



## PRESS RELEASE

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the Consolidated Financial Report as of 31<sup>st</sup> December 2015.

- Net Revenues amounted to 342.9 million Euros (+18% on December 2014).
- Gross operating profit amounted to 30.8 million Euros (+46.4% on December 2014).
- Net operating profit amounted to 11.1 million Euros (+9.2 million Euros on December 2014).
- Consolidated net profit was 5.9 million Euros (+7.7 million Euros on December 2014).

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A., Group specialized in production and distribution of high-end and luxury ceramic material for floor and wall, approved today the Consolidated Financial Report as of 31<sup>st</sup> December 2015, in accordance with the International Financial Reporting Standard (IFRS).

After a challenging period due to the difficult macro-economic context and the need for a reorganization aimed at adjusting the Company to the changed market conditions, we can consider 2015 as the “year of reversion”.

The improvement of Group results, which started to be reported in 2014, was clearly confirmed in 2015, with an excellent growth in revenues and margins.

Despite an oscillating international economic context, the revenue of the Group recorded a significant growth, +18% and +52.2 million Euros compared with 2014, due to an increase in volumes and a continuous trade expansion on all the main reference markets.

The increase in margins, with a gross operating profit increased for +46.4% and 9.8 million Euros in comparison with 2014, had a two-fold origin: the higher business volume on all markets and the increase in production with a reduced impact of fixed costs.

### **FINANCIAL HIGHLIGHTS**

(thousand Euros)

Type	31st DEC 2015	31st DEC 2014	var. €
Revenues from sales and services	342,910	290,679	52,231
Value of production	359,248	298,247	61,001
Gross operating profit	30,797	21,038	9,759
Net operating profit	11,097	1,920	9,177
Consolidated net profit (loss)	5,865	(1,840)	7,705



“The way started from some years – said **Emilio Mussini, Chairman of Panariagroup** - allowed us to reach, in 2015, the targets of sales increase, a satisfactorily level of operational margins, an acknowledged and balanced solidity of assets and a more efficient and suited organization for present needs”.

“These results – continued **Mussini** – are the starting point for a further and decisive relaunch, thanks to both our balanced international framework including all geographical areas, and the important instrumental and organizational investments made over the last few years, towards optimal dimensional levels of the Group, and more ambitious profit objectives”.

## REVENUES

Revenues from sales recorded a 18.0% overall increase, from Euro 290.7 million in 2014 to Euro 342.9 million in 2015 (+52.2 million Euro).

The geographical diversification, which characterized the strategy of our Group, allowed us to fully leverage the growth chances offered by the greater developing areas, thus allowing us to offset the decrease in the worst-off areas.

The results of our policy are clear and evident in the distribution of sales over the geographical areas in which the export share prevails (81% over total sales), with special reference to non-European markets, representing 50% of total sales.

In terms of turnover, different performances were recorded in the different geographical areas where our Group operates:

**UNITED STATES** - The year 2015 still reported very positive results, with an increase in sales of over 10% in US dollars. The positive effect expressed in Euros is definitely higher thanks to the significant appreciation of the US dollar over the European currency with respect to 2014. The main actor of a good performance is Florida Tile, which increased its sales in all its distribution channels (Own Shops, Independent Distributors, Home Centers). The excellent growth of the Lea North America Division should be also noted. The impact of the US market on total sales is equal to 38% (33% as at 31 December 2014).

**EUROPE** – The **European markets**, growth stood at 11%; an excellent result, above all driven by the excellent performance reported on the Portuguese market (where Panariagroup is one of the main players), on both the German market, where initiatives focused on special distribution channels entailed important growth, and the main Eastern European markets (excluding Russia). The European market share represents 31% of total sales ( 33% as at 31 December 2014).

**ITALY** – The performance of our Group on the Italian market is positive, with a growth of around 5%, which is not representative of an actual recovery of the internal market, but rather of our acquisition of greater market shares. The Italian market share represents 19% of total sales (22% as at 31 December 2014)

**ASIA, SOUTH AMERICA, OCEANIA AND AFRICA** - In the “**Other markets**” the Group achieved a significant 17% growth from all the main areas. We give special attention to these Countries with the aim of achieving a greater commercial penetration, given the fact that, in our opinion, there are still opportunities for a significant growth in sales. The “other markets” share represents 12% of total sales (aligned with 2014).



## FINANCIAL RESULTS

**Gross operating profit** came to Euro 30.8 million on 2015, representing 8.6% of the value of production (Euro 21 million, 7%, in 2014), with an increase of Euro 9.8 million. The improvement in Gross operating profit in 2015 confirmed the positive trend already highlighted in the previous year.

The increase in gross operating profit was mostly driven by the increase in sales and the larger use of the production capacity of the Group plants.

The significant reduction (down by 8%) of energy fees had a positive impact on results. These costs, in fact, are particularly relevant for our type of products.

**The net operating profit** amounted to a positive Euro 11.1 million (Euro 1.9 million in 2014), with an improvement of Euro 9.2 million.

**Net consolidated profit** as equal to Euro 5.9 million (loss of Euro 1.8 million in 2014).

## NET FINANCIAL POSITION

Compared to 2014, Net Financial Indebtedness, amounted to a negative Euros 83 million, increased by Euros 2.8 million, with a clearly positive evolution of the Net Financial Position/Gross Operating Margin ratio, from 3.8 to 2.7, this result has been possible thanks to the Operating Cash-Flow, equal to Euros 27.5 million.

It is also worth noting that in 2015 the Group entered in new medium/long-term loans for a total of Euros 30 million, allowing for the maintenance of an adequate balance between the composition of Sources and the structure of Net Capital Employed.

The improvement of NFP/GOM ratio and the financial balance is expected also for next year, and it represents one of the primary targets in management.

## SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group amounted to 159.3 million Euros as of 31<sup>th</sup> December 2015 compared to 147.2 million Euros as of 31<sup>th</sup> December 2014, thanks to the positive economic result for 2015 and the appreciation of the dollar over the Euro.

## OUTLOOK FOR GROUP OPERATIONS

The events that occurred at end 2015 and beginning 2016, at economic and geo-political level, slightly affected the confidence that was spreading above all in Western Countries. The slump in prices of energy sources, combined with reduced growth expectations in the Chinese economy, as well as uncertainties connected with the European banking system and terrorism, are all factors that might have a negative impact on growth expectancies and therefore on our development plans.

Price trends of energy sources will undoubtedly generate significant and immediate effects also for our Group. If, on the one side the Group will enjoy further and remarkable savings, with the expected 10% decrease, on the other hand, some key Middle Eastern markets (but in Russia as well), with an economy based on the energy market, are likely to witness a slowdown in consumption due to this market conditions.



Regardless of the above, thanks to both our balanced international framework including all geographical areas, and the important instrumental and organizational investments made over the last few years, we trust that the Group will be able to seize the best business opportunities, even in this uncertain situation.

We therefore confirm, for 2016 as well, our expectations of improvement in the main economic, financial and equity indicators (Revenues, Operating Profit, Net Result).

#### **ALLOCATION OF NET PROFIT FOR 2015**

The draft financial statements at 31 December 2015 of Panariagroup Industrie Ceramiche S.p.A. closed with a net loss of Euro 1,103,081.

The Board of Directors which approved the draft financial statements at 31 December 2015 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 19 March 2016 within the Company's website [www.panariagroup.it](http://www.panariagroup.it) as well as within the authorized storage device 1Info at the address [www.1info.it](http://www.1info.it), the Official Gazette, 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 28 April 2016.

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

1. Approval of the financial statements of the year ended 31 December 2015; related and consequent resolutions.
2. Approval of the Report of Remuneration and consequent resolutions.
3. Appointment of Board of Statutory Auditors for the period 2016-2018, determination of the remuneration and consequent resolutions.
4. Determination of the remuneration for Board members and consequent resolutions.
5. 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 2016. 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](http://www.panariagroup.it), at the head office, Borsa Italiana S.p.A. as well as in the authorized storage device 1Info at the address [www.1info.it](http://www.1info.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](http://www.panariagroup.it) and in the authorized storage device 1Info at the address [www.1info.it](http://www.1info.it).



### **Declaration of the Financial Reporting Manager**

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

Attachments: Consolidated and Separated Balance Sheet and Income Statement  
Note that, on the documents attached, audit activity is not completed.

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Finale Emilia, 18<sup>th</sup> March 2016



## Consolidated Balance Sheet

(Amounts in Thousands Euro)

	12/31/2015	12/31/2014
Inventories	138,208	129,837
Accounts Receivable	78,031	69,877
Other current assets	11,076	9,077
<b>CURRENT ASSETS</b>	<b>227,315</b>	<b>208,791</b>
Account Payables	(76,336)	(58,633)
Other current liabilities	(25,130)	(25,120)
<b>CURRENT LIABILITIES</b>	<b>(101,466)</b>	<b>(83,753)</b>
<b>NET WORKING CAPITAL</b>	<b>125,849</b>	<b>125,038</b>
Goodwill	8,139	8,139
Intangible assets	5,593	2,202
Tangible assets	109,115	89,851
Equity Investments and other financial assets	180	357
<b>FIXED ASSETS</b>	<b>123,027</b>	<b>100,549</b>
Receivables due after following year	802	1,064
Provision for termination benefits	(5,837)	(6,575)
Provision for risk and charge	(4,333)	(4,230)
Deferred tax assets	10,699	14,111
Other payables due after the year	(7,968)	(2,647)
<b>ASSET AND LIABILITIES DUE AFTER THE YEAR</b>	<b>(6,637)</b>	<b>1,723</b>
<b>NET CAPITAL EMPLOYED</b>	<b>242,239</b>	<b>227,310</b>
Short term financial assets	(7,500)	(2,932)
Short term financial debt	36,373	40,027
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>28,873</b>	<b>37,095</b>
Mid-Long term financial debt	54,110	43,096
<b>NET FINANCIAL POSITION</b>	<b>82,983</b>	<b>80,191</b>
Group Shareholder's Equity	159,256	147,119
<b>SHAREHOLDERS' EQUITY</b>	<b>159,256</b>	<b>147,119</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>242,239</b>	<b>227,310</b>



## Consolidated Profit and Loss Account

(Amounts in Thousands Euro)

	12/31/2015	%	12/31/2014	%	var.
<b>Revenues from sales and services</b>	<b>342,910</b>	<b>95.56%</b>	<b>290,679</b>	<b>97.46%</b>	<b>52,231</b>
Change in inventories of finished products	5,201	1.45%	(2,882)	-0.97%	8,083
Other revenues	10,742	2.99%	10,450	3.50%	292
<b>Value of Production</b>	<b>358,853</b>	<b>100.00%</b>	<b>298,247</b>	<b>100.00%</b>	<b>60,606</b>
Raw, ancillary and consumable materials	(103,570)	-28.86%	(80,048)	-26.84%	(23,522)
Services, leases and rentals	(136,548)	-38.05%	(118,238)	-39.64%	(18,310)
Personnel costs	(84,294)	-23.49%	(75,636)	-25.36%	(8,658)
Changes in inventories of raw materials	(3,644)	-1.02%	(3,287)	-1.10%	(357)
<b>Cost of production</b>	<b>(328,056)</b>	<b>-91.42%</b>	<b>(277,209)</b>	<b>-92.95%</b>	<b>(50,847)</b>
<b>Gross operating profit</b>	<b>30,797</b>	<b>8.58%</b>	<b>21,038</b>	<b>7.05%</b>	<b>9,759</b>
D&A expenses	(17,454)	-4.86%	(16,727)	-5.61%	(727)
Provisions and other impairments	(2,247)	-0.63%	(2,391)	-0.80%	144
<b>Net operating profit</b>	<b>11,096</b>	<b>3.09%</b>	<b>1,920</b>	<b>0.64%</b>	<b>9,176</b>
Financial income and expense	(1,846)	-0.51%	(2,519)	-0.84%	673
<b>Pre-tax profit</b>	<b>9,250</b>	<b>2.58%</b>	<b>(599)</b>	<b>-0.20%</b>	<b>9,849</b>
Income taxes	(3,385)	-0.94%	(1,241)	-0.42%	(2,144)
<b>Net profit (loss) for the period</b>	<b>5,865</b>	<b>1.63%</b>	<b>(1,840)</b>	<b>-0.62%</b>	<b>7,705</b>





**Panariagroup S.p.A.- Balance Sheet**  
(thousands of Euro)

	31/12/2015	31/12/2014
Inventories	69.070	67.745
Accounts Receivable	61.286	53.102
Other current assets	7.779	7.983
<b>CURRENT ASSETS</b>	<b>138.135</b>	<b>128.830</b>
Account Payables	(46.468)	(36.835)
Other current liabilities	(19.649)	(20.062)
<b>CURRENT LIABILITIES</b>	<b>(66.117)</b>	<b>(56.897)</b>
<b>NET WORKING CAPITAL</b>	<b>72.018</b>	<b>71.933</b>
Goodwill	0	0
Intangible assets	1.995	746
Tangible assets	43.956	38.022
Equity Investments and other financial assets	90.047	90.219
<b>FIXED ASSETS</b>	<b>135.998</b>	<b>128.987</b>
Receivables due after following year	9.611	13.449
Provision for termination benefits	(5.756)	(6.501)
Provision for risk and charge and Deferred Taxes	4.421	5.825
Other payables due after the year	(3.654)	(1.925)
<b>ASSET AND LIABILITIES DUE AFTER THE YEAR</b>	<b>4.622</b>	<b>10.848</b>
<b>NET CAPITAL EMPLOYED</b>	<b>212.638</b>	<b>211.768</b>
Short term financial assets	(5.475)	(1.020)
Short term financial debt	30.745	36.395
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>25.270</b>	<b>35.375</b>
Mid-Long term financial debt	44.555	32.726
<b>NET FINANCIAL POSITION</b>	<b>69.825</b>	<b>68.101</b>
Group Shareholder's Equity	142.813	143.667
<b>SHAREHOLDERS' EQUITY</b>	<b>142.813</b>	<b>143.667</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>212.638</b>	<b>211.768</b>



**Panariagroup S.p.A.- Profit and Loss**  
(thousands of Euro)

	12/31/2015	%	12/31/2014	%
<b>Revenues from sales and services</b>	<b>172.838</b>	<b>94,34%</b>	<b>157.487</b>	<b>97,66%</b>
Change in inventories of finished products	1.483	0,81%	(3.629)	-2,25%
Other revenues	8.889	4,85%	7.396	4,59%
<b>Value of Production</b>	<b>183.210</b>	<b>100,00%</b>	<b>161.254</b>	<b>100,00%</b>
Raw, ancillary and consumable materials	(49.484)	-27,01%	(39.043)	-24,21%
Services, leases and rentals	(77.064)	-42,06%	(68.794)	-42,66%
Personnel costs	(47.062)	-25,69%	(46.616)	-28,91%
Changes in inventories of raw materials	(1.743)	-0,95%	(1.833)	-1,14%
<b>Cost of production</b>	<b>(175.353)</b>	<b>-95,71%</b>	<b>(156.286)</b>	<b>-96,92%</b>
<b>Gross operating profit</b>	<b>7.857</b>	<b>4,29%</b>	<b>4.968</b>	<b>3,08%</b>
D&A expenses	(9.747)	-5,32%	(10.016)	-6,21%
Provisions and other impairments	(1.711)	-0,93%	(1.065)	-0,66%
<b>Net operating profit</b>	<b>(3.601)</b>	<b>-1,97%</b>	<b>(6.113)</b>	<b>-3,79%</b>
Financial income and expense	2.922	1,59%	2.837	1,76%
<b>Pre-tax profit</b>	<b>(679)</b>	<b>-0,37%</b>	<b>(3.276)</b>	<b>-2,03%</b>
Income taxes	(424)	-0,23%	756	0,47%
<b>Net profit (loss) for the period</b>	<b>(1.103)</b>	<b>-0,60%</b>	<b>(2.520)</b>	<b>-1,56%</b>