PRESS RELEASE

IMPROVEMENT IN NET FINANCIAL POSITIVON AND GROSS OPERATING MARGINS DESPITE THE COVID-19 EMERGENCY

PANARIAGROUP Industrie Ceramiche S.p.A : the Board of Directors approves the Draft Financial Statements at 30th September 2020.

In the first 9 months of 2020, despite the Covid-19 emergency, there is an improvement in Gross Operating Margin (+1.8 Euro million) and Net Financial Position (-25.1 Euro million).

In the third Quarter 2020, even more marked the positive difference on 2019 results, with an increase in Revenues of 3.3 Euro million and in Gross Operating Margin (+3.4 Euro million).

- **Consolidated net revenues came to Euro 269.8 million, with a decrease of 7.6% on September 2019.**

- **Gross Operating Margin came to Euro 27.7 million (Euro 25.9 million at 30th September 2019), with an increase of 6.9% on the previous year.**

- **The Consolidated net result was negative for Euro 7.5 million, after an Impairment of asset equal to Euro 6.5 million (negative for Euro 1.8 million at 30th September 2019).**

- **Financial Indebtness before-IFRS16 amounted to 92.5 Euro million (111.5 Euro million at soth September 2019).**

The Board of Directors of Panariagroup Industrie Ceramiche S.p.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 30 September 2020, drafted in accordance with International Financial Reporting Standards (IFRS).

The Group's results were significantly affected by the impact of the worldwide spread of the Covid-19 virus, which caused a marked slowdown in the economy in general, and consequently also in our reference sector.

The trend in revenues in 2020, instead of following the usual seasonal pattern, closely followed the various phases of the virus' evolution, which had a limited impact in the first quarter, caused a negative shock in the second quarter and then saw its effects ease in the third.

In particular, in our Group we observed, in the same period of the previous year, a 4% decrease in revenues (Euro -3.9 million) in the first quarter, a 20% decrease (Euro -21.7 million) in the second quarter and a reversal of the trend in the third quarter with growth of approximately 4% (Euro +3.4 million), with an overall effect of -7.6% (Euro -22.2 million).

In this context, so difficult to interpret and manage, the Group was able to contain the negative economic effects, obtaining, in the first 9 months of 2020, an improvement in EBITDA, both in absolute terms (Euro +1.8 million) and in relative terms, with GOP as a percentage of Production Value increasing from 8.5% to 10.6%.

In the third quarter, the improvement in operating margin is even more marked: EBITDA increased from Euro 5.1 million to Euro 8.5 million, an increase of Euro 3.4 million.

The achievement of improved operating profit margins, in a complex situation such as the current one, is to be considered a very important result, and is the result of the incisive actions implemented by the Group, both for the structural increase in profitability and to tackle the sudden impact of the pandemic on turnover.

On the financial side, Panariagroup has operated with two main objectives: the improvement of the Net Financial Position level and the restructuring of the medium/long-term financial debt with the aim of maintaining considerable room on the short-term facilities

This targets have been efficiently managed with significant results in term on Net Financial Position; the improvement on NFP ante-IFRS 16 equal to Euro 19.1 million is even higher on Net Financial Position including IFRS 16 effects (Euro 25.1 million).

In addition to the significant reduction in financial indebtedness, the Group has significantly extended the average duration of its loans, thanks to the execution of new medium/long-term transactions during the year for Euro 36 million and the obtainment of Covid moratoria which allowed the shifting of Euro 20.6 million originally due in 2020 to subsequent years.

Thanks to the combined effect of the reduction in the Net Financial Position, the restructuring of medium/long-term debt and the obtainment of new loans, the balance of cash and cash equivalents as at 30 September 2020 was a credit balance of Euro 33.3 million.

CONSOLIDATED FINANCIAL HIGHLIGHTS
(thousand euros)

Nature	**09/30/2020**	**09/30/2019**	**var. €**
Revenues from sales and services	269,839	292,041	(22,202)
Value of Production	260,654	303,249	(42,595)
Gross Operating Profit	27,687	25,909	1,778
Net Operating Profit	(6,917)	139	(7,056)
Consolidated Net Profit	(7,494)	(1,799)	(5,695)

*"The results of the Third Quarter 2020 - **said Emilio Mussini, Chairman of Panariagroup** – allowed us to absorb and successfully overcome a great part of the Covid-19 impact suffered in the months of March, April and May. Starting from June, we ever overcame the revenues of 2019 and decreased constantly the financial debt."*

*"The Company was able to react in a flexible and fast way to the crisis - **continued Mussini** – modifying some management policies and with effective choices in term of optimisation and planning. The results are already evident in the improvement of the Gross Operating Margin, with an increase of 7% in respect with September 2019. In addition, the Group operated in order to increase the financial strength, an essential element to face this uncertainty moment and to look forward to the post-Covid phase with ambitious industrial and commercial development programs."*

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Consolidated Revenues

Consolidated Revenues decreased by Euro 22.2 million compared to 30 September 2019, with a reduction of 7.6%.

The turnover of the Group's **foreign markets** is equal to **83%** of the total, with the share of **non-European markets** equal to **45 %** of total turnover.

The current situation has highlighted the strategic value of Panariagroup's structure even more, which is geographically diversified, both from a commercial and distribution point of view and from a logistical and productive one.

In the main business area following trends are reported:

EUROPE – Turnover in **European markets** fell by 4.6% overall compared with 2019, with a solid recovery in the third quarter (+7.2% compared with the same period last year).
The drop in sales mainly concerned the countries most affected by the epidemic, such as Spain, France and the United Kingdom, with decreases of between 15% and 30%; the Eastern Europe area also fell (-14%).
On the other hand, the growing results achieved in some of the Group's main markets, such as Germany, Austria and Switzerland, should be viewed positively.
The share of the European markets on total revenues was 38%.

USA – Turnover in the **US market** was down 1.7%, with an improved performance in the third quarter (+2.2% compared with the same period last year).
Despite the difficult environment, our American BU was able to continue its development plan on new distribution channels with excellent results; this allowed us to almost completely offset the negative effects that the pandemic had on the performance of the most consolidated sales channels.
The share of the US market on total revenues was 36%.

ITALY - The **Italian market**, which dropped 15% (decrease of 16.3% for the sector), was definitely among the sectors hit hardest by the spread of the virus, also due to the lock-down that concerned the commercial activities of our industry for an extremely long period of time, with a dramatic impact in March, April and May.
After a fall of 27% in the first half of the year, there was an excellent recovery in the third quarter (+17% on the same period of the previous year).
The share of the Italian market on total revenues was 17%.

ASIA, CANADA, SOUTH AMERICA, OCEANIA AND AFRICA – the Group also suffered a decrease in turnover linked to the pandemic; the overall decrease of 20% is, however, an improvement compared to the figure for the first half of the year, when there was a reduction of 27%.
The main difficulties were encountered in Asia, particularly in the Far East; in this area, the third quarter did not show a positive "rebound" as in Europe, but a substantial alignment with 2019.

The share of the "other markets" on total revenues was 9%.

OPERATING RESULTS

EBITDA came to **Euro 27.7 million,** equal to 10.6% of Production Value (Euro 25.9 million at 30 September 2019, equal to 8.5%

The improvement in operating margins is a hugely significant result, given the considerable decrease in turnover and the notable reduction in production in the 9 months of 2020.

The decrease in revenues compared with the previous year (-7.6%), caused entirely by external factors, had a significant negative impact on the Group's operating results, but the impact on operating margins stemming from the decrease in production (-15.8%) compared with the same period last year was equally significant.

In view of these negative premises, which concern the backbone of the business, the Group has implemented all possible actions to offset their effects, with a recovery of profitability in other aspects of business management.

In this regard, it should be noted, first of all, that during 2019 a series of important activities had already been implemented in all the Group's Business Units and in all business segments, aimed at recovering profitability; after a two-year period below expectations, the expected results were achieved in 2020.

The development of these initiatives was accompanied by an extraordinary activity related to the Covid-19 emergency, determined by the need to promptly and incisively tackle the negative economic impacts that the spread of the pandemic has generated.

In 2020, the Group was also able to benefit from the significant reduction in gas and electricity tariffs, whose significant growth was one of the main causes that had affected the economic results of the previous two years.

The **Net Operating Margin** was a negative Euro 6.9 million (positive Euro 0.1 million at 30 September 2019).

This intermediate result is strongly influenced by the impairment of Asset of Euro 6.5 million, already accounted in the Half-Year Statement, as result of the Impairment Test performed in accordance with IFRS principles; this allowance, merely done for accounting purposes, has to be considered as non-recurring.

Amortisation/depreciation, including therein that deriving from rights of use, rose slightly compared with 2019; it should be noted that despite the prolonged down-time imposed by the lock-downs, amortisation/depreciation were calculated in their entirety, according to the international accounting standards.

Financial expenses increased by Euro 1.2 million, mainly due to the trend in the USD/EUR exchange rate; while in 2020 we recorded an exchange rate loss of Euro 0,5 million, in 2019 we recorded an exchange rate gain of Euro 0.5 million.

The consolidated net result was a loss of Euro 7.5 million (loss of Euro 1.8 million as at 30 September 2019).

NET FINANCIAL POSITION BEFORE IFRS 16

The Net Financial Position pre-IFRS 16, amounting to Euro 92.5 million, improved significantly, compared to 30 September 2019, by Euro 19.0 million.
The improvement in the NFP, which is really significant, brings the Group back to levels similar to 2017 and was achieved thanks to the significant decrease in Net Working Capital, the significant reduction in operating costs and the temporary slowdown in investments made in the first half of the year.

LEASING LIABILITIES – IFRS 16
Liabilities for leased assets decreased of Euro 6.1 million on 30 September 2019.

EQUITY

Equity went from Euro 157.3 million at 31 December 2019 to Euro 147.9 million at 30 September 2020, with a decrease of Euro 9.4 million, due to the loss in the period and the negative exchange effect on the equity of the US companies.

BUSINESS OUTLOOK

2020 is proving to be a truly unique year in history, characterised by a completely unprecedented phenomenon in the modern era and which, in addition to the primary health aspects, is severely testing the capacity of the economic system to cope with an uncertain and rapidly evolving situation.

The Group has managed, over these months, to find the right answers to the challenges that the evolution of the pandemic has thrown up on a daily basis in all aspects of company life, confirming its characteristics as a reliable, solid and sustainable company.

The priority challenge has encapsulated the aspects more strictly related to the health and safety of Group personnel; specific protocols have been adopted in this domain with even stricter and more meticulous safeguarding, protection and guarantee measures than those set forth in the agreements with the institutions and social parties.

Another fundamental aspect, tackled extremely effectively, has been financial management, which has led, in just a few months, to a clear improvement in the Net Financial Position, a significant extension of the average duration of loans and considerable cash and cash equivalents.

Also on the economic management front, heavily impacted by the "Covid effect" in sales and the decision to significantly reduce inventory stocks, the Group has taken the necessary counter-measures which have enabled it not only to lessen the negative impacts of the reduction in business, but also to achieve an improvement in the Gross Operating Margin.

We are fully aware that it will still be several months before we can return to a "normal" operating context, also in consideration of the evolution of the last few weeks, characterised by a sudden increase in the spread of the virus.
At the same time, we believe that the last few months have been a valuable experience that has allowed to us to learn to coexist in this context of constant uncertainty and unpredictability, and to draw lessons for changing the usual company's approach and behaviour also going forward.

The Group has already planned for the post-Covid phase, with a development plan that envisages, over the next few months, further improvement in industrial competitiveness, a broadening of coverage of the markets and a significant focus on research, development and innovation, with the conviction that the Group will be able to play an even more important future role in the sector than today.

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 Balance Sheet and Income Statement.

Panariagroup Industrie Ceramiche

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 382 million € in 2019, Panariagroup is a player of reference in its sector and boasts a geographic distribution of revenues focused for 81% on the foreign markets Specialised in the production of porcelain and laminated stoneware, by means of its own brands (Panaria, Lea, Cotto d'Este, Blustyle, Fiordo in Italy, Margres and Love Tiles in Portugal, Florida Tile in USA and Bellissimo in India), Panariagroup offers high quality and prestigious solutions for all the needs of residential, commercial and public architecture.
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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RECLASSIFIED CONSOLIDATED BALANCE SHEET
(Figures in thousands of Euro)

	30/9/2020	31/12/2019	30/9/2019
Inventories	144.358	164.289	164.236
Receivables from customers	64.981	58.844	70.064
Other current assets	9.835	12.332	15.225
CURRENT ASSETS	**219.174**	**235.465**	**249.525**
Payables due to suppliers	(81.240)	(82.103)	(79.422)
Other current liabilities	(27.278)	(26.398)	(31.743)
CURRENT LIABILITIES	**(108.518)**	**(108.501)**	**(111.165)**
NET WORKING CAPITAL	**110.656**	**126.964**	**138.360**
Goodwill	8.464	8.464	8.139
Intangible Assets	15.318	17.113	17.537
Tangible Assets	110.664	115.459	118.964
Right of Use . Leasing assets	93.595	101.451	102.179
Equity Investments	37	32	258
FIXED ASSETS	**228.078**	**242.519**	**247.077**
Receivables due after the following years	341	368	571
Liabilities for employee benefits	(5.021)	(5.046)	(4.957)
Provisions for risks and charges	(11.552)	(11.938)	(12.329)
Deferretd Tax Asset	21.477	18.122	15.685
Other payables due after 12 months	(2.614)	(1.644)	(1.431)
ASSET AND LIABILITIES DUE AFTER 12 MONTHS	**2.631**	**(138)**	**(2.461)**
NET CAPITAL EMPLOYED	**341.365**	**369.345**	**382.976**
Short-Term Financial Assets	(34.529)	(9.384)	(13.496)
Mid-Long Term Financial Assets	(17.082)	(17.803)	(19.290)
Short-Term Financial Liabilites	29.128	57.314	58.704
Mid-Long Term Financial Liabilities	114.948	75.463	85.554
NET FINANCIAL DEBT ANTE IFRS 16	**92.465**	**105.590**	**111.472**
Short-Term debt - Lease contracts	10.151	9.464	9.974
Mid-Long Term Debts - Lease contract	91.354	96.967	97.606
DEBT FOR LEASING CONTRACT	**101.505**	**106.431**	**107.580**
NET FINANCIAL DEBT POST IFRS 16	**193.970**	**212.021**	**219.052**
GROUP SHAREHOLDER EQUITY	**147.395**	**157.324**	**163.924**
TOTAL SOURCES OF FUNDS	**341.365**	**369.345**	**382.976**

Income Statement: comparison 30 September 2020 – 30 September 2019 – Year to Date
(Figures in thousands of Euro)

	CUMULATED				
	30/09/2020		30/09/2019		
	eur (000)	%	eur (000)	%	var € (000)
Revenues from sales and services	**269.839**	**103,5%**	**292.041**	**96,3%**	**(22.202)**
Change in inventories of finished products	(15.896)	-6,1%	3.268	1,1%	(19.164)
Other Revenues	6.711	2,6%	7.940	2,6%	(1.229)
Value of Production	**260.654**	**100,0%**	**303.249**	**100,0%**	**(42.595)**
Raw Materials	(81.893)	-31,4%	(93.468)	-30,8%	11.575
Services	(87.402)	-33,5%	(109.229)	-36,0%	21.827
Personnel Costs	(61.566)	-23,6%	(71.942)	-23,7%	10.376
Other operating expesnes	(2.106)	-0,8%	(2.701)	-0,9%	595
Production Costs	**(232.967)**	**-89,4%**	**(277.340)**	**-91,5%**	**44.373**
Gross Operating Profit	**27.687**	**10,6%**	**25.909**	**8,5%**	**1.778**
Amortisation and depreciation	(16.366)	-6,3%	(15.941)	-5,3%	(425)
Amortization of right of use of assets	(8.365)	-3,2%	(8.299)	-2,7%	(66)
Provisions and writedowns	(3.373)	-1,3%	(1.530)	-0,5%	(1.843)
Net Operating Profit (before Impairment)	**(417)**	**-0,2%**	**139**	**0,0%**	**(556)**
Impairment	(6.500)	-2,5%	–	0,0%	(6.500)
Net Operating Profit	**(6.917)**	**-2,7%**	**139**	**0,0%**	**(7.056)**
Financial income (expense)	(2.330)	-0,9%	(1.128)	-0,4%	(1.202)
IFRS 16 Financial Expenses	(1.585)	-0,6%	(1.686)	-0,6%	101
Pre.tax profit	**(10.832)**	**-4,2%**	**(2.675)**	**-0,9%**	**(8.157)**
Income Taxes	3.338	1,3%	876	0,3%	2.462
Net result for the period	**(7.494)**	**-2,9%**	**(1.799)**	**-0,6%**	**(5.695)**

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Income Statement: comparison 30 September 2020 – 30 September 2019 (Third Quarter)
(Figures in thousands of Euro)

		QUARTER				
		Q3 - 2020		Q3 - 2019		
		eur (000)	%	eur (000)	%	var € (000)
R05	**Revenues from sales and services**	**94.117**	**106,8%**	**90.770**	**100,2%**	**3.347**
R10	Change in inventories of finished products	(8.011)	-9,1%	(2.757)	-3,0%	(5.254)
R20	Other Revenues	2.029	2,3%	2.568	2,8%	(539)
	Value of Production	**88.135**	**100,0%**	**90.581**	**100,0%**	**(2.446)**
C10	Raw Materials	(27.808)	-31,6%	(28.303)	-31,2%	495
C20	Services	(30.185)	-34,2%	(33.903)	-37,4%	3.718
C30	Personnel Costs	(20.984)	-23,8%	(22.277)	-24,6%	1.293
C40	Other operating expesnes	(682)	-0,8%	(1.018)	-1,1%	336
	Production Costs	**(79.659)**	**-90,4%**	**(85.501)**	**-94,4%**	**5.842**
	Gross Operating Profit	**8.476**	**9,6%**	**5.080**	**5,6%**	**3.396**
A10	Amortisation and depreciation	(5.429)	-6,2%	(5.487)	-6,1%	58
A20	Amortization of right of use of assets	(2.704)	-3,1%	(2.749)	-3,0%	45
A30	Provisions and writedowns	(239)	-0,3%	(88)	-0,1%	(151)
	Net Operating Profit	**104**	**0,1%**	**(3.244)**	**-3,6%**	**3.348**
F10	Financial income (expense)	(1.112)	-1,3%	(92)	-0,1%	(1.020)
F20	IFRS 16 Financial Expenses	(505)	-0,6%	(557)	-0,6%	52
	Pre.tax profit	**(1.513)**	**-1,7%**	**(3.893)**	**-4,3%**	**2.380**
I10	Income Taxes	640	0,7%	1.280	1,4%	(640)
	Net result for the period	**(873)**	**-1,0%**	**(2.613)**	**-2,9%**	**1.740**

Income Statement: 2020 performance by quarter
(Figures in thousands of Euro)

	BY QUARTER							
	Q1 - 2020		Q2 - 2020		Q3 - 2020		Totale	
	eur (000)	%	eur (000)	%	eur (000)	%	eur (000)	%
Revenues from sales and services	**92.476**	**99,7%**	**83.246**	**104,3%**	**94.117**	**106,8%**	**269.839**	**103,5%**
Change in inventories of finished products	(2.083)	-2,2%	(5.802)	-7,3%	(8.011)	-9,1%	(15.896)	-6,1%
Other Revenues	2.322	2,5%	2.360	3,0%	2.029	2,3%	6.711	2,6%
Value of Production	**92.715**	**100,0%**	**79.804**	**100,0%**	**88.135**	**100,0%**	**260.654**	**100,0%**
Raw Materials	(29.172)	-31,5%	(24.913)	-31,2%	(27.808)	-31,6%	(81.893)	-31,4%
Services	(32.426)	-35,0%	(24.791)	-31,1%	(30.185)	-34,2%	(87.402)	-33,5%
Personnel Costs	(23.386)	-25,2%	(17.196)	-21,5%	(20.984)	-23,8%	(61.566)	-23,6%
Other operating expesnes	(779)	-0,8%	(645)	-0,8%	(682)	-0,8%	(2.106)	-0,8%
Production Costs	**(85.763)**	**-92,5%**	**(67.545)**	**-84,6%**	**(79.659)**	**-90,4%**	**(232.967)**	**-89,4%**
Gross Operating Profit	**6.952**	**7,5%**	**12.259**	**15,4%**	**8.476**	**9,6%**	**27.687**	**10,6%**
Amortisation and depreciation	(5.410)	-5,8%	(5.527)	-6,9%	(5.429)	-6,2%	(16.366)	-6,3%
Amortization of right of use of assets	(2.801)	-3,0%	(2.860)	-3,6%	(2.704)	-3,1%	(8.365)	-3,2%
Provisions and writedowns	(302)	-0,3%	(2.832)	-3,5%	(239)	-0,3%	(3.373)	-1,3%
Net Operating Profit (before Impairment)	**(1.561)**	**-1,7%**	**1.040**	**1,3%**	**104**	**0,1%**	**(417)**	**-0,2%**
Impairment	–	0,0%	(6.500)	-8,1%	–	0,0%	(6.500)	-2,5%
Net Operating Profit	**(1.561)**	**-1,7%**	**(5.460)**	**-6,8%**	**104**	**0,1%**	**(6.917)**	**-2,7%**
Financial income (expense)	(418)	-0,5%	(800)	-1,0%	(1.112)	-1,3%	(2.330)	-0,9%
IFRS 16 Financial Expenses	(345)	-0,4%	(735)	-0,9%	(505)	-0,6%	(1.585)	-0,6%
Pre.tax profit	**(2.324)**	**-2,5%**	**(6.995)**	**-8,8%**	**(1.513)**	**-1,7%**	**(10.832)**	**-4,2%**
Income Taxes	658	0,7%	2.040	2,6%	640	0,7%	3.338	1,3%
Net result for the period	**(1.666)**	**-1,8%**	**(4.955)**	**-6,2%**	**(873)**	**-1,0%**	**(7.494)**	**-2,9%**