

PRESS RELEASE

2017, new turnover record for Panariagroup and dividend confirmed

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the Draft Financial Statements at 31 December 2017.

- **Consolidated net revenues from sales amounted to 384.6 million Euros (377 million Euros in 2016), up 2%**
- **Gross operating profit amounted to 42.7 million Euros (40.8 million Euros in 2016)**
- **Net operating profit amounted to 18.9 million Euros (19.1 million Euros in 2016)**
- **Consolidated net profit is 11.4 million Euros (11.2 million Euros in 2016)**
- **Dividend equal to 0.07 Euros per share**

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A., a Group specialized in the production and distribution of ceramic material for high-end and luxury floor and wall coverings, today approved the Financial Statements at 31 December 2017, drafted in accordance with International Financial Reporting Standards (IFRS).

Panariagroup has taken opportunities from favourable economic environment, achieving the all-time high result in terms of turnover, in the story of Panariagroup.

Have excelled particularly the European Business Units, with an increase in turnover in Italy Business Unit of +6.0% and in Portugal Business Unit of +9.6%.

The main capital ratios remained steady, with the Net Financial Position-EBITDA ratio at 2.3 and the Net Working Capital-Revenues from Sales ratio at 33.9%.

CONSOLIDATED ECONOMIC AND FINANCIAL HIGHLIGHTS

(in thousands of Euros)

| Nature | 31/12/2017 | 31/12/2016 | Change € (000) |
|----------------------------------|-------------------|-------------------|-----------------------|
| Revenues from sales and services | 384,580 | 377,045 | +7,535 |
| Value of production | 414,857 | 391,440 | +23,417 |
| Gross operating profit | 42,739 | 40,828 | +1,911 |
| Net operating profit | 18,918 | 19,066 | -148 |
| Consolidated net profit | 11,356 | 11,215 | +141 |

“The positive achievements of 2017 are confirmation - says Emilio Mussini, the Panariagroup Chairman - that the action undertaken in recent years is generating excellent results. The drivers behind consumer decisions are increasingly oriented towards products and companies that operate

with a sustainable approach and Panariagroup's first Sustainability Report, prepared in compliance with the highest international reference standards for non-financial reporting (the GRI), in 2017 represented the major result of a lengthy process of reflection and awareness of our role in terms of corporate social responsibility. We are firmly convinced that this approach to business represents a strategic lever for differentiation, not only for industrial and product aspects."

"For the future, we are confident that the investments and the efforts made during last years - Mr. Mussini continues – in strengthening of organization structure, industrial and commercial, along with enhancement of the control over different channels at international level, will concur to consolidate our position in global *leader*, albeit in an increasingly competitive context."

REVENUES

After three years of highly significant growth, the Group was able to further strengthen its market presence, increasing the business volume by 7.5 million Euros (+2.0%) and to achieve - in the period 2013-2017 - growth of no less than 111.6 million Euros, exclusively for internal lines, equal to +41%.

In general, the Group's turnover on **foreign markets** accounts for **81%** of the total, with the **non-EU markets** corresponding to **46%** of total turnover.

EUROPE - On the **European markets**, the Group achieved excellent results, with growth of more than 7%.

The German market, the most important for the ceramics industry on continental Europe, has seen a major development as a result of a stronger monitoring policy for the various distribution channels. The performances in Portugal, which since 2013 has recorded annual growth figures of between 15% and 20%, with Gres Panaria Portugal's strengthening as market leader.

The results in Eastern Europe were also excellent, with growth of over 20%, driven primarily by the more than positive performance of the Russian market.

Italy BU exports to the European markets recorded an overall growth of 4%.

The impact of the European markets on total revenues was **35%**.

UNITED STATES - Turnover on the **US market** fell by 5.5% in Euros. This result is due to the US Dollar weakening against the Euro (-2%) and to a reduction in actual business volumes (-3,5%). Despite an economic context characterised by stronger competitive pressure, both for pressure by local players and by foreign exporters, the US Business Unit of Panariagroup has all the credentials to successfully fend off competition on the market.

The impact of the US markets on total revenues was **35%**.

ITALY - The results on the **Italian market** were up by around 9%, clearly superior to the general sector performance in Italy, which instead rose by 1.5% overall.

The consolidated and widespread presence of Panariagroup on the Italian market has definitely helped to increase market shares and, considered positive property domestic market forecasts, we are confident that this control, allow us to benefit of this opportunity.

The impact of the Italian market on total revenues was **19%**.

ASIA, CANADA, SOUTH AMERICA, OCEANIA AND AFRICA - On these **other markets** the turnover remained essentially in line with 2016. Good results, particularly in the Far East (Japan, Hong Kong and China), were confirmed in areas less conditioned by geopolitical factors, whilst tension in the Middle East continued to slow activities for Panariagroup and for the ceramics industry in general. Likewise, sales on the African markets felt the repercussions of an unfavourable context. The performance in Oceania, on the other hand, was excellent, proving to be higher than the trend for the sector and allowing the Group to achieve a 9% weighting on imports from Italy. The impact of “other markets” on total revenues was **11%**.

FINANCIAL RESULTS

After several years of significant increases in the Gross Operating Profit, 2017 was a year of further consolidation and confirmation of the good Group’s profitability levels.

Gross operating profit came to **42.7 million Euros**, representing 10.3% of the Value of Production (40.8 million Euros at 31 December 2016), up by 4.7%.

The increase in Gross Operating Profit (+1.9 million Euros) was the result of rising profit levels in the Italy and Portugal Business Units, partly absorbed by the decline in margins for the US Business Unit.

The **Net profit** reached **11.4 million Euros** (11.2 million Euros at 31 December 2016).

Earning per share amount to 0.25 Euros.

The Board of Directors, proposes a payment of a dividend equal to 0.07 Euros per share, with coupon detachment on 21st May 2018 and payment on 23rd May 2018.

NET FINANCIAL POSITION

While the increase in Group indebtedness, the capital ratios associated with the NFP in any event are a positive indicator. For the third consecutive year, the NFP/EBITDA ratio was well below the threshold of 3.

SHAREHOLDERS’ EQUITY

Group Shareholders’ Equity stood at 171.3 million Euros (172.2 million Euros in 2016).

OUTLOOK FOR GROUP OPERATIONS

2017 Results are positive, with a further reinforcing of business volumes and confirmation of the profit levels of the previous year.

For 2018 we expect a favourable performance overall, starting moderately and improving in the second part of the year.

In making this forecast, is to be taken into account the EUR/USD exchange rate, which is affecting the start of 2018 (average of around 1.23) and heavily penalising the Group's Consolidated Revenues compared to that recorded in the first quarter of 2017 (1.06).

We still remain confident, considering that, after several years during which the Group was involved in extraordinary activities to strengthen its business structure and optimise the organisational structure, in 2018 there is the opportunity to focus efforts even more on developing sales and profit margins.

One of the major companies in the global ceramics sector, in terms of internationalisation, technology, capacity to interpret market trends and business management, Panariagroup confirms its medium/long-term strategies of maintaining its current position among the leading market players. In this sense, therefore, it will continue to invest in new technologies, product innovation and new markets, backed strongly by the values and excellence for which the Italian ceramics industry has always been renowned and especially by the ever-growing demand for ceramics in a wider range of uses compared to those traditionally known: "outdoor" flooring, kitchen tops and, in more general terms, as a replacement for marble, natural stone and wood.

NOTICE OF CALL OF THE SHAREHOLDERS' MEETING

The Panariagroup Board of Directors has approved the resolutions and assigned the necessary powers to arrange the ordinary and extraordinary Shareholders' Meeting of the Company, by notice of call to be published no later than 28 March 2018 on the Company's web site at www.panariagroup.it, on the authorised storage device "1Info" at www.1info.it, in the Official Gazette and on the web site of Borsa Italiana S.p.A. (the Italian Stock Exchange). The meeting is to be held on single call at 10:00 hours on 27 April 2018, at the registered office, Via Panaria Bassa 22/A, Finale Emilia (Modena).

The Shareholders' Meeting will be called to resolve on the following agenda:

Ordinary session

1. presentation of the Panariagroup consolidated financial statements and approval of the separate financial statements at 31 December 2017; related and subsequent resolutions;
2. resolutions relating to the Report on Remuneration; related and subsequent resolutions;
3. determination of Board of Directors remuneration; related and subsequent resolutions;
4. renewal of the authorization for the purchase and sale of treasury shares; related and subsequent resolutions.

Extraordinary session

1. Proposed amendment to the current Articles of Association; related and subsequent resolutions.

RENEWAL OF THE AUTHORIZATION FOR THE PURCHASE AND SALE OF TREASURY SHARES

In the same meeting, the Board of Directors resolved, at the next Ordinary Shareholders' Meeting, to propose renewal of the authorization to purchase and sell treasury shares. To date, the Company directly holds 432,234 treasury shares (equal to 0.953% of the share capital) for a nominal value of 0.50 Euros per share. If authorized, the purchase and sale transactions may be made for a maximum number of ordinary shares representing overall not more than 20% of the existing share capital, excluding the treasury shares held, in accordance with article 2357 et seq. of the Italian Civil Code, article 132 of Legislative Decree No. 58/98, article 144-bis of the Issuers Regulation and all other applicable regulations, including the regulations referred to in Regulation (EU) No. 596/2014 and Delegated Regulation (EU) No. 2016/1052, as well as currently accepted market practices (if applicable) and the Regulations issued by Borsa Italiana S.p.A., before the meeting convened to approve the financial statement at 31 December 2018.

The purchases must be made (i) at a price of no more than 20% above or below the reference price recorded for the share on the trading day prior to each transaction, and in any event (ii) at a price not more than the higher between the last independent transaction and that of the highest current independent bid at the trading venue where the purchase is to be made.

The maximum number of treasury shares that can be purchased daily will not exceed 25% of the average daily volume of "Panaria" shares traded on the market.

The maximum potential purchase outlay will not exceed the available reserves resulting from the last regularly approved financial statement.

The reasons for which application for authorization has been made are:

- to fulfil the obligations arising from the stock option programmes or other allocations of shares to employees or members of the Company Management Bodies or its subsidiary or affiliate companies;
- to fulfil the obligations arising from debt instruments convertible into equity instruments;
- to carry out transactions in support of market liquidity so as to facilitate regular trading beyond the normal fluctuations related to the market trend; or

- to carry out sales, exchange, permutation, transfer transactions or any other act of disposal of treasury shares for acquisition of holdings and/or immovable properties and/or the conclusion of agreements (even commercial) with strategic partners, and/or for the realization of industrial projects or extraordinary financial transactions, which are included in the expansion objectives of the Company and the Panaria Group.

The Explanatory Note prepared by the Board of Directors pursuant to Art. 73 of the Issuers Regulation No. 11971/99 will be made available, in accordance with law, on the Company's website www.panariagroup.it, at the registered office, at Borsa Italiana S.p.A., and the authorized storage mechanism "1Info" at the address www.1info.it.

CORPORATE GOVERNANCE AND REPORT ON REMUNERATION

In the same meeting, the Board of Directors approved the Annual Report on Company Governance and Ownership Structures under Articles No. 123-bis of Legislative Decree dated 24 February 1998 and 89-bis of the Issuers Regulation No. 11971/99 and subsequent amendments.

The Board of Directors also approved the Report on Remuneration pursuant to article 123-ter of Legislative Decree dated 24 February 1998 and article 84-quater of the Issuers Regulation No. 11971/99, and subsequent amendments and additions.

Both the Report on Company Governance and the Report on Remuneration will be made available to the public, as provided by the law, at the registered office, at Borsa Italiana S.p.A., on the Company's website www.panariagroup.it as well as on the authorized storage mechanism "1Info" at the address www.1info.it.

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Mr. Damiano Quarta, hereby certify pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance that the accounting information contained in this press release corresponds to the document results, books and accounting records.

Attachments: Consolidated and Separate Balance Sheet and Income Statement. It is noted that, with reference to the documents attached hereto, the audit has not yet been completed.

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Finale Emilia, 16 March 2018

CONSOLIDATED FINANCIAL STATEMENT - BALANCE SHEET

(Amount in Thousands Euro)

| | 31-Dec-2017 | 31-Dec-2016 |
|---|------------------|------------------|
| Inventories | 151.480 | 140.173 |
| Accounts Receivable | 79.142 | 79.903 |
| Other current assets | 12.044 | 13.657 |
| CURRENT ASSETS | 242.666 | 233.733 |
| Account Payables | (83.198) | (83.647) |
| Other current liabilities | (28.980) | (28.097) |
| CURRENT LIABILITIES | (112.178) | (111.744) |
| NET WORKING CAPITAL | 130.488 | 121.989 |
| Goodwill | 8.139 | 8.139 |
| Intangible assets | 14.239 | 13.967 |
| Tangible assets | 126.005 | 119.595 |
| Equity Investments and other financial assets | 300 | 82 |
| FIXED ASSETS | 148.683 | 141.783 |
| Receivables due after following year | 537 | 777 |
| Provision for termination benefits | (5.531) | (5.913) |
| Provision for risk and charge | (4.569) | (4.725) |
| Deferred tax assets | 4.633 | 5.405 |
| Other payables due after the year | (3.531) | (3.386) |
| ASSET AND LIABILITIES DUE AFTER THE YEAR | (8.461) | (7.842) |
| NET CAPITAL EMPLOYED | 270.710 | 255.930 |
| Short term financial assets | (7.156) | (16.995) |
| Short term financial debt | 24.662 | 36.505 |
| NET SHORT TERM FINANCIAL DEBT | 17.506 | 19.510 |
| Mid-Long term financial debt | 81.895 | 64.202 |
| NET FINANCIAL POSITION | 99.401 | 83.712 |
| Group Shareholder's Equity | 171.309 | 172.218 |
| SHAREHOLDERS' EQUITY | 171.309 | 172.218 |
| TOTAL SOURCES OF FUNDS | 270.710 | 255.930 |

CONSOLIDATED FINANCIAL STATEMENT – INCOME STATEMENT (Amounts in Thousands euro)

| | 31-Dec-2017 | % | 31-Dec-2016 | % |
|--|------------------|----------------|------------------|----------------|
| Revenues from sales and services | 384,580 | 92,70% | 377.045 | 96,32% |
| Change in inventories of finished products | 18,202 | 4,39% | 1.016 | 0,26% |
| Other revenues | 12,075 | 2,91% | 13.379 | 3,42% |
| Value of Production | 414,857 | 100,00% | 391.440 | 100,00% |
| Raw, ancillary and consumable materials | (114,861) | -27,69% | (109.484) | -27,97% |
| Services, leases and rentals | (158,973) | -38,32% | (145.859) | -37,26% |
| Personnel costs | (94,501) | -22,78% | (91.999) | -23,50% |
| Other operating expenses | (3,783) | -0,91% | (3.270) | -0,84% |
| Cost of production | (372,118) | -89,70% | (350.612) | -89,57% |
| Gross operating profit | 42,739 | 10,30% | 40.828 | 10,43% |
| D&A expenses | (22,089) | -5,32% | (19.360) | -4,95% |
| Provisions and other impairments | (1,732) | -0,42% | (2.402) | -0,61% |
| Net operating profit | 18,918 | 4,56% | 19.066 | 4,87% |
| Financial income and expense | (3,699) | -0,89% | (2.543) | -0,65% |
| Pre-tax profit | 15,219 | 3,67% | 16.523 | 4,22% |
| Income taxes | (3,863) | -0,93% | (5.308) | -1,36% |
| Net profit (loss) for the period | 11,356 | 2,74% | 11.215 | 2,86% |

SEPARATE FINANCIAL STATEMENT – BALANCE SHEET (Amounts in Thousands euro)

| | 31-Dec-2017 | 31-Dec-2016 |
|---|-----------------|-----------------|
| Inventories | 79.961 | 71.931 |
| Accounts Receivable | 68.607 | 70.971 |
| Other current assets | 8.557 | 10.235 |
| CURRENT ASSETS | 157.125 | 153.137 |
| Account Payables | (48.023) | (48.410) |
| Other current liabilities | (22.623) | (22.524) |
| CURRENT LIABILITIES | (70.646) | (70.934) |
| NET WORKING CAPITAL | 86.479 | 82.203 |
| Intangible assets | 5.857 | 5.155 |
| Tangible assets | 43.972 | 43.120 |
| Equity Investments and other financial assets | 90.112 | 89.897 |
| FIXED ASSETS | 139.941 | 138.172 |
| Receivables due after following year | 20.733 | 5.795 |
| Provision for termination benefits | (5.431) | (5.818) |
| Provision for risk and charge | 2.186 | 3.367 |
| Other payables due after the year | (2.880) | (2.336) |
| ASSET AND LIABILITIES DUE AFTER THE YEAR | 14.608 | 1.008 |
| NET CAPITAL EMPLOYED | 241.028 | 221.383 |
| Short term financial assets | (2.510) | (9.948) |
| Short term financial debt | 20.684 | 28.258 |
| NET SHORT TERM FINANCIAL DEBT | 18.174 | 18.310 |
| Mid-Long term financial debt | 75.460 | 57.452 |
| NET FINANCIAL POSITION | 93.634 | 75.762 |
| Shareholders' Equity | 147.394 | 145.621 |
| SHAREHOLDERS' EQUITY | 147.394 | 145.621 |
| TOTAL SOURCES OF FUNDS | 241.028 | 221.383 |

SEPARATE FINANCIAL STATEMENT – INCOME STATEMENT (Amounts in Thousands euro)

| | 31-Dec-2017 | % | 31-Dec-2016 | % |
|--|------------------|----------------|------------------|----------------|
| Revenues from sales and services | 201.464 | 92,26% | 189.273 | 93,62% |
| Change in inventories of finished products | 7.732 | 3,54% | 2.437 | 1,21% |
| Other revenues | 9.165 | 4,20% | 10.455 | 5,17% |
| Value of Production | 218.361 | 100,00% | 202.165 | 100,00% |
| Raw, ancillary and consumable materials | (56.518) | -25,88% | (52.373) | -25,91% |
| Services, leases and rentals | (88.924) | -40,72% | (83.303) | -41,21% |
| Personnel costs | (50.913) | -23,32% | (50.830) | -25,14% |
| Other operating expenses | (2.012) | -0,92% | (1.674) | -0,83% |
| Cost of production | (198.367) | -90,84% | (188.180) | -93,08% |
| Gross operating profit | 19.993 | 9,16% | 13.985 | 6,92% |
| D&A expenses | (11.543) | -5,29% | (10.684) | -5,28% |
| Provisions from unexpected events | (579) | -0,27% | (787) | -0,39% |
| Net operating profit | 7.872 | 3,61% | 2.515 | 1,24% |
| Financial income and expense | (1.525) | -0,70% | 1.444 | 0,71% |
| Pre-tax profit | 6.347 | 2,91% | 3.959 | 1,96% |
| Income taxes estimated | (1.521) | -0,70% | (620) | -0,31% |
| Net profit (loss) for the period | 4.826 | 2,21% | 3.339 | 1,65% |