



Granitifiandre Group

Quarterly report to 30 June 2001

This quarterly report has been drawn up in consolidated form and can be summarised in the following figures:

(lire/millions)	30/6/2001	2° quarter 2001	31/3/2001	31/12/2000
	<i>6 mesi</i>	<i>3 mesi</i>	<i>3 mesi</i>	<i>pro forma</i>
Net Sales	142.231	70.448	71.783	239.144
Gross operating income - Ebitda	37.184	20.224	16.960	59.560
Operating income	31.033	16.798	14.235	46.156
Income before taxes and minority	28.569	14.945	13.624	40.950
Net financial position	121.719	121.719	(81.378)	(70.487)
Shareholder's equity	268.348	268.348	45.854	30.751
Operating income on sales	21,8%	23,8%	19,8%	19,3%
Ebitda on sales	26,1%	28,7%	23,6%	24,9%
Income before taxes on sales	20,1%	21,2%	19,0%	17,1%

GRANITIFIANDRE S.p.A.
 Registered office: Via Radici Nord 112,
 Castellarano (RE), Italy
 Share capital: Euro 18,431,339 fully paid-in
 Company Register of Reggio Emilia, no. 19546
 Fiscal ID: 03 056 540 374

Report on operations

Results for the second quarter of 2001 confirm the soundness of the Group's strategy, which has maintained its traditional focus on top-of-the-range products and integrated product and service packages. This makes it unique among companies making vitrified stoneware tiles for upscale architectural design.

Performance was especially good in the United States, where the distribution company TCL built last year's promotional and marketing investments into outstanding volumes and margins, contrary to the general economic trend and the performance of the construction industry in early 2001. This success validates the strategy of establishing a local production site, which offers two important advantages: the economic benefit of lower transport costs and import taxes (for a savings of about 30% on the selling price), and the higher profile and improved logistics that will help us seize all worthy opportunities in a market that we already lead.

We owe our excellent results for the first half of the year to careful cost management, especially in the area of promotions and marketing, and to a 3.7% increase in the average selling price per square metre in comparison with the first half of 2000.

Our trade companies, or single-brand stores, which we have established over the past 12 months are growing as expected in terms of revenues and profitability. The same can be said for our installation companies, which help us provide turnkey service to our best customers.

The newly acquired Hydrodesign Srl is also meeting our expectations for growth, and contributed to the excellent margins we achieved during the period.

Reclassified financial statements

Reclassified consolidated balance sheet

(lire/millions)	30/6/2001	31/3/2001	31/12/2000 <i>pro forma</i>
Fixed assets			
Intangibles	18.783	7.430	1.087
Tangibles	70.996	63.930	55.876
Financial	1.934	5.806	5.701
Total	91.713	77.166	62.664
Net Working capital			
Account receivables	98.743	97.017	86.097
Other current assets	15.357	29.004	27.393
Inventory	63.835	56.354	55.597
Account payables	(78.588)	(73.103)	(70.644)
Taxes payables	(2.870)	(20.740)	(20.863)
Other current liabilities	(12.480)	(12.438)	(14.777)
Total	83.997	76.094	62.803
Long term liabilities			
Employee termination indemnities	(13.888)	(13.686)	(12.710)
Reserves for risks and other long term liabilities	(15.193)	(12.342)	(11.519)
Total	(29.081)	(26.028)	(24.229)
Capital employed	146.629	127.232	101.238
Net financial position			
Cash and securities	(196.110)	(9.605)	(6.788)
Short term financial debts	47.887	56.701	43.791
Long term financial debts	26.504	34.282	33.484
Total	(121.719)	81.378	70.487
Shareholder's equity			
Capital issued	34.844	21.950	21.950
Reserves	202.157	8.202	(14.843)
Income (*)	27.465	13.374	22.627
Third party equity (Minority)	2.778	2.078	932
Third party income (*)	1.104	250	85
Total	268.348	45.854	30.751
Total source of finance	146.629	127.232	101.238

(*) The income for the period at June 30, 2001 and at March 31, 2001 is pre income taxes

Reclassified consolidated profit and loss account

(lire/millions)	30/6/2001	31/3/2001	2° trimestre 2001	31/12/2000
	6 mesi	3 mesi	3 mesi	pro forma
Net sales	142.231	71.783	70.448	239.144
Change in inventory	5.091	37	5.054	(1.758)
Other operating income	3.368	1.743	1.625	8.127
Total operating revenues	150.690	73.563	77.127	245.513
Raw materials	(42.312)	(20.778)	(21.534)	(66.147)
Other operating costs	(41.140)	(20.963)	(20.177)	(70.738)
Wages, salaries and benefits	(30.054)	(14.862)	(15.192)	(49.068)
Gross operating income	37.184	16.960	20.224	59.560
Operating depreciation and amortisation	(6.120)	(2.715)	(3.405)	(12.628)
Other provision	(31)	(10)	(21)	(776)
Operating income	31.033	14.235	16.798	46.156
Non operating amortisation (IPO charges)	(986)	0	(986)	0
Net financial results	(1.478)	(615)	(863)	(4.945)
Adjustments to value of financial assets	0	0	0	0
Extraordinary items	0	4	(4)	(261)
Income before taxes	28.569	13.624	14.945	40.950
Income taxes (*)	0	0	0	(18.238)
Income before minority	28.569	13.624	14.945	22.712
Minority interest	(1.104)	(250)	(854)	(85)
Income	27.465	13.374	14.091	22.627

(*) The income for the period at June 30, 2001 and at March 31, 2001 is pre income taxes

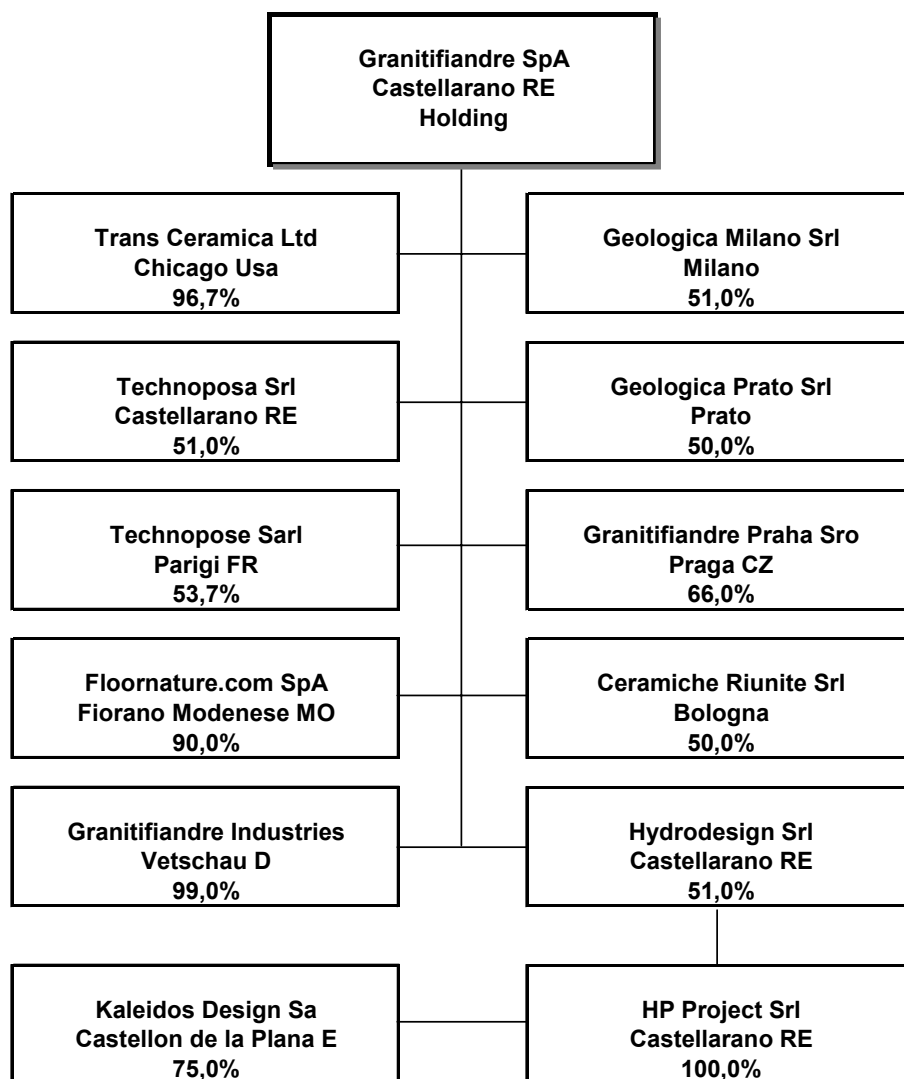
Consolidated net financial position

(lire/millions)	30/6/2001	31/3/2001	31/12/2000
			pro forma
Cash	195.519	9.513	6.357
Securities	591	92	431
Bank debt - short term	(41.161)	(50.745)	(37.224)
Financial debt vs owner company - short term	(6.726)	(5.956)	(6.567)
Net financial position - short term	148.223	(47.096)	(37.003)
Bank debt - long term	(23.333)	(31.111)	(31.111)
Other financiers - long term	(3.171)	(3.171)	(2.373)
Net financial position - long term	(26.504)	(34.282)	(33.484)
Net financial position	121.719	(81.378)	(70.487)

Notes to the consolidated financial statements

Structure of the Granitifiandre Group

The Group's structure is illustrated below:



Form and content of the consolidated quarterly report

The quarterly report to 30 June 2001 has been drawn up in accordance with Art. 82 of CONSOB Regulation no. 11971 of 14 May 1999. It consists of the balance sheet, the profit and loss account, and the directors' report on performance, events during the half-year and business prospects. The quarterly report has not been audited.

The balance sheet and profit and loss account, in reclassified form, are comparable to those presented in the consolidated annual report. Figures are compared with those for the first quarter of 2001. **Pro forma** figures for the year ended 31 December 2000 are also provided, drawn from the prospectus issued pursuant to CONSOB's authorisation of 24 May 2001, to permit a comparable analysis over time of the Group's financial position and results.

As allowed by the CONSOB Regulation cited above, since this is its first year of application, the comparative figures for the equivalent period in 2000 have not been provided.

The figures in the balance sheet and profit and loss account are expressed in millions of lire. They are translated into euros in the attachment.

Profits for the quarters ended 31 March 2001 and 30 June 2001 are shown before income tax.

Accounting policies and consolidation methods

The accounting policies and consolidation methods used in drawing up the quarterly report to 30 June 2001 are the same as those described in the consolidated financial statements as of 31 December 2000. As mentioned above, the figures for the year ended 31 December 2000 presented in the attached balance sheet and profit and loss account are **pro forma**, reflecting some recent corporate operations for the sake of meaningful comparison. Please see the prospectus issued on the occasion of the company's IPO for a description of the **pro forma** adjustments.

The companies included in the scope of consolidation are as follows:

Name of the company	Registered office	Currency	Share capital	Percentage held		
				direct	indirect	total
Granitifiandre SpA	Castellarano RE - Italy	Euro (5)	18.431.339	capogruppo		
Trans Ceramica LTD	Chicago - Usa	USD	2.611.000	96,70%		96,70%
Technoposa Sarl	Paris - France	FF	600.000	52,48%	2,50% (2)	53,73%
Technoposa Srl	Castellarano RE - Italy	Lit/ml	199	51,00%		51,00%
Hydrodesign Srl	Castellarano RE - Italy	Lit/ml	30	51,00%		51,00%
HP Project Srl	Castellarano RE - Italy	Lit/ml	20	-	100,00% (3)	51,00%
Kaleidos Design SL	Castellon De la Plana - Spain	PST	500.000	-	75,0% (4)	38,25%
Geologica Milano Srl	Milano - Italy	Lit/ml	190	51,00%		51,00%
Ceramiche Riunite Srl	Bologna - Italy	Lit/ml	190	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 Prato Srl	Prato - Italy	Lit/ml	190	50,00%	(1)	50,00%

(1) Ceramiche Riunite Srl e Geologica Prato Srl are 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 HP Project Srl

(5) Share capital post green shoe

Changes with respect to the scope of consolidation as of 31 December 2000 are the inclusion of Hydrodesign Srl and the direct subsidiaries HP Project Srl and Kaleidos SA, acquired in January 2001 and also included in the quarterly report to 31 March 2001, as well as the first-time consolidation of Floornature.com SpA.

Equity investments in non-consolidated subsidiaries as of 31 June 2001 consist solely of the interest in Granitifiandre Industries GmbH, which is valued at cost as it is not yet operational.

Name of the company	Registered office	Currency	Share capital	% part	Book value (lira/millions)
Granitifiandre Industries Deutschland GmbH	Francoforte - Germania	Euro	25.000	99,00%	56

Analysis of principal changes

Fixed assets

Intangible assets during the period ended 30 June 2001 showed an increase of ITL 19.6 billion and amortisation of ITL 1.9 billion. The increase mainly concerned listing expenses (ITL 9.8 billion, amortised over five years), goodwill paid for the acquisition of Hydrodesign (ITL 6.1 billion, amortised over 10 years), and costs incurred by Floornature.com for the development of a vertical portal (ITL 3.1 billion, amortised over three to five years).

Tangible assets during the period ended 30 June 2001 showed an increase of ITL 20.3 billion (including ITL 5.5 billion due to the change in the scope of consolidation) and depreciation of ITL 5.2 billion. Most of the investments went toward expanding and upgrading the polishing plant which, as planned, led to the installation of new polishing lines and thereby strengthened the company's leadership in this sector.

The amortisation and depreciation policies are the same as those used in the consolidated financial statements as of 31 December 2000.

Current assets

The increase in current assets with respect to 31 December 2000 is explained by both the consolidation of Hydrodesign Srl and seasonal aspects of the period ending 30 June 2001. Specifically, the rise in the inventory value reflects the higher quantities stocked in view of the shut-down of the production plans in the month of August.

In addition, the fact that this quarterly report has been drawn up gross of income taxes has had a significant effect on the amount of taxes payable with respect to the previous year, as advance tax payments have been booked to the item "other accounts receivable".

Long term liabilities

The reserves for risks and other long term liabilities mainly consist of the adjustment of the exchange loss reserve to the year-end exchange rate applicable to foreign currency receivables and payables.

Net financial position

The net financial position improved due to the increase in capital associated with the company's listing on Milan's Mercato Telematico Azionario (MTA). The operation brought in ITL 199.6 million net of commissions and other expenses, accounting for the change in this item between the end of March and the end of June. After 30 June the greenshoe was exercised, for an additional intake of ITL 13 billion.

The substantial amount of self-financing also made it possible to invest in fixed assets, as described above, without hurting the financial position.

Shareholders' equity

Below is the reconciliation of the net profit and shareholders' equity of Granitifiandre SpA with the consolidated figures of the Granitifiandre Group:

(lire/millions)	Share capital and reserves	Income (*)	Total
Shareholder's equity - Granitifiandre SpA	232.742	23.789	256.531
Difference between shareholder's equity and carrying value of the company	5.868	3.996	9.864
Amortisation of goodwill	0	(306)	(306)
Elimination on inter group profits in inventory net of deferred taxes	(1.609)	(319)	(1.928)
Others	0	305	305
Total Shareholder's equity and income - group	237.001	27.465	264.466
Minority interest	2.778	1.104	3.882
Total Shareholder's equity	239.779	28.569	268.348

(*) The income for the period at June 30, 2001 is pre income taxes

Movements in consolidated shareholders' equity are presented in the following table; the figures as of 31 December 2000 have been drawn from the **pro forma** consolidated financial statements for the year 2000.

The more important changes are discussed in the section "significant events during the half-year".

Granitifiandre SpA

Analysis of movements of the shareholders' equity

Description	Share Capital	Share premium reserve	Legal Reserve	Other Reserves	Translation Reserve	Retained earnings	Income	Total
Situation at December 31,2000 (pro forma)	21.950	-	4.360 -	21.926	492	1.891	22.967	29.734
Destination of 2000 income			30	22.022		915 -	22.967	-
Share capital increase of n° 13.318.560 shares of nominal value Euro 0,5 each at the price of Euro 8 each	12.894	193.412						206.306
Translation difference					962			962
Other variations					(8)	7		(1)
Income for the period							27.465	27.465
Situation at June 30, 2001	34.844	193.412	4.390	96	1.446	2.813	27.465	264.466

(*) The income for the period at June 30, 2001 is pre income taxes

Revenues from sales and services

Revenues are broken down by type in the following table:

(lire/millions)	30/6/2001	30/6/2000	31/3/2001	31/12/2000
		<i>pro forma</i>		<i>pro forma</i>
Vitrified stoneware products - branded	97.965	92.702	49.419	180.623
Vitrified stoneware products - low range	5.715	7.724	4.291	12.195
Polishing services	9.994	10.095	4.774	17.944
Semi-finished products	9.133	6.420	5.205	11.379
Titting and installation services	6.597	6.297	3.071	12.335
Other income	12.827	1.509	5.023	4.668
Net sales	142.231	124.747	71.783	239.144

A comparison between revenues during the first half of 2001 and the same period in 2000 shows an increase of ITL 5,263 million (+5.7%) in sales of branded vitrified stoneware products. Conversely, there was a decrease of ITL 2,009 million (-35%) in sales of vitrified stoneware products from the bottom of the range, marking an improvement in profitability.

Other revenues are made up primarily of sales by the newly consolidated Hydrodesign Srl.

Sales of branded products are broken down below by geographical area:

(lire/millions)	30/6/2001		30/6/2000		31/3/2001		31/12/2000	
			<i>pro forma</i>				<i>pro forma</i>	
Italy	26.707	27%	27.092	29%	11.584	23%	51.598	29%
Europe	36.344	37%	35.548	38%	18.621	38%	65.970	37%
Rest of the world	34.914	36%	30.062	32%	19.214	39%	63.055	35%
Net sales	97.965		92.702		49.419		180.623	

With respect to the same period in 2000, sales during the first half of 2001 increased in the "rest of the world", due chiefly to their growth in the United States.

Considering the total revenues, sales in Italy amounted to 50% of the total.

Significant events during the half-year

Information on significant events during the half-year, namely the spin-off, the acquisition of Hydrodesign and the listing on the Milan MTA (STAR section), is provided in the prospectus issued pursuant to CONSOB's authorisation of 24 May 2001.

Outlook for the rest of the year

The good sales and profit figures achieved during the first six months of the year foreseen the achievement the ambitious targets set in the company's business plan for 2001.

Castellarano, 3 August 2001

Attachment – financial statements in euros

Reclassified consolidated balance sheet

(€/000)	30/6/2001	31/3/2001	31/12/2000 <i>pro forma</i>
Fixed assets			
Intangibles	9.701	3.837	561
Tangibles	36.666	33.017	28.858
Financial	999	2.999	2.944
Total	47.366	39.853	32.363
Net Working capital			
Account receivables	50.997	50.105	44.465
Other current assets	7.931	14.979	14.147
Inventory	32.968	29.104	28.713
Account payables	(40.587)	(37.755)	(36.484)
Taxes payables	(1.482)	(10.711)	(10.775)
Other current liabilities	(6.445)	(6.424)	(7.632)
Total	43.382	39.298	32.434
Long term liabilities			
Employee termination indemnities	(7.173)	(7.068)	(6.564)
Reserves for risks and other long term liabilities	(7.847)	(6.374)	(5.949)
Total	(15.020)	(13.442)	(12.513)
Capital employed	75.728	65.709	52.284
Net financial position			
Cash and securities	(101.282)	(4.961)	(3.506)
Short term financial debts	24.732	29.284	22.616
Long term financial debts	13.688	17.705	17.293
Total	(62.862)	42.028	36.403
Shareholder's equity			
Capital issued	17.995	11.336	11.336
Reserves	104.406	4.236	(7.666)
Income (*)	14.184	6.907	11.686
Third party equity (Minority)	1.435	1.073	481
Third party income (*)	570	129	44
Total	138.590	23.681	15.881
Total source of finance	75.728	65.709	52.284

(*) The income for the period at June 30, 2001 and at March 31, 2001 is pre income taxes

Attachment – financial statements in euros

Reclassified consolidated profit and loss account

(€/000)	30/6/2001	31/3/2001	2° trimestre 2001	31/12/2000
	6 mesi	3 mesi	3 mesi	pro forma
Net sales	73.456	37.073	36.383	123.508
Change in inventory	2.629	19	2.610	(908)
Other operating income	1.740	900	840	4.197
Total operating revenues	77.825	37.992	39.833	126.797
Raw materials	(21.852)	(10.731)	(11.121)	(34.162)
Other operating costs	(21.247)	(10.826)	(10.421)	(36.533)
Wages, salaries and benefits	(15.522)	(7.676)	(7.846)	(25.342)
Gross operating income	19.204	8.759	10.445	30.760
Operating depreciation and amortisation	(3.161)	(1.402)	(1.759)	(6.521)
Other provision	(16)	(5)	(11)	(401)
Operating income	16.027	7.352	8.675	23.838
Non operating amortisation (IPO charges)	(509)	0	(509)	0
Net financial results	(763)	(318)	(446)	(2.554)
Adjustments to value of financial assets	0	0	0	0
Extraordinary items	0	2	(2)	(135)
Income before taxes	14.755	7.036	7.718	21.149
Income taxes (*)	0	0	0	(9.419)
Income before minority	14.755	7.036	7.718	11.730
Minority interest	(570)	(129)	(441)	(44)
Income	14.185	6.907	7.277	11.686

(*) The income for the period at June 30, 2001 and at March 31, 2001 is pre income taxes

Consolidated net financial position

(€/000)	30/6/2001	31/3/2001	31/12/2000
			pro forma
Cash	100.977	4.913	3.283
Securities	305	48	223
Bank debt - short term	(21.258)	(26.208)	(19.225)
Financial debt vs owner company - short term	(3.473)	(3.076)	(3.392)
Net financial position - short term	76.551	(24.323)	(19.111)
Bank debt - long term	(12.050)	(16.067)	(16.067)
Other financiers - long term	(1.638)	(1.638)	(1.226)
Net financial position - long term	(13.688)	(17.705)	(17.293)
Net financial position	62.863	(42.028)	(36.404)