

**PROPOSAL OF THE BOARD OF STATUTORY AUDITORS IN RELATION TO
THE APPOINTMENT OF THE INDEPENDENT AUDITORS AS PER ARTICLE 159
OF LEGISLATIVE DECREE NO. 58 OF 24.02.1998**

Dear Shareholders,

introduction

- with the Shareholders' AGM for the approval of the financial statements at December 31, 2009 and the independent auditors' report, the office conferred by the Shareholders' AGM of Granitifiandre S.p.A. (hereafter also the Company) to the Audit Firm Deloitte & Touche Italia S.p.A. expires;
- with the independent auditors' report to the financial statements at December 31, 2009, the third three-year audit mandate conferred to the above-stated Independent Audit Firm expires;
- article 159 paragraph IV of Legislative Decree No. 58 of February 24, 1998 (hereafter also the CFA), established the duration of office for the audit as nine fiscal years, introducing a prohibition on the renewal if at least three years has not passed since the termination of the previous appointment;
- the above-stated article 159 of the CFA requires that the Shareholders' Meeting appoints the independent audit firm and approves the relative remuneration, based on a proposal by the Board of Directors.

The Board of Statutory Auditors of Granitifiandre S.p.A. is therefore called, in accordance with the above-stated regulations, to present a proposal to the Shareholders' AGM in relation to the appointment of the Independent Audit Firm.

For these purposes, the Board of Statutory Auditors carried out the activities

illustrated below.

Preliminarily, the Statutory Auditors delegated to Mr. Maggioni, as executive responsible for the accounting documents of Granitifiandre S.p.A., the acquisition of proposals from leading Independent Audit Firms, for the period 2010/2018 and therefore received proposals from the following companies: BDO Italia; Mazars Italia; Price Waterhouse & Coopers Italia, KPMG Italia and Reconta Ernst & Young Italia.

Mr. Maggioni, together with the Company, defined also the Auditing requirements for the period 2010/2018:

- a) Audit of the parent company and consolidated financial statements as per art. 156 of the CFA;
- b) Verification activities as per article 155, paragraph 1, letter a) CFA;
- c) Limited audit of the condensed half-year financial statements;
- d) Verification activities related to the signing of the tax declarations (Modello Unico, Irap and Modello 770, simplified and ordinary).

The Board examined the proposals, also considering the relative fees, with professional presentations received which also included the auditing activities as per article 156 CFA of the foreign and Italian subsidiaries and of the limited audit of their half year reports, with particular focus on the proposals provided by Price Waterhouse & Coopers Italia, KPMG Italia and Reconta Ernst & Young Italia.

The evaluation was carried out through a comparative and complete analysis of the proposals acquired, comparing among them: (i) the expenses and the conditions of mandate, (ii) the professional attributes of the teams employed, (iii) the skills and the specific experience in the ceramic sector, (iv) the remuneration proposed based on

similar parameters.

The difference between the best offer and the next best offer was approx. 5%, and in a situation regarding a conferment of office for a period of nine years, such difference was considered to be significant.

The cost elements of the offers received were broken down as follows:

Granitifiandre Group	KPMG	PWC	E&Y
Granitifiandre S.p.A.	55,000.00	60,000.00	55,000.00
StonePeak (USA)	59,405.00	68,000.00	52,000.00
Savoia Canada (Canada)	15,878.00	22,000.00	13,000.00
Porcelaingres (Germany)	28,400.00	44,000.00	30,000.00
Total audit	158,683.00	194,000.00	150,000.00

For completeness of information, the amounts indicated do not include the expenses and the supervisory fees due to Consob; all the proposals provided an annual adjustment of the fees based on the changes in the ISTAT index relating to the cost of living compared to the previous year.

The Board of Statutory Auditors, in conjunction with the Internal Control Committee, report that:

- the proposal of Reconta Ernst & Young S.p.A. contains the audit plan for the parent company and consolidated financial statements for the years from 2010 to 2018, in order to express an opinion in accordance with article 156 of the CFA and that this plan was adequate and complete in relation to the requirements and size of Granitifiandre S.p.A. and of the Group;
- in particular the proposal included:

- o a breakdown of the work necessary for the limited audit of the consolidated half year report for the years 2010 to 2018 (Year-end December 31), which appeared sufficient;
- o an illustration of the procedures of the verifications required by article 156, paragraph 1, letter a) and b) of the CFA and that these procedures are adequate;
- that the audit firm Reconta Ernst&Young S.p.A. fulfils the statutory requirements of independence and that there are no current incompatibilities;
- that the audit firm has sufficient organisational and technical knowledge for the size and complexity of the appointment;
- that the remuneration requested is in line with the general market.

In view of these considerations, the Board of Statutory Auditors of Granitifiandre S.p.A.

proposes

to the Shareholders' AGM, in accordance with article 159 CFA, to confer to the Independent Audit Firm Reconta Ernst & Young S.p.A., recorded in the Special Role of Independent Auditors held by CONSOB, the appointment for the audit of the financial statements of Granitifiandre S.p.A. and the consolidated financial statements of the Granitifiandre Group for the years 2010-2018, as well as the appointment for the limited audit of the consolidated half-year report of Granitifiandre S.p.A. for the above stated years, approving the fees to be paid to the Company for each of the above stated years in the amount of Euro 55,000.00 annually, providing also this amount is adjusted annually based on changes to the ISTAT cost of living index.

Modena, March 29, 2010

Mr. Edoardo Rossini, Chair. Board of Statutory Auditors

Ms. Rosa Carla Parisi, Standing Auditor

Ms. Francesca Pagliani, Standing Auditor
