PRESS RELEASE

PANARIAGROUP Industrie Ceramiche S.p.A.: in the first half of 2018, the growth path of the Group slowed due to the uncertain economic condition and some exogenous factors

The Board of Directors approves the Consolidated Financial Report as of 30th June 2018.

- **Consolidated Net Revenues amounted to 192.2 million Euros (206.4 million Euros at 30 June 2017)**
- **Gross operating profit amounted to 12.8 million Euros (27.6 million Euros at 30 June 2017)**
- **Net operating profit amounted to 1.2 million Euros (15.9 million Euros on at June 2017)**
- **Consolidated net profit is 0.5 million Euros (9.8 million Euros at 30 June 2017)**

To be noted the performance of the Portuguese Business Unit , which recorded an overall growth of 4% compared to the first half of 2017.

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 2018, in accordance with the International Financial Reporting Standard (IFRS).

In the presence of a less dynamic macroeconomic context compared to the expectation at the end of 2017, Panariagroup achieved a contraction in the first half of the year compared to the same period of the previous year.

Lower revenues in the first half of 2018 were determined by the combined effect of the trend of the EUR/USD exchange rates and by the Italian ceramics market downturn; these factors led to a decline in the turnover of the Italian and US business units.

In this scenario, the Portuguese Business Unit reported a remarkable recovery in the second quarter (+12%), recording an overall growth of 4%, compared to the first half of 2017.

Various factors contributed to the drop in operating margins; some are external factors, including depreciation of the US currency and the significant increase in gas tariffs for the European Business Units, and others are determined by the policies implemented by the Group in the achievement of trade targets and the reduction in Net Working Capital.

FINANCIAL HIGHLIGHTS

(thousand Euros)

Nature	30th June 2018	30th June 2017	var. €
Revenues from sales and services	192,233	206,401	(14,168)
Value of production	203,917	222,100	(18,183)
Gross operating profit	12,808	27,520	(14,712)
Net operating profit	1,215	15,821	(14,606)
Consolidated net profit	455	9,580	(9,125)

"The uncertain macroeconomic situation and some exogenous factors - said **Emilio Mussini, President of Panariagroup** - led to a contraction in results, in the first half of the year. This induce us to a more careful management of costs but does not affect our confidence in reaching better results in terms of sales volumes and margins, in the next six months."

"Despite the ups and downs between the various geographical areas - underlined **Mussini** - in the first part of the second half of the year, there are signs of recovery on the domestic market and on the European market, which suggest a further improvement in the coming months"

REVENUES

Revenues from sales decreased by Euro 14.2 million, from Euro 206.4 million as at 30 June 2017 to Euro 192.2 million as at 30 June 2018.

To this purpose, we highlight that the first half of 2017 reported the best result in the Group's history, in terms of revenues.

The turnover of the Group's foreign markets accounts for 80% of the total, with a share of non-European markets accounting for 42% of total turnover.

In terms of turnover, we observe the following trends in the main markets of the Group:

EUROPE – In the second quarter of 2018, the European markets reported a significant recovery, substantially cancelling the reduction reported in the first quarter, which stood at 4%, recording a general improvement of all the main areas. During the first semester, the reduction in sales in Germany, France and The Netherlands were offset by the excellent performance obtained in Portugal, Great Britain, Greece and in Western Europe Countries. The incidence of the European markets on total revenues was 38%.

UNITED STATES – Turnover on the US market, expressed in US Dollars, reported a 5% reduction.
The dynamics reported during the first quarter were confirmed in the second quarter of the year, with a drop in the channel of independent distributors, a reduction in turnover for "Home Centers", and a slight growth in the channel of directly managed stores. We confirm that the reasons for the slowdown in the channel of independent stores are due to a stronger competition, above all of Spanish and Chinese exporters. We believe that the presence of our Group in this channel is important and we are therefore implementing measures to fight the negative trend recorded in the first half of the year. Moreover, we trust in a recovery, in the second half of the year, in the performance of "Home Centers"; we can reasonably expect a significant growth within next few months because of a strengthened partnership developed in the recent past.
The store channel confirms its strategic importance; the greater proximity to final users allows an higher presence and control the market.
The incidence of the US market on total revenues was 32**%**.

ITALY – In the Italian market, the positive trend was confirmed, with a 4% growth over the half year, unlike the slightly decreasing figures recorded by the Italian competitors (-1,4%).
Our willingness to remain one of the reference players on the domestic market, also during years reporting a slowdown, allowed us to maintain customer loyalty and it is the basis of current good results.
The incidence of the Italian market on total revenues was 20%.

ASIA, CANADA, SOUTH AMERICA, OCEANIA AND AFRICA – The other markets **(Asia, Canada, South-America, Oceania and Africa)** reported over 15% reduction, mainly due to the performance recorded in Australia, Middle East and Africa.
The above geographical areas are currently hit by geo-political tensions, mainly due to the tensions in Syria and in some important Countries in North Africa, with an inevitable impact on local economy and the consequent slowdown in the implementation of “large projects” (airports, shopping centers, tourist reception facilities, , etc.), which characterise our business in those areas.
The drop in sales in the aforesaid areas affected the entire sector, as highlighted by the figures recently supplied by “Confindustria Ceramica”, which show a fall in sales on the African markets and the Middle East markets, of 13% and 20%, respectively.
The incidence of the other markets on total revenues was 10%

FINANCIAL RESULTS

Gross operating profit came to Euro 12.8 million, representing 6.3% of the value of production (Euro 27.6 million as at 30th June 2017, or 12.4% of the value of production).

The drop in margins concerned all the Group Business Units, albeit to a different extent and for different reasons.

As stated above, profitability reported in the Italian Business Unit was affected, in part, by the drop in sales volumes, and also by a renovated and most valuable product mix, that, in the launch phase, has charged lower prices than the standard positioning defined.
Another factor that had a significant impact was the use of the production capacity not at optimal levels, which determined the natural increase in production costs.
The increase in gas tariffs, the weakness of the US Dollar and the start-up costs of the new “Contract & Key Account” Commercial Division also contributed to the worsening of the operating results.

The Portuguese Business Unit confirmed its good profitability, but it did not succeed in obtaining the same excellent results for the first half of 2017. The main cause of the worsening is the significant increase in gas tariffs, an important component of production costs.
Moreover, during the first half, start-up costs were borne for the new production line, entirely charged to the Income Statement. The benefits from higher productivity related to the new plant facility are expected in the second half of the year.
Lastly, the weakness of the US Dollar also had a negative impact, while reducing margins on exports made in this currency.

The main reason for the reduction of profitability in the US Business Unit is the insufficient utilisation of its production capacity, with higher fixed costs. In any case, this capacity permitted to maintain stock levels unchanged.

Net operating profit amounted to Euro 1.2 million (Euro 15,9 million as at 30th June 2017).

Consolidated net result was a profit of Euro 0.5 million (Euro 9,8 million as at 30th June 2017).

NET FINANCIAL POSITION

Net Financial Position at 30th June 2018 has a negative balance of 107.9 million Euros, improved by Euro 4.2 million with respect to the previous quarter and worsened by Euro 8.4 million compared to the beginning of the year.

Additional financial benefits are expected for the second half, in relation to lower planned investments compared to 2017 and a reduction of Working Capital, with the aim of restoring the Net Financial Position to under than 100 million by the end of the year.

SHAREHOLDERS' EQUITY

Equity is equal to 170,4 million Euros at 30 June 2018 compared to the 173,6 million Euros at 30 June 2017.

OUTLOOK FOR GROUP OPERATIONS

In the next six months, better results are expected in terms of margins, both compared to the first half of 2018 and to the second half of 2017.

It will be adopted a strict control of production and distribution costs in all the Italian and foreign Business Unit, without undermining the value of our offer, in order to recover as soon as possible the Group's competitiveness and to recover the clearly positive trend that had characterized the prior three-years.

The sector is in a phase of important change, which favours the emergence of aggregation phenomena both from a production and distribution point of view and which generate stronger and more organized players compared to the past. In this sense we believe that the Group can better deploy its strength thanks to the better coordination of the many initiatives launched in recent years on the development plan of the distribution channels ("Contract & Key Account", Private Label and Home Centers), and on the level of technological development and research, which allows us a prominent role in the segment of large slabs in laminated stoneware available in different thicknesses, formats and finishes.

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 Balance Sheet and Income Statement

APPROVAL OF A REAL ESTATE TRANSACTION WITH RELATED PARTY

The Board of Directors approved today, subject to the favourable opinion of the Control and Risk Committee, with functions of Committee for transactions with related parties ("**Committee**"), an operation concerning changes of terms and conditions of lease contracts in place between Immobiliare Gemma S.p.A. ("**Gemma**"), related to real estate complex located in Casalgrande (RE), Finale Emilia (MO), Fiorano Modenese (MO), Toano (RE) e Sassuolo (MO) (overall the "**Transaction**").

Among main changes made to lease contracts as a result of the Transaction, there is the renegotiation of the duration of the same.

The extension of the duration allows Panariagroup to maintain the availability for a long time (at least 9+9 years of automatic renewal, uninterruptible) of its production sites with strategic and historical importance.
The guarantee to dispose of these properties over a long time, allows Panariagroup to planning important and long-term investments, with the certainty to be able to bring them to their life without time limits, using their full economic potential.
Additional changes concerned accessory charges and commitments, redistributed between the parties. No variation involved rent amount, remained unchanged.

The Transaction constitutes an operation with related parties pursuant to the Regulations for transactions with related parties (Consob resolution 17221/2010) and the transactions with related parties of Panariagroup's procedure, as Gemma and Panariagroup are subject to common control by Finpanaria S.p.A. This last owns 100% of Gemma's share capital and approximately 69.3% of Panariagroup's share capital.

The process that led the approval of the Transaction, involved the Committee since the preliminary stages of negotiations with Gemma. The Committee has therefore decided to ask support by an independent expert in its evaluations.
Lastly, today the Committee issued its favourable opinion on the interest of the Company to complete the operation and on the convenience and substantial correctness of related terms and conditions.

Given the importance of the Transaction, the Company will release an information document within the deadlines, aimed to explain the main terms and conditions of the Transaction as well as related economic, equity and financial effects for the Company.

PANARIAGROUP

Panariagroup Industrie Ceramiche S.p.A. is a multinational italian group, worldwide leader in the production and distribution of ceramic tiles for floors and walls. With more than 1,700 employees, 10.000 customers, 6 production facilities (3 in Italy, 2 in Portugal and 1 in the United States), and a turnover of 385 million € in 2017, Panariagroup is one of the main producers of flooring and wall covering ceramic tiles for the upper and luxury segment of the market.Specialised in the production of porcelain and laminated stoneware, the group has focused on the top level and luxury segments of the market that it caters for by means of nine brands: Panaria, Lea, Cotto d'Este, Blustyle, Fiordo, Florida Tile, Margres, Love Tiles and Bellissimo, which fulfil the needs of diverse customers that however share the same concern for the aesthetic and technical quality of products. Panariagroup is an international-scale reference point, counting on production facilities in Italy, Portugal, United States, India and an extensive sales network in over 130 countries all over the world.

Contact:
Panariagroup Foreign Relations Office
Email: relazioniesterne@panariagroup.it
Tel. +39 0522 773530
web www.panariagroup.it | social: facebook.com/panariagroup

Finale Emilia, 3th August 2018

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

CONSOLIDATED BALANCE SHEET

(in thousands of Euro)

	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017
Inventories	158,663	155,288	151,480	145,946
Accounts Receivable	91,183	84,902	79,142	97,389
Other current assets	12,733	12,895	12,044	12,076
CURRENT ASSETS	**262,579**	**253,085**	**242,666**	**255,410**
Account Payables	(93,910)	(81,595)	(83,198)	(84,907)
Other current liabilities	(31,654)	(29,407)	(28,980)	(31,815)
CURRENT LIABILITIES	**(125,564)**	**(111,002)**	**(112,178)**	**(116,722)**
NET WORKING CAPITAL	**137,015**	**142,083**	**130,488**	**138,688**
Goodwill	8,139	8,139	8,139	8,139
Intangible assets	15,124	14,439	14,239	14,251
Tangible assets	125,948	123,849	126,005	117,432
Equity Investments and other financial assets	260	300	300	48
FIXED ASSETS	**149,471**	**146,727**	**148,683**	**139,870**
Receivables due after following year	541	529	537	653
Provision for termination benefits	(5,437)	(5,539)	(5,531)	(5,794)
Provision for risk and charge	(4,682)	(4,671)	(4,569)	(4,951)
Deffered tax assets	4,594	5,234	4,633	2,993
Other payables due after the year	(3,223)	(3,204)	(3,531)	(2,473)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**(8,207)**	**(7,651)**	**(8,461)**	**(9,572)**
NET CAPITAL EMPLOYED	**278,279**	**281,159**	**270,710**	**268,986**

Short term financial assets	(17,839)	(14,679)	(7,156)	(7,273)
Short term financial debt	37,438	43,153	24,662	41,147
NET SHORT TERM FINACIAL DEBT	**19,599**	**28,474**	**17,506**	**33,874**
Mid-Long term financial debt	88,254	83,566	81,895	61,458
NET FINANCIAL POSITION	**107,853**	**112,040**	**99,401**	**95,332**
Group Shareholders' Equity	170,426	169,119	171,309	173,654
SHAREHOLDERS' EQUITY	**170,426**	**169,119**	**171,309**	**173,654**
TOTAL SOURCES OF FOUNDS	**278,279**	**281,159**	**270,710**	**268,986**

Income statement - Comparison between 30 June 2018 and 30 June 2017
(in thousands of Euro)

	30 Jun 2018	%	30 Jun 2017	%	var.
			RESTATED*		
Revenues from sales and services	**192,233**	**94.27%**	**206,401**	**92.93%**	**(14,168)**
Change in inventories of finished products	7,039	3.45%	10,016	4.51%	(2,977)
Other revenues	4,645	2.28%	5,683	2.56%	(1,038)
Value of Production	**203,917**	**100.00%**	**222,100**	**100.00%**	**(18,183)**
Raw, ancillary and consumable materials	(61,333)	-30.08%	(61,008)	-27.47%	(325)
Services, leases and rentals	(79,688)	-39.08%	(82,600)	-37.19%	2,912
Personnel costs	(48,475)	-23.77%	(49,265)	-22.18%	790
Other operating expenses	(1,613)	-0.79%	(1,707)	-0.77%	94
Cost of production	**(191,109)**	**-93.72%**	**(194,580)**	**-87.61%**	**3,471**
Gross operating profit	**12,808**	**6.28%**	**27,520**	**12.39%**	**(14,712)**
D&A expenses	(10,125)	-4.97%	(10,615)	-4.78%	490
Provisions from unexpected events	(1,468)	-0.72%	(1,084)	-0.49%	(384)
Net operating profit	**1,215**	**0.60%**	**15,821**	**7.12%**	**(14,606)**
Financial income and expense	(562)	-0.28%	(2,097)	-0.94%	1,535
Pre-tax profit	**653**	**0.32%**	**13,724**	**6.18%**	**(13,071)**
Income taxes estimated	(198)	-0.10%	(4,144)	-1.87%	3,946
Net profit (loss) for the period	**455**	**0.22%**	**9,580**	**4.31%**	**(9,125)**

Income statement – 2018 Performance by quarter
(in thousands of Euro)

	Q1 2018	%	Q2 2018	%	30 Jun 2018	%
Revenues from sales and services	**89,984**	**92.65%**	**102,249**	**95.74%**	**192,233**	**94.27%**
Change in inventories of finished products	5,167	5.32%	1,872	1.75%	7,039	3.45%
Other revenues	1,968	2.03%	2,677	2.51%	4,645	2.28%
Value of Production	**97,119**	**100.00%**	**106,798**	**100.00%**	**203,917**	**100.00%**
Raw, ancillary and consumable materials	(28,776)	-29.63%	(32,557)	-30.48%	(61,333)	-30.08%
Services, leases and rentals	(37,934)	-39.06%	(41,754)	-39.10%	(79,688)	-39.08%
Personnel costs	(23,817)	-24.52%	(24,658)	-23.09%	(48,475)	-23.77%
Other operating expenses	(749)	-0.77%	(864)	-0.81%	(1,613)	-0.79%
Cost of production	**(91,276)**	**-93.98%**	**(99,833)**	**-93.48%**	**(191,109)**	**-93.72%**
Gross operating profit	**5,843**	**6.02%**	**6,965**	**6.52%**	**12,808**	**6.28%**
D&A expenses	(5,049)	-5.20%	(5,076)	-4.75%	(10,125)	-4.97%
Provisions from unexpected events	(170)	-0.18%	(1,298)	-1.22%	(1,468)	-0.72%
Net operating profit	**624**	**0.64%**	**591**	**0.55%**	**1,215**	**0.60%**
Financial income and expense	(1,045)	-1.08%	483	0.45%	(562)	-0.28%
Pre-tax profit	**(421)**	**-0.43%**	**1,074**	**1.01%**	**653**	**0.32%**
Income taxes estimated	126	0.13%	(324)	-0.30%	(198)	-0.10%
Net profit (loss) for the period	**(295)**	**-0.30%**	**750**	**0.70%**	**455**	**0.22%**

Income statement - Comparison between 2nd quarter of 2018 and 2nd quarter of 2017
(in thousands of Euro)

	Q2 2018	%	Q2 2017	%	var.
			RESTATED *		
Revenues from sales and services	**102,249**	**95.74%**	**107,290**	**93.02%**	**(5,041)**
Change in inventories of finished products	1,872	1.75%	4,709	4.08%	(2,837)
Other revenues	2,677	2.51%	3,339	2.89%	(662)
Value of Production	**106,798**	**100.00%**	**115,338**	**100.00%**	**(8,540)**
Raw, ancillary and consumable materials	(32,557)	-30.48%	(30,779)	-26.69%	(1,778)
Services, leases and rentals	(41,754)	-39.10%	(43,699)	-37.89%	1,945
Personnel costs	(24,658)	-23.09%	(24,591)	-21.32%	(67)
Other operating expenses	(864)	-0.81%	(825)	-0.72%	(39)
Cost of production	**(99,833)**	**-93.48%**	**(99,894)**	**-86.61%**	**61**
Gross operating profit	**6,965**	**6.52%**	**15,444**	**13.39%**	**(8,479)**
D&A expenses	(5,076)	-4.75%	(5,502)	-4.77%	426
Provisions from unexpected events	(1,298)	-1.22%	(714)	-0.62%	(584)
Net operating profit	**591**	**0.55%**	**9,228**	**8.00%**	**(8,637)**
Financial income and expense	483	0.45%	(1,538)	-1.33%	2,021
Pre-tax profit	**1,074**	**1.01%**	**7,690**	**6.67%**	**(6,616)**
Income taxes estimated	(324)	-0.30%	(2,135)	-1.85%	1,811
Net profit (loss) for the period	**750**	**0.70%**	**5,555**	**4.82%**	**(4,805)**