

## **PRESS RELEASE**

**PANARIAGROUP Industrie Ceramiche S.p.A.: the Board of Directors approves the Draft Financial Statements at 30 June 2019.**

**In the uncertain Macro-Economic framework, affected by some exogenous factors, such as the slowdown of the activity in the construction sector and the increase in gas costs, the Group achieved, in the First Half, an improvement both in terms of margins and revenues:**

- **Consolidated net revenues amounted** to Euro 201,2 million (Euro 192,2 million as at June 30 2018), increasing by Euro 9,0 million (+4,7%)
- **Gross operating profit** amounted to Euro 20,8 million (Euro 18,9 million as at June 30 2018), increasing by Euro 1,9 million (+10,0%)
- **Net operating profit** amounted to Euro 3,4 million (Euro 2 million as at June 30 2018), increasing by Euro 1,4 million (+66,9%)
- **Consolidated net profit** amounted to Euro 0,8 million (Euro 0,1 million as at June 30 2018), increasing by Euro 0,7 million

The Board of Directors of Panariagroup Industrie Ceramiche S.p.a, specialized in the production and distribution of ceramic material for high-end and luxury floor and wall coverings, today approved the Financial Statements at 30 June 2019, drafted in accordance with International Financial Reporting Standards ( IFRS ).

In a non positive macro-economic framework, where the slowdown in the construction sector and the difficulties the entire Italian ceramic sector is facing compared to the international market, Panariagroup shows in the First Half of 2019 better economic results, compared to 2018, both in terms of margins and revenues.

The growth in revenues affected the Italian Business Unit (+ 4,7%) and the US Business Unit (+ 10,0%), while the Portuguese BU recorded a slight decrease (-2,4%), due however to phenomenon of temporary nature.

The markets in which the Group achieved the best results, in terms of increase in revenues, were the Asian ones, accompanied by growth in the American and European markets and by a resilience of the Italian market.

In addition to the increase in turnover, there is an improvement in operating margins, as a result of the actions taken by the Group to restore profitability to more satisfactory levels than in the recent past.

The commercial and product development initiatives have generated good effects in terms of volume in business, with a consequent positive impact also on profitability.

## CONSOLIDATED FINANCIAL HIGHLIGHTS

( thousand Euros)

Nature	06/30/2019	06/30/2018	Var. € (000)
Revenues from sales and services	201,271	192,233	9,083
Value of production	212,668	203,917	8,751
Gross operating profit	20,829	18,946	1,883
Net operating profit	3,383	2,027	1,356
Consolidated net profit	814	86	728

“Although the Ceramic Industry, globally, demonstrates a very limited economic growth which generates a growing competitive pressure – said **Emilio Mussini, Chairman of Panariagroup** – our Group is prepared to improve its performance in all the Business Units”.

“The second quarter of the current year fulfils all the objectives set in terms of sales volumes and margins - says **Emilio Mussini**– and demonstrates that all the initiatives put in place in order to carry out compared to 2018 are effective and can be manifested fully in the next few months”.

### Consolidated Revenues

**Revenues from sales** increased by Euro 9,0 million in comparison to the first half year of 2018, with a positive change of 4,7%.

Turnover of the **Group’s foreign markets** accounted for **81%** of total revenue, with a share of **non-European markets** equal to **44%** of total turnover.

The structure of the Group has an international connotation; the balanced distribution of sales in the various geographical areas of the world, and the presence with its own production, logistics and distribution structures in several hubs, are undoubtedly a major strength in the Groups’ competitive strategy.

We observe the following trends in the main markets of the Group:

**EUROPE** – On **European markets**, growth of over 2,8% was achieved, a positive result if we take as a reference the figure of Italian operators, equal to 1,7X%.

The most brilliant results have been obtained in Germany, Great Britain, Austria, Switzerland and in Western European Countries.

The Portuguese market registered a growth in revenues as well, despite the fact that the second quarter was affected by an operational slowdown in deliveries to customers, as a temporary consequence of the implementation of the new SAP IT system.

The impact of European markets on total revenues was 37%.

**USA** – Turnover on the US market increased by 2% in US dollars and by 10% in euros.

The direct presence on the US territory has made it possible to maintain high competitiveness and to maintain the volume of sales; whereas greater difficulties were found by Italian exporters who suffered a total drop in volumes of over 6% in the first half of the year (source Confindustria Ceramica).

The US market is still characterized by a very tight competition, in a context of a general slowdown in the construction sector.

The impact of the US market on total revenues was 33%.

**ITALY** – In the Italian market, the results in the first half-year were substantially in line with 2018, like the overall sector results. For years, the situation on the internal market has not been very dynamic; therefore, companies with a low propensity to internationalization are penalized. The impact of the Italian market on total revenues was 19%.

**ASIA, CANADA, SUD AMERICA, OCEANIA E AFRICA** – In other markets (Asia, Canada, South America, Oceania and Africa), the Group has achieved excellent growth of around 9%, thanks to, above all, the growth in sales volume in the Asian markets. This result is particularly positive, considering it is higher than the overall market trend (-5%). The most dynamic area was the Far East, with particularly good performances in South Korea, Singapore, Hong Kong and Taiwan. The impact of other markets on total revenues was 11%.

## OPERATING RESULTS

Gross operating profit came to Euro 20, 9 million, representing 9,8% on Value of Production (Euro 18,9 million as at 30 June 2018 of 9,3% on Value on Production).

It is important to underline that the increase compared to the first half of 2018 is related to the results of the second quarter, with an important turnaround.

The profitability of the second quarter of 2019 is clearly the best since the beginning of 2018, both in absolute terms and as a percentage of revenues.

After a first quarter in which there was a negative gap compared to the income results of the previous year (-1,7 million of GOP), in the second a significant growth was achieved (+ 3,6 million of GOP ), bringing the overall change to an increase in GOP of 1,9 million Euro.

The GOP in the second quarter of 2019 was equal to 12,1% on revenues, with a widely positive differential compared to the second quarter of 2018, when it was equal to 9,1%.

The increase in the operating result is mainly related to the Italian Business Unit, while the foreign Business Units are substantially in line with the first half of 2018.

There are several factors that led to the recovery of margins in the **Italian Business Unit**. The commercial and product development policies have given good results, allowing an increase in sales volume and market shares.

Furthermore, the increases in sales prices carried out at the beginning of 2019 and fully implemented in the second quarter, together with new commercial policies, allowed the application of more lucrative prices than in the first quarter.

Savings initiatives have also proved to be effective, leading to a containment of operating costs without compromising sales volume and the business efficiency.

The net operating margin amounted to Euro 3,4million (Euro 2,0 million as at 30 June 2018), increasing by Euro 1,4 million ( +66,9%).

**The consolidated Net Result** was a profit of Euro 0,8 million (Euro 0,1 million as at June 30, 2018).

## **NET FINANCIAL POSITION ( before application of IFRS 16 )**

Net financial debt (prior the application of IFRS 16) improved slightly compared to the first quarter of 2019 (-0,9 million euro); with an increase in the self-financing resources partially absorbed by the growth of Net Working Capital.

In the second half of the year, we expect a gradual improvement in the NFP due to the expected reduction in net working capital, thanks to the decrease in inventory stocks, the maintenance of a limited investment policy and the growth in operating margins.

## **LEASE LIABILITIES – IFRS 16**

In accordance with IFRS 16 the Group recorded lease liabilities representing the obligation to make lease payments measured at the present value of the remaining lease payments.

The amount as at 30 June 2019 decreased by Euro 6,2 million if compared to 30 June 2018.

## **SHAREHOLDERS' EQUITY**

Net equity increased from 162,6 million as at 31<sup>st</sup> December 2018 to 163,8 million as at 30<sup>th</sup> June 2019, with an increase of 1,0 million, EUR 0,8 million due to the profit of the period.

## **BUSINESS OUTLOOK**

We believe that, despite the signs of a widespread slowdown in the construction sector in recent months, and, more specifically, in our sector, the Group's prospects are positive in the second part of the year. The policies, that led to the evident change of course in the second quarter, will be fully implemented in the next month, ensuring a further improvement in margins.

For the Italian Business Unit, which was the main protagonist of the improvement in profitability, we expect to continue to increase the volume of sales, by safeguarding the sales prices and by continuing with the savings in operating costs; to these expected benefits, the significant reduction in gas price is added as a further positive element.

Also for the Portuguese Business Unit the drop in the cost of gas, together with the electricity one, will be a positive element for the second half of the year, to which a recovery in sales volume should be added, after the temporary slowdown mainly due to operation issues.

The American Business Unit is the BU from which we expect a greater contribution to the growth in profitability; with the starting of the third production line, made possible by the important development of the Home Center channel, it will be possible to absorb the fixed and semi-variable costs that have heavily weighed on the economic result of the last two years.

With the aim of improving the Net Financial Position, the policy of low investments expenditure will continue, successfully implemented in the first half of the year and we will act, above all, for the reduction in Net Working Capital.

Despite the growth in sales volume and the gradual recovery in margins, we are still far from the results the Group is aiming for and we believe that there are still great potentials not yet expressed in economic-financial results.

We are working intensively to ensure that our strengths and the recognized values that the Group has, can be more effectively reflected also in this aspect.

## 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.

## 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.*

web [www.panariagroup.it](http://www.panariagroup.it) |

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Finale Emilia, 8<sup>th</sup> August 2019

## RECLASSIFIED CONSOLIDATED BALANCE SHEET (in thousands of Euro)

	30-June-2019	31-Dec-2018	30-June-2018
Inventories	165.363	159.948	158.663
Receivables from customers	82.184	64.954	91.183
Other current assets	15.324	13.819	12.733
<b>CURRENT ASSETS</b>	<b>262.871</b>	<b>238.721</b>	<b>262.579</b>
Payables due to suppliers	(91.870)	(88.342)	(93.910)
Other current liabilities	(31.853)	(28.234)	(31.681)
<b>CURRENT LIABILITIES</b>	<b>(123.723)</b>	<b>(116.576)</b>	<b>(125.591)</b>
<b>NET WORKING CAPITAL</b>	<b>139.148</b>	<b>122.145</b>	<b>136.988</b>
Goodwill	8.139	8.139	8.139
Intangible assets	17.002	15.553	15.124
Tangible assets	119.683	124.840	125.948
Lease - Right of Use Asset	104.064	107.631	111.125
Equity Investments and other financial assets	124	161	260
<b>FIXED ASSETS</b>	<b>249.012</b>	<b>256.324</b>	<b>260.596</b>
Receivables due after following year	429	564	541
Liabilities for employee benefits	(5.016)	(5.066)	(5.437)
Provision for risk and charge	(4.318)	(4.506)	(4.682)
Deferred tax assets	7.266	6.814	4.594
Other payables due after the year	(2.161)	(2.906)	(3.011)
<b>ASSET AND LIABILITIES DUE AFTER THE YEAR</b>	<b>(3.800)</b>	<b>(5.100)</b>	<b>(7.995)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>384.360</b>	<b>373.369</b>	<b>389.589</b>
Short term financial assets	(4.628)	(16.910)	(17.839)
Short term financial debt	53.614	34.279	37.438
Mid/Long term financial debt	62.588	81.102	88.254
<b>NET SHORT TERM FINANCIAL DEBT BEFORE IFRS 16</b>	<b>111.574</b>	<b>98.471</b>	<b>107.853</b>
Short term Lease Liability	10.114	10.212	9.903
Long term Lease Liability	99.039	102.130	105.502
<b>LEASE LIABILITY (IFRS 16)</b>	<b>109.153</b>	<b>112.342</b>	<b>115.405</b>
<b>NET FINANCIAL POSITION AFTER IFRS 16</b>	<b>220.727</b>	<b>210.813</b>	<b>223.258</b>
Group Shareholder's Equity	163.633	162.556	166.331
<b>SHAREHOLDERS' EQUITY</b>	<b>163.633</b>	<b>162.556</b>	<b>166.331</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>384.360</b>	<b>373.369</b>	<b>389.589</b>

## Income statement: 2019 performance Year-to-date (in thousands of Euro)

	30-June-2019	%	30-June-2018	%	var.	var. %
<b>Revenues from sales and services</b>	<b>201.271</b>	<b>94,64%</b>	<b>192.233</b>	<b>94,27%</b>	<b>9.038</b>	<b>4,70%</b>
Change in inventories of finished products	6.025	2,83%	7.039	3,45%	(1.014)	-14,41%
Other revenues	5.372	2,53%	4.645	2,28%	727	15,65%
<b>Value of Production</b>	<b>212.668</b>	<b>100,00%</b>	<b>203.917</b>	<b>100,00%</b>	<b>8.751</b>	<b>4,29%</b>
Raw, ancillary and consumable materials	(64.378)	-30,27%	(61.333)	-30,08%	(3.045)	4,96%
Services, leases and rentals	(76.113)	-35,79%	(73.550)	-36,07%	(2.563)	3,48%
Personnel costs	(49.665)	-23,35%	(48.475)	-23,77%	(1.190)	2,45%
Other operating expenses	(1.683)	-0,79%	(1.613)	-0,79%	(70)	4,34%
<b>Cost of production</b>	<b>(191.839)</b>	<b>-90,21%</b>	<b>(184.971)</b>	<b>-90,71%</b>	<b>(6.868)</b>	<b>3,71%</b>
<b>Gross operating profit</b>	<b>20.829</b>	<b>9,79%</b>	<b>18.946</b>	<b>9,29%</b>	<b>1.883</b>	<b>9,94%</b>
D&A expenses	(10.454)	-4,92%	(10.125)	-4,97%	(329)	3,25%
Right of Use Depreciation	(5.550)	-2,61%	(5.326)	-2,61%	(224)	4,21%
Provisions and other impairments	(1.442)	-0,68%	(1.468)	-0,72%	26	-1,77%
<b>Net operating profit</b>	<b>3.383</b>	<b>1,59%</b>	<b>2.027</b>	<b>0,99%</b>	<b>1.356</b>	<b>66,90%</b>
Financial income and expense	(2.165)	-1,02%	(1.743)	-0,85%	(422)	24,21%
<b>Pre-tax profit</b>	<b>1.218</b>	<b>0,57%</b>	<b>284</b>	<b>0,14%</b>	<b>934</b>	<b>328,92%</b>
Income taxes	(404)	-0,19%	(198)	-0,10%	(206)	104,04%
<b>Net profit (loss) for the period</b>	<b>814</b>	<b>0,38%</b>	<b>86</b>	<b>0,04%</b>	<b>728</b>	<b>846,67%</b>

## Income statement: 2019 performance by quarter (in thousands of Euro)

	Q1 2019	%	Q2 2019	%	30/06/2019	%
<b>Revenues from sales and services</b>	<b>96.357</b>	<b>94,43%</b>	<b>104.914</b>	<b>94,84%</b>	<b>201.271</b>	<b>94,64%</b>
Change in inventories of finished products	3.249	3,18%	2.776	2,51%	6.025	2,83%
Other revenues	2.435	2,39%	2.937	2,65%	5.372	2,53%
<b>Value of Production</b>	<b>102.041</b>	<b>100,00%</b>	<b>110.627</b>	<b>100,00%</b>	<b>212.668</b>	<b>100,00%</b>
Raw, ancillary and consumable materials	(31.172)	-30,55%	(33.206)	-30,02%	(64.378)	-30,27%
Services, leases and rentals	(37.885)	-37,13%	(38.228)	-34,56%	(76.113)	-35,79%
Personnel costs	(24.757)	-24,26%	(24.908)	-22,52%	(49.665)	-23,35%
Other operating expenses	(757)	-0,74%	(926)	-0,84%	(1.683)	-0,79%
<b>Cost of production</b>	<b>(94.571)</b>	<b>-92,68%</b>	<b>(97.268)</b>	<b>-87,92%</b>	<b>(191.839)</b>	<b>-90,21%</b>
<b>Gross operating profit</b>	<b>7.470</b>	<b>7,32%</b>	<b>13.359</b>	<b>12,08%</b>	<b>20.829</b>	<b>979,00%</b>
D&A expenses	(5.154)	-5,05%	(5.300)	-4,79%	(10.454)	-4,92%
Right of Use Depreciation	(2.786)	-2,73%	(2.764)	-2,50%	(5.550)	-2,61%
Provisions and other impairments	(234)	-0,23%	(1.208)	-1,09%	(1.442)	-0,68%
<b>Net operating profit</b>	<b>(704)</b>	<b>-0,69%</b>	<b>4.087</b>	<b>3,69%</b>	<b>3.383</b>	<b>1,59%</b>
Financial income and expense	(815)	-0,80%	(1.350)	-1,22%	(2.165)	-1,02%
<b>Pre-tax profit</b>	<b>(1.519)</b>	<b>-1,49%</b>	<b>2.737</b>	<b>2,47%</b>	<b>1.218</b>	<b>0,57%</b>
Income taxes	525	0,51%	(929)	-0,84%	(404)	-0,19%
<b>Net profit (loss) for the period</b>	<b>(994)</b>	<b>-0,97%</b>	<b>1.808</b>	<b>1,63%</b>	<b>814</b>	<b>0,38%</b>



## Income Statement - 2nd quarter of 2019 compared with 2nd quarter of 2018 (in thousands of euro)

	Q2 2019	%	Q2 2018	%	var.	var. %
<b>Revenues from sales and services</b>	<b>104.914</b>	<b>94,84%</b>	<b>102.249</b>	<b>95,74%</b>	<b>2.665</b>	<b>2,61%</b>
Change in inventories of finished products	2.776	2,51%	1.872	1,75%	904	
Other revenues	2.937	2,65%	2.677	2,51%	260	9,71%
<b>Value of Production</b>	<b>110.627</b>	<b>100,00%</b>	<b>106.798</b>	<b>100,00%</b>	<b>3.829</b>	<b>3,59%</b>
Raw, ancillary and consumable materials	(33.206)	-30,02%	(32.557)	-30,48%	(649)	1,99%
Services, leases and rentals	(38.228)	-34,56%	(39.022)	-36,54%	794	-2,03%
Personnel costs	(24.908)	-22,52%	(24.658)	-23,09%	(250)	1,01%
Other operating expenses	(926)	-0,84%	(864)	-0,81%	(62)	7,18%
<b>Cost of production</b>	<b>(97.268)</b>	<b>-87,92%</b>	<b>(97.101)</b>	<b>-90,92%</b>	<b>(167)</b>	<b>0,17%</b>
<b>Gross operating profit</b>	<b>13.359</b>	<b>12,08%</b>	<b>9.697</b>	<b>9,08%</b>	<b>3.662</b>	<b>37,77%</b>
D&A expenses	(5.300)	-4,79%	(5.076)	-4,75%	(224)	4,41%
Right of Use Depreciation	(2.764)	-2,50%	(2.437)	-2,28%	(327)	13,42%
Provisions and other impairments	(1.208)	-1,09%	(1.298)	-1,22%	90	-6,93%
<b>Net operating profit</b>	<b>4.087</b>	<b>3,69%</b>	<b>886</b>	<b>0,83%</b>	<b>3.201</b>	<b>361,30%</b>
Financial income and expense	(1.350)	-1,22%		0,00%	(1.350)	
<b>Pre-tax profit</b>	<b>2.737</b>	<b>2,47%</b>	<b>886</b>	<b>0,83%</b>	<b>1.851</b>	
Income taxes	(929)	-0,84%	(378)	-0,35%	(551)	145,63%
<b>Net profit (loss) for the period</b>	<b>1.808</b>	<b>1,63%</b>	<b>508</b>	<b>0,48%</b>	<b>1.300</b>	<b>256,10%</b>