



PRESS RELEASE

Quarterly Report 2017: Panariagroup's growth continue

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the Consolidated Quarterly Report as of 31st March 2017.

- **Consolidated net revenues from sales amounted to Euro 99.3 million, an increase of 8.5% on the first quarter of 2016.**
- **Gross operating profit came to Euro 12.2 million (Euro 9.3 million at 31st March 2016), an increase of 31.3% on the first quarter of 2016.**
- **Net operating profit amounted to Euro 6.8 million (Euro 4.4 million at 31st March 2016), an increase of 52.7% on the first quarter of 2016.**
- **The consolidated net result was Euro 4.0 million, (Euro 1.9 million at 31st March 2016), more than twice what it was in the first quarter of 2016.**

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 31st March 2017, in accordance with the International Financial Reporting Standard (IFRS).

In addition to taking advantage of the rising trend in ceramic consumption, Panariagroup also benefited from the positive effects of implementing various business development activities. The significant increase in sales (+8.5%) is part of a medium-term growth trend that began in 2014, a year that saw a profound revision of the Group's organisational, production and commercial structure.

The economic results are definitely positive, making further progress compared with the first quarter of 2016; in this regard, it is worth noting the increases in gross operating profit, with a positive change of Euro 2.9 million, and in the net result, which more than doubled from Euro 1.9 million to Euro 4.0 million.



The improvement achieved is mainly due to development of the Italian Business Unit, which is successfully pursuing a path that involves boosting profit margins back to satisfactory levels, accompanied by excellent results of the Foreign Business Units.

Also all the main financial and capital ratios reflect the Group's solidity; the ratios for net working capital and net financial position are still in line with best practice.

FINANCIAL HIGHLIGHTS

(thousand Euros)

	31-Mar-2017	31-Mar-2016	Var. €
Revenues from sales and services	99,272	91,516	7,756
Value of production	106,923	95,731	11,192
Gross operating profit	12,237	9,320	2,917
Net operating profit	6,754	4,423	2,331
Consolidated net profit	4,025	1,903	2,122

“We look to the future with confidence, - said **Emilio Mussini, Chairman of Panariagroup** - our strategic positioning, high-end industrial equipment, excellent geographical balance of sales and financial soundness, are important resources that allow to continue the process of growth undertaken.”

“We are accompanying the economic development of the Group – **continued Mussini** – to an organisational and managerial growth; the strong internationalisation and, in general, the increasing complexity of operations led to the need for a more structured organisation than the past, based on an adequate level of professionalism and empowerment in all areas of activity and in all of the Group's Business Units.”

This evolution towards an identity as a multinational corporation, while respecting the tradition and the original values that inspired Panariagroup's founders, is a guarantee of continuity for the Group's success in the future as well.

REVENUES

Net revenues from sales increased by 8.5%, from Euro 91.5 million at 31st March 2016 to Euro 99.3 million at 31st March 2017 (+ Euro 7.8 million). More generally, the average rate of growth in revenues over the last 3 years (+13.5%) is very high and demonstrates the effectiveness of the strategies implemented by the Group.



The Group has continued to grow in all of its major markets, with particular progress in European markets.

EUROPE – Performances in the various European markets confirm the excellent results of the previous year, posting a 20% increase in sales compared with the first quarter of 2016.

Germany, Portugal and Spain are the areas where the Group has achieved the most significant growth; in Germany and Spain, higher penetration was the reward for the business decisions made in these countries, while in Portugal the action taken by our company, Gres Panaria Portugal, which has significantly expanded its share of the domestic market in recent years, continues to operate effectively.

European markets account for 36% of total revenues.

UNITED STATES – Sales on the **US** market show growth of 7% and the Group believe that all of the conditions exist, to continue achieving good growth rates in the coming months of 2017 as well. These expectations are supported by the latest US market research, which confirms good prospects in the short and medium term.

The US market accounts for 36% of total revenues.

ITALY – The **Italian market**, *although* is one of the least dynamic of all the major European markets, increased slightly for +3%, essentially in line with the average trend for the sector.

The Italian market's share of total sales is 18%.

ASIA, CANADA, SUD AMERICA, OCEANIA AND AFRICA – Other markets achieved a limited increase of 2%; this result was penalised by the slowdown in the North African market, mitigated by the positive trends found in Asia and Oceania.

These other markets account for 10% of total sales.

OPERATING RESULTS

The gross operating profit came to Euro 12.2 million, equal to 11.4% of the value of production (Euro 9.3 million at 31st March 2016, equal to 9.7% of the value of production), up 31%.

Confirming our expectations, the main factors contributing to the improvement in earnings were the increase in turnover and the reduction in unit production costs.



As regards the increase in revenues, it is important to point out that it was generated by a growth in volumes, confirming once again our maintenance of the high average prices that characterise our positioning at the high end of the market.

The major investments made over the last two years have brought about an improvement in the productivity of our plants, reducing unit production costs as expected, while ensuring alignment with the most advanced technology standards in the industry.

Achieving almost full plant saturation also has positively influenced fixed costs, contributing significantly to the decline in unit production costs.

Last but not least, the first quarter of 2017 benefited from lower energy prices compared with 2016, due to the long-term contracts signed in previous years when the energy cost curve was its lowest.

Net operating profit came to Euro 6.8 million (Euro 4.4 million at 31st March 2016), up 53%.

The consolidated net result is a profit of Euro 4.0 million (Euro 1.9 million at 31st March 2016), more than twice what it was in the first quarter of 2016.

NET FINANCIAL POSITION

The net financial position increased by Euro 11.5 million compared with 31 December 2016 and by Euro 5.0 million compared with 31st March 2016.

The ratio Net Financial Position/EBITDA, continues to improve, coming in at 2.18, which is excellent.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from Euro 172.2 million at the end of 2016 to Euro 175.3 million.

OUTLOOK FOR GROUP OPERATIONS

2017 started very positively, with first-quarter results in line with our ambitious expectations.

The Group confirm our forecasts of higher revenues compared with 2016 for all Business Units, as well as significant benefits, especially on the Italian Business Unit, for which the advantages of the reorganisation are becoming increasingly visible.



Our expectation during next month is for a lower unit production costs, as a result of higher planned production volumes, greater plant efficiency thanks to the investments made over the last two years and the reduction in energy prices.

Also on the financial side, Panariagroup believe we can achieve our goals of improving the main balance sheet ratios and further strengthening our Group in this respect.

While recognising that there are some unknowns in the global political and economic scenario that could have repercussions on ceramic sector as well, The Group believe that the assumptions on which our results are based are solid and capable of ensuring that we will achieve our goals expected for 2017.

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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Finale Emilia, 12th May 2017

CONSOLIDATED FINANCIAL STATEMENT

	31-Mar-17	31-Dec-16	31-Mar-16
Inventories	144,473	140,173	138,183
Accounts Receivable	91,143	79,903	85,978
Other current assets	12,640	13,657	10,236
CURRENT ASSETS	248,256	233,733	234,398
Account Payables	(82,239)	(83,647)	(76,072)
Other current liabilities	(28,661)	(28,097)	(26,168)
CURRENT LIABILITIES	(110,900)	(111,744)	(102,240)
NET WORKING CAPITAL	137,356	121,989	132,158
Goodwill	8,139	8,139	8,139
Intangible assets	14,052	13,967	6,468
Tangible assets	119,002	119,595	108,290
Equity Investments and other financial assets	75	82	189
FIXED ASSETS	141,268	141,783	123,086
Receivables due after following year	775	777	644
Provision for termination benefits	(5,793)	(5,913)	(5,767)
Provision for risk and charge	(4,787)	(4,725)	(4,365)
Deferred tax assets	4,745	5,405	10,060
Other payables due after the year	(2,929)	(3,386)	(7,261)
ASSET AND LIABILITIES DUE AFTER THE YEAR	(7,989)	(7,842)	(6,689)
NET CAPITAL EMPLOYED	270,635	255,930	248,555

Short term financial assets	(7,156)	(16,995)	(10,010)
Short term financial debt	41,325	36,505	43,221
NET SHORT TERM FINANCIAL DEBT	34,169	19,510	33,211
Mid-Long term financial debt	61,103	64,202	57,108
NET FINANCIAL POSITION	95,272	83,712	90,319
Group Shareholder's Equity	175,363	172,218	158,236
SHAREHOLDERS' EQUITY	175,363	172,218	158,236
TOTAL SOURCES OF FUNDS	270,635	255,930	248,555

CONSOLIDATED INCOME STATEMENT

	31-Mar-17	%	31-Mar-16	%	var	%
Revenues from sales and services	99,272	92.84%	91,516	95.60%	7,756	8.48%
Change in inventories of finished products	5,307	4.96%	1,579	1.65%	3,728	236.10%
Other revenues	2,344	2.19%	2,637	2.75%	(293)	-11.09%
Value of Production	106,923	100.00%	95,731	100.00%	11,192	11.69%
Raw, ancillary and consumable materials	(30,229)	-28.27%	(27,298)	-28.52%	(2,931)	10.74%
Services, leases and rentals	(38,901)	-36.38%	(34,714)	-36.26%	(4,187)	12.06%
Personnel costs	(24,674)	-23.08%	(23,530)	-24.58%	(1,144)	4.86%
Other operating expenses	(882)	-0.82%	(869)	-0.91%	(13)	1.50%
Cost of production	(94,686)	-88.56%	(86,411)	-90.26%	(8,275)	9.58%
Gross operating profit	12,237	11.44%	9,320	9.74%	2,917	31.30%
D&A expenses	(5,113)	-4.78%	(4,460)	-4.66%	(653)	14.64%
Provisions and other impairments	(370)	-0.35%	(437)	-0.46%	67	-15.33%
Net operating profit	6,754	6.32%	4,423	4.62%	2,331	52.70%
Financial income and expense	(720)	-0.67%	(1,151)	-1.20%	431	-37.45%
Pre-tax profit	6,034	5.64%	3,272	3.42%	2,762	84.41%
Income taxes estimated	(2,009)	-1.88%	(1,369)	-1.43%	(640)	46.75%
Net profit (loss) for the period	4,025	3.76%	1,903	1.99%	2,122	111.50%