



PANARIAGROUP Industrie Ceramiche S.p.A.

PRESS RELEASE

**The Shareholders' Meeting has today approved the financial statements
for the year ended 31 December 2017**

Introduction of the "increased vote" and consequent amendment of the Articles of Association

Emilio Mussini re-confirmed as Chairman of the Board of Directors

Finale Emilia, 27 April 2018 - The Ordinary and Extraordinary Meeting of the Shareholders of Panariagroup Industrie Ceramiche S.p.A., parent company of the group of the same name, specialised in the production and distribution of ceramic material for high-end and luxury floor and wall coverings, was held today at a single call, to resolve on the following items on the agenda:

Ordinary part:

1) Approval of the financial statements for the year ended 31 December 2017

The Shareholders' Meeting of Panariagroup approved the Company's financial statements for the year ended 31 December 2017.

Panariagroup has made the most of opportunities deriving from the favourable economic environment, achieving an all-time high result in terms of turnover, in the history of the Group.

The European Business Units excelled in particular, with an increase in turnover in the Italy Business Unit of 6.0% and in the 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
Net profit	11,356	11,215	+141

As regards the Italian parent company, Panariagroup Industrie Ceramiche S.p.A., which achieved a net profit for the year of Euro 4,825,503, the Shareholders' Meeting approved the proposal submitted by the Board of Directors regarding the allocation of the net profit for the year as follows:

- 5% of the net profit to the legal reserve;
- distribution of a dividend of 0.07 euro per share, gross of withholdings, excluding treasury shares held at the ex-coupon date;
- the remainder to the extraordinary reserve.

The ex-coupon date is envisaged for 21 May 2018 with payment on 23 May 2018.

2) Report on Remuneration; resolutions pursuant to Article 123-ter, paragraph 6, of Italian Legislative Decree no. 58 of 24 February 1998.

Pursuant to Article 123-ter, paragraph 6, of Italian Legislative Decree no. 58 of 24 February 1998, the Shareholders' Meeting approved the first section of the Report on Remuneration, which sets out the Company's policy on the remuneration of the members of the administrative bodies, of the general managers and of managers with strategic responsibilities. The Report on Remuneration is available on the Company's website www.panariagroup.it, and on the authorised storage mechanism www.1info.it.

3) Resolution on the remuneration of the members of the Board of Directors

The Shareholders' Meeting of Panariagroup has also resolved the fixed part of the amount to be paid to the Board of Directors by way of remuneration for FY 2018, and in any case until approval of the financial statements as at 31 December 2018, as a maximum of a gross annual amount of Euro 615,000, and the variable emoluments for 2018 to be assigned to directors with executive appointments, as a gross annual maximum of Euro 300,000.

4) Renewal of the authorisation to purchase and sell treasury shares

Lastly, the Shareholders' Meeting of Panariagroup renewed the authorisation to the Board of Directors to purchase 9,071,058 (nine million, seventy one thousand and fifty eight) of its own shares equal to 20% of the share capital, in one or more tranches, taking into account the number of treasury shares held by the Company and its subsidiaries on each occasion.

As of today, the Company directly holds 432,234 treasury shares (equal to 0.953% of share capital) with a par value of 0.50 Euro per share; Panariagroup's subsidiaries do not hold any shares in their parent company.

The purchase of treasury shares will take place within the limits of distributable earnings and available reserves shown in the latest financial statements (also interim financial statements) that have been regularly approved at the time of each distribution, given that other restrictions that arise subsequently also have to be taken into consideration.

The authorisation also includes the right to dispose of the shares in portfolio subsequently (in whole or in part, and also in several tranches), even before using up the maximum number of shares that can be purchased and, if necessary, repurchasing them to an extent that the treasury shares held

by the Company and, where applicable, by its subsidiaries, do not exceed the limit established in the authorisation.

Any purchases have to be made on the market: (i) at a price that does not deviate by more than 20% up or down compared with the reference price recorded by the share during trading on the day prior to each transaction, and in any case (ii) for an amount that does not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase bid present in the trading venue where the purchase is made.

Purchases may be made, pursuant to Articles 2357 *et seq.* of the Italian Civil Code and Article 132 of Italian Legislative Decree no. 58/98, Article 144-*bis* of the Issuers' Regulation and any other applicable regulation, including Regulation (EU) 596/2014 and Delegated Regulation (EU) 2016/1052, as well as in accordance with current market practices (if applicable) and the Regulations issued by Borsa Italiana S.p.A.

The maximum number of treasury shares that can be purchased each day may not be more than 25% of the daily average volume of Panaria shares traded on the market.

The authorisation was renewed to pursue the interests of the Company, the purposes allowed by the applicable regulations in force, and in particular:

- to fulfil any obligations arising from share option plans or other allocations of shares to employees or members of the board of the Company or its subsidiaries or affiliates;
- to fulfil any obligations arising from debt instruments that are convertible into equity instruments;
- to carry out transactions in support of market liquidity, as well as to facilitate the smooth conduct of trading beyond the normal fluctuations related to market performance; or
- to implement sales transactions, swaps, exchanges, transfers or other act of disposal of treasury shares for acquisitions of shareholdings and/or property and/or the conclusion of agreements (including commercial agreements) with strategic partners, and/or for the realization of industrial projects and corporate finance transactions, which fall within the expansion targets of the Company and of the Panaria Group.

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Extraordinary part

1) Amendment of Articles 7 and 16 and introduction of the new Article 7-*bis* of the Articles of Association

In an extraordinary session, the Shareholders' Meeting approved amendment of the Articles of Association to include the institution of the "increased vote" of listed companies in accordance with Article 127-*quinquies* of Italian Legislative Decree no. 58/1998, through the amendment of Articles 7 and 16 of the Articles of Association and the addition of Article 7-*bis*.

Please note that these amendments do not come under the scope of those envisaged by Article 2437 of the Italian Civil Code and, therefore, do not assign any shareholders not in favour or who were absent, the right of withdrawal.

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The minutes of the Shareholders' Meeting will be made available to the public in accordance with the terms and methods laid down by current law.

It should also be noted that the Board of Directors, which held a meeting immediately after the Shareholders' Meeting, today approved the start of a programme of purchases of treasury shares, the purpose, duration, value and maximum quantity of which were established by the above mentioned Shareholders' resolution granting authorisation. Lastly, the Board of Directors approved a motion whereby the maximum number of shares that can be purchased daily is that laid down by the Delegated Regulation (EU) 2016/1052.

During this meeting, the Board of Directors appointed Emilio Mussini as Chairman, Paolo Mussini and Andrea Mussini as Deputy Chairmen and Giuliano Pini as Managing Director and General Manager, Paolo Mussini was appointed as Managing Director of the Cotto d'Este/Blustyle divisions.

In addition, with the consent of the Board of Statutory Auditors, the Board of Directors appointed Damiano Quarta as Financial Reporting Manager for FY 2018.

As recommended by the Corporate Governance Committee on directors' independence requirements, we would like to announce that the Board of Directors has evaluated the existence, pursuant to Italian Legislative Decree no. 58 of 24 February 1998 and the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A., of the independence requirements of the directors Sonia Bonfiglioli, Tiziana Ferrari and Francesca Bazoli.

During this same meeting, the Board of Statutory Auditors also reported on the successful completion of the evaluation of the independence requirements of its members, in accordance with Article 8, paragraph 1 of the Code of Conduct for Listed Companies.

Lastly, in accordance with Article 154-*bis*, paragraph 2, of Italian Legislative Decree no. 58 of 24 February 1998, the Financial Reporting Manager of Panariagroup Industrie Ceramiche S.p.A., Damiano Quarta, declares that the accounting information contained in this press release agrees with the accounting ledgers, accounting entries and supporting documentation.

The financial statements for the year ended 31 December 2017 of Panariagroup Industrie Ceramiche S.p.A., together with the Directors' Report, the 2017 Sustainability Report, the report of the Board of Statutory Auditors and the report of the independent auditors, the consolidated financial statements for the year ended 31 December 2017 as well as the reports of the directors on other matters on the agenda are available to whoever requests them at the Company's registered office and at Borsa Italiana S.p.A. (www.borsaitaliana.com) and may also be consulted on the Company's website www.panariagroup.com and on the authorised storage mechanism 1Info (www.1Info.it).

Pursuant to Article 125-*quater*, paragraph 2, of the Consolidated Finance Act and Article 77, paragraph 3 of the Issuers' Regulation, a summary report of the voting, containing the number of shares represented at the Shareholders' Meeting and the shares for which votes were cast, the percentage of share capital that the shares represented, as well as the number of votes for and

against each motion and the number of abstentions, will be made available to the public on the Company's website within five days of the date of the Shareholders' Meeting.

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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%