



PRESS RELEASE

Half-Year 2017: Panariagroup, Net Profit grows more than 70%

Panariagroup Industrie Ceramiche S.p.A.: the Board of Directors approves the Consolidated Financial Report as of 30th June 2017.

- **Consolidated Net Revenues** amounted to 206.8 million Euros, with an increase of 13.0 million Euros compared to the first half of 2016 (+6.7%).
- **Gross Operating Profit** amounted to 27.9 million Euros, with an improvement of Euro 6.5 million (+30.4%).
- **Net Operating Profit** amounted to 16.2 million Euros with an increase of 5.2 million Euros (+47.3%).
- **Consolidated Net Profit** was 9.6 million Euros with an improvement of 4.2 million of Euros (+76.8%).

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 Financial Report as of 30th June 2017, in accordance with the International Financial Reporting Standard (IFRS).

In the presence of a favourable macroeconomic context, the Group continued to grow, achieving excellent results in the first half of the year. The growth in revenues from sales (+6.7%) not only reflects the overall increase in ceramics consumption, but is above all the evidence of the consolidated commercial capacity of Panariagroup to successfully compete on the main world markets.

Margins, already positive in the first half of 2016, further increased with a significant improvement in results. The positive change in Gross Operating Profit (Euro +6.5 million, equal to +30.4%) and in Net Profit (Euro +4.2 million, equal to +76.8%) should be highlighted.

The improvement in profitability especially benefited from the significant growth of margins in the Italian Business Unit that, also benefiting from the numerous reorganization operations carried out over the last two years, obtained excellent economic results, while allowing for higher-than-expected performance in the half year.

Meanwhile, the excellent performance in the Portuguese Business Unit, and the US Business Unit positive economic results, supported the Group's growth trend.



In addition, the main equity and financial indicators (Net Working Capital and Net Financial Position) confirmed their excellent levels, once again evidence of the Group's strength.

FINANCIAL HIGHLIGHTS

(thousand Euros)

Nature	30 th June 2017	30 th June 2016	var. €
Revenues from sales and services	206,838	193,795	13,043
Value of production	222,537	199,564	22,973
Gross operating profit	27,884	21,384	6,500
Net operating profit	16,185	10,985	5,200
Consolidated net profit	9,580	5,418	4,162

“The strong presence of Panariagroup in all the main international markets is still a key factor for the Group's competitiveness and the search for new trade development opportunities is still one of our major targets. – says **Emilio Mussini, Chairman of Panariagroup** – It is even more evident the positive impact resulting from the important reorganisation activity carried out in the **Italian Business Unit** in the last two years, but also the **Portuguese Business Unit** excels for growth rates, that promise further turnover growth”.

“Finally, – **continues Mussini** – we commonly estimated with optimism also the performance of the **US market** over the next months, where our competitiveness as American producer, is strengthened compared to competitors operating only through exports from Italy”.



REVENUES

Revenues from sales grew by over Euro 13 million (+6.7%) overall, from Euro 193.8 million as of 30 June 2016 to Euro 206.8 million as of 30 June 2017.

The Group obtained an improvement in results, compared to the first half of 2016, in all the main areas. In particular, the best performance was reported by the European market.

EUROPE – the Group recorded a double-digit increase in sales (+11%). This growth was mostly due to the markets in Germany, Great Britain and Portugal. The remarkable results obtained in the Eastern European areas are also worth mentioning.

European markets accounted for 36% of total revenues.

UNITED STATES – The turnover obtained on the USA market is further growing, with a positive 4% change, compared to the same period of the previous year.

The good estimates on the trend of ceramics consumption, inferable from the main macro-economic indicators, are also confirmed by the growth in imports of ceramic tile products, which is an evidence of a dynamic US market. The strong presence on the territory through its US Business Unit, allow the Group to have all the instruments to fully seize this positive market trend.

The US market accounted for 35% of total revenues

ITALY – The Italian market reported 5% improvement in results, compared to the first half of 2016, with a better *performance* than Italian competitors.

In the ceramics sector, a greater trust is felt and more evident recovery signs can be seen, albeit still limited to the restructuring segment. We still consider Italy an important market for the Group and will still strive to obtain further market shares.

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

ASIA, CANADA, SOUTH AMERICA, OCEANIA AND AFRICA – As regards other markets is confirmed excellent results, with a growth in turnover equal to 8%, compared to the first half of 2016.

The best performance was reported in the Asian area and Oceania, mostly thanks to the positive contribution of the commercial activities of Panariagroup Trade.

Panariagroup's presence in these areas is still growing towards an even more balanced distribution of sales on a global scale.

The other markets account for 11% of total sales.



FINANCIAL RESULTS

Gross Operating Profit came to **Euro 27.9 million**, representing 12.5% of the Value of Production (Euro 21.4 million as of 30 June 2016, or 10.7% of the Value of Production), with growth of Euro 6.5 million (+30.4%).

Growth in turnover, accompanied by a reduction in production costs, determined an important positive result in economic terms.

This rise in sales is fully attributable to an increase in traded volumes, with a stable average sales price. The growth in volumes also led to a further benefit, in terms of greater use of production capacity, with consequent reduction in unit production costs. Moreover, the implementation of major industrial investments, made in the last two years, permitted to have significant benefits, while obtaining a more efficient production performance.

In addition, the European business units benefited from a reduction in energy prices, compared to 2016, which supplied a positive contribution to the improvement of the Group's results.

Net operating profit amounted to Euro 16.2 million (Euro 11.0 million as of 30 June 2016), with a positive change of Euro 5.2 million.

The **Consolidated Net Result** is a profit of Euro 9.6 million (Euro 5.4 million as of 30 June 2016).

NET FINANCIAL POSITION

Net Financial Position increased by Euro 5.7 million, compared to 30 June 2016. A significant portion of this change is due to the dividend distributed to shareholders in May and amounting to Euro 3.1 million.

Financial resources generated by operations, and growing with respect to the first half of 2016, allowed for effectively supporting investments and growth of Net working Capital, both needed to support sales.

Expectations for the second half of the year are an improvement in financial indebtedness, also considering the expected recovery resulting from the seasonal trends, which is typical of inventories and receivables from customers.



SHAREHOLDERS' EQUITY

Equity rose from Euro 172.2 million as of 31 December 2016 to Euro 173.7 million as of 30 June 2017, marking growth of Euro 1.5 million. The positive change, resulting from net profit, was entirely offset by the payment of dividends to shareholders and the weakening of the US dollar, which negatively affected the translation into Euro of the Equity related to Group US companies.

OUTLOOK FOR GROUP OPERATIONS

The performance of the first half of 2017 fulfilled all programs set out by the Group and all assessment parameters of the business reported more than satisfactory levels.

The remarkable recovery of margin in the Italian Business Unit should be highlighted, which has rewarded the intense activity carried out to increase competitiveness over the last few years.

Forecasts for the next half year are positive and we believe that the Group is capable of obtaining, in the second half of the year as well, improved economic and financial results, compared to 2016.

Over the last few years, the Group has undertaken a highly structured path which, due to the crisis, was developed in three phases, each with specific objectives.

Starting from the first restructuring phase (streamlining of inventories, reconversion of plants), the Group has then passed to the reorganization phase (optimization of commercial structures, enhancement of managerial skills within the companies) until reaching the current development phase (new trade channels and new products), which will allow us to achieve new historic records for the company over the next two years, not only regarding revenues (already achieved in 2016), but also income.

For the two-year period 2017-2018, our programs are already very clear and defined. For the years to come, the foreseeable Group's size and its stronger economic and equity position will allow for new possible strategic scenarios and growth opportunity that will be carefully assessed.



Declaration of the Financial Reporting Manager

The Financial Reporting Manager, Mr. 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, 4th August 2017



Consolidated financial statement – Balance sheet
(in thousands of Euro)

	30 June 2017	31 Mar 2017	31 Dec 2016	30 June 2016
Inventories	145,945	144,473	140,173	137,507
Accounts Receivable	97,389	91,143	79,903	95,228
Other current assets	12,076	12,640	13,657	10,720
CURRENT ASSETS	255,410	248,256	233,733	243,455
Account Payables	(84,907)	(82,239)	(83,647)	(82,839)
Other current liabilities	(31,815)	(28,661)	(28,097)	(28,869)
CURRENT LIABILITIES	(116,722)	(110,900)	(111,744)	(111,708)
NET WORKING CAPITAL	138,688	137,356	121,989	131,747
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	14,251	14,052	13,967	8,071
Tangible assets	117,432	119,002	119,595	112,975
Equity Investments and other financial assets	48	75	82	6
FIXED ASSETS	139,870	141,268	141,783	129,191
Receivables due after following year	653	775	777	599
Provision for termination benefits	(5,794)	(5,793)	(5,913)	(5,740)
Provision for risk and charge	(4,951)	(4,787)	(4,725)	(4,459)
Deferred tax assets	2,993	4,745	5,405	7,923
Other payables due after the year	(2,473)	(2,929)	(3,386)	(6,278)
ASSET AND LIABILITIES DUE AFTER THE YEAR	(9,572)	(7,989)	(7,842)	(7,955)
NET CAPITAL EMPLOYED	268,986	270,635	255,930	252,983
Short term financial assets	(7,273)	(7,156)	(16,995)	(13,753)
Short term financial debt	41,147	41,325	36,505	53,666
NET SHORT TERM FINANCIAL DEBT	33,874	34,169	19,510	39,913
Mid-Long term financial debt	61,458	61,103	64,202	49,703
NET FINANCIAL POSITION	95,332	95,272	83,712	89,616
Group Shareholders' Equity	173,654	175,363	172,218	163,367
SHAREHOLDERS' EQUITY	173,654	175,363	172,218	163,367
TOTAL SOURCES OF FUNDS	268,986	270,635	255,930	252,983

Income statement - Comparison between 30 June 2017 and 30 June 2016
(in thousands of Euro)

	30 Jun 2017	%	30 Jun 2016	%	var.	var. %
Revenues from sales and services	206,838	92.95%	193,795	97.11%	13,043	6.73%
Change in inventories of finished products	10,016	4.50%	45	0.02%	9,971	
Other revenues	5,683	2.55%	5,724	2.87%	(41)	-0.72%
Value of Production	222,537	100.00%	199,564	100.00%	22,973	11.51%
Raw, ancillary and consumable materials	(61,081)	-27.45%	(56,359)	-28.24%	(4,722)	8.38%
Services, leases and rentals	(82,600)	-37.12%	(72,881)	-36.52%	(9,719)	13.34%
Personnel costs	(49,265)	-22.14%	(46,876)	-23.49%	(2,389)	5.10%
Changes in inventories of raw materials	(1,707)	-0.77%	(2,064)	-1.03%	357	-17.30%
Cost of production	(194,653)	-87.47%	(178,180)	-89.28%	(16,473)	9.25%
Gross operating profit	27,884	12.53%	21,384	10.72%	6,500	30.40%
D&A expenses	(10,615)	-4.77%	(9,135)	-4.58%	(1,480)	16.20%
Provisions and other impairments	(1,084)	-0.49%	(1,264)	-0.63%	180	-14.24%
Net operating profit	16,185	7.27%	10,985	5.50%	5,200	47.34%
Financial income and expense	(2,461)	-1.11%	(2,018)	-1.01%	(443)	21.95%
Pre-tax profit	13,724	6.17%	8,967	4.49%	4,757	53.05%
Income taxes	(4,144)	-1.86%	(3,549)	-1.78%	(595)	16.77%
Net profit (loss) for the period	9,580	4.30%	5,418	2.71%	4,162	76.82%

Income statement - 2017 Performance by quarter
(in thousands of Euro)

	Q1	%	Q2	%	30 June 2017	%
Revenues from sales and services	99,272	92.84%	107,566	93.04%	206,838	92.95%
Change in inventories of finished products	5,307	4.96%	4,709	4.07%	10,016	4.50%
Other revenues	2,344	2.19%	3,339	2.89%	5,683	2.55%
Value of Production	106,923	100.00%	115,614	100.00%	222,537	100.00%
Raw, ancillary and consumable materials	(30,229)	-28.27%	(30,852)	-26.69%	(61,081)	-27.45%
Services, leases and rentals	(38,901)	-36.38%	(43,699)	-37.80%	(82,600)	-37.12%
Personnel costs	(24,674)	-23.08%	(24,591)	-21.27%	(49,265)	-22.14%
Changes in inventories of raw materials	(882)	-0.82%	(825)	-0.71%	(1,707)	-0.77%
Cost of production	(94,686)	-88.56%	(99,967)	-86.47%	(194,653)	-87.47%
Gross operating profit	12,237	11.44%	15,647	13.53%	27,884	12.53%
D&A expenses	(5,113)	-4.78%	(5,502)	-4.76%	(10,615)	-4.77%
Provisions and other impairments	(370)	-0.35%	(714)	-0.62%	(1,084)	-0.49%
Net operating profit	6,754	6.32%	9,431	8.16%	16,185	7.27%
Financial income and expense	(720)	-0.67%	(1,741)	-1.51%	(2,461)	-1.11%
Pre-tax profit	6,034	5.64%	7,690	6.65%	13,724	6.17%
Income taxes	(2,009)	-1.88%	(2,135)	-1.85%	(4,144)	-1.86%
Net profit (loss) for the period	4,025	3.76%	5,555	4.80%	9,580	4.30%



Income statement - Comparison between 2nd quarter of 2017 and 2nd quarter of 2016
(in thousands of Euro)

	Q2 2017	%	Q2 2016	%	Var	Var. %
Revenues from sales and services	107,566	93.04%	102,279	98.50%	5,287	5.17%
Change in inventories of finished products	4,709	4.07%	(1,534)	-1.48%	6,243	
Other revenues	3,339	2.89%	3,087	2.97%	252	8.15%
Value of Production	115,614	100.00%	103,833	100.00%	11,781	11.35%
Raw, ancillary and consumable materials	(30,852)	-26.69%	(29,061)	-27.99%	(1,791)	6.16%
Services, leases and rentals	(43,699)	-37.80%	(38,167)	-36.76%	(5,532)	14.49%
Personnel costs	(24,591)	-21.27%	(23,346)	-22.48%	(1,245)	5.33%
Changes in inventories of raw materials	(825)	-0.71%	(1,195)	-1.15%	370	-30.96%
Cost of production	(99,967)	-86.47%	(91,769)	-88.38%	(8,198)	8.93%
Gross operating profit	15,647	13.53%	12,064	11.62%	3,583	29.70%
D&A expenses	(5,502)	-4.76%	(4,675)	-4.50%	(827)	17.69%
Provisions and other impairments	(714)	-0.62%	(827)	-0.80%	113	-13.66%
Net operating profit	9,431	8.16%	6,562	6.32%	2,869	43.72%
Financial income and expense	(1,741)	-1.51%	(867)	-0.83%	(874)	100.81%
Pre-tax profit	7,690	6.65%	5,695	5.48%	1,995	35.03%
Income taxes	(2,135)	-1.85%	(2,180)	-2.10%	45	-2.06%
Net profit (loss) for the period	5,555	4.80%	3,515	3.39%	2,040	58.04%