

*Renato - Draft 20 April 2017*

**PANARIAGROUP Industrie Ceramiche S.p.A.**

**PRESS RELEASE**

**Today's Shareholders' Meeting approved the financial statements at 31 December 2016**

**Members of the Board of Directors appointed for 3-year period 2017-2019**

**Emilio Mussini confirmed as Chairman of the Board of Directors**

**Finale Emilia, 28 April 2017** - The Ordinary Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A., parent company of the group of the same name, which produces and sells ceramic materials for floor and wall coverings in the high end and luxury markets, was held today at a single call and approved the following matters on the agenda:

**1) Approval of the financial statements at 31 December 2016**

Panariagroup's Shareholders' Meeting today approved the Company's financial statements for the year ended 31 December 2016.

In an economic context that is tending to improve, with the world economy continuing the growth that began in 2015, even if the rate of development has not been the same in the various areas, the Group managed to benefit in full from its international footprint with excellent growth in turnover and profitability.

The level of turnover that we have achieved is an all-time high for Panariagroup, with a more balanced geographical distribution of sales than ever before and with a greater presence in all major global markets in the ceramics sector.

This improvement has resulted in an increase in revenues of 34.1 million euro, an increase in EBITDA of 10.0 million euro and an increase in net profit of 5.3 million euro.

All of the main ratios based on the consolidated balance sheet have also posted a significant improvement; in particular, the ratio between the Net Financial Position and Gross Operating Profit, which now comes to 2.1, and the ratio between Net Working Capital and Revenues from Sales, which stands at 32%.

## CONSOLIDATED KEY FIGURES

(in thousands of Euro)

Nature	31/12/2016	31/12/2015	Change € (000)
Revenues from sales	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

As regards the Italian parent company, Panariagroup Industrie Ceramiche S.p.A., which achieved a net profit for the year of Euro 3,339,038, the Shareholders' Meeting approved the proposal submitted by the Board of Directors regarding the allocation of the net profit for the year as follows:

- 5% to the legal reserve;
- distribution of a dividend of 0.07 euro per share, gross of withholdings, excluding treasury shares held at the ex-coupon date;
- the remainder to the extraordinary reserve.

### **2) Remuneration report; resolutions pursuant to art. 123-ter, paragraph 6, of Legislative Decree no. 58 of 24 February 1998.**

Pursuant to art. 123-ter, paragraph 6, of Legislative Decree no. 58 of 24 February 1998, the Shareholders' Meeting approved the first section of the Report on Remuneration, which sets out the Company's policy on the remuneration of the members of the administrative bodies, of the general managers and of managers with strategic responsibilities. The report on remuneration is available on the Company's website [www.panariagroup.it](http://www.panariagroup.it), and on the authorised storage mechanism [www.1info.it](http://www.1info.it).

### **3) Appointment of the Board of Directors for the years 2017-2019**

Following the expiry of the previous mandate, pursuant to art. 21 of the Articles of Association, after establishing that there should be 10 members of the Board of Directors, the Shareholders' Meeting appointed the members of the Company's new Board using the voting list system. This new Board will remain in office for three years (2017-2019) up to approval of the financial statements at 31 December 2019.

The Board of Directors consists of Francesca Bazoli (as independent director), elected from the list filed by the shareholder Equilybra Capital Partners S.p.A. in liquidation, which obtained a lower number of votes at the AGM, and by Emilio Mussini, Giuliano Mussini, Paolo Mussini, Andrea Mussini, Silvia Mussini, Giuliano Pini, Daniele Prodi, Sonia Bonfiglioli and Tiziana Ferrari (the last two as independent directors), elected from the list filed by the shareholder Finpanaria S.p.A. which obtained a higher number of votes at the AGM.

The CV of each of the newly appointed Directors has been filed with the Company, together with the lists of nominations for the Board of Directors, and is available on the website [www.panariagroup.it](http://www.panariagroup.it).

At the same Meeting, the Shareholders of Panariagroup also set a maximum of Euro 650,000 gross per annum as the fixed portion to be paid to the Board of Directors as remuneration for 2017 and until approval of the financial statements at 31 December 2017, and a maximum of Euro 400,000 gross per annum as the variable portion for 2017 to be paid to executive directors.

#### **4) Renewal of the authorisation to purchase and sell treasury shares**

Lastly, the Shareholders of Panariagroup renewed the authorisation to the Board of Directors to purchase 9,071,058 (nine million, seventy one thousand and fifty eight) of its own shares equal to 20% of the share capital, in one or more tranches, taking into account the number of treasury shares held by the Company and its subsidiaries on each occasion.

As of today, the Company directly holds 432,234 treasury shares (equal to 0.953% of share capital) with a par value of 0.50 Euro per share; Panariagroup's subsidiaries do not hold any shares in their parent company.

The purchase of treasury shares will take place within the limits of distributable earnings and available reserves shown in the latest financial statements (also interim financial statements) that have been regularly approved at the time of each distribution, given that other restrictions that arise subsequently also have to be taken into consideration.

The authorisation also includes the right to dispose of the shares in portfolio subsequently (in whole or in part, and also in several tranches), even before using up the maximum number of shares that can be purchased and, if necessary, repurchasing them to an extent that the treasury shares held by the Company and, where applicable, by its subsidiaries, do not exceed the limit established in the authorisation.

Any purchases have to be made on the market: (i) at a price that does not deviate by more than 20% up or down compared with the reference price recorded by the share during trading on the day prior to each transaction, and in any case (ii) for an amount that does not exceed the higher of the price of the last independent transaction and the price of the highest current independent purchase bid present in the trading venue where the purchase is made.

Purchases may be made, pursuant to arts. 2357 *et seq.* of the Italian Civil Code and art. 132 of Decree Law 58/98, art. 144-*bis* of the Issuers' Regulation and any other applicable regulation, including Regulation (EU) 596/2014 and Delegated Regulation (EU) 2016/1052, as well as in accordance with current market practices (if applicable) and the Regulations issued by Borsa Italiana S.p.A.

The maximum number of treasury shares that can be purchased each day may not be more than 25% of the daily average volume of Panaria shares traded on the market.

The authorisation was renewed to pursue the interests of the Company, the purposes allowed by the applicable regulations in force, and in particular:

- to fulfil any obligations arising from share option plan or other allocations of shares to employees or members of the board of the Company or its subsidiaries or affiliates;
- to fulfil any obligations arising from debt instruments that are convertible into equity instruments;

- to carry out transactions in support of market liquidity, as well as to facilitate the smooth conduct of trading beyond the normal fluctuations related to market performance; or
- to implement sales transactions, swaps, exchanges, transfers or other act of disposal of treasury shares for acquisitions of shareholdings and/or property and/or the conclusion of agreements (including commercial agreements) with strategic partners, and/or for the realization of industrial projects and corporate finance transactions, which fall within the expansion targets of the Company and of the Panaria Group.

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The minutes of the Shareholders' Meeting will be made available to the public in accordance with the terms and methods laid down by current law.

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It should also be noted that the Board of Directors, which held a meeting immediately after the Shareholders' Meeting, today approved the start of a programme of purchases of treasury shares, the purpose, duration, value and maximum quantity of which were established by the above mentioned shareholders' resolution granting authorisation. Lastly, the Board of Directors approved a motion whereby the maximum number of shares that can be purchased daily is that laid down by the Delegated Regulation (EU) 2016/1052.

The Company's Board of Directors met immediately after the Shareholders' Meeting. During this meeting, the Board of Directors appointed Emilio Mussini as Chairman, Paolo Mussini and Andrea Mussini as Deputy Chairmen and Giuliano Pini as Managing Director and General Manager, Paolo Mussini was appointed as Managing Director of the Cotto d'Este/Blustyle divisions.

In addition, with the consent of the Board of Statutory Auditors, the Board of Directors appointed Damiano Quarta as Financial Reporting Manager for 2017.

The Board of Directors also appointed the independent director Sonia Bonfiglioli as the Company's lead independent director.

The Board of Directors also decided to create two sub-committees: the Remuneration Committee and the Control and Risk Committee. The Control and Risk Committee will also act as the Related Parties Committee. The following directors were appointed as members of the Control and Risk Committee, Daniele Prodi, Sonia Bonfiglioli and Tiziana Ferrari until the expiry of their office as directors of the Company, with Tiziana Ferrari as Chairman, while the following directors were appointed as members of the Remuneration Committee: Daniele Prodi, Sonia Bonfiglioli and Tiziana Ferrari until the expiry of their office as Company directors, including Daniele Prodi as Chairman.

At the same meeting, the Board of Directors chose Giuliano Pini as the Director in charge of internal control and risk management.

As recommended by the Corporate Governance Committee on directors' independence requirements, we would like to announce that the Board of Directors: (i) has evaluated the qualifications, pursuant to Legislative Decree no. 58 of 24 February 1998, and the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A., the independence requirements of the directors Sonia Bonfiglioli, Tiziana Ferrari and Francesca Bazoli; and (ii) adopted the recommendations of the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A. on the concept of directors' independence using the criterion of the prevalence of substance over form.

In accordance with art. 154-bis, paragraph 2, of Legislative Decree no. 58 of 24 February 1998, the Financial Reporting Manager of Panariagroup Industrie Ceramiche S.p.A., Damiano Quarta, declares that the accounting information contained in this press release agrees with the books of account, accounting entries and supporting documentation.

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The financial statements for the year ended 31 December 2016 of Panariagroup Industrie Ceramiche S.p.A., together with the Directors' report, the report of the Board of Statutory Auditors and the report of the independent auditors, the consolidated financial statements for the year ended 31 December 2016 as well as the reports of the directors on other matters on the agenda are available to whoever requests them at the Company's registered office and at Borsa Italiana S.p.A. ([www.borsaitaliana.com](http://www.borsaitaliana.com)) and may also be consulted on the Company's website [www.panariagroup.it.com](http://www.panariagroup.it.com) and on the authorised storage mechanism 1Info ([www.1Info.it](http://www.1Info.it)), in accordance with the law.

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In compliance with art. 125-quater, paragraph 2, of the Consolidated Finance Act and with art. 77, paragraph 3, of the Issuers' Regulation, a summary of the voting, containing the number of shares represented at the Shareholders' Meeting and the shares for which votes were cast, the percentage of share capital that the shares represented, as well as the number of votes for and against each motion and the number of abstentions, will be made available to the public on the Company's website within five days of the date of the Shareholders' Meeting.

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## 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
<b>CURRENT ASSETS</b>	<b>233,734</b>	<b>227,314</b>
Account Payables	(83,647)	(76,037)
Other current liabilities	(28,097)	(25,429)
<b>CURRENT LIABILITIES</b>	<b>(111,744)</b>	<b>(101,466)</b>
<b>NET WORKING CAPITAL</b>	<b>121,990</b>	<b>125,848</b>
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
<b>FIXED ASSETS</b>	<b>141,782</b>	<b>123,036</b>
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)
<b>ASSET AND LIABILITIES DUE AFTER THE YEAR</b>	<b>(7,842)</b>	<b>(6,637)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>255,930</b>	<b>242,247</b>
Short term financial assets	(16,995)	(7,500)
Short term financial debt	36,506	36,372
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>19,511</b>	<b>28,872</b>
Mid-Long term financial debt	64,201	54,119
<b>NET FINANCIAL POSITION</b>	<b>83,712</b>	<b>82,991</b>
Group Shareholder's Equity	172,218	159,256
<b>SHAREHOLDERS' EQUITY</b>	<b>172,218</b>	<b>159,256</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>255,930</b>	<b>242,247</b>

## Consolidated Profit and Loss Account

(Amounts in Thousands Euro)

	31-Dec-2016	%	31-Dec-2015	%	var.	var. %
<b>Revenues from sales and services</b>	<b>377.045</b>	<b>96,32%</b>	<b>342.910</b>	<b>95,45%</b>	<b>34.135</b>	<b>9,95%</b>
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%
<b>Value of Production</b>	<b>391.440</b>	<b>100,00%</b>	<b>359.248</b>	<b>100,00%</b>	<b>32.192</b>	<b>8,96%</b>
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%
<b>Cost of production</b>	<b>(350.612)</b>	<b>-89,57%</b>	<b>(328.451)</b>	<b>-91,43%</b>	<b>(22.161)</b>	<b>6,75%</b>
<b>Gross operating profit</b>	<b>40.828</b>	<b>10,43%</b>	<b>30.797</b>	<b>8,57%</b>	<b>10.031</b>	<b>32,57%</b>
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%
<b>Net operating profit</b>	<b>19.066</b>	<b>4,87%</b>	<b>11.097</b>	<b>3,09%</b>	<b>7.969</b>	<b>71,81%</b>
Financial income and expense	(2.543)	-0,65%	(1.846)	-0,51%	(697)	37,76%
<b>Pre-tax profit</b>	<b>16.523</b>	<b>4,22%</b>	<b>9.251</b>	<b>2,58%</b>	<b>7.272</b>	<b>78,61%</b>
Income taxes	(5.308)	-1,36%	(3.386)	-0,94%	(1.922)	56,77%
<b>Net profit (loss) for the period</b>	<b>11.215</b>	<b>2,86%</b>	<b>5.865</b>	<b>1,63%</b>	<b>5.350</b>	<b>91,21%</b>

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

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Inventories	71,931	69,070
Accounts Receivable	70,971	61,286
Other current assets	10,235	7,779
<b>CURRENT ASSETS</b>	<b>153,137</b>	<b>138,135</b>
Account Payables	(48,410)	(46,468)
Other current liabilities	(22,524)	(19,649)
<b>CURRENT LIABILITIES</b>	<b>(70,934)</b>	<b>(66,117)</b>
<b>NET WORKING CAPITAL</b>	<b>82,203</b>	<b>72,018</b>
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
<b>FIXED ASSETS</b>	<b>138,172</b>	<b>135,998</b>
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)
<b>ASSET AND LIABILITIES DUE AFTER THE YEAR</b>	<b>1,008</b>	<b>4,622</b>
<b>NET CAPITAL EMPLOYED</b>	<b>221,383</b>	<b>212,638</b>
Short term financial assets	(9,948)	(5,475)
Short term financial debt	28,258	30,745
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>18,310</b>	<b>25,270</b>
Mid-Long term financial debt	57,452	44,555
<b>NET FINANCIAL POSITION</b>	<b>75,762</b>	<b>69,825</b>
Group Shareholders' Equity	145,621	142,813
<b>SHAREHOLDERS' EQUITY</b>	<b>145,621</b>	<b>142,813</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>221,383</b>	<b>212,638</b>



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

	31-Dec-16	%	31-Dec-15	%	var.
<b>Revenues from sales and services</b>	<b>189,273</b>	<b>93.62%</b>	<b>172,838</b>	<b>94.34%</b>	<b>16,435</b>
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
<b>Value of Production</b>	<b>202,165</b>	<b>100.00%</b>	<b>183,211</b>	<b>100.00%</b>	<b>18,954</b>
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
<b>Cost of production</b>	<b>(188,180)</b>	<b>-93.08%</b>	<b>(175,354)</b>	<b>-95.71%</b>	<b>(12,826)</b>
<b>Gross operating profit</b>	<b>13,985</b>	<b>6.92%</b>	<b>7,857</b>	<b>4.29%</b>	<b>6,128</b>
D&A expenses	(10,684)	-5.28%	(9,747)	-5.32%	(937)
Provisions from unexpected events	(787)	-0.39%	(1,711)	-0.93%	924
<b>Net operating profit</b>	<b>2,514</b>	<b>1.24%</b>	<b>(3,601)</b>	<b>-1.97%</b>	<b>6,115</b>
Financial income and expense	1,444	0.71%	2,922	1.59%	(1,478)
<b>Pre-tax profit</b>	<b>3,959</b>	<b>1.96%</b>	<b>(679)</b>	<b>-0.37%</b>	<b>4,638</b>
Income taxes estimated	(620)	-0.31%	(424)	-0.23%	(196)
<b>Net profit (loss) for the period</b>	<b>3,339</b>	<b>1.65%</b>	<b>(1,103)</b>	<b>-0.60%</b>	<b>4,442</b>