12.7%.

The net profit in the first nine months was over Euro 1.2 million, with a sales margin of 5.4%.

StonePeak Group. The sales of the StonePeak Group in the first nine months of 2009 amounted to USD 46.8 million compared to USD 46.3 million in the first nine months of 2008 – an increase of 1.0% on 9M 2008.

The Ebitda in the first nine months was in fact USD 2.2 million with a sales margin of 4.8%, while in the first nine months of 2008 the Ebitda was USD 2.0 million with a margin of 4.3%. The performance in the third quarter 2009 was even more significant, with an Ebitda of USD 1.1 million, equal to a sales margin of 7.2%.

These results are 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.

In relation to commercial activities, StonePeak acquired for 2010 an order from the largest supermarket chain in the world for a value of over USD 12 million and for which it will supply the flooring for the new stores in North America of approx. 400 thousand square metres. The growth prospects of the American subsidiary continue to be positive.

Sales information

Brand shops

Brand shops currently number over 70 outlets, principally in franchising, with a further 30 spaces with a "GranitiFiandre Shop" layout.

Landmark stores were opened in the cities of Toronto, Paris and Tokyo.

In addition 4 new brand shops were opened in China during 2009 in Shanghai, Beijing, Fushun and Shenzhen. Still in China, 4 additional brand shops will be opened soon: once again Fiandre marks its strong presence globally also in the Far East and the excellence of its products and a well defined corporate philosophy, in a productive area as active as the Chinese, demonstrating that erroneously labelled as competition is not to be feared.

Research & 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 opening of the new *Extreme* productive lines and the launch of Active™ Clean 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. The majority of the payments related to the investment for the new production line, amounting to roughly 12 million Euros, will be made starting January 2010.

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".

As a confirmation of the interest that the new Fiandre products have created in the market, the order backlog for the *Extreme* collection items is already around 5 million Euros.

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 has wide international recognition. In pursuit of this objective, 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

Fiandre participated at Cersaie 2009, the International Ceramic Convention for building and bathroom furniture (Bologna from September 29 – October 3), with an innovative stand created by Simone Micheli, noted Italian architect and designer recognised internationally, and entirely dedicated to ecology, respect for the environment and new materials for wellbeing: this year Cersaie was concerned with significant and important issues such as the development of the regions, cities, mankind and the evolution of life on the planet and at which Fiandre presented:

- “Active™”, ceramics slabs under the Fiandre brand capable of significantly reducing some of the major air pollutants;
- The “Extreme” products, 150x75 size, which comprise a selection of the principal marbles, with a semi glossy and polished finish, allowing the possibility to apply “Active™”;
- “Serie 100”, slab size 75x75 aimed at 100% sustainability;
- “Hyperfine”, five selected shades within the New Ground collection featuring an innovative thickness of 4.5mm;
- The new Wave collection and the new Lasa Pure shade collection which combines one of central collections of Fiandre marble with a new enriched clear finely finished tone.

The stand achieved significant success in terms of visits and positive feedback by many designers and architects who appreciated the new materials, in particular the innovative “Active™” production method and the strong ecological focus of the Fiandre materials.

Fiandre, after the significant success at Cersaie, decided to attend once more Saie, the International Construction Convention, which was held in Bologna at the end of last month. The Group also participated in Paris from November 2 – 7 at one of the most important international trade fairs in the sector: the Batimat. In both the events, the stands dedicated to Active™ Clean Air & Antibacterial Ceramic and the new Extreme, Serie 100 and Wave collections, impressed numerous operators within the sector.

The participation of Fiandre at the Leaf Leading European Architect Forum (LEAF Awards) is also noted. The event was held last October in Berlin, where the most significant figures in world architecture met to celebrate architectural excellence in the public and private sectors. On this occasion, the Chairman of the Group awarded the Atelier Brueckner for the creation of the BMW Museum in Germany.

Shanghai Expo 2010

From May 1 to October 31, 2010, the 2010 Shanghai Universal Expo will be held. The event will see the participation of over 20 nations and international organisations and expects to welcome over 70 million visitors.

GranitiFiandre was chosen as the Partner of the General Government Commission for the Exposition and will supply the slabs necessary for the creation of the Italian Pavilion, designed by architect Giampaolo Imbrighi, which will occupy an area of 3,600 square metres and stand 18 metres high. The Italian Marquee will present products and materials which will showcase the innovative capacity, the dynamism and the excellence of Italy.

The first stone of the Italian Pavilion was laid on Friday May 8 by Beniamino Quintieri, General Government Commissioner for Expo 2010. The ceremony was carried out in the presence of the Italian Ambassador, Riccardo Sessa, of the General Consulate of Italy in Shanghai, Massimo Roscigno and the General Director of the Expo Organising Committee, Hong Hao.

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 of GranitiFiandre,

chosen ahead of the other competitors to represent Italian excellence in this international showcase.

Active™ Clean Air & Antibacterial Ceramic

On September 28, 2009, the official presentation of Active™ Clean Air & Antibacterial Ceramic was held at Milan. The prestigious headquarters of Il Sole 24 Ore, designed by Renzo Piano, welcomed more than 400 internationally famous architects and designers and launched a major press campaign internationally.

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 and urban architecture 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 and wellness centres. For the launch of Active™ Clean Air & Antibacterial Ceramic since September and through the end of the year, it is in progress a major international advertising campaign for about 1.5 million Euros. Such advertising investment, promoted at a time particularly negative for the economy, is the proof of how much the group believes in the importance of this new production method.

Projects and commercial agreements

During the year, the GranitiFiandre Group has once again carried out significant projects as well as signing agreements with major commercial partners and key accounts internationally and nationally.

In particular the new concepts for Gucci and Bottega Veneta were created and orders acquired for two major fast food chains, Burger King and KFC.

The supply of brand materials for a multi-screen cinema of over 10,000 sq.m. worth Euro 400 thousand in Israel is noted.

Savoia Canada, the distributing company for the Canadian territory, also obtained prestigious orders, which in the quarter as well as supplying the slabs for the flooring of the airport in Calgary acquired an important order of over USD 1 million for a shopping mall, also in Calgary. The collaboration with a major food and beverage chain with numerous stores in Canada was renewed.

Finally, the Granitech division, operating in the sector of ventilated walls and raised floors, acquired an order for the offices of an important consortium in Trentino for approx. Euro 500 thousand.

In relation to the overseas market, StonePeak acquired a significant order for the year 2010 from the largest supermarket chain worldwide. StonePeak will supply the flooring and walls for new stores and for the refurbishing in North America of approx. 400 thousand square metres surface area for a total value of over USD 12 million. In addition StonePeak has recently renewed a distribution agreement, with the most important chain in the home improvement, this agreement includes for 2010 the addition of new top of the range products, which will bring the sales from the 4 million dollars of today to about 8 million dollars.

Outlook

Management projections for the coming months are conditioned by the continuation of the difficult economic scenario. As outlined in previous quarterly reports in 2009, Group efforts are focused on generating significant cash flows and maintaining strong operating margins through a careful monitoring of costs.

The Group continues to focus on the research and development of products and technologies in order to guarantee greater penetration of global markets. The recent investments for the production and launch of products with Active production method, of products with a high content of recycled materials and of 150 cm x 75 cm size products, are noted in this context.

Of particular note:

- For the parent company GranitiFiandre S.p.A., the results in the fourth quarter are forecast in line with the first nine months of 2009. By the end of the year, production of the new larger sized products will begin with Active production method, for which there has been strong interest from clients, the design community and the large number of architects who attended the presentation events.
- For the final quarter of the year, the expectations of the German subsidiary Porcelaingres are positive, both in terms of sales volumes and profit margins, also based on the agreements signed with major German distributors.
- Despite the performance of the American economy, as previously outlined, the outlook for the American subsidiary StonePeak is positive. Sales volumes and market positions will be maintained in the fourth quarter of 2009. Positive forecasts are particularly aided by the development of the new Active production method as the US is particularly concerned with environmental issues.

Castellarano, November 13, 2009

For the Board of Directors
The Chairperson
Graziano Verdi

CONSOLIDATED FINANCIAL STATEMENTS

Reclassified consolidated balance sheet (in Euro thousands)

	09/30/2009		09/30/2008		12/31/2008	
	IAS/IFRS	%	IAS/IFRS	%	IAS/IFRS	%
Non-current assets						
Goodwill and intangible assets with non finite lives	7,378		10,193		9,691	
Intangible assets with definite useful life	876		654		683	
Property, plant and equipment	124,403		127,236		130,243	
Equity investments	2,367		2,295		2,295	
Financial assets	3,201		361		361	
Tax receivables	335		391		406	
Deferred tax assets	8,453		9,210		9,401	
Trade receivables	1,283		1,413		1,507	
Total non-current assets	148,294	50.1%	151,751	48.8%	154,587	49.7%
Current assets						
Inventories	76,477		80,186		85,554	
Current trade receivables	46,677		60,118		56,077	
Current tax receivables	1,346		1,594		3,080	
Current deferred tax assets	26		0		118	
Current financial assets	389		215		298	
Other current assets	2,644		3,400		2,886	
Cash on hand and in bank	19,868		13,952		8,376	
Total current assets	147,427	49.9%	159,464	51.2%	156,389	50.3%
Total assets	295,721	100.0%	311,216	100.0%	310,975	100.0%
Group Shareholders Equity						
Share capital	18,431		18,431		18,431	
Share premium reserve	106,431		106,431		106,431	
Legal reserve	3,686		3,686		3,686	
Other reserves	21,134		18,459		20,225	
Profit (loss) for the period	597		5,776		6,147	
Total Group shareholders equity	150,279	50.8%	152,783	49.1%	154,920	
Minority interest capital and reserves	3,602		6,361		6,433	
Minority interest result	(108)		425		385	
Tot. group & minority interest shareholders' equity	153,772	52.0%	159,570	51.3%	161,738	52.0%
Non-current liabilities						
Non current liabilities relating to personnel	6,664		8,028		7,564	
Non current deferred tax liabilities	938		1,304		1,242	
Long-term bank payables	152		251		210	
Non-current provisions for risks and charges	1,651		1,590		1,734	
Non-current financial liabilities	918		2,889		2,618	
Other non-current payables	1		443		1	
Total non-current liabilities	10,323	3.5%	14,504	4.7%	13,368	4.3%
Current liabilities						
Current financial payables	13,478		13,530		13,759	
Short-term bank payables	45,053		43,805		45,512	
Current provisions for risks and charges	14		31		11	
Current trade payables	59,991		64,014		63,577	
Current tax payables	2,357		4,426		3,277	
Other current liabilities	10,733		11,334		9,733	
Total current liabilities	131,626	44.5%	137,141	44.1%	135,870	43.7%
Total liabilities & equity	295,721	100.0%	311,216	100.0%	310,975	100.0%

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement (in Euro thousands)

INCOME STATEMENT	09/30/2009	%	09/30/2008	%	12/31/2008	%
	IAS/IFRS		IAS/IFRS		IAS/IFRS	
Revenues	140,962		152,254		203,803	
Other revenues and income	6,947		6,564		8,316	
Increase in internal work capitalised	637		29		19	
Change in inventory of finished products	(5,992)		4,680		9,494	
Costs for raw materials, ancillary, consumables and goods	(34,346)		(44,997)		(60,606)	
Services	(52,168)		(60,590)		(83,986)	
Rents, leases and similar	(3,704)		(3,490)		(4,799)	
Personnel costs	(31,622)		(32,045)		(42,790)	
Changes in inventories of raw materials, ancillary, consumables and goods	(1,144)		2,370		2,796	
Other operating charges	(2,685)		(3,257)		(4,055)	
EBITDA	16,886	12.0%	21,517	14.1%	28,191	13.8%
Amortisation & depreciation	(9,442)		(9,509)		(13,169)	
Provisions & write-downs	(420)		(530)		(1,579)	
EBIT	7,025	5.0%	11,478	7.5%	13,443	6.6%
Financial income	1,299		1,943		2,444	
Financial charges	(3,070)		(3,155)		(4,576)	
Result before taxes	5,254	3.7%	10,265	6.7%	11,311	5.5%
Income taxes	(3,259)		(4,626)		(5,395)	
Result from continuing operations	1,995	1.4%	5,639	3.7%	5,916	2.9%
Result from discontinued operations	(1,506)		562		617	
Result before minorities	489	0.3%	6,201	4.1%	6,533	3.2%
Net profit/(loss) pertaining to minority interests	108		(425)		(385)	
Group net result	597	0.4%	5,776	3.8%	6,147	3.0%

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 13, 2009

Notes to the consolidated financial statements as at September 30, 2009**Content and form of the consolidated quarterly report**

The quarterly report relating to the period July 1 - September 30, 2009 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, 2009 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, 2009 are the following:

Company	Head Office	Currency	Share Capital	%held (directly and indirectly)	Notes	Total Holding
Granitifiandre S.p.A.	Castellarano (IT)	EUR	18,431,339	Parent Company		
Porcelaingres GmbH	Vetschau (D)	EUR	48,200,000	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)	EUR	98,800	50.00%	1)	50.00%
Techgeo SL	Castellon de la Plana (ES)	EUR	250,000	50.001%		50.001%
Geologica Parma Srl	Parma (IT)	EUR	98,000	51.00%		51.00%
Technoposa Srl	Castellarano (IT)	EUR	99,500	51.00%		51.00%
Savoia Canada INC	Toronto (CA)	CAD	100,000	90.01%	11)	90.01%
Floornature.com S.p.A.	Fiorano Modenese (IT)	EUR	2,500,000	90.00%		90.00%
Geologica Milano Srl	Milano (IT)	EUR	207,908	90.00%	10)	90.00%
Technopose & Bedel Sarl	Paris (FR)	EUR	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 in 2001 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 and Euro 5.2 million respectively in 2003 and 2007;

(10) Value includes increase in share capital of Euro 30 thousand and Euro 81 thousand respectively in 2007 and 2009;

(11) The company is consolidated 100% on the assumption that the investment was acquired with the "put and call" option contract which includes the commitment to acquire the entire investment by the end of the year 2009.

The consolidation scope of the GranitiFiandre Group at September 30, 2009 compared to December 31, 2008 has changed as follows:

- sale of the shareholding in the company Granitifiandre Praha Sro with registered offices in Prague – Czech Republic. The portion held at 31/12/2008 amounted to 66.0%;

- sale of 50% of the holding in the industrial company Hydrodesign Srl; this sale led to the exit from the consolidation scope also of the indirect subsidiary Kaleydos Design S.I, whose share capital was held 85% by Hydrodesign srl.
- Granitifiandre S.p.A. acquired the residual portion of 6.02% in the subsidiary Technopose & Bedel Sarl, therefore reaching 100%.

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.
- 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 has implemented the procedures to apply 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, 2009 have not changed compared to those utilised in the preparation of the consolidated financial statements at December 31, 2008, 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 Reserve of the Parent Company	Translation Reserve	Reserve on Consolidation	Net Result	Total
December 31, 2007	18,431	106,430	3,686	31,396	(15,953)	(7,304)	13,846	150,533
Allocation of profit:								
Allocation profit - reserve				3,197		(5,529)	2,332	-
Allocation profit - dividends							(5,529)	(5,529)
Translation effect					3,935			3,935
Other movements						(165)		(165)
consolidation profit carried forward						10,649	(10,649)	-
Net profit (loss) for the period							6,147	6,147
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)
Translation effect					(3,436)	25		(3,411)
Other movements						15		15
consolidation profit carried forward						930	(930)	-
Net profit (loss) for the period							597	597
September 30, 2009	18,431	106,430	3,686	39,812	(15,454)	(3,223)	597	150,279

The present shareholders' equity includes the distribution of the profits for the year 2008 of the Parent Company GranitiFiandre SpA, deliberated by the shareholders' meeting on April 15, 2009. The appropriation of the net profit for the year of Euro 7,061,095.44 as approved by the shareholders' meeting is as follows:

- Euro 1,843,133.90 as dividend; a dividend of Euro 0.05 per share;
- Euro 5,217,961.54 to the extraordinary reserve.