



Luxury Ceramic Tiles in the World

COMPANY PRESENTATION – Milan, March 22nd 2017

## UN GRUPPO INTERNAZIONALE DAI VALORI FORTI

*An international Group with strong values*

### LEADERSHIP TECNOLOGICA

Investiamo costantemente in ricerca, tecnologie e stabilimenti all'avanguardia per rispondere ad ogni esigenza dell'architettura e dell'interior design con soluzioni innovative, capaci di diventare punto di riferimento del settore.

### QUALITÀ ED ECCELLENZA ESTETICA

Ricerchiamo con tenacia l'eccellenza industriale, dalla qualità delle materie prime all'efficienza del processo, per ottenere prodotti in grado di coniugare assoluto valore estetico a elevatissime prestazioni tecniche.

### RESPONSABILITÀ

Mettiamo sempre la persona e la qualità della vita al centro delle nostre attenzioni, con prodotti sicuri, sostenibili per l'ambiente, operando nel massimo rispetto di chi lavora con noi.

### AFFIDABILITÀ

La garanzia di un Gruppo che, dalle radici familiari nel distretto ceramico di Sassuolo alla quotazione alla Borsa di Milano, è cresciuto fino a diventare una solida realtà internazionale, che opera ovunque nel mondo mantenendo un cuore italiano.

### TECHNOLOGICAL LEADERSHIP

We continuously invest in research, technologies, and cutting-edge facilities to respond to every need of architecture and interior design with innovative solutions that become a point of reference in the trade.

### QUALITY AND AESTHETIC EXCELLENCE

We tenaciously seek industrial excellence, from the quality of raw materials to process efficiency, achieving products that combine the utmost aesthetic value with the highest technical performance.

### RESPONSIBILITY

We always place people and quality of life at the center of our focus, with products that are safe and environmentally sustainable, operating with maximum respect for those who work with us.

### RELIABILITY

The reliability of a Group that, from its family roots within the ceramic district of Sassuolo to its listing in Milan Stock Exchange, has grown to become an international institution, operating worldwide with an Italian heart.

# A leading maker of deluxe ceramics

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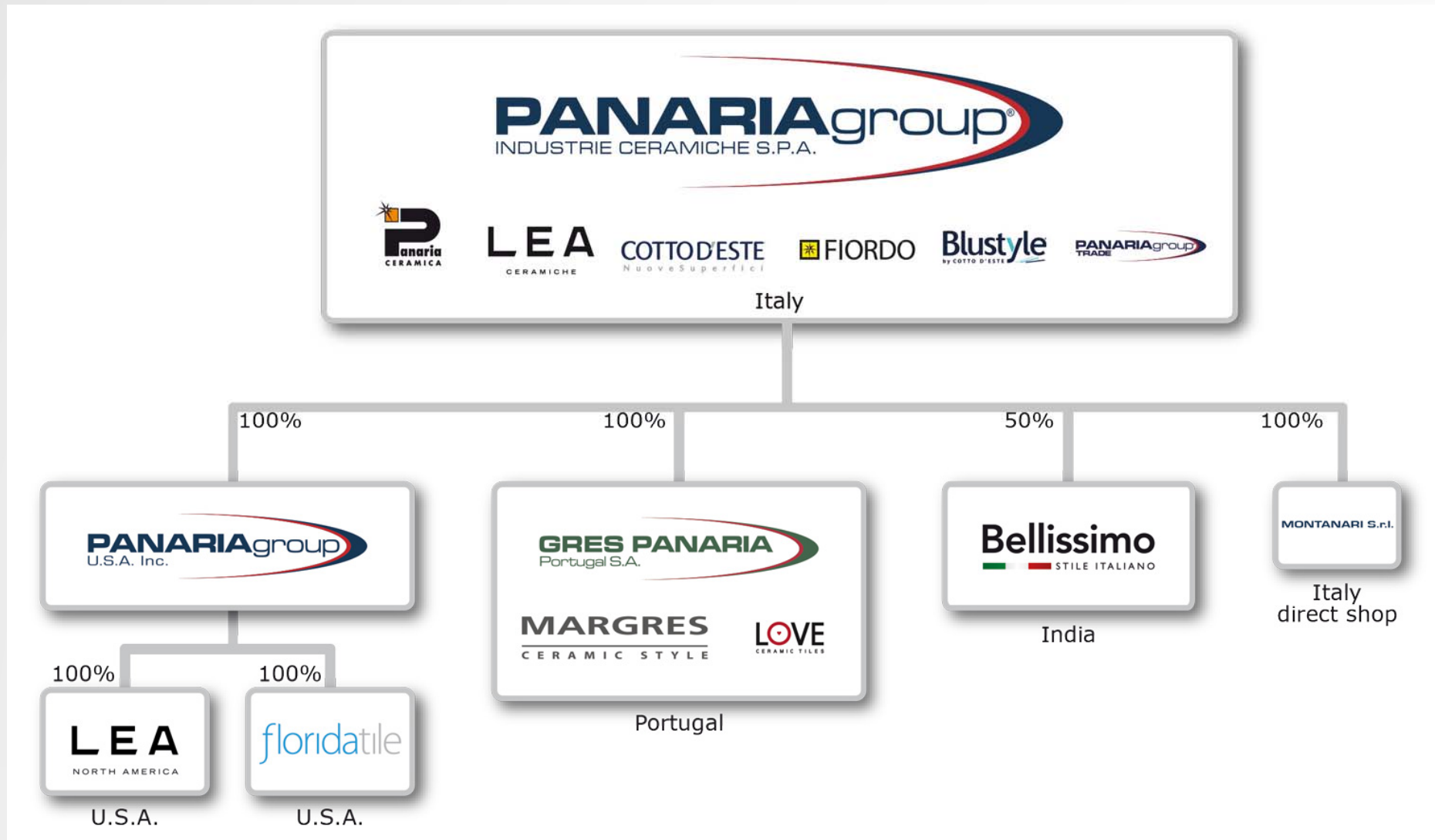
# A leading maker of deluxe ceramics

With its 1,600 employees, 9,000 customers, 6 production facilities (3 in Italy, 2 in Portugal and 1 in the United States), and a turnover of 377 million € in 2016, Panariagroup is one of the leading Italian manufacturers of ceramic tile for floors and walls.

Specialised in the production of porcelain and Laminated stoneware, the group has focused on the top level and luxury segments of the market that it caters for by means of nine brands: Panaria, Lea, Cotto d'Este, Blustyle, Fiordo, Florida Tile, Margres, Love Tiles and Bellissimo, which fulfil the needs of diverse customers that however share the same concern for the aesthetic and technical quality of products.

Panariagroup is an international-scale reference point, counting on production facilities in Italy, Portugal, United States, India and an extensive sales network in over 100 countries all over the world.

# The Group Organization



# Forty years of experience

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1974

- In 1974 Panaria Ceramica was established further to the initiative of a team of managers, such as for instance Giuliano Mussini, "forefather" of the Mussini family, current major shareholder of Panariagroup Industrie Ceramiche S.p.A.

1992

- During the 90's Panaria implemented a strategy for expansion and extension of its trademarks and products by acquiring, in 1992, Ceramiche Artistiche Lea, a company specialised in the production of white body single-firing floor tiles, and establishing, during the same year, Cotto d'Este, company producing deluxe product lines

1995

- In 1995, Fiordo Industrie Ceramiche was founded and lastly the technologically advanced production facility of Toano was built for the exclusive production of porcelain stoneware.

2002

- The process of expansion into international markets realised itself with the acquisition, in 2002, of Maronâgres (today Margres), reference company in the field of porcelain stoneware in Portugal and with the establishment, in 2004, of Lea North America Inc, company marketing the products of Lea in the USA.

2004

- In 2004 Panariagroup was established further to the merger of all Italian companies of Panaria.
- In 2004, Panariagroup began the procedures for listing on the stock exchange and on November 19th, the Group was listed on the Star segment of the Italian Stock Exchange.

2005

- In 2005 Panariagroup acquired another company in Portugal, namely Novagrés (today Love Tiles), leading manufacturer of glazed porcelain stoneware floor tile and large size monoporosa wall tile.



# Forty years of experience

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2006

- The process of internationalisation continues in 2006 with the acquisition of the trademark and main assets of Florida Tile Industries, a historical reference trademark in the United States for the production and distribution of ceramic tile.
- In December 2006, the two Portuguese companies Novagrés and Margres were merged to constitute Gres Panaria Portugal whilst maintaining the two specific brands. Furthermore, a new company called Panariagroup USA Inc. was established to run the two companies Florida Tile and Lea North America.

2008

- In 2008 Blustyle Ceramica was founded. The brand is the expression of a new generation of top range products at the best price. Products are manufactured with great concern for the environment and using carefully selected raw materials.

2010

- But the expansion of Panariagroup does not stop here and in 2010 a new sales organisation, Panariagroup Trade, is established. Its purpose is to obtain important market shares in new areas that are gaining more and more importance when it comes to the purchase of ceramic tile: the Middle East, the Far East and Oceania. In particular, the organization has the purpose of distributing the brands Panaria, Cotto d'Este, Lea and Fiordo in these new areas by means of specific sales policies that respect the identity and peculiar features of each brand.

2012

- The most recent step in the Panariagroup internationalization process happens in 2012, with the joint venture with Asian Granito, one of the most important players in the Indian market. The "Bellissimo" brand comes to life, with the purpose of producing and selling in the Asian markets luxury ceramic products, with high value in terms of style and technology.

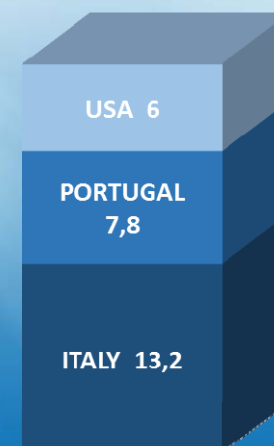
2015/16

- A view to rationalizing were unified under a single commercial organization, Panaria and Fiordo brands; the aim is to ensure greater control of the markets and to offer a wider range of products to customers.
- Also, in the Italian Business Unit has been unified the Marketing function, originally managed independently by the individual brands, in a single Group entity.
- «Commercial Strategy» project, with the goal to define guidelines and Identity to each brand of the Italian Business Unit and approach specific channel more efficiently. One of the results of the project, has been the creation of a new sales organization, Contract & Key Account. The aim of this organization is to approach the channel of the big projects worldwide, offering the complete product portfolio of the Group.

# World wide production



Millions sqm



**Capacity: 27,0 millions sqm**



# Group Plants

## ITALY



**Panariagroup #1 Plant**  
Finale Emilia (MO)



**Panariagroup #2 Plant**  
Toano (RE)



**Panariagroup #3 Plant**  
Fiorano (MO)



## PORTUGAL



**Panariagroup #4 Plant**  
Ilhavo



**Panariagroup #5 Plant**  
Aveiro



## USA



**Panariagroup #6 Plant**  
Lawrenceburg (KY)

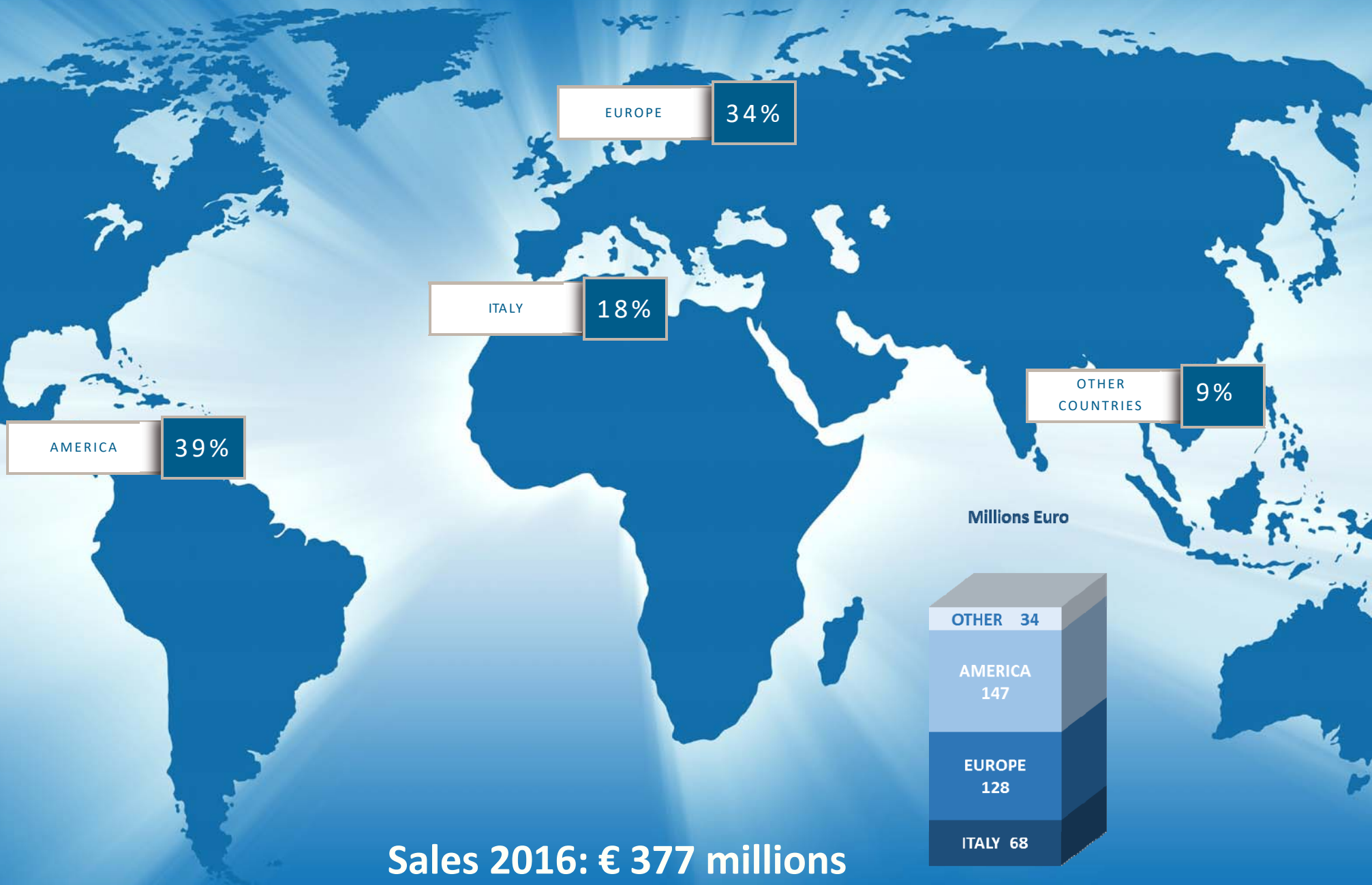


# Capital Expenditure

## In the last 5 years, over 100 € millions Capex

- In 2012 invested for 17,3M€: 7,1 M€ in Italy, 2,5 M€ in Portugal, 7,7M€ in US dedicated to a new porcelain line;
- In 2013 Capital Investment for 16,6M€: 10,6M€ in Italy; 3,3 M€ in Portugal and 2,7M€ invested in US;
- In 2014 Capital Investments for 13,2M€: 8,4 M€ in Italy, 2,4 M€ in Portugal and 3,1 M€ in USA;
- In 2015, 37,6 M€ in Capital investment : 17 M€ in Italy (3<sup>rd</sup> new line of Gres Laminated Porcelain 3/5 mm in the Fiorano plant in Italy), 13 M€ in USA (new complete manufacturing Line) and 7M€ in Portugal.
- In 2016, 37,5 M€ in Capital investment : 13,1 M€ in Italy (completion of 3<sup>rd</sup> new line of Gres Laminated Porcelain 3/5 mm in the Fiorano plant in Italy, Finale Emilia Plant building renovation, Selection line in Finale Emilia, Digital Printer in Toano), 19,2 M€ in USA (National Distribution Center expansion, rectifying line and selection line) and 5,2 M€ in Portugal (Polishing line, Sorting line, Digital printer).

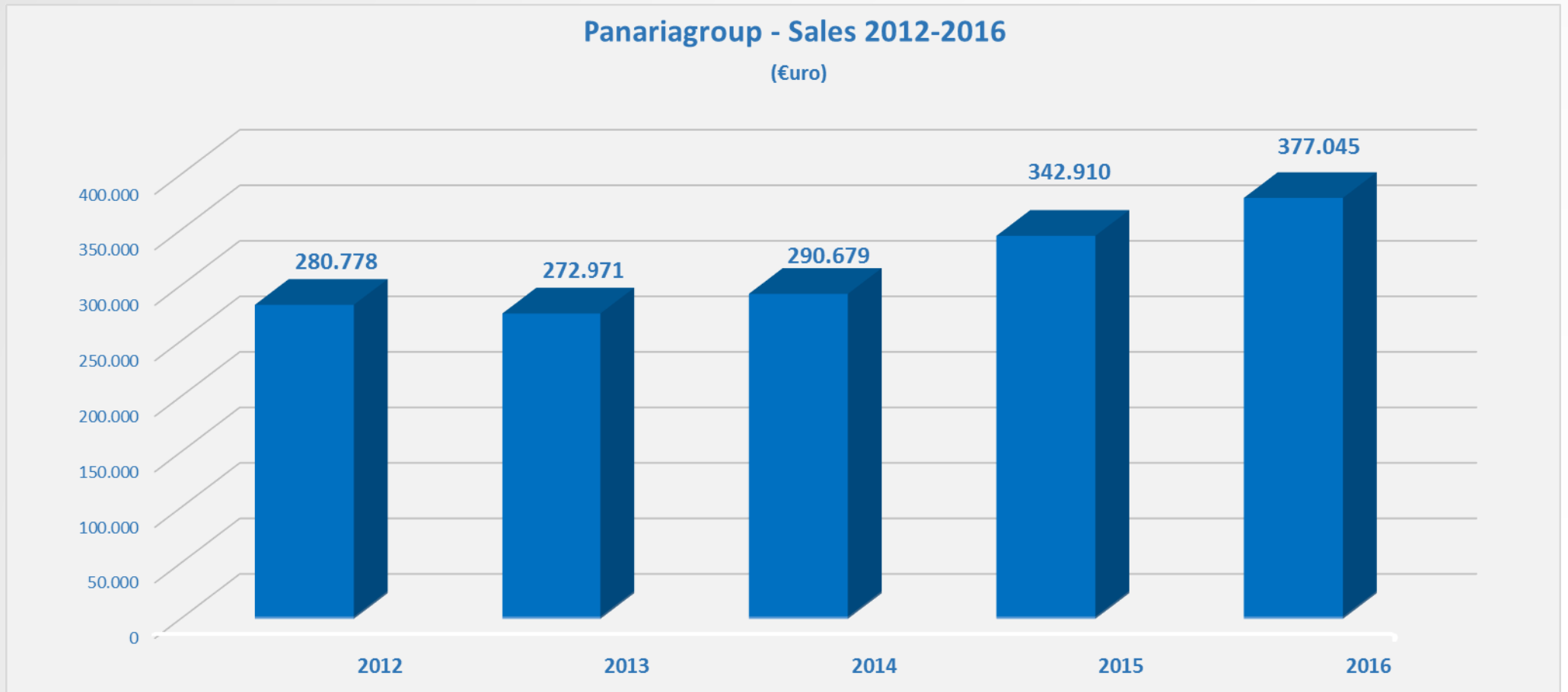
# Group Sales



Sales 2016: € 377 millions

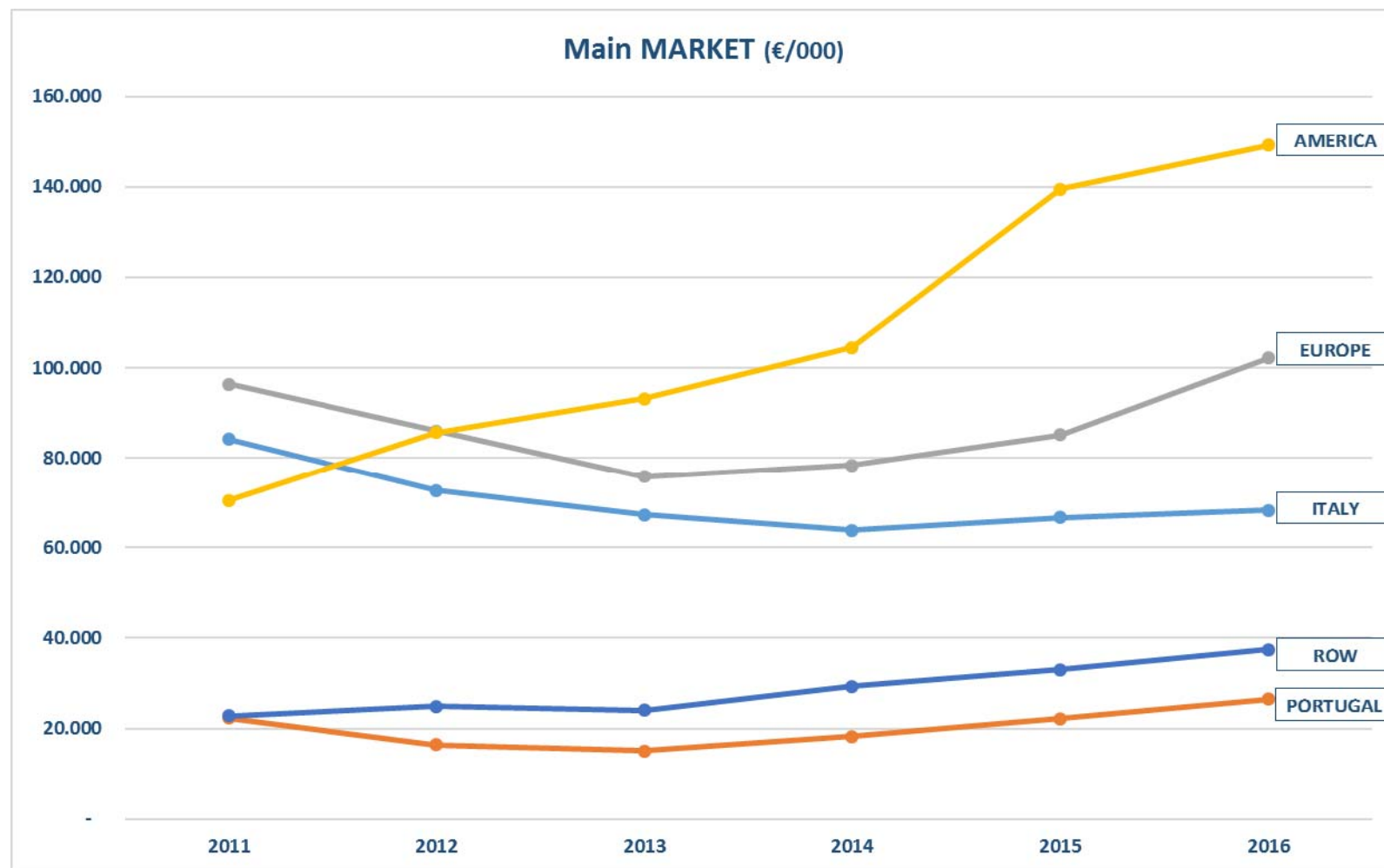
# Panariagroup Sales – 2012/2016

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Over 100 millions growth in Sales in the last 3 years

# Main Markets (2016-2015 Euro)

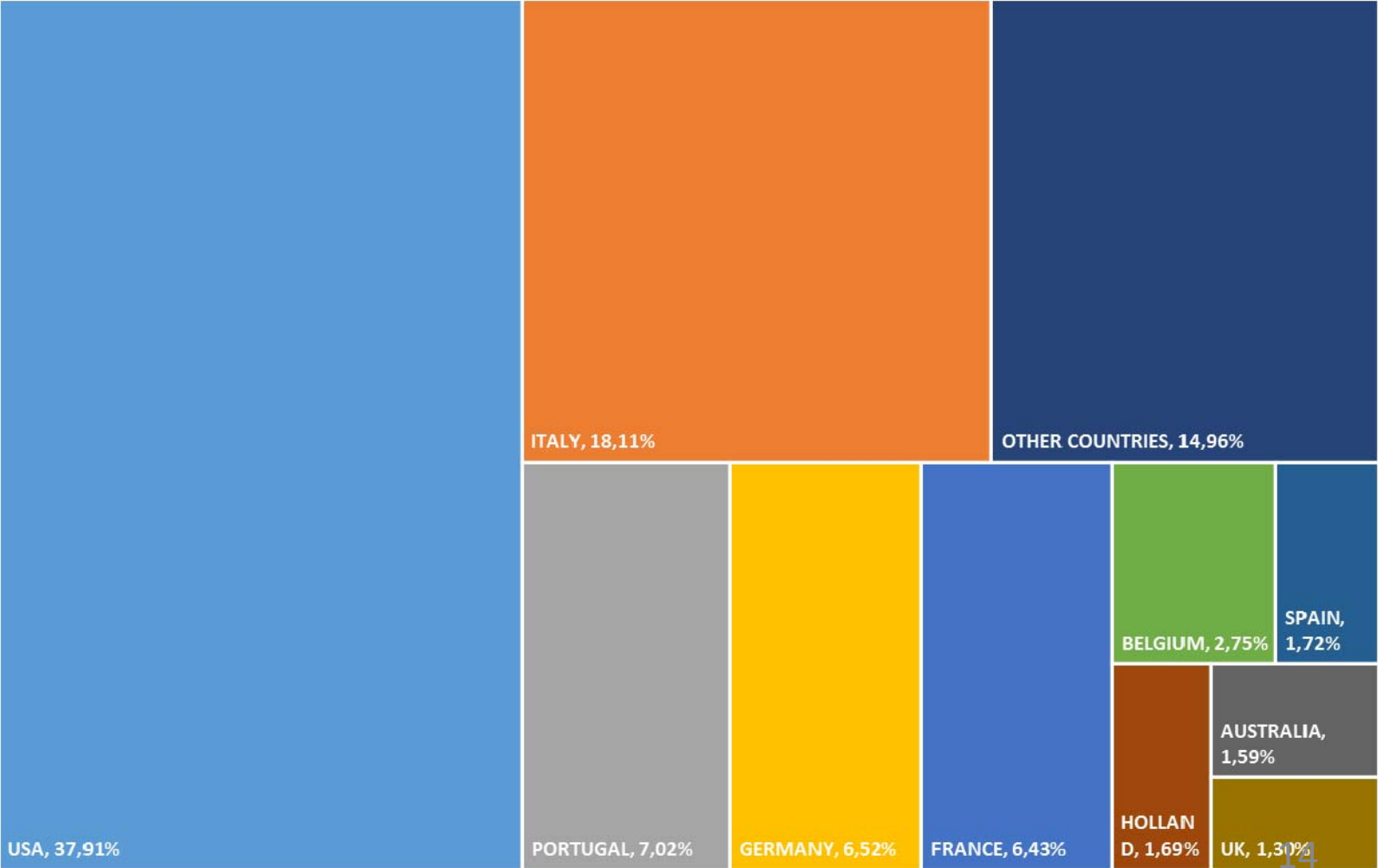


MARKET	2011	2012	2013	2014	2015	2016
ITALY	84.220	72.696	67.312	63.888	66.693	68.271
PORTUGAL	22.298	16.397	15.061	18.201	22.234	26.464
EUROPE	96.386	86.056	75.783	78.398	85.171	102.119
AMERICA	70.507	85.662	93.130	104.571	139.540	149.266
ROW	22.809	24.867	24.055	29.343	33.013	37.426



Top Ten Countries	2016	2015	2016-2015	%
USA	142.950.268	131.760.973	11.189.295	8,49%
ITALY	68.270.779	66.693.533	1.577.246	2,36%
PORTUGAL	26.463.504	22.234.815	4.228.689	19,02%
GERMANY	24.597.315	17.319.097	7.278.218	42,02%
FRANCE	24.235.943	22.768.976	1.466.967	6,44%
BELGIUM	10.354.228	11.344.261	- 990.033	-8,73%
SPAIN	6.501.785	5.725.916	775.869	13,55%
HOLLAND	6.374.871	3.990.798	2.384.073	59,74%
AUSTRALIA	5.986.113	5.101.772	884.341	17,33%
UK	4.908.966	3.525.896	1.383.070	39,23%
OTHER COUNTRIES	56.402.112	52.444.142	3.957.970	7,55%
TOTAL SALES	377.045.885	342.910.178	34.135.707	9,95%

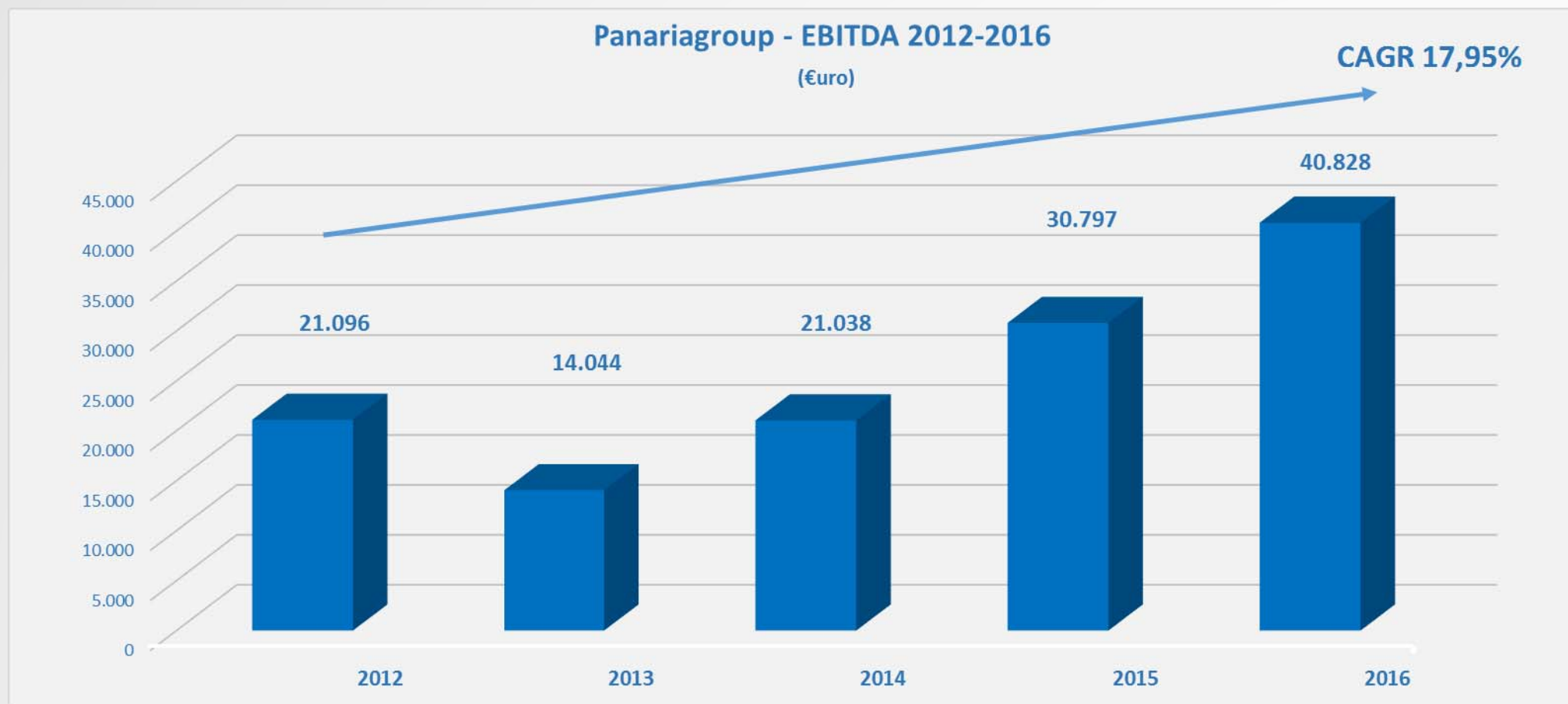
Revenues - Main Countries 2016



# Financial Results – Consolidated Income Statement

<i>Euro/000</i>	<i>2012</i>	<i>%</i>	<i>2013</i>	<i>%</i>	<i>2014</i>	<i>%</i>	<i>2015</i>	<i>%</i>	<i>2016</i>	<i>%</i>
Gross revenues	280.778	94,2%	272.971	100,9%	290.679	97,5%	342.910	95,5%	377.045	96,3%
Growth	-3,64%		-2,78%		6,49%		17,97%		9,95%	
Value of Production	297.917	100,0%	270.463	100,0%	298.247	100,0%	359.248	100,0%	391.440	100,0%
Growth	-1,88%		-9,22%		10,27%		20,45%		8,96%	
EBITDA	21.096	7,1%	14.044	5,2%	21.038	7,1%	30.797	8,6%	40.828	10,4%
Growth	-17,68%		-33,43%		49,80%		46,39%		32,57%	
EBIT	-5.546	-1,9%	-6.845	-2,5%	1.920	0,6%	11.097	3,1%	19.066	4,9%
Net income	1.591	0,5%	-7.851	-2,9%	-1.840	-0,6%	5.865	1,6%	11.215	2,9%

# Panariagroup Ebitda – 2012/2016



# Financial Results – Consolidated Balance Sheet

Euro/000	2012	2013	2014	2015	2016
Goodwill	8.139	8.139	8.139	8.139	8.139
Assets	94.050	92.507	92.053	114.708	133.562
Financial fixed assets	361	358	458	189	81
<b>Fixed assets</b>	<b>102.550</b>	<b>101.004</b>	<b>100.650</b>	<b>123.036</b>	<b>141.782</b>
Current assets	232.677	204.812	208.791	227.314	233.734
Current liabilities	(85.231)	(74.325)	(83.752)	(101.466)	(111.744)
<b>Net Working Capital</b>	<b>147.446</b>	<b>130.487</b>	<b>125.039</b>	<b>125.848</b>	<b>121.990</b>
Assets and Liabilities due after	(4.154)	2.521	1.723	(6.637)	(7.842)
<b>NET CAPITAL EMPLOYED</b>	<b>245.842</b>	<b>234.012</b>	<b>227.412</b>	<b>242.247</b>	<b>255.930</b>
Net Financial Position	(92.147)	(90.852)	(80.292)	(82.991)	(83.712)
Shareholders' equity	(153.695)	(143.160)	(147.120)	(159.256)	(172.218)
<b>Total sources of funds</b>	<b>(245.842)</b>	<b>(234.012)</b>	<b>(227.412)</b>	<b>(242.247)</b>	<b>(255.930)</b>



## EUROPE & USA



# Europe Outlook and Key Initiatives

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- 7 Brands (5 Italian and 2 Portuguese) and 5 Plants (3 in Italy and 2 in Portugal);
- Leader position in the Portuguese market;
- Continue to growth in the European markets at a rate greater than overall market;
- Both the Italian and Portuguese BU, in 2016 growth around 20% in Europe;
- All European Brands are in the high end /deluxe market segment;
- In the Italian market, the average selling price of the Italian BU is >60% of the average overall market;
- Continue the deployment of the «Commercial Strategy» in the Italian Business Unit;
- Continue to Invest in new technology: big size formats, digital printer, etc.

# USA Outlook

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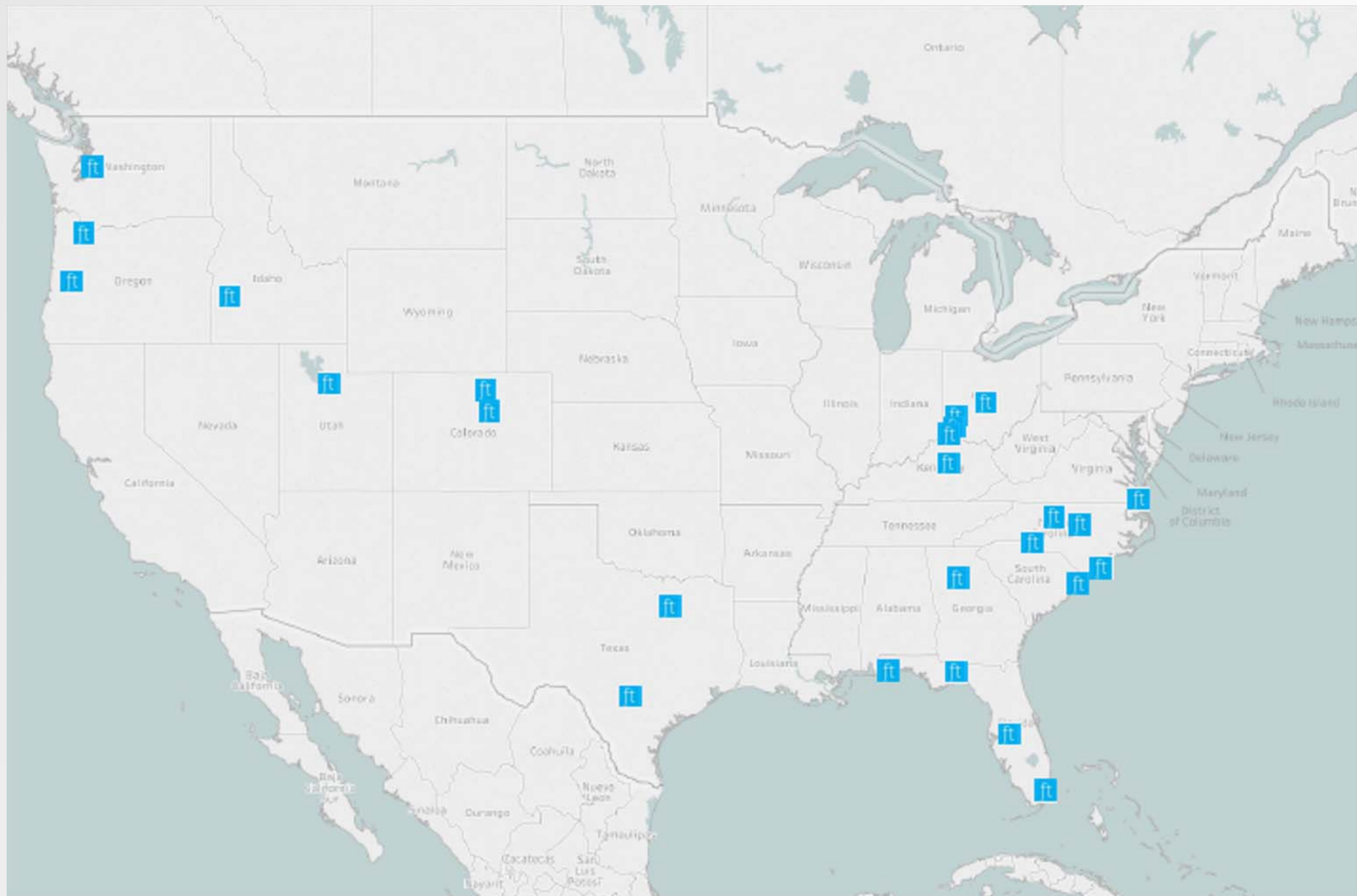
- The American brand is Florida Tile;
- Plant and Distribution Center in Kentucky;
- 25 branches (6 openenings in the last 3 years);
- Sales Organization and manufacturing in USA also for the Italian brands;
- R&D activity in collaboration with the Italian Business Unit;
- Commercial sinergies with the European Business Units;

# USA Key Initiatives

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- Continue to growth at a rate greater then overall market;
- Increase of Product portfolio;
- Growth of the distribution network: Mid size distributor and open new branches;
- Growth in the Home Center segment;
- Distribute Cotto d'Este in US territory with the sales team of Florida tile;
- Continue to invest in new technology: digital printer, etc.

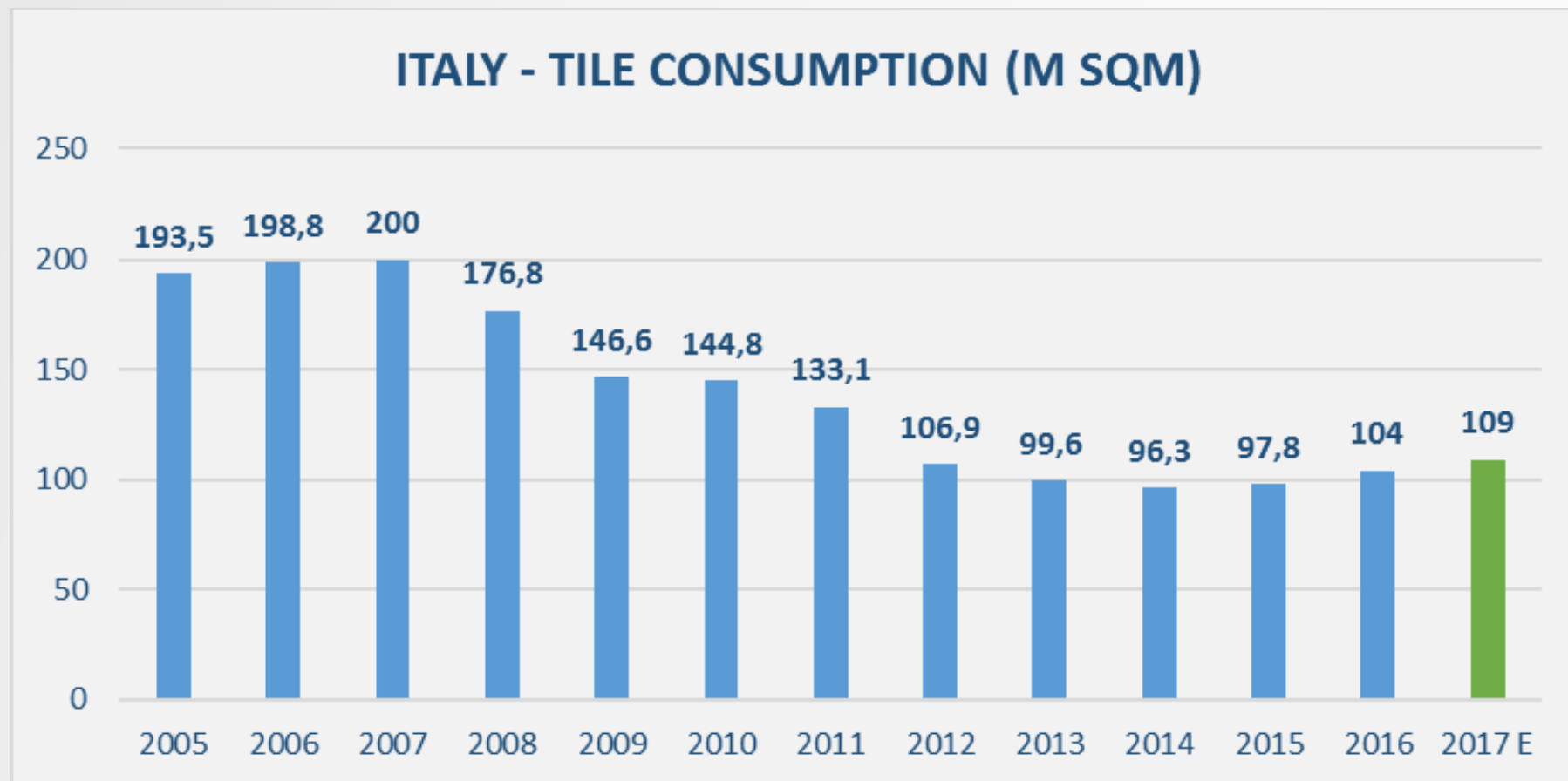
# USA Outlook – Floridatile store locations



# ATTACHMENTS

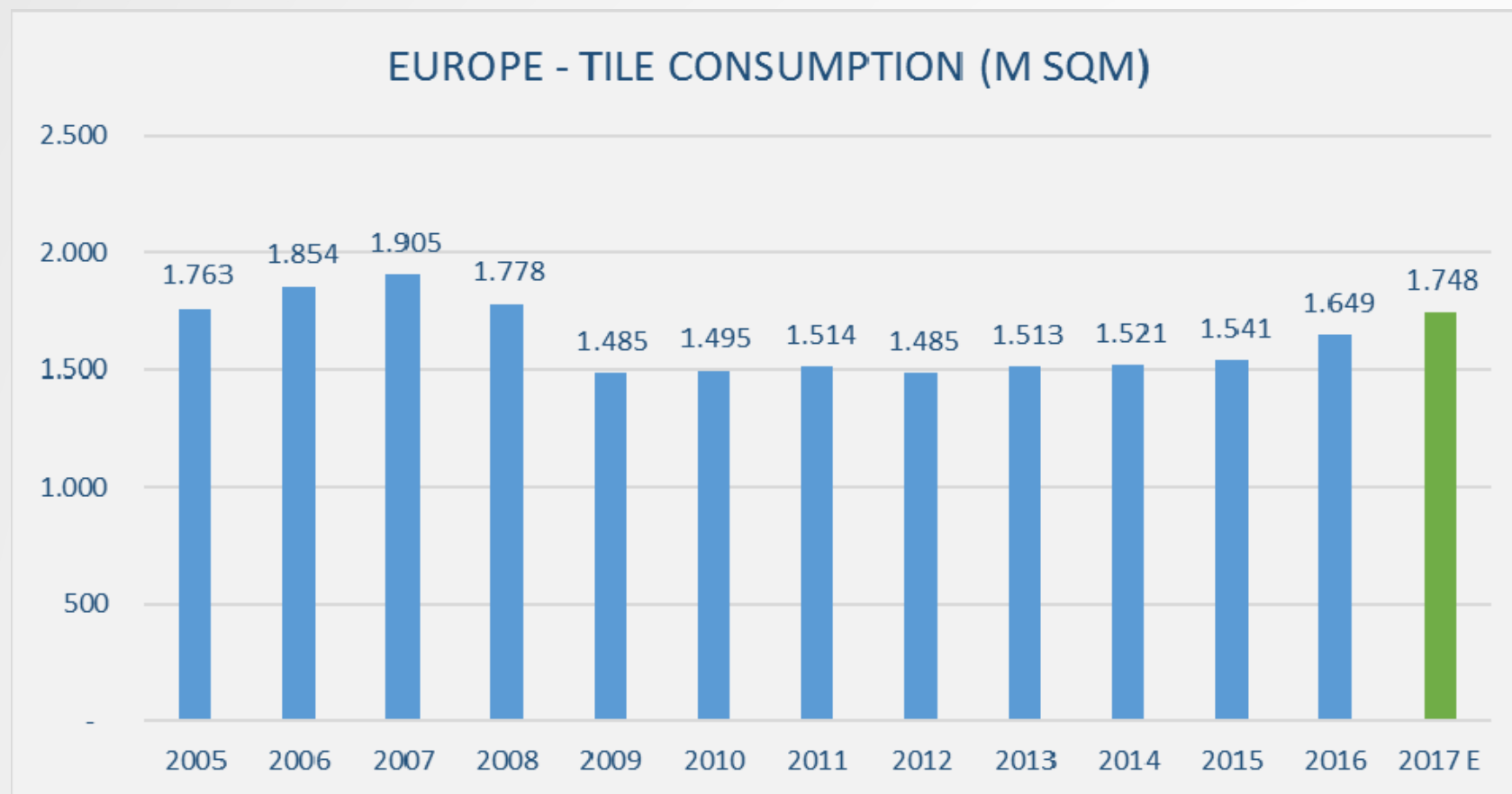


# Italian Market



Source: Confindustria Ceramica

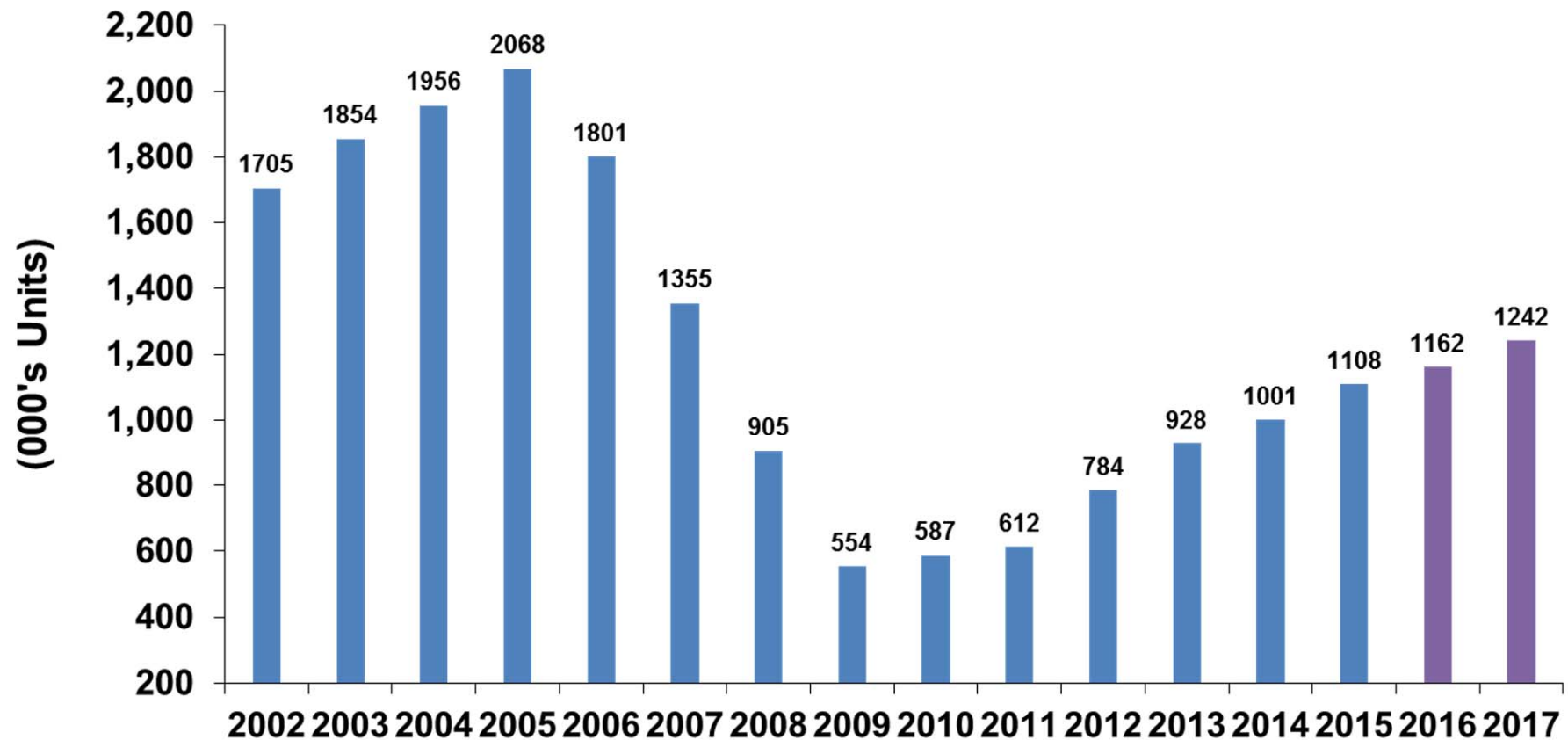
# Europe Market



Source: Confindustria Ceramica

# USA Outlook

## Market Evolution Annual Housing Starts

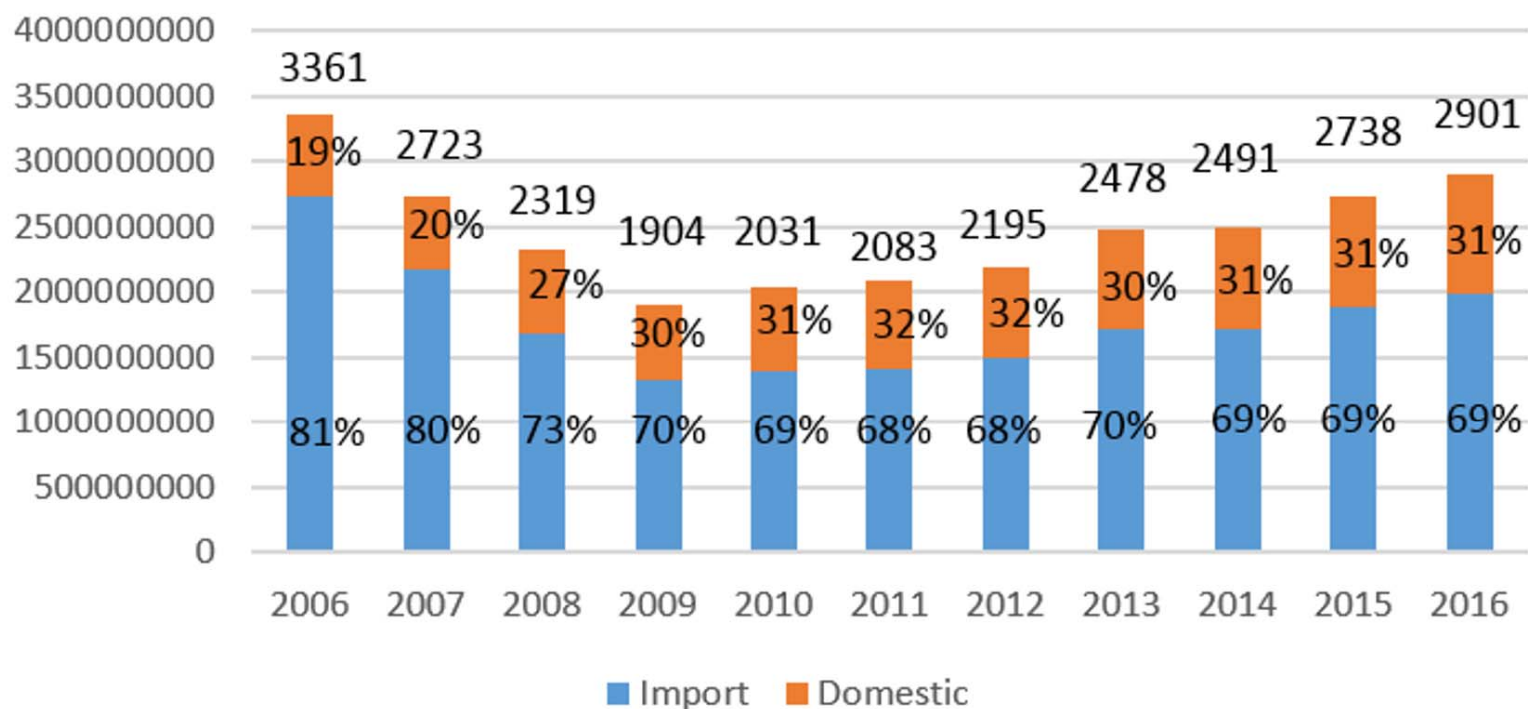


Source: NAHB Housing/Economic Forecast (2016 and 2017 are projections)

# USA Outlook

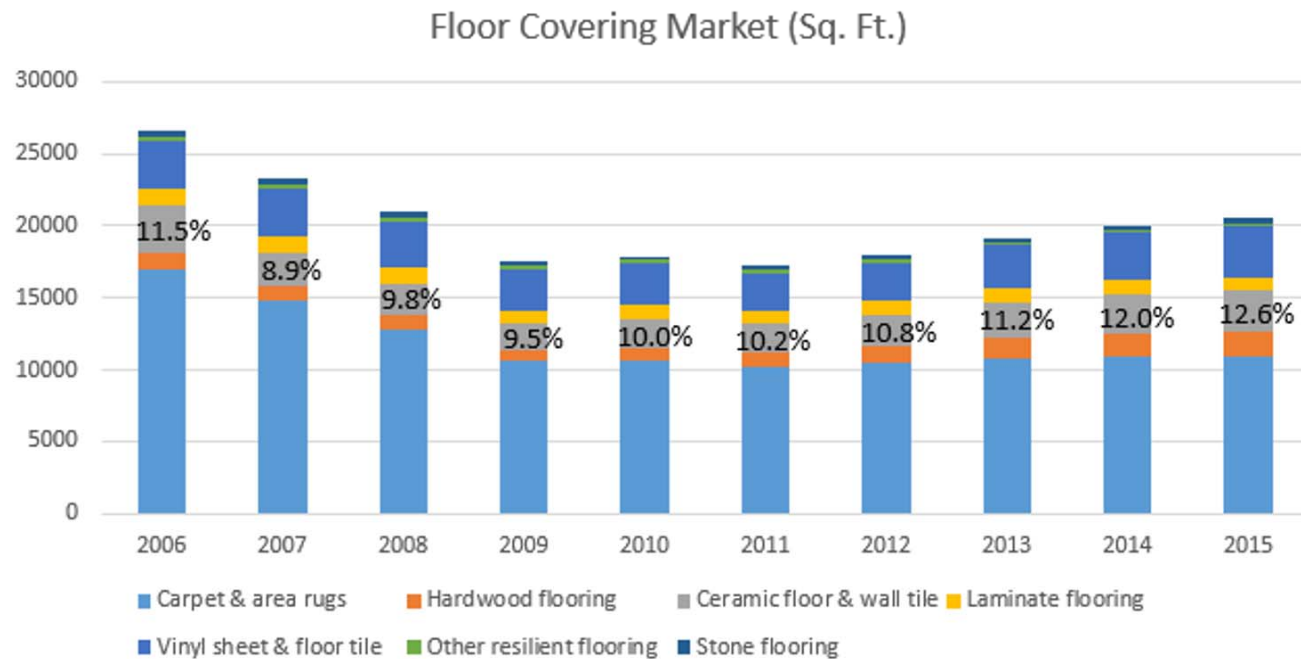
## Market Evolution

### Tile Consumption Square Feet



# USA Outlook

## Market Evolution Tile % of All Floor Coverings (In Millions)



*Other resilient includes cork, rubber, other plastics and linoleum*

*Stone excludes manufactured and engineered stone*

*Source: Catalina Research*



# Share Performance





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