



**Directors' Report
to the Annual General Meeting**

First call: April 30, 2010, time 14.00
in Castellarano, Via Guido Reni n.2/OP

Second call: May 7, 2010, time 15.00
in Castellarano, Via Guido Reni n.2/OP

Directors' Report on the Agenda prepared in accordance with article 3 of the Justice Minister Decree No. 437 of November 5, 1998 and Consob Resolution No. 11971 of May 14, 1999 and subsequent amendments.

GRANITIFIANDRE S.p.A.

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

Share capital Euro 18,431,339

Tax Code and Companies' Registration Number
of Reggio Emilia: 03056540374

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

Annual General Meeting of April 30, 2010 - May 7, 2010

Directors' Report

Dear Shareholders,

you are convened to the Annual General Meeting to be held on:

April 30, 2010 in first call

May 7, 2010 in second call

to deliberate on the following

agenda

- 1) Presentation of the parent company financial statements for the year ended 31/12/2009 and reports thereto; deliberations thereon. Presentation of the consolidated financial statements for the year ended 31/12/2009 and reports thereto.
- 2) Appointment of the members of the Board of Directors, with prior determination of the number of directors and determination of the relative remuneration.
- 3) Appointment of the Board of Statutory Auditors and determination of the relative remuneration.
- 4) Appointment of the external auditors; determination of remuneration.
- 5) Approval of the incentive plan for the Directors.

In relation to points 2 and 3, the appointment of the Directors and Statutory Auditors will take place through the voting of slates according to that established by articles 13 and 22 of the by-laws and in compliance with applicable law and regulations. The minimum quota for the presentation of slates is 2.5%. The slates presented shall be filed at the Company's registered office at least 15 days prior to the date established for the Annual General Meeting in first call.

Shareholders who have filed the relevant communication with the depositary intermediary at least two days before the date fixed for the first call of the Shareholders' Meeting have the right to attend the Meeting.

Each Shareholder having the right to attend the Shareholders' AGM can appoint a proxy in accordance with that set out by law and the by-laws, through completing the proxy form at the bottom of the declaration issued by the intermediary.

The share capital amounts to Euro 18,431,339.00 and is composed of 36,862,678 ordinary shares of a par value of Euro 0.50, each with voting rights.

The documentation on the matters on the agenda will be made available, within the terms required by law, at the registered office of the Company and at Borsa Italiana S.p.A., to whomever makes such request and will be published on the internet site.

In relation to the matters on the agenda, we present the following report

Point No. 1

Presentation of the financial statements for the year ended December 31, 2009; Directors' Report on operations; Board of Statutory Auditor's Report; deliberations thereon. Presentation of the consolidated financial statements for the year ended December 31, 2009 and reports thereto.

Reference should be made to the financial statements for the year ended December 31, 2009, as well as the Directors' Report on operations, with particular reference to the proposal for the appropriation of the net profit at the end of the document.

Point No. 2

Appointment of the members of the Board of Directors, with prior determination of the number of directors and determination of the relative remuneration.

At the date of the approval of the financial statements for the year ended December 31, 2009, the mandate of the Board of Directors terminated, conferred on April 26, 2007.

It is therefore necessary to appoint the new Board of Directors and the determination of the number of board members and the relative remuneration. In relation to this, we recall that article 13 of the By-Laws provides for the following:

The company is administered by a Board of Directors, composed of between two and eleven members, who remain in office for three years until the date for the convocation of the shareholders' meeting for the approval of the annual accounts for the final year, and may be re-elected. The shareholders' meeting must first determine the number of board members and the duration of office.

The shareholders' meeting also appoints the director responsible for employment in accordance with the provisions of article 2 of Legislative Decree No. 626 of September 19, 1994 and subsequent modifications.

The board of directors in its first meeting, in accordance with this resolution, delegates powers to the director nominated to attribute the relative decisional powers.

In the case of the loss of office of the director responsible for the function of employment, through resignation (however motivated), being no longer deemed eligible for office, death or any other reason, the entire board will no longer be eligible for office, and must call an ordinary shareholders meeting to nominate the new Board of Directors within 70 days of such occurrence.

In the case of termination due to death, incapacity or any other cause by the director responsible for the function of employment, the board of directors may, although the board is no longer eligible for office, appoint the director with the relative decisional powers in accordance with the provisions of article 2 of Legislative Decree No. 626 of September 19, 1994 and subsequent modifications - an appointment which will remain valid until the next ordinary shareholders' meeting. The appointment of the Board of Directors' is based on a slate of candidates.

Shareholders may present slates that, alone or together with other shareholders, hold at least 2.5% of the share capital, or an alternate percentage of the share capital fixed by law or regulations. With this percentage, information relating to the convocation of Shareholders' Meeting is presented.

Each shareholder, as well as shareholders through relations of control or association in accordance with the civil code or shareholder agreements, cannot present or vote on, even through interposed persons or trust companies, more than one slate. Each candidate can be presented only on one slate at the risk of being declared ineligible.

The slates contain a number of candidates not above the number of members to be elected, listed through progressive numbering and indicated in the first position the candidate holding all

independence requisites established by law or by regulations and subsequently the other candidates holding the above independence requisites.

The slates, including the information on the shareholders who present the slate and stating the total percentage of their cumulative shareholding, shall be filed at the Company's registered office at least fifteen days prior to the date established for the Shareholders' Meeting in first call; at the same time, notice of convocation will be issued.

In order to confirm the title of the shares necessary for the presentation of slates, the shareholders must file within the period prescribed in the previous paragraph, a copy of the certificate issued by the depository holding their shares at the registered office of the company, Together with each slate, within the period as indicated above, a declaration in which the individual candidates accept their candidature must be filed and they must certify, under their own responsibility that they hold the necessary qualifications; with the declarations, the curriculum vitae of each candidate must be filed with indication of eligibility or otherwise for the position of independent director.

The candidates who do not observe the regulations above are considered ineligible.

The procedure for electing the directors shall be as follows:

- a) from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order, all the members of the Board of Directors, except one, are chosen;
- b) from the slate which obtained the second highest number of votes, which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the slate and which achieves the highest number of votes, the first candidate listed is elected to the Board of Directors.

Based on that above, in the case of two or more lists attaining the largest number of votes, the successful slate is considered to be that which has been voted on by the highest number of shareholders, and in cases of parity, the first slate filed. The same rule applies where more than one minority slate has obtained the same number of votes.

In relation to fulfilling the position of Director, consideration is not taken of the slates which have not obtained at the shareholders' meeting at least half of the votes required for the presentation of the slates according to the present by-law.

If only one slate is presented, or if the successful slate does not have the minimum percentage of votes required by law, the members of the Board of Directors are chosen from the only slate presented.

If no slate is presented or admitted within the period established by the current article, the Shareholders' Meeting, on the proposal of the Chairman, appoints the Directors through a resolution approved by the majority of votes.

If during the year, a vacancy arises on the Board of Directors, for whatever reason, the Board will replace such person(s) with the first candidate not elected belonging to the same slate from which the candidate leaving belonged, or with the next candidate on the slate if the first or successive candidates cannot accept the office or are not in possession of the requisites of independence which may be required to replace the Directors.

Where it is not possible to replace the Directors according to the mechanism provided in the previous paragraph, the Directors remaining in office choose by co-option the Director or Directors, choosing from those not appearing on any slate.

The Directors co-opted as per the preceding paragraphs remain in office until the next Shareholders' Meeting.

No voting of slates in Shareholders' Meeting concerning the confirmation or the replacement of the co-opted Directors is provided for, who however remain in office until the Shareholders' Meeting which relates to the appointment of the members of the Board through the voting of slates.

In the event, through resignation or for any other reason, that the majority of the Directors' elected by the Shareholders' Meeting become vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

We recall that the Instructions to the Regulations of the Italian Stock Exchange, in relation to the independent directors of the Board of Directors of companies on the Star segment (where GranitiFiandre spa is listed), considers the following number as adequate:

- at least two independent directors for the Board of Directors of 8 members
- at least three independent directors for the Board of Directors between 9 and 14 members
- at least four independent directors for the Board of Directors over 14 members.

Consequently, the shareholders must nominate an adequate number of independent directors in relation to the number of members on the Board of Directors.

Point No. 3

Appointment of the Board of Statutory Auditors and determination of the relative remuneration.

At the date of the approval of the financial statements for the year ended December 31, 2009, the Board of Statutory Auditors mandate terminates.

The Shareholders' Meeting therefore is called to appoint the new Board of Statutory Auditors and determine the relative remuneration.

In relation to this, we recall that article 22 of the By-Laws provides for the following:

“The Board of Statutory Auditors is composed of three standing members, both shareholders and non shareholders; the shareholders' meeting also appoints two alternate members. The requisites (including those of professionalism and integrity), the responsibilities, the duties and the duration are those as prescribed by law. The nomination of one standing member and one alternate member is reserved to the minority shareholders.

In particular, regarding the requisites of professionalism, in relation to the provisions of article 1, paragraph 3 of the Ministerial Decree 162 of March 30, 2000, with reference to paragraph 2, letters b) and c) of the same article 1, for the matters strictly concerning activities performed by the company, it is intended, among other matters, commercial law, company law, business economics, finance, statistics as well as similar disciplines, although referred to otherwise, while for the sectors of activity strictly relating to sectors of activity in which the company operates, it is intended, among others, the sectors of wholesale distribution and trade and retail sale of ceramic and porcelain products.

The members of the Board of Statutory Auditors comply with the regulations relating to the maximum permitted limit of offices held.

The appointment of the Board of Statutory Auditors is based on a slate of candidates. Shareholders may present slates that, alone or together with other shareholders, hold at least 2.5% of the share capital, or an alternate percentage of the share capital fixed by law or regulations. Information of this holding is included in the convocation of Shareholders' Meeting.

Each shareholder, as well as shareholders through relations of control or association in accordance with the civil code or shareholder agreements, cannot present or vote on, even through interposed persons or trust companies, more than one slate. Each candidate can be presented only on one slate at the risk of being declared ineligible.

Each slate must clearly indicate 3 (three) candidates for the office of standing auditor and 2 (two) for the office of alternate auditor. The slates, including the information on the shareholders who present the slate and stating the total percentage of their cumulative shareholding, shall be filed at the Company's registered office at least fifteen days prior to the date established for the Shareholders' Meeting in first call; at the same time, notice of convocation will be issued.

In order to confirm the title of the shares necessary for the presentation of slates, the shareholders must file within the period prescribed in the previous paragraph, a copy of the certificate issued by the depository holding their shares at the registered office of the company, Together with each slate, within the period as indicated above, a declaration in which the individual candidates accept their candidature must be filed and they must certify, under their own responsibility that they hold the necessary qualifications; with the declarations, the curriculum vitae of each candidate must be filed. The candidates who do not observe the regulations above are considered ineligible.

The outcome of the voting is as follows:

1. from the slate which obtained the highest number of votes in the shareholders' meeting, based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;
2. from the slate which obtained the second highest number of votes in the shareholders' meeting, in accordance with law, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

The Chairman of the Board of Statutory Auditors shall be the first candidate on the slate indicated at point 2 above.

Based on that above, in the case of two or more lists attaining the largest number of votes, the successful slate is considered to be that which has been voted on by the highest number of shareholders, and in cases of parity, the first slate filed. The same rule applies where more than one minority slate has obtained the same number of votes. In the case of presentation of only one slate, the candidates will be taken from that slate, and the first candidate on the slate is deemed to be the Chairman of the Board of Statutory Auditors.

In the case of the resignation of a standing auditor, the alternate auditor is taken from the same slate as the auditor replaced. For subsequent appointments of statutory and alternate auditors needed to complete the Board, the Shareholders' Meeting appoints them in accordance with law but does not utilise the slate voting system.

The meetings of the Board of Statutory Auditors can also be held through teleconference or video conference, on the condition that all of the participants can be identified and they can follow in real time the matters under discussion. If all the conditions in the above paragraph are complied with, the meeting shall be deemed to have been held in the place where the Chairman is present".

Point No. 4

Appointment of the external auditors; determination of remuneration.

At the date of the approval of the financial statements for the year ended December 31, 2009, and of the consolidated financial statements as at 31/12/2009, the mandate expires of the audit conferred by the Shareholders' Meeting to the company Deloitte & Touche SpA.

The Shareholders' Meeting is therefore called to appoint the auditors.

The company, in agreement with the Board of Statutory Auditors, requested quotations from five independent audit companies, specifically: Reconta Ernst & Young, KPMG, PricewaterhouseCoopers, BDO and Mazars.

The companies of the group which must compulsorily be audited are:

Granitifiandre Spa – the Parent Company;

StonePeak Ceramics Inc – direct subsidiary at 98.36%;

Savoia Canada – direct subsidiary at 100%;

Porcelaingres GmbH – direct subsidiary at 99.9%;

For the above-mentioned companies, the established legal parameters are applicable in relation to assets and revenues for the year 2009.

The offers of the individual audit companies were communicated to the Board of Statutory Auditors, who will proceed to carry out in the coming days their verifications and formulation of the correctly motivated proposal of the chosen company.

This proposal of the Board of Statutory Auditors will be presented to the next shareholders' meeting in relation to the conferment of office.

Point No. 5

Approval of the incentive plan for the directors

In accordance with the Stock Exchange Regulations relating to the Star segment, the ordinary Shareholders' Meeting of Granitifiandre Spa held on May 13, 2004 deliberated to undertake agreements with the executive directors and the senior management of the Company that a significant part of their gross remuneration would constitute emoluments on objectives related to the financial results of the Company, including stock option benefits.

The stock option agreement with the Chairman of the Board Graziano Verdi remains in force.

The Board of Directors meeting of March 12, 2010 formulated a proposal for the adoption of a new incentive plan for the directors to be presented for approval to the Shareholders' Meeting.

These agreements provide that a significant part of the remuneration of the Chairman and Chief Executive Officer Graziano Verdi is based on objectives related to the results of the Company.

In particular, these agreements recognise further remuneration on the reaching of pre-fixed financial objectives based on maintaining high levels of margins and cash flow.

We therefore invite you to vote, with the prior favourable approval of the Board of Statutory Auditors, on the proposal illustrated adopting the following resolution:

“The Shareholders' Meeting of GRANITIFIANDRE S.p.A., having taking notice of the proposal made by the Board of Directors of March 12, 2010

Resolves

to make agreements that a significant part of the remuneration of the Chairman and Chief Executive Officer Graziano Verdi shall be related to the achievement of Company results objectives, as illustrated by the Chairman and based on the documentation maintained by the Company”.

Castellarano, March 12, 2010

for the Board of Directors
Graziano Verdi
Chairman

The present report was sent to Consob and Borsa Italiana Spa and filed at the registered office of the company at least 15 days before the shareholders' meeting. This report is also available on the Company's website www.granitifiandre.com in the Finance Area.