INTERIM DIRECTORS' REPORT AS AT 30 JUNE 2019

Panariagroup Industrie Ceramiche S.p.A.

Panariagroup is an Italian multinational leader in innovation and beauty.

OUR MISSION

We specialise in the manufacturing and sale of ceramic tiles to promote beauty and innovation.

• Our team generates sustainable value for shareholders, employees and business partners, in compliance with the company's corporate environment.

• Our focus is on research and innovation to serve the beauty and quality of our products.

• Our goal is to meet our private and professional clients' high expectations of wellness and aesthetics, in both buildings and architecture.

OUR VALUES

<u>TECHNOLOGICAL LEADERSHIP</u>

We constantly invest in research, technologies and state-of-the-art facilities to meet every architectural and interior design need with innovative solutions, capable of becoming the industry benchmark.

<u>AESTHETIC QUALITY AND EXCELLENCE</u>

We tenaciously pursue industrial excellence, from quality raw materials to process efficiency, to obtain products that combine absolute aesthetic value with the highest level of technical performance.

<u>RESPONSIBILITY</u>

We always place people and quality of life at the centre of our attention, with safe, environmentally-sustainable products and by operating with the utmost respect for those who work with us.

<u>RELIABILITY</u>

The guarantee of a Group which, from its family roots in the ceramic district of Sassuolo to its listing on the Milan Stock Exchange, has grown to become a solid international company, which operates throughout the world whilst maintaining an Italian core.

Panariagroup is a leading manufacturer of ceramics tiles for floors and walls. It has over 1,700 employees, 10,000 customers, 6 manufacturing plants (3 in Italy, 2 in Portugal and 1 in the United States) and a presence, through its broad and extensive sales network, in over 130 countries worldwide.

Specialising in the production of porcelain tiles and laminate, the Group is positioned in the premium and luxury market through its nine brand names: Panaria, Lea, Cotto d'Este, Blustyle, Florida Tile, Margres, Love Tiles and Bellissimo, which are capable of satisfying a diversified customer base that is attentive to the technical and aesthetic quality of its products.

STRUCTURE OF THE GROUP

The structure of the Group as at 30 June 2019 is as follows:

The Parent Company is **Panariagroup Industrie Ceramiche S.p.A.**, with registered office in Finale Emilia, Modena (Italy), with share capital of Euro 22,677,645.50.
Panariagroup produces and sells ceramic tiles for floor and wall coverings under five distinctive brand names: Panaria, Lea, Cotto d'Este, Fiordo and Blustyle. All brands are focused on the high-end and deluxe market segment and mainly sell porcelain stoneware product lines, both in Italy and abroad.

Gres Panaria Portugal S.A, with registered office in Chousa Nova, Ilhavo (Portugal), share capital of Euro 16,500,000, subscribed and paid in, wholly owned by Panariagroup Industrie Ceramiche S.p.A.
Gres Panaria Portugal produces ceramic tiles for floors and walls under two separate brand names, Margres and Love Tiles, both aimed at the main European markets.

Panariagroup USA Inc., with registered office in Delaware, USA, share capital of USD 65,500,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A.
It owns 100% interests both in Florida Tile Inc. and Lea North America LLC.
This company markets Panaria branded products on the North American market.

Florida Tile Inc., with registered office in Delaware, USA, share capital of USD 34,000,000, wholly owned by Panariagroup USA Inc., produces and sells ceramic tiles in the USA through three main channels: its own distribution network (24 stores), independent distributors and large distribution (Home Centers).

Lea North America LLC., with registered office in Delaware, USA, share capital of USD 20,000, wholly owned by Panariagroup USA Inc.
This company markets Lea branded products on the North American market.

Montanari Ceramiche S.r.l., with registered office in Finale Emilia (Italy), share capital of Euro 48,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A. This company runs a retail outlet for ceramic tiles.

During the first half-year, the Group has acquired the control of the Indian company "AGL Panaria", previously participated in a Joint Venture Company (JVC), through the subscription of a capital increase, which led to the acquisition of the majority of its equity.
At the same time, an agreement was signed with the Indian Partner for the termination of the Joint Venture contract and the name of the company was changed to "**Panariagroup India Industrie Ceramiche Private Limited**".
Since the transfer of control is very recent and the materiality of the company compared to the overall values of the consolidated financial statement is minimal, it has been decided, in the current half-year financial statements, to not fully consolidate the entity, but to maintain its measurement at Equity Method.

DIRECTORS AND OFFICERS

Board of Directors

Name	Office
Emilio Mussini	Chairman of the Board and Managing Director
Paolo Mussini	Deputy Chairman and Managing Director
Andrea Mussini	Deputy Chairman
Giuliano Pini	Managing Director
Giuliano Mussini	Director
Silvia Mussini	Director
Daniele Prodi	Director
Francesca Bazoli	Independent Director
Sonia Bonfiglioli	Independent Director
Tiziana Ferrari	Independent Director

Board of Statutory Auditors

Name	Office
Sergio Marchese	Chairman of the Board of Statutory Auditors
Piergiovanni Ascari	Standing Auditor
Francesca Muserra	Standing Auditor

Independent Auditors

EY S.p.A.

Interim Directors' Report on the Condensed Consolidated Half-year Financial Statements for 2019

Results of the first half of 2019

Also in the first half of 2019, the risks to the global economic outlook related to the ongoing international trade tensions and the China's economic slowdown have not been mitigated.
Long-term interest rates have fallen in the advanced countries, reflecting the deterioration of the outlook growth and the more accommodating orientation of the main central banks: the most recent development in this respect is the reduction of interest rates by the American Federal Reserve.

In the Euro area, economic activity remains weak and subject to risks of slowdown; inflation remains on contained values. The Governing Council of the ECB has extended the horizon within which it plans to keep interest rates low, and has announced that, in the absence of improvements, further monetary accommodation will be required, starting a discussion on the options that can be applied.

The most recent economic indicators show that economic activity in Italy is stationary; caused mainly by a weak industrial cycle, common also to Germany, determined by the persistence of trade tensions.

Also with reference to the construction sector to which the tile sector is directly related, there is an overall slowdown in activity. At international level, there are clear signs of a slowdown in the growth rates of emerging economies; in the main markets of Western Europe, except for the Scandinavian countries, the activities relating to the new construction sector are down while the redevelopment activities of the real estate assets remain rather positive, a good growth rate is found instead in the markets of Eastern Europe.
According to data recently provided by the "Censis Bureau", expenditure for construction is also slowing in the USA.

Regarding the Italian tile sector, the remarks made by Confindustria Ceramica on the first half of the year show a situation of modest decline (-0,35%) compared to the values of the first half of 2018, with a more marked slowdown in the second quarter (-1, 84%).
Consumption is growing in European Union countries, while in Asia and Australia more or less widespread contractions were recorded. Exports to the USA are also down; in Italy, consumption of tiles remained in line with the same period last year.

In this not particularly brilliant economic context, the Group's economic results have improved:

- **Consolidated net revenues amounted** to Euro 201,2 million (Euro 192,2 million as at June 30 2018), increasing by Euro 9,0 million (+4,7%)
- **Gross operating profit** amounted to Euro 20,8 million (Euro 18,9 million as at June 30 2018), increasing by Euro 1,9 million (+10,0%)
- **Net operating profit** amounted to Euro 3,4 million (Euro 2,0 million as at June 30 2018), increasing by Euro 1,4 million (+66,9%)
- **Consolidated net profit** amounted to Euro 0,8 million (Euro 0,1 million as at June 30 2018), increasing by Euro 0,7 million

The first half of 2019 shows a growth compared to 2018, both in terms of sales and margins, thanks to above all the positive contribution of the second quarter in which, despite a more difficult macro-economic trend than expected, the Group was able to improve its economic results.

After a first quarter in which there was a negative gap compared to the income results of the previous year (-1,7 million of GOP), in the second a significant growth was achieved (+ 2,6 million of GOP), bringing the overall change to an increase in GOP of 1,9 million Euro.

The GOP in the second quarter of 2019 was equal to 12,1% on revenues, with a widely positive differential compared to the second quarter of 2018, when it was equal to 9,1%.

The overall increase of 9,0 million in revenues (equal to 4,7%), is favorably affected by the euro / dollar exchange rate; the change in revenues at constant exchange rates is 2,4%.

This result is to be considered positive, given an unfavorable market environment, taking as a reference the overall figure of the Italian tile sector which, as previously reported, recorded a slight contraction compared to the first half of 2018.

The growth in revenues affected the Italian Business Unit (+ 4,7%) and the US Business Unit (+ 10,0%), while the Portuguese BU recorded a slight decrease (-2,4%), due however to phenomenon of temporary nature.

The markets in which the Group achieved the best results, in terms of increase in revenues, were the Asian ones, accompanied by growth in the American and European markets and by a resilience of the Italian market.

In addition to the increase in turnover, there is an improvement in operating margins, as a result of the actions taken by the Group to restore profitability to more satisfactory levels than in the recent past.

The commercial and product development initiatives have generated good effects in terms of volume in business, with a consequent positive impact also on profitability.

To cope with the compression of the contribution margins suffered in 2018, new commercial policies were adopted in 2019, particularly in the Italian Business Unit, aimed at a greater protection of sales prices, which proved to be effective.
In the second quarter, the level of energy prices was substantially in line with the same period of the previous year, mitigating the negative impact suffered by the European Business Units in the first quarter, in which we had witnessed an average growth of more than 20% in the cost of gas.
The agreements signed ensure, for the second half of the year, a significant drop in the cost of supplies.

The goal of reducing inventory stocks in the USA was achieved, maintaining the production activity of the American plant at a moderate pace; this obviously has significantly affected, in a negative sense, the economic results.
It should also be noted that the positive trend in revenues in the first half year of the Home Center channel, and the outlook for further growth, have determined the need to plan, in the Lawrenceburg plant, a greater use of the production capacity in the second half of the year.

We also note how, after the first half of the year, the Group was able to reach another goal by keeping the investments down, which amounted to 6,5 million Euro, with a decrease of 35% compared to the first half of 2018.

ANALYSIS OF THE GROUP'S BALANCE SHEET AND INCOME STATEMENT

Income statement: as at 30 June 2019 compared with 30 June 2018 (in thousands of Euro)

	30-June-2019	%	30-June-2018	%	var.	var. %
Revenues from sales and services	**201.271**	**94,64%**	**192.233**	**94,27%**	**9.038**	**4,70%**
Change in inventories of finished products	6.025	2,83%	7.039	3,45%	(1.014)	-14,41%
Other revenues	5.372	2,53%	4.645	2,28%	727	15,65%
Value of Production	**212.668**	**100,00%**	**203.917**	**100,00%**	**8.751**	**4,29%**
Raw, ancillary and consumable materials	(64.378)	-30,27%	(61.333)	-30,08%	(3.045)	4,96%
Services, leases and rentals	(76.113)	-35,79%	(73.550)	-36,07%	(2.563)	3,48%
Personnel costs	(49.665)	-23,35%	(48.475)	-23,77%	(1.190)	2,45%
Other operating expenses	(1.683)	-0,79%	(1.613)	-0,79%	(70)	4,34%
Cost of production	**(191.839)**	**-90,21%**	**(184.971)**	**-90,71%**	**(6.868)**	**3,71%**
Gross operating profit	**20.829**	**9,79%**	**18.946**	**9,29%**	**1.883**	**9,94%**
D&A expenses	(10.454)	-4,92%	(10.125)	-4,97%	(329)	3,25%
Right of Use Depreciation	(5.550)	-2,61%	(5.326)	-2,61%	(224)	4,21%
Provisions and other impairments	(1.442)	-0,68%	(1.468)	-0,72%	26	-1,77%
Net operating profit	**3.383**	**1,59%**	**2.027**	**0,99%**	**1.356**	**66,90%**
Financial income and expense	(2.165)	-1,02%	(1.743)	-0,85%	(422)	24,21%
Pre-tax profit	**1.218**	**0,57%**	**284**	**0,14%**	**934**	**328,92%**
Income taxes	(404)	-0,19%	(198)	-0,10%	(206)	104,04%
Net profit (loss) for the period	**814**	**0,38%**	**86**	**0,04%**	**728**	**846,67%**

* The IFRS 16 ("Leases") accounting standard became effective on 1 January 2019.
Panariagroup adopted the "Full Retrospective approach".
For comparison reasons, the Economic Cost of the first half of 2018 was restated by applying the presentation methods adopted for 2019 following the application of IFRS 16.
More information are provided in the "Accounting principles" section.

PANARIAgroup

Income statement: 2019 performance by quarter (in thousands of Euro)

	Q1 2019	%	Q2 20119	%	30/06/2019	%
Revenues from sales and services	**96.357**	**94,43%**	**104.914**	**94,84%**	**201.271**	**94,64%**
Change in inventories of finished products	3.249	3,18%	2.776	2,51%	6.025	2,83%
Other revenues	2.435	2,39%	2.937	2,65%	5.372	2,53%
Value of Production	**102.041**	**100,00%**	**110.627**	**100,00%**	**212.668**	**100,00%**
Raw, ancillary and consumable materials	(31.172)	-30,55%	(33.206)	-30,02%	(64.378)	-30,27%
Services, leases and rentals	(37.885)	-37,13%	(38.228)	-34,56%	(76.113)	-35,79%
Personnel costs	(24.757)	-24,26%	(24.908)	-22,52%	(49.665)	-23,35%
Other operating expenses	(757)	-0,74%	(926)	-0,84%	(1.683)	-0,79%
Cost of production	**(94.571)**	**-92,68%**	**(97.268)**	**-87,92%**	**(191.839)**	**-90,21%**
Gross operating profit	**7.470**	**7,32%**	**13.359**	**12,08%**	**20.829**	**979,00%**
D&A expenses	(5.154)	-5,05%	(5.300)	-4,79%	(10.454)	-4,92%
Right of Use Depreciation	(2.786)	-2,73%	(2.764)	-2,50%	(5.550)	-2,61%
Provisions and other impairments	(234)	-0,23%	(1.208)	-1,09%	(1.442)	-0,68%
Net operating profit	**(704)**	**-0,69%**	**4.087**	**3,69%**	**3.383**	**1,59%**
Financial income and expense	(815)	-0,80%	(1.350)	-1,22%	(2.165)	-1,02%
Pre-tax profit	**(1.519)**	**-1,49%**	**2.737**	**2,47%**	**1.218**	**0,57%**
Income taxes	525	0,51%	(929)	-0,84%	(404)	-0,19%
Net profit (loss) for the period	**(994)**	**-0,97%**	**1.808**	**1,63%**	**814**	**0,38%**

Income Statement - 2nd quarter of 2019 compared with 2nd quarter of 2018 (in thousands of euro)

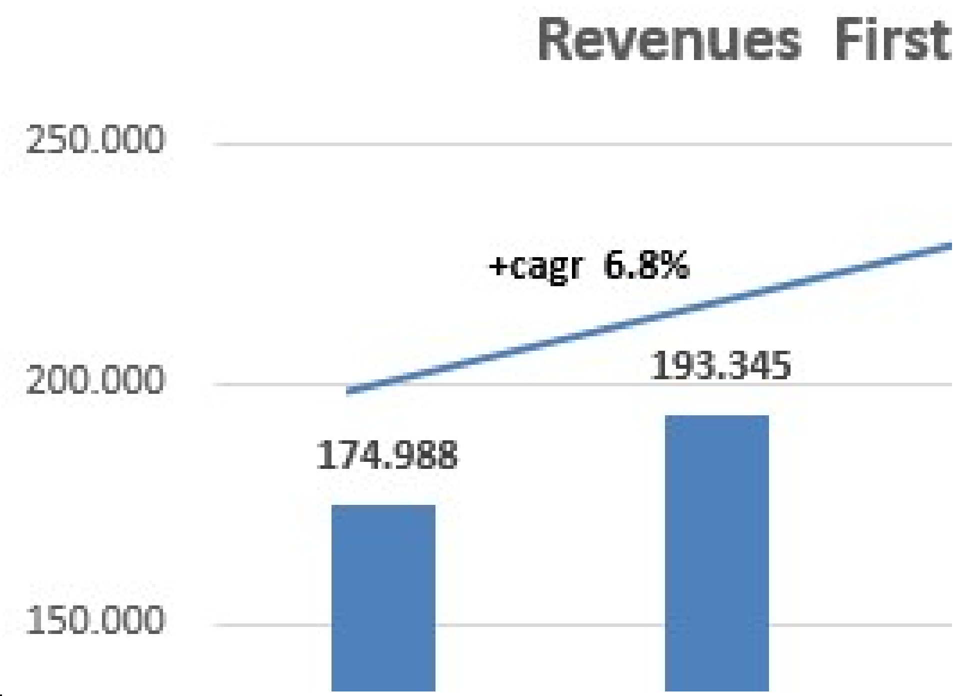
	Q2 2019	%	Q2 2018	%	var.	var. %
Revenues from sales and services	**104.914**	**94,84%**	**102.249**	**95,74%**	**2.665**	**2,61%**
Change in inventories of finished products	2.776	2,51%	1.872	1,75%	904	
Other revenues	2.937	2,65%	2.677	2,51%	260	9,71%
Value of Production	**110.627**	**100,00%**	**106.798**	**100,00%**	**3.829**	**3,59%**
Raw, ancillary and consumable materials	(33.206)	-30,02%	(32.557)	-30,48%	(649)	1,99%
Services, leases and rentals	(38.228)	-34,56%	(39.022)	-36,54%	794	-2,03%
Personnel costs	(24.908)	-22,52%	(24.658)	-23,09%	(250)	1,01%
Other operating expenses	(926)	-0,84%	(864)	-0,81%	(62)	7,18%
Cost of production	**(97.268)**	**-87,92%**	**(97.101)**	**-90,92%**	**(167)**	**0,17%**
Gross operating profit	**13.359**	**12,08%**	**9.697**	**9,08%**	**3.662**	**37,77%**
D&A expenses	(5.300)	-4,79%	(5.076)	-4,75%	(224)	4,41%
Right of Use Depreciation	(2.764)	-2,50%	(2.437)	-2,28%	(327)	13,42%
Provisions and other impairments	(1.208)	-1,09%	(1.298)	-1,22%	90	-6,93%
Net operating profit	**4.087**	**3,69%**	**886**	**0,83%**	**3.201**	**361,30%**
Financial income and expense	(1.350)	-1,22%		0,00%	(1.350)	
Pre-tax profit	**2.737**	**2,47%**	**886**	**0,83%**	**1.851**	
Income taxes	(929)	-0,84%	(378)	-0,35%	(551)	145,63%
Net profit (loss) for the period	**1.808**	**1,63%**	**508**	**0,48%**	**1.300**	**256,10%**

* The IFRS 16 (“Leases”) accounting standard became effective on 1 January 2019.
Panariagroup adopted the “Full Retrospective approach”.
For comparison reasons, the Economic Cost of the first half of 2018 was restated by applying the presentation methods adopted for 2019 following the application of IFRS 16.
More information are provided in the “Accounting principles” section.

Consolidated revenues

Revenues from sales increased by Euro 9,0 million in comparison to the first half year of 2018, with a positive change of 4,7%.

The graph below shows the performance of the Group revenues from 2015 to 2019, as regards the first half of the year; in 2019 the growth path that had been interrupted the previous year restarted:



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Principal markets

On **European markets**, growth of over 2,8% was achieved, a positive result if we take as a reference the figure of Italian operators, equal to 1,7%.
The most brilliant results have been obtained in Germany, Great Britain, Austria, Switzerland and in Western European Countries.
The Portuguese market registered a growth in revenues as well, despite the fact that the second quarter was affected by an operational slowdown in deliveries to customers, as a temporary consequence of the implementation of the new SAP IT system.
The impact of European markets on total revenues was **37**%.

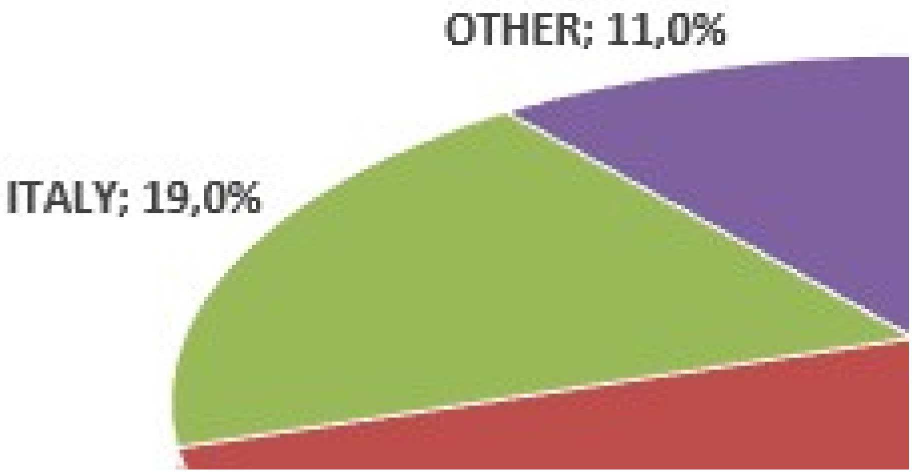
Turnover on the **US market** increased by 2% in US dollars and by 10% in euros.
The direct presence on the US territory has made it possible to maintain high competitiveness and to maintain the volume of sales; whereas greater difficulties were found by Italian exporters who suffered a total drop in volumes of over 6% in the first half of the year (source Confindustria Ceramica).
The US market is still characterized by a very tight competition, in a context of a general slowdown in the

construction sector.
The impact of the US market on total revenues was **33%**.

In the **Italian market**, the results in the first half-year were substantially in line with 2018, like the overall sector results. For years, the situation on the internal market has not been very dynamic; therefore, companies with a low propensity to internationalization are penalized.
The impact of the Italian market on total revenues was **19%**.

In **other markets (Asia, Canada, South America, Oceania and Africa),** the Group has achieved excellent growth of around 9%, thanks to, above all, the growth in sales volume in the Asian markets.
This result is particularly positive, considering it is higher than the overall market trend (-5%).
The most dynamic area was the Far East, with particularly good performances in South Korea, Singapore, Hong Kong and Taiwan.
The impact of other markets on total revenues was **11%**.

Turnover of the Group's foreign markets accounted for **81%** of total revenue, with a share of non-European markets equal to **44%** of total turnover.



The balanced distribution of sales in the various geographical areas of the world, and the presence with its own production, logistics and distribution structures in several hubs, are undoubtedly a major strength in the Groups' competitive strategy.

Performance of the Group's Divisions

The **Italian Business Unit** stood out positively with an increase in revenues of 4,7%, higher than the performance of Italian competitors who, according to recent remarks made by Confindustria Ceramica, achieved slightly lower results compared to 2018.
The Panaria, Lea and Cotto d'Este Divisions achieved, overall, a result in line with the first half of the previous year, focusing more on the protection of margins than on the growth in volumes, while there was an excellent Panariagroup Trade growth performance (both on the Asian markets and in Eastern Europe) and Panariagroup Private Label.

The **Portuguese Business Unit**, after a first quarter of growth, suffered a slowdown in the second quarter, which brought sales to an overall lower level compared to previous year (-2%).
The reason for this trend is mainly due to the go live, at the beginning of April 2019, of the new ERP system (SAP) which caused a temporary slowdown in orders fulfillment.
In this regard, it should be noted that operations have gradually returned to normal and that the sales trend for the month of July 2019 is significantly better than July 2018.

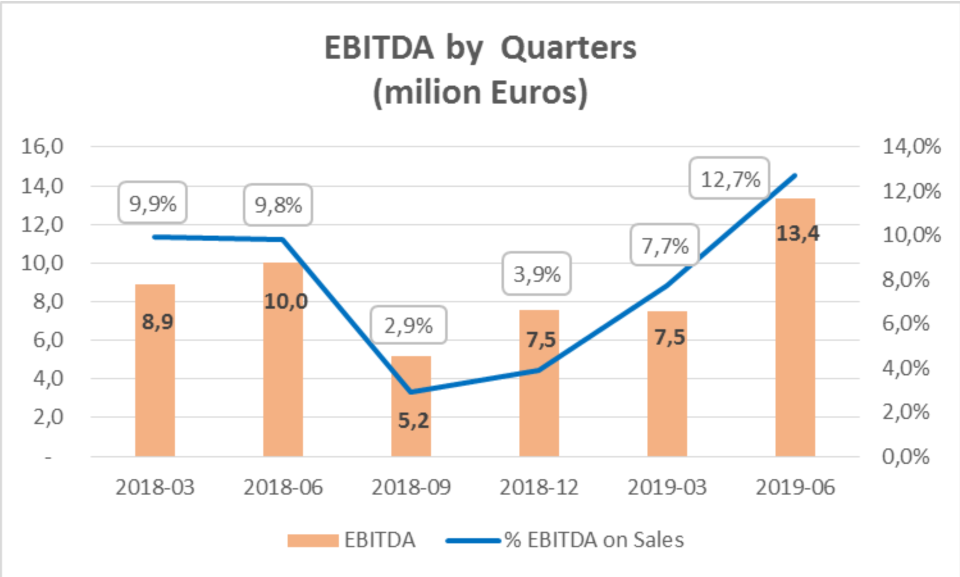
The **US Business Unit** registered sales growth of around 2%, in US dollars.
This result has been caused by different trends in the distribution channels; difficulties continued to occur in the Independent channel, where competitive pressure remains high, both due to local US manufacturers as well as to Chinese and Spanish players.
The Branches channel, on the other hand, was able to maintain sales levels substantially in line with the first half of 2019, which confirms the greater coverage of the territory permitted by its own network of branches.
With reference to these two channels, important re-organization initiatives were undertaken to improve sales performance, aimed above all at making the structure more agile and effective.
Outstanding results in terms of total revenues were achieved by the "Home Centers" channel, in which partnerships are being strengthened with a positive impact on the utilization of the production capacity of the US plant located in Lawrenceburg.

Operating results

Gross operating profit came to Euro 20, 9 million, representing 9,8% on total revenues (Euro 18,9 million as at 30 June 2018 or 9,3% on total revenues).

It is important to underline that the increase compared to the first half of 2018 is related to the results of the second quarter, with an important turnaround.

The profitability of the second quarter of 2019 is clearly the best since the beginning of 2018, both in absolute terms and as a percentage of revenues, as shown by the following chart:



The increase in the operating result is mainly related to the Italian Business Unit, while the foreign Business Units are substantially in line with the first half of 2018.

There are several factors that led to the recovery of margins in the **Italian Business Unit**, which is the result of the actions undertaken by the management, after the unsatisfactory results in 2018.

Firstly, the commercial and product development policies have given good results, allowing an increase in sales volume and market shares.
Furthermore, the increases in sales prices carried out at the beginning of 2019 and fully implemented in the second quarter, together with new commercial policies, allowed the application of more lucrative prices than in the first quarter.

Savings initiatives have also proved to be effective, leading to a containment of operating costs without compromising sales volume and the business efficiency.
After a first quarter characterized by a significant increase in gas prices (+ 20%), in the second quarter there was a substantial alignment with the same period of the previous year, with a diluted effect in 6 months.
The contracts signed allow to forecast a reduction in costs in the coming months, thanks to which, according to our estimates, the cost of the entire year 2019 will be substantially in line with 2018.

The **Portuguese Business Unit** maintained good profitability, in line with the first half-year of 2018.

The result was affected by the cost of energy prices, which grew semester over semester and the temporary slowdown in sales, due to the launch of the new ERP system.
The higher costs coming from the above factors were offset by savings in operating costs, especially in the commercial area.
In the second half of the year, as for the Italian BU, we expect a reduction in the costs of energy and a recovery in sales, with the restore of normal operations in the orders fulfillment.

The **US Business Unit** achieved results in line with the first half of 2018, at unsatisfactory levels; the unfavorable sales mix, more oriented to channels with lower margins, was offset by savings achieved in operating costs.
Moreover, the significant growth in sales on the Home Center channel has put Florida Tile in a position to schedule the anticipated utilization, compared to the budget, of the third production line, unused in the first half of the year and which was started in July 2019.
Positive economic effects are therefore expected in the second half-year, thanks to the greater use of the production capacity and the consequent absorption of fixed and semi-variable costs.

The net operating margin amounted to Euro 3,4million (Euro 2,0 million as at 30 June 2018).

Depreciation and amortization, including those deriving from rights of use and provisions, are substantially in line with 2018, with an overall incidence of 8,2% on the Value of production.

Financial expenses rose from Euro 1,7 million in the first half of 2018 to Euro 2,1 million in the first half of 2019, with an increase of Euro 0,4 million, mainly due to the result of foreign exchange rates.
This item includes the negative financial component of the “lease” contracts (in accordance to IFRS 16) equal to Euro 1,2 million and the positive exchange rate effect, equal to Euro 0,2 million.
The financial expenses "in the strictest sense" are very low, amounted to Euro 1,0 million, with an incidence of 0,5% on the Value of production.

The consolidated Net Result was a profit of Euro 0,8 million (Euro 0,1 million as at June 30, 2018).

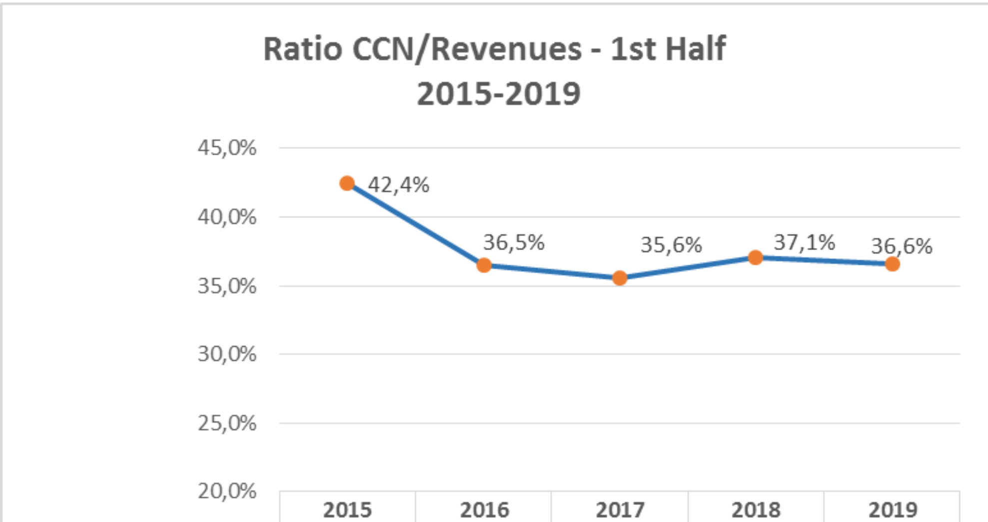
CONSOLIDATED FINANCIAL STATEMENT - BALANCE SHEET

	30-June-2019	31-Dec-2018	30-June-2018
Inventories	165.363	159.948	158.663
Receivables from customers	82.184	64.954	91.183
Other current assets	15.324	13.819	12.733
CURRENT ASSETS	**262.871**	**238.721**	**262.579**
Payables due to suppliers	(91.870)	(88.342)	(93.910)
Other current liabilities	(31.853)	(28.234)	(31.681)
CURRENT LIABILITIES	**(123.723)**	**(116.576)**	**(125.591)**
NET WORKING CAPITAL	**139.148**	**122.145**	**136.988**
Goodwill	8.139	8.139	8.139
Intangible assets	17.002	15.553	15.124
Tangible assets	119.683	124.840	125.948
Lease - Right of Use Asset	104.064	107.631	111.125
Equity Investments and other financial assets	124	161	260
FIXED ASSETS	**249.012**	**256.324**	**260.596**
Receivables due after following year	429	564	541
Liabilities for employee benefits	(5.016)	(5.066)	(5.437)
Provision for risk and charge	(4.318)	(4.506)	(4.682)
Deferred tax assets	7.266	6.814	4.594
Other payables due after the year	(2.161)	(2.906)	(3.011)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**(3.800)**	**(5.100)**	**(7.995)**
NET CAPITAL EMPLOYED	**384.360**	**373.369**	**389.589**
Short term financial assets	(4.628)	(16.910)	(17.839)
Short term financial debt	53.614	34.279	37.438
Mid/Long term financial debt	62.588	81.102	88.254
NET SHORT TERM FINANCIAL DEBT BEFORE IFRS 16	**111.574**	**98.471**	**107.853**
Short term Lease Liability	10.114	10.212	9.903
Long term Lease Liability	99.039	102.130	105.502
LEASE LIABILITY (IFRS 16)	**109.153**	**112.342**	**115.405**
NET FINANCIAL POSITION AFTER IFRS 16	**220.727**	**210.813**	**223.258**
Group Shareholder's Equity	163.633	162.556	166.331
SHAREHOLDERS' EQUITY	**163.633**	**162.556**	**166.331**
TOTAL SOURCES OF FOUNDS	**384.360**	**373.369**	**389.589**

Net Working Capital

Net working capital as at 30 June 2019 amounted to Euro 139,1 million, higher compared to 30 June 2018 for 1,6%, but lower than the growth in sales volume.
There is an increase in stock levels countered by a reduction in the trade receivables balance.
Inventories rose in value by 3,4% from the beginning of the year, with a differentiated trend among the Business Units, as a result of different production planning strategies.
The significant reduction in stocks in the American BU, , was countered by an increase in stocks in the Italian BU, to adjust the stocks to the change in product range demanded by the market, more oriented towards large format products.
Based on production programs in the second half of the year and estimated sales, we expect, in terms of volumes, a reduction in inventory by the end of the year, with the goal of reaching a stock level aligned compared to the stock at the end of the previous year.
Referring to the other items composing the Net Working Capital, good results in credit management are confirmed by both low bad debt percentages and low days sales outstanding (DSO).

The CCN / Revenue ratio is confirmed at similar levels compared to previous years:



	2015	2016	2017	2018	2019
% NWC on Sales	42,4%	36,5%	35,6%	37,1%	36,6%

Note to the Graph – Revenues over the last 12 months have been considered while determining the ratio.

Non-current assets (net of Rights of use assets)

Non-current assets (net of Right of use assets) decreased since the beginning of the year by 3,7 million due to:

- Investments for the period, amounting to Euro 6,5 million, of which Euro 4,3 million realized in Italy, Euro 1,0 million in Portugal and Euro 1,2 million in the United States.
- Depreciation for the period, amounting to EUR 10,4 million.
- Higher value of fixed assets of the US sub-consolidated expressed in Euro, due to the appreciation of the US currency compared to the end of 2018 for Euro 0,2 million.

Considering the current industrial structure, already aligned with the best technological standards of the sector and already sized with respect to the commercial development programs, the Group has estimated, for 2019, lower investment expenses than in previous years, with the half-year figure fully in line with this objective.

Rights of Use Assets

In accordance with IFRS 16 the Group recorded “right-of-use assets” representing the right to use the underlying leased assets for the duration of the contract.
It should be noted that around of 95% of the amount is related to real estate leases mainly referred to industrial buildings (production plants, warehouses, offices) used by Panariagroup Industrie Ceramiche S.p.A. and those used by Florida Tile Inc., including 24 branches.
With reference to the building used as production plants and warehouses, the Group has entered into long term contracts to ensure the right to use these assets and to be able to plan its industrial policy over a sufficiently long period of time.

Net financial debt before IFRS 16

Following the cash flow statement, netted by the effects of IFRS 16 (values in million of Euros)

	30-06-2019	31-03-2019	31-12-2018	30-06-2018
Net financial position (debt) - beginning	**(98,5)**	**(98,5)**	**(99,4)**	**(99,40)**
Net Result for the period ANTE IFRS 16	0,8	(0,9)	(4,1)	0,50
D & A	10,5	5,2	21,1	10,10
Net Variation Provisions	0,7	(0,9)	(1,4)	0,90
Non monetary changes	0,3	0,1	0,0	(0,10)
Internal operating Cash flow	**12,3**	**3,5**	**15,6**	**11,40**
Change in net working capital and other assets and liabilities	(18,7)	(14,6)	8,3	(6,70)
Distribution of dividends	0,0	0,0	(3,1)	(3,10)
Net Investments	(6,5)	(3,3)	(19,2)	(9,80)
Changes in Equity	0,0	1,0	0,4	0,00
Exchange rate diff. from US$ financial statement conversions	(0,2)	(0,6)	(1,0)	(0,20)
Net financial position (debt) - final	**(111,6)**	**(112,5)**	**(98,5)**	**(107,80)**

Net financial debt (prior the application of IFRS 16) improved slightly compared to the first quarter of 2019 (-0,9 million euro); with an increase in the self-financing resources partially absorbed by the growth of Net Working Capital.

In the second half of the year, we expect a gradual improvement in the NFP due to the expected reduction in net working capital, thanks to the decrease in inventory stocks, the maintenance of a limited investment policy and the growth in operating margins.

Lease liabilities - IFRS 16

In accordance with IFRS 16 the Group recorded lease liabilities representing the obligation to make lease payments measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

The amount as at 30 June 2019 decreased by Euro 6,2 million if compared to 30 June 2018.

Shareholders' Equity

Net equity increased from 162,6 million as at 31st December 2018 to 163,6 million as at 30th June 2019, with an increase of 1,0 million, 0,8 million due to the profit of the period.

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SEGMENT REPORTING

The application of IFRS 8 – Operating segments became compulsory on 1 January 2009. The
This standard requires the identification of the operating segments with reference to the system of internal reporting used by senior management to allocate resources and to assess performance.
The previous standard, IAS 14 – Sector reporting, required the identification of segments (primary and secondary) with reference to the related risks and benefits of the segments themselves; the reporting system solely served as the starting point for this identification.
In terms of their economic and financial characteristics, the products distributed by the Group are not significantly different from each other in terms of product nature, nature of the production process, distribution channels, geographical distribution or types of customer. Accordingly, considering the requirements specified in paragraph 12 of the standard, the breakdown called for is unnecessary
since the information would not be useful to readers of the financial statements.
The disclosures required by paragraphs 32-33 of IFRS 8 are shown below. In particular:
- The breakdown of revenues by principal geographical area and by type of product is provided in the table presented in the earlier section on "Revenues",
- The breakdown of total assets by geographical location is shown below:

ASSETS	Italy	Europe	USA	Other	30-June-2019
NON-CURRENT ASSETS	**61.834**	**51.423**	**65.241**	**97**	**178.595**
Goodwill	350	7.789	0	0	8.139
Intangible assets	7.741	2.514	6.747	0	17.002
Property, plant and equipment	41.676	43.683	34.324	0	119.683
Equity Investments	5	21	18.429	97	18.552
Deferred tax assets	6.881	2.296	5.613	0	14.790
Other non-current assets	5.181	(4.880)	128	0	429
Non-current Financial Assets	0	0	19.055	0	19.055
CURRENT ASSETS	**132.266**	**55.867**	**70.295**	**10.260**	**268.688**
Inventories	92.615	28.491	44.257	0	165.363
Trade Receivables	30.149	23.646	18.129	10.260	82.184
Due from tax authorities	5.756	929	2.888	0	9.573
Other current assets	2.560	1.718	2.662	0	6.940
Current Financial Assets	0	0	0	0	0
Cash and cash equivalents	1.186	1.083	2.359	0	4.628
TOTAL ASSETS	**194.100**	**107.290**	**135.536**	**10.357**	**447.283**

	Italy	Europe	USA	Other	TOT
Net investments 2018	**4.240**	**1.044**	**1.230**	**0**	**6.514**

RESEARCH AND DEVELOPMENT ACTIVITIES

The new Research and Development division started in 2018 guarantees the best coordination between the demand of brands to present collections that are increasingly performing and of great aesthetic impact, with the technological complexity of our production lines, is beginning to bear fruit.
Less development time, less waste of production spaces, better execution of the design, will allow us to maintain our premium positioning over time, but at the same time, these factors will allow us to keep research costs under control.
Next September at Cersaie of Bologna (the world's most important fair of the sector) will be presented the new product collections.
The technology upgrading carried out in our plants will allow us to keep high the innovation rate on the product, in order to guarantee us supremacy in the high/deluxe end of the ceramic tile market and, at the same time, in order to gradually reduce the unit production costs.

TRANSACTIONS WITH PARENT COMPANIES, AFFILIATES AND RELATED PARTIES

With reference to the condensed half-yearly consolidated financial statements for 2018, related party transactions are detailed in the explanatory notes.
Furthermore, in compliance with CONSOB Communication DEM/6064293 of 28 July 2006, it's reported that the related party transactions described in the explanatory notes almost all relate to the lease of industrial premises used by the Parent Company for the conduct of its business.

RECONCILIATION OF THE PARENT COMPANY'S EQUITY AND NET PROFIT FOR THE YEAR WITH THE CORRESPONDING CONSOLIDATED AMOUNTS

As required by Consob Communication DEM/6064293 of 28 July 2006, the following table reconciles the Parent Company's equity and net profit with the corresponding consolidated amounts reported as at 30 June 2019 (in thousands of Euro):

	30-June-2019		31-Dec-2018	
	Equity	Net Income (Loss)	Equity	Net Income (Loss)
As per Panariagroup Industrie Ceramiche SpA's financial statements (Partent Company)	**144.741**	**573**	**144.311**	**116**
Difference between the book value of equity investments and their value using the equity method	24.370	495	23.259	(869)
Elimination of unrealised gains arising on the intercompany transfer of inventories	(535)	261	(796)	626
Exchange rate Difference on Intercompany Loans	0	(95)	0	(707)
Recognition of deffered tax assets and (liabilities) reflecting the tax effect (where applicable) of consolidation adjustments	140	(70)	306	(305)
Elimination of unrealised gains arising from dividend disribution	0	0	0	(2.970)
Others	(204)	(154)	(18)	11
Net effect of consolidation adjustments	**23.771**	**437**	**22.751**	**(4.214)**
As per consolidated financial statements	**168.512**	**1.010**	**167.062**	**(4.098)**

TREASURY SHARES AND/OR ULTIMATE PARENT COMPANY SHARES

In execution of the resolution passed at the Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A. on 29 April 2019, the Company has renewed a stock buy-back programme which stood as follows as at 30 June 2019:

Treasury shares

No. of shares	***Average book value***	***Amount***
432,234	**3.7347**	**1,614,284.94**

The number of treasury shares in portfolio is the same as in 2018, as no purchases or sales were made during 2019.

Panariagroup Industrie Ceramiche S.p.A. does not own any shares or quotas in the ultimate parent companies, nor did it own or trade in such shares or quotas during the first half of 2019; there are therefore no disclosures to be made in accordance with Article 2428 - paragraph 2, points 3 and 4 of the Italian Civil Code.

ATYPICAL AND UNUSUAL TRANSACTIONS

As required by Consob Communication DEM/6064293 of 28 July 2006, we declare that there were no atypical and/or unusual transactions, as defined in the explanatory notes, during the first half of 2019.

PRIVACY LAW (D. LGS. 196/2003) and EUROPEAN REGULATION 2016/679

As regards activities performed during 2018 and 2019, the Board of Directors informs that the Company:
- continued to comply with provisions of the Legislative Decree 196/2003 as amended and supplemented;
- applied the correct procedures for the suitable protection of personal data;
- maintained updated IT safety measures envisaged by the same Legislative Decree 196/2003 and related annex B);
- identified, in the ways envisaged by the legislator, the persons in charge of the management of the IT systems and supervised the activities carried out with the recording and filing of logs;

Lastly, it is noted that the Company applied the stringent provisions of the European Regulation 2016/679 on Privacy and awaits for the new national "standardisation" provisions to make further adjustments.
Having said the above, the Board of Directors confirm that the Company guarantees, over time, a fair and consistent use of information, held in both paper and electronic formats, in the interest and for the protection of all third parties (employees, collaborators, customers, suppliers, etc.).

BUSINESS OUTLOOK

After 2018, which was a year characterized by a marked decline in margins, this first half-year, with particular emphasis on the second quarter, highlighted an important reversal of the economic results trend, in line with our expectations.
The signs of a widespread slowdown in the construction sector in recent months and, more specifically, in our sector, lead us to assume the presence of an unfavorable economic context also in the second part of the year.
We believe that, despite this aspect, the Group's prospects are positive, due to the continuation of the policies that led to the evident change of course in the second quarter and due to other factors, both exogenous and endogenous, which will, in our opinion, bring positive effects.

For the Italian Business Unit, which was the main protagonist of the improvement in profitability, we expect to continue to increase the volume of sales, by safeguarding the sales prices and by continuing with the savings in operating costs; to these expected benefits, the significant reduction in gas price is added as a further positive element.

Also for the Portuguese Business Unit the drop in the cost of gas, together with the electricity one, will be a positive element for the second half of the year, to which a recovery in sales volume should be added, after the temporary slowdown mainly due to operation issues.

The American Business Unit is the BU from which we expect a greater contribution to the growth in profitability; with the starting of the third production line, made possible by the important development of the Home Center channel, it will be possible to absorb the fixed and semi-variable costs that have heavily weighed on the economic result of the last two years.
Furthermore, we believe that the commercial reorganization of the less dynamic sales channels could lead, even in fairly short times, to a recovery in sales volume.

With the aim of improving the Net Financial Position, the policy of low investments expenditure will continue, successfully implemented in the first half of the year and we will act, above all, for the reduction in Net Working Capital.

Despite the growth in sales volume and the gradual recovery in margins, we are still far from the results the Group is aiming for and we believe that there are still great potentials not yet expressed in economic-financial results.
We are working intensively to ensure that our strengths and the recognized values that the Group has, can be more effectively reflected also in this aspect.

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE

In compliance with the disclosure requirements of Borsa Italiana Spa and Consob, Panariagroup Industrie Ceramiche Spa has prepared the "Report on Corporate Governance and the Ownership Structure", which can be consulted on its website www.panariagroup.com in the section entitled Company Documents (as required by art. 123-bis of Law Decree 58 of 24 February 1998).

RISK MANAGEMENT

In compliance with all reporting requirements for listed companies, the Law 262/2005 has amended the Issuers Regulations by introducing a requirement for the Directors of such companies to identify, assess and manage risks relating to the Company's activities. The main types of risk that have been identified are as follows:

GENERAL ECONOMIC RISK
As every operator, Panariagroup is subject to the risk resulting from the non predictability of market trends and, therefore, any significant negative changes in economic conditions might determine an impact on the Group's state of affairs.
We therefore believe that a balanced distribution of turnover over the various geographical areas is a key factor to mitigate this risk.

CREDIT AND LIQUIDITY RISK
The Group's exposure to credit and liquidity risk is analysed in the explanatory notes accompanying these financial statements, which include the information required by IFRS 7.

RISK OF DEPENDENCE ON KEY PERSONNEL
The Group's performance depends, among other things, on the competence and skills of its managers, as well as the ability to ensure continuity in the running of operations. Since several of the principal managers of Panariagroup are shareholders in Panariagroup Industrie Ceramiche S.p.A. - through Finpanaria S.p.A., which holds approximately 70% of the share capital - it is reasonable to assume that the possibility of the Group's principal managers leaving the company is remote. Should this happen, however, it could have a negative impact on the activities and results of Panariagroup.

MARKET RISK

COMPETITION RISK
The main producers of ceramic materials for floor and wall coverings worldwide, besides Italian firms, are: (i) producers in emerging markets, who are particularly competitive price-wise and target the lower end of the

market; (ii) European producers, some of whom are able to compete at the higher end of the market, with average prices that are lower than those of Italian companies, due to lower production costs. Our Group believes that its positioning in the high-end luxury market segment, which is difficult for low-cost producers to enter, the renown of its trademarks, the wide range of product lines offered and the particular care and attention given to design, all represent competitive advantages over the products offered by such competitors. Increased competition could negatively impact the Group's economic and financial results in the medium to long term.

RAW MATERIAL PRICE RISK

The raw materials used in the production of ceramics for floor and wall coverings such as gas, electricity and clay accounted for more than 25.0% of the value of production in both 2016 and 2017. Therefore, their increase, which is not currently expected, could have a negative impact on the financial results of the Group in the short term.

ENVIRONMENTAL PROTECTION, PERSONNEL COSTS AND REGULATIONS RELATING TO THE SECTOR

The production and sale of ceramic materials for floor and wall coverings is not currently subject to specific sector regulations. On the other hand, environmental protection regulations are especially relevant given the use made of certain chemical compounds, particularly with regard to the treatment of such materials, emissions control and waste disposal.

The Group keenly monitors environmental and personnel risks, and any situations arising in connection with operations are treated in compliance with the regulations.

With regards to its personnel, Panariagroup protects the health and safety of its employees in compliance with current regulations governing health and safety in the workplace.

The average workforce in the first half of 2019 consisted of 1.750 persons, an increase of 10 employees compared with the average figure for 2018.

CONSOB RESOLUTION no.11971 of 14 May 1999

In compliance with the provisions of this resolution, the following table reports the interests held in Panariagroup and its subsidiaries by directors, statutory auditors, general managers, key management personnel and their spouses, unless legally separated, and minor children, directly or through companies under their control, trust companies or third parties, as reported in the shareholders' register, notices received and other information obtained from such directors, statutory auditors, general managers and key management personnel:

- ART. 79 - TABLE 2 - INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS AT 30-June-2019							
Name and Last Name	**Investment held in**	**Number of shares held at the end of the prior year**	**Number of shares purchased in 2019**	**Number of shares sold in 2019**	**Number of shares held at 30-June-2019**	**Type of holding**	**Type of ownership**
Mussini Giuliano	Panariagroup	304.293	-	-	304.293	Direct	Property
		4.400	-	-	4.400	Spouse	Property
Mussini Andrea	Panariagroup	527.019	-	-	527.019	Direct	Property
Pini Giuliano	Panariagroup	102.802	-	-	102.802	Direct	Property
		12.380	-	-	12.380	Spouse	Property
Mussini Emilio	Panariagroup	129.436	-	-	129.436	Direct	Property
		13.080	-	-	13.080	Spouse	Property
Mussini Paolo	Panariagroup	1.000	-	-	1.000	Direct	Property
Mussini Silvia	Panariagroup	21.900	-	-	21.900	Direct	Property
Prodi Daniele	Panariagroup	32.000	-	-	32.000	Direct	Property
Bonfiglioli Sonia	Panariagroup	-			-		
Ferrari Tiziana	Panariagroup	-			-		
Bazoli Francesca	Panariagroup	-			-		
Marchese Sergio	Panariagroup	-			-		
Ascari Pier Giovanni	Panariagroup	-			-		
Muserra Francesca	Panariagroup	-			-		
Total		**1.148.310**	**-**	**-**	**1.148.310**		

SIGNIFICANT OCCURRED AFTER THE END OF THE HALF YEAR

No significant events are to be reported.

WARNINGS

The consolidated financial statements for the year ended 30 June 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and officially approved by the European Union, as well as with the instructions issued in implementation of article 9 of Legislative Decree 38/2005.
The term IFRS is understood as including all of the international accounting standards (IAS), suitably revised, and all of the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).

After the European Regulation no. 1606 took effect in July 2002 and beginning with the financial statements of the first half of 2005, the Group adopted the IFRS standards issued by the International Accounting Standards Board officially approved by the European Union. The accounting policies and financial statement formats used in preparing these financial statements do not differ from those applied in the financial statements for the year ended 31 December 2018, with the exception of those international accounting standards which entered into effect as at 01 January 2019 and which are illustrated in the section of the financial statements named "Accounting standards, amendments and interpretations applicable as at 01 January 2019"; refer to this section for more information. The application of these standards did not produce any significant effects.
As regards the provisions on the conditions applied to the listing of parent companies, incorporated companies or companies regulated under the laws of countries outside of the European Union and which have a significant impact on the consolidated financial statements, it should be noted that:

- As at 30 June 2019 three of the companies controlled by Panariagroup come under these regulations: Panariagroup USA Inc., Florida Tile Inc. and Lea North America LLC.

- Adequate procedures have been adopted to ensure thorough compliance with the new rules (art. 36 of Market Regulations issued by Consob).

PERFORMANCE MEASURES

Explanatory notes and directors' report, include some performance indicators in order to present a better evaluation of financial and economic performance of the Group.

As regards those indicators, on 3 December 2015, CONSOB issued Communication no. 92543/15, which gives force to the Guidelines issued on 5 October 2015, by the European Securities and Markets Authority (ESMA) concerning the presentation of alternative performance measures in regulated information disclosed or prospectuses published as from 3 July 2016. These Guidelines, which update the previous CESR Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility. Accordingly, in line with the regulations cited above, the criteria used to construct these indicators are as follows:

- Gross operating margin: this is made up of the pre-tax result before financial income and expenses, depreciation and amortisation, provisions and impairment charges on assets made during the period and provisions;
- Net operating margin: this is made up of the pre-tax result before financial income and expenses;
- Pre-tax profit (loss): this is made up of the result for the period before income taxes.
- Net Working Capital: this is made up of the inventory, account receivable, other current assets, net of account payables and other current liabilities.
- Net Financial Position: this is made up of cash and financial credit, net of bank short and medium-long terms financial debts and leasing.

ATTACHMENTS

- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet as at 30 June 2019
- Reconciliation between the reclassified balance sheet and the IFRS-format balance sheet as at 31 December 2018
- Reconciliation between the summary of cash flows and the IFRS-format cash flow statement

The Chairman

Sassuolo, 08 August 2019

Mussini Emilio

Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position
Figures at 30 June 2019

STATEMENT OF FINANCIAL POSITION - IFRS

ASSETS	30-June-2019	RIF
NON-CURRENT ASSETS	**282.743**	
Goodwill	8.139	ANC1
Intangible assets	17.002	ANC2
Property, plant and equipment	119.683	ANC3
Lease - Right of Use	104.064	ANC4
Equity Investments	124	ANC5
Deferred tax assets	14.874	ANC6
Other non-current assets	429	ANC7
Non-current Financial Assets	18.428	ANC8
CURRENT ASSETS	**268.688**	
Inventories	165.363	AC1
Receivables from customers	82.184	AC2
Due from tax authorities	9.573	AC3
Other current assets	5.751	AC4
Current Financial Assets	1.189	AC5
Cash and cash equivalents	4.628	AC6
TOTAL ASSETS	**551.431**	
LIABILITIES AND EQUITY	**30-June-2019**	
EQUITY	**163.633**	PN
Share capital	22.678	
Reserves	140.141	
Net profit (loss) for the year	814	
NON-CURRENT LIABILITIES	**199.158**	
Liabilities for employee benefits	5.016	PNC1
Deferred tax liabilities	7.608	PNC2
Provisions for risks and charges	4.318	PNC3
Other non-current liabilities	2.161	PNC4
Due to banks	57.871	PNC5
Due to other sources of finance	23.145	PNC6
Lease Liability	99.039	PNC7
CURRENT LIABILITIES	**188.640**	
Payables due to suppliers	91.870	PC1
Due to tax authorities	3.247	PC2
Other current liabilities	28.606	PC3
Due to banks	53.397	PC4
Due to other sources of finance	1.406	PC5
Lease Liability	10.114	PC6
TOTAL LIABILITIES AND EQUITY	**551.431**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	30-June-2019	RIF
Inventories	165.363	AC1
Receivables from customers	82.184	AC2
Other current assets	15.324	AC3+AC4+AC5-(*)
CURRENT ASSETS	**262.871**	
Payables due to suppliers	(91.870)	PC1
Other current liabilities	(31.853)	PC2+PC3
CURRENT LIABILITIES	**(123.723)**	
NET WORKING CAPITAL	**139.148**	
Goodwill	8.139	ANC1
Intangible assets	17.002	ANC2
Property, plant and equipment	119.683	ANC3
Lease - Right of Use	104.064	ANC4
Equity Investments	124	ANC5
FIXED ASSETS	**249.012**	
Receivables due beyond 12 months	429	ANC6
Liabilities for employee benefits	(5.016)	PNC1
Provision for risk and charge	(4.318)	PNC3
Provision for deferred taxes	7.266	ANC5+PNC2
Other liabilities due beyond 12 months	(2.161)	PNC4
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**(3.800)**	
NET CAPITAL EMPLOYED	**384.360**	
Short term financial assets	(4.628)	AC6
Short term financial indebtedness	53.614	PC4+PC5-AC5
Mid/Long term financial indebtedness	62.588	PNC5+PNC6-ANC8
NET SHORT TERM FINACIAL INDEBTEDNESS ANTE IFRS 16	**111.574**	
Short term financial debt	10.114	PC6
Mid-Long term financial debt	99.039	PNC7
NET MID-LONG TERM FINACIAL INDEBTEDNESS	**109.153**	
NET FINANCIAL POSITION POST IFRS 16	**220.727**	
Group Shareholders' Equity	163.633	PN
SHAREHOLDERS' EQUITY	**163.633**	
TOTAL SOURCES OF FOUNDS	**384.360**	

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Reconciliation IFRS Statement of Financial Position/Reclassified Statement of Financial Position
Figures at 31 December 2018

STATEMENT OF FINANCIAL POSITION - IFRS		
ATTIVO	**31-Dec-2018**	**RIF**
NON-CURRENT ASSETS	**290.368**	
Goodwill	8.139	ANC1
Intangible assets	15.553	ANC2
Property, plant and equipment	124.840	ANC3
Lease - Right of Use	107.631	ANC4
Equity Investments	161	ANC5
Deferred tax assets	14.426	ANC6
Other non-current assets	564	ANC7
Non-current Financial Assets	19.054	ANC8
CURRENT ASSETS	**256.813**	
Inventories	159.948	AC1
Receivables from customers	64.954	AC2
Due from tax authorities	9.160	AC3
Other current assets	4.659	AC4
Current Financial Assets	1.182	AC5
Cash and cash equivalents	16.910	AC6
TOTAL ASSETS	**547.181**	
LIABILITIES AND EQUITY	**31-Dec-2018**	
EQUITY	**162.556**	PN
Share capital	22.678	
Reserves	144.698	
Net profit (loss) for the year	-4.820	
NON-CURRENT LIABILITIES	**222.376**	
Liabilities for employee benefits	5.066	PNC1
Deferred tax liabilities	7.612	PNC2
Provisions for risks and charges	4.506	PNC3
Other non-current liabilities	2.906	PNC4
Due to banks	76.578	PNC5
Due to other sources of finance	23.578	PNC6
Lease Liability	102.130	PNC7
CURRENT LIABILITIES	**162.249**	
Payables due to suppliers	88.342	PC1
Due to tax authorities	3.833	PC2
Other current liabilities	24.401	PC3
Due to banks	33.679	PC4
Due to other sources of finance	1.782	PC5
Lease Liability	10.212	PC6
TOTAL LIABILITIES AND EQUITY	**547.181**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION		
	31-Dec-2018	**RIF**
Inventories	159.948	AC1
Receivables from customers	64.954	AC2
Other current assets	13.819	AC3+AC4+AC5-(*)
CURRENT ASSETS	**238.721**	
Payables due to suppliers	-88.342	PC1
Other current liabilities	-28.234	PC2+PC3
CURRENT LIABILITIES	**-116.576**	
NET WORKING CAPITAL	**122.145**	
Goodwill	8.139	ANC1
Intangible assets	15.553	ANC2
Property, plant and equipment	124.840	ANC3
Lease - Right of Use	107.631	ANC4
Equity Investments	161	ANC5
FIXED ASSETS	**256.324**	
Receivables due beyond 12 months	564	ANC6
Liabilities for employee benefits	-5.066	PNC1
Provision for risk and charge	-4.506	PNC3
Provision for deferred taxes	6.814	ANC5+PNC2
Other liabilities due beyond 12 months	-2.906	PNC4
ASSET AND LIABILITIES DUE BEYOND 12 MONTHS	**-5.100**	
NET CAPITAL EMPLOYED	**373.369**	
Short term financial assets	-16.910	AC6
Short term financial indebtedness	34.279	PC4+PC5 - AC5
Mid/Long term financial indebtedness	81.102	PNC5+PNC6-ANC8
NET SHORT TERM FINACIAL INDEBTEDNESS ANTE IFRS 16	**98.471**	
Short term Lease Debt (IFRS 16)	10.212	PC6
Mid-Long term Lease Debt (IFRS 16)	102.130	PNC7
LEASE FINACIAL INDEBTEDNESS	**108.683**	
NET FINANCIAL POSITION POST IFRS 16	**210.813**	
Group Shareholders' Equity	162.556	PN
SHAREHOLDERS' EQUITY	**162.556**	
TOTAL SOURCES OF FOUNDS	**373.369**	

PANARIAgroup

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT

NET FINANCIAL POSITION
(THOUSANDS OF EURO)

	30-June-2019	
Cash	-45	
Other Cash and cash equivalents	-4.582	
Securities held for sale	0	
Liquidity	**-4.627**	**(*)**
Short-term financial assets	**-1.189**	
Due to banks	21.521	
Current portion of long-term loans	31.932	
Other short-term financial debt	1.406	
Short-term financial indebtedness	**54.859**	
Net short-term financial indebtness	**49.043**	
Non-current portion of long-term loans	57.815	
Due to bondholders	0	
Other long-term financial debt	23.144	
Long-term financial indebtedness	**80.959**	
Long-term financial assets	**-18.428**	
Net financial indebtness	**111.574**	**(**)**
Short Term Lease Debts (IFRS 16)	10.114	
Long Term Lease Debts (IFRS 16)	99.039	
Net financial Debt IFRS 16	**220.727**	
Liquidity	**-4.627**	**(*)**
(Subject of the IFRS Cash Flow Statement)		
Total NFP	**111.574**	**(**)**
(Subject of the financial cash flows as per Directors Report)		

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT
CASH FLOW STATEMENT - IFRS
(THOUSAND OF EURO)

(Thousands of Euro)	**30/06/2019**	
A - OPERATIONS		
Profit (loss) of the year	814	**A**
Depreciation and amortisation	10.455	**B**
Losses (gains) on assets disposal	(4)	**C**
Deferred tax liabilities (assets)	(370)	**D**
Non-monetary change in provisions for employee severance indemnities	132	**E**
Net change in provisions	948	**F**
Net effect of IFRS 16 on income (non-monetary)	195	**G**
Revaluation and writedown of equity investments	93	**H**
Cash flow (absorption) from operations prior to changes in working capital	*12.263*	
(Increase)/(decrease) in trade receivables	(16.983)	
(Increase)/(decrease) in inventories	(6.394)	
(Increase)/(decrease) in trade payables	3.351	
Employee severance indemnities disbursement	(182)	
Net change in other assets/liabilities	1.504	
Cash flow (absorption)from operations due to changes in working capital	*(18.704)*	**I**
Total (A) Cash flow from operations	**(6.441)**	
B - INVESTMENT ACTIVITY		
Net investment in tangible and intangible assets	(6.519)	**J**
Net investment in financial assets	(40)	**K**
Exchange differences on tangible and intangible assets	63	**L**
Total (B) Cash Flow (absorption) from investment activities	**(6.496)**	
C - FINANCING ACTIVITY		
Distribution of dividends	-	**M**
Non- monetary changes recorded in equity	(8)	**N**
Net change on financial liabilities (net of New Loans/Loans repayments)	-	
New Loans	14.169	
Loan repayments	(13.366)	
Total (C) Cash Flow (absorption) from financing activities	**795**	
Opening net cash	**16.910**	
Change in the translation reserve	**(141)**	**O**
Net change in short-term net cash (A+B+C)	**(12.142)**	
Closing net cash	**4.627**	**(*)**

Financial cash flow
(thousands euro)

	30/06/19	
Net financial position (debt) - beginning	**(98,5)**	
Net Result for the period	0,8	**A**
D & A	10,5	**B**
Net Variation Provisions	0,7	**D+E+F**
Non monetary changes	0,3	**C+G+H**
Internal operating Cash flow	**12,3**	
Change in net working capital and other assets and liabilities	(18,7)	**I**
Dividends	0,0	**M**
Net Investments	(6,5)	**J+K+L**
Changes in Equity	(0,0)	**N**
Exchange rate diff. from US$ financial statement conversions	(0,1)	**O**
Net financial position (debt) - final	**(111,6)**	**(**)**