

PANARIAGROUP Industrie Ceramiche S.p.A.

PRESS RELEASE

**ORDINARY SHAREHOLDERS' MEETING OF PANARIAGROUP INDUSTRIE CERAMICHE S.P.A.
OF 28 MAY 2020**

Approval of the financial statements as at 31 December 2019

Approval of the 2020 Remuneration Policy described in the first section of the Report on the remuneration policy and on compensation paid

The members of the Board of Directors were appointed for the 2020-2022 three-year term

Finale Emilia, 28 May 2020 - The Ordinary Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A. ("**Panariagroup**" or the "**Company**"), parent company of the Group of the same name, specialised in the production and distribution of ceramic material for high-end and luxury floor and wall coverings, was held today at a single call, to resolve on the following items on the agenda:

1) Approval of the financial statements for the year ended 31 December 2019 and allocation of the result for the year

Panariagroup's Shareholders approved the Company's financial statements as at and for the year ended 31 December 2019.

In 2019, the Group recorded a growth in turnover (equal to Euro 11.1 million, + 3.0%), accompanied by a slight improvement in the Gross Operating Margin. A particularly positive turnover performance when compared with the reference sector, which instead recorded a decline in turnover of 0.7%, according to Confindustria Ceramica data.

The Italian Business Unit (+2.0%) and the US Business Unit (+7.3%) reported growth in turnover, while the Portuguese Business Unit reported a slight decrease (-2.8%).

Trends varied in the different geographical areas, with growth in Europe (+2.6%), the USA (+7.1%) and Asia (+8.0%), while sales on the Italian market declined (-2.8%), as well as on the Africa and Oceania markets (-9% overall), which are marginal for the Group.

The Gross Operating Margin shows an increase of Euro 0.7 million, with a positive variation of 2.2%.

KEY CONSOLIDATED INCOME STATEMENT INDICATORS

(in thousands of Euro)

Nature	31/12/2019	31/12/2018	Change € (000)
Revenues from sales and services	382,019	370,995	+11,024
Production value	400,774	391,566	+9,208
Gross operating margin	32,426	31,724	+ 702
Net operating margin	-4.882	-4.177	- 705
Net result	-6.386	-5.084	- 1,302

The recent events related to the spread of the flu virus COVID-19 that are generating significant tension in this first half of 2020 with immediate negative repercussions on financial markets and with results that are currently unpredictable on the “real” economy, in terms of consumption and infrastructure investments.

The forecasts on the operating performance of the coming months cannot be separated from said phenomenon, which will certainly continue to heavily influence the whole of 2020, without current visibility of when we will be able to return to a normal situation.

The fundamental lines of the Group’s activities for the coming months will essentially be two: the management of financial liquidity and the optimisation of the structure and processes, with the aim of resuming, at the end of the crisis, with renewed strength and energy.

The economic system is undergoing a real shock, due to the extent, speed and spread of the phenomenon, in an unpredictable and non-programmable manner; this is causing a liquidity crisis in all sectors, including ours, which risks having a domino effect, compromising even the most solid companies.

It is therefore necessary to mitigate this risk, implementing all possible actions to optimise financial flows.

In this perspective, one of the fundamental levers is the management of Net Working Capital, with particular attention to inventories and to trade receivables and payables.

In this particularly uncertain scenario, we will strengthen the activities undertaken to recover margins, coordinating them with the actions necessary to safeguard the Group’s equity and financial situation.

With regard to the Italian parent company Panariagroup Industrie Ceramiche S.p.A., the Shareholders' Meeting approved the proposal made by the Board of Directors regarding the allocation of the result of the year, resolving to carry forward the loss, equal to Euro 0.7 million.

2) Resolutions regarding the Report on the remuneration policy and on compensation paid pursuant to article 123-ter of Legislative Decree 58/1998 ("Consolidated Finance Act") and article 84-quater of Consob Regulation no. 11971/1999 ("Issuers' Regulation")

The Meeting resolved to approve, pursuant to and for the purposes of the provisions of article 123-ter, paragraphs 3-bis and 3-ter of the Consolidated Finance Act, the Remuneration Policy of the administrative and control bodies, general managers and managers with strategic responsibilities of the Company described in the first section of the Report on the remuneration policy and on compensation paid prepared pursuant to article 123-ter of the Consolidated Finance Act and article 84-quater of the Issuers' Regulation.

The Meeting, pursuant to and for the purposes of article 123-ter, paragraph 6 of the Consolidated Finance Act, also expressed a favourable opinion on the second section of said Report regarding the compensation paid in 2019 or related to it.

The Report on the remuneration policy and on compensation paid is available on the Company's website at www.panariagroup.it and on the authorised storage mechanism 1Info at the address www.1info.it.

3) Appointment of the members of the Board of Directors for the 2020-2022 three-year term and determination of the related compensation

Following the expiry of the previous mandate, pursuant to article 21 of the Articles of Association, the Shareholders' Meeting has, after determining the number of members of the Board of Directors as 10, appointed the members of the new Board of Directors of the Company voting by lists and that will remain in office for three years (2020-2022) and in any case until approval of the financial statements for the year ending 31 December 2022.

In this respect, only one list was presented for the appointment of the members of the Board of Directors by the majority shareholder Finpanaria S.p.A., which owns 69.301% of the Company's share capital.

The members of the Board of Directors, appointed from the only list that was presented by Finpanaria S.p.A., are therefore: Emilio Mussini, Paolo Mussini, Andrea Mussini, Giuliano Pini, Giuliano Mussini, Daniele Prodi, Silvia Mussini, Sonia Bonfiglioli, Tiziana Ferrari and Francesca Bazoli.

The Directors Sonia Bonfiglioli, Tiziana Ferrari and Francesca Bazoli have declared that they possess the independence requirements referred to in article 148, paragraph 3, of the Consolidated Finance Act as well as the requirements to qualify as independent also in accordance with the criteria required by the Code of Corporate Governance for listed companies.

It is noted that the curriculum vitae of the newly elected Directors has been filed at the Company, together with the list for the appointment of the Board of Directors, and is available on the website www.panariagroup.it.

At the same meeting, Panariagroup's Shareholders also established a maximum annual gross amount of Euro 615,000 for the fixed fees to be paid to the Board of Directors for 2020 and, in any case, until the approval of the financial statements at 31 December 2020, and a maximum annual gross amount of Euro 200,000 for the variable fees for the Directors with executive duties for 2020.

The minutes of the Shareholders' Meeting will be made available to the public in accordance with the terms and methods laid down by current law.

Board of Directors – Re-election of Emilio Mussini as Chair of the Board of Directors, Paolo Mussini as Deputy Chair and Giuliano Pini as Chief Executive Officer; granting of proxies and powers; appointment of internal committees and the manager in charge

It is also noted that the new Board of Directors, which met after the Shareholders' Meeting, appointed Emilio Mussini as Chair of the Board of Directors, Paolo Mussini as Deputy Chair and Giuliano Pini as Chief Executive Officer and General Manager; in addition, Paolo Mussini was appointed as CEO of the Cotto D'Este/Blustyle division while the Panaria, Lea, Fiordo and Panariatrade brands remain the direct responsibility of the Chair Emilio Mussini.

In execution of the provisions of the Instructions to the Stock Exchange Regulation, article IA.2.6.7, paragraph 3, on the basis of the information available to the Company relating to the investments held as at 31 December 2019, the following are the equity investments in the Company held by the members of the Board of Directors:

Name and surname	Office	Investment held in	No. shares held at the end of 2019	Ownership method	Type of ownership
Giuliano Mussini	Director	Panariagroup Industrie Ceramiche S.p.A.	279,293	Direct	Ownership
			4,400	Spouse	Ownership
Andrea Mussini	Deputy Chair	Panariagroup Industrie Ceramiche S.p.A.	527,019	Direct	Ownership
Giuliano Pini	CEO	Panariagroup Industrie Ceramiche S.p.A.	102,802	Direct	Ownership
			12,380	Spouse	Ownership
Emilio Mussini	Chair	Panariagroup Industrie Ceramiche S.p.A.	129,436	Direct	Ownership
			13,080	Spouse	Ownership
Paolo Mussini	Deputy Chair	Panariagroup Industrie Ceramiche S.p.A.	1,000	Direct	Ownership
Silvia Mussini	Director	Panariagroup Industrie Ceramiche S.p.A.	21,900	Direct	Ownership
Daniele Prodi	Director	Panariagroup Industrie Ceramiche S.p.A.	32,000	Direct	Ownership

The new Board of Directors has verified the possession of the independence requirements provided for by the applicable regulations and the Code of Corporate Governance for listed companies as regards the Directors Sonia Bonfiglioli, Tiziana Ferrari and Francesca Bazoli on the basis of the declarations made by the same. The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board to evaluate the independence of its members.

The Board of Directors also appointed the new members of the Control and Risk Prevention Committee (also with the functions of Related Parties Committee) and of the Remuneration Committee as follows:

- as members of the Control and Risk Prevention Committee, also with the functions of Related Parties Committee, the Directors Tiziana Ferrari (Chair), Sonia Bonfiglioli and Daniele Prodi;
- as members of the Remuneration Committee, the Directors Sonia Bonfiglioli (Chair), Tiziana Ferrari and Daniele Prodi.

At the same meeting, the Board of Directors also resolved:

- to appoint the Independent Director Sonia Bonfiglioli as Lead Independent Director of the Company;
- to appoint the Director Giuliano Pini as Director in charge of the system of internal control and risk management;
- to appoint the new members of the Supervisory Body for the next three years, until approval of the financial statements at 31 December 2022.

The Board of Directors also re-appointed Damiano Quarta as the Manager in charge of financial reporting for 2020 and, in any case, until the approval of the financial statements at 31 December 2020, with the prior approval of the Board of Auditors. To the best of the Company's knowledge, Damiano Quarta does not currently hold shares of Panariagroup Industrie Ceramiche S.p.A.

The manager in charge of Panariagroup Industrie Ceramiche S.p.A.'s financial reporting, [Damiano Quarta], states, pursuant to article 154-*bis*, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information in this press release corresponds with the documents, ledgers and accounting entries.

The financial statements as at and for the year ended 31 December 2019 of Panariagroup Industrie Ceramiche S.p.A., together with the Directors' Report, the consolidated non-financial statement for 2019, the report of the Board of Auditors and the report of the independent auditors, the consolidated financial statements as at and for the year ended 31 December 2019 and the Directors' reports on other matters on the agenda are available to whoever requests them at the Company's registered office and at Borsa Italiana S.p.A. (www.borsaitaliana.com). They may also be consulted on the Company's website www.panariagroup.com and on the authorised storage mechanism 1Info (www.1Info.it).

Pursuant to article 125-*quater*, paragraph 2, of the Consolidated Finance Act, a summary report of the voting, containing the number of shares represented at the Shareholders' Meeting and the shares for which votes were cast, the percentage of share capital that the shares represented, as well as the number of votes for and against each motion and the number of abstentions, will be made available to the public on the Company's website within five days of the date of the Shareholders' Meeting.

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CONSOLIDATED FINANCIAL STATEMENT INCOME STATEMENT

		31/12/2019		31/12/2018	
		eur (000)	%	eur (000)	%
R05	Revenues from sales and services	382.019	95,3%	370.995	94,7%
R10	Change in inventories of finished products	6.989	1,7%	9.426	2,4%
R20	Other revenues	11.766	2,9%	11.145	2,8%
	Value of production	400.774	100,0%	391.566	100,0%
C10	Raw materials	(124.857)	-31,2%	(117.203)	-29,9%
C20	Services, leases and rentals	(143.730)	-35,9%	(145.908)	-37,3%
C30	Personnel costs	(96.225)	-24,0%	(93.705)	-23,9%
C40	Other operating expenses	(3.535)	-0,9%	(3.026)	-0,8%
	Production costs	(368.347)	-91,9%	(359.842)	-91,9%
	Gross operating profit (loss)	32.427	8,1%	31.724	8,1%
A10	Depreciation and amortisation	(22.285)	-5,6%	(21.605)	-5,5%
A20	Right of Use Depreciation (IFRS 16)	(11.341)	-2,8%	(10.820)	-2,8%
A30	Provisions and writedowns	(3.683)	-0,9%	(3.475)	-0,9%
	Net operating profit (loss)	(4.882)	-1,2%	(4.176)	-1,1%
F10	Net Financial income (expense)	(2.340)	-0,6%	(1.027)	-0,3%
F20	Financial Expense - IFRS 16	(2.229)	-0,6%	(2.330)	-0,6%
	Pre-tax profit (loss)	(9.451)	-2,4%	(7.533)	-1,9%
I10	Income Tax Expenses and Benefits	3.065	0,8%	2.450	0,6%
	Net profit (loss)	(6.386)	-1,6%	(5.083)	-1,3%

CONSOLIDATED FINANCIAL STATEMENT RECLASSIFIED BALANCE SHEET

	31/12/2019	31/12/2018
Inventories	164.290	159.949
Receivables from customers	58.844	64.954
Other current assets	13.301	13.819
CURRENT ASSETS	236.435	238.722
Payables due to suppliers	(82.102)	(88.342)
Other current liabilities	(27.368)	(28.551)
CURRENT LIABILITIES	(109.470)	(116.893)
NET WORKING CAPITAL	126.965	121.829
Goodwill	8.464	8.139
Intangible Assets	17.111	15.553
Tangible Assets	115.458	123.891
Diritto di utilizzo per beni in locazione	101.451	108.112
Equity investments and other financial assets	32	360
FIXED ASSETS	242.516	256.055
Receivables due after following year	388	564
Liabilities for employee benefit	(5.046)	(5.066)
Provision for risk and charge	(4.441)	(4.506)
Deferred tax assets	10.626	7.799
Other payables due after the year	(1.644)	(2.583)
ASSET AND LIABILITIES DUE AFTER THE YEAR	(117)	(3.792)
NET CAPITAL EMPLOYED	369.364	374.092
Short term financial assets	(8.179)	(16.910)
Short term financial debt	54.740	34.279
Mid/Long term financial debt	59.049	81.102
NET FINANCIAL DEBT ANTE IFRS 16	105.610	98.471
Short term lease liabilities (IFRS16)	9.388	10.111
Long term lease liabilities (IFRS16)	97.043	102.357
LEASE LIABILITIES	106.431	112.468
NET FINANCIAL DEBT POST IFRS 16	212.041	210.939
Group Shareholder's Equity	157.323	163.153
SHAREHOLDERS' EQUITY	157.323	163.153
TOTAL SOURCES OF FUNDS	369.364	374.092

SEPARATE FINANCIAL STATEMENT INCOME STATEMENT

	31/12/2019		31/12/2018	
	eur	%	usd	%
R05 Revenues from sales and services	201.485	93,0%	196.809	93,7%
R10 Change in inventories of finished products	7.247	3,3%	4.310	2,1%
R20 Other revenues	7.888	3,6%	8.894	4,2%
Value of production	216.620	100,0%	210.013	100,0%
C10 Raw materials	(63.442)	-29,3%	(60.018)	-28,6%
C20 Services, leases and rentals	(83.882)	-38,7%	(82.301)	-39,2%
C30 Personnel costs	(52.559)	-24,3%	(52.497)	-25,0%
C40 Other operating expenses	(1.726)	-0,8%	(1.822)	-0,9%
Production costs	(201.609)	-93,1%	(196.638)	-93,6%
Gross operating profit (loss)	15.011	6,9%	13.375	6,4%
A10 Depreciation and amortisation	(9.854)	-4,5%	(10.148)	-4,8%
A20 Right of Use Depreciation (IFRS 16)	(6.402)	-3,0%	(6.351)	-3,0%
A30 Provisions and writedowns	(1.709)	-0,8%	(872)	-0,4%
Net operating profit (loss)	(2.954)	-1,4%	(3.996)	-1,9%
F10 Net Financial income (expense)	2.430	1,1%	4.150	2,0%
F20 Financial Expense - IFRS 16	(1.417)	-0,7%	(1.471)	-0,7%
Pre-tax profit (loss)	(1.941)	-0,9%	(1.317)	-0,6%
I10 Income Tax Expenses and Benefits	1.238	0,6%	888	0,4%
Net profit (loss)	(703)	-0,3%	(429)	-0,2%

SEPARATE FINANCIAL STATEMENT BALANCE SHEET

<u>ASSETS</u>	31/12/2019		31/12/2018	
	eur	%	eur	%
NON-CURRENT ASSETS	247.516	62,1%	256.647	60,7%
Goodwill	–	0,0%	–	0,0%
Intangible Assets	6.723	1,7%	6.295	1,5%
Tangible Assets	39.525	9,9%	43.727	10,3%
Lease - Right of Use Asset	80.721	20,3%	85.060	20,1%
Equity investments	90.018	22,6%	89.981	21,3%
Deferred tax Assets	8.739	2,2%	7.165	1,7%
Other non current assets	168	0,0%	149	0,0%
Other financial assets	21.622	5,4%	24.270	5,7%
CURRENT ASSETS	150.868	37,9%	166.121	39,3%
Inventories	90.121	22,6%	83.685	19,8%
Trade Receivables	52.726	13,2%	60.496	14,3%
Due from tax authorities	2.611	0,7%	4.724	1,1%
Other current assets	3.082	0,8%	3.325	0,8%
Current financial assets	–	0,0%	–	0,0%
Cash and cash equivalent	2.328	0,6%	13.891	3,3%
TOTAL ASSETS	398.384	100,0%	422.768	100,0%
<u>LIABILITIES AND EQUITY</u>	31/12/2019		31/12/2018	
	eur	%	usd	%
EQUITY	142.839	35,9%	143.725	34,0%
Share capital	22.678	5,7%	22.678	5,4%
Equity Reserve	120.864	30,3%	121.476	28,7%
Net profit (loss)	(703)	-0,2%	(429)	-0,1%
NON-CURRENT LIABILITIES	130.911	32,9%	165.621	40,5%
Employee severance indemnities	4.879	1,2%	4.957	1,2%
Deferred tax liabilities	246	0,1%	393	0,1%
Provisions for risks and charges	4.095	1,0%	3.691	0,9%
Other non-current liabilities	1.435	0,4%	2.465	0,6%
Due to Banks	44.055	11,1%	74.227	17,6%
Other non current financial liabilities	–	0,0%	–	0,0%
Lease Liabilities (IFRS 16)	76.201	19,1%	79.888	20,2%
CURRENT LIABILITIES	124.634	31,3%	113.422	25,5%
Trade Payables	48.800	12,2%	55.639	13,2%
Due to tax authorities	2.545	0,6%	2.614	0,6%
Other current liabilities	18.907	4,7%	19.929	4,7%
Due to banks	48.881	12,3%	29.705	7,0%
Other current financial liabilities	–	0,0%	–	0,0%
Lease liabilities (IFRS 16)	5.501	1,4%	5.535	0,0%
TOTAL LIABILITIES AND EQUITY	398.384	100,0%	422.768	100,0%