



PRESS RELEASE

2016, Panariagroup historic sales record

Panariagroup Industrie Ceramiche S.p.A.: The Board of Directors approves the Draft Financial Statement at 31 December 2016.

- **Net Revenues** amounted to 377.0 million Euros (342.9 in 2015) with an increase of 10.0% compared to 2015.
- **Gross operating profit** amounted to 40.8 million Euros (30.8 million Euros in 2015, equal to +32.6%).
- **Net Operating profit** amounted to 19.1 million Euros (11.1 million Euros in 2015), equal to +71.8%).
- **Consolidated net Profit** is 11.2 million Euros (5.9 million Euros in 2015, equal to +91.2%).

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A., a Group specialized in the production and distribution of ceramic material for floors and high-end and luxury coating, today approved the Financial Statement at 31 December 2016, drafted in accordance with International Financial Reporting Standards (IFRS).

In an economic environment of an improving trend, in which the world economy continued the growth, began in 2015, albeit with an uneven pace of development in the various areas, the Group fully benefited from its international footprint with excellent business and profitability volume growth results.

The achieved turnover represents the historical record for Panariagroup, with a more balanced geographical distribution of sales compared to the past and with a greater control on all major global markets in the ceramic sector.

This improvement resulted in an increase in revenues of 34.1 million Euros, an increase in EBITDA of 10.0 million Euros and an increase of 5.3 million Euros in Net Income.

Also all the main consolidated balance sheet indices have reported a significant improvement; in particular, the ratio between Net Debt and EBITDA, which now stands at 2.1 and the ratio between the Net Working Capital and the Sales Revenues, which stands at 32%.

FINANCIAL HIGHLIGHTS

(thousand Euros)

Nature	31 DEC 2016	31 DEC 2015	Var. €
Revenues from sales and services	377,045	342,910	+ 34,135
Value of production	391,440	359,248	+ 32,192
Gross operating profit	40,828	30,797	+ 10,031
Net operating profit	19,066	11,097	+ 7,969
Consolidated net profit	11,215	5,865	+ 5,350

“Geographical diversification, a distinct feature of the Group's strategy - says **Emilio Mussini, Chairman of Panariagroup** – has made it possible to fully exploit the growth opportunities offered by all the critical markets where Panariagroup operates. Revenues of the year have reached an historical peak for Panariagroup, with a 34.1 million Euro increase with respect to 2015, together with a considerable improvement of all income statement and balance sheet indicators”.

“Panariagroup’s current structure - **continues Mussini** - characterised by a very solid economic and financial base, its industrial and state-of-the-art competitiveness and by its well-defined and balanced strategic and geographical positioning, places in us an excellent situation to be able to develop, in 2017, a new and ambitious development plan”.

REVENUES

The Net Sales Revenues recorded an overall increase of 10.0%, from 342.9 million Euros in 2015 to 377.0 million Euros in 2016 (+34.1 million Euros).

The achieved turnover is made from 82% by the foreign markets, of which more than half outside the European Union borders.

UNITED STATES – The growth in turnover and market shares continued with an increase of 9% of the turnover; in this area for over five years, the Group has been demonstrating a considerable continuity of results. The presence in the American territory of a company structured such as Florida Tile, able to serve the market through diversified distribution channels (Own Shops, Independent Distributors, Home Centres) allows the Group to enjoy a competitive basis on which to base its commercial development strategies, by creating synergies also with the two commercial divisions: Panariagroup USA and Lea North America.

The impact of the US market on the total of the revenues is equal to 37% (38% in 2015).

EUROPE – Excellent performances have been recorded on the European markets, with an overall growth of 20%; the achievement of this result is attributable to both the Business Units focused on these markets (Italian and Portuguese) and the effectiveness of their commercial action.



In all major areas, excellent results have been achieved, but, in particular, sale increases achieved in Portugal (with a further strengthening of the leadership of Gres Panaria Portugal), Germany, Austria, Great Britain, Holland and Belgium stand out.

The European market share on the total turnover was 34% (31% in 2015).

ITALY - The Group's performances in the Italian market have increased slightly and in line with the overall trend of the market. Compared to the marked uncertainties of recent years, signs of moderate optimism about the future prospects for the domestic market are found.

The incidence of the Italian market on the consolidated turnover was 18% (incidence of 19% in 2015).

ASIA, CANADA, SOUTH AMERICA, OCEANIA AND AFRICA - The Group achieved a growth of 7%; while on the markets of Central and South America a total slowdown was recorded. Excellent growth in Oceania (+ 19%) and on the promising Asian markets (+ 18%).

The share of "other markets" on the total turnover was 11% (12% in 2015).

FINANCIAL RESULTS

The Gross operating profit of 40.8 million Euros was equal to 10.4% on the Value of Production (30.8 million Euros equal to 8.6% in 2015) with an improvement of 10.0 million Euros.

The improvement in the operating margin was mainly driven by the growth in the sales volumes and in the reduction of production costs.

The sales increase was generated by the conquest of market shares in terms of volumes, while prices remained in line with the previous year.

Production costs have benefited, to a great extent, of the higher volumes produced, and by achieving a high degree of capacity utilization, resulting in reduction of the impact of the component of fixed production costs on the unit cost.

The European plants have also benefited from a reduction in energy prices.

NET FINANCIAL POSITION

The Net Financial Debt was increased compared to the end of 2015 by 0.7 million Euros, but with a decidedly positive evolution of the ratio between Net Financial Debt and EBITDA, which fell from 2.7 to 2.1; the result is to be considered extremely positive, in consideration of the significant level of investments made, and it was made possible by the excellent contribution in self-management.

The improvement in the NFP/EBITDA ratio and the financial balance has also been confirmed for next year as one of the primary goals of management.



SHAREHOLDERS' EQUITY

The Shareholders' equity of the Group has increased, rising from 159.3 million Euros in 2015 to 172.2 current Euros, mainly due to the positive economic results of 2016.

OUTLOOK FOR GROUP OPERATIONS

The excellent results achieved in 2016, continuing the trend of strong growth in the two previous years, confirm the effectiveness of the strategic choices made in recent years and the effectiveness of deep renewal actions that the Group has implemented in all the Business Units and in all the Company areas.

The expectations for 2017 are positive, both in terms of turnover and of profitability.

In terms of Revenues, the outlook is of further growth in all Business Units, thanks to the expected effects of the commercial development programmes implemented and to a complex macro-economic framework in tendential improvement.

Specifically, we are seeing a particularly positive contribution by the Italian Business Unit, for which the positive impacts resulting from the profound revision of the commercial model should be consistently consolidated.

As regards production costs, significant benefits are expected.

Firstly, the 2017 Budget provides for a more intense use of the plants, leading the European plants to near-production capacity saturation levels and a consequent reduction in the incidence of fixed costs.

Secondly, the implementation of major industrial investments made in the last two years will enable us to benefit from major advantages in terms of efficiency and productivity.

Finally, based on the agreements signed for 2017, we are expecting a further reduction in cost for the supply of gas and electricity.

We conclude, with 2016, a decidedly positive three-year cycle, which has led to a growth in Revenues for the Group of over 100 million of Euro, on achieving satisfactory economic results and on strengthening its financial position.

Panariagroup's current structure, characterised by a very solid economic and financial base, its industrial and state-of-the-art competitiveness and by its well-defined and balanced strategic and geographical positioning, places in us an excellent situation to be able to develop, in 2017, a new and ambitious development plan.



ALLOCATION OF NET PROFIT FOR 2016

Relatively to Panariagroup Industrie Ceramiche S.p.A., the draft financial statement of the Company at 31 December 2016 closed with a net profit of Euro 3,339,038.

The Board of Directors, that approved the draft financial statement at 31 December 2016, proposes to the Shareholders' Meeting to distribute the profit for the year as follows:

- 5% of net profit to legal reserve;
- payment of a dividend equal to 0.07 Euros per share, gross of tax retentions, excluding treasury shares held at the date the dividends are paid;
- the remainder to the Extraordinary Reserve.

NOTICE OF CALLING OF SHAREHOLDERS' MEETING

The Panariagroup Board of Directors has approved the resolutions and conferred the necessary powers to act on the Ordinary Shareholders' Meeting of the Company with a notice that will be published within 19 March 2017, on the website of the Company at the address www.panariagroup.it on the authorized storage mechanism "1Info" at the address www.1info.it, on the Official Gazette and on the website of *Borsa Italiana S.p.A.* (the Italian Stock Exchange), which will be held at the head office in Finale Emilia (Modena) in No. 22/A, Via Panaria Bassa, at single call, on 28 April 2017 at 9:00 a.m.

The Shareholders' Meeting will be called to deliberate on the following agenda:

1. submission of the consolidated financial statement of the Panariagroup Group and approval of the financial statement at 31 December 2016; related and consequent resolutions;
2. resolutions relating to the remuneration report; related and consequent resolutions;
3. determination of the number and appointment of the members of the Board of Directors for the 2017-2019 three-year period; determination of the related retribution; related and consequent resolutions;
4. renewal of the authorization to purchase and sale of treasury shares; related and consequent resolutions.

RENEWAL OF THE AUTHORIZATION TO PURCHASE AND SALE OF TREASURY SHARES

In the same meeting the Board of Directors resolved to propose in the next Ordinary Shareholders' Meeting the proposal to renew the authorization to purchase and sale of treasury shares. To date, the Company holds directly No. 432,234 treasury shares (equal to 0.953% of the Company capital) for a nominal value of 0.50 Euros per share. If authorized, the purchase and sale transactions may be made for a maximum number of ordinary shares representing overall not more than 20% of the existing Company capital, excluding the treasury shares held, in accordance with article 2357, and subsequent articles, of the Civil Code, of article 132 of Legislative Decree No. 58/98, of article 144-



bis of the Issuers Regulation and all other applicable regulations, including the regulations referred to in Regulation (EU) No. 596/2014 and the Delegate Regulation (EU) No. 2016/1052, as well as the market practices authorized *pro tempore* in force (if applicable) and the Regulations issued by the *Borsa Italiana S.p.A.* (The Italian Stock Exchange), before the meeting convened that will approve the financial statement at 31 December 2017.

The purchases must be made (i) at a price that does not deviate down and up for more than 20% with respect to the reference price recorded by the share in the Stock Exchange session prior to each individual transaction, and in any case (ii) an amount that does not exceed the highest price between the price of the last independent transaction and the offer price of the highest current independent sale indicated on the trading venue where the purchase is made.

The maximum number of treasury shares that can be purchased daily will not exceed 25% of the average daily volume of "Panaria" shares traded on the market.

The maximum potential purchase outlay will not exceed the available reserves resulting from the last regularly approved financial statement.

The reasons for which application for an authorization has been made are:

- to fulfil the obligations arising from the share option programmes or other allocations of shares to employees or members of the Company Management Bodies or its subsidiary or affiliate Companies;
- to fulfil the obligations arising from convertible debt instruments into equity instruments;
- to carry out operations in support of market liquidity so as to facilitate the regular conduct of transactions beyond the normal fluctuations related to market trend; or
- to carry out sales, exchange, permutation, transfer transactions or any other act of disposal of treasury shares for acquisition of holdings and/or immovable properties and/or the conclusion of agreements (even commercial) with strategic partners, and/or for the realization of industrial projects or extraordinary financial transactions, which are included in the expansion objectives of the Company and the Panaria Group.

The Explanatory Note prepared by the Board of Directors pursuant to Art. 73 of the Issuers Regulation No. 11971/99 will be made available, in accordance with the law, on the Company's website www.panariagroup.it at the registered office, the *Borsa Italiana S.p.A.* (The Italian Stock Exchange), and the authorized storage mechanism "1Info" at the address www.1info.it

CORPORATE GOVERNANCE AND REMUNERATION REPORT

Panariagroup Industrie Ceramiche S.p.A. – Legal Office: No. 22/a, Via Panaria Bassa, - 41034, Finale Emilia (MO) - Italy

Company Capital 22,677,645.50 Euros fully paid - R.E.A. 248427
VAT, Tax Code and Registry at the Modena Companies Registry No. 01865640369



In the same meeting, the Board of Directors approved the Annual Report on Company Governance and Ownership Structures under Articles No. 123-*bis* of Legislative Decree dated 24 February 1998 and 89-*bis* of the Issuers Regulation No. 11971/99 and subsequent amendments.

The Board of Directors also approved the Report on Remuneration under Articles No. 123-*ter* of Legislative Decree dated 24 February 1998 and 84-*quater* of the Issuers Regulation No. 11971/99 and subsequent amendments and additions.

Both the Report on Company Governance and the Report on Remuneration will be made available to the public, as provided by the law, at the registered office, the *Borsa Italiana S.p.A.* (The Italian Stock Exchange), on the Company's website www.panariagroup.it as well as on the authorized storage mechanism "1Info" at the address www.1info.it.

Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Dott. 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. It is noted that, with reference to the documents attached hereto, the audit activity is not completed yet

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Finale Emilia, 17 March 2017

CONSOLIDATED FINANCIAL STATEMENT - BALANCE SHEET

(Amount in Thousands Euro)

	31-Dec-2016	31-Dec-2015
Inventories	140,173	138,208
Accounts Receivable	79,903	78,031
Other current assets	13,658	11,075
CURRENT ASSETS	233,734	227,314
Account Payables	(83,647)	(76,037)
Other current liabilities	(28,097)	(25,429)
CURRENT LIABILITIES	(111,744)	(101,466)
NET WORKING CAPITAL	121,990	125,848
Goodwill	8,139	8,139
Intangible assets	13,967	5,593
Tangible assets	119,595	109,115
Equity Investments and other financial assets	81	189
FIXED ASSETS	141,782	123,036
Receivables due after following year	777	802
Provision for termination benefits	(5,913)	(5,837)
Provision for risk and charge	(4,725)	(4,333)
Deferred tax assets	5,405	10,699
Other payables due after the year	(3,386)	(7,968)
ASSET AND LIABILITIES DUE AFTER THE YEAR	(7,842)	(6,637)
NET CAPITAL EMPLOYED	255,930	242,247

Short term financial assets	(16,995)	(7,500)
Short term financial debt	36,506	36,372
NET SHORT TERM FINANCIAL DEBT	19,511	28,872
Mid-Long term financial debt	64,201	54,119
NET FINANCIAL POSITION	83,712	82,991
Group Shareholder's Equity	172,218	159,256
SHAREHOLDERS' EQUITY	172,218	159,256
TOTAL SOURCES OF FUNDS	255,930	242,247

Consolidated Profit and Loss Account

(Amounts in Thousands Euro)

	31-Dec-2016	%	31-Dec-2015	%	var.	var. %
Revenues from sales and services	377.045	96,32%	342.910	95,45%	34.135	9,95%
Change in inventories of finished products	1.016	0,26%	5.201	1,45%	(4.185)	-80,47%
Other revenues	13.379	3,42%	11.137	3,10%	2.242	20,13%
Value of Production	391.440	100,00%	359.248	100,00%	32.192	8,96%
Raw, ancillary and consumable materials	(109.484)	-27,97%	(103.570)	-28,83%	(5.914)	5,71%
Services, leases and rentals	(145.859)	-37,26%	(136.548)	-38,01%	(9.311)	6,82%
Personnel costs	(91.999)	-23,50%	(84.689)	-23,57%	(7.310)	8,63%
Changes in inventories of raw materials	(3.270)	-0,84%	(3.644)	-1,01%	374	-10,26%
Cost of production	(350.612)	-89,57%	(328.451)	-91,43%	(22.161)	6,75%
Gross operating profit	40.828	10,43%	30.797	8,57%	10.031	32,57%
D&A expenses	(19.360)	-4,95%	(17.453)	-4,86%	(1.907)	10,93%
Provisions and other impairments	(2.402)	-0,61%	(2.247)	-0,63%	(155)	6,90%
Net operating profit	19.066	4,87%	11.097	3,09%	7.969	71,81%
Financial income and expense	(2.543)	-0,65%	(1.846)	-0,51%	(697)	37,76%
Pre-tax profit	16.523	4,22%	9.251	2,58%	7.272	78,61%
Income taxes	(5.308)	-1,36%	(3.386)	-0,94%	(1.922)	56,77%
Net profit (loss) for the period	11.215	2,86%	5.865	1,63%	5.350	91,21%



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

	31-Dec-16	31-Dec-15
Inventories	71,931	69,070
Accounts Receivable	70,971	61,286
Other current assets	10,235	7,779
CURRENT ASSETS	153,137	138,135
Account Payables	(48,410)	(46,468)
Other current liabilities	(22,524)	(19,649)
CURRENT LIABILITIES	(70,934)	(66,117)
NET WORKING CAPITAL	82,203	72,018
Goodwill	0	0
Intangible assets	5,155	1,995
Tangible assets	43,120	43,956
Equity Investments and other financial assets	89,897	90,047
FIXED ASSETS	138,172	135,998
Receivables due after following year	5,795	9,611
Provision for termination benefits	(5,818)	(5,756)
Provision for risk and charge and deferred tax	3,367	4,421
Other payables due after the year	(2,336)	(3,654)
ASSET AND LIABILITIES DUE AFTER THE YEAR	1,008	4,622
NET CAPITAL EMPLOYED	221,383	212,638

Short term financial assets	(9,948)	(5,475)
Short term financial debt	28,258	30,745
NET SHORT TERM FINACIAL DEBT	18,310	25,270
Mid-Long term financial debt	57,452	44,555
NET FINANCIAL POSITION	75,762	69,825
Group Shareholders' Equity	145,621	142,813
SHAREHOLDERS' EQUITY	145,621	142,813
TOTAL SOURCES OF FOUNDS	221,383	212,638



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

	31-Dec-16	%	31-Dec-15	%	var.
Revenues from sales and services	189,273	93.62%	172,838	94.34%	16,435
Change in inventories of finished products	2,437	1.21%	1,484	0.81%	953
Other revenues	10,455	5.17%	8,889	4.85%	1,566
Value of Production	202,165	100.00%	183,211	100.00%	18,954
Raw, ancillary and consumable materials	(52,373)	-25.91%	(49,484)	-27.01%	(2,889)
Services, leases and rentals	(83,303)	-41.21%	(77,064)	-42.06%	(6,239)
Personnel costs	(50,830)	-25.14%	(47,062)	-25.69%	(3,768)
Other operating expenses	(1,674)	-0.83%	(1,743)	-0.95%	69
Cost of production	(188,180)	-93.08%	(175,354)	-95.71%	(12,826)
Gross operating profit	13,985	6.92%	7,857	4.29%	6,128
D&A expenses	(10,684)	-5.28%	(9,747)	-5.32%	(937)
Provisions from unexpected events	(787)	-0.39%	(1,711)	-0.93%	924
Net operating profit	2,514	1.24%	(3,601)	-1.97%	6,115
Financial income and expense	1,444	0.71%	2,922	1.59%	(1,478)
Pre-tax profit	3,959	1.96%	(679)	-0.37%	4,638
Income taxes estimated	(620)	-0.31%	(424)	-0.23%	(196)
Net profit (loss) for the period	3,339	1.65%	(1,103)	-0.60%	4,442