



## **PRESS RELEASE**

### **GRANITIFIANDRE: Half Year Report at June 30, 2008 approved,**

- **consolidated revenues of Euro 110.4 million (-6% on like-for-like exchange rates compared to the first half of 2007);**
- **positive margins, although impacted by strategic commercial investments and the sharp rise in the cost of petroleum: Ebitda at Euro 17 million (Euro 22.5 million in 2007), Ebit at Euro 10.3 million (Euro 14.7 million in 2007), pre-tax profit at Euro 8.3 million (Euro 14 million in 2007);**
- **Euro 10.7 million cash flow generated in the first six months from operations; in July, Euro 5 million free cash flow generated.**

**Strong growth in the second quarter over the first 3 months of the year with consolidated revenues at Euro 57.7 million (+9.7%), Ebitda at Euro 9.5 million (+25.8%) and a pre-tax profit of Euro 5.5 million (+100%).**

**Concluded, in the second quarter 2008, 36 new franchise agreements for the new brand Xtra Granitifianre, with purchase commitments forecast of Euro 9 million over the next 4 years.**

**Growth trend also confirmed by the volumes in July 2008 compared to July 2007:**

- **Granitifianre S.p.A. brand sales +4% and order backlog +4.5%;**
- **StonePeak USA +13% and order backlog +35%;**
- **Porcelaingres + 5.8% and remarkable order backlog.**

**Verdi: “We forecast, as previously announced, growth in the second half of the year accompanied by significant cash flows, also thanks to the further growth of over 15%, on a monthly basis, of the sales volume of the controlled US subsidiary StonePeak as at August 27”.**

The Board of Directors of GranitiFiandre, a world leader in the production and distribution of top of the range vitrified stoneware porcelain slabs alternative to quarry materials, listed on the STAR segment of the Italian Stock Exchange, has today approved the Half-Year Report as at June 30, 2008.

The results, although positive, in a comparison with the first half of 2007 are impacted by the unfavourable macroeconomic climate and by the extraordinary increase of the industrial costs related to the price of petroleum.

The performance in the second quarter of the year, strong growth over the first 3 months and especially the results in July - extremely positive in terms of revenues and order backlog - leads management to forecast a recovery in the growth trend in the second half of the year.



Consolidated Revenues in the first half of 2008 amounted to Euro 110.4 million compared to Euro 120.8 million in the first half of 2007, a decrease of 6% on like-for-like exchange rates and 8.6% in actual terms.

Brand revenues, with higher margins, recorded a small decrease totalling Euro 83.8 million, -4.3% on like-for-like exchange rates and -7.4% on the 2008 average exchange rate.

Brand sales in Europe grew by 2.2% compared to the same period of 2007, with a consolidation of sales in western European countries and continued growth in the eastern markets thanks to the strong contribution of the German subsidiary Porcelaingres, with sales in the first half of 2008 amounting to Euro 14.7 million (+13.4%).

The creation of value through constant innovation and the strengthening of the brand through targeted commercial investments are central to the philosophy of the Granitifiandre Group. The operating margins in the first half-year were impacted by these important investments in the start-up costs for the promotion of the new "Xtra Granitifiandre" brand and the showroom opened in March in Castellarano (RE), as well as the participation costs at important fairs held in the first half of the year - in particular Coverings in Orlando, Mosbuild in Moscow and Saie Spring in Bologna.

The Ebitda in the first half of 2008 was Euro 17 million compared to Euro 22.5 million in the first half of 2007; the Ebit was Euro 10.3 million while the Profit before taxes and minority share and the Net Profit were Euro 8.3 million and Euro 4.1 million respectively, compared to Euro 13.9 million and Euro 7.6 million in the first half of 2007.

As was the case with revenues, the margins in the second quarter were above the first 3 months of the year with Ebitda at Euro 9.5 million (+25.8%), Ebit at approx. Euro 6 million (+43.1%), Profit before taxes and minority share at Euro 5.5 million (+100%) and Net Profit at Euro 3.3 million (+198%).

The cash flow generated from normal operations was very positive at Euro 10.7 million. The first half-year absorbed liquidity of less than Euro 3 million, which is positive considering that it is net of investments (Euro 5.4 million), the payment of the 2007 dividend (Euro 5.5 million) and the payment of the 2007 income tax balance and the first income tax payment on account in 2008.

The free cash flow in July alone was approx. Euro 5 million resulting in a significant improvement in the net debt from Euro 48.8 million at June 30, 2008 to Euro 44.1 million.

## **Outlook**

"While the general macroeconomic climate does not show signs of improvement – confirmed Graziano Verdi, Chairman and Chief Executive Officer of GranitiFiandre – we forecast growth in the second half of the year as previously announced".

"The trend in the second quarter, the numerous commercial agreements signed and to be delivered in the coming months, the reception of the new brand Xtra GranitiFiandre (agreements concluded with 36 new franchises and purchase commitments of over Euro 4 million between 2008 and 2009 and Euro 5 million between 2010 and 2011) and particularly the very good results in July – stated Verdi – leads to expectations that the results in the second half of the year will be better than the results achieved in the second half of 2007", in fact:



- The parent company GranitiFiandre S.p.A. in July recorded growth of 4% in brand sales and 4.5% in orders.
- The German subsidiary Porcelaingres commenced the second half of the year strongly with growth in sales in July of 5.8%, stronger margins (Ebitda at 20.7% and Ebit at 12.7% on the first Half Year's revenues) and continual growth in the order backlog.
- Very satisfactory signs also on the North American market where the subsidiary StonePeak recorded growth in sales volumes in July of 13%, of over 15% on a monthly basis as at August 27, and growth in the order backlog as at the end of July of 35% over the same month of 2007. These results together with the constant improvements in the production and marketing operations and the successful launch of the new brand "Dolce Italia" lead to positive expectations for the second half-year also on this strategic market.

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Attachments:           Financial Statements

The undersigned Dario Maggioni, executive responsible for the preparation of the corporate accounting documents of the company GranitiFiandre SpA, in relation to the press release on the half-year report as at June 30, 2008, issued on 28/08/2008,

declares and certifies:

in accordance with article 154 bis, paragraph 2 of the Finance Act, that the financial statements contained in the press release on the half-year report, corresponds to the underlying accounting documents, records and accounting entries.

The Executive in charge of the preparation  
of corporate accounting documents

Dario Maggioni

Castellarano (RE), August 28, 2008



**GRANITIFIANDRE**  
**Financial Statements**

**Reclassified Consolidated Income Statement**

Description	6/30/08	6/30/07	12/31/07
Revenues	110,375	120,800	229,433
Changes in inventory	8,926	2,968	5,109
Increase in internal work capitalised	29	-	23
Other revenues and income	4,243	2,752	6,326
<b>Value of production</b>	<b>123,574</b>	<b>126,520</b>	<b>240,891</b>
Purchases	(33,574)	(34,178)	(62,361)
Services and operating costs	(48,081)	(45,777)	(90,996)
Personnel costs	(24,902)	(24,061)	(47,357)
<b>EBITDA - Gross operating result</b>	<b>17,016</b>	<b>22,505</b>	<b>40,177</b>
Amortisation & depreciation	(6,610)	(6,996)	(13,825)
Provisions & write-downs	(75)	(805)	(1,051)
<b>EBIT - Operating result</b>	<b>10,331</b>	<b>14,704</b>	<b>25,302</b>
Net financial incomes (charges)	(2,012)	(725)	(2,696)
<b>Result before taxes</b>	<b>8,319</b>	<b>13,979</b>	<b>22,606</b>
Income taxes	(3,796)	(5,814)	(7,543)
<b>Net result before minority interest share</b>	<b>4,523</b>	<b>8,165</b>	<b>15,063</b>
Result pertaining to minority interests	(358)	(573)	(1,216)
<b>Group result</b>	<b>4,165</b>	<b>7,593</b>	<b>13,846</b>



Reclassified consolidated balance sheet

Description	6/30/08	12/31/07	6/30/07
<b>Fixed assets</b>			
Intangible	10,542	10,671	10,806
Tangible	121,028	126,661	133,730
Financial	2,752	1,561	1,643
<b>Total</b>	<b>134,322</b>	<b>138,893</b>	<b>146,179</b>
<b>Net working capital</b>			
Trade receivables	64,030	59,436	69,663
Other receivebles	3,708	2,809	2,364
Tax credits	10,925	12,010	9,238
Inventories	79,662	72,514	72,474
Trade payables	(66,642)	(56,964)	(65,290)
Tax payables	(4,660)	(4,469)	(5,276)
Other payables	(12,490)	(10,763)	(12,682)
<b>Total</b>	<b>74,532</b>	<b>74,573</b>	<b>70,492</b>
<b>Provisions for risks and employee leaving indemnity</b>			
Provisions for employee leaving indemnity	(7,955)	(8,123)	(8,437)
Provisions for risks/other long term liabilities	(1,363)	(1,619)	(1,231)
<b>Total</b>	<b>(9,318)</b>	<b>(9,743)</b>	<b>(9,668)</b>
<b>Capital employed</b>	<b>199,536</b>	<b>203,723</b>	<b>207,003</b>
<b>Net financial position</b>			
Cash and securities	(10,050)	(11,103)	(13,114)
Short-term loans payables	55,793	53,852	60,251
Medium long-term loans payables	3,080	3,664	2,258
<b>Total</b>	<b>48,823</b>	<b>46,412</b>	<b>49,394</b>
<b>Shareholders' equity</b>			
Share capital	18,431	18,431	18,431
Reserves	121,511	118,255	124,994
Group result	4,165	13,846	7,593
Minority interest capital and reserves	6,249	5,562	6,017
Minority interest result	358	1,216	573
<b>Total</b>	<b>150,713</b>	<b>157,311</b>	<b>157,609</b>
<b>Total source of financing</b>	<b>199,536</b>	<b>203,723</b>	<b>207,003</b>



## Cash flow statement

<b>CONSOLIDATED CASH FLOW STATEMENT</b>		
<b>Description</b>	<b>06/30/2008</b>	<b>12/31/2007</b>
<b><u>A - OPERATING ACTIVITIES</u></b>		
Result of the period	4,165	13,846
Result pertaining to minority interest	358	1,216
Amortization and depreciation	6,610	13,825
Net variation in employment leaving indemnity	(169)	(471)
Net variation provisions	(256)	465
<b>Cash flow generated from operating activity before working capital movements</b>	<b>10,708</b>	<b>28,881</b>
Inventory	(7,147)	(1,943)
Trade receivables	(4,594)	1,315
Tax and other receivables	185	(4,932)
Trade payables	9,678	(1,201)
Tax and other payables	1,918	383
<b>Cash flow generated from working capital movements</b>	<b>41</b>	<b>(6,378)</b>
<b>Total (A) - Cash flow generated from operating activity</b>	<b>10,749</b>	<b>22,503</b>
<b><u>B - INVESTING ACTIVITY</u></b>		
Acquisition of intangible assets	(260)	(3,841)
Acquisitions of property, plant and equipment	(5,183)	(12,180)
Exchange effect on assets	4,491	7,277
Sales of property, plant and equipment	105	202
Other net increases/decreases in non-current financial assets	(1,192)	179
<b>Total (B) - Cash flow from investing activity</b>	<b>(2,039)</b>	<b>(8,363)</b>
<b><u>C - FINANCING ACTIVITY</u></b>		
Variations in equity accounts	(538)	1,006
Exchange effects in equity accounts	(5,053)	(9,332)
Dividends	(5,529)	(4,424)
Variations in long-term financial debts	(584)	1,302
<b>Total (C) - Cash flow from financing activity</b>	<b>(11,704)</b>	<b>(11,447)</b>
<b>Net short term financial position at the beginning of the year</b>	<b>(42,749)</b>	<b>(45,442)</b>
<b>Net change in short term financial position (A+B+C)</b>	<b>(2,994)</b>	<b>2,693</b>
<b>Net short term financial position at the end of the period/year</b>	<b>(45,743)</b>	<b>(42,749)</b>



## Financial Position

Description	6/30/08	12/31/07	6/30/07
Cash and banks	9,941	10,394	12,514
Securities and short-term financial receivable	109	709	600
Related parties loans - short term	(12,856)	(12,542)	(12,243)
Short-term bank payables & other lenders	(42,937)	(41,310)	(48,008)
<b>Net financial position - short term</b>	<b>(45,743)</b>	<b>(42,749)</b>	<b>(47,136)</b>
Medium/long term bank payables	(245)	(263)	(287)
Medium/long term - other lenders	(1,971)	(2,447)	(1,004)
Related parties loans - long term	(864)	(953)	(967)
<b>Total medium/long term</b>	<b>(3,080)</b>	<b>(3,664)</b>	<b>(2,258)</b>
<b>Net financial position</b>	<b>(48,823)</b>	<b>(46,412)</b>	<b>(49,394)</b>