



2010 First 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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ITALIAN PAVILION

EXPO 2010 SHANGHAI, 1st MAY - 31st OCTOBER



Commissariato Generale del Governo
per l'Esposizione Universale
di Shanghai 2010

GranitiFiandre is partner of the Commission of Italy for Shanghai World Expo 2010

*The best from the Italian industry at the Shanghai Expo 2010.
GranitiFiandre, worldwide leader in the production of top range porcelain slabs for prestigious paving and wall coverings, participates to the realization of the Italian Pavilion with its most innovative materials.*

Rome, 13th March 2009 – The **Commission of Italy for Shanghai 2010 World Expo 2010** announces an important agreement with the company **GranitiFiandre**, worldwide leader in the production of porcelain slabs for prestigious coverings, that will offer an essential contribution to the construction of the Italian Pavilion for the 2010 Universal Exposition.

GranitiFiandre will realize the paving of the building, designed by Arch. Giampaolo Imbrighi, with its most innovative materials, that in the perfect integration with the Pavilion's aesthetics, ideally enhance its architectural value.

"We are very glad that our Pavilion, a symbol with its materials and avant-garde technologies of the innovation abilities and of the Italian productive system, can number, among the most significant contributions to its realization, the excellent know how by GranitiFiandre, a company that represents a Made in Italy diamond point" and had far back affirmed in the whole world extraordinary economical, industrial and managerial abilities, has commented **Beniamino Quintieri**, **Commissioner General of Italy for Shanghai World Expo 2010**.

Professor Beniamino Quintieri
Commissioner General of Italy for Shanghai World Expo 2010

Commission of Italy for Shanghai World Expo 2010
Foreign Ministry – P.le della Farnesina, 1 – 00194 – Rome
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www.expo2010italia.gov.it



Professor **Beniamino Quintieri**, Commissioner General of Italy for Shanghai World Expo 2010, visits GranitiFiandre headquarters in Castellarano (RE), where he signed the partnership for the Italian Pavilion with the President and CEO of the company **Graziano Verdi**.

Corporate Boards

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

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

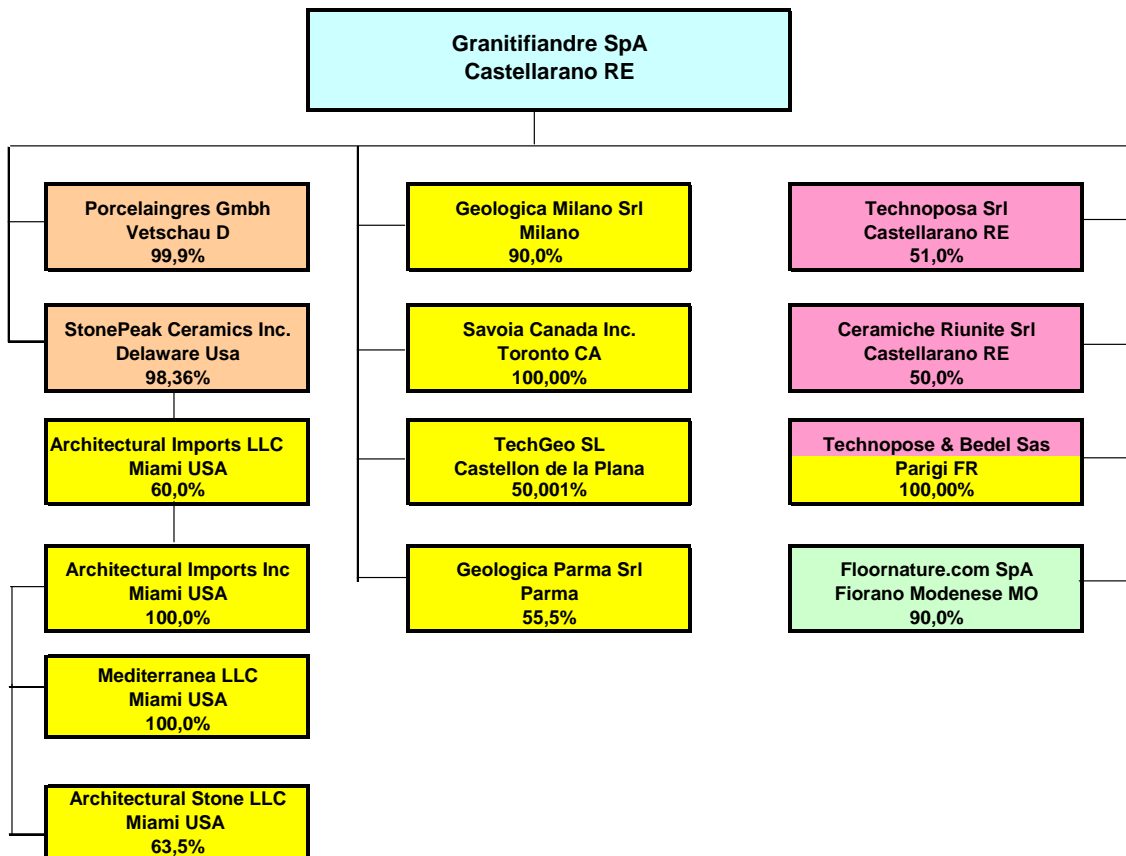
The powers delegated to the Board of Directors are as follows:

Graziano Verdi: responsibility 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: assigned responsibility for corporate compliance, the application of health and safety legislation, management of factory personnel, relations with the factory board and the trade unions and social security institutions, compliance with laws for the protection of workers and 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 31/03/2010



Key:

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

Report on operations
Group consolidated results
Q1 2010 in Euro thousands

Description	Q1 10	Q1 09	Changes	%	2009
Net sales (*)	44,918	45,727	(809)	(1.8)%	183,949
Gross operating result (EBITDA)	5,541	4,083	1,458	35.7%	21,475
Operating result (EBIT)	2,006	768	1,238	161.1%	7,483
Net result before taxes and minority interest	2,952	810	2,143	264.7%	5,689
Net result from continuing operations	2,225	326	1,899	582.4%	2,404
Net profit	2,225	37	2,188	5912.9%	954
Net financial position	(46,632)	(52,999)	6,367		(41,727)
Consolidated shareholders' equity	162,514	165,320	(2,805)		155,313
Percentage on sales					
Gross operating result (EBITDA)	12.3%	8.9%			11.7%
Operating result (EBIT)	4.5%	1.7%			4.1%
Net result before taxes and minority interest	6.6%	1.8%			3.1%
Net result from continuing operations	5.0%	0.7%			1.3%
Net profit	5.0%	0.1%			0.5%

(*) on like-for-like exchange rates, revenues in first quarter of 2010 would have been Euro 45,582 (-0.3%).

As illustrated in the table above, total revenues in the quarter were in line with the first quarter of 2009: -0.3% on like-for-like exchange rates and -1.8% on average exchange rates in the first quarter of 2010.

Revenues in the quarter, affected by a still weak and uncertain domestic and world market, were further impacted by adverse weather conditions which severely hit the Italian and Central-North European markets. However, as illustrated below, brand sales (those relating to the sales of slabs) recorded a small increase at like-for-like exchange rates of 0.4%, while for the reasons described above, onsite installation services decreased.

It is highlighted that in the quarter the Group significantly improved all profit margins both in real terms and of margins on revenues compared to the first quarter of 2009.

Ebitda in the quarter was Euro 5.5 million (+35.7%), with a revenue margin of 12.3% (Euro 4.1 million and 8.9% in 2009). Contributing to the Ebitda, in addition to the parent company GranitiFiandre S.p.A. for Euro 2.2 million, was the American group StonePeak for USD 2.4 million and the German subsidiary Porcelaingres for Euro 1.8 million.

Ebit in the quarter was Euro 2 million (+161%) with a revenue margin of 4.5% (Euro 0.8 million and 1.7% in 2009).

The pre-tax profit, benefiting also from an exchange gain of Euro 1.2 million (Euro 0.9 million valuation gain), was approx. Euro 3 million with a revenue margin of 6.6% compared to Euro 810 thousand in the same period of 2009, which included an exchange gain of Euro 0.6 million.

Very strong net profit of Euro 2.2 million (5% of revenues) and compares to breakeven in the first quarter of 2009.

The net profit in the first quarter of 2010 alone of Euro 2.2 million is more than double that recorded for the full year 2009 of Euro 1 million.

Group turnover

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

In Euro thousands

Description	Q1 10		Q1 09		Changes	Cge. %	2009
Italy	11,287	25.1%	12,337	27.0%	(1,050)	-8.5%	50,334
Europe	16,835	37.5%	18,283	40.0%	(1,448)	-7.9%	73,185
Rest of world	16,796	37.4%	15,107	33.0%	1,689	11.2%	60,430
Total	44,918	100.0%	45,727	100.0%	(809)	-1.8%	183,949

Consolidated brand sales

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

In Euro thousands

Description	Q1 10		Q1 09		Changes	Cge. %	31/12/09
Italy	6,096	16.0%	6,779	17.5%	(684)	-10.1%	28,247
Europe	15,576	40.9%	17,222	44.6%	(1,645)	-9.6%	65,074
Rest of world	16,440	43.1%	14,630	37.9%	1,809	12.4%	58,483
Total	38,112	100.0%	38,632	100.0%	(519)	-1.3%	151,804

The GranitiFiandre Group in the first quarter of 2010 recorded brand material revenues of Euro 38.1 million, a small decrease of 1.3% and therefore substantially in line with the 2009 results. As previously illustrated the exchange rate affected the revenue data by over Euro 600 thousand and on like-for-like exchange rates brand sales for the quarter would record a small increase.

Brand sales in Italy of Euro 6.1 million decreased by 10%. In Europe brand sales also decreased (-9.6%) compared to the same period of 2009. Both in Italy and in Europe, in addition to the continued difficult economic environment, sales were impacted by harsh winter conditions which slowed down building activities.

In the first quarter of 2010 the Group also maintained its position on the French market (Euro 4.6 million revenues) and recorded growth in Denmark, Poland, Russia and Austria.

Strong growth in the Rest of the World of 12.4% (an increase of Euro 1.8 million), increasing the contribution to total brand turnover by 5.2%. In the United States, sales were strong thanks to the excellent performance of the subsidiary **StonePeak** Ceramics Inc. which reports revenue growth of 23.4% in the quarter (USD 17.9 million compared to USD 14.5 million in the first quarter of 2009).

Breakdown of consolidated revenues by product line

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

In Euro thousands

Description	Q1 10	Q1 09	Changes	%	31/12/09
Vitrified brand stoneware	37,665	38,056	(391)	(1.0%)	149,414
Granitech Division – materials	448	576	(128)	(22.3%)	2,390
Branded products	38,112	38,632	(519)	(1.3%)	151,804
Granitech Division – structure	1,342	1,110	232	20.9%	5,019
Branded products and structure	39,454	39,742	(288)	(0.7%)	156,824
Polishing services	1,014	697	318	45.6%	3,836
Semi-finished products	2,081	1,943	139	7.1%	7,709
Fitting and installation services	1,715	2,479	(764)	(30.8%)	12,050
Royalties	17	15	1	7.5%	71
Others	636	851	(215)	(25.2%)	3,460
Other revenues	5,464	5,985	(522)	(8.7%)	27,125
Total	44,918	45,727	(809)	(1.8%)	183,949

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, enabled 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 quarter of 2010 for services and a decrease in relation to materials, for a total sales mix of approx. Euro 1.8 million - an increase therefore of 6.2% on the first quarter of 2009.

Polishing services. The polishing services in the first quarter of 2010 recorded turnover of Euro 1 million, an increase of over 45% 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 very satisfactory levels (Euro 2.1 million in Q1 2010, +7.1%) and thus permitted the optimisation of fixed cost absorption at the Italian factory.

Installation. The companies operating in the installation sector recorded sales of Euro 1.7 million in the first quarter of 2010, a decrease of 30% compared to the first quarter of 2009.

As described in the general comments on revenues, the installation companies were greatest hit by the harsh winter, both in Italy and in Europe, which impeded or delayed the commencement on many sites. Expectations for 2010 however are positive and supported by a significant order backlog.

Reclassified Group Income Statement

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

In Euro thousands

Description	Quarter		
	Q1 10	Q1 09	2009
Revenues	44,918	45,727	183,949
Changes in inventory	1,291	(2,175)	(7,133)
Increase in internal work capitalised	-	191	638
Other revenues and income	1,820	2,030	9,399
Value of production	48,028	45,773	186,853
Purchases	(11,715)	(11,591)	(44,314)
Services and operating costs	(19,429)	(19,374)	(78,573)
Personnel costs	(11,343)	(10,724)	(42,491)
EBITDA - Gross operating result	5,541	4,083	21,475
Amortisation & depreciation	(3,369)	(3,142)	(12,769)
Provisions & write-downs	(166)	(173)	(1,223)
EBIT - Operating result	2,006	768	7,483
Net financial incomes (charges)	946	41	(1,794)
Result before taxes	2,952	810	5,689
Income taxes	(676)	(484)	(3,286)
Result from continuing operations	2,277	326	2,404
Result from discontinued operations	-	(561)	(1,506)
Result before minorities	2,277	(235)	898
Net profit/(loss) pertaining to minority interests	(52)	272	57
Group profit	2,225	37	954

Reclassified Group Balance Sheet

The reclassified consolidated balance sheet is shown below:

In Euro thousands

Description	03/31/10	12/31/09	03/31/09
Fixed assets			
Intangible	8,575	8,361	10,638
Tangible	126,442	123,627	132,958
Financial	5,995	5,993	2,681
Total	141,012	137,981	146,277
Net working capital			
Trade receivables	49,276	46,041	55,278
Other receivables	3,823	2,355	3,888
Tax credits	11,569	11,774	12,328
Inventories	80,401	76,973	84,618
Trade payables	(56,799)	(56,820)	(61,801)
Tax payables	(2,717)	(3,030)	(3,641)
Other payables	(8,851)	(9,324)	(9,425)
Total	76,702	67,968	81,245
Provisions for risks and employee leaving indemnity			
Provisions for employee leaving indemnity	(6,506)	(6,686)	(7,383)
Prov. for risks/other long term liabilities	(2,062)	(2,223)	(1,821)
Total	(8,568)	(8,909)	(9,204)
Capital employed	209,146	197,041	218,319
Net financial position			
Cash and securities	(11,677)	(15,381)	(9,587)
Short-term loans payables	57,082	55,980	59,834
Medium long-term loans payables	1,227	1,128	2,753
Total	46,632	41,727	52,999
Shareholders' equity			
Share capital	18,431	18,431	18,431
Reserves	138,214	132,371	140,155
Group result	2,225	954	37
Minority interest capital and reserves	3,593	3,615	6,969
Minority interest result	52	(57)	(272)
Total	162,514	155,313	165,320
Total source of financing	209,146	197,041	218,319

Net Financial Position

The net financial position is as follows:

In Euro thousands

Description	03/31/10	12/31/09	03/31/09
Cash and banks	11,427	15,181	9,319
Securities and short-term financial receivable	250	200	268
Related parties loans - short term	(13,503)	(13,454)	(13,283)
Short-term bank payables & other lenders	(43,579)	(42,526)	(46,551)
Net financial position - short term	(45,405)	(40,599)	(50,246)
Medium/long term bank payables	(176)	(156)	(211)
Medium/long term - other lenders	(52)	(68)	(1,722)
Related parties loans - long term	(999)	(904)	(819)
Total medium/long term	(1,227)	(1,128)	(2,753)
Net financial position	(46,632)	(41,727)	(52,999)

Net debt at March 31, 2010 was Euro 46.6 million compared to Euro 41.7 million at December 31, 2009.

As illustrated in the Cash Flow Statement, cash flow was generated of Euro 5.3 million before working capital changes which absorbed liquidity of Euro 8.7 million in the quarter. This change in working capital is in part due to the seasonality of sales which resulted in an increase in inventories and receivables compared to December 31, 2009. The exchange effect also had a negative impact of over Euro 600 thousand, principally relating to loans in US dollars of the subsidiary StonePeak Ceramics. Inc.. Investments amounted to Euro 1.7 million.

Consolidated cash flow statement

The consolidated cash flow statement is shown below:

In Euro thousands

CONSOLIDATED CASH FLOW STATEMENT		
Description	03/31/2010	12/31/2009
<u>A - OPERATING ACTIVITIES</u>		
Result of the period	2,225	954
Result pertaining to minority interest	52	(57)
Amortization and depreciation	3,369	12,769
Net variation in employment leaving indemnity	(180)	(879)
Net variation provisions	(161)	478
Cash flow generated from operating activity before working capital movements	5,304	13,265
Inventory	(3,429)	8,581
Trade receivables	(3,235)	11,543
Tax and other receivables	(1,264)	1,763
Trade payables	(21)	(6,757)
Tax and other payables	(785)	(1,898)
Cash flow generated from working capital movements	(8,734)	13,232
Total (A) - Cash flow generated from operating activity	(3,430)	26,497
<u>B - INVESTING ACTIVITY</u>		
Acquisition of intangible assets	(52)	(658)
Acquisitions of property, plant and equipment	(1,650)	(12,819)
Exchange effect on assets	(4,706)	2,257
Sales of property, plant and equipment and deconsolidation	11	7,080
Other net increases/decreases in non-current financial assets	(2)	(3,307)
Total (B) - Cash flow from investing activity	(6,400)	(7,448)
<u>C - FINANCING ACTIVITY</u>		
Variations in equity accounts	36	(3,168)
Exchange effects in equity accounts	4,889	(2,310)
Dividends	-	(1,843)
Variations in long-term financial debts	98	(1,699)
Total (C) - Cash flow from financing activity	5,023	(9,020)
Net short term financial position at the beginning of the period	(40,599)	(50,629)
Net change in short term financial position (A+B+C)	(4,806)	10,030
Net short term financial position at the end of the period	(45,405)	(40,599)

Information on the main Group companies

GranitiFiandre S.p.A. The parent company GranitiFiandre S.p.A. recorded sales in the quarter of Euro 22.8 million compared to Euro 24.9 million in the same period of 2009 (-8.4%).

The Ebitda amounted to Euro 2.2 million (Euro 2.5 million in 2009) with a sales margin of 9.8%.

The Ebit totalled Euro 0.8 million (Euro 1.3 million in 2009) with a sales margin of 3.7%.

As already described, the fall in revenues and operating margins is due to a still contracting market in the quarter, in particular in Italy. The other European markets were heavily impacted by the particularly severe winter conditions. The expectations however are for a progressive recovery in revenues during the year and an improvement in margins, thanks to the contribution of material sales with the new Active technology, a high industrial margin material.

Porcelaingres. The subsidiary Porcelaingres recorded sales in the quarter of Euro 7.8 million compared to Euro 7.5 million in the first quarter of 2009 (+5.1%).

All operating margins grew strongly and supported by robust sales, confirming the choices and considerable commercial investments made in order to develop the Porcelaingres brand.

The Ebitda amounted to Euro 1.8 million (Euro 1.1 million in the first quarter of 2009) with a sales margin of 22.9% (14.2% in the first quarter of 2009).

The Ebit totalled Euro 1.2 million (Euro 0.4 million in the first quarter of 2009) and a sales margin of 14.9% (5.4% in the first quarter of 2009).

The expectations of the German subsidiary Porcelaingres remains positive, although uncertainty remains on the rate of recovery in the German economy, which could interrupt the good growth established in the first quarter of 2010.

StonePeak Group. As already described, revenues of the US subsidiary StonePeak Ceramics Inc grew by 23.4% (USD 17.9 million compared to USD 14.5 million in the first quarter of 2009). Sales of the StonePeak Group in the first quarter of 2010 amounted to USD 18.3 million compared to USD 15.0 million in the first quarter of 2009 (+22.2%).

Ebitda in the first three months was USD 2.4 million (USD 0.7 million in the first quarter 2009) with a revenue margin of 13.2%, while Ebit in the first three months was a profit of USD 0.4 million (loss of USD 1.1 million in the first quarter 2009).

The expectations for the StonePeak subsidiary are however very strong, also in view of the recent economic recovery in the United States. April also reported an increase in sales of 28%.

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.

Four brand shops were also opened in Shanghai, Peking, Foshan and Shenzhen in China. A further four brand shop openings are scheduled in the near future in China: Fiandre once again extending its international reach in the Far East. Finally all of the showrooms in Germany are being updated, while a new exposition concept was presented at the Milan showroom during the Fuori Salone trade fair.

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” (see below for further details). 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.

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. 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

The beginning of 2010 saw participation at an important trade fair in Switzerland. From January 12-16 Basilea hosted the annual Swissbau: 5 marquees dedicated entirely to construction and design. Fiandre launched its technically and stylistically cutting-edge eco-sustainability collections with Taxos Extra in the large 150x75 cm format and the [Active Clean Air & Antibacterial Ceramic™](#) innovative production method.

Between January 11 and 16, 2010, Fiandre took part in the **International Green Up Convention**, organised by the La Sapienza University of Rome supported by the Environmental Ministry, which focuses on new architectural approaches which efficiently utilise advanced and sustainable technologies.

The Granitech division of GranitiFiandre, together with the Group company Technokolla, participated at the third edition of the MADEexpo held at Milan from February 3-6, 2010, an international event focussed on design, architecture and building. Fiandre, always close to the design world and its needs, promoted together with MADEexpo and in partnership with the Il Sole24Ore, a series of meetings, the "**Pillole di Architettura**" ("**Pillars of Architecture**"), offering an opportunity to interact with leading personalities in the architectural world.

Also in February (16-18) GranitiFiandre participated at the Surface Design Show of London, the most important trade fair in the United Kingdom focussing on surfaces and on new research technologies related to the design world, which attracted admiration from visitors thanks to the large exposition stand which permitted a complete and functional appreciation of the full range of GranitiFiandre materials.

GranitiFiandre also participated at **Mosbuild** (April 6-9, 2010) in Moscow, the largest construction trade fair in Russia.

GranitiFiandre and the American subsidiary StonePeak participated at the end of April at "**Coverings**" of Orlando, Florida, the most important American trade fair dedicated to ceramic and natural stone flooring and wall coverings. StonePeak received the prestigious recognition "Coverings Select" as best new product presented.

In April GranitiFiandre also participated at the "**Fuori Salone**" held at Milan in conjunction with the Salone del Mobile. This year the Fuori Salone circuit welcomed thousands of visitors and despite the current economic difficulties the attendance at the trade fair and within the Fuori Salone circuit exceeded all expectations, welcoming approx. 300 thousand visitors, with a large number of international guests. Fiandre was able to count on widespread publicity to launch the revolutionary Active Clean Air & Antibacterial Ceramic™, opening the Milan week with participation at the **Around Food** show, presented at the headquarters of Il Sole 24 Ore, in which a dinner prepared by Chef Dante Scabin was served directly on ACTIVE slabs, demonstrating its excellent

antibacterial qualities. The promotion continued during the Fuori Salone trade event, on April 23 in Via Dante 14 (beside the Sforzesco Castle), with Active presented to the press during a crowded conference with journalists from the principal newspapers and major architecture, design and living magazines in attendance.

Finally on May 4, the “**Casa del Ben-Essere**” was opened in the Giardini Indro Montanelli. The initiative, under the patronage of the Milan Municipality – Health Office - wishes to demonstrate the possibility to support the wellness of the city and conquer city space for the people.

Shangai Expo 2010

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

GranitiFiandre was chosen as the Partner of the General Government Commission for the Exposition and supplied the slabs necessary for the creation of the Italian Pavilion, designed by the architect Giampaolo Imbrighi, together with Studio Iodice architects, which occupies an area of 3,600 square metres and 18 metres high. The Italian Pavilion will present products and materials which will showcase 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:

In the first three days of the opening of the Expo, the Italian Pavilion received over 100,000 visitors, with an average of over 30,000 per day.

There were also visits from illustrious guests, in addition to Minister Prestigiacomo who cut the ribbon on the opening day: among them Liu Yongqing, wife of Chinese president Hu Jintao, who previewed the Pavilion, a number of foreign prime ministers who personally expressed their compliments to the General Commissioner of the Government Beniamino Quintieri for the elegance and beauty of the Italian Pavilion and the quality of the works on show. “The public success and interest in all areas of the Pavilion - confirmed Quintieri – exceeded our greatest expectations and we are truly delighted by the queues which literally circled the Pavilion throughout the day. The Chinese visitors are eager to enter the Pavilion and then take time to enjoy the experience. They are genuinely intrigued and often express a wish to discover more about Italy in particular. We expect large crowds also in the coming days”.

Projects and commercial agreements

During the quarter, 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.

Among the principal orders acquired by Granitifiandre in the quarter, for a value of approx. Euro 2 million, we report:

- the supply of the Active Clean Air & Antibacterial Ceramic™ brand materials for the first phase of the "Princess Noura University" in Saudi Arabia;
- the order acquired for a new chain of shopping centres in Algeria;
- the agreement for the paving relating to the extension of the Budapest airport;
- supply of Active Clean Air & Antibacterial Ceramic™ brand materials for a prestigious German partner.

For the American subsidiary StonePeak we report that, at the recent “Coverings” trade fair, orders were acquired relating to the new collections for a total of USD 1.5 million.

Outlook

Management expectations for the second quarter of the year are moderately optimistic. The hoped for recovery in the Italian and European market is slow to materialise, in particular in relation to construction activities. Group efforts will be concentrated on continuous innovation and on improving operating margins.

Signs of economic activity are stronger in the American economy, with very positive expectations for the US subsidiary StonePeak; in fact, based on the first quarter performance (+23% revenue growth and an EBITDA margin of 13.2%) a continued improvement in sales volumes and operating margins is expected for the second quarter – an expectation confirmed by revenue growth in April of 28% on the same period of 2009.

Castellarano, May 14, 2010

For the Board of Directors
The Chairperson

Graziano Verdi

CONSOLIDATED FINANCIAL STATEMENTS
**Consolidated balance sheet
(in Euro thousands)**

	03/31/2010	%	03/31/2009	%	12/31/2009	%
	IAS/IFRS		IAS/IFRS		IAS/IFRS	
Non-current assets						
Goodwill and intangible assets with non finite lives	7,659		9,848		7,431	
Intangible assets with definite useful life	916		789		930	
Property, plant and equipment	126,442		132,958		123,627	
Equity investments	2,385		2,295		2,385	
Financial assets	3,386		375		3,386	
Tax receivables	55		443		174	
Deferred tax assets	8,870		9,714		8,773	
Trade receivables	1,573		1,542		1,683	
Total non-current assets	151,286	5.8%	157,965	50.6%	148,389	51.1%
Current assets						
Inventories	80,401		84,618		76,973	
Current trade receivables	47,703		53,735		44,358	
Current tax receivables	2,621		2,145		2,804	
Current deferred tax assets	22		26		22	
Current financial assets	474		280		422	
Other current assets	3,823		3,888		2,355	
Cash on hand and in bank	11,427		9,319		15,181	
Total current assets	146,473	49.2%	154,012	49.4%	142,115	48.9%
Total assets	297,759	100.0%	311,977	100.0%	290,505	100.0%
Group Shareholders 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	28,097		30,038		22,255	
Profit for the period	2,225		37		954	
Total Group shareholders equity	158,870	53.4%	158,623	50.8%	151,756	
Minority interest capital and reserves	3,593		6,969		3,615	
Minority interest result	52		(272)		(57)	
Tot. group & minority interest shareholders' equity	162,514	54.6%	165,320	53.0%	155,313	53.5%
Non-current liabilities						
Non current liabilities relating to personnel	6,506		7,383		6,686	
Non current deferred tax liabilities	721		1,230		724	
Long-term bank payables	176		211		156	
Non-current provisions for risks and charges	2,038		1,803		2,191	
Non-current financial liabilities	1,051		2,541		972	
Other non-current payables	0		1		1	
Total non-current liabilities	10,492	3.5%	13,170	4.2%	10,729	3.7%
Current liabilities						
Current financial payables	13,559		13,858		13,515	
Short-term bank payables	43,524		45,976		42,465	
Current provisions for risks and charges	24		18		33	
Current trade payables	56,799		61,801		56,820	
Current tax payables	1,997		2,411		2,306	
Other current liabilities	8,851		9,425		9,323	
Total current liabilities	124,753	41.9%	133,488	42.8%	124,462	42.8%
Total liabilities & equity	297,759	100.0%	311,977	100.0%	290,505	100.0%

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

INCOME STATEMENT	Q1 2010	%	Q1 2009	%	2009	%
Revenues	44,918		45,727		183,949	
Other revenues and income	1,820		2,030		9,399	
Increase in internal work capitalised	-		191		638	
Change in inventory of finished products	886		(2,202)		(6,406)	
Costs for raw materials, ancillary, consumables and goods	(11,715)		(11,591)		(44,314)	
Services	(17,369)		(17,215)		(70,370)	
Rents, leases and similar	(1,210)		(1,279)		(4,898)	
Personnel costs	(11,343)		(10,724)		(42,491)	
Changes in inventories of raw materials, ancillary, consumables and goods	405		27		(728)	
Other operating charges	(851)		(881)		(3,305)	
EBITDA	5,541	12.3%	4,083	8.9%	21,475	11.7%
Amortisation & depreciation	(3,369)		(3,142)		(12,769)	
Provisions & write-downs	(166)		(173)		(1,223)	
EBIT	2,006	4.5%	768	1.7%	7,483	4.1%
Financial income	1,371		795		1,469	
Financial charges	(425)		(753)		(3,262)	
Result before taxes	2,952	6.6%	810	1.8%	5,689	3.1%
Income taxes	(676)		(484)		(3,286)	
Result from continuing operations	2,277	5.1%	326	0.7%	2,404	1.3%
Result from discontinued operations	-		(561)	(1.2%)	(1,506)	
Result before minorities	2,277	5.1%	(235)	(0.5%)	898	0.5%
Net profit/(loss) pertaining to minority interests	(52)		272		57	
Group net profit	2,225	5.0%	37	0.1%	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, May 14, 2010

Notes to the consolidated financial statements as at March 31, 2010**Content and form of the consolidated quarterly report**

The quarterly report relating to the period January 1 – March 31, 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 March 31, 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 March 31, 2010 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	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)	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	198,000	55.50%	11)	55.50%
Technoposa Srl	Castellarano (IT)	EUR	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)	EUR	2,500,000	90.00%		90.00%
Geologica Milano Srl	Milan (IT)	EUR	277,943	90.00%	10)	90.00%
Technopose & Bedel Sas	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 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 and Euro 151 thousand respectively in 2007 and 2009;

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

There were no changes in the consolidation scope of the Granitifiandre Group at March 31, 2010 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.
- 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 March 31, 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.

CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY
(in Euro thousands)

Description	Share Capital	Share Premium Reserve	Legal Reserve	Other Reserve of the Parent Company	Translation Reserve	Reserve on Consolidation	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)
Translation effect					(2,291)	(19)		(2,310)
Other movements					37	(3)		34
consolidation 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				4,112			(4,112)	
Translation effect					4,889			4,889
consolidation profit carried forward						(3,158)	3,158	
Net profit for the period							2,225	2,225
March 31, 2010	18,431	106,430	3,686	43,923	(9,382)	(6,444)	2,225	158,870

The present shareholders' equity does not include 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.