



Granitifiandre Group

Quarterly report to September 30, 2001

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

(lire/millions)	30/9/2001	3° trimestre 2001	31/12/2000
	9 months	3 months	pro forma
Net Sales	205.351	63.120	239.144
Gross operating income	50.225	13.041	59.560
Operating income	40.197	9.164	46.156
Income before taxes and minority	39.328	10.759	40.950
Net financial position	134.229	134.229	(70.494)
Shareholder's equity	291.860	291.860	30.751
Gross operating income on sales	24,5%	20,7%	24,9%
Operating income on sales	19,6%	14,5%	19,3%
Income before taxes and minority on sales	19,2%	17,0%	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

The results pointed out 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 alternative to quarried marbles and granites.

The consolidated sales to 30 September 2001 has reached a 205, 3 billion liras with an increase by 13,7% with respect to the year 2000; in the third quarter of the year 2001 the volume of sales, even if characterized by a physiological seasonality phenomenon for the limited levels of activity during the month of August, have confirmed the increasing trend pointed out in the first six months.

From the revenue analysis as for September 2001, it is possible to stress the positive result on the United States market, where the subsidiary Trans Ceramica Ltd has confirmed the increasing trends pointed out in the previous quarters of 2001, reaching a sales of 33 billion liras with a 27,1% increase with respect to the previous year; this is an excellent result as for volume and margin contrary to the general economic trend and the performance of the construction industry in USA.

This success validates the strategy of establishing a local production site which offers two important advantages: an evident logistic advantage and, in particular, an economic benefit in terms of lower transport costs and import duty (approximately 30% savings on the selling price).

In July has been established the Granitifiandre USA Inc. with a capital of 4 million USD; this company will manage the production expansion on the American market. A deed of sale was also signed in July for a value of 6,25 million USD (including charges for adaptation) for a land in Crossville, Tennessee, on which the Group's new American plant will be built, which will have an annual production at full capacity of six million square meters.

Positive results have been observed even in the European market where remarkable growth rates have been pointed out in Germany, England, Russia and France, which has confirmed to be the largest export European market. Especially in Germany the development (an increase by 13% with respect to the previous year) turns out to be contrary both to the general economic trend and to the construction industry of the country, thus confirming what has been said above about the American market. Even in this case a local production site in Vetschau in the Land of Brandenburg is foreseen with six million square meters annual production capacity. The building of the new plant has begun in October with the laying of the first stone; the plant will be operating within the year 2002 with a production of three million of square meters in the year 2003.

Positive results come even from the revenues for the complementary services, such as the laying, which give added value to the offer providing a “turnkey” service and the revenue generated by the Granitech division. This division, created at the end of last year, concerns the ventilated walls and the raised floors with a sale of 3,5 billion liras.

The newly acquired Hydrodesign Srl, leader in the sector of cutting, designing and assembling decorative vitrified stoneware products, is also meeting our expectation for growth with excellent margin in the period.

Bedel Paris acquired at the beginning of September has begun to operate as expected with a positive economic result since the first month of activity.

Excellent results are reported at 30 September 2001 in terms of both gross and operative margins (net of the amortization of the IPO charges); even the third quarter of 2001, physiologically characterized by a seasonality effect, helped to maintain high levels of profitability.

It is important to stress how the result before taxes and minority is substantially aligned with the one of the whole year 2000.

The analysis of the operational costs underlines in particular the high incidence of the energy costs which shows an increase of the average unit cost, with respect to the corresponding period of the 2000, of about 27% for methane gas and 20% for electricity. This trend has been dealt with by an increase in the average selling price per square meter and a careful cost management in the area of promotion and marketing.

The net financial position has benefited of the increase in share capital connected to the listing in Milan's MTA and the cash flow has allowed the investments in tangibles and financial fixed assets of the period without effecting the company's financial position.

Significant events at the end of the quarter

Among the most significant aspects it is to be pointed out that Granitifiandre has recently executed an important agreement with the Saint Gobain Group to supply the Dutch market through the subsidiary Raab Karcher Bouwstoffen. The overall value of the agreement exceeds 45 billion liras and provides for Granitifiandre's products to be displayed in the most prestigious area of the Dutch company's 20 most important show-rooms.

Furthermore, with reference to another supply contract acquired in September for the renovation of the Calgary airport, it is to be reported the shipment of a first tranche of 15.000 square meters with the Kashmir White product belonging to the Geologica Collection.

It is fixed for the 21st November 2001, the opening of the first mega-store (more than 800 m² show room) in Via Gregorio VII in Rome, in one of the most prestigious areas. This initiative has been reached through a franchising agreement with the leading distributor in Rome and foresees a supply contract of 7,7 billion liras.

Reclassified financial statements

Reclassified consolidated balance sheet

(lire/millions)	30/9/2001	30/6/2001	31/12/2000 <i>pro forma</i>
Fixed assets			
Intangibles	19.325	18.783	1.087
Tangibles	71.559	70.996	55.876
Financial	13.855	1.934	5.700
Total	104.739	91.713	62.663
Net Working capital			
Account receivables	85.247	98.743	86.097
Other current assets	17.576	15.357	27.393
Inventory	60.633	63.835	55.597
Account payables	(65.435)	(78.588)	(70.725)
Taxes payables	(4.559)	(2.870)	(20.863)
Other current liabilities	(12.305)	(12.480)	(14.688)
Total	81.157	83.997	62.811
Long term liabilities			
Employee termination indemnities	(14.213)	(13.888)	(12.710)
Reserves for risks and other long term liabilities	(14.052)	(15.193)	(11.519)
Total	(28.265)	(29.081)	(24.229)
Capital employed	157.631	146.629	101.245
Net financial position			
Cash and securities	(205.876)	(196.110)	(6.788)
Short term financial debts	45.143	47.887	43.798
Long term financial debts	26.504	26.504	33.484
Total	(134.229)	(121.719)	70.494
Shareholder's equity			
Capital issued	35.688	34.844	21.950
Reserves	213.937	202.157	(14.843)
Income	(*) 37.594	(*) 27.465	22.627
Third party equity (Minority)	2.907	2.778	932
Third party income	(*) 1.734	(*) 1.104	85
Total	291.860	268.348	30.751
Total source of finance	157.631	146.629	101.245

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

Reclassified consolidated profit and loss account

(lire/millions)	30/9/2001	Q3 2001	31/12/2000
	<i>9 months</i>	<i>3 months</i>	<i>pro forma</i>
Net sales	205.351	63.120	239.144
Change in inventory	2.954	(2.137)	(1.758)
Other operating income	4.428	1.060	8.127
Total operating revenues	212.733	62.043	245.513
Raw materials	(59.844)	(17.532)	(66.147)
Other operating costs	(59.713)	(18.573)	(70.738)
Wages, salaries and benefits	(42.951)	(12.897)	(49.068)
Gross operating income	50.225	13.041	59.560
Operating depreciation and amortisation	(10.028)	(3.877)	(13.404)
Operating income	40.197	9.164	46.156
Non operating amortisation (IPO charges)	(1.615)	(629)	-
Net financial results	746	2.224	(4.945)
Extraordinary items	-	-	(261)
Income before taxes	39.328	10.759	40.950
Income taxes	(*) - (*)	-	(18.238)
Income before minority	39.328	10.759	22.712
Minority interest	(1.734)	(630)	(85)
Income	37.594	10.129	22.627

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

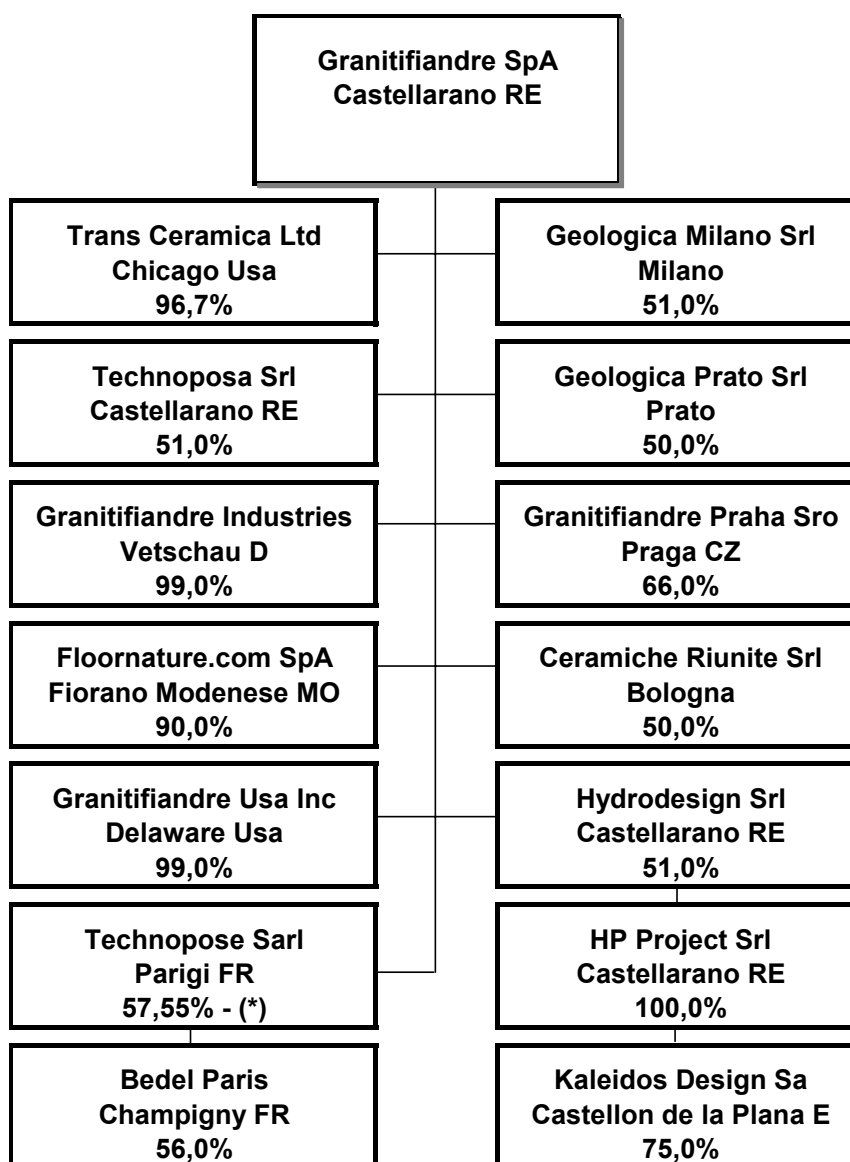
Consolidated net financial position

(lire/millions)	30/9/2001	30/6/2001	31/12/2000
			<i>pro forma</i>
Cash	44.151	195.519	6.357
Securities	161.725	591	431
Bank debt - short term	(39.485)	(41.161)	(37.229)
Financial debt vs owner company - short term	(5.658)	(6.726)	(6.569)
Net financial position - short term	160.733	148.223	(37.010)
Bank debt - long term	(23.333)	(23.333)	(31.111)
Other financiers - long term	(3.171)	(3.171)	(2.373)
Net financial position - long term	(26.504)	(26.504)	(33.484)
Net financial position	134.229	121.719	(70.494)

Notes to the consolidated financial statements

Structure of the Granitifiandre Group

The Group's structure is illustrated below:



(*) 2,5% participation of Technopose Sarl is held by Ceramiche Riunite

Form and content of the consolidated quarterly report

The quarterly report at September 30, 2001 has been drawn up in accordance with Art. 82 of CONSOB Regulation n. 11971 of 14 May 1999. It consists of the balance sheet, the profit and loss account and the director's report. 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. The profit and loss account for the period at September 30, 2001 together with those for the third quarter of the 2001 are presented; the balance sheet account and the net financial position at September 30, 2001 are compared with the correspondent figure at June 30, 2001. **Pro forma** figures for the year ended on December, 31 2000 are also provided, drawn from the prospectus issued pursuant to CONSOB's authorization of May 24, 2001, to permit a comparable analysis, on the bases of homogeneous figures, of the Group's financial position and results.

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

The figures in the balance sheet and profit and loss account are expressed in million of liras. They are translated into Euros in the attachment.

Profits for the quarter at September, 30 2001 are shown pre income taxes.

Accounting policies and consolidation methods

The accounting policies and consolidation method used to draw up the quarterly report at 30 September, 2001 are the same as those described in the consolidated financial statement at 31 December 2000. As mentioned above, the figures for the year ended on the 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 quotation for a description of the **pro forma** adjustments.

The companies included in the scope of consolidation are the following:

Name of the company	Registered office	Currency	Share capital	Percentage held		% Group
				direct	indirect	
Granitifiandre SpA	Castellarano RE - Italy	Euro (5)	18.431.339	capogruppo		
Trans Ceramica LTD	Chicago - Usa	USD	2.611.000	96,70%		96,70%
Technopose Sarl	Paris - France	FF	1.305.500	57,55%	2,50% (2)	58,80%
Bedel Paris Sa	Champigny - Francia	Euro	91.500	-	56,00% (6)	32,93%
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

(6) Participation held by Technopose Sarl

Changes with respect to the scope of consolidation at December 31, 2000 are the inclusion of Hydrodesing 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 and 30 June 2001. Also Floornature.com SpA, already present in the quarterly report at June 30, 2001 and the newly acquired Bedel Paris Sa have been included.

In the period at September 30, 2001 Technopose Sarl has increased the Share capital from 0,6 million of FF to 1,3 million of FF; Granitifiandre Spa has acquired equity stakes from minority at equity value. As a total amount the equity investment percentage has increased by five percentage points with respect to 31 December 2000.

Equity investments in non-consolidated subsidiaries at 30 September 2001 consist solely of the interest in Granitifiandre GmbH and Granitifiandre USA Inc. which are valued at cost as they are not yet operative.

Name of the company	Registered office	Currency	Share capital	% part	Book value (lira/millions)
Granitifiandre Industries Deutschland GmbH	Vetschau - Germany	Euro	25.000	99,00%	56
Granitifiandre Usa Inc	Delaware - Usa	USD	4.000.000	99,00%	8.936
Total					8.992

Analysis of principal changes

Fixed assets

The intangible assets have shown the following movements:

Description	Cost	Accumulated amortisation	Balance at 31/12/00	Purchases	Amortisation	Other movements	Balance at 30/9/01
Set up and expansion costs	33	(20)	13	7	(18)	72	74
Patent and rights to use intellectual property	378	(304)	74	304	(83)	-	295
Concessions, licenses, trademark and similar rights	91	(41)	50	87	(19)	31	149
Difference from consolidation	-	-	-	6.121	(459)	-	5.662
Other intangible assets	1.300	(350)	950	14.480	(2.548)	263	13.145
Total	1.802	(715)	1.087	20.999	(3.127)	366	19.325

The increments mainly concerns the IPO charges for an amount of 10,7 billion liras (amortized in a period of five years), the goodwill paid at the time of purchase of Hydrodesign for an amount of 6,1 billion liras (amortized in a period of 10 years) and the costs sustained by Floornature.com for the development of an integrated portal system enabling exchanges on the web, for an amount of 3,7 billion liras (amortized in a period between 3 and 5 years).

The tangible assets at September 30, 2001 show the following movements:

Description	Balance at 31/12/00	Purchases	Other movements	Sales	depreciation	Balance at 30/9/01
Land and buildings	31.792	3.572	2.958	-	(1.636)	36.686
Plant and machinery	20.645	12.690	2.090	(33)	(5.099)	30.293
Industrial and commercial equipment	388	546	13	-	(381)	566
Other assets	2.916	1.958	437	(20)	(1.366)	3.925
Assets in construction and advances	135	13	49	(108)	0	89
Total	55.876	18.779	5.547	(161)	(8.482)	71.559

Most of the investments concern the expansion and the technological modernization of the polishing plant which, as planned, led to the installation of new polishing lines, and thereby consolidating the company's leadership in this sector. The item "other movements" includes the effect deriving from the change in the consolidation area.

The depreciation policies are the same as those used during the consolidated financial statement as of December 31, 2000.

The value of the non-consolidates subsidiaries is included among the financial fixed assets, please see the paragraph "accounting and consolidation principles".

Net working capital

The increase in net working capital with respect to December 31, 2000 is explained both by the changes in the consolidation area, and in particular by the acquisition of Hydrodesign Srl, and to the positive development of the business activity. 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 previous year; among the other receivables are included the receivables for income taxes' payments on account.

Long and medium term liabilities

The reserve for risks mainly includes the adjustment to the exchange rate at the end of the period for receivables and payables in foreign coming from outside the European Monetary Union.

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 about 212,5 billion net of commissions and other expenses.

The significant cash flow also allowed the investments in fixed assets, as described above, without effecting the company's financial position.

Shareholder's equity

Below is the reconciliation of the net profit and shareholder's equity of Granitifiandre S.p.A. with the consolidated figures of the Granitifiandre Group

(lire/millions)	Share capital and reserves	Income (*)	Total
Shareholder's equity - Granitifiandre SpA	246.251	32.832	279.083
Difference between shareholder's equity and carrying value of the company	4.983	5.286	10.269
Amortisation of goodwill	-	(459)	(459)
Elimination on inter group profits in inventory net of deferred taxes	(1.609)	(65)	(1.674)
Others	-	-	-
Total Shareholder's equity and income - group	249.625	37.594	287.219
Minority interest	2.907	1.734	4.641
Total Shareholder's equity	252.532	39.328	291.860

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

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

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	(21.586)	492	1.891	22.627	29.734
Destination of 2000 income			30	21.682		915	(22.627)	-
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
Share capital increase of n° 872.118 shares of nominal value Euro 0,5 each at the price of Euro 8 each	844	12.665						13.509
Translation difference					79			79
Other variations					(9)	6		(3)
Income for the period (*)							37.594	37.594
Situation at June 30, 2001	35.688	206.077	4.390	96	562	2.812	37.594	287.219

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

Revenues from sales and services

Revenues are broken down by type in the following table:

(lire/millions)	30/9/2001	30/6/2001	31/12/2000
		<i>pro forma</i>	<i>pro forma</i>
Vitrified stoneware products	144.240	136.862	180.623
Vitrified stoneware products - low range	5.897	9.796	12.195
Polishing services	14.338	13.634	17.944
Semi-finished products	11.591	8.861	11.379
Fitting and installation services	10.142	9.244	12.335
Other income	19.143	2.210	4.668
Net sales	205.351	180.607	239.144

A comparison between revenues during the third quarter of the year 2001 and the same period in 2000 shows an increase of 7,4 billion liras (an increase of 5,4%) in sales of branded vitrified stoneware products, with growth in top of the range products of the Geologica collection.

As forecasted, there has been a decrease in sales in low range vitrified stoneware products of about 3,9 billion liras or 40%.

Other revenues are made up primarily by the newly consolidated Hydrodesign Srl and by the Granitech division sales.

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

(lire/millions)	30/9/2001		30/9/2000		31/12/2000	
			<i>pro forma</i>		<i>pro forma</i>	
Italy	40.008	27,7%	39.768	29,1%	51.598	28,6%
Europe	55.282	38,3%	51.958	38,0%	65.970	36,5%
Rest of the world	48.950	33,9%	45.136	33,0%	63.055	34,9%
Net sales	144.240		136.862		180.623	

Considering the total revenues, sales in Italy amounted to 48,7% of the total.

Outlook for the rest of the year

The goods sales and profit figures achieved during the period considered foreseen the achievement the ambitious targets for the 2001, consisting of 10,8% increase in sales and a gross margin not less than 24%.

Castellarano, 12 November 2001

Attachment – financial statements in euros

Reclassified consolidated balance sheet

(€/000)	30/9/2001	30/6/2001	31/12/2000 <i>pro forma</i>
Fixed assets			
Intangibles	9.981	9.701	561
Tangibles	36.957	36.666	28.858
Financial	7.156	999	2.944
Total	54.094	47.366	32.363
Net Working capital			
Account receivables	44.026	50.997	44.465
Other current assets	9.077	7.931	14.147
Inventory	31.314	32.968	28.713
Account payables	(33.794)	(40.587)	(36.526)
Taxes payables	(2.355)	(1.482)	(10.775)
Other current liabilities	(6.355)	(6.445)	(7.586)
Total	41.913	43.382	32.438
Long term liabilities			
Employee termination indemnities	(7.340)	(7.173)	(6.564)
Reserves for risks and other long term liabilities	(7.257)	(7.847)	(5.949)
Total	(14.597)	(15.020)	(12.513)
Capital employed	81.410	75.728	52.288
Net financial position			
Cash and securities	(106.326)	(101.282)	(3.506)
Short term financial debts	23.314	24.732	22.620
Long term financial debts	13.688	13.688	17.293
Total	(69.324)	(62.862)	36.407
Shareholder's equity			
Capital issued	18.431	17.995	11.336
Reserves	110.490	104.406	(7.666)
Income	(*) 19.416 (*)	14.184	11.686
Third party equity (Minority)	1.501	1.435	481
Third party income	(*) 896 (*)	570	44
Total	150.734	138.590	15.881
Total source of finance	81.410	75.728	52.288

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

Attachment – financial statements in euros

Reclassified consolidated profit and loss account

(€/000)	30/9/2001	Q3 2001	31/12/2000
	9 months	3 months	pro forma
Net sales	106.055	32.599	123.508
Change in inventory	1.526	(1.103)	(908)
Other operating income	2.287	548	4.197
Total operating revenues	109.868	32.044	126.797
Raw materials	(30.907)	(9.055)	(34.162)
Other operating costs	(30.839)	(9.592)	(36.533)
Wages, salaries and benefits	(22.182)	(6.660)	(25.342)
Gross operating income	25.940	6.737	30.760
Operating depreciation and amortisation	(5.179)	(2.002)	(6.922)
Operating income	20.761	4.735	23.838
Non operating amortisation (IPO charges)	(834)	(325)	-
Net financial results	385	1.148	(2.554)
Extraordinary items	-	-	(135)
Income before taxes	20.312	5.558	21.149
Income taxes (*)	- (*)	-	(9.419)
Income before minority	20.312	5.558	11.730
Minority interest	(896)	(326)	(44)
Income	19.416	5.232	11.686

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

Consolidated net financial position

(€/000)	30/9/2001	30/6/2001	31/12/2000
			pro forma
Cash	22.802	100.977	3.283
Securities	83.524	305	223
Bank debt - short term	(20.392)	(21.258)	(19.227)
Financial debt vs owner company - short term	(2.922)	(3.474)	(3.393)
Net financial position - short term	83.012	76.550	(19.114)
Bank debt - long term	(12.050)	(12.050)	(16.067)
Other financiers - long term	(1.638)	(1.638)	(1.226)
Net financial position - long term	(13.688)	(13.688)	(17.293)
Net financial position	69.324	62.862	(36.407)