PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

DIRECTORS' REPORT ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2008

Panariagroup Industrie Ceramiche S.p.A.
Via Panaria Bassa 22/A
41034 Finale Emilia (MO)
Codice fiscale, Partita IVA: 01865640369
www.panariagroup.it

Panariagroup Industrie Ceramiche

DIRECTORS' REPORT ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2008

Introduction

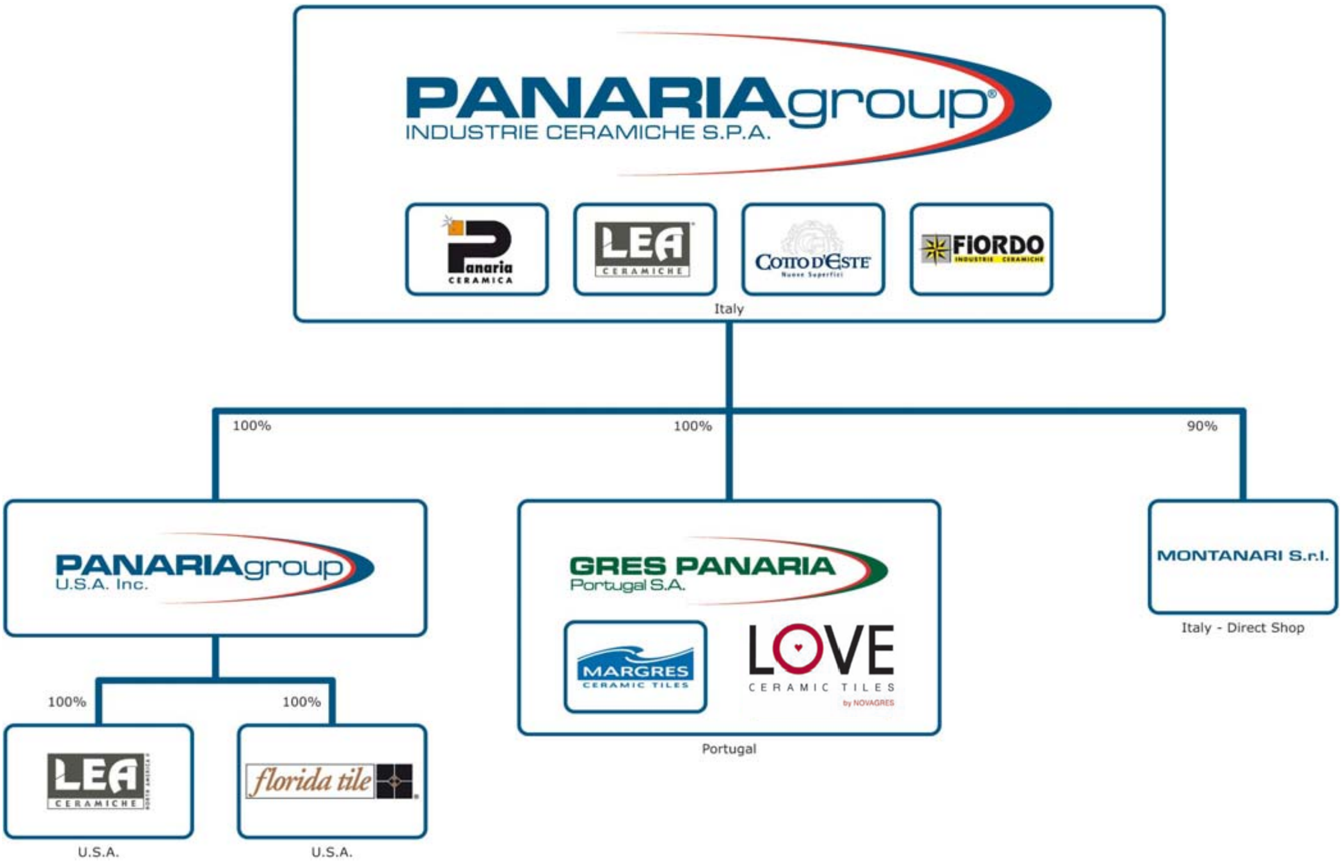
The consolidated financial statements for the period ended 30 June 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and officially approved by the European Union, as well as with the instructions issued in implementation of article 9 of Decree 38/2005.
The term IFRS is understood as including all of the international accounting standards (IAS), as suitably revised, all of the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

In particular, this half-yearly consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting”, which provides a level of disclosure significantly lower than that required in the preparation of the annual reports.

The Group adopted the IFRS issued by the International Accounting Standards Board after European Regulation no. 1606 took effect in July 2002, starting with the financial statements for the first half of 2005. The accounting policies used in preparing these financial statements do not differ from those applied since the date of adoption of IFRS.

STRUCTURE OF THE GROUP

The structure of the Group at 30 June 2008 is as follows:



The Parent Company is **Panariagroup Industrie Ceramiche S.p.A.**, based in Finale Emilia, Modena (Italy), with share capital of Euro 22,677,645.50.

Panariagroup produces and sells ceramic tiles for floors and walls under four distinctive brand names: Panaria, Lea, Cotto d’Este and Fiordo. All of these brands focus on the high-end and deluxe market segment and mainly sell porcelain grès product lines, both in Italy and abroad.

Gres Panaria Portugal S.A, based in Chousa Nova, Ilhavo (Portugal), share capital of Euro 16,500,000, subscribed and paid in, wholly owned by Panariagroup Industrie Ceramiche S.p.A.
Gres Panaria Portugal produces ceramic tiles for floors and walls under 2 separate brand names, Margres and Love Ceramic Tiles, both directed at the main European markets.

Panariagroup USA Inc., based in Delaware, USA, share capital of USD 34,500,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A.
This is a holding company for the US operations. It owns the investments in Florida Tile Inc. and Lea North America LLC.

Florida Tile Inc., based in Delaware, USA, share capital of USD 15,000,000, wholly owned by Panariagroup USA Inc., produces and sells ceramic tiles in the USA through its own distribution network located mainly on the east coast.

Lea North America LLC., based in Delaware, USA, share capital of USD 20,000, wholly owned by Panariagroup USA Inc.
This company markets Lea branded products on the North American market.

Montanari srl, based in Bologna, Italy, with a paid-in share capital of Euro 48.000, is owned 90% by Panariagroup Industrie Ceramiche. The company is a retail shop of ceramic material.

The Group's structure has not changed since 31 December 2007.

Directors and Officers

Board of Directors

Name	Office	Place and date of birth
Giuliano Mussini	Chairman of the Board of Directors	Modena, 10/9/1930
Giovanna Mussini	Deputy Chairman of the Board of Directors	Sassuolo (MO), 12/4/1959
Andrea Mussini	Managing director	Sassuolo (MO), 15/5/1958
Emilio Mussini	Managing director	Sassuolo (MO), 20/4/1961
Giuseppe Mussini	Managing director	Sassuolo (MO), 23/11/1962
Paolo Mussini	Managing director	Sassuolo (MO), 11/2/1958
Giuliano Pini	Managing director	Modena, 21/5/1952
Marco Mussini	Director	Sassuolo (MO), 21/7/1971
Giovanni Burani(*)	Director	Parma, 20/10/1964
Alessandro Iori(*)	Director	Reggio Emilia, 15/6/1943
Paolo Onofri(*)	Director	Bologna, 11/11/1946

(*) Independent non-executive director

Board of Statutory Auditors

Name	Office	Place and date of birth
Giovanni Ascari	Chairman of the Board of Statutory Auditors	Modena, 13/10/1935
Vittorio Pincelli	Standing auditor	Frassinoro (MO), 3/8/1943
Stefano Premoli Trovati	Standing auditor	Milano, 10/12/1971
Corrado Cavallini	Alternate auditor	Sassuolo (MO), 4/1/1971
Massimiliano Stradi	Alternate auditor	Sassuolo (MO), 16/3/1973

Independent Auditors

Deloitte & Touche S.p.A.

Directors' Report on the 2008 Half-yearly Consolidated Financial Statements

Results and significant events in the 1st Half 2008

Results

Shareholders,

The financial turmoil of the second half of last year after the sub-prime crisis in U.S., had strong negative impact on all Western economies and their effects are still underway.
The growth of GDP of the United States has experienced a sharp slowdown and, according to the information available, has reached a levels approaching to zero; as a consequence there has been a significant slowdown also on the Euro zone. Emerging economies, while maintaining good growth rates, have registered a reduction of the positive performance achieved.
Despite an environment of slowing growth in the international economy, the prices of petroleum products continued their surge achieving record levels, also supported by the depreciation of US currency

The situation in the residential sector reflected the general economic environment with heavy slowdown in US sales, a substantial stagnation on European markets except Spain in strong decline, and a good results in emerging countries (Russia, East Europe, China and India), even if with a lower growth in comparison with last year .

Our group in the first half of 2008 registered a decrease in turnover and in the marginality if compared to the previous year. The increase in average selling prices helped to cover the increase in some operating costs (staff and energy) but, due to the lower volumes sold, the negative effect on marginality was only partially absorbed.
These results, if related to the economic context, are however representative of a solid corporate structure:

- Consolidated revenues from sales amounted to Euro 177.2 million, a decrease of 6.9% on the same period in 2007.

- Gross operating profit came to Euro 23.6 million (Euro 27.5 million at 30/6/2007), while net operating profit was Euro 14.0 million (Euro 18.5 million at 30/6/2007),
- Consolidated net profit was Euro 6.8 million (Euro 9.8 million at 30/6/2007).

As previously mentioned, the result of 2008 is influenced by cyclical factors that have characterized the international economic. In fact, in addition to the structural crisis of the US economy, which caused the attainment of a negative operating margin of US Business Unit and a contraction in sale volume of all Group controlled companies in this market, is necessary to highlight the increases of energy factors (total cost increase of some Euro 1.2 million) and the heavy depreciation of the dollar which has also helped to penalize the economic Group's results. The average USD/EUR exchange rate in the first half 2008 was 1.531 compared with 1.329 in the first half 2007 (+15.2%); such exchange depreciation on the Panariagroup's European business units, had a negative overall impact on pre-tax profit of Euro 1.57 million.

Net of the results of US Business Unit (represented by the consolidated financial statement of Panariagroup USA Inc., that Includes Florida Tile Inc. and Lea North America LLC) and net of the negative effects of the dollar exchange rate, the European business unit (represented by the sum of Italian companies Panariagroup Industrie Ceramiche SpA, Montanari Srl and the Portuguese company Gres Panaria Portugal SA) confirm good results, in detail:

- Consolidated revenues from sales of Euro 150.1 million (-2.2% on 30/06/2007)

- Gross operating profit of Euro 24.8 million (16.5% of net revenues)

- Net operating profit of Euro 16.7 million (11.1% of net revenues)

- Consolidated net profit of Euro 10.2 million (6.8% of net revenues).

Significant events

We have to remark the change of the brand name Novagés in Love Ceramic Tiles.

As already successfully happened with the Portuguese brand Margrés (formerly Maronagrés), the purpose of this change is to raise the visibility of the brand and to set it on a more prestigious market segment.

Review of the Group's results at 30 June 2008

Income statement at 30 June 2008 compared with 30 June 2007

(in thousands of euro)

First of all it should be pointed out that the directors' report does not include any alternative performance measures and so it has not been necessary to provide any of the information required by the CESR in its Recommendation on alternative performance measures (CESR/05-178b).

CUMULATED	30/6/2008	%	30/6/2007	%	var.
Revenues from sales and services	**177,191**	**96,68%**	**190,405**	**97,34%**	**(13,214)**
Changes in inventories of finished products	4,043	2,21%	2,387	1,22%	1,656
Addition to fixed assets	0,002	0,00%	0,000	0,00%	0,002
Other revenues	2,048	1,12%	2,826	1,44%	(0,778)
Value of Production	**183,284**	**100,00%**	**195,618**	**100,00%**	**(12,334)**
Raw, ancillary and consumable materials	(50,156)	-27,37%	(54,582)	-27,90%	4,426
Services, leases and rentals	(71,308)	-38,91%	(74,496)	-38,08%	3,188
Personnel costs	(36,692)	-20,02%	(36,265)	-18,54%	(0,427)
Changes in inventories of raw materials	0,375	0,20%	(0,435)	-0,22%	0,810
Other operating expenses	(1,893)	-1,03%	(2,375)	-1,21%	0,482
Cost of production	**(159,674)**	**-87,12%**	**(168,153)**	**-85,96%**	**8,479**
Gross operating profit	**23,610**	**12,88%**	**27,465**	**14,04%**	**(3,855)**
D&A expenses	(8,448)	-4,61%	(8,019)	-4,10%	(0,429)
Provisions and impairments	(1,199)	-0,65%	(0,961)	-0,49%	(0,238)
Net operating profit	**13,963**	**7,62%**	**18,485**	**9,45%**	**(4,522)**
Financial income and expense	(3,671)	-2,00%	(2,176)	-1,11%	(1,495)
Pre-tax profit	**10,292**	**5,62%**	**16,309**	**8,34%**	**(6,017)**
Income taxes	(3,495)	-1,91%	(6,533)	-3,34%	3,038
Net profit for the period	**6,797**	**3,71%**	**9,776**	**5,00%**	**(2,979)**
Cash Flow	**16,444**	**8,97%**	**18,756**	**9,59%**	**(2,312)**

The cash flow reported in the previous table has been calculated as net profit before depreciation, amortisation, provisions and writedowns.

Revenues

Revenues from sales registered a decrease of 6.9%, passing from Euro 190.4 million in the first half of 2007 to Euro 177.2 million at 30 June 2008.

The European Business Unit reported an overall decrease of revenues of 2.8%, while Us Business Unit reported a decrease of revenues in Us$ of 12.9% (considering the negative effect of exchange rate of 15.2%, the revenues in Euro has decreased by 24.4%)

Principal markets

Panariagroup's three main points of reference are the Italian market, the European market and the US market.

Sales in **European markets**, amounting to Euro 84.1 million, increased by 2.33% if compared to previous year. Among the main European countries it has to be remarked the growth of France (+7.0%), Belgium (+5.8%), Spain (+29.5%) and the decrease of Portugal (-3.8%), Holland (-6.2%).

The East Europe area reported an overall increase of Euro 0.77 million (+21.47%) mainly driven by Poland, Cyprus and Russia.

The Group continue to have a positive outlook of expected growth for 2008 in the European market, in particular on East Europe markets.

The incidence of the European markets on the consolidated turnover is around 46%.

The **Italian market** with a total turnover of 56.1 million Euros, (representing 31% on the consolidated turnover), is declined of about 7.0% if compared with the same period of 2007; this decrease is mainly attributable to a general caution in the property sector even in the wake of the recession run over U.S. and Spanish market in addition to the financial markets in general.

On this market, expectations of the group for the coming months are of a partial reduction of the negative gap so far registered.

The **US market**, with a total turnover of Euro 32.1 million, accounted for 18% of the consolidated turnover

The first half 2008 confirms the structural crisis of the US Real Estate industry: according to the last U.S. Department of Housing and Urban Development research, also the month of May 2008 registered a decline of Us residential building permits of -36.3%, if compared to the same month of 2007, reaching an overall decrease for the first 5 months of 2008 of -35.7%.

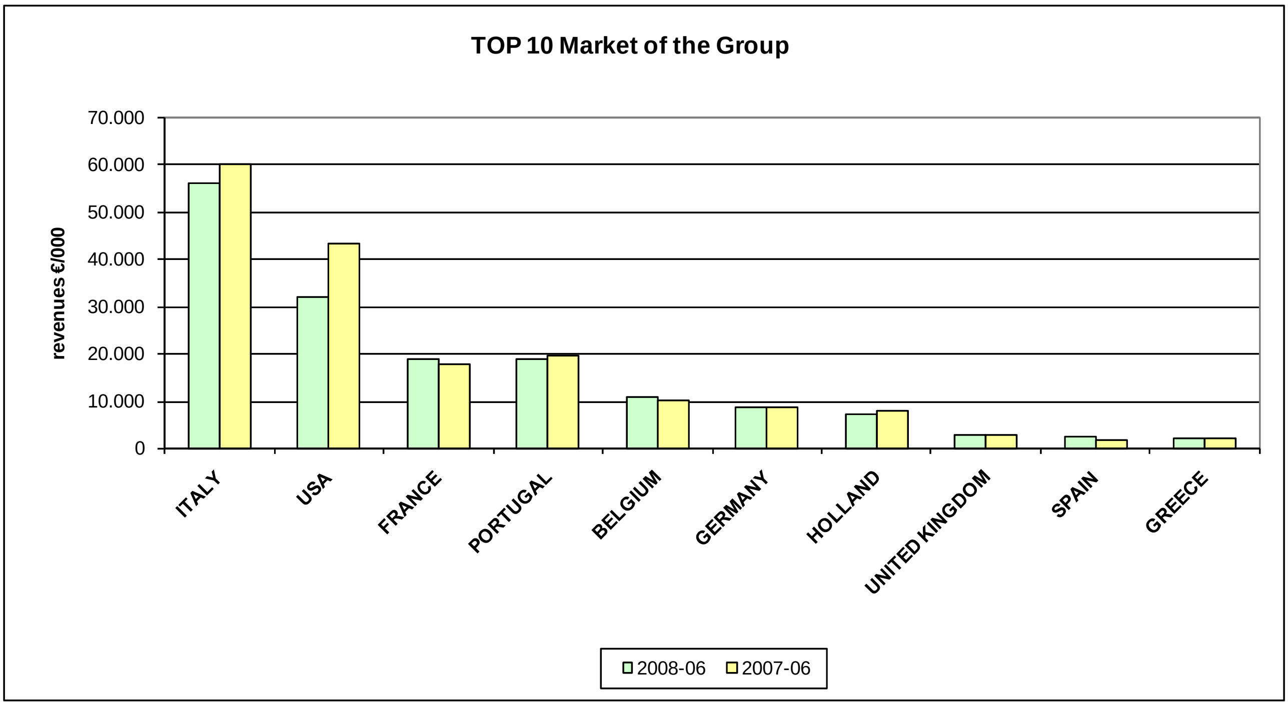
In this scenario, the European companies of the Group registered a decrease of sales in dollars of about 19%, while US business unit lost about 12.9% of dollars sales if compared to 2007.

The revenues from US included in the Group consolidated financial statement as of June 30th 2008, fell of 13.9% if express in Us dollars; furthermore if we consider the unfavourable effect of the exchange rate, the total sales in Euro declined of more than 26%.

The following table provides a breakdown of sales to the Group's principal markets in the first half of the year:

Revenues by geographical area (gross of customer incentives) (amounts in thousand euros)

rk	Country	30/06/2008	30/06/2007	var.	%
1	ITALY	56.062	60.284	(4.222)	-7,0%
2	USA	32.126	43.515	(11.389)	-26,2%
3	FRANCE	19.025	17.779	1.246	7,0%
4	PORTUGAL	18.958	19.713	(755)	-3,8%
5	BELGIUM	10.929	10.330	599	5,8%
6	GERMANY	8.751	8.901	(150)	-1,7%
7	HOLLAND	7.456	7.947	(491)	-6,2%
8	UNITED KINGDOM	2.749	2.791	(42)	-1,5%
9	SPAIN	2.473	1.910	563	29,5%
10	GREECE	2.361	2.316	45	1,9%
	OTHERS	20.254	19.219	1.035	5,4%
	TOTAL	**181.144**	**194.705**	**(13.561)**	**-7,0%**



As previously stated, the table remarks the dynamics of the main markets of Panariagroup The data shows a decline in the U.S. and Italian markets and a substantial maintenance of European markets.

In addition to the Eastern Europe markets, also the Middle and Far East, represent an important market opportunity for our Group. These countries, traditionally oriented on low-end products, have increased their demand for the “made in Italy” and high-end products. The total turnover in these areas, grouped in the table under "other", has increased of about 1.0 million Euros if compared to 2007.

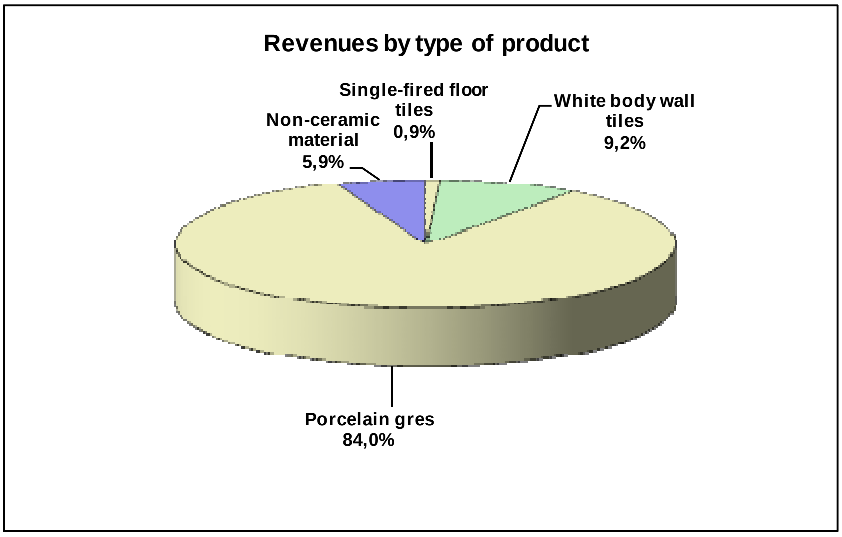
Regarding the individual brand, Cotto d’Este and Margres registered good performance growth while the other European brand Panaria, Lea, Fiordo and Love Tiles registered a slight decline over the previous year.
At the contrary the Us business unit registered a pronounced negative performance under the persistence of the structural crisis of Us real estate sector.

The types of product sold by the company are porcelain grès (Panariagroup's core business), white body tiles and single-fired floor tiles (exclusively of Florida Tile).
The company also sells non-ceramic material under the Florida Tile brand.

The following is a summary of sales by type of product:

Revenues by type of product (gross of customer incentives) (in thousand euro)

Tipologia	*30/06/2008*	*30/06/2007*	*var.*	*%*
Porcelain gres	152.118	154.740	(2.622)	-1,69%
%	84,0%	79,5%		
White body wall tiles	16.678	21.071	(4.393)	-20,85%
%	9,2%	10,8%		
Single-fired floor tiles	1.684	5.821	(4.137)	-71,07%
%	0,9%	3,0%		
Non-ceramic material	10.664	13.073	(2.409)	-18,43%
%	5,9%	6,7%		
Totale	**181.144**	**194.705**	**(13.561)**	**-7,0%**



The sales of “Porcelain gres” are those that have registered the lowest decrease in turnover; while, at the contrary, the higher decrease is referred to “Single-fire floor tiles” that are almost exclusively related to Florida Tile. This drop on sales come from the ongoing process in the American controlled company of conversion of all single fire product lines (previously purchased from third parties) into porcelain gres product lines in order to exploit the new American porcelain production line installed in the second half of last year.

The decrease of “White body wall tiles” is mainly determined by a strong decrease in Florida Tile, where this type is typically reserved to large distributors.

“Non-ceramic material” is related to products sold by Florida Tile in its branches; in particular natural stones and laying and fixing tile materials.

Operating results and Net profit

Despite the continued weakening of Us Dollar and the persistent increase in oil products price, the Group, in the first half 2008, reached a satisfactory Gross operating profit of Euro 23.6 million, representing 13.3% of Net Sales.

Two main factor influenced the margin achieved in the period: on the one hand, the successful containment of some cost component, in particular the decline in purchases of finished goods registered in Florida Tile and the internalization of some production phases (cutting, polishing, lapping, etc..) previously outsourced to external suppliers and second, a significant increase in energy cost and in production fixed cost as a result of the choice to make some stops in the Italian production plants in order to maintain ad adequate level of inventory stock connected to the lower sale volume of the period.

As previously reported, European Business Unit (Italy and Portugal) confirmed their high profit margins in the first half of the year which, net of unfavourable dollar effect, generated a **gross operating margin** of about 17.0%, while the result of the US business unit continued to suffer from the structural crisis on the domestic market.

Net operating profit came to Euro 14.0 million, representing 7.9% of net sales.
The level of depreciation, writedowns and provisions was Euro 0.7 million higher, reflecting significant investment in development during 2007, amounting to Euro 12 million for building the new production line in the Lawrenceburg factory

Higher financial expensing, rising from Euro 2.2 million to Euro 3.7 million, is the result of the following factors: the negative exchange losses arising from US dollar collections (Euro 0.8 million) and the increase of the interest rates together with an higher average net indebtedness of the period (higher estimated financial charges of about Euro 0.7 million).

The tax charge estimated for the first half 2008 amounted to Euro 3.5 million (equal to a 33.97% tax rate), which is significant lower if compared with the same period of the previous year (Euro 6.5 million, equal to a 40.1% tax rate).
This decrease is mainly attributable to tax benefit arising from the "realignment of values" of accelerated depreciation allowed by the 2008 Budget Law which generated a tax benefit of some Euro 1 million as of June 30, 2008.

Net profit amounted to Euro 6.8 million, representing 3.8% of net sales (5.1% as of June 30, 2007).

Review of the balance sheet

Reclassified consolidated balance sheet

(in thousands of euro)

	30/6/2008	31/3/2008	31/12/2007
Inventories	147,800	145,171	144,310
Accounts Receivable	117,042	107,924	100,510
Other current assets	6,511	8,980	11,497
CURRENT ASSETS	**271,353**	**262,075**	**256,317**
Accounts Payables	(77,086)	(70,707)	(75,063)
Other current liabilities	(39,373)	(35,371)	(34,632)
CURRENT LIABILITIES	**(116,459)**	**(106,078)**	**(109,695)**
NET WORKING CAPITAL	**154,894**	**155,997**	**146,622**
Goodwill	13,002	13,002	13,002
Intangible assets	3,217	3,031	3,252
Tangible assets	97,136	97,391	96,426
Equity Investments and other financial fixed assets	0,004	0,001	0,001
FIXED ASSETS	**113,359**	**113,425**	**112,681**
Receivables due after the following year	0,268	0,281	0,299
Provisions for termination benefits	(6,889)	(6,964)	(7,172)
Provisions for risks and charge and deferred taxes	(10,657)	(12,703)	(12,777)
Other payables due after the year	(3,383)	(3,919)	(4,743)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	**(20,661)**	**(23,305)**	**(24,393)**
NET CAPITAL EMPLOYED	**247,592**	**246,117**	**234,910**

Short term financial assets	(6,668)	(7,725)	(6,263)
Short term financial debt	75,177	68,929	56,003
NET SHORT TERM FINANCIAL DEBT	**68,509**	**61,204**	**49,740**
Mid-long term financial debt	27,843	30,681	31,129
NET FINANCIAL POSITION	**96,352**	**91,885**	**80,869**
Group Shareholders' Equity	151,240	154,232	154,041
SHAREHOLDERS' EQUITY	**151,240**	**154,232**	**154,041**
TOTAL SOURCES OF FUNDS	**247,592**	**246,117**	**234,910**

(*) The balance sheet as of march 31st, 2008 has not been audited

As required by CONSOB Communication DEM/6064293 of 28 July 2006, reconciliation is appended to the directors' report between the above reclassified balance sheet and the related format used for IFRS purposes.

Net working capital

Net working capital has increased by around Euro 8.3 million since the start of the year, mainly as a result of the growth in trade receivables, while the level of inventories has reported a slight increase.

Trade receivables are usually higher at the end of the first half of the year because of the seasonal nature of sales, with their level at the end of June 2008 in line with that a year earlier.

Non-current assets

Non-current assets have increased by Euro 0.7 million since the start of the year.

This increase is mainly due to:

- net capital expenditure of the period of about Euro 10.3 million: these investments are related for 7.3 million Euros to technical investments in the production plants, while the remaining 3.0 million Euros are referred to the purchase of an industrial land in Portugal considered strategically important for its proximity to the Aveiro plant and to the main roadways; this investment could be utilized for the rationalisation of the existing logistic and productive structures
- foreign exchange variation of about Euro 1.2 million arising from the conversion of the financial statements of the US controlled companies originally expressed in US dollar
- depreciation and amortisation for the period of Euro 8.4 million.

Net financial position

Summary cash flow
(thousands euro)

	30/6/2008
Net financial position - beginning	**(80,869)**
Net Profit	6,797
D & A	8,448
Net Variation Provisions	(1,476)
Internal operating Cash flow	**13,769**
Change in net working capital	(10,528)
Dividend distribution	(6,749)
Net Investments	(10,291)
Other movements	(1,684)
Net financial position - final	**(96,352)**

The reconciliation between the Summary of cash flows and the IFRS cash flow statement is appended to this report.

The net financial position reports a negative balance of Euro 96.4 million, having deteriorated by Euro 15.5 million since the start of the year.

The negative change is principally due to the payment of Euro 6.7 million in dividends in the second quarter of 2008 and the level of capital expenditure (Euro 10.3 million)

Segment information

Segment information will now be reported in compliance with IAS 14.

The Primary Segment has been identified as the area of activity, while the Secondary Segment is the geographical area.

With regard to the *Primary Segment*, the Group's products are substantially similar in terms of quality and production methods, markets, margins, customers and sales networks. This means that the business segment is not diversified internally given the largely similar nature of the risks and benefits pertaining to the products produced by the Group. As a result, no information is provided on this segment.

As regards the *Secondary Segment*, the information by geographical area required by IAS 14 will now be reported. In particular:

- The breakdown of revenues by geographical area is provided in the earlier section on "Revenues".
- The breakdown of total assets by geographical location is shown below:

Breakdown of assets by geographical area (amounts in thousand euros)

Nature	Italy	Europe	USA	Other	Total
CURRENT ASSETS	**159.380**	**70.661**	**41.880**	**6.100**	**278.021**
Inventories	95.973	25.949	25.878	0	147.800
Trade receivable	57.083	42.248	11.611	6.100	117.042
Due from tax authorities	586	114	36	0	736
Other current assets	4.488	566	1.258	0	6.312
Cash and cash equivalents	1.250	1.784	3.097	0	6.131
NON-CURRENT ASSETS	**46.156**	**50.587**	**27.087**	**0**	**123.830**
Goodwill	913	12.089	0	0	13.002
Intangible assets	1.277	5	1.935	0	3.217
Property, plant and equipment	43.856	38.469	14.811	0	97.136
Financial assets	0	0	10.207	0	10.207
Deferred tax assets					0
Other non-current assets	110	24	134	0	268
TOTAL ASSETS	**205.536**	**121.248**	**68.967**	**6.100**	**401.851**

- The breakdown by geographical location of investments during the year in property, plant and equipment is as follows:

Breakdown of assets by geographical area (amounts in thousand euros)

Nature	Italy	Europe	USA	Other	Total
Investments in 2008	**4.270**	**4.922**	**864**	**0**	**10.056**

Research and development activities

One of the main success factors that have always distinguished our Group within the ceramics sector is our ongoing research and development activities.
The constant search for high quality raw materials and the adoption of state-of-the-art technologies allow us to build product lines with highly innovative technical and aesthetic contents, which guarantee supremacy in the top-end and luxury segment of the ceramics market.
The new product lines created and those being carried out in 2008 should ensure turnover and profitability.

As regards the costs incurred for developing the above projects, the company intends to use the tax credit allowed by article 1 - paragraph 280 of Law 296/06, as amended by article 1 - paragraphs 53 and 66 of Law 244/07. The company also intends to exempt the related personnel costs from IRAP tax, as allowed by article 11 of Decree 446 dated 15 December 1997, as amended by article 17 - paragraph 3 of Decree 247 dated 18 November 2005, and reflected in article 1 - paragraph 266 of Law 296/06.

Transactions with parent companies, affiliates and related parties

Related party transactions are explained in the explanatory notes to the half-year consolidated financial statements.
Furthermore, in compliance with CONSOB Communication DEM/6064293 of 28 July 2006, it is reported that the related party transactions described in the explanatory notes almost all relate to the lease of industrial premises used by the Parent Company for the conduct of its business.

Reconciliation of the parent company's equity and net profit for the period with the corresponding consolidated amounts

As required by CONSOB Communication DEM/6064293 of 28 July 2006, the following table reconciles the Parent Company's equity and net profit for the period with the corresponding consolidated amounts reported at 30 June 2008 (in thousands of euro):

	Equity	Net profit
As per Panariagroup Industrie Ceramiche SpA's financial statements (Parent Company)	**137.901**	**5.691**
a) Difference between the book value of equity investments and thei value using the equity method	13.503	1.015
b) Elimination of unrealised gains arising on the intercompany transfer of inventories	(239)	(17)
c) Reversal of exchange losses on intercompany loan	0	103
d) Recognition of deferred tax assets and (liabilities) reflecting the tax effect (where applicable) of consolidation adjustments	75	5
Net effect of consolidation adjustments	**13.339**	**1.106**
As per consolidated financial statements	**151.240**	**6.797**

Treasury shares and/or ultimate parent company shares

In execution of the resolution passed at the Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A. on 27 April 2007 and subsequently on 24 April 2008, the Company has initiated a stock buy-back programme which stood as follows at 30 June 2008:

Tresasury share

no. of share	*Average book value*	*amount*
364.171	**4,0073**	**1.459.335,61**

Panariagroup Industrie Ceramiche S.p.A., the Parent Company, does not own any shares or quotas of ultimate parent companies, nor has it owned or traded in such shares or quotas during the period, so there are no disclosures to be made in accordance with article 2428.2, points 3 and 4 of the Italian Civil Code.

Atypical and/or unusual transactions

As required by CONSOB Communication DEM/6064293 of 28 July 2006, it is reported that during the first half of 2008 there were no atypical and/or unusual transactions, as defined in the explanatory notes.

Significant subsequent events

No significant events have taken place in the period subsequent to the end of June 2008.

Outlook for 2008

In the coming months of 2008, considering the difficult economic scenario that invests the major Western economies and especially the US, the Group will increase the efforts to develop Emerging markets and to maintain the good results obtained so far on European markets, in order to ensure the consolidation of the achieved results in term of turnover and marginality.

Other information

The disclosures required by article 2428, point 6 bis) of the Italian Civil Code can be found in the explanatory notes.

CONSOB resolution 11971 of 14 May 1999

In compliance with the provisions of this resolution, the following table reports the interests in Panariagroup and its subsidiaries held by directors, statutory auditors, general managers, key management personnel and their spouses, unless legally separated, and minor children, directly or through companies under their control, trust companies or third parties, as reported in the shareholders' register, notices received and other information obtained from the same directors, statutory auditors, general managers and key management personnel:

- ART. 79 -

TABLE 2 - INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS AT 30/06/2008

Name	Investment held in	Number of shares held at end of prior year	Number of share purchased in 1st half 2008	Number of share sold in 1st half 2008	Number of shares held at 31/06/2008	Type of holding	Type of ownership
Mussini Giuliano	Panariagroup	167.060	65.403		232.463	direct	owner
		4.400			4.400	spouse	owner
Mussini Giovanna	Panariagroup	62.641	32.841		95.482	direct	owner
Pini Giuliano	Panariagroup	38.468			38.468	direct	owner
		880	2.000		2.880	spouse	owner
Mussini Emilio	Panariagroup	36.996	10.000		46.996	direct	owner
		3.080			3.080	spouse	owner
Mussini Giuseppe	Panariagroup	24.400	32.000		56.400	direct	owner
		30.400			30.400	spouse	owner
Mussini Andrea	Panariagroup	47.816	25.899		73.715	direct	owner
Mussini Marco	Panariagroup	23.679	4.500	5.669	22.510	direct	owner
		9.340			9.340	spouse	owner
Mussini Paolo	Panariagroup	10.000			10.000	direct	owner
Iori Alessandro	Panariagroup	440			440	direct	owner
		4.200			4.200	spouse	owner
Burani Giovanni	Panariagroup	17.000			17.000	direct	owner
Onofri Paolo	Panariagroup	-			-	direct	owner
Ascari Pier Giovanni	Panariagroup	-			-	direct	owner
Premoli Trovati Stefano	Panariagroup	-			-	direct	owner
Pincelli Vittorio	Panariagroup	-			-	direct	owner

ATTACHMENTS

- Reconciliation between the Reclassified Balance Sheet and the IFRS Balance Sheet at 30/06/2008
- Reconciliation between the Reclassified Balance Sheet and the IFRS Balance Sheet at 31/12/2007
- Reconciliation between the Summary of Cash Flows and IFRS Cash Flow Statement

Sassuolo, 08 August 2008

The Chairman

Giuliano Mussini

ATTACHMENT 1

RECONCILIATION

RECLASSIFIED BALANCE SHEET / IFRS BALANCE SHEET

AT 30/06/2008

BALANCE SHEET - IFRS

ASSETS	30/6/2008	RIF
CURRENT ASSETS	**278.021**	
Inventories	147.800	(A)
Trade receivable	117.042	(B)
Due from tax authorities	736	(C)
Other current assets	6.312	(D)
Cash and cash equivalent	6.131	(E)
NON-CURRENT ASSETS	**123.830**	
Goodwill	13.002	(F)
Intangible assets	3.217	(G)
Property, plant and equipment	97.136	(H)
Financial assets	10.207	(I)
Deferred tax assets	-	
Other non-current assets	268	(L)
TOTAL ASSETS	**401.851**	

LIABILITIES AND EQUITY	30/6/2008	RIF
CURRENT LIABILITIES	**191.636**	
	75.177	(M)
Trade payables	77.086	(N)
Due to tax authorities	6.642	(O)
Other current liabilities	32.731	(P)
NON-CURRENT LIABILITIES	**58.975**	
Employee severance indemnities	6.889	(Q)
Deferred tax liabilities	3.925	(R)
Provision for risks and charges	6.732	(S)
Due to banks and other sources of finance	38.046	(T)
Other non-current liabilities	3.383	(U)
TOTAL LIABILITIES	**250.611**	
EQUITY	**151.240**	
Share capital	22.678	(V)
Reserves	121.765	(W)
Net profit for the year	6.797	(X)
TOTAL LIABILITIES AND EQUITY	**401.851**	

RECLASSIFIED BALANCE SHEET

	30/6/2008	RIF
Inventories	147.800	(A)
Trade receivable	117.042	(B)
Other current assets	6.511	(C)+(D)-(*)
CURRENT ASSETS	**271.353**	
Trade payables	(77.086)	(N)
Other current liabilities	(39.373)	(O) + (P)
CURRENT LIABILITIES	**(116.459)**	
NET WORKING CAPITAL	**154.894**	
Goodwill	13.002	(F)
Intangible assets	3.217	(G)
Property, plant and equipment	97.136	(H)
Equity investments and other financial assets	4	(I) - (**)
FIXED ASSETS	**113.359**	
Receivable due beyond 12 months	268	(L)
Employee severance indemnities	(6.889)	(Q)
Provision for risks and charges and deferred taxation	(10.657)	(R)+(S)
Other liabilities due beyond 12 months	(3.383)	(U)
ASSETS AND LIABILITIES DUE BEYOND 12 MONTHS	**(20.661)**	
NET CAPITAL EMPLOYED	**247.592**	
Short-term financial assets	(6.131)	(E)
Short-term financial indebtedness	74.640	(M) - (*)
NET SHORT-TERM FINANCIAL INDEBTEDNESS	**68.509**	
Long-term financial indebtedness	27.843	(T) - (**)
NET LONG-TERM FINANCIAL INDEBTEDNESS	**27.843**	
NET FINANCIAL POSITION	**96.352**	
Group interest in equity	151.240	(V)+(W)+(X)
EQUITY	**151.240**	
TOTAL SOURCES	**247.592**	

(*) Short-term portion IRB **537**
Included in Current Assets in Ifrs Balnce Sheet
Included in Short-term financial assets Reclassified Balance Sheet

(**) Long-term portion IRB **10.203**
Included in Financial assets in Ifrs Balnce Sheet
Included in Long-term financial assets Reclassified Balance Sheet

ATTACHMENT 2

RECONCILIATION

RECLASSIFIED BALANCE SHEET / IFRS BALANCE SHEET

AT 31/12/2007

BALANCE SHEET - IFRS

ASSETS	31/12/2007	RIF
CURRENT ASSETS	**262.580**	
Inventories	144.310	(A)
Trade receivable	100.510	(B)
Due from tax authorities	6.256	(C)
Other current assets	5.241	(D)
Cash and cash equivalent	6.263	(E)
NON-CURRENT ASSETS	**124.480**	
Goodwill	13.002	(F)
Intangible assets	3.252	(G)
Property, plant and equipment	96.426	(H)
Financial assets	11.501	(I)
Deferred tax assets	-	
Other non-current assets	299	(L)
TOTAL ASSETS	**387.060**	

LIABILITIES AND EQUITY	31/12/2007	RIF
CURRENT LIABILITIES	**165.698**	
	56.003	(M)
Trade payables	75.063	(N)
Due to tax authorities	2.997	(O)
Other current liabilities	31.635	(P)
NON-CURRENT LIABILITIES	**67.321**	
Employee severance indemnities	7.172	(Q)
Deferred tax liabilities	6.153	(R)
Provision for risks and charges	6.624	(S)
Due to banks and other sources of finance	42.629	(T)
Other non-current liabilities	4.743	(U)
TOTAL LIABILITIES	**233.019**	
EQUITY	**154.041**	
Share capital	22.678	(V)
Reserves	117.311	(W)
Net profit for the year	14.052	(X)
TOTAL LIABILITIES AND EQUITY	**387.060**	

RECLASSIFIED BALANCE SHEET

	31/12/2007	RIF
Inventories	144.310	(A)
Trade receivable	100.510	(B)
Other current assets	11.497	(C)+(D)-(*)
CURRENT ASSETS	**256.317**	
Trade payables	(75.063)	(N)
Other current liabilities	(34.632)	(O) + (P)
CURRENT LIABILITIES	**(109.695)**	
NET WORKING CAPITAL	**146.622**	
Goodwill	13.002	(F)
Intangible assets	3.252	(G)
Property, plant and equipment	96.426	(H)
Equity investments and other financial assets	1	(I) - (**)
FIXED ASSETS	**112.681**	
Receivable due beyond 12 months	299	(L)
Employee severance indemnities	(7.172)	(Q)
Provision for risks and charges and deferred taxation	(12.777)	(R)+(S)
Other liabilities due beyond 12 months	(4.743)	(U)
ASSETS AND LIABILITIES DUE BEYOND 12 MONTHS	**(24.393)**	
NET CAPITAL EMPLOYED	**234.910**	
Short-term financial assets	(6.263)	(E)
Short-term financial indebtedness	56.003	(M) - (*)
NET SHORT-TERM FINANCIAL INDEBTEDNESS	**49.740**	
Long-term financial indebtedness	31.130	(T) - (**)
NET LONG-TERM FINANCIAL INDEBTEDNESS	**31.130**	
NET FINANCIAL POSITION	**80.870**	
Group interest in equity	154.041	(V)+(W)+(X)
EQUITY	**154.041**	
TOTAL SOURCES	**234.911**	

(*) Short-term portion IRB
Included in Current Assets in Ifrs Balnce Sheet **0**
Included in Short-term financial assets Reclassified Balance Sheet

(**) Long-term portion IRB **11.500**
Included in Financial assets in Ifrs Balnce Sheet
Included in Long-term financial assets Reclassified Balance Sheet

ATTACHMENT 3

RECONCILIATION

SUMMARY OF CASH FLOWS/ IFRS CASH FLOW STATEMENT

Note:

The summary of cash flows presented in the directors' report measures the change in total Net Financial Indebtedness, while IFRS cash flow statement measures the change in Short-term Net Financial Indebtedness.

		30/06/2008	
	Short-term securities	(537)	
A	Cash and cash equivalents	(6.131)	
	Short-term financial assets	**(6.668)**	
	Long-term securities	(10.203)	
	Long-term financial assets	**(10.203)**	
B	Due to banks	69.117	
	Current portion of long-term loans	4.818	
	Leases	1.242	
	Short-term financial indebtedness	**75.177**	
	Non-current portion of long-term loans	27.138	
	Leases	10.908	
	Long-term financial indebtedness	**38.046**	
C	**Net indebtedness**	**96.352**	
	Net short-term financial indebtedness	**62.986**	**= A + B**
	(as reported in IFRS cash flow statement)		
	Total net financial position	**96.352**	**= C**
	(as reported in summary cash flows contained in the Directors' Report)		

PANARIAgroup INDUSTRIE CERAMICHE S.P.A.

PANARIAGROUP
CONSOLIDATED FINANCIAL STATEMENTS
CASH FLOW STATEMENT - IFRS
(THOUSANDS OF EURO)

(in thousands of euro)	**30 june 2008**	
A - OPERATIONS		
Net profit for the year	6.797	**A**
Amortisation and depreciation	8.448	**B**
Deferred tax liabilities (assets)	(2.228)	**C**
Net change in provision	752	**D**
Cash flow (absorption) from operation prior to changes in working capital	*13.769*	
(Increase) / Decrease in trade receivable	(16.532)	
(Increase) / Decrease in inventories	(4.417)	
Increase / (Decrease) in trade payable	2.023	
Net change in other current assets/liabilities	8.398	
Cash flow (absorption) from operation due to change in working capital	*(10.528)*	**F**
Total (A) Cash flow from operations	**3.241**	
B - INVESTMENT ACTIVITIY		
Net investment in property, plant and equipment	(10.056)	**H**
Net investment in intangible assets	(235)	**I**
Net investment in financial assets	(3)	**J**
Exchange difference on property, plant and equipment and intangible assets	1.168	**K**
Business acquisition, gross of short-term net debt of the business acquired	-	**L**
di cui:		
Property, plant and equipment	-	
Intangible assets and other non-current assets	-	
Current assets	-	
Payables	-	
Non-current liabilities	-	
Total (B) Cash flow (absorption) from investment activities	**(9.126)**	
C - FINANCING ACTIVITY		
Increase in capital	-	
Distribution of dividends	(6.749)	**G**
Other changes in equity	-	
(Purchase) Sale of treasury share	(856)	**M**
Net change in loans	(696)	
Totale (C) Cash flow (absorption) from financing activities	**(8.301)**	
Opening net cash (indebtedness)	**(46.807)**	
Change in the translation reserve	**(1.993)**	**N**
Net change in short-term net cash (indebtedness) (A+B+C)	**(14.186)**	
Closing net cash (indebtedness)	**(62.986)**	**(X)**

Summary of cash flows
(in thousands of Euro)

	30/6/2008	
Financial position - opening balance	**(80.869)**	
Net profit for the period	6.797	A
Amortisation and depreciation	8.448	B
Net change in other provisions	(1.476)	C+D
Self-financing	**13.769**	
Change in net working capital	(10.528)	F
Dividends	(6.749)	G
Net capital expenditure	(10.291)	H + I
Effect of acquisitions	0	L
Other changes	(1.684)	M + N + K + J
Financial position - closing balance	**(96.352)**	(Z)