



PRESS RELEASE

**Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the Consolidated Quarterly Report as of 30<sup>th</sup> September 2016.**

- Net Consolidated Revenues amounted to 286.2 million Euros (+10.3% on 30<sup>th</sup> September 2015).
- Gross operating profit amounted to 29.6 million Euros (+22.3% on 30<sup>th</sup> September 2015).
- Net operating profit amounted to 14.4 million Euros (+55.1% on 30<sup>th</sup> September 2015).
- Consolidated net profit was 7.1 million Euros (+60.4% on 30<sup>th</sup> September 2015).

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 Quarterly Report as of 30<sup>th</sup> September 2016, in accordance with the International Financial Reporting Standard (IFRS).

The results of the third quarter of 2016 continued in the progressive improvement of the main economic-financial indicators, an evidence of a positive evolution of the Group's performance, founded on a sound basis.

Revenues continued to grow at similar rate than the one reported in the first two quarters, with an increase of 10%; this result, combined with the increase in production volumes, generated important benefits on gross and net operating profit, up respectively by 22.3% and 55.1% in comparison with the same period of 2015.

In particular, we wish to underline the improvement in results related to the European Business Units, with the important growth of the Italian BU and the confirmation of the outstanding results of the Portuguese BU.

**FINANCIAL HIGHLIGHTS**

(thousand Euros)

	<b>30-Sept-2016</b>	<b>30-Sept-2015</b>	<b>var. €</b>
Revenues from sales and services	286,160	259,447	26,713
Value of production	291,574	268,724	22,850
Gross operating profit	29,626	24,223	5,403
Net operating profit	14,373	9,265	5,108
Consolidated net profit	7,089	4,420	2,669

“The results of the third quarter – said **Emilio Mussini, Chairman of Panariagroup** – confirmed the positive trend of the first half of 2016 with increase in sales and gross operating profit, and at the same time with a strengthened of the most significant capital ratios.”

“The strong increase in operating margins and the consequent cash generation – continued **Mussini** – allowed us to realize a significant investment program in the last 2 years without any increase of the external sourced financial debt”



“Despite the years 2015 and 2016 have already been characterized by exceptionally high growth rates – concluded **Mussini** – we believe that the boost towards a further increase in turnover and profitability has not been exhausted yet.”

## REVENUES

Revenues from sales remarkably increased, rising from Euro 259.4 million at 30<sup>th</sup> September 2015 to Euro 286.2 million at 30<sup>th</sup> September 2016 (Euro +10.3% and +25.8 million).

It is confirmed the importance of internationalization strategies adopted to date, which place the Group on the world markets as one of the most active operators, able to promptly and effectively seize the business opportunities.

The revenues of the Group's foreign markets amount to 82% of total revenues, with the Non-European markets representing the 49% of revenues.

The Group obtained excellent sales results, in all the most important areas, especially on the European markets:

**EUROPE** – In the European markets, the Group recorded a relevant growth (+23%). Both Business Units (Italian and Portuguese) reported a “double digit” growth in all the main markets. To this purpose, the results obtained in the “German speaking” markets are worth noting, as well as the results reported in the French, British and Portuguese markets, without forgetting the positive contribution of Eastern areas. With reference to Portugal, it is worth noting that the market leadership of Gres Panaria Portugal strengthened, while further increasing its market share and confirming its role of most important player on the domestic market. European markets accounted for 33% of total revenues.

**USA** – Sales on the US market maintained their positive trend, with an increase for +7% in dollars over last year, thanks to all distribution channels. The last projections on the American market highlight a positive vitality in the building sector, with good prospects over the medium term. The US market accounted for 37% of total revenues.

**ITALY** – The Italian market shows no hints to material improvements in the real estate segment. However, the Group reported slightly growing revenues compared to last year (+2%), while maintaining market shares. The Italian market's share of total sales was 18%.

**ASIA, CANADA, SOUTH AMERICA, OCEANIA AND AFRICA** – The other markets reported 9% growth, with respect to 30<sup>th</sup> September 2015, with an excellent improvement over the last quarter (+17%). The areas where we had the best improvements were Asia and Oceania. In the Asian markets, the channel of large projects is the most dynamic. We believe that our products are particularly suited, for their technical and aesthetic features, to meet the stringent requirements of this segment; for this reason, we confirm the expected important future developments. The “other markets” accounted for 12% of total revenues.

## OPERATING RESULTS

Gross operating profit came to Euro 29.6 million, representing 10.2% of the Value of Production (Euro 24.2 million at 30<sup>th</sup> September 2016, or 9.0% of the Value of Production), with a growth of Euro 5.4 million.

Margins benefited above all from the significant increase in sales, to which the greater involvement in the production capacity is combined.

On the one side, the growth in turnover did not affect the level of sales prices, while, on the other side, the greater productivity allowed for significant savings in product unit costs, further increased by lower energy tariffs reported in the European Business Units.



The launch of the new laminated stoneware production line in Italy, occurred in March, and of traditional stoneware products in USA in October, involved start-up costs that have been entirely paid during the year. The expected benefits, in terms of production efficiency and product unit costs, will be seen only over the next few months.

Compared to the year 2015, the improvement is still more appreciable taking account of the fact that the important costs related to the Cersaie exhibition have already been recognised in September 2016, while last year these expenses had been recognised in the last quarter of the year, as the event took place at a later date.

Net operating profit amounted to Euro 14.4 million (Euro 9.3 million at 30<sup>th</sup> September 2015), increased by Euro 5.1 million.

The consolidated result is a profit of Euro 7.1 million (Euro 4.4 million at 30<sup>th</sup> September 2015), up by Euro 2.7 million.

### **NET FINANCIAL POSITION**

Net financial Position is negative for Euro 85.3 million at 30<sup>th</sup> September 2016, increased by Euro 1.3 million compared to 30<sup>th</sup> September 2015 (negative for Euro 86.6 million).

Albeit in an expansion phase, the company maintained the level of Net Working Capital under strict control, especially as regards stocks. This policy allowed for a further strengthening of the most significant capital ratios, such as the ratio between the Net Financial Position and the Gross Operating Profit over the last 12 months, which was 2.36 (2.83 at 30<sup>th</sup> September 2015) and the impact of Net Working Capital ratios on Revenues remarkably decreased over the last 12 months, from 39.9% to 33.9%.

### **SHAREHOLDERS' EQUITY**

The Shareholders'equity of the Group amounted to 164.7 million Euros as of 30<sup>th</sup> September 2016 compared to 155.3 million Euros as of 30<sup>th</sup> September 2015.

### **OUTLOOK FOR GROUP OPERATIONS**

For the last quarter of 2016, we expect to maintain the current trends and we are therefore confident that the year will end with a record growth for our Group, as well as with growing margins, if compared to last year.

Despite the fact that the years 2015 and 2016 have already been characterised by exceptionally high growth rates, we believe that the boost towards a further increase in turnover and profitability has not been exhausted yet.

In all three Business Units the Group is operating to implement strategies aimed at improving production efficiency and the effectiveness of commercial distribution and competitiveness on the whole, with an approach which is more and more the one of an international *player*.



### **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 Balance Sheet and Income Statement

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Milan, 11<sup>th</sup> November 2016

## CONSOLIDATED FINANCIAL STATEMENT

	30-Sept-2016	30-June-2016	31-Dec-2015	30-Sept-2015
Inventories	134,290	137,507	138,208	136,224
Accounts Receivable	85,192	95,228	78,031	83,275
Other current assets	11,585	10,720	11,075	12,049
<b>CURRENT ASSETS</b>	<b>231,067</b>	<b>243,455</b>	<b>227,314</b>	<b>231,548</b>
Account Payables	(76,972)	(82,839)	(76,037)	(71,342)
Other current liabilities	(28,772)	(28,869)	(25,429)	(27,703)
<b>CURRENT LIABILITIES</b>	<b>(105,744)</b>	<b>(111,708)</b>	<b>(101,466)</b>	<b>(99,045)</b>
<b>NET WORKING CAPITAL</b>	<b>125,323</b>	<b>131,747</b>	<b>125,848</b>	<b>132,503</b>
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	10,019	8,071	5,593	4,013
Tangible assets	115,547	112,975	109,115	99,594
Equity Investments and other financial assets	6	6	189	187
<b>FIXED ASSETS</b>	<b>133,711</b>	<b>129,191</b>	<b>123,036</b>	<b>111,933</b>
Receivables due after following year	715	599	802	867
Provision for termination benefits	(5,762)	(5,740)	(5,837)	(6,530)
Provision for risk and charge	(4,533)	(4,459)	(4,333)	(4,425)
Deferred tax assets	6,966	7,923	10,699	10,516
Other payables due after the year	(6,369)	(6,278)	(7,968)	(2,964)
<b>ASSET AND LIABILITIES DUE AFTER THE YEAR</b>	<b>(8,983)</b>	<b>(7,955)</b>	<b>(6,637)</b>	<b>(2,536)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>250,051</b>	<b>252,983</b>	<b>242,247</b>	<b>241,900</b>
Short term financial assets	(14,053)	(13,753)	(7,500)	(5,908)
Short term financial debt	37,073	53,666	36,372	52,562
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>23,020</b>	<b>39,913</b>	<b>28,872</b>	<b>46,654</b>
Mid-Long term financial debt	62,327	49,703	54,119	39,916
<b>NET FINANCIAL POSITION</b>	<b>85,347</b>	<b>89,616</b>	<b>82,991</b>	<b>86,570</b>
Group Shareholder's Equity	164,704	163,367	159,256	155,330
<b>SHAREHOLDERS' EQUITY</b>	<b>164,704</b>	<b>163,367</b>	<b>159,256</b>	<b>155,330</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>250,051</b>	<b>252,983</b>	<b>242,247</b>	<b>241,900</b>



	30-Sept-2016	%	30-Sept-2015	%	var.	var. %
<b>Revenues from sales and services</b>	<b>286,160</b>	<b>98.14%</b>	<b>259,447</b>	<b>96.55%</b>	<b>26,713</b>	<b>10.30%</b>
Change in inventories of finished products	(3,152)	-1.08%	3,513	1.31%	(6,665)	-189.72%
Other revenues	8,566	2.94%	5,764	2.14%	2,802	48.61%
<b>Value of Production</b>	<b>291,574</b>	<b>100.00%</b>	<b>268,724</b>	<b>100.00%</b>	<b>22,850</b>	<b>8.50%</b>
Raw, ancillary and consumable materials	(83,040)	-28.48%	(77,812)	-28.96%	(5,228)	6.72%
Services, leases and rentals	(108,340)	-37.16%	(101,517)	-37.78%	(6,823)	6.72%
Personnel costs	(68,188)	-23.39%	(62,614)	-23.30%	(5,574)	8.90%
Changes in inventories of raw materials	(2,380)	-0.82%	(2,558)	-0.95%	178	-6.96%
<b>Cost of production</b>	<b>(261,948)</b>	<b>-89.84%</b>	<b>(244,501)</b>	<b>-90.99%</b>	<b>(17,447)</b>	<b>7.14%</b>
<b>Gross operating profit</b>	<b>29,626</b>	<b>10.16%</b>	<b>24,223</b>	<b>9.01%</b>	<b>5,403</b>	<b>22.31%</b>
D&A expenses	(13,998)	-4.80%	(13,047)	-4.86%	(951)	7.29%
Provisions and other impairments	(1,255)	-0.43%	(1,911)	-0.71%	656	-34.33%
<b>Net operating profit</b>	<b>14,373</b>	<b>4.93%</b>	<b>9,265</b>	<b>3.45%</b>	<b>5,108</b>	<b>55.13%</b>
Financial income and expense	(2,740)	-0.94%	(1,906)	-0.71%	(834)	43.76%
<b>Pre-tax profit</b>	<b>11,633</b>	<b>3.99%</b>	<b>7,359</b>	<b>2.74%</b>	<b>4,274</b>	<b>58.08%</b>
Income taxes estimated	(4,544)	-1.56%	(2,939)	-1.09%	(1,605)	54.61%
<b>Net profit (loss) for the period</b>	<b>7,089</b>	<b>2.43%</b>	<b>4,420</b>	<b>1.64%</b>	<b>2,669</b>	<b>60.38%</b>

	Q3 2016	%	Q3 2015	%	var.	var. %
<b>Revenues from sales and services</b>	<b>92,365</b>	<b>100.39%</b>	<b>84,459</b>	<b>98.96%</b>	<b>7,906</b>	<b>9.36%</b>
Change in inventories of finished products	(3,197)	-3.47%	(1,129)	-1.32%	(2,068)	183.17%
Other revenues	2,842	3.09%	2,020	2.37%	822	40.69%
<b>Value of Production</b>	<b>92,010</b>	<b>100.00%</b>	<b>85,350</b>	<b>100.00%</b>	<b>6,660</b>	<b>7.80%</b>
Raw, ancillary and consumable materials	(26,681)	-29.00%	(24,188)	-28.34%	(2,493)	10.31%
Services, leases and rentals	(35,459)	-38.54%	(32,497)	-38.07%	(2,962)	9.11%
Personnel costs	(21,312)	-23.16%	(20,072)	-23.52%	(1,240)	6.18%
Changes in inventories of raw materials	(316)	-0.34%	(773)	-0.91%	457	-59.12%
<b>Cost of production</b>	<b>(83,768)</b>	<b>-91.04%</b>	<b>(77,530)</b>	<b>-90.84%</b>	<b>(6,238)</b>	<b>8.05%</b>
<b>Gross operating profit</b>	<b>8,242</b>	<b>8.96%</b>	<b>7,820</b>	<b>9.16%</b>	<b>422</b>	<b>5.40%</b>
D&A expenses	(4,863)	-5.29%	(4,611)	-5.40%	(252)	5.47%
Provisions and other impairments	9	0.01%	(620)	-0.73%	629	-101.45%
<b>Net operating profit</b>	<b>3,388</b>	<b>3.68%</b>	<b>2,589</b>	<b>3.03%</b>	<b>799</b>	<b>30.86%</b>
Financial income and expense	(722)	-0.78%	(679)	-0.80%	(43)	6.33%
<b>Pre-tax profit</b>	<b>2,666</b>	<b>2.90%</b>	<b>1,910</b>	<b>2.24%</b>	<b>756</b>	<b>39.58%</b>
Income taxes estimated	(995)	-1.08%	(755)	-0.88%	(240)	31.79%
<b>Net profit (loss) for the period</b>	<b>1,671</b>	<b>1.82%</b>	<b>1,155</b>	<b>1.35%</b>	<b>516</b>	<b>44.68%</b>



	<b>30-Sept-2016</b>	<b>%</b>	<b>Q1 2016</b>	<b>%</b>	<b>Q2 2016</b>	<b>%</b>	<b>Q3 2016</b>	<b>%</b>
<b>Revenues from sales and services</b>	<b>286,160</b>	<b>98.14%</b>	<b>91,516</b>	<b>95.60%</b>	<b>102,279</b>	<b>98.50%</b>	<b>92,365</b>	<b>100.39%</b>
Change in inventories of finished products	(3,152)	-1.08%	1,579	1.65%	(1,534)	-1.48%	(3,197)	-3.47%
Other revenues	8,566	2.94%	2,637	2.75%	3,087	2.97%	2,842	3.09%
<b>Value of Production</b>	<b>291,574</b>	<b>100.00%</b>	<b>95,731</b>	<b>100.00%</b>	<b>103,833</b>	<b>100.00%</b>	<b>92,010</b>	<b>100.00%</b>
Raw, ancillary and consumable materials	(83,040)	-28.48%	(27,298)	-28.52%	(29,061)	-27.99%	(26,681)	-29.00%
Services, leases and rentals	(108,340)	-37.16%	(34,714)	-36.26%	(38,167)	-36.76%	(35,459)	-38.54%
Personnel costs	(68,188)	-23.39%	(23,530)	-24.58%	(23,346)	-22.48%	(21,312)	-23.16%
Changes in inventories of raw materials	(2,380)	-0.82%	(869)	-0.91%	(1,195)	-1.15%	(316)	-0.34%
<b>Cost of production</b>	<b>(261,948)</b>	<b>-89.84%</b>	<b>(86,411)</b>	<b>-90.26%</b>	<b>(91,769)</b>	<b>-88.38%</b>	<b>(83,768)</b>	<b>-91.04%</b>
<b>Gross operating profit</b>	<b>29,626</b>	<b>10.16%</b>	<b>9,320</b>	<b>9.74%</b>	<b>12,064</b>	<b>11.62%</b>	<b>8,242</b>	<b>8.96%</b>
D&A expenses	(13,998)	-4.80%	(4,460)	-4.66%	(4,675)	-4.50%	(4,863)	-5.29%
Provisions and other impairments	(1,255)	-0.43%	(437)	-0.46%	(827)	-0.80%	9	0.01%
<b>Net operating profit</b>	<b>14,373</b>	<b>4.93%</b>	<b>4,423</b>	<b>4.62%</b>	<b>6,562</b>	<b>6.32%</b>	<b>3,388</b>	<b>3.68%</b>
Financial income and expense	(2,740)	-0.94%	(1,151)	-1.20%	(867)	-0.83%	(722)	-0.78%
<b>Pre-tax profit</b>	<b>11,633</b>	<b>3.99%</b>	<b>3,272</b>	<b>3.42%</b>	<b>5,695</b>	<b>5.48%</b>	<b>2,666</b>	<b>2.90%</b>
Income taxes estimated	(4,544)	-1.56%	(1,369)	-1.43%	(2,180)	-2.10%	(995)	-1.08%
<b>Net profit (loss) for the period</b>	<b>7,089</b>	<b>2.43%</b>	<b>1,903</b>	<b>1.99%</b>	<b>3,515</b>	<b>3.39%</b>	<b>1,671</b>	<b>1.82%</b>