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PRESS RELEASE

PANARIAGROUP Industrie Ceramiche S.p.A.: the Board of Directors approves the Draft Financial Statements at 31 December 2018.

The uncertain Macro-Economic framework and some exogenous factors, in particular, the depreciation of the US dollars and the increase in energy costs, have contributed negatively on the financial results at 31 December 2018.

- **Net revenues for consolidates sales amounted to Euro 371.0 million (Euro 383.7 million in 2017).**
- **Gross operating profit was equal to to Euro 19.3 million (Euro 42.0 million in 2017).**
- **Net operating profit amounted to a negative Euro 5.3 million (a positive Euro 18.2 million in 2017).**
- **Net result amounted to a negative Euro 4.1 million (a positive Euro 11.4 million in 2017).**

The decrease in revenues has been in line with the general market trend, in which Panariagroup has been able to mantain its market share. It is reported the Portuguese Business Unit performance that recorded an increase in turnover of 3% compared to 2017.

The Board of Directors of Panariagroup Industrie Ceramiche S.p.A., a Group specialized in the production and distribution of ceramic material for high-end and luxury floor and wall coverings, today approved the Financial Statements at 31 December 2018, drafted in accordance with International Financial Reporting Standards (IFRS).

In a macro-economic framework less dynamic than expected at the ending of 2017, due to some exogenous factors, as the slowdown of the entire domestic ceramic sector, the increase in gas prices and the depreciation of US dollars, Panariagroup, in line with the general market trend, has achieved at 31 December 2018 lower results than in the previous year.

The factors above mentioned have determined, particularly, a decrease in the Italian Business Unit volumes compared to the previous period. The reduction in sales of the US Business Unit volumes was influenced by a significant competitive pressure of Spanish and Chinese operators. The Portuguese Business Unit increased its business volumes by 3% on 2017.

CONSOLIDATED FINANCIAL HIGHLIGHTS
(thousand Euros)

Nature	12/31/2018	12/31/2017	Var. € (000)
Revenues from sales and services	370,995	383,682	-12,687
Value of production	391,566	413,959	-22,393
Gross operating profit	19,317	42,000	-22,683
Net operating profit	-5,257	18,179	-23,436
Consolidated net profit	-4,098	11,356	-15,454

“Our sector - said **Emilio Mussini, the Chairman of Panariagroup** – is characterized, by its very nature, by cyclical factors and the negative economic results of 2018 have to be analysed in this context; we believe that the Group strategies must continue to proceed along a path of development. The significant growth in the business volumes in turnover and margins in the 2014-2017 four year-period, within an environment that is not always favourable, testifies to the fact that we have the resources to compete successfully and recover quickly the profitability of the recent past."

"The values and strengths of our Group like the significant internationalization, the positioning on the high-grade market, the knowhow and the innovative technology equipment, have few equals in our sector."

REVENUES

Revenues from sales decreased by Euro 12.7 million, from Euro 383.7 million as at 31 December 2017 to Euro 371.0 million as at 31 December 2018.

The turnover of the Group's foreign markets accounts for 80% of the total, with a share of non-European markets accounting for 44% of total turnover.

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

EUROPE – In Europe, the Group achieved business volumes in line with the previous year.
The best performance was achieved in Portugal, where, for several years now, the Group has managed to establish itself as the most important player in the sector and continues to grow at a rate of over 10%.
The other Mediterranean countries (Spain and Greece) also performed well, as did Eastern Europe, with an overall growth of 8%.
In the more traditional markets of continental Europe (France, Germany, Belgium, the Netherlands) slowdowns were recorded, which are also reflected in the data released by Confindustria Ceramica regarding the sector as a whole.
The impact of the European markets on total revenues was 36%.

USA – Turnover on the US market fell by 7% in Euro. This performance was partly due to the US dollar weakening against the Euro (-4.5%) and partly to a reduction in actual business volumes (-2.5%).
Within a stable market, the year was weighed down by a strong reinforcement of Spanish and Chinese competition, which above all, disadvantaged the other exporting countries, local producers were also not spared, especially in the channels of large distributors, the main target of operators working outside of the territory,
The impact of the US market on total revenues was 34%.

ITALY - In 2018, the Italian market also witnessed a drop in consumption, although not significant. In this context, the Group achieved small but significant growth of 1 %.
In recent years, our strong presence in the Italian market has allowed us to achieve above-average performances in the sector and puts us at the forefront of taking advantage of any signs of recovery in activity in the construction sector.
The impact of the Italian market on total revenues was 20%.

ASIA, CANADA, SUD AMERICA, OCEANIA E AFRICA - The other marketssuffered a loss of about 10%.
In Asia, the Group was able to partially offset the negative effects in the Middle East, which remains at the centre of political and economic tensions, thanks to positive results in other areas (India, China).
The scenario in Africa remains difficult, with the slowdown in the construction of "large works" (airports, shopping centres, tourist accommodation facilities, etc.), which represent the main outlet for European ceramic products.
The impact of the other markets on total revenues was 10%.

OPERATING RESULTS

Gross operating profit amounted to Euro 19.3 million, representing 4,9% of the Value of Production (Euro 42.0 million as at 31 December 2017 representing al 10.1 % of the Value of Production).

The drop in margins, although to different extents and for different reasons, affected all the Business Units of the Group.

With the aim of effectively controlling market shares, the Italian Business Unit has adopted a more aggressive commercial policy, in terms of pricing, with a temporary margin squeeze in the launch of the most recent and distinctive collections, facilitating a more rapid affirmation for the near future.

The decision to contain the level of inventories has led to reduced usage of production plants compared to the previous year, mainly concentrated in the second half of the year; this has led to an increase in manufacturing costs, due to the greater impact of fixed and semi-fixed costs, to which a substantial increase in energy prices was added.
Furthermore, with a view to commercial and strategic development, organisational investments have been carried out, the positive effects of which will be felt in the mid-term.

The Portuguese Business Unit confirmed positive levels of profitability but did not repeat the performance of the previous year.
Margins were significantly affected by the increase in gas prices, but the start-up of the new Aveiro production line and the commercial costs incurred to service the sales development plan also contributed to the reduction in profitability.

The factor that has most disadvantaged the profitability of the US Business Unit is the reduction in volumes produced, which has allowed for the achievement of stabilising inventories, but at the same time has led to a significant increase in the impact of fixed and semi-variable costs.

The strengthening of the structure carried out in the previous two years, aimed at supporting the development programmes, has led to, in the presence of an unexpected and unlikely fall in turnover, an increased impact of these costs; despite the major initiatives for the resizing and optimisation of these expenses carried out from the second half of 2018.

Net operating profit was a negative Euro 5.3 million (a positive Euro 18.2 million at 31 December 2017).

The impact of amortisation/depreciation on value of production is substantially in line with the previous year.

The net financial income improved by Euro 1.9 million compared to 31 December 2017.
Of particular note is the limited impact of financial expenses on value of production (equal to 0.67 %, net of the "exchange rate"), thanks to current market conditions, characterised by low interest rates, but also by the careful and prudent management of treasury.

The consolidated net result amounted to a negative Euro 4.1 million (a positive Euro 11.4 million in 2017).

NET FINANCIAL POSITION

The net financial position shows, in absolute terms, a slight improvement compared to the figure at the end of 2017.

Nonetheless, the limited cash generated by the fall in operating margins, the Group was able to take corrective action with regard to net working capital and the containment of investments, which made it possible to keep financial indebtedness in line with objectives.

The Group's management policy in 2019 will focus mainly on financial improvement, especially through initiatives to recover profitability, but we can also confirm the continuation of activities to be undertaken on inventory, trade receivables and payables as well as containment of investments.

SHAREHOLDERS' EQUITY

Group equity amounted to Euro 167.1 million as at 31 December 2018 compared to Euro 171.3 million as at 31 December 2017.

BUSINESS OUTLOOK

There are elements of confidence to expect a business volumes and margins recovery, also assuming not short time for an inversion in the global trends.

In terms of revenues, the Group expects positive results from the emerging synergies in the Italian Business Unit, between the "Sales", "Strategic Marketing" and "Product Research and Development" divisions, together with the policy of penetration into new distribution channels.

Sales expectations for the Portuguese Business Unit are positive, in line with recent years, also in view of a further improvement in competitiveness and an enhancement of product ranges, thanks to recent production investments.

In the US Business Unit, we expect a progression of results for the "Home Centres" channel, and more incisive policies in the Branches segment to increase margins will be implemented.

As for the Euro/dollar exchange rate, we point out a favourable start to 2019 compared to the first two months of 2018, with an average exchange rate of around 1.14, while in the previous year, during the same period, it stood at around 1.23.

From a production point of view, better results are expected in terms of productivity for the new Aveiro line, which in 2018 took on standard start-up costs, and greater efficiency in the Fiorano Modenese facility, dedicated to laminated stoneware, from which we expect, in 2019, positive commercial results.

Still on the subject of production costs, energy prices will remain at high levels in the first few months of 2019, but drives for growth have already been exhausted and forecasts are for a gradual decline over the year, to settle at values similar to those of 2017.

One of our key management cornerstones will be financial optimisation and an improvement in the financial situation, through a careful management of investments and of the level of net working capital and inventory stocks, with a focus on suitably balancing, according to sales volumes, the production schedule during the year.

The negative result in 2018, which, in our opinion, was a single setback on a generally positive path, must not allow us to forget the values and strengths of our Group, which have few equals in our sector.

Strategic positioning, significant internationalization, widespread commercial distribution, innovative plant and technology equipment, our product portfolio, know-how and the experience and skills of our staff are key pillars that allow us to face future challenges with confidence.

NOTICE OF CALL OF THE SHAREHOLDERS' MEETING

The Panariagroup Board of Directors has approved the resolutions and assigned the necessary powers to arrange the ordinary Shareholders' Meeting of the Company, by notice of call to be published no later than 20 March 2019 on the Company's web site at www.panariagroup.it, on the authorised storage device "1Info" at www.1info.it, in the Official Gazette and on the web site of Borsa Italiana S.p.A. (the Italian Stock Exchange). The meeting is to be held on single call at 10:00 hours on 29 April 2019, at the registered office, Via Panaria Bassa 22/A, Finale Emilia (Modena).

The Shareholders' Meeting will be called to resolve on the following agenda:

1. presentation of the Panariagroup consolidated financial statements and approval of the separate financial statements at 31 December 2018; related and subsequent resolutions;

2. resolutions relating to the Report on Remuneration; related and subsequent resolutions;

3. appointment of Board of Statutory Auditors for the period 2019-2021, determination of the remuneration and consequent resolutions.

4. determination of Board of Directors remuneration; related and subsequent resolutions;

5. renewal of the authorization for the purchase and sale of treasury shares; related and subsequent resolutions.

RENEWAL OF THE AUTHORIZATION FOR THE PURCHASE AND SALE OF TREASURY SHARES

In the same meeting, the Board of Directors resolved, at the next Ordinary Shareholders' Meeting, to propose renewal of the authorization to purchase and sell treasury shares. To date, the Company directly holds 432,234 treasury shares (equal to 0.953% of the share capital) for a nominal value of 0.50 Euros per share. If authorized, the purchase and sale transactions may be made for a maximum number of ordinary shares representing overall not more than 20% of the existing share capital, excluding the treasury shares held, in accordance with article 2357 et seq. of the Italian Civil Code, article 132 of Legislative Decree No. 58/98, article 144-bis of the Issuers Regulation and all other applicable regulations, including the regulations referred to in Regulation (EU) No. 596/2014 and Delegated Regulation (EU) No. 2016/1052, as well as currently accepted market practices (if applicable) and the Regulations issued by Borsa Italiana S.p.A., before the meeting convened to approve the financial statement at 31 December 2019.

The purchases must be made (i) at a price of no more than 20% above or below the reference price recorded for the share on the trading day prior to each transaction, and in any event (ii) at a price not more than the higher between the last independent transaction and that of the highest current independent bid at the trading venue where the purchase is to be made.

The maximum number of treasury shares that can be purchased daily will not exceed 25% of the average daily volume of "Panaria" shares traded on the market.

The maximum potential purchase outlay will not exceed the available reserves resulting from the last regularly approved financial statement.

The reasons for which application for authorization has been made are:

- to fulfil the obligations arising from the stock option programmes or other allocations of shares to employees or members of the Company Management Bodies or its subsidiary or affiliate companies;

- to fulfil the obligations arising from debt instruments convertible into equity instruments;

- to carry out transactions in support of market liquidity so as to facilitate regular trading beyond the normal fluctuations related to the market trend; or

- to carry out sales, exchange, permutation, transfer transactions or any other act of disposal of treasury shares for acquisition of holdings and/or immovable properties and/or the conclusion of agreements (even commercial) with strategic partners, and/or for the realization of industrial projects or extraordinary financial transactions, which are included in the expansion objectives of the Company and the Panaria Group.

The Explanatory Note prepared by the Board of Directors pursuant to Art. 73 of the Issuers Regulation No. 11971/99 will be made available, in accordance with law, on the Company's website www.panariagroup.it, at the registered office, at Borsa Italiana S.p.A., and the authorized storage mechanism "1Info" at the address www.1info.it.

CORPORATE GOVERNANCE AND REPORT ON REMUNERATION

In the same meeting, the Board of Directors approved the Annual Report on Company Governance and Ownership Structures under Articles No. 123-bis of Legislative Decree dated 24 February 1998 and 89-bis of the Issuers Regulation No. 11971/99 and subsequent amendments.

The Board of Directors also approved the Report on Remuneration pursuant to article 123-ter of Legislative Decree dated 24 February 1998 and article 84-quater of the Issuers Regulation No. 11971/99, and subsequent amendments and additions and the Consolidated Sustainability Report (CSR) pursuant to Legislative Decree 254/2016.

All the Report on Company Governance the Report on Remuneration and the CSR will be made available to the public, as provided by the law, at the registered office, at Borsa Italiana S.p.A., on the Company's website www.panariagroup.it as well as on the authorized storage mechanism "1Info" at the address www.1info.it.

DECLARATION OF THE FINANCIAL REPORTING MANAGER

The Financial Reporting Manager, Mr. Damiano Quarta, hereby certify pursuant to article 154-bis, paragraph 2 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 and Separate Balance Sheet and Income Statement. It is noted that, with reference to the documents attached hereto, the audit has not yet been completed.

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.

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Finale Emilia, 15th March 2019

CONSOLIDATED RECLASSIFIED BALANCE SHEET

(in thousands of Euro)

	31-Dec-2018	31-Dec-2017
Inventories	159.948	151.480
Receivables from customers	64.954	79.142
Other current assets	13.818	12.044
CURRENT ASSETS	**238.720**	**242.666**
Payables due to suppliers	(88.342)	(83.198)
Other current liabilities	(28.206)	(28.980)
CURRENT LIABILITIES	**(116.548)**	**(112.178)**
NET WORKING CAPITAL	**122.172**	**130.488**
Goodwill	8.139	8.139
Intangible assets	15.553	14.239
Tangible assets	124.840	126.005
Equity Investments and other financial assets	176	300
FIXED ASSETS	**148.708**	**148.683**
Receivables due after following year	547	537
Liabilities for employee benefits	(5.066)	(5.531)
Provision for risk and charge	(4.506)	(4.569)
Deferred tax assets	6.814	4.633
Other payables due after the year	(3.139)	(3.531)
ASSET AND LIABILITIES DUE AFTER THE YEAR	**(5.350)**	**(8.461)**
NET CAPITAL EMPLOYED	**265.530**	**270.710**

Short term financial assets	(16.910)	(7.156)
Short term financial debt	32.513	24.662
NET SHORT TERM FINANCIAL DEBT	**15.603**	**17.506**
Mid-Long term financial debt	82.865	81.895
NET FINANCIAL POSITION	**98.468**	**99.401**
Group Shareholder's Equity	167.062	171.309
SHAREHOLDERS' EQUITY	**167.062**	**171.309**
TOTAL SOURCES OF FOUNDS	**265.530**	**270.710**

As required by CONSOB Communication DEM/6064293 of 28 July 2006, here attached is a table with the reconciliation between the reclassified equity-financial position, shown in the balance sheet above, and the related financial statements.

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	31-Dec-2018	%	31-Dec-2017	%
			restated	
Revenues from sales and services	**370.995**	**94,75%**	**383.682**	**92,69%**
Change in inventories of finished products	9.426	2,41%	18.202	4,40%
Other revenues	11.145	2,85%	12.075	2,92%
Value of Production	**391.566**	**100,00%**	**413.959**	**100,00%**
Raw, ancillary and consumable materials	(117.203)	-29,93%	(114.702)	-27,71%
Services, leases and rentals	(158.315)	-40,43%	(158.973)	-38,40%
Personnel costs	(93.705)	-23,93%	(94.501)	-22,83%
Other operating expenses	(3.026)	-0,77%	(3.783)	-0,91%
Cost of production	**(372.249)**	**-95,07%**	**(371.959)**	**-89,85%**
Gross operating profit	**19.317**	**4,93%**	**42.000**	**10,15%**
D&A expenses	(21.099)	-5,39%	(22.089)	-5,34%
Provisions and other impairments	(3.475)	-0,89%	(1.732)	-0,42%
Net operating profit	**(5.257)**	**-1,34%**	**18.179**	**4,39%**
Financial income and expense	(1.026)	-0,26%	(2.960)	-0,72%
Pre-tax profit	**(6.283)**	**-1,60%**	**15.219**	**3,68%**
Income taxes	2.185	0,56%	(3.863)	-0,93%
Net profit (loss) for the period	**(4.098)**	**-1,05%**	**11.356**	**2,74%**

IFRS 15 (Revenues) came into force on 1 January 2018.
The application of this standard has led the Group to reclassify certain items which, previously recognised under "Financial income and expenses", are now recognised as a reduction in Revenues, as they are considered to be of a variable consideration within the scope of the standard.
For reasons of comparability, the 2017 Income Statement has been restated applying the presentation method adopted for 2018 following the application of IFRS 15; the effect on 2017 is a reduction in financial revenues and expenses of Euro 898 thousand, with a zero effect on the net result for the period.

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PANARIAGROUP SPA SEPARATE BALANCE SHEET
(Euro amounts)

ASSETS	31/12/2018	31/12/2017
NON CURRENT ASSETS	**171.456.006**	**167.224.513**
Intangible assets	6.294.646	5.856.698
Tangible assets	43.726.625	43.971.579
Equity Investments	89.980.915	90.111.492
Deferred Tax Assets	7.034.671	6.552.199
Receivables due after following year	291.827	147.824
Non-current Financial Assets	24.127.322	20.584.721
CURRENT ASSETS	**166.122.267**	**159.635.152**
Inventories	83.685.002	79.961.345
Accounts Receivables	60.496.781	68.607.068
Tax Receivables	4.724.282	3.252.712
Other current assets	2.949.780	3.804.206
Current Financia Assets	375.000	1.500.000
Cash and cash equivalents	13.891.423	2.509.822
TOTAL ASSETS	**337.578.273**	**326.859.665**

LIABILITIES AND EQUITY	31/12/2018	31/12/2017
EQUITY	**144.309.937**	**147.393.749**
Share Capital	22.677.646	22.677.646
Reserves	121.517.326	119.890.601
Result of the period	114.966	4.825.503
NON CURRENT LIABILITIES	**85.733.014**	**88.135.786**
Liabilities for employee benefits	4.957.170	5.430.672
Deferred Tax liabilites	392.793	624.635
Provision for risk and charge	3.691.775	3.740.965
Other non current liabilites	2.463.817	2.879.248
Mid-Long term financial debt	74.227.458	75.460.266
CURRENT LIABLITIES	**107.535.322**	**91.330.130**
Accounts Payables	55.639.640	48.022.963
Tax Payables	2.614.037	2.324.388
Other current liabilities	19.576.548	20.298.587
Short term financial debt	29.705.096	20.684.192
TOTAL EQUITY AND LIABILITES	**337.578.273**	**326.859.665**

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PANARIAGROUP SPA SEPARATE INCOME STATEMENT

(Euro amounts)

	31/12/2018		31/12/2017	
Revenues from sales and services	**196.808.586**	**93,7%**	**201.463.775**	**92,3%**
Change in inventories of finished products	4.309.669	2,1%	7.731.982	3,5%
Other revenues	8.894.059	4,2%	9.164.803	4,2%
Value of Production	**210.012.315**	**100,0%**	**218.360.560**	**100,0%**
Raw, ancillary and consumable materials	(60.018.139)	-28,6%	(56.518.281)	-25,9%
Services, leases and rentals	(89.457.967)	-42,6%	(88.923.832)	-40,7%
of whic, related party transactions	*(5.543.830)*	*-2,6%*	*(5.478.050)*	*-2,5%*
Personnel costs	(52.497.784)	-25,0%	(50.913.168)	-23,3%
Other operating expenses	(1.821.702)	-0,9%	(2.012.110)	-0,9%
Cost of production	**(203.795.593)**	**-97,0%**	**(198.367.390)**	**-90,8%**
Gross operating profit	**6.216.722**	**3,0%**	**19.993.170**	**9,2%**
D&A expenses	(10.148.199)	-4,8%	(11.542.710)	-5,3%
Provisions and other impairments	(871.756)	-0,4%	(578.812)	-0,3%
Net operating profit	**(4.803.234)**	**-2,3%**	**7.871.648**	**3,6%**
Financial income and expense	4.149.806	2,0%	(1.525.077)	-0,7%
Pre-tax profit	**(653.428)**	**-0,3%**	**6.346.571**	**2,9%**
Income taxes	768.394	0,4%	(1.521.069)	-0,7%
Net profit (loss) for the period	**114.966**	**0,1%**	**4.825.503**	**2,2%**
BASIC AND DILUTED EARNING PER SHARE	**0,003**		**0,106**	