



Quarterly Report of the GranitiFiandre Group at September 30, 2008

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 Register Office of Reggio Emilia

Tax No.: 03 056 540 374

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

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Corporate Boards

Board of Directors

Graziano Verdi	Chairman and CEO
Romano Minozzi	Executive Officer
Alberto Selmi	Executive Officer
Mauro Tabellini	Executive Officer
Sergio Stefano Mascaretti	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:

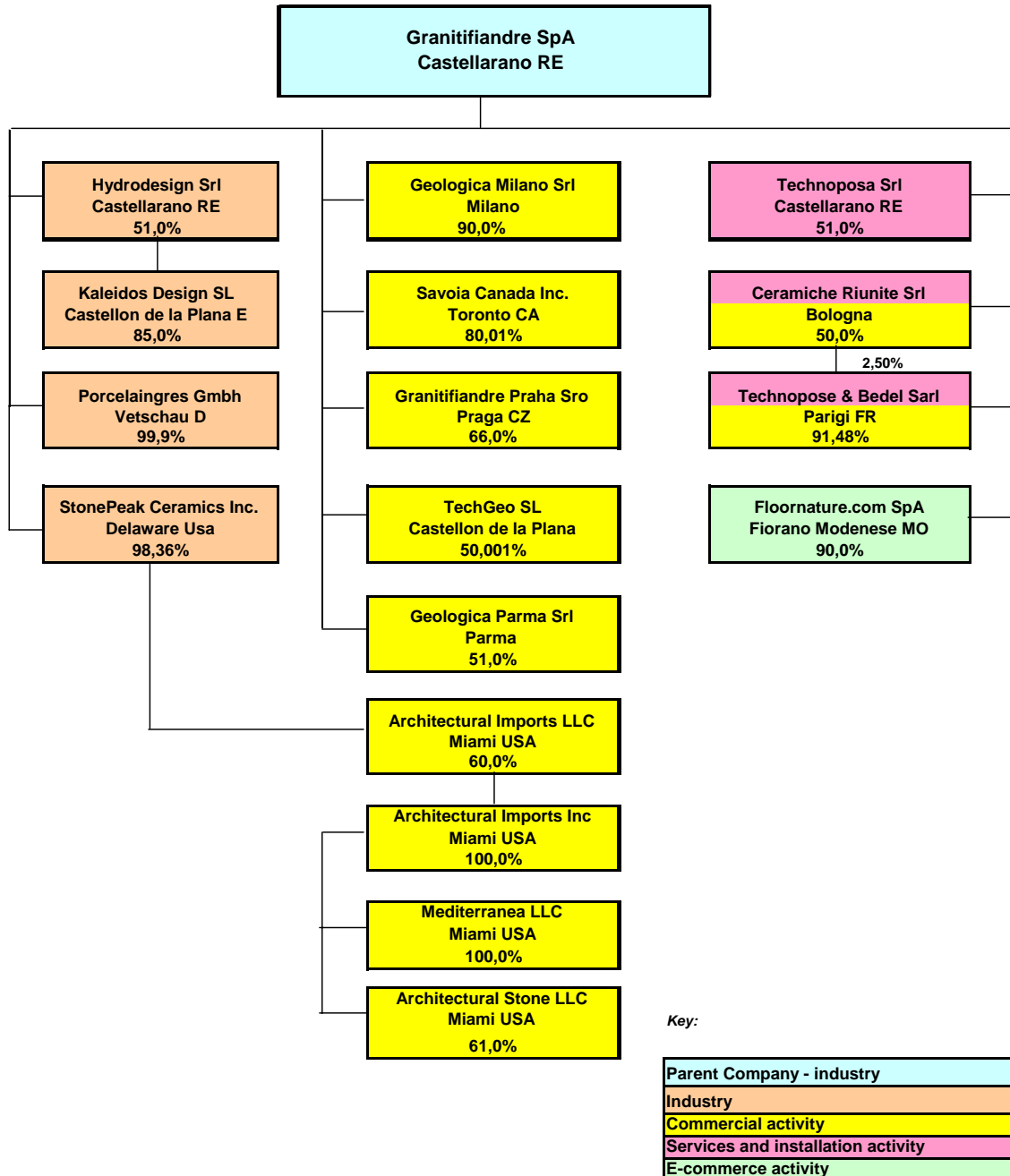
Graziano Verdi: responsible for commercial and marketing activities and investor relations activities;

Romano Minozzi: responsible for all industrial operations and services, personnel and relations with the factory councils and trade unions;

Alberto Selmi: responsible for cost management, including purchases and excluding personnel and executive directors costs, the function 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 30/09/2008**



Report on operations

Group consolidated results

YTD in Euro thousands

Description	9/30/08	9/30/07	Changes	%	12/31/07
Net sales	164,533	176,103	(11,570)	(6.6)%	229,433
Gross operating result (EBITDA)	23,124	32,423	(9,299)	(28.7)%	40,177
Operating result (EBIT)	12,538	21,067	(8,528)	(40.5)%	25,302
Net result before taxes and minority interest	11,212	19,143	(7,931)	(41.4)%	22,606
Net result before minorities	6,201	10,941	(4,740)	(43.3)%	15,063
Net profit	5,776	10,001	(4,225)	(42.2)%	13,846
Net financial position	(46,365)	(40,287)	(6,078)		(46,412)
Consolidated shareholders' equity	159,570	156,425	3,145		157,311
Percentage on sales					
Gross operating result (EBITDA)	14.1%	18.4%			17.5%
Operating result (EBIT)	7.6%	12.0%			11.0%
Net result before taxes and minority interest	6.8%	10.9%			9.9%
Net result before minorities	3.8%	6.2%			6.6%
Net profit	3.5%	5.7%			6.0%

Third Quarter 2008 in Euro thousands

Description	9/30/08	9/30/07	Changes	%
Net sales	54,158	55,303	(1,145)	(2.1)%
Gross operating result (EBITDA)	6,108	9,918	(3,811)	(38.4)%
Operating result (EBIT)	2,207	6,362	(4,155)	(65.3)%
Net result before taxes and minority interest	2,893	5,164	(2,271)	(44.0)%
Net result before minorities	1,679	2,776	(1,097)	(39.5)%
Net profit	1,612	2,409	(797)	(33.1)%
Percentage on sales				
Gross operating result (EBITDA)	11.3%	17.9%		
Operating result (EBIT)	4.1%	11.5%		
Net result before taxes and minority interest	5.3%	9.3%		
Net result before minorities	3.1%	5.0%		
Net profit	3.0%	4.4%		

As illustrated in the table above, total revenues in the first nine months of 2008 report a small slowdown, equal to 4.1% on like-for-like exchange rates (6.6% on 2008 average exchange rates), while in the third quarter of 2008, revenues on like-for-like exchange rates are in line with those for the third quarter of 2007 (-2.1% on 2008 average exchange rates), strongly countering the market trend and substantially in line with management expectations, based on the current difficult global economic environment.

In this continued difficult market, the revenues generated in 2008 assume particular importance, also in consideration of the fact that consolidated revenues in the first nine months of 2007 grew by 18.6%.

The Parent Company GranitiFiandre S.p.A., anticipating market demand and in order to further penetrate the alternative sector to marble, in June began to implement all necessary activities to create a greatly innovative large format of 150 x 75cm of a sufficient thickness for high architectural content floor and walls, with higher industrial margins of on average 10% above the classic high-end range of GranitiFiandre. The investment, budgeted for a total of Euro 12 million (2008/2009), inevitably limited the ordinary production capacity of the Italian factory.

In addition, as announced to the financial community, in the third quarter the installation began at the American factory of Crossville (Tennessee) of the third production line which resulted in significant industrial start-up costs.

Also significantly impacting the margins in 2008, compared to the same period in 2007, was the sharp rise in energy costs (+11.23% for the nine months and in particular +25.49% for the third quarter, for methane and electricity). In the next quarter, a significant reduction of these energy costs are expected which will result in a recovery of margins.

Therefore, in the third quarter, the total extraordinary activities undertaken and expensed fully at the Italian and American factories and the increase of energy costs temporarily resulted in a lower profitability of approx. Euro 2.4 million.

The Ebitda in the first nine months of 2008 amounted to Euro 23.1 million (Euro 32.4 million in the same period of 2007) with a revenue margin of 14.1%. Contributing to the Ebitda, in addition to the parent company GranitiFiandre SpA for Euro 15.1 million, was the American group StonePeak for approx. USD 2 million and the German subsidiary Porcelaingres for Euro 4.3 million.

The Ebit in the first nine months of 2008 amounted to Euro 12.5 million (Euro 21.1 million in the same period of 2007) with a revenue margin of 7.6%.

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 nine months of 2008, in addition to that illustrated above, were impacted by these important investments related to the start-up costs for the promotion of the new "Xtra Granitifiandre" brand and the showroom opened in March, as well as the participation costs at important fairs held - in particular Coverings in Orlando, Mosbuild in Moscow and Cersaie and Saie Spring in Bologna.

The pre-tax profit in the first nine months was Euro 11.2 million (Euro 19.1 million in the same period of 2007) with a margin of 6.8%. The Group net profit was Euro 5.8 million (Euro 10 million in the same period in 2007).

The Group generated strong cash flow from normal operations amounting to Euro 16 million (Euro 5.2 million in the third quarter of 2008). In the first nine months of 2008, cash flows were very strong; after investments of Euro 9.3 million, the payment of dividends of Euro 5.5 million and the payment of 2007 income taxes and those on account for 2008, the net debt at September 30, 2008 was unchanged on December 31, 2007 amounting to Euro 46.4 million.

Group turnover

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

YTD in Euro thousands

Description	09/30/08		09/30/07		Variation	Var. %	12/31/07
Italy	59,313	36.0%	66,844	38.0%	(7,531)	-11.3%	88,713
Europe	61,031	37.1%	57,337	32.6%	3,694	6.4%	73,632
Rest of the world	44,189	26.9%	51,924	29.5%	(7,735)	-14.9%	67,088
Total	164,533	100.0%	176,104	100.0%	(11,571)	-6.6%	229,433

Third Quarter 2008 in Euro thousands

Description	09/30/08		09/30/07		Variation	Var. %
Italy	19,058	35.2%	22,186	40.1%	(3,128)	-14.1%
Europe	19,787	36.5%	16,544	29.9%	3,243	19.6%
Rest of the world	15,312	28.3%	16,574	30.0%	(1,262)	-7.6%
Total	54,158	100.0%	55,304	100.0%	(1,146)	-2.1%

Consolidated brand sales

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

YTD in Euro thousands

Description	09/30/08		09/30/07		Variation	Var. %	12/31/07
Italy	28,770	23.0%	33,129	24.9%	(4,359)	-13.2%	45,024
Europe	53,675	43.0%	49,920	37.6%	3,755	7.5%	63,977
Rest of the world	42,498	34.0%	49,814	37.5%	(7,316)	-14.7%	64,844
Total	124,942 (*)	100.0%	132,862	100.0%	(7,921)	-6.0%	173,845

(*) at like-for-like exchange rates the branded sales would have amounted to Euro 129,356 thousand (-2.6%)

Third quarter 2008 in thousands of Euro

Description	09/30/08		09/30/07		Variation	Var. %
Italy	9,275	22.5%	12,158	28.7%	(2,883)	-23.7%
Europe	17,257	42.0%	14,280	33.7%	2,977	20.8%
Rest of the world	14,600	35.5%	15,940	37.6%	(1,340)	-8.4%
Total	41,132 (*)	100.0%	42,378	100.0%	(1,246)	-2.9%

(*) at like-for-like exchange rates the branded sales would have amounted to Euro 42,339 thousand (in line with 3Q '07)

The GranitiFiandre Group in the third quarter of 2008 recorded revenues of branded materials of Euro 41.1 million which, at like-for-like exchange rates, confirm the excellent results achieved in the third quarter of 2007 (growth of over 20%).

Year-to-date revenues of branded materials amounted to Euro 124.9 million, a small decrease of 6% (-2.6% on like-for-like exchange rates) on the same period of 2007, also confirming the excellent results achieved in the first nine months of 2007 (growth of 26%). Considering the current macroeconomic climate, the results for the quarter and year-to-date are considered even more significant.

Brand sales in Italy in the first nine months amounted to Euro 28.8 million (23% of total brand revenues), decreasing by 13.2%, largely attributable to the further deterioration of the Italian economy which recorded negative growth in the second and third quarters and which will record zero growth in the current year.

Brand sales in Europe grew by 7.5% on the first nine months of 2007 and 20.8% on the third quarter of 2007, thanks to the consolidation of the positions in Western Europe and further growth in Eastern Europe. In the first nine months of 2008, in fact, the Group grew in Germany (Euro 14.8 million revenues, +7.9%), in France (Euro 14.7 million revenues, +5.3%) and particularly in Russia (Euro 4 million revenues, +59.2%). Growth was also recorded in Austria, Belgium, Sweden, Romania, Poland and all of the ex-Yugoslav republics in general.

Year-to-date revenues in the rest of the world decreased slightly and were impacted by the significant strengthening of the Euro at the beginning of 2008 on the other principal currencies and in the second part of the year by the contraction of US GDP, which in the third quarter decreased by 0.3%.

However, brand sales in the third quarter in the rest of the world market are in line, on like-for-like exchange rates, with the third quarter of 2007, recording declines significantly lower than the contraction recorded on the market and **confirming the growth trend** in acquiring new market share. In fact the sales in the third quarter in the US market recorded a growth of 17.3% on like-for-like exchange rate. In addition, the expectations for the next quarter and the general outlook for 2009 is very positive, both in view of important commercial agreements signed with prestigious "key accounts" - where we report the recent agreement with the world's largest discount department chain for over USD 12 million - and thanks to the launch of the new concept related to the mosaic division.

Breakdown of consolidated revenues by product line

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

YTD in Euro thousands

Description	YTD 08	YTD 07	Changes	%	12/31/07
Vitrified brand stoneware	122,698	131,073	(8,375)	(6.39%)	171,353
Granitech Division - materials	2,244	1,789	455	25.44%	2,492
Branded products	124,942	132,862	(7,920)	(5.96%)	173,845
Granitech Division - structure	5,523	4,013	1,509	37.61%	5,278
Branded products and structure	130,465	137,042	(6,577)	(4.80%)	179,122
Polishing services	3,381	4,051	(670)	(16.53%)	5,461
Semi-finished products	5,628	6,266	(638)	(10.19%)	8,244
Fitting and installation services	9,797	11,431	(1,634)	(14.29%)	14,964
Cutting and processing	12,221	13,695	(1,474)	(10.76%)	17,264
Royalties	34	-	34	n.s.	-
Others	3,007	3,787	(780)	(20.60%)	4,378
Other revenues	34,068	39,229	(5,161)	(13.16%)	50,311
Total	164,533	176,104	(11,571)	(6.57%)	229,433

Third quarter 2008 in Euro thousands

Description	9/30/08	9/30/07	Changes	%
Vitrified brand stoneware	40,397	41,868	(1,472)	(3.51%)
Granitech Division - materials	737	509	228	44.74%
Branded products	41,133	42,377	(1,244)	(2.93%)
Granitech Division - structure	1,973	1,202	770	64.06%
Branded products and structure	43,106	43,579	(474)	(1.09%)
Polishing services	873	910	(37)	(4.06%)
Semi-finished products	1,256	1,840	(584)	(31.71%)
Fitting and installation services	3,895	3,480	415	11.92%
Cutting and processing	3,788	4,366	(578)	(13.24%)
Royalties	20	-	20	n.s.
Others	1,219	1,128	91	8.06%
Other revenues	11,052	11,725	(673)	(5.74%)
Total	54,158	55,304	(1,147)	(2.07%)

Revenues complementary to "Brand" sales, and in particular those of polishing services, installation and processing, although with a lower margin than that derived from 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 strong growth in the quarter and in the first nine months of 2008 both for materials (+44.7% in the quarter, +25.5% for the year-to-date) and structure (+64.1% on the quarter, +37.6% for the year-to-date). The total sales mix was Euro 2.7 million in the quarter and Euro 7.8 million in the first nine months of 2008, with strong growth on 2007 (+58.4% - Euro 1 million increase on the quarter and +33.9% - Euro 2 million increase on the year-to-date) confirming that reported in the half year report.

Expectations for the next quarter continue to be positive and supported by a significant order backlog of over Euro 5 million.

Polishing services. The polishing services in the first nine months of 2008 recorded turnover of Euro 3.4 million, a decrease compared to the same period in 2007.

Semi-finished products. The sales of "semi-finished products", carried out on behalf of other operators, despite the downturn in volumes in the ceramics sector in general, were maintained at very satisfactory levels (Euro 5.6 million for the first nine months of 2008) and thus permitted the optimisation of fixed cost absorption at the Italian factory.

Installation. The companies operating in the installation sectors were particularly affected by the unfavourable climatic conditions in the first months of the year. Revenues in the first nine months amounted to Euro 9.8 million, a decrease compared to the same period in the previous year which had benefited from a milder winter period, while the revenues in the third quarter grew by 11.9%, reporting an increase of Euro 410 thousand on the third quarter of 2007.

Processing. A small decrease was recorded in the cutting & processing services of vitrified stoneware as a result of the continued crisis in the Italian real estate market, generating revenues however of over Euro 12.2 million.

Reclassified Group Income Statement

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

Description	Quarter		Year-to-date		
	9/30/08	9/30/07	9/30/08	9/30/07	12/31/07
Revenues	54,158	55,303	164,533	176,103	229,433
Changes in inventory	(2,102)	(1,803)	6,824	1,165	5,109
Increase in internal work capitalised	-	23	29	23	23
Other revenues and income	2,472	1,572	6,715	4,324	6,326
Value of production	54,527	55,095	178,101	181,614	240,891
Purchases	(14,226)	(13,172)	(47,800)	(47,350)	(62,361)
Services and operating costs	(23,030)	(21,135)	(71,111)	(66,912)	(90,996)
Personnel costs	(11,163)	(10,869)	(36,065)	(34,930)	(47,357)
EBITDA - Gross operating result	6,108	9,918	23,124	32,423	40,177
Amortisation & depreciation	(3,444)	(3,375)	(10,054)	(10,371)	(13,825)
Provisions & write-downs	(457)	(181)	(532)	(986)	(1,051)
EBIT - Operating result	2,207	6,362	12,538	21,067	25,302
Net financial incomes (charges)	685	(1,198)	(1,327)	(1,924)	(2,696)
Result before taxes	2,893	5,164	11,212	19,143	22,606
Income taxes	(1,214)	(2,388)	(5,010)	(8,202)	(7,543)
Net result before minority interest share	1,679	2,776	6,201	10,941	15,063
Net profit/(loss) pertaining to minority interests	(67)	(367)	(425)	(940)	(1,216)
Group result	1,612	2,409	5,776	10,001	13,846

Reclassified Group Balance Sheet

The reclassified consolidated balance sheet is shown below:

In Euro thousands

Description	9/30/08	12/31/07	9/30/07
Fixed assets			
Intangible	10,847	10,671	10,546
Tangible	127,236	126,661	128,652
Financial	2,712	1,561	1,583
Total	140,795	138,893	140,781
Net working capital			
Trade receivables	61,531	59,436	62,187
Other receivables	3,400	2,809	2,690
Tax credits	11,194	12,010	9,030
Inventories	80,186	72,514	69,505
Trade payables	(64,014)	(56,964)	(58,280)
Tax payables	(5,730)	(4,469)	(7,159)
Other payables	(11,778)	(10,763)	(12,415)
Total	74,789	74,573	65,558
Provisions for risks and employee leaving indemnity			
Provisions for employee leaving indemnity	(8,028)	(8,123)	(8,230)
Prov. for risks/other long term liabilities	(1,620)	(1,619)	(1,398)
Total	(9,649)	(9,743)	(9,628)
Capital employed	205,935	203,723	196,711
Net financial position			
Cash and securities	(14,110)	(11,103)	(18,526)
Short-term loans payables	57,336	53,852	56,546
Medium long-term loans payables	3,140	3,664	2,267
Total	46,365	46,412	40,287
Shareholders' equity			
Share capital	18,431	18,431	18,431
Reserves	128,576	118,255	121,192
Group result	5,776	13,846	10,001
Minority interest capital and reserves	6,361	5,562	5,861
Minority interest result	425	1,216	940
Total	159,570	157,311	156,424
Total source of financing	205,935	203,723	196,711

Net Financial Position

The net financial position is as follows:

In Euro thousands

Description	9/30/08	12/31/07
Cash and banks	13,952	10,394
Securities and short-term financial receivable	158	709
Related parties loans - short term	(13,035)	(12,542)
Short-term bank payables & other lenders	(44,300)	(41,310)
Net financial position - short term	(43,226)	(42,749)
Medium/long term bank payables	(251)	(263)
Medium/long term - other lenders	(1,969)	(2,447)
Related parties loans - long term	(921)	(953)
Total medium/long term	(3,140)	(3,664)
Net financial position	(46,365)	(46,412)

The net financial position was unchanged on December 31, 2007 at Euro - 46.4 million. Extremely positive cash flow was generated from ordinary operations - Euro 16 million, of which Euro 5.2 million in the third quarter alone.

The working capital of the first nine months of the year, as illustrated by the cash flow statement as at September 30, 2008, did not absorb liquidity and had a neutral effect on the cash flows.

The liquidity absorbed in the year amounted to approx. Euro 500 thousand, which is positive considering that it is net of investments of Euro 9.3 million, the payment of the 2007 dividend of Euro 5.5 million and the payment of the 2007 income tax balance and the first income tax payment on account in 2008.

Consolidated cash flow statement

The consolidated cash flow statement is shown below:

In Euro thousands

CONSOLIDATED CASH FLOW STATEMENT		
Description	09/30/2008	12/31/2007
<u>A - OPERATING ACTIVITIES</u>		
Result of the year	5,776	13,846
Result pertaining to minority interest	425	1,216
Amortization and depreciation	10,054	13,825
Net variation in employment leaving indemnity	(95)	(471)
Net variation provisions	1	465
Cash flow generated from operating activity before working capital movements	16,161	28,881
Inventory	(7,672)	(1,943)
Trade receivables	(2,094)	1,315
Tax and other receivables	224	(4,932)
Trade payables	7,050	(1,201)
Tax and other payables	2,275	383
Cash flow generated from working capital movements	(216)	(6,378)
Total (A) - Cash flow generated from operating activity	15,944	22,503
<u>B - INVESTING ACTIVITY</u>		
Acquisition of intangible assets	(289)	(3,841)
Acquisitions of property, plant and equipment	(8,977)	(12,180)
Exchange effect on assets	(1,765)	7,277
Sales of property, plant and equipment	227	202
Other net increases/decreases in non-current financial assets	(1,151)	179
Total (B) - Cash flow from investing activity	(11,955)	(8,363)
<u>C - FINANCING ACTIVITY</u>		
Variations in equity accounts	(428)	1,006
Exchange effects in equity accounts	2,015	(9,332)
Dividends	(5,529)	(4,424)
Variations in long-term financial debts	(524)	1,302
Total (C) - Cash flow from financing activity	(4,466)	(11,447)
Net short term financial position at the beginning of the year	(42,749)	(45,442)
Net change in short term financial position (A+B+C)	(477)	2,693
Net short term financial position at the end of the year	(43,226)	(42,749)

Information on the main Group companies

GranitiFiandre S.p.A. The parent company GranitiFiandre S.p.A. recorded sales in the first nine months of 2008 of Euro 97.7 million, compared to Euro 99.2 million in the same period of 2007.

In the first nine months, the Ebitda amounted to Euro 15.1 million with a sales margin of 15.5% (Euro 19.3 million in the same period of 2007).

The Ebit amounted to Euro 10.8 million (Euro 14.6 million in the same period of 2007) with a sales margin of 11.1%.

The Parent Company GranitiFiandre S.p.A., as previously described, in June began to implement all necessary activities to create a greatly innovative large format of 150 x 75cm of a sufficient thickness for high architectural content floor and walls, with higher industrial margins of on average 10% above the classic high-end range of GranitiFiandre. The investment, budgeted for a total of Euro 12 million (in 2008 and 2009), inevitably limited the ordinary production capacity of the Italian factory.

The operating margins in the first nine months of 2008 were also impacted by costs incurred for the promotion and creation of the entire product range of the new brand "Xtra Granitifandre" for approx. Euro 700 thousand.

Porcelaingres. Sales of the German subsidiary Porcelaingres in the first nine months of 2008 amounted to Euro 22 million compared to Euro 19.2 million in the first nine months of 2007 (+14.2%), continuing the growth trend seen throughout 2007 and increasing volumes also on the third quarter of 2007 by approximately Euro 1 million (+15.8%).

Sales growth therefore continued to be strong (Euro 2 million square metres sold in the first nine months of 2008), confirming the decisions and considerable commercial investments made to promote and develop the Porcelaingres brand.

Ebitda in the first nine months of 2008 amounted to Euro 4.3 million compared to Euro 3.9 million the first nine months of 2007. The growth of margins, achieved through a lean organisational structure, continues to confirm the consolidated growth trend over the last two years and which reports an operating margin on revenues of around 20%.

In the first nine months of 2008, the Ebit amounted to Euro 2.5 million with a sales margin of 11.4% (Euro 2.2 million in the same period of 2007).

The net profit was over Euro 1.7 million, with a sales margin of 7.9%.

StonePeak Group. Sales of the StonePeak Group in the first nine months of 2008 amounted to USD 46.3 million compared to USD 47 million in the first nine months of 2007 (-1.5%). This result should be viewed in the context of the North American market and following on from the growth recorded in the first nine months of 2007 of over 80% and is therefore to be considered very positive and confirms the revenue trend expected for the second part of the year.

Ebitda in the first nine months was USD 2 million with a revenue margin of 4.3%, while the Ebit in the first nine months was a loss of USD 3.4 million.

As previously described, the margins on the American subsidiary StonePeak, both for the first nine months of 2008 and particularly for the third quarter, were inevitably impacted by the activities related to the installation of the third production line which resulted in a significant start-up industrial cost.

In relation to the commercial activities, we highlight that StonePeak acquired an order for the world's largest discount department chain for a value of over USD 12.3 million and for which it will supply the flooring for the new stores in the United States of approx. 450 thousand square metres. Approx. 15% of the order will be delivered in the fourth quarter of 2008 and the remaining part in the first three quarters of 2009.

Based on these important projects, management forecasts (as occurred in the third quarter with a growth on 2007 of 15%) strong growth in sales volumes in the fourth quarter of 2008, thanks to the sale of brand products in October (+13%) and the order backlog (+58%).

Sales information

Brand shops

There are presently 73 brand shops - of which 71 are Geologica Shops, the majority of which are franchises. The new Geologica Megastore at Rome was opened in July and two new Geologica shops will be opened shortly, the first at Abu Dhabi in the United Arab Emirates and the second in Toronto, in markets which offer strong growth potential.

Although the Geologica Shop concept remains a fundamental asset and a showroom reference point, GranitiFiandre, in keeping with the tastes and demands of a sophisticated worldwide market, has decided to initiate a new type of brand shop: the GranitiFiandre Shop. In this manner, GranitiFiandre allows its affiliates greater freedom to choose a layout more suited to their needs and to their target clients, remaining true to the company's style; this extends the services which GranitiFiandre has continuously offered to its franchising shops.

In just a few months, 24 GranitiFiandre shops have already been opened, of which 10 are abroad and new openings are planned shortly. The total number of Geologica and Granitifiandre shops is now 97.

Research and Development

The GranitiFiandre Group continuously carries out 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 addition of a new production line will also allow the parent company to prototype and create all GranitiFiandre brand products at the Italian factory, therefore ending the research, design and product prototyping carried out in part in previous years at the American and German factories.

At the 2008 Cersaie fair, GranitiFiandre presented "Jewel", a patented collection for the GeoStyle line and produced in four bright, intense colours, to which the new collection "Stone Forest" from the New Stone series was added, using darker shades which evoke a natural forest landscape. The "Light Shape" patented project is another new project, featuring geometric and decorative patterns cut into slabs and then retro-illuminated to furnish walls through modular and customised systems.

Important research activity has been undertaken in the development of products for the "corporate identity" and the customisation of commercial and industrial groups.

Projects also continued in collaboration with the subsidiary Hydrodesign for the use of combinations with non-ceramic materials (wood, steel and glass). This expands the opportunities for GranitiFiandre in the luxury residential market.

In October, the World Architecture Festival, a unique event which celebrates the works of the greatest architects worldwide, honoured the Grafton Architects studio with the award for the “best building in the world in the year 2008” for the design of the Bocconi University at Milan, completed with materials of the New Stone collection of GranitiFiandre for the flooring of all the corridor areas and offices. The product was requested by the architects for its extreme resistance - an inherent characteristic of GranitiFiandre materials.

Also in October at Varsavia the Polish magazine “Villa”, specialised in luxury interior design, awarded the patented collection “Crystal” for the “best ceramic product for 2008”. The jury, composed of architects, designers and journalists from the magazine, chose Crystal as the collection which best encompasses the concept of luxury, which embodies the style of the magazine, in its search for the best products which promote design worldwide. We also report that il Sole 24Ore, in collaboration with GranitiFiandre, presented number 100 of the architectural magazine AREA entitled “Changing Cities”, dedicated to the theme of the city and its dynamics of evolution and change, whose presentation was accompanied by a show held at the Urban Centre of Milan.

Events

GranitiFiandre was present at Cersaie 2008, an International Ceramic Trade Fair for building and bathroom furniture, held at Bologna between September 30 and October 4, with an innovative stand, created with state-of-the-art spaces through the “gallery of innovation” which enhanced the GranitiFiandre materials exhibited.

The gallery, which included the new products presented at Cersaie, captured the attention of numerous visitors: guests were welcomed in a futuristic and high tech visual impact space, where they could get a sense of the new patented Jewel and Light Shape materials. BTicino also exhibited their wall plates at the show, covered with GranitiFiandre materials and applied with a modern look.

The 2008 Cersaie fair of GranitiFiandre centred around a series of partnerships with companies which prioritise the pursuit of excellence - a key concept constantly communicated during the exhibition.

The partnerships with Ittec, Martini Illuminazione and Living Divani offered clients the opportunity to visit an innovative and prestigious stand and the partnerships with Cantine Mesa, Lancia and Maranello Village guaranteed a high quality service to guests. GranitiFiandre was also present with a “Fuori Cersaie” space, where the new products of the Xtra brand were presented. The space was visited by clients, architects and journalists in the week of the trade fair, which was met with great success for the new concepts and creations.

GranitiFiandre also attended SAIE, the International Trade Fair for the Construction Industry, which was held at Bologna between October 15 and 18 and participated at the biannual international “Interieur 2008” showcasing interior design creativity which was held at Kortrijk in Belgium in October.

As part of the international development of the Group, GranitiFiandre commenced collaboration with the Foreign Affairs Ministry and in particular with the Government General Commissioner for the Universal Exposition of Shanghai 2010, together with prestigious companies such as Permasteelisa, I Guzzini, Mapei, Merloni and Italcementi, for the realisation of the Italian Marquee for the next universal exposition which will take place between May 1 and October 31, with over 200 nations and international organisations in an event of significant international importance.

Projects and commercial agreements

At European level, orders were recently acquired for the development of the new "Swatch" image for the well known Swiss watchmaker, for which the flooring for new stores at Singapore, Lugano and Dubai was completed and for the development of "Honda's" new corporate identity", through collaboration with "Honda Europe" of London and Turner & Townsend of Amsterdam. New products were also customised for ExxonMobil Europe, Albert Heijn and Principles for Women.

Also in the European market, we report the supply of GranitiFiandre materials for the paving of the Lisbon airport totalling Euro 1.8 million, to be delivered by the end of the year, in addition to an order acquired, for over Euro 1 million, for the supply of materials for the renovation of the principal shopping mall at Istanbul and for approx. Euro 800 thousand for the paving of a new shopping mall in Romania.

The subsidiary Porcelaingres signed an agreement for the supply of porcelain slabs to a leading distribution chain for north central Europe for up to Euro 5 million, of which Euro 1.2 million to be delivered by the end of January, in addition to the supply contract for an important German industrial group for over Euro 1 million.

In relation to the rest of the world market, StonePeak acquired an order for the world's largest discount department chain, for a value of over USD 12.3 million, for the supply of paving for the new stores in the United States of approx. 450 thousand square metres. Approx. 15% of the order will be delivered in the fourth quarter of 2008 and the remaining part in the first three quarters of 2009.

Other information

In relation to the recent regulations concerning the conditions for the listing of companies constituted and regulated in accordance with laws outside of the European Union and of significant importance for the purposes of the consolidated financial statements, it is reported that the procedures were completed to ensure complete compliance with these regulations, taking the 2007 audit as a reference point.

Following the completion of the actions undertaken, GranitiFiandre S.p.A. is in compliance with the conditions pursuant to article 36, paragraph 1, letters a), b) and c) of the Regulations.

During the quarter, no acquisitions of companies were made in countries outside the European Union which have significant importance in relation to the regulation.

Castellarano, November 13, 2008

For the Board of Directors
The Chairman
Graziano Verdi

Outlook

In spite of the expectations for a further economic deterioration, management forecasts for the fourth quarter of 2008, considering the important investments in course, both productive and commercial, are substantially in line with the excellent results recorded in 2007, both in terms of revenues and margins.

In particular:

- The parent company GranitiFiandre S.p.A. expects to consolidate volumes of activity, thanks to the order portfolio of October (+3%), strongly countering the sector trend, and to improve margins, consolidating the important commercial and promotional investments made in the first nine months, in terms of brand expansion, relations and commercial agreements, in addition to the participation at the most important sector trade fairs worldwide.
- For the final quarter of the year, the expectations of the German subsidiary Porcelaingres are positive, both in terms of sales volumes and confirmation of the excellent profit margins, also based on the recent agreements signed with major German distributors.
- Expectations are positive also for the American factory and the StonePeak brand. The fourth quarter of 2008 will be characterised by strong growth in sales volumes, thanks to brand product sales in October (+13%) and the order backlog (+58%); these expectations are also based on the continual improvement of the commercial and production operations and the significant marketing investments in the first nine months.

Castellarano, November 13, 2008

For the Board of Directors
The Chairman
Graziano Verdi

CONSOLIDATED FINANCIAL STATEMENT
PREPARED IN ACCORDANCE WITH I.A.S./I.F.R.S.

BALANCE SHEET
(in Euro thousands)

Non-current assets	09/30/2008	%	09/30/2007	%	12/31/2007	%
Goodwill and intangible assets with non finite lives	10,193		10,008		10,098	
Intangible assets with definite useful life	654		509		573	
Property, plant and equipment	127,236		128,652		126,661	
Equity investments	2,295		1,004		1,005	
Financial assets	361		369		508	
Tax receivables	391		85		302	
Deferred tax assets	9,210		6,722		8,691	
Trade receivables	1,413		1,619		1,211	
Total non-current assets	151,751	48.8%	148,997	49.2%	149,050	50.2%
Current assets						
Inventories	80,186		69,505		72,514	
Current trade receivables	60,118		61,020		58,225	
Current tax receivables	1,594		2,439		2,971	
Current deferred tax assets	0		444		46	
Current financial assets	215		910		756	
Other current assets	3,400		2,030		2,809	
Cash on hand and in bank	13,952		17,826		10,394	
Total current assets	159,464	51.2%	153,722	50.8%	147,715	49.8%
Total assets	311,216	100.0%	302,719	100.0%	296,766	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	18,459		11,075		8,139	
Profit (loss) for the period	5,776		10,001		13,846	
Total Group shareholders equity	152,783	49.1%	149,623	49.4%	150,533	50.7%
Minority interest capital and reserves	6,361		5,861		5,562	
Minority interest result	425		940		1,216	
Tot. group & minority interest shareholders' equity	159,570	51.3%	156,424	51.7%	157,311	53.0%
Non-current liabilities						
Non current liabilities relating to personnel	8,028		8,230		8,123	
Non current deferred tax liabilities	1,304		1,282		1,408	
Long-term bank payables	251		288		263	
Non-current provisions for risks and charges	1,590		1,398		1,551	
Non-current financial liabilities	2,889		1,979		3,400	
Other non-current payables	443		732		393	
Total non-current liabilities	14,504	4.7%	13,909	4.6%	15,139	5.1%
Current liabilities						
Current financial payables	13,530		12,584		13,215	
Short-term bank payables	43,805		43,962		40,637	
Current provisions for risks and charges	31		64		68	
Current trade payables	64,014		57,946		56,964	
Current tax payables	4,426		5,609		3,061	
Other current liabilities	11,334		12,221		10,371	
Total current liabilities	137,141	44.1%	132,386	43.7%	124,316	41.9%
Total liabilities & equity	311,216	100.0%	302,719	100.0%	296,766	100.0%

Income Statement
(in Euro thousands)

INCOME STATEMENT	09/30/2008	%	09/30/2007	%	12/31/2007	%
	IAS/IFRS		IAS/IFRS		IAS/IFRS	
Revenues	164,533		176,103		229,433	
Other revenues and income	6,715		4,324		6,326	
Increase in internal work capitalised	29		23		23	
Change in inventory of finished products	4,626		1,665		4,796	
Costs for raw materials, ancillary, consumables and goods	(47,800)		(47,350)		(62,361)	
Services	(63,979)		(60,933)		(82,319)	
Rents, leases and similar	(3,767)		(3,677)		(5,013)	
Personnel costs	(36,065)		(34,930)		(47,357)	
Changes in inventories of raw materials, ancillary, consumables and goods	2,198		(500)		313	
Other operating charges	(3,365)		(2,301)		(3,663)	
EBITDA	23,124	14.1%	32,423	18.4%	40,177	17.5%
Amortisation & depreciation	(10,054)		(10,371)		(13,825)	
Provisions & write-downs	(532)		(986)		(1,051)	
EBIT	12,538	7.6%	21,067	12.0%	25,302	11.0%
Financial income	1,950		3,744		4,440	
Financial charges	(3,277)		(5,668)		(7,136)	
Result before taxes and minority interest	11,212	6.8%	19,143	10.9%	22,606	9.9%
Income taxes	(5,010)		(8,202)		(7,543)	
Result before minorities	6,201	3.8%	10,941	6.2%	15,063	6.6%
Net profit/(loss) pertaining to minority interests	(425)		(940)		(1,216)	
Group net profit/(loss)	5,776	3.5%	10,001	5.7%	13,846	6.0%

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 quarterly report corresponds to the underlying accounting documents, records and accounting entries.

Castellarano, November 13, 2008

Notes to the consolidated financial statements as at September 30, 2008

Content and form of the consolidated third quarter report

The quarterly report relating to the period July 1 - September 30, 2008 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 SpA 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 SpA is directly controlled by the company Finanziaria Ceramica Castellarano SpA, with its registered office at Modena, Via Canalino 16 and with a share capital of Euro 1,200,230.72 fully paid-in.

The consolidation scope at September 30, 2008 includes the parent company GranitiFiandre SpA and the companies in which GranitiFiandre SpA holds, directly or through subsidiary companies, control or in any case exercises a dominant influence. A list of the companies in the consolidation is shown below.

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, 2008 are the following:

Name of the company	Registered office	Currency	Share capital	Percentage held		% Group
				direct	indirect	
Granitifiandre SpA	Castellarano RE - Italy	Euro	18.431.339	Holding Company		
Stonepeak Ceramics Inc	Delaware - Usa	USD	122.921.518	98,36%		98,36%
Architectural Imports LLC	Florida - Usa	USD	-		60,00% (4)	59,02%
Architectural Imports Inc	Florida - Usa	USD	335.728	-	100,00% (5)	59,02%
Mediterranea LLC	Florida - Usa	USD	645.507	-	100,00% (6)	59,02%
Architectural Stone LLC	Florida - Usa	USD	4.302	-	61,00% (7)	36,00%
Porcelaingres GmbH	Vetschau - Germania	Euro	48.200.000	99,99%		99,99%
Technopose & Bedel Sarl	Paris - France	Euro	200.000	91,48%	2,50% (2)	92,73%
Technoposa Srl	Castellarano RE - Italy	Euro	99.500	51,00%		51,00%
Hydrodesign Srl	Castellarano RE - Italy	Euro	80.000	51,00%		51,00%
Kaleidos Design SL	Castellon De la Plana - Spain	Euro	3.005	-	85,00% (3)	43,35%
Geologica Milano Srl	Milano - Italy	Euro	96.900	90,00%		90,00%
Ceramiche Riunite Srl	Bologna - Italy	Euro	98.800	50,00%	(1)	50,00%
Granitifiandre Praha Sro	Prague - Czech Republic	CZK	100.000	66,00%		66,00%
Floornature.com SpA	Fiorano Modenese MO - Italy	Euro	2.500.000	90,00%		90,00%
Geologica Parma Srl	Parma - Italia	Euro	98.000	51,00%		51,00%
Savoia Canada Inc	Toronto - Canada	CA\$	100.000	80,01%		80,01%
Techgeo S.L.	Castellon De la Plana - Spain	Euro	250.000	50,001%		50,001%

(1) Ceramiche Riunite Srl is subject to dominant influence by the holding company

(2) The indirect portion is held by Ceramiche Riunite Srl

(3) Participation held by Hydrodesign Srl

(4) Participation held by StonePeak Ceramics Inc

(5) Participation held by Architectural Imports LLC

(6) Participation held by Architectural Imports Inc

(7) Participation held by Architectural Imports Inc

The consolidation scope of the Granitifiandre Group at September 30, 2008 compared to December 31, 2007 has changed only in relation to the holding in the America commercial company Architectural Stone LLC. In 2008 the American sales company Architectural Imports Inc. acquired a further 2.5% in the American sales company Architectural Stone LLC, increasing its stake to 61%.

Consolidation principles

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, 2008 have not changed compared to those utilised in the preparation of the consolidated financial statements at December 31, 2007, to which reference should be made.

The quarterly report was prepared under the cost criteria basis, except for financial instruments valued at fair value. Relating to the recent modification of IAS 39 of October 13, 2008 implemented with urgency by IASB, which permits, in circumstances of particular gravity such as the current financial crisis, to transfer non-derivative financial assets up to now classified at fair value with change in value recorded through the profit and loss to another category which provides for the recording at amortised cost, the company has not utilised this option, as it does not hold any illiquid financial assets.

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	Profit on Consolidation	Net Result	Total
December 31, 2006	18,431	106,430	3,686	29,201	(4,670)	(2,433)	(524)	150,122
Allocation of profit:								
Allocation profit - reserve				2,195		(4,424)	2,228	
Allocation profit - dividends							(4,424)	(4,424)
Translation effect consolidation profit carried forward					(9,332)			(9,332)
					(1,952)	(448)	2,719	320
Net profit (loss) for the period							13,846	13,846
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					2,015			2,015
Option Effect						(11)		(11)
Consolidation profit carried forward						10,638	(10,638)	
Net profit (loss) for the period							5,776	5,776
September 30, 2008	18,431	106,430	3,686	34,594	(13,938)	(2,196)	5,776	152,783

The present shareholders' equity includes the distribution of the profits for the year 2007 of the Parent Company GranitiFiandre SpA, deliberated by the shareholders' meeting on April 23, 2008. The appropriation of the net profit for the year of Euro 8,726,401.70 as approved by the shareholders' meeting is as follows:

- Euro 5,529,401.70 as dividend; a dividend of Euro 0.15 per share;
- Euro 3,197,196.91 to the extraordinary reserve.