

# COMPANY PRESENTATION

London, October 4<sup>th</sup> 2007

---



# COMPANY PRESENTATION

## Index

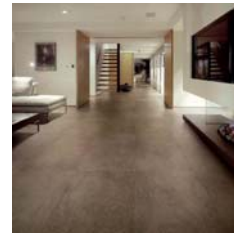
---



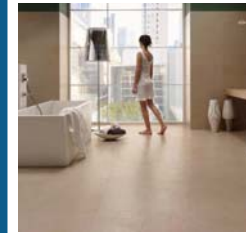
**The Group**



**1H2007 Results**



**Europe & Usa**



**Appendix**

# COMPANY PRESENTATION



## The Group



# THE GROUP

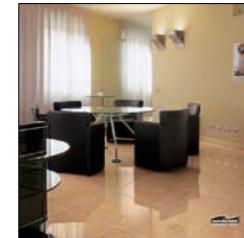
## Profile



- Panariagroup designs, manufactures and distributes floor and wall ceramic tiles since 1974.
- The Group is specialized in the production of porcelain grès tiles with a complete positioning in the high-end and deluxe market segment
- It closed 3 acquisitions in the last 5 years becoming one of the major Italian groups with an international scope, three manufacturing plants in Italy, two in Portugal and one in the US.
- The Group distributes its products through 7 brands in more than 100 Countries, thanks to a sales network composed by mid size distributors and a chain of 26 directly managed branches.
- The Group relies on state of the art plants (no important Capex needed).

# THE GROUP

## The brand portfolio



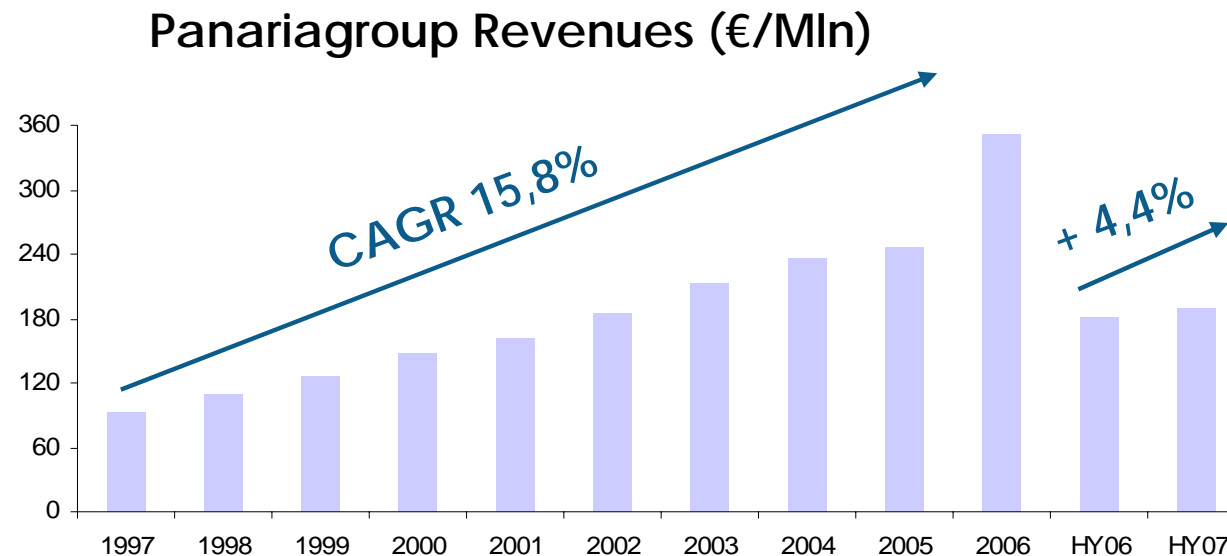
- The Group offers a wide range of product lines
- Seven different brands, all well known
- Each brand features its own specific and distinctive characteristics, aiming at meeting the needs of the more sophisticated customers

# THE GROUP

## The growth



- Panariagroup enjoyed in the last decade an organic growth higher than 10%, far better than the average of the market.
- Following the IPO, the Group targeted an international expansion that sustained the impressive growth of 2006.



# THE GROUP

## The international spirit



- With the two acquisitions closed after the IPO, the international profile of Panariagroup has completely changed
- The following table, in particular, highlight the results of these acquisitions on the Sales distribution of the Group:

Sales Breakdown by market (in %)

Country	2005	2006*
ITALY	42.00%	27.85%
UNITED STATES	9.88%	32.46%
EUROPE	41.90%	36.49%
OTHER COUNTRIES	6.22%	3.20%
Total	100.00%	100.00%

\* Pro forma with 12 months of Florida Tile

# THE GROUP

## Success Factors

---



- High quality standards in the research and selection of raw materials
- Strong R&D activity, aimed at product and manufacturing process innovation
- Focus on service, delivery efficiency, careful customer relationship
- Headquartered in the Italian “ceramic district”
- Important presence in a low cost country (Portugal)
- Significant production presence in the most important selling markets



# COMPANY PRESENTATION

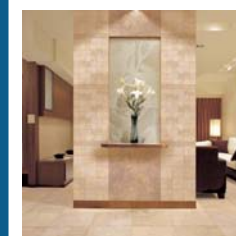


## 1H2007 Results



# 1H2007 RESULTS

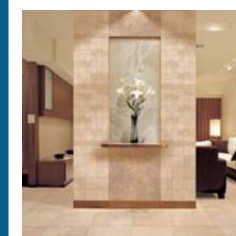
## Consolidated Income Statement



Euro/000	2004	%	2005	%	2006	%	Jun-06	% Jun-07	%	
Gross revenues	230'382		241'725		351'559		182'350	190'405		
<i>Growth</i>	11.1%		4.9%		45.4%		4.4%			
EBITDA	39'253	17.0%	43'672	18.1%	49'882	14.2%	29'771	15.3%	27'465	14.0%
<i>Growth</i>	3.8%		11.3%		14.2%		-7.7%			
EBIT	25'540	11.1%	29'521	12.2%	31'653	9.0%	20'815	10.7%	18'485	9.4%
<i>Growth</i>	0.3%		15.6%		7.2%		-11.2%			
Pre-tax income	22'189	9.6%	30'514	12.6%	27'896	7.9%	19'350	9.9%	16'309	8.3%
<i>Growth</i>	-2.3%		37.5%		-8.6%		-15.7%			
Net income	15'213	6.6%	18'048	7.5%	18'101	5.1%	13'496	6.9%	9'776	5.0%
<i>Growth</i>	5.4%		18.6%		0.3%		-27.6%			

# 1H2007 RESULTS

## Consolidated Balance Sheet



<b>Euro/000</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>giu-07</b>
Goodwill	4'235	12'089	12'089	12'089
Intangible assets	607	551	2'639	2'784
Tangible assets	52'528	82'836	88'833	95'987
Financial fixed assets	4	4	5	3
<b>Fixed Assets</b>	<b>57'374</b>	<b>95'480</b>	<b>103'566</b>	<b>110'863</b>
Current assets	167'672	198'359	238'840	261'911
Current liabilities	(84'329)	(92'222)	(106'130)	(118'648)
<b>Net Working Capital</b>	<b>83'343</b>	<b>106'137</b>	<b>132'710</b>	<b>143'263</b>
<b>Assets and Liabilities due after the year</b>	<b>(10'823)</b>	<b>(17'786)</b>	<b>(17'739)</b>	<b>(24'930)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>129'894</b>	<b>183'831</b>	<b>218'537</b>	<b>229'196</b>
Net Financial Position	(3'896)	40'653	66'924	76'912
Shareholders' equity	133'790	143'178	151'613	152'284
<b>Dividend distributed</b>		<b>8'100</b>	<b>8'614</b>	<b>8'614</b>

# COMPANY PRESENTATION

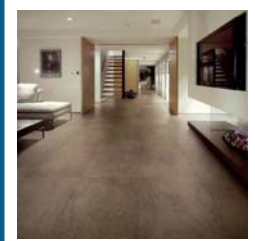


## Europe & Usa



# EUROPE & USA

## The two realities of the group



EUROPE



ORGANIC GROWTH  
OUTSTANDING PROFIT MARGIN



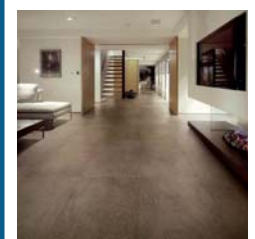
USA



TURNAROUND / RESTRUCTURING  
COMMERCIAL OPPORTUNITIES

# EUROPE & USA

## Europe – Description



- Includes 6 brands and 5 production plants in Italy and in Portugal
- Has a well established presence in the European market
- All brands are positioned in the high end and deluxe market segment
- The average selling price in both markets is almost double of the average of the market

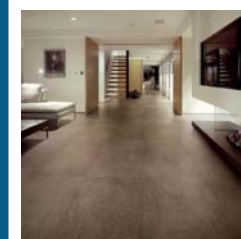
Price €/MQ	2003	2004	2005	2006
<b>Panariagroup Italy</b>	15.69	16.43	17.36	18.16
<b>Panariagroup Portugal (*)</b>	8.22	8.94	9.96	11.37

Variation on last year %	2003	2004	2005	2006
<b>Panariagroup Italy</b>	5.5%	4.7%	5.7%	4.6%
<b>Panariagroup Portugal (*)</b>	6.3%	8.8%	11.4%	14.2%

(\*) Data referred to Margres

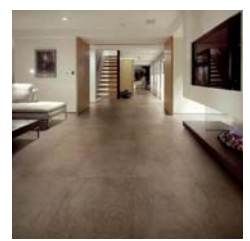
# EUROPE & USA

## Europe – The results



Euro/000	2004	%	2005	%	2006	%	giu-06	%	giu-07	%
<b>Gross revenues</b>	<b>230'382</b>		<b>241'725</b>		<b>287'031</b>		<b>151'985</b>		<b>157'394</b>	
<i>Growth</i>	<i>11.1%</i>		<i>4.9%</i>		<i>18.7%</i>				<i>3.6%</i>	
<b>EBITDA</b>	<b>39'253</b>	<b>17.0%</b>	<b>43'672</b>	<b>18.1%</b>	<b>50'932</b>	<b>17.7%</b>	<b>29'282</b>	<b>19.3%</b>	<b>28'007</b>	<b>17.8%</b>
<i>Growth</i>	<i>3.8%</i>		<i>11.3%</i>		<i>16.6%</i>				<i>-4.4%</i>	
<b>EBIT</b>	<b>25'540</b>	<b>11.1%</b>	<b>29'521</b>	<b>12.2%</b>	<b>34'089</b>	<b>11.9%</b>	<b>21'012</b>	<b>13.8%</b>	<b>19'613</b>	<b>12.5%</b>
<i>Growth</i>	<i>0.3%</i>		<i>15.6%</i>		<i>15.5%</i>				<i>-6.7%</i>	

- Solid operating performance despite negative currency rate trend
- Results in line with full year 2007 expectations

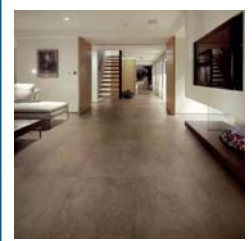


- Good organic growth;
- Maintenance of the outstanding profit margin;
- Introduction of new product lines => average selling price increase;
- Energy costs foreseen flat in FY07;
- Enduring low production costs in Portugal;
- External growth opportunities in interesting markets (in particular Eastern Europe);
- Study of new distribution models.



# EUROPE & USA

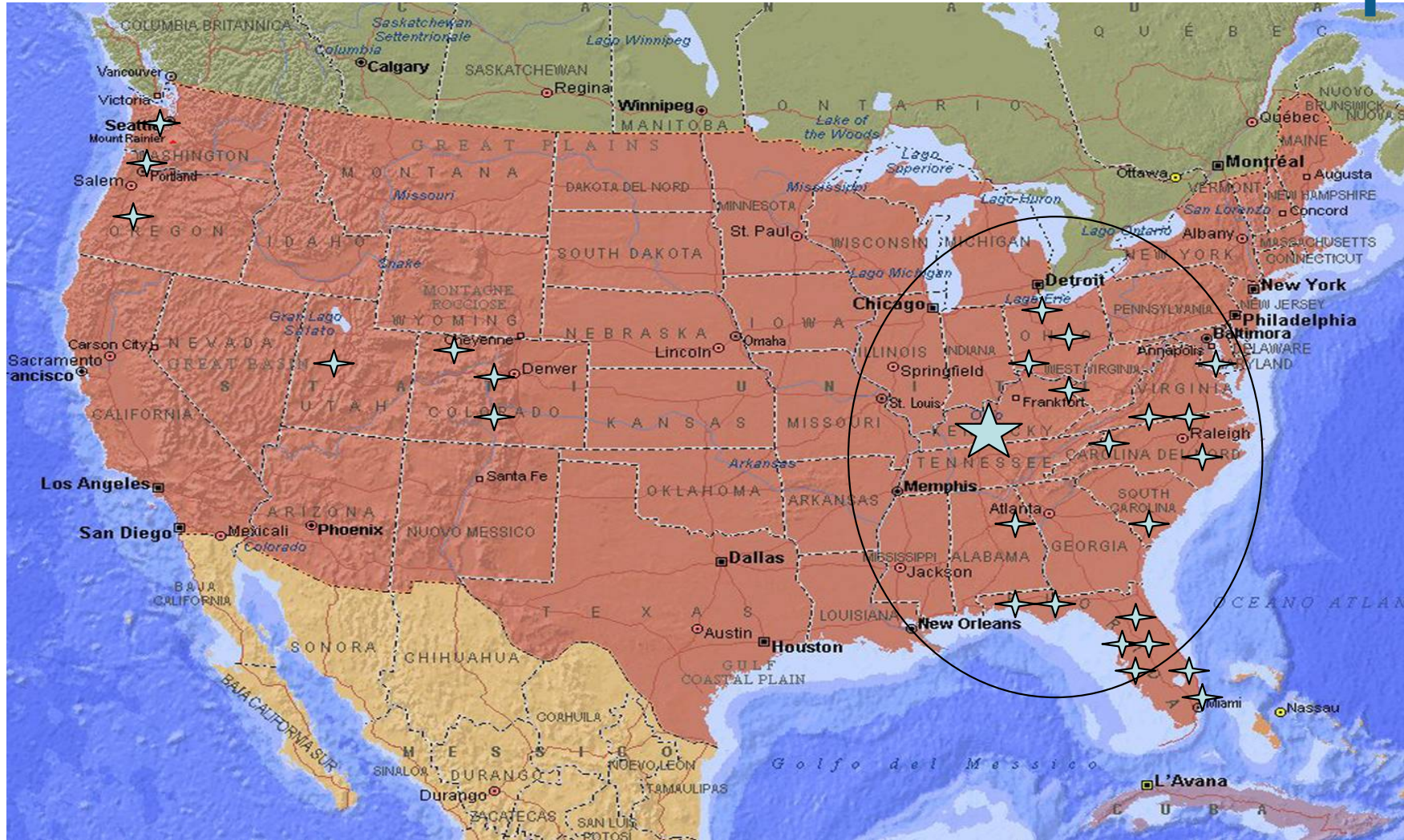
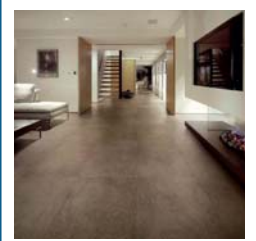
## Usa - Description



- Includes the recently acquired activities of Florida Tile and in particular:
  - Florida Tile brand;
  - The production plant based in Kentucky;
  - 26 directly managed branches mainly located in the East coast;
  - The distribution center located close to the plant in KY.

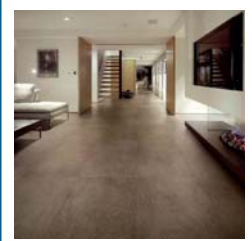
# EUROPE & USA

## Usa - Locations



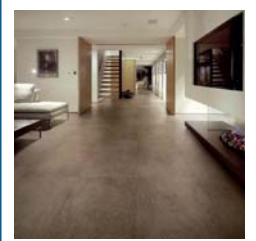
# EUROPE & USA

## Usa - The results

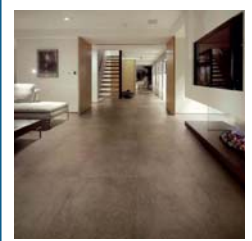


Euro/000	2006	%	giu-06	%	giu-07	%
Gross revenues	67'420		30'365		33'011	
EBITDA	-1'101	-1.6%	489	1.6%	-542	-1.6%
EBIT	-2'389	-3.5%	-197	-0.6%	-1'128	-3.4%

- Weak economic results due to:
  - Commercial difficulties due to the tight market situation;
  - Red clay production, declining on the market;
  - Inefficient production;
  - Temporary extra-costs (external supply, transportation costs);
  - Product portfolio too fragmented;
  - Start up costs of the new porcelain line.

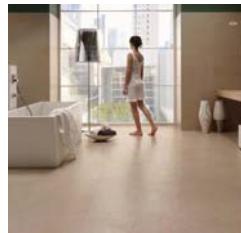


- Definitive shut down of the Shannon plant
- New IT system
- Start up of the new porcelain tile production line
- New top management team
- Important production in our European plants of series dedicated to Florida Tile
- Purchasing synergies with Panariagroup
- Opening event of the new plant (Sept. 13th): important commercial success



- Reorganization of the production structure;
- Improvement of the product portfolio (new porcelain lines)
- Strengthening of the distribution network:
  - ❖ Mid size distributors => high level of service;
  - ❖ Directly managed branches => better control;
- New branches opening (East Coast)
- External growth opportunities (local distribution chains)

# COMPANY PRESENTATION

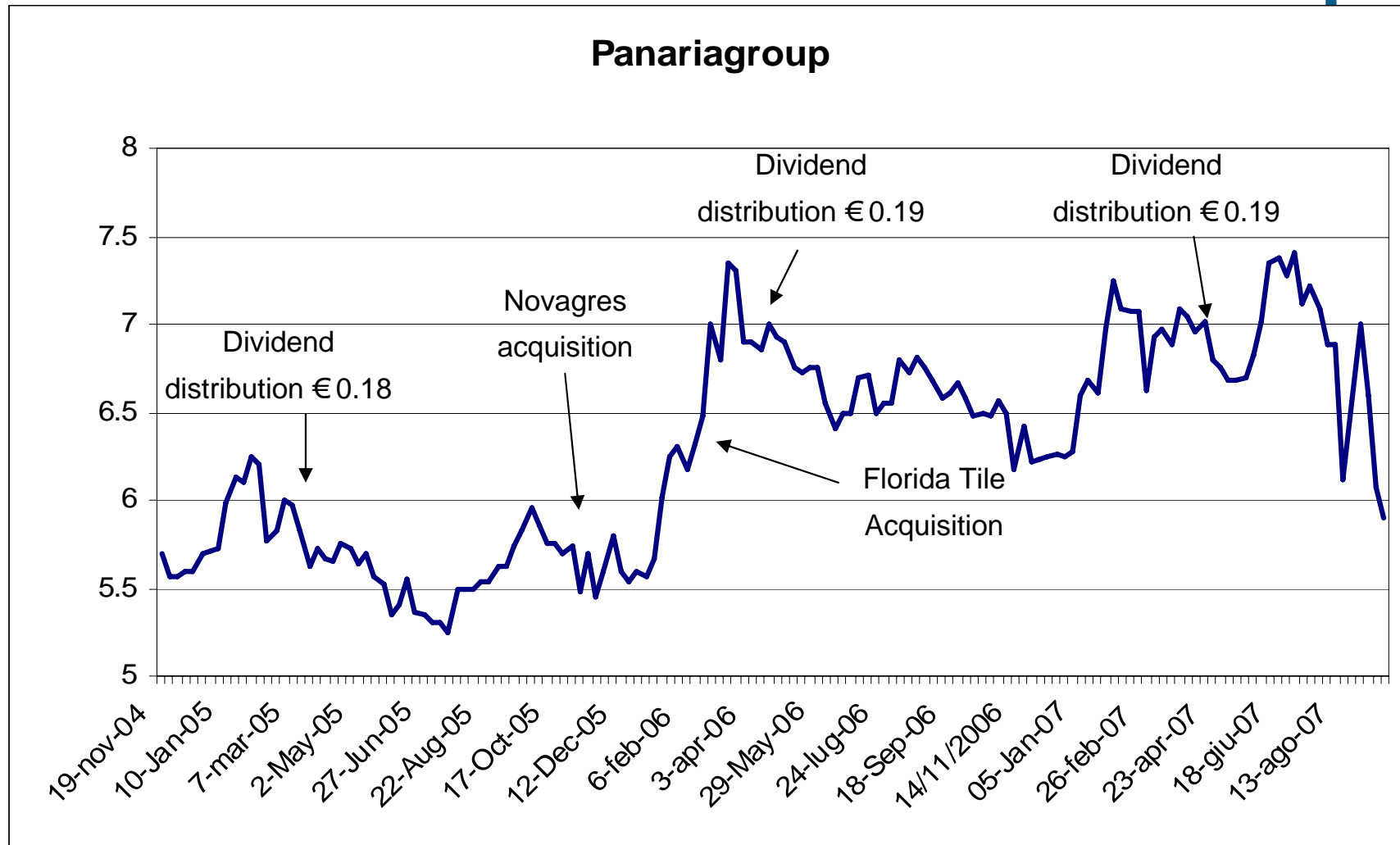
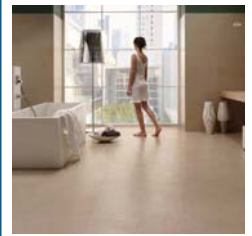


## Appendix



# APPENDIX

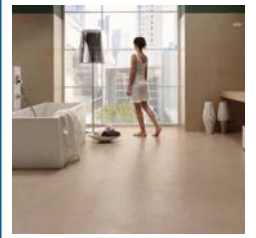
## Share performance



# APPENDIX

## Management and contacts

---



Giuliano Pini

*CEO*

Fabio Marasi

*Investor Relations Manager*

*Tel. +39 0536 915211*

*fabio.marasi@panariagroup.it*

**PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.**

**Management Center:**

**Via Cameazzo, 31**

**Fiorano Modenese (MO)**

**Tel. +39 0536 915211 - Fax +39 0536 915204**

*info@panariagroup.it*



# APPENDIX

## Questions & Answers

---



**La Ceramica  
di Lusso  
nel Mondo**

**Luxury  
Ceramic Tiles  
in the World**

