

PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.

Registered office at Finale Emilia (MO), - Via Panaria Bassa 22/A

Share Capital Euro 22,677,645.50 fully paid up

Number of registration with the Register of Companies of Modena: 01865640369

Website www.panariagroup.it

Management Report pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998, ("TUF" or Consolidated Law on Finance) and 84-ter of the Regulation adopted by Consob Resolution no. 11971 of 14 May 1999 ("Issuers Regulation")

Dear Shareholders,

This report illustrates the proposals that the Board of Directors of Panariagroup S.p.A. (hereinafter "**Panariagroup**" or the "**Company**") intends to submit for your approval in relation to items on the agenda for the Shareholders' Meeting to be held on single call on 27 April 2018.

* * * ORDINARY SESSION

Item 1 on the agenda – *Presentation of the consolidated financial statements of Panariagroup and approval of the separate financial statements as at 31 December 2017; related and subsequent resolutions.*

Dear Shareholders,

the Board of Directors of your Company has convened an ordinary Shareholders' Meeting to propose approval of the Company's financial statements as at 31 December 2017 and to present the consolidated financial statements as at 31 December 2017.

The Company's draft financial statements as at 31 December 2017 were approved by the Board of Directors on 16 March 2018.

Note that the Management Report and the Non-Financial Statement ("NFS") will be made available to the public, together with the draft financial statements of Panariagroup as at 31 December 2017, the consolidated financial statements of Panariagroup as at 31 December 2017, the statement by the Financial Reporting Manager, the report of the Board of Statutory Auditors and the Independent Auditors' Report, at the registered office and at Borsa Italiana S.p.A., on the Company's website at www.panariagroup.it, and on the 1Info authorised storage mechanism at www.1info.it in accordance with law and in any event by 30 March 2018.

For comprehensive information on this matter, please refer to the Board of Directors' Management Report and further documentation that will be made available to the public, as provided by law, at the registered office and at Borsa Italiana S.p.A., in the Investor Relations section of the website www.panariagroup.it, and on the 1info authorised storage mechanism at www.1info.it.

As noted above, only the separate financial statements will be submitted for approval by the Meeting, pursuant to Article 2364, paragraph 1, number 1) of the Italian Civil Code, while the consolidated financial statements will be brought to the attention of the Shareholders without being subject to approval by the Meeting.

Referring also to the Board of Directors' report on operations, we invite you to approve the following resolution:

"The Ordinary Shareholders' Meeting,

- *having examined the Company's financial statements as at 31 December 2017 and the Board of Directors' Management Report;*
- *having read the Board of Statutory Auditors' Report pursuant to Article 153 of Italian Legislative Decree 58/1998;*
- *having read the report of the Independent Auditors concerning the draft financial statements as at 31 December 2017;*

resolves

to approve the Company's financial statements as at 31 December 2017 in addition to the Board of Directors' Management Report and to allocate the profit for the year as follows:

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

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Item 2 on the agenda - *Resolutions relating to the Report on Remuneration; related and subsequent resolutions.*

Dear Shareholders,

in relation to item 2 on the agenda, the Board of Directors intends to submit the Report on Remuneration for members of the governing bodies, general managers and other managers with strategic responsibilities for approval by the Shareholders' Meeting, pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers Regulation, as well as Article 6 of the July 2015 version of the Corporate Governance Code (the "**Report on Remuneration**").

The Report on Remuneration was drafted in accordance with Annex 3A, Template 7-bis of the Issuers Regulation and consists of two sections. The first section of the Report on Remuneration explains (i) the Company's policy regarding the remuneration of members of governing bodies, general managers and managers with strategic responsibilities with reference to at least the following year and (ii) the procedures used for the adoption and implementation of this policy. The second section of the Report on Remuneration: (i) provides an adequate representation of each of the remuneration items, including compensation envisaged in the event of termination of office or termination of employment, highlighting the consistency with the Company's remuneration policy approved the previous year; (ii) provides a detailed illustration of remuneration paid during the reporting period. Lastly, the Report on Remuneration indicates any shareholdings held by the persons referred to above.

Pursuant to Article 123-ter, paragraph 6 of the TUF, the Shareholders' Meeting is required to express its non-binding decision in favour or against the first section of the Remuneration Report.

In this respect, please refer to the report drafted pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers Regulation, as well as Article 6 of the Corporate Governance Code, which will be deposited in accordance with current legal terms at the registered office and at Borsa Italiana S.p.A., on the Company's website at www.panariagroup.it, as well as on the IInfo authorised storage mechanism at www.linfo.it.

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Item 3 on the agenda - Determination of remuneration for members of the Board of Directors; related and subsequent resolutions.

Dear Shareholders,

In relation to item 3 on the agenda, we would like to remind you that, in accordance with Article 17 of the Articles of Association, you are called upon to determine the remuneration payable to the Board of Directors. Note that on 28 April 2017, the Shareholders' Meeting determined the maximum gross sum of 615,000.00 Euros as the fixed amount to be paid to the Board of Directors as remuneration for 2017, and a maximum gross sum of 400,000.00 Euros as the variable emolument to be paid to directors holding executive office, after consulting the Board of Statutory Auditors and the Remuneration Committee.

In view of the above, it is therefore necessary to determine the remuneration of the Board of Directors for 2018.

The Board of Directors abstains from formulating proposals in this respect and invites you to resolve on this matter on the basis of proposals instead formulated during discussions at the Shareholders' Meeting.

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Item 4 on the agenda - Renewal of the authorisation to purchase and sell treasury shares; related and subsequent resolutions.

Dear Shareholders,

in relation to item 4 on the agenda, please refer to the report drafted pursuant to Article 73 of the Issuers Regulation, which will be deposited in accordance with current legal terms at the registered office, at Borsa Italiana S.p.A., on the company's website at www.panariagroup.it, as well as on the IInfo authorised storage mechanism at www.linfo.it.

EXTRAORDINARY SESSION

Item 1 on the agenda - Proposed amendment of articles 7 and 16 and introduction of the new art. 7-bis of the current Articles of Association; related and subsequent resolutions.

Dear Shareholders,

In relation to item 1 on the agenda for the extraordinary session of the Shareholders' Meeting, please refer to the report drafted pursuant to Article 72 of the Issuers Regulation, which will be deposited in accordance with current legal terms at the registered office and at Borsa Italiana S.p.A., on the Company's website at www.panariagroup.it, as well as on the Info authorised storage mechanism at www.linfo.it.

Sassuolo, 16 March 2018

For the Board of Directors
The Chairman
Emilio Mussini