London, October 9th 10th 2017

# COMPANY PRESENTATION

PANARIAgroup

# PANARIAGROUP

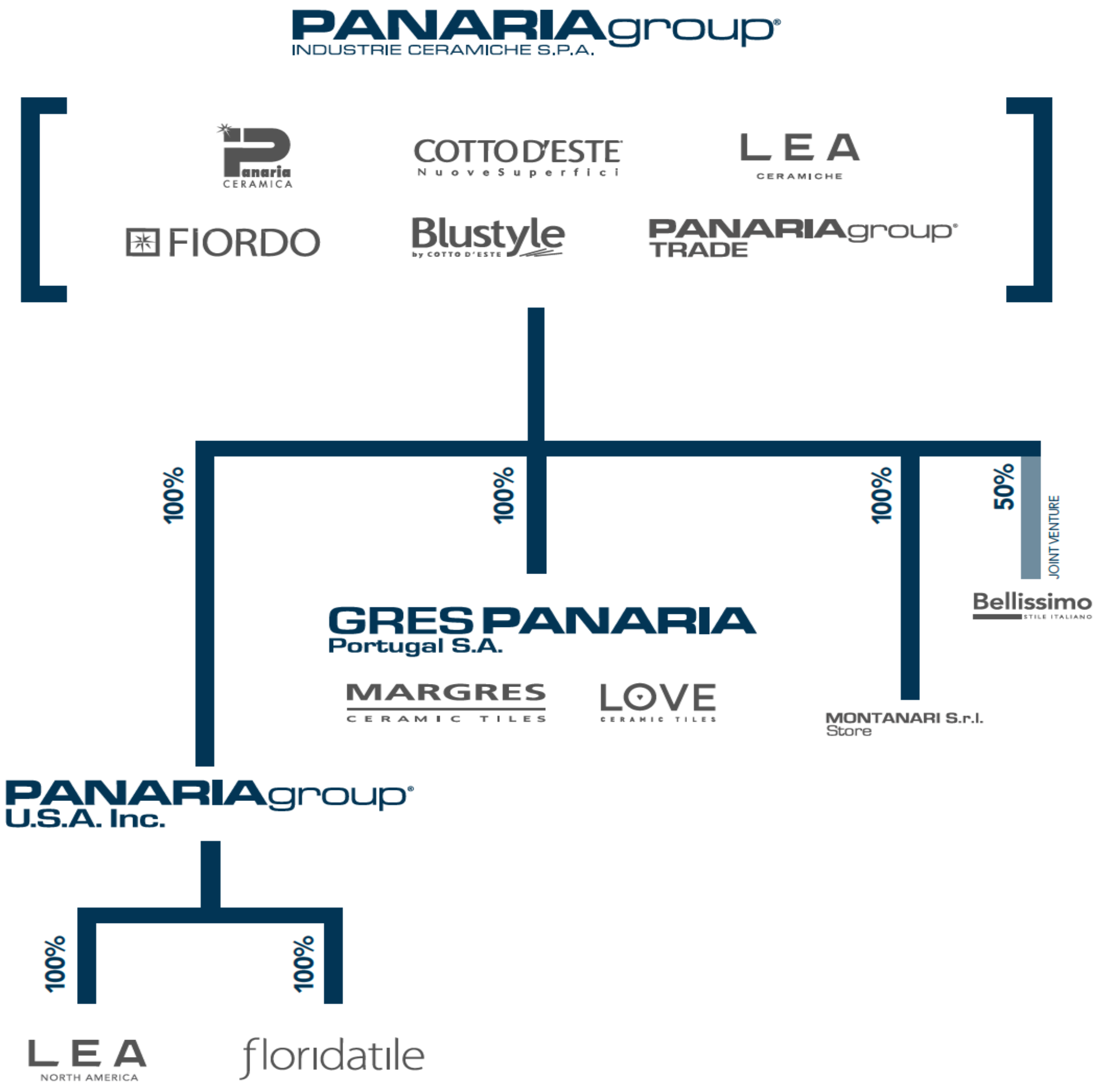
**Over 40 years** of experience

Leading company in **high-end and luxury ceramic surfaces**

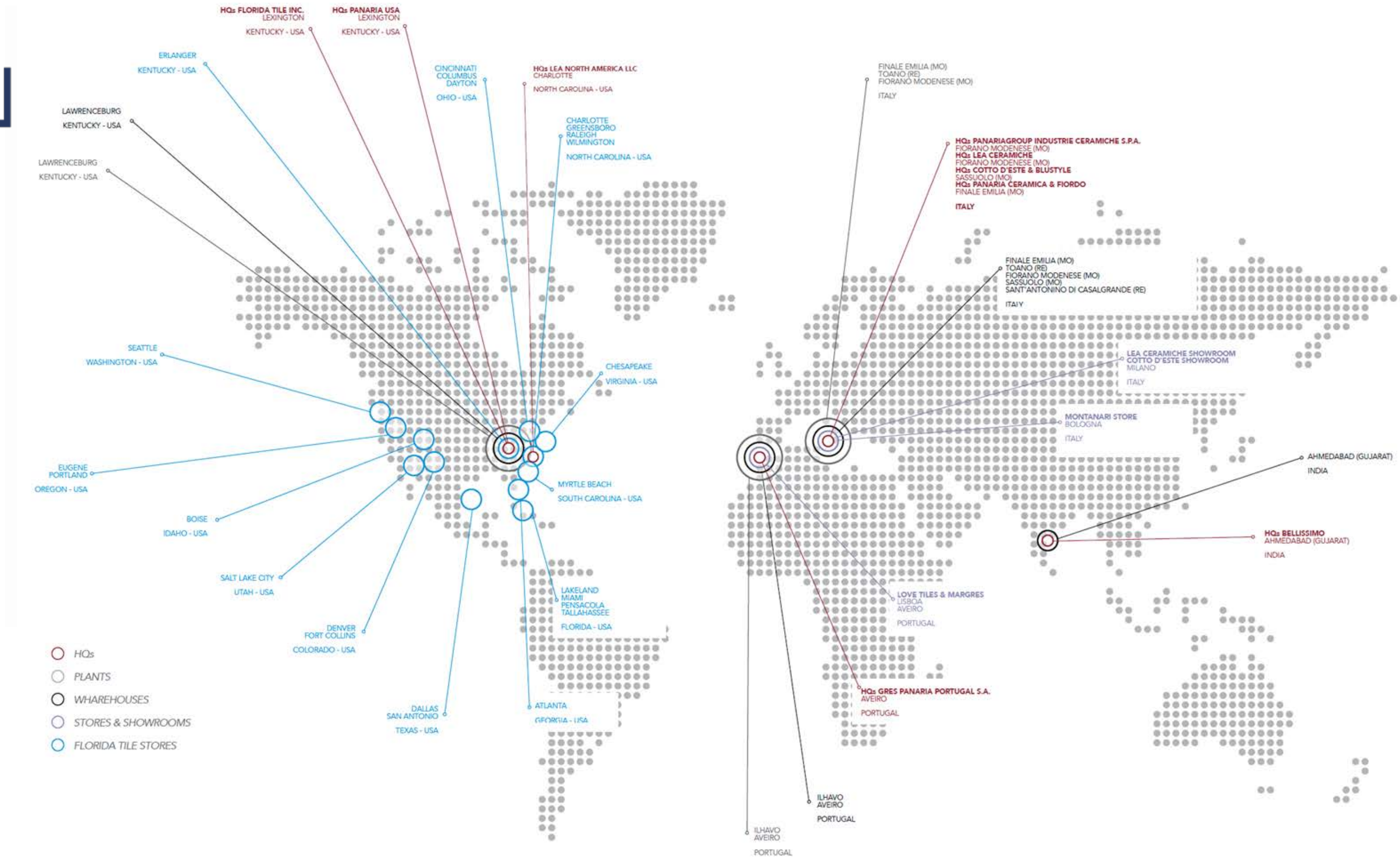
An evolution based on **internationalization** and **technology development**

**9 commercial brands** distributed all over the world

# THE GROUP ORGANIZATION



# PLACES




PANARIAgroup

# THE FIGURES 2016

OLTRE
**23**
MLN DI m² PRODOTTI ALL'ANNO
*MORE THAN 23 M SQ MT MANUFACTURED EVERY YEAR*

OLTRE
**1.600**
DIPENDENTI
*MORE THAN 1,600 EMPLOYEES*

**377**
MLN DI EURO FATTURATO 2016
*MLN EUROS TURNOVER IN 2016*

OLTRE
**10.000**
CLIENTI PROFESSIONALI
*MORE THAN 10,000 PROFESSIONAL CUSTOMERS*

**6**
STABILIMENTI PRODUTTIVI
*MANUFACTURING PLANTS*

**38**
MLN DI EURO DI INVESTIMENTI NEL 2016
*MLN EUROS IN INVESTMENTS IN 2016*

**9**
BRANDS
*BRANDS*

VENDITE IN PIÙ DI
**120**
PAESI
*SALES IN OVER 120 COUNTRIES*

PANARIAgroup

# OUR COMPETITIVE ADVANTAGES

- Balanced Worldwide Geographic Sales;
- Retail Distribution Channel in USA (24 stores);
- Listed in the Stock Market;
- Thin Tiles & Big Slabs know –how;
- Manufacturing Capabilities in three continents;
- Global Position of the Brands in the High-End Segments;
- Focused multibrand strategy;
- Differentiation through innovation and technology (e.g. antimicrobial, laminated porcelain);
- Sustainability strategy;
- Dedicated sales organization to specific channels and market segments;
- Reliability and trust (partnerships with leading brands and architects worldwide).

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# VISION AND STRATEGY STATEMENTS

❑ **Reach 500M€ in Sales and 75M€ in EBITDA with organic growth by Year 2020;**

❑ **Enforce Balanced worldwide geographic sales by increasing market share in high growth markets (Far East, Middle East, India) and continue to growth in North America;**

❑ **Growth in Big Slabs Market;**

❑ **Growth in the «Project» channel;**

# OUR VALUES

## TECHNOLOGICAL LEADERSHIP

*We continuously invest in research, technology, and cutting-edge facilities to respond to every need of architecture and interior design with innovative solutions that become a reference point in the industry.*

## QUALITY AND AESTHETIC EXCELLENCE

*We strive for industrial excellence, from the quality of raw materials to process efficiency, to achieve products that combine the utmost aesthetic value with the highest technical performance.*

## RESPONSIBILITY

*We always place people and quality of life at the centre of our activities, with products that are safe and environmentally sustainable while operating with maximum respect for those who work with us.*

## RELIABILITY

*The reliability of a Group that, from its family roots within the ceramic district of Sassuolo to its listing in Milan Stock Exchange, has grown to become an international company, operating worldwide while maintaining its Italian soul.*

## HISTORY

**1974**

*Panaria Ceramica founded*

**1992**

*Cotto d'Este established*

*Acquisition of Ceramiche Artistiche Lea*

**2002**

*First acquisition in Portugal*

**2004**

*Panariagroup established and listed on the Stock Exchange*

**2006**

*Acquisition of Florida Tile*

*Gres Panaria Portugal founded*

**2010**

*New Unit Panariagroup Trade*

**2012**

*Joint Venture in India*

**2016**

*Record turnover for the Group*

# WORLDWIDE PRODUCTIONS

# CAPITAL EXPENDITURE

**In the last 5 years, over 100 € millions Capex**

- In 2012 Capital Investments for **17,3M€**: 7,7M€ in USA dedicated to a new porcelain line;
- In 2013 Capital Investments for **16,6M€**;
- In 2014 Capital Investments for **13,2M€**;
- In 2015, **37,6M€** in Capital investments: in Italy 3rd new line of Gres Laminated Porcelain 3/5 mm in the Fiorano plant, in USA new complete manufacturing Line;
- In 2016, **37,5M€** in Capital investments: in Italy completion of 3rd new line of Gres Laminated Porcelain 3/5 mm in the Fiorano plant, in USA National Distribution Center expansion.

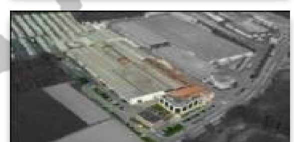
# GROUP PLANTS

## ITALY

**Panariagroup #1 Plant**
Finale Emilia (MO)

**Panariagroup #2 Plant**
Toano (RE)

**Panariagroup #3 Plant**
Fiorano (MO)



## PORTUGAL

**Panariagroup #4 Plant**
Ilhavo

**Panariagroup #5 Plant**
Aveiro

## USA

**Panariagroup #6 Plant**
Lawrenceburg (KY)

# OUR BRANDS


Local brands

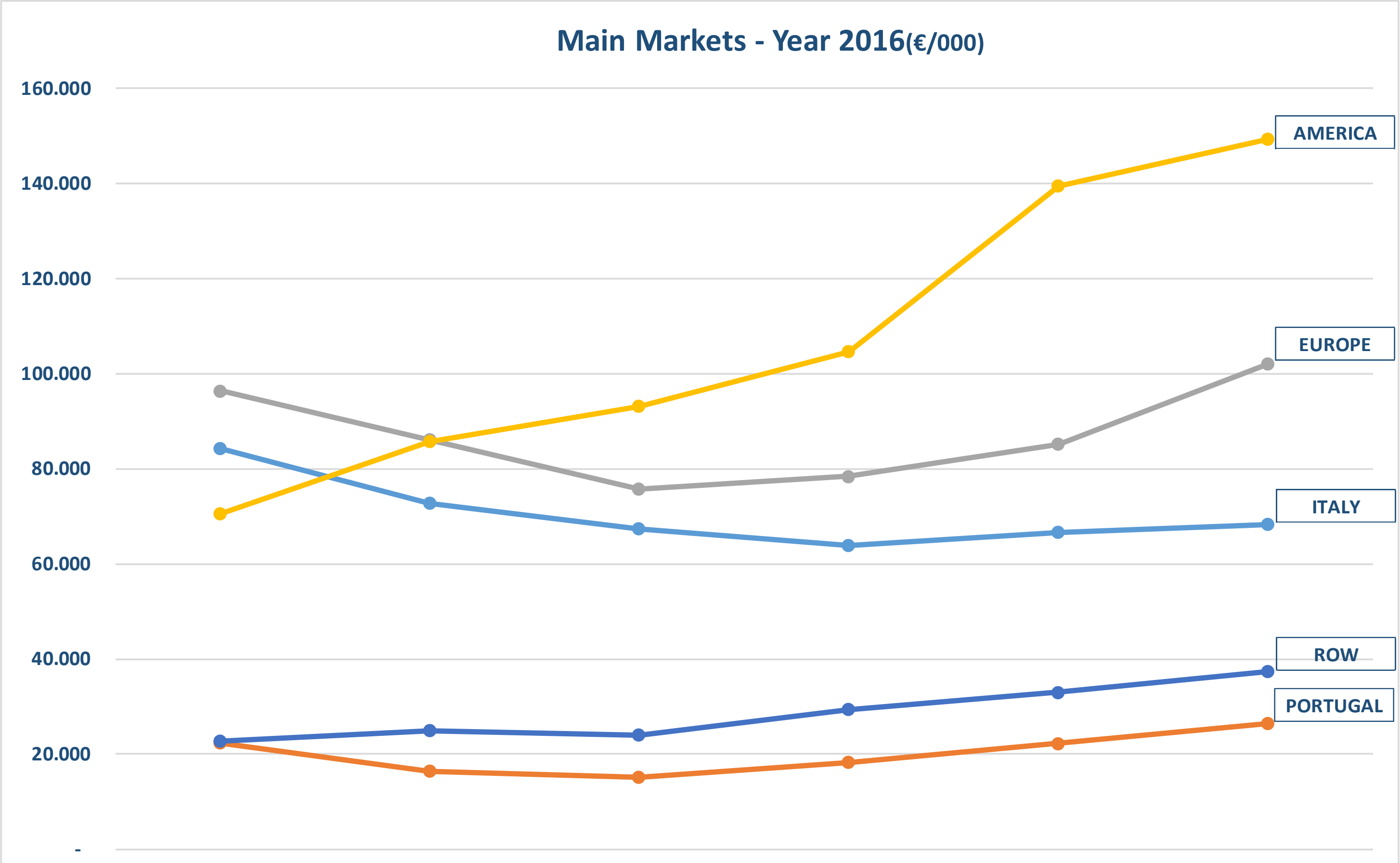
floridatile

Bellissimo
STILE ITALIANO

## GROUP SALES

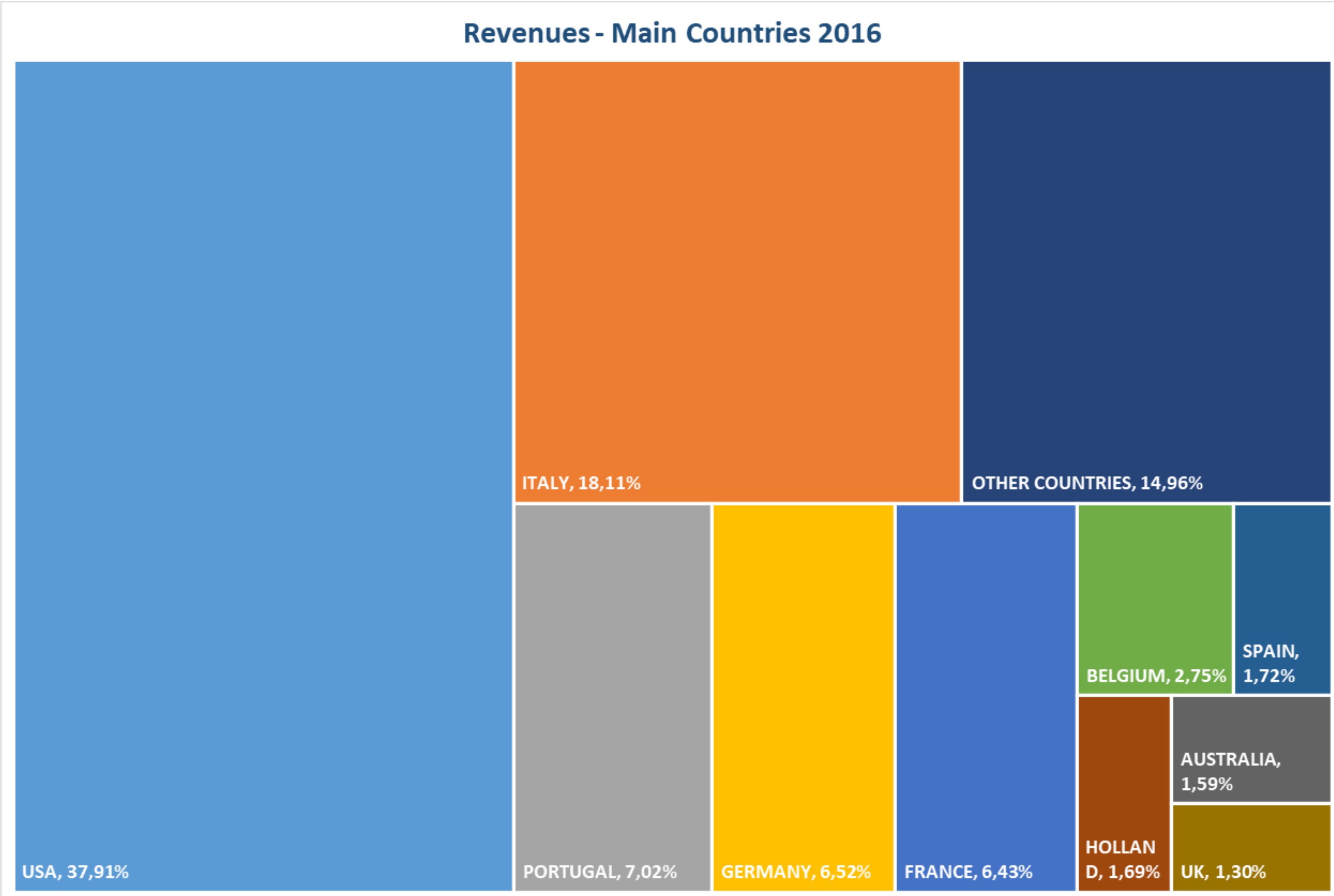

EUROPE
34%
ITALY
18%
OTHER COUNTRIES
9%
AMERICA
39%
Millions Euro
OTHER 34
AMERICA 147
EUROPE 128
ITALY 68
Sales 2016: € 377 millions

# GROUP SALES - MAIN MARKETS

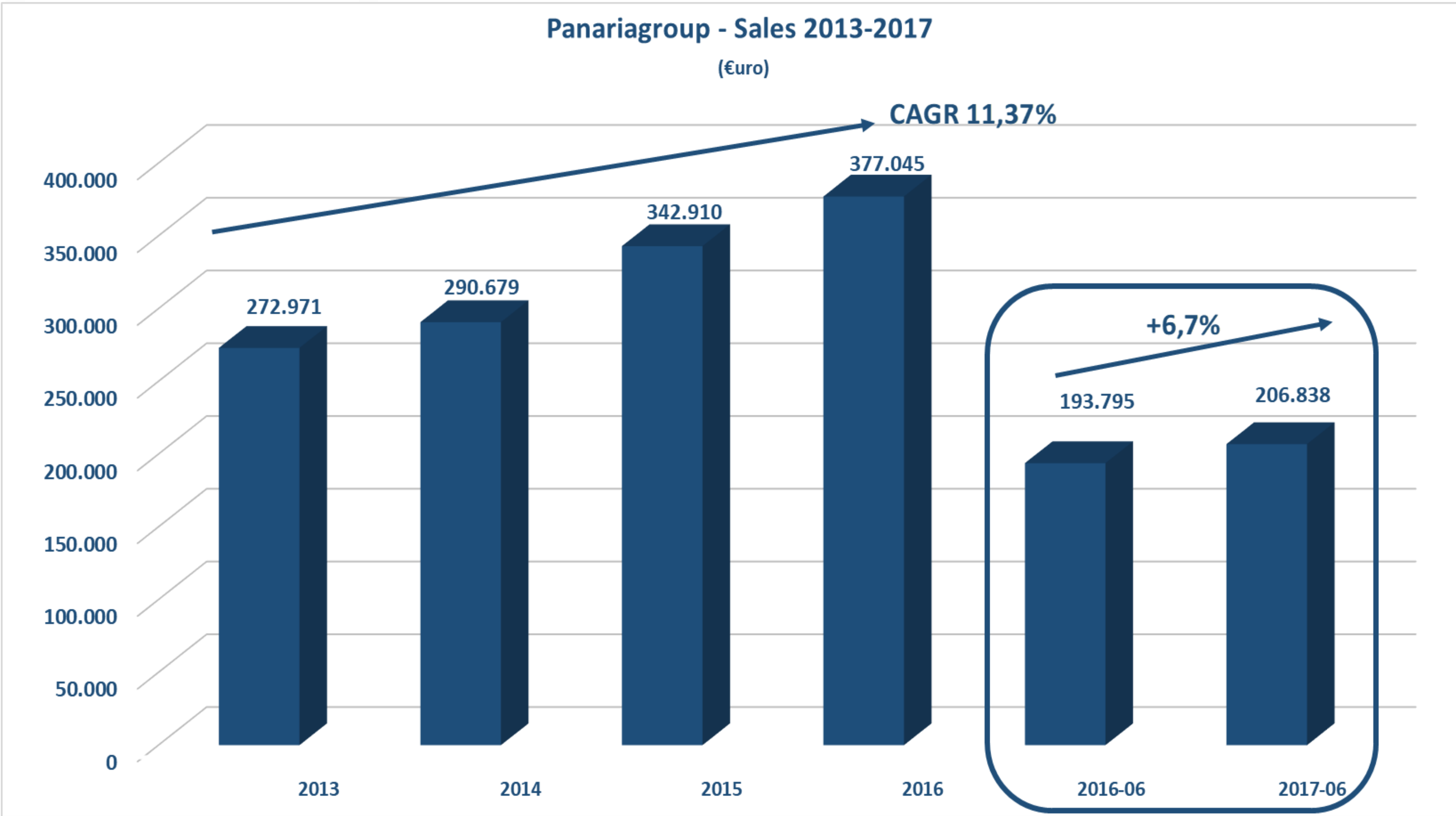



| MARKET | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| ITALY | 84.220 | 72.696 | 67.312 | 63.888 | 66.693 | 68.271 |
| PORTUGAL | 22.298 | 16.397 | 15.061 | 18.201 | 22.234 | 26.464 |
| EUROPE | 96.386 | 86.056 | 75.783 | 78.398 | 85.171 | 102.119 |
| AMERICA | 70.507 | 85.662 | 93.130 | 104.571 | 139.540 | 149.266 |
| ROW | 22.809 | 24.867 | 24.055 | 29.343 | 33.013 | 37.426 |

# GROUP SALES – TOP COUNTRIES



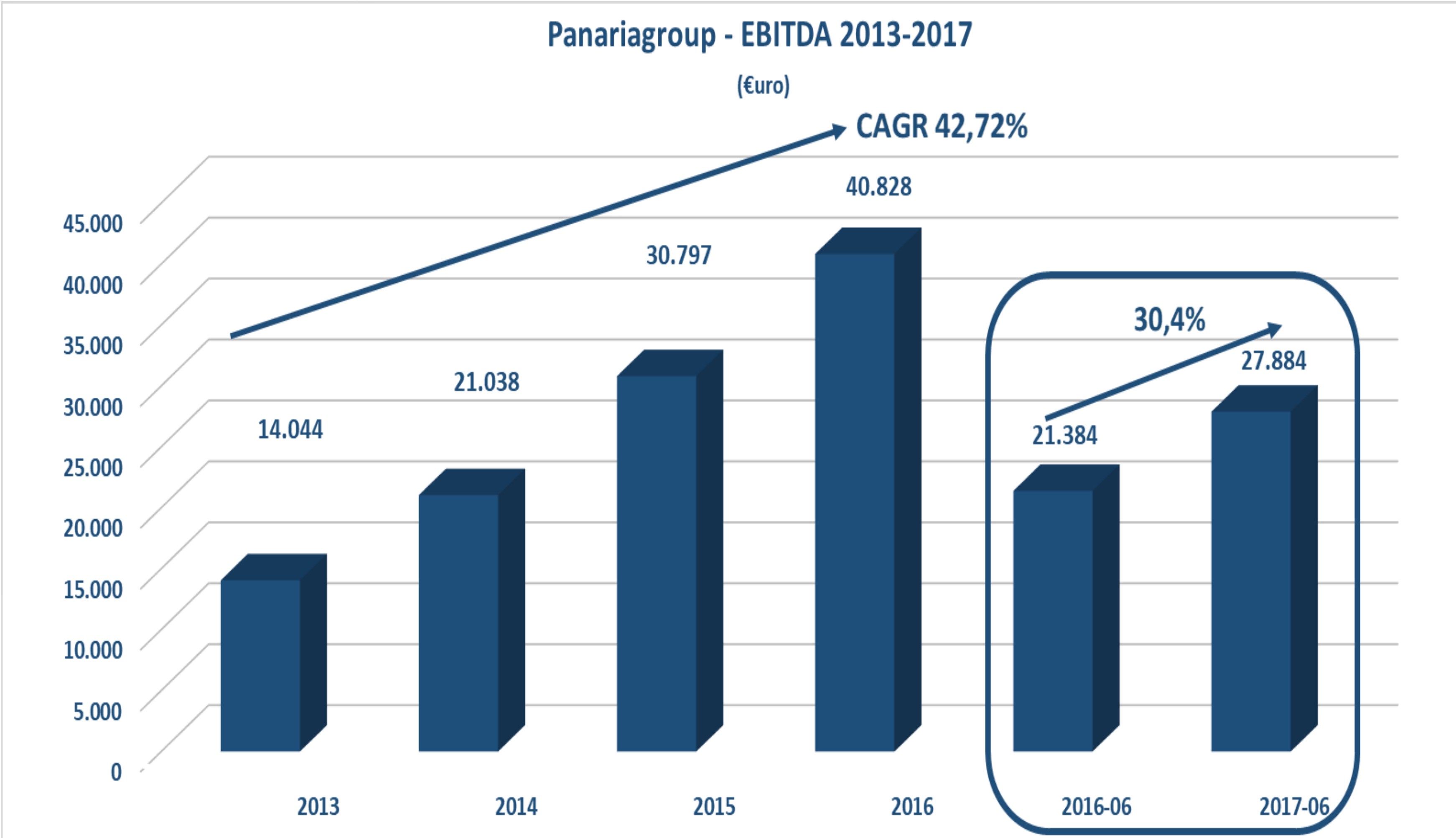
# GROUP SALES 2013-2017



# FINANCIAL RESULTS – Consolidated Income Statement

| Euro/000 | 2011 | % | 2012 | % | 2013 | % | 2014 | % | 2015 | % | 2016 | % | 2016-06 | % | 2017-06 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross revenues | 291.397 | 96,0% | 280.778 | 94,2% | 272.971 | 100,9% | 290.679 | 97,5% | 342.910 | 95,5% | 377.045 | 96,3% | 193.795 | 97,1% | 206.838 | 92,9% |
| Growth | 2,20% | | -3,64% | | -2,78% | | 6,49% | | 17,97% | | 9,95% | | | | 6,73% | |
| Value of Production | 303.636 | 100,0% | 297.917 | 100,0% | 270.463 | 100,0% | 298.247 | 100,0% | 359.248 | 100,0% | 391.440 | 100,0% | 199.564 | 100,0% | 222.537 | 100,0% |
| Growth | 3,80% | | -1,88% | | -9,22% | | 10,27% | | 20,45% | | 8,96% | | | | 11,51% | |
| EBITDA | 25.627 | 8,4% | 21.096 | 7,1% | 14.044 | 5,2% | 21.038 | 7,1% | 30.797 | 8,6% | 40.828 | 10,4% | 21.384 | 10,7% | 27.884 | 12,5% |
| Growth | -9,30% | | -17,68% | | -33,43% | | 49,80% | | 46,39% | | 32,57% | | | | 30,40% | |
| EBIT | 4.955 | 1,6% | -5.546 | -1,9% | -6.845 | -2,5% | 1.920 | 0,6% | 11.097 | 3,1% | 19.066 | 4,9% | 10.985 | 5,5% | 16.185 | 7,3% |
| Net income | 1.551 | 0,5% | 1.591 | 0,5% | -7.851 | -2,9% | -1.840 | -0,6% | 5.865 | 1,6% | 11.215 | 2,9% | 5.418 | 2,7% | 9.580 | 4,3% |

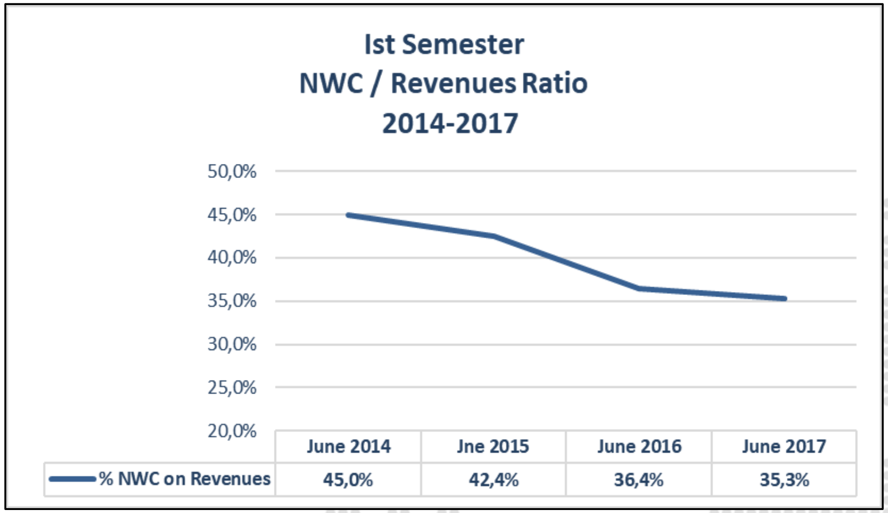
# GROUP EBITDA 2013-2017



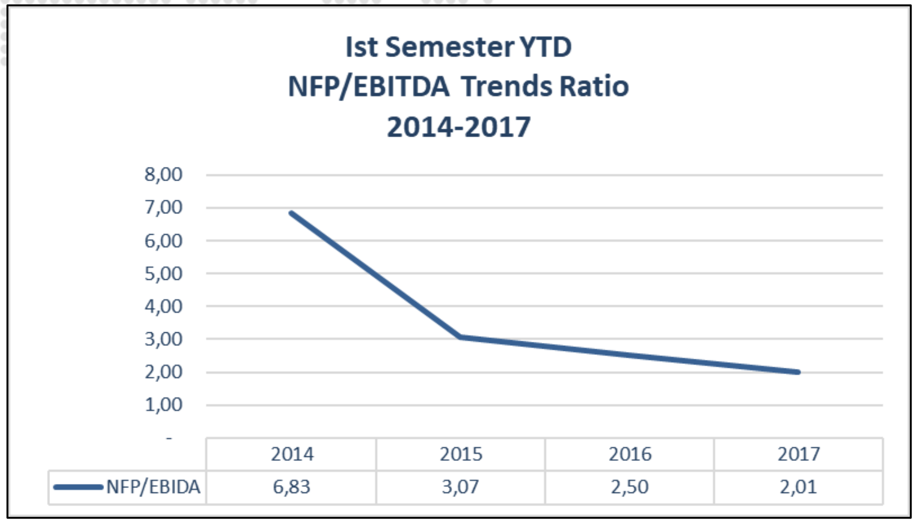
## FINANCIAL RESULTS – Consolidated Balance Sheet

| Euro/000 | 2012 | 2013 | 2014 | **2015** | **2016** | | **2016-06** | **2017-06** |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 8.139 | 8.139 | 8.139 | 8.139 | 8.139 | | 8.139 | 8.139 |
| Assets | 94.050 | 92.507 | 92.053 | 114.708 | 133.562 | | 121.046 | 131.683 |
| Financial fixed assets | 361 | 358 | 458 | 189 | 81 | | 6 | 48 |
| **Fixed assets** | 102.550 | 101.004 | 100.650 | **123.036** | **141.782** | | **129.191** | **139.870** |
| Current assets | 232.677 | 204.812 | 208.791 | 227.314 | 233.734 | | 243.455 | 255.410 |
| Current liabilities | (85.231) | (74.325) | (83.752) | (101.466) | (111.744) | | (111.708) | (116.722) |
| **Net Working Capital** | 147.446 | 130.487 | 125.039 | **125.848** | **121.990** | | **131.747** | **138.688** |
| Assets and Liabilities due after | (4.154) | 2.521 | 1.723 | (6.637) | (7.842) | | (7.955) | (9.572) |
| **NET CAPITAL EMPLOYED** | 245.842 | 234.012 | 227.412 | **242.247** | **255.930** | | **252.983** | **268.986** |
| **Net Financial Position** | (92.147) | (90.852) | (80.292) | **(82.991)** | **(83.712)** | | **(89.616)** | **(95.332)** |
| **Shareholders' equity** | (153.695) | (143.160) | (147.120) | **(159.256)** | **(172.218)** | | **(163.367)** | **(173.654)** |
| **Total sources of founds** | (245.842) | (234.012) | (227.412) | **(242.247)** | **(255.930)** | | **(252.983)** | **(268.986)** |

## INDEX




| | June 2014 | Jne 2015 | June 2016 | June 2017 |
|---|---|---|---|---|
| % NWC on Revenues | 45,0% | 42,4% | 36,4% | 35,3% |

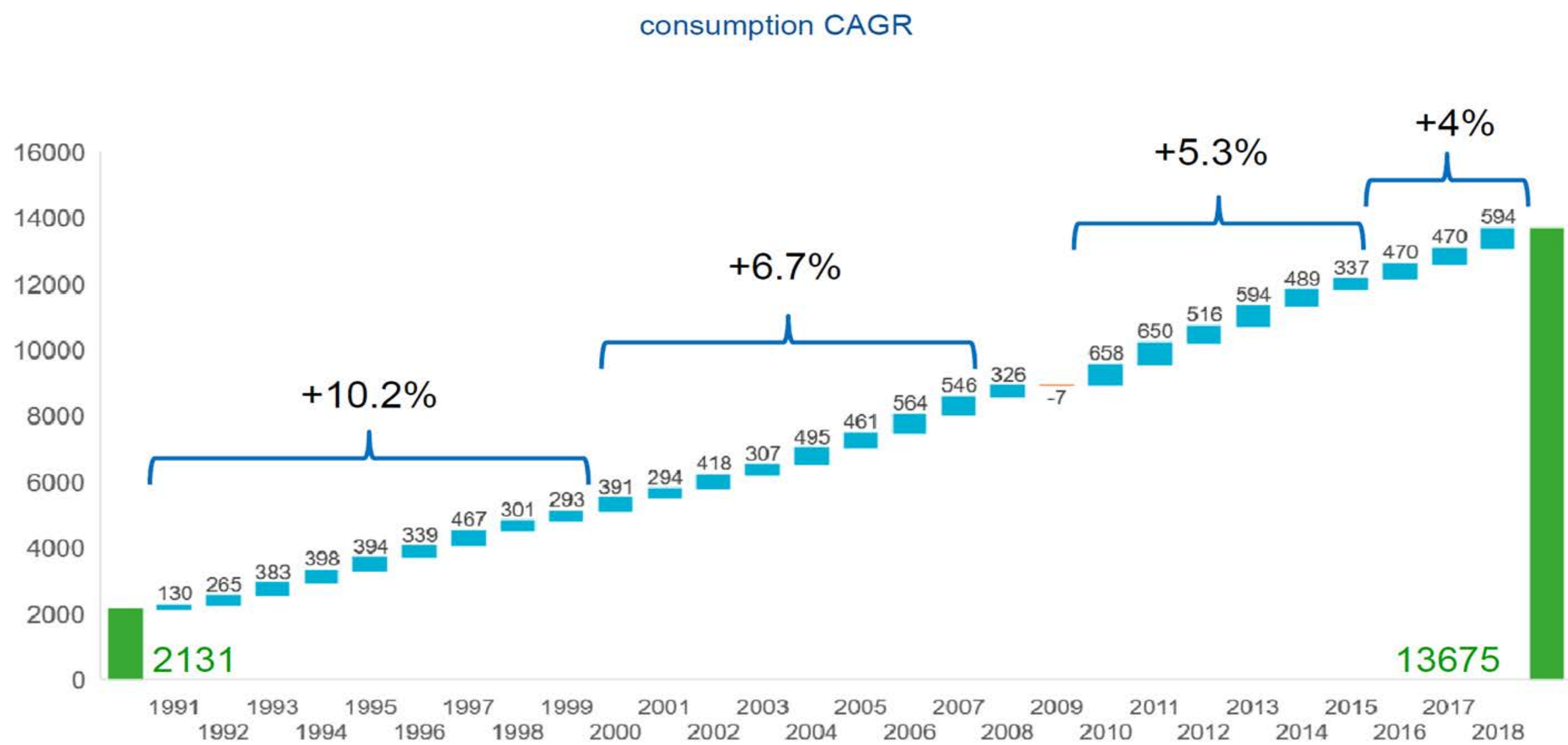



| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| NFP/EBIDA | 6,83 | 3,07 | 2,50 | 2,01 |

# TILE MARKET

## WORLD CONSUMPTION – sqm millions

**Every year a new big market like Nafta!**




*Source: Confindustria Ceramica & Prometeia*

# WORLD CONSUMPTION – sqm millions

| | 2015 mln di mq | 2016 | 2017 variazioni % | 2018 | 2018-2016 Δ mln mq |
|---|---|---|---|---|---|
| Mondo | 12140 | 3.9 | 3.7 | 4.5 | 1064 |
| Europa Occidentale | 673 | 4.4 | 2.8 | 3.3 | 44 |
| Europa Orientale | 869 | 2.2 | 3.3 | 3.8 | 64 |
| Nafta | 493 | 5.4 | 3.8 | 4.6 | 44 |
| America Latina | 1185 | -1.6 | 3.2 | 4.4 | 90 |
| Golfo e Nord Africa | 1173 | 4.1 | 4.7 | 5.5 | 127 |
| Far East | 7337 | 4.7 | 3.8 | 4.6 | 655 |
| Resto del mondo | 410 | 4.4 | 4.2 | 4.8 | 39 |

*Source: Confindustria Ceramica*

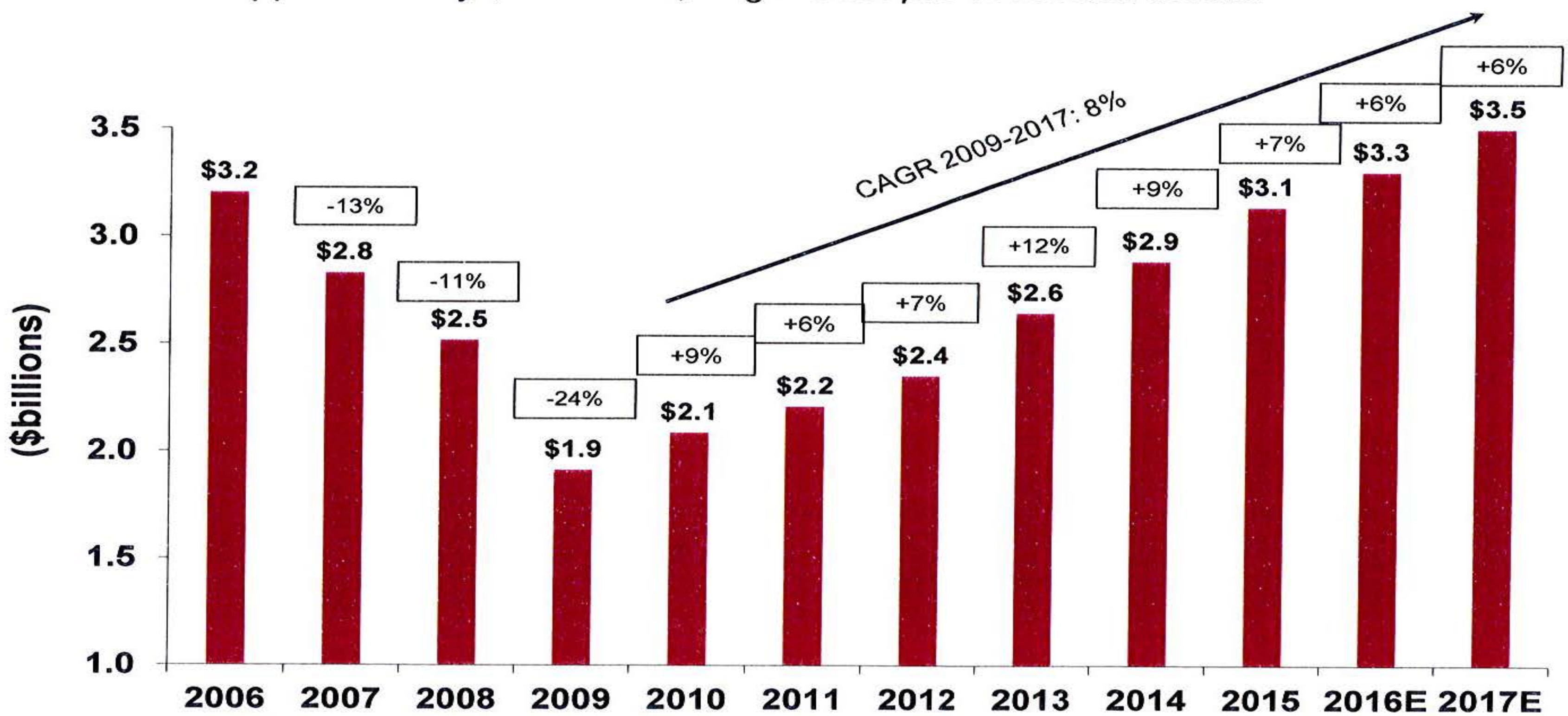
# TILE MARKET – MAIN PLAYERS WORLDWIDE (Year 2016)

| | Group/Company | Country | Turnover Tile Segment 2016 (mill €) | Total Turnover 2016 (mill €) | Production (mill sqm) | Capacity (mill sqm) | Export share | Tile Plants/Location | Main Tile Brands/Companies |
|---|---|---|---|---|---|---|---|---|---|
| 1 | **MOHAWK INDUSTRIES, INC** | USA | 3174 | 8.954 (tiles, carpet, laminate & wood) | 225-245 estimated on official company data | 25-245 estimated on official company data | N/A | 17 in North America, Mexico, Europe, Russia | American Olean, Dal Tile, KA, Kerama, **Marazzi, Ragno** |
| 2 | **ROCA** | Spain | N/A | 1.717 (tiles, sanitaryware, distribution) | 35 | 35 | N/A | 5 in Spain, Brasil, USA | Roca, Incepa, USCT, Laufen (USA) |
| 3 | **Concorde Group** | **Italy** | estimates >700 | estimates >700 | N/A | N/A | N/A | Novoceram (France), Italon (Russia), Ladmark (USA). | Atlas Concorde, Keope, Supergres, Mirage, Caesar, Marca Corona, Refin, Fap |
| 4 | **SCG GROUP** | Thailand | 755 | 907 (tile + sanitaryware) | 206 | 225 | 11% | 21 Thailand, 7 Vietnam, 4 Indonesia, 1 Philippines | Cotto, Prime, Mariwasa, Sosuco, Campana, Kia, DK, Trend |
| 5 | **LAMOSA** | Mexico | 664 | N/A | 105-110 | 140 | 19% | 10 in Mexico, 3 Argentina, 3 Colombia, 1 in Peru | Lamosa, Porcelanite, Firenze, Italica, Verve |
| 6 | **Fiandre - Iris Group** | **Italy** | 530 | 530 | 22 | | 80% | Stonepeak(USA), Porcelaingres (Germany) | Fiandre, Iris, Eiffelgres, Ariostera, La Ceramica, Matimex, FMG, Arcarel, Tecomix, Savoia Canada, Granitech, Technoriunite, Sapienstone |
| 7 | **RAK** | UAE | 442 | 687 (tiles , sanitary) | 82,5 | 113 | 79% | 10 UAE, 4 Bangladesh, 1 China, 1 India, 1 Iran | RAK Ceramics, Elegance |
| 8 | **Finfloor Group** | **Italy** | 406,8 | 406,8 | 27 | | 79% | Florim USA | Florim, (Floor Gres, Cerim, Casamood, Rex, Casa Dolce Casa), Maker |
| 9 | **PORTOBELLO** | Brazil | 379 | 379 | 42 | 48 | 14% | 2 in Brazil | Portobello, Pointer |
| 10 | **Panariagroup** | **Italy** | 377 | 377 | 23 | 27 | 82% | Florida Tile (USA), Margres, Love Tiles, Gres Panaria (Portugal) | Panaria, Lea, Cotto d'Este, Fiordo, Blustyle |

**Source: Ceramic World Review**

# US CERAMIC TILE MARKET

*Market size approximately $3.5 billion; larger than pre-recession levels.*

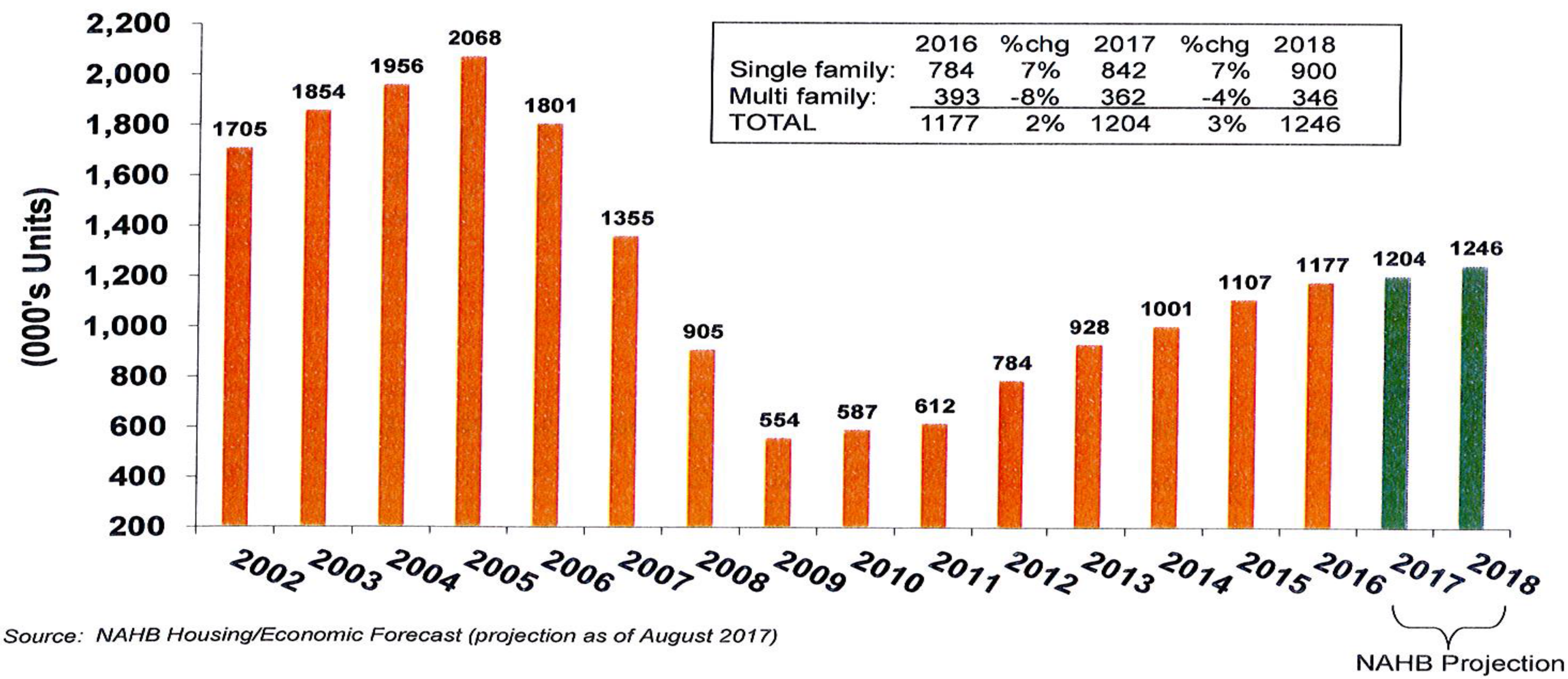



*Source: Floor Covering Weekly; internal estimates. Prior year data subject to periodic restatement.*

# US ANNUAL HOUSING STARTS

*Growth rates remain positive but are slowing.*

| | 2016 | %chg | 2017 | %chg | 2018 |
|---|---|---|---|---|---|
| Single family: | 784 | 7% | 842 | 7% | 900 |
| Multi family: | 393 | -8% | 362 | -4% | 346 |
| TOTAL | 1177 | 2% | 1204 | 3% | 1246 |




*Source: NAHB Housing/Economic Forecast (projection as of August 2017)*

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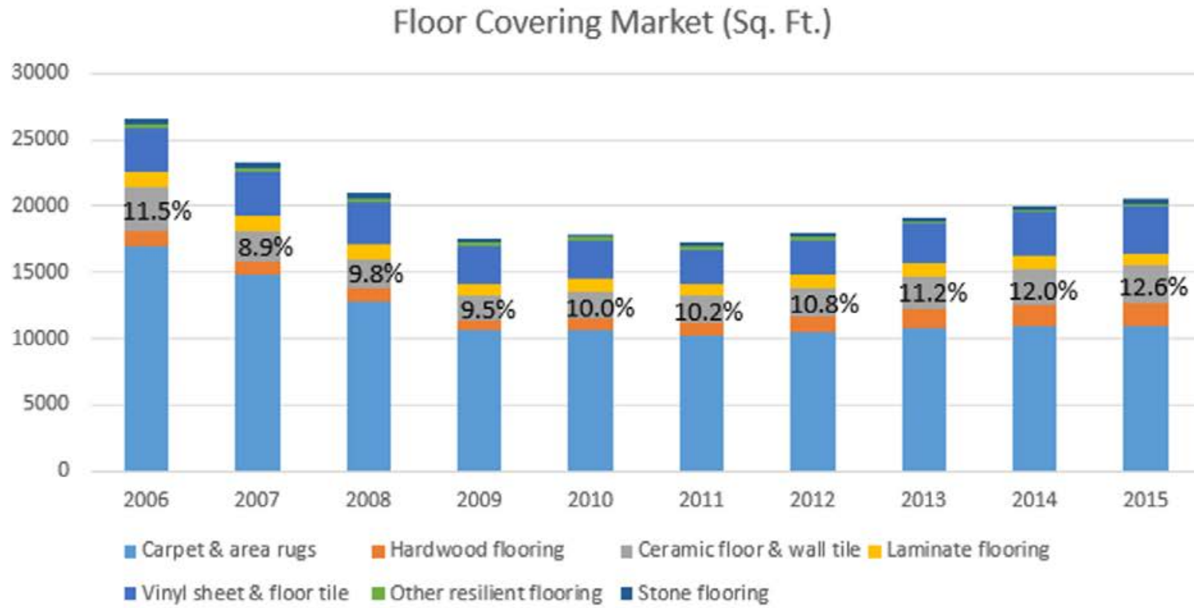
# Market Evolution
## Tile % of All Floor Coverings
## (In Millions)




*Other resilient includes cork, rubber, other plastics and linoleum*
*Stone excludes manufactured and engineered stone*
*Source: Catalina Research*

# PROJECTS AND CREDITS







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KRAVITZ DESIGN
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