



PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the draft financial statements for the year ended 31 December 2014.

- Consolidated net revenues from sales and services of Euro 290.7 million
- Gross operating profit of Euro 21.0 million
- Net operating profit of Euro 1.9 million
- Consolidated net loss for the period of Euro 1.8 million

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A., a Group operating in the production and sale of high quality and luxury ceramic materials for floor and wall coverings, today approved the draft financial statements for the year ended 31 December 2014 prepared in compliance with International Financial Reporting Standards (IFRS).

Given an international economic context that is still very volatile, the year 2014 for Panariagroup was characterized by an important inversion in trend with respect to the previous two year period, reporting a 6.5% growth (Euro 17.7 million) with respect to 2013 and profitability in net growth.

With regard to the financial situation, additional improvements were reported with respect to 2013 which culminated in a decrease in Net Working Capital and, in particular, in the Net Financial Position which fell from Euro 90.9 to 80.2 million (Euro -10.7 million).

The internationalization strategy of Panariagroup within non-EU markets has led this area to retain a 45% incidence with respect to Group revenues in 2014; this structure allows for a greater level of risk diversification and greater competitiveness in all applicable markets.

CONSOLIDATED KEY FIGURES

(in thousands of Euro)

Type	31/12/2014	31/12/2013	var. €
Revenues from sales and services	290,679	272,971	17,708
Value of production	298,247	270,463	27,784
Gross operating profit	21,038	14,044	6,994
Net operating profit	1,920	(6,845)	8,765
Net Consolidated Profit (loss)	(1,841)	(7,851)	6,010

“The year 2014 – **stated Emilio Mussini, the Chairman of Panariagroup** – closed in line with established plans to improve sales and margins within all Business Units in order to increase the use of productive capacity and further decrease Net Working Capital and Net Financial Indebtedness”.



“The advantage derived from the consolidation of a significant amount of our turnover in very dynamic non-EU markets – emphasized **Mussini** – will allow us to maintain positive growth prospects in the medium term”.

REVENUES

Revenues from sales in 2014 were equal to Euro 290.7 million and increased by 6.5% with respect to the Euro 273 million generated as of 31 December 2013.

With regard to revenues in the various geographic areas of reference, the Group confirmed different trends:

UNITED STATES – The US market was confirmed in 2014 as the primary market of the Group with double digit growth (+13.3%) resulting in revenues of Euro 99 million. This growth was obtained due to a certainly favourable economic period which the Group managed to fully take advantage of due to the competitive advantages generated by its direct presence, both in productive and commercial terms, within this highly important market. The incidence of the USA market with respect to overall revenues was equal to 34% (32% as of 31 December 2013).

EUROPE - The European market reported an overall increase of more than 6%, with a significant contribution to this growth derived from the performance of the Portuguese market, an area in which Panariagroup is one of the primary players and in which, in 2014, it attained an increase in revenues beyond expectations. Positive trends were also reported in other important zones such as Belgium, Germany, Great Britain and Spain. The trend in sales was not affected by the critical period in Russia which is only a marginal market for the Group. The incidence of European markets with respect to overall revenues was equal to 33% (in line with 2013).

ITALY – The Italian market continues to display signs of weakness although these were less pronounced in the second part of the year. Within this market, the Group essentially maintained its market shares unaltered while reporting a decrease in line with that of the sector. The incidence of the Italian market with respect to overall revenues was equal to 22% (24% as of 31 December 2013).

ASIA, SOUTH AMERICA, OCEANIA AND AFRICA – Within other markets, the Group reported a significant level of growth of 20% in all primary areas. In particular, the results attained in the African continent through the operations of the Portuguese Business Unit and in Asia and Oceania through the Italian business unit should be noted. The incidence of these markets with respect to overall revenues was equal to 11% (in line with 2013).

PROFIT MARGINS

Gross operating profit in 2014 came to Euro 21 million, representing 7.1% of the value of production (Euro 14 million, 5.2%, in 2013), an improvement of Euro 7 million with respect to the previous year.

The positive change in this margin with respect to 2013 was primarily due to the increase in revenues (+6.5%) and the greater use of productive capacity of the six plants of the Group.

All Divisions contributed to the improvement: the Portuguese business unit generated the most significant improvement (Euro +3.6 million) but the contribution of the US business unit was also excellent (Euro +2.2 million) and that of the Italian business unit was also positive (Euro +1.2 million).



If one observes the trend in the quarters of 2014, it is possible to note a significant and progressive improvement which renders us particularly hopeful for 2015.

This improvement, first of all, affected revenues which reported a significant positive trend that culminated in growth in the last quarter of the year of 11.6% compared to the fourth quarter of 2013.

This resulted in a clear inversion in trend even for profitability: with the exception of the first quarter, the three subsequent quarters consolidated a net result that was essentially in breakeven.

As an additional strengthening of this positive trend, it should be noted that the last quarter of 2014 was weighed down by non-recurring restructuring costs totalling Euro 0.7 million; without this extraordinary effect, the net result of the quarter would have been positive by Euro 0.7 million.

There was a **net operating profit** of Euro 1.9 million (loss of Euro 6.9 million in 2013).

The **net consolidated loss** for the period was equal to Euro 1.8 million (loss of Euro 7.9 million in 2013).

FINANCIAL POSITION

The Net Financial Position at the end of 2014 reported a negative balance of Euro 80.2 million, an improvement with respect to the Euro 10.7 million at the end of 2013 and with positive growth of the relationship between Net Financial Position (NFP) and Gross Operating Profit (GOP), currently 3.8.

This result was attained through an increase in operating margins and a decrease in Net Working Capital.

Even in 2015, we will maintain a high focus on financial equilibrium with the objective of further improving the ratio of NFP/GOP.

EQUITY

Group equity amounts to Euro 147.2 million at 31 December 2014 compared with Euro 143.2 million at 31 December 2013.

OUTLOOK FOR GROUP OPERATIONS

In 2015, the expectations for the European Business Units are positive following the initiatives that were internally implemented in order to improve commercial and organizational efficacy but also due to the greater dynamism that is forecasted in the markets with respect to the current situation; this is primarily due to the recently adopted QE actions on the part of the European Central Bank.

In the case of the US Business Unit, all the conditions for additional growth are in place due to a very favourable American market and the capacity demonstrated in previous years to fully take advantage of such opportunities.

Other two important factors of exogenous nature – respectively linked to the decrease in prices of energy sources and the additional strengthening of the USD with respect to the Euro – should also contribute to improving margins.



Given this context that is more favourable with respect to the recent past, we are even more motivated to accelerate the full implementation of re-organizational activities, in particular of the Italian Business Unit, thereby allowing us to recover an adequate level of efficacy and efficiency.

Our confidence in future prospects is confirmed by the significant plan of investments for 2015 which will involve both the European productive hub as well as the US one.

ALLOCATION OF NET PROFIT FOR 2014

The draft financial statements at 31 December 2014 of Panariagroup Industrie Ceramiche S.p.A. closed with a net profit of Euro 2,520,381.

The Board of Directors which approved the draft financial statements at 31 December 2014 proposed to the shareholders' meeting that the loss of the year should be carried forward.

NOTICE OF CALLING OF SHAREHOLDERS' MEETING

The Board of Directors of Panariagroup has approved the resolutions and granted the necessary powers in order to call the Shareholders' Meeting by means of a notice published by 23 March 2015 within the Company's website www.panariagroup.it as well as within the authorized storage device 1Info at the address www.1info.it, the Official Gazzette, the newspaper "Italia Oggi" and on the website of Borsa Italiana S.p.A. and which will be held at the head office in Finale Emilia (Modena) in Via Panaria Bassa 22/A in a single call at 9:30 on 23 April 2015.

The Shareholders' Meeting will approve the following order of business:

1. Approval of the financial statements of the year ended 31 December 2014; related and consequent resolutions.
2. Approval of the Report of Remuneration and consequent resolutions.
3. Determination of the remuneration for Board members and consequent resolutions.
4. Renewal of the authorization of purchase and sales of Treasury shares and consequent resolutions.

RENEWAL OF THE AUTHORIZATION TO PURCHASE AND SELL TREASURY SHARES

During the same meeting the Board of Directors passed a motion to submit to the next Shareholders' Meeting a resolution to renew the authorization to purchase and sell treasury shares. As of today, the Parent Company Panaria holds 432,234 treasury shares (equal to 0.953% of share capital) with a par value of 0.50 Euro per share. If this proposal is authorized, it will be possible to buy and sell the Company's ordinary shares up to a maximum of 20% of the present share capital, less the 432,234 shares currently held, in accordance with the law and the regulations issued by Borsa Italiana, art. 144-bis of the Issuers' Regulation 11971/99 and subsequent amendments, as well as the rules contained in EU Directive 2003/6/CE and Regulation CE 2273/2003. If authorized, any purchases will have to be made on the Regulated Market prior to the shareholders' meeting that will approve the financial statements at 31 December 2015.

Purchases to service stock option plans or convertible debt instruments will have to be made on the market according to operating methods that do not allow direct matching of purchase offers with certain sale offers. Such purchases will also have to be made at a price that is not higher than the reference price of the stock posted at the stock exchange session preceding each single transaction and not more than 20% lower than the market price posted by the stock at the stock exchange session preceding each single transaction.



Any other purchases will have to be carried out on the market according to operating methods that do not allow direct matching of purchase offers with certain sale offers. Such purchases will also have to be made at a price that is not more than 20% higher and not more than 20% lower than the market price posted by the stock at the stock exchange session preceding each single transaction. The maximum number of treasury shares that can be purchased each day will not be more than 25% of the daily average volume of Panaria shares traded on the market. The maximum outlay for the purchase of treasury shares cannot exceed the available reserves shown in the latest approved financial statements.

The reasons for which this authorization has been requested are: corporate purposes that are allowed by current regulations, such as to provide incentives for the directors, employees and collaborators of the Company and/or its subsidiaries and to increase their sense of loyalty to the firm; to meet commitments deriving from debt instruments that can be converted into or exchanged for shares; to carry out subsequent purchases and sales within the limits of permitted market practice; and to carry out extraordinary or strategic operations for the Company involving the exchange of shares or payment of the consideration in shares and implementing sales, exchange, swap, conferral or other deeds for disposal of treasury shares for the acquisition of equity investments and/or real estate properties and/or the stipulation of agreements (even commercial in nature) with strategic partners and/or for the implementation of industrial projects or extraordinary finance operations which fall within the growth objectives of the Company and the Panaria Group.

The illustrative report prepared by the Board of Directors pursuant to article 73 of Issuers' Regulation 11971/99 will be made available, as required by law, on the Company's website www.panariagroup.it.

CORPORATE GOVERNANCE AND REMUNERATION REPORT

During the same meeting, the Board of Directors approved the annual report on corporate governance and the ownership structure in accordance with art. 123-bis of the Legislative Decree of 24 February 1998 and art. 89-bis of the Issuers' Regulation 11971/99 and subsequent amendments.

The Board of Directors also approved the report on remuneration in accordance with articles 123-ter of the Legislative Decree of 24 February 1998 and 84-quater of the Issuers' Regulation 11971/99 and subsequent amendments. Both the report on corporate governance and the report on remuneration will be made available to the public, in accordance with the law, at the head office as well as on the Company's website www.panariagroup.it and in the authorized storage device 1Info at the address www.1info.it.

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Mr. Damiano Quarta, pursuant to para. 2 of art. 154 bis of the Consolidated Finance Act, declares that the accounting information contained in this press release agrees with the balances shown in the books of account, accounting entries and supporting documentation.

Attachments: Separate and consolidated balance sheet and income statement. Notice is hereby given that, with respect to the attached documents, the audit thereof has not yet been completed.

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Milan, 13 March 2015



PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION
(THOUSANDS OF EURO)

ASSETS	31/12/2014	31/12/2013
CURRENT ASSETS	212,420	215,398
Inventories	129,837	128,274
Trade Receivables	69,877	66,510
Due from tax authorities	5,006	4,895
Other current assets	4,768	5,746
Cash and cash equivalents	2,932	9,973
NON-CURRENT ASSETS	131,003	130,944
Goodwill	8,139	8,139
Intangible assets	2,202	2,149
Property, plant and equipment	89,851	90,358
Financial assets	9,421	8,951
Deferred tax assets	20,326	20,395
Other non-current assets	1,064	952
TOTAL ASSETS	343,423	346,342
LIABILITIES	31/12/2014	31/12/2013
CURRENT LIABILITIES	124,477	118,961
Due to banks and other sources of finance	40,724	45,544
Trade payables	58,633	50,655
Due to tax authorities	3,198	2,786
Other current liabilities	21,922	19,976
NON-CURRENT LIABILITIES	71,827	84,221
Employee severance indemnities	6,575	6,101
Deferred tax liabilities	6,215	6,806
Provisions for risks and charges	4,230	3,994
Due to banks and other sources of finance	52,160	64,487
Other non-current liabilities	2,647	2,833
TOTAL LIABILITIES	196,304	203,182
EQUITY	147,119	143,160
Share capital	22,678	22,678
Reserves	126,282	128,333
Net profit (loss) for the year	(1,841)	(7,851)
TOTAL LIABILITIES AND EQUITY	343,423	346,342

PANARIAGROUP

CONSOLIDATED FINANCIAL STATEMENT

INCOME STATEMENTS - IFRS

(THOUSANDS OF EURO)

	31/12/2014		31/12/2013	
REVENUES FROM SALES AND SERVICES	290,679	97.5%	272,971	100.9%
Change in inventories of finished products	(2,882)	-1.0%	(11,900)	-4.4%
Other revenues	10,450	3.5%	8,331	3.1%
Income from unexpected events	-	0.0%	1,061	0.4%
VALUE OF PRODUCTION	298,247	100.0%	270,463	100.0%
Raw materials	(80,048)	-26.8%	(70,933)	-26.2%
Services, leases and rentals	(118,238)	-39.6%	(110,478)	-40.8%
<i>of which, related party transactions</i>	(5,469)	-1.8%	(5,438)	-2.0%
Personnel costs	(75,636)	-25.4%	(70,832)	-26.2%
Other operating expenses	(3,287)	-1.1%	(3,214)	-1.2%
Costs from unexpected events	-	0.0%	(962)	-0.4%
PRODUCTION COSTS	(277,209)	-92.9%	(256,419)	-94.8%
GROSS OPERATING PROFIT	21,038	7.1%	14,044	5.2%
Amortisation and depreciation	(16,727)	-5.6%	(17,255)	-6.4%
Provisions and writedowns	(2,391)	-0.8%	(3,634)	-1.3%
Provisions from unexpected events	-	0.0%	-	0.0%
NET OPERATING PROFIT	1,920	0.6%	(6,845)	-2.5%
Financial income (expense)	(2,519)	-0.8%	(4,020)	-1.5%
PRE-TAX PROFIT	(599)	-0.2%	(10,865)	-4.0%
Income taxes	(1,242)	-0.4%	3,014	1.1%
NET PROFIT (LOSS) FOR THE PERIOD	(1,841)	-0.6%	(7,851)	-2.9%
BASIC AND DILUTED EARNING PER SHARE	(0.041)		(0.173)	



PANARIAGROUP Industrie Ceramiche S.p.A.

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)

<u>ASSETS</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
CURRENT ASSETS	129,849,934	141,943,374
Inventories	67,744,951	72,145,654
Trade Receivables	53,101,609	53,100,198
Due from tax authorities	3,258,067	3,450,517
Other current assets	4,724,912	4,389,007
Cash and cash equivalents	1,020,394	8,857,998
NON-CURRENT ASSETS	154,082,710	161,016,634
Intangible assets	745,542	647,467
Property, plant and equipment	38,022,443	39,772,642
Financial assets	90,218,976	90,219,132
Deferred tax assets	11,646,994	10,205,677
Other non-current assets	13,448,755	20,171,716
TOTAL ASSETS	283,932,644	302,960,008
<u>LIABILITIES</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
CURRENT LIABILITIES	93,292,664	93,849,163
Due to banks and other sources of finance	36,395,432	42,659,294
Trade payables	36,834,570	32,907,062
Due to tax authorities	2,427,224	2,334,404
Other current liabilities	17,635,438	15,948,403
NON-CURRENT LIABILITIES	46,974,193	62,427,748
Employee severance indemnities	6,500,865	6,020,928
Deferred tax liabilities	2,117,855	2,548,651
Provisions for risks and charges	3,703,575	3,435,760
Due to banks and other sources of finance	32,726,497	48,193,283
Other non-current liabilities	1,925,401	2,229,126
TOTAL LIABILITIES	140,266,858	156,276,911
EQUITY	143,665,787	146,683,097
Share capital	22,677,646	22,677,646
Reserves	123,508,522	120,255,577
Net profit (loss) for the year	(2,520,381)	3,749,874
TOTAL LIABILITIES AND EQUITY	283,932,644	302,960,008



PANARIAGROUP Industrie Ceramiche S.p.A.

INCOME STATEMENT

(THOUSANDS OF EURO)

	31/12/2014		31/12/2013	
REVENUES FROM SALES AND SERVICES	157,487,426	97.7%	156,058,738	103.0%
Change in inventories of finished products	(3,629,405)	-2.3%	(11,022,592)	-7.3%
Other revenues	7,396,104	4.6%	5,487,749	3.6%
Income from unexpected events	–	0.0%	1,061,615	0.7%
VALUE OF PRODUCTION	161,254,125	100.0%	151,585,510	100.0%
Raw materials	(39,043,349)	-24.2%	(35,660,984)	-23.5%
Services, leases and rentals	(68,793,810)	-42.7%	(65,618,888)	-43.3%
<i>of which, related party transactions</i>	<i>(5,469,416)</i>	<i>-3.4%</i>	<i>(5,408,910)</i>	<i>-3.6%</i>
Personel costs	(46,615,678)	-28.9%	(43,765,871)	-28.9%
Other operating expenses	(1,833,919)	-1.1%	(1,831,799)	-1.2%
Costs from unexpected events	–	0.0%	(962,510)	-0.6%
PRODUCTION COSTS	(156,286,755)	-96.9%	(147,840,052)	-97.5%
GROSS OPERATING PROFIT	4,967,369	3.1%	3,745,458	2.5%
Amortisation and depreciation	(10,015,922)	-6.2%	(10,189,318)	-6.7%
Provisions and writedowns	(1,064,653)	-0.7%	(2,427,003)	-1.6%
Provisions from unexpected events	–	0.0%	–	0.0%
NET OPERATING PROFIT	(6,113,206)	-3.8%	(8,870,863)	-5.9%
Financial income (expense)	2,837,215	1.8%	9,543,802	6.3%
PRE-TAX PROFIT	(3,275,991)	-2.0%	672,939	0.4%
Income taxes	755,610	0.5%	3,076,935	2.0%
NET PROFIT (LOSS) FOR THE PERIOD	(2,520,381)	-1.6%	3,749,874	2.5%
BASIC AND DILUTED EARNING PER SHARE	(0.056)		0.083	