DIRECTORS' REPORT ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2009

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Panariagroup Industrie Ceramiche

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT AT JUNE 30TH 2009

Introduction

The consolidated financial statement at June 30th 2009 has 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), suitably revised, and all of the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).

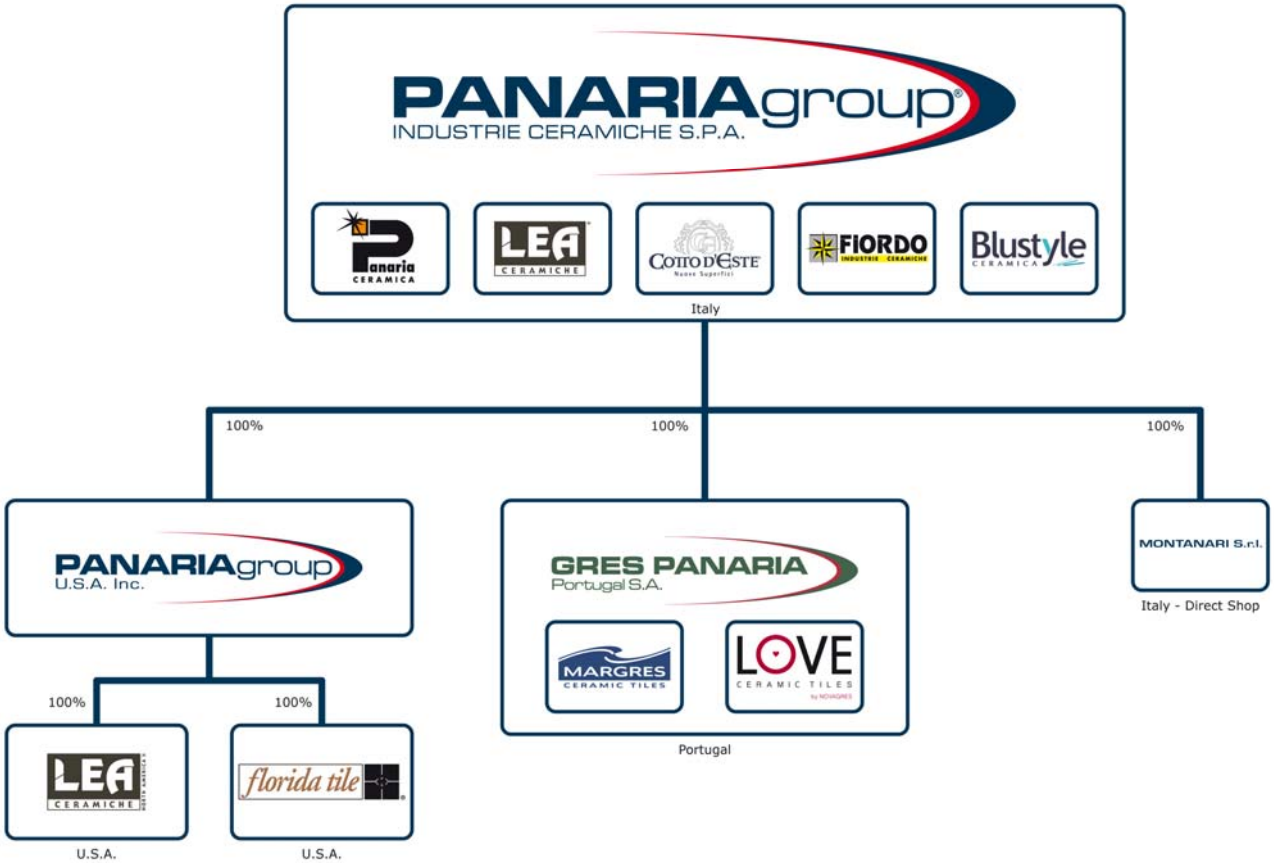
In particular, this consolidated financial statement has been prepared in accordance with the IAS 34 “Half Year Financial”, that provides significantly lower information than at the editing of the year end financial statement, if previously made available a statement completed with all the information in accordance of the IRFS.

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 IFRS adoption date.

The Holding Finpanaria S.p.A. is the majority stockholder.

STRUCTURE OF THE GROUP

The structure of the Group at June 30th 2009 is as follows:



The Parent Company is **Panariagroup Industrie Ceramiche S.p.A.** (hereafter referred to as "Panariagroup" or the "Company"), 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 five distinctive brand names: Panaria, Lea, Cotto d'Este, Fiordo and Blustyle. All of these brands focus on the high-end luxury 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 two separate *brand* names, Margres and Lovetiles (previously called Novagres), both directed at the main European markets.

Panariagroup USA Inc., based in Delaware, USA, share capital of USD 55,500,000, wholly owned by Panariagroup Industrie Ceramiche S.p.A.
This is a holding company for the US operations. It owns 100% interests in Florida Tile Inc. and Lea North America LLC.

Florida Tile Inc., based in Delaware, USA, share capital of USD 25,000,000, 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 Francesco Srl, based in Crespellano, Bologna (Italy), share capital of Euro 48,000, 100% owned by Panariagroup Industrie Ceramiche S.p.A. This company runs a retail outlet for ceramic tiles.

Directors and Officers

Board of Directors

Name	Office	Place and date of birth
Emilio Mussini	Chairman of the Board of Directors	Sassuolo (MO), 20/4/1961
Giuliano Mussini	Deputy 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
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	Milan, 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 First Half 2009 Consolidated Financial Statements

Results and significant events in the first half 2009

Results

Shareholders,

The financial turbulence generated in the second half of the last year by the American sub-prime loans crisis, had strong negative rebounds on all the western economies and their effects are still ongoing.

The significant international economic contraction that hit the second part of the 2008 is persisting in the present year; the available performance indicators agree in recording further important decreases of the gross domestic product of the main countries in progress.

To fight back the economic adversities, the main industrialized countries adopted exceptional corrections; the interest rates in the main advanced areas have been reduced to the all-time minimum; extraordinary plans to support the economy have been realized through the reduction of the tax load, the increase of the public expense, mainly in investments, and the support and recapitalization of the bank companies.

The increase of the US gross domestic product registered a strong slowdown, reaching levels closed to the zero; consequently, the Euro area suffered the same slow down in performance. The emerging economies, though maintaining a good rhythm of growth, noted a dip in their positive performance.

The difficult actual economic situation has reflection on the real estate area, with very strong reductions in the US and outstanding contractions in Europe, with particular critical situation in the Spanish and British markets, and a reflexive condition in the eastern countries.

Regarding the Italian ceramic sector, according to the last Confindustria Ceramica's analysis, the total reduction of the revenues in the first half of the 2009 has been around the 25%.

In this background, the first half of the year performance of Panariagroup is essentially on line to the management's expectations. The contraction of the profitability, mainly generated by the reduction of the demand in all the markets, has been only partially covered by the cut of the cost of oil and of other raw materials. For these reasons, the Group continued to concentrate its efforts to the costs reduction, both structural and pertaining the economical situation; the firsts through actions of reorganization of the company in order to reduce the fixed costs, the seconds realized through temporary arrests of the production plants and a decrease of the quantities produced, in order to contain the production cost and to avoid the lock up of the working capital caused by the increase of the stock.

The results, if considered among the difficult economic situation, are representative of a solid company structure:

- Consolidated net revenues from sales amounted to 149.3 million euro, with a decrease of 15,7% on the same period in 2008.

- Gross operating profit came to 9,9 million euro (23.6 million euro at 30/06/2008), while net operating profit was negative for 0.6 million euro (13.9 million euro at 30/06/2008).

- Consolidated net loss was 4.4 million euro.

It is important to remark that the second quarter of 2009 registered an improvement if compared with the first quarter: the policies to reduce the costs, the benefits due to the decrease of the energy costs, the save on the cost of labour thanks to the plants stops and the use of holidays for the employees, show positive feedbacks.

(thousands euro)	**1st Quarter 09**	**%**	**2nd Quarter 09**	**%**
Net revenues	71,369	99,7%	77,943	113,9%
Value of the Production	**71,595**	**100,0%**	**68,428**	**100,0%**
Production Costs	(67,923)	-94,9%	(62,173)	-90,9%
Gross Operating profit	**3,672**	**5,1%**	**6,255**	**9,1%**
Depreciations & Ammortizations	(4,854)	-6,8%	(5,624)	-8,2%
Net Operating Profit	**(1,182)**	**-1,7%**	**0,631**	**0,9%**

(*) Quarterly data are not Audited

We are confident that the conservation of the positive factors that determined the second quarter 2009 performance, will contribute also to a better performance in the second part of the year.

Significant events

In the first half of the 2009 Panariagroup realized very important investments for 7.3 million euro, quiet all dedicated to the innovation of the production process. In the Italian plant of Fiorano Modenese we are close to fulfil the assembly of the very new production line for the thin (3mm) and the larger size format (3m x 1m) ceramic plates. This project is considered strategic for the Group, regarding the performance of this type of product at the moment outsourced and the increasing volumes realized even in the 2009. The market seems very sensitive to this new product, thanks to its features of environmental impact, suitable at the restructuring and the external panelling of the buildings. The test of the new line has been planned for the fourth quarter of the 2009.

Review of the Group's results at 30-6-2009

First of all, the Directors' Report does not include any alternative performance measures, so we are not required to provide any of the information indicated by the CESR (Committee of European Securities Regulators) in its Recommendation on alternative performance measures (CESR/05-178b).

Income statement at 30 June 2009 compared with 30 June 2008

(in thousands of euro)

YTD	30/6/2009	%	30/6/2008	%	var.
Revenues from sales and services	**149,312**	**106,63%**	**177,191**	**96,68%**	**(27,879)**
Changes in inventories of finished products	(12,246)	-8,75%	4,043	2,21%	(16,289)
Other revenues	2,957	2,11%	2,050	1,12%	0,907
Value of Production	**140,023**	**100,00%**	**183,284**	**100,00%**	**(43,261)**
Raw, ancillary and consumable materials	(37,228)	-26,59%	(50,156)	-27,37%	12,928
Services, leases and rentals	(55,817)	-39,86%	(71,308)	-38,91%	15,491
Personnel costs	(35,260)	-25,18%	(36,692)	-20,02%	1,432
Changes in inventories of raw materials	(0,247)	-0,18%	0,375	0,20%	(0,622)
Other operating expenses	(1,544)	-1,10%	(1,893)	-1,03%	0,349
Cost of production	**(130,096)**	**-92,91%**	**(159,674)**	**-87,12%**	**29,578**
Gross operating profit	**9,927**	**7,09%**	**23,610**	**12,88%**	**(13,683)**
D&A expenses	(8,309)	-5,93%	(8,448)	-4,61%	0,139
Provisions and impairments	(1,381)	-0,99%	(1,199)	-0,65%	(0,182)
Non-recurring Provisions	(0,788)	-0,56%	0,000	0,00%	(0,788)
Net operating profit	**(0,551)**	**-0,39%**	**13,963**	**7,62%**	**(14,514)**
Financial income and expense	(2,759)	-1,97%	(3,671)	-2,00%	0,912
Pre-tax profit	**(3,310)**	**-2,36%**	**10,292**	**5,62%**	**(13,602)**
Income taxes	(1,096)	-0,78%	(3,495)	-1,91%	2,399
Net profit for the period	**(4,406)**	**-3,15%**	**6,797**	**3,71%**	**(11,203)**
Cash Flow	**6,072**	**4,34%**	**16,444**	**8,97%**	**(10,372)**

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

Revenues

Revenues from sales turned in a decrease of 15,7%, falling from 177.2 million euro at June 30th 2008 to 149.3 million euro at June 30th 2009 (-27,9 million euro).

The European business units realized a consolidated decrease in the revenues of 16,4%, while the revenues expressed in euro of the American unit reduced of 12,4%.
Though the fall of the revenues of the Group, the average sales prices maintained the same levels of the last year.

Principal markets

In the first half of 2009 the Group registered a decrease in revenues in all the main markets and Business Units.

The revenues on the European markets with 67,3 million euro registered a reduction if compared with the first half of the 2008 of almost 16,8 million euro (-20,0%). All the main traditional EEC markets declined significantly: France -13,8%, Portugal -21,9%, Belgium -9,3%, Holland -28,9%, Great Britain -24,1%.
The incidence of the European markets on the total revenues states at 44%.

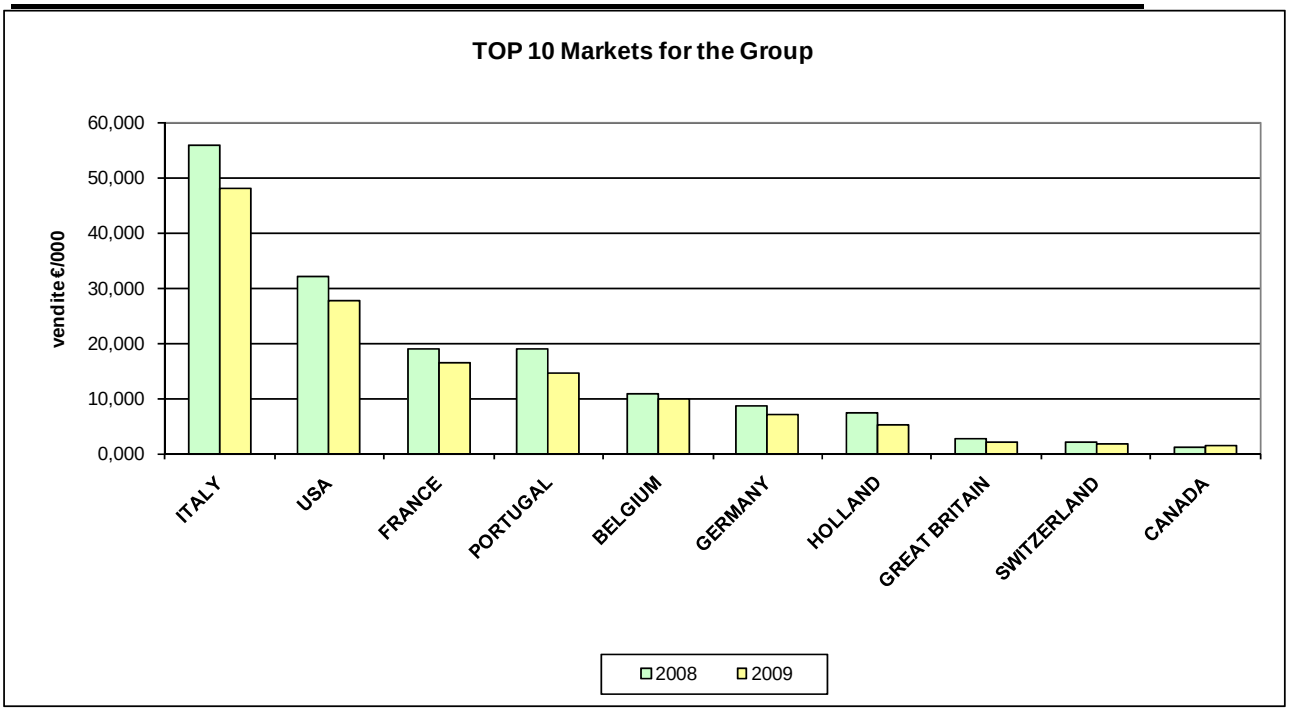
The total revenues in the Italian market amount at 48.0 million euro and show a decrease of about 8 million euro on the first half of 2008 (-14,3%).
The incidence of the Italian market on the total revenues is about 31%.

The persisting crisis on the American market (the first to be hit by the recession of the property market) registers further and more important contractions, as reported by the Department of Housing and Urban Development; the fall of the new constructions in the first half of 2009 has been of 46% if compared with the same period of the last year.
Regarding the sales of residential houses, though le level of sales is still lower than those registered in the first half of 2008, it is remarkable a very mild increase in the monthly trend. In this contest, the Group suffered in the first 6 months of the year a decrease in sales of -13,7%, soften by the effect of the enforcement of the US dollar in comparison with the first half of 2008.
The incidence of the US market on the total revenues is about 18%.

The following table provides a breakdown of sales to the Group's principal markets.

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

rk	*Nation*	*30/06/2009*	*30/06/2008*	*var.*	*%*
1	ITALY	48,037	56,062	(8,025)	-14,3%
2	USA	27,713	32,126	(4,413)	-13,7%
3	FRANCE	16,409	19,025	(2,616)	-13,8%
4	PORTUGAL	14,799	18,958	(4,159)	-21,9%
5	BELGIUM	9,915	10,929	(1,014)	-9,3%
6	GERMANY	7,304	8,751	(1,447)	-16,5%
7	HOLLAND	5,300	7,456	(2,156)	-28,9%
8	GREAT BRITAIN	2,086	2,749	(0,663)	-24,1%
9	SWITZERLAND	1,748	2,162	(0,414)	-19,1%
10	CANADA	1,583	1,369	0,214	15,6%
	OTHERS	17,042	21,557	(4,515)	-20,9%
	TOTAL	**151,936**	**181,144**	**(29,208)**	**-16,1%**



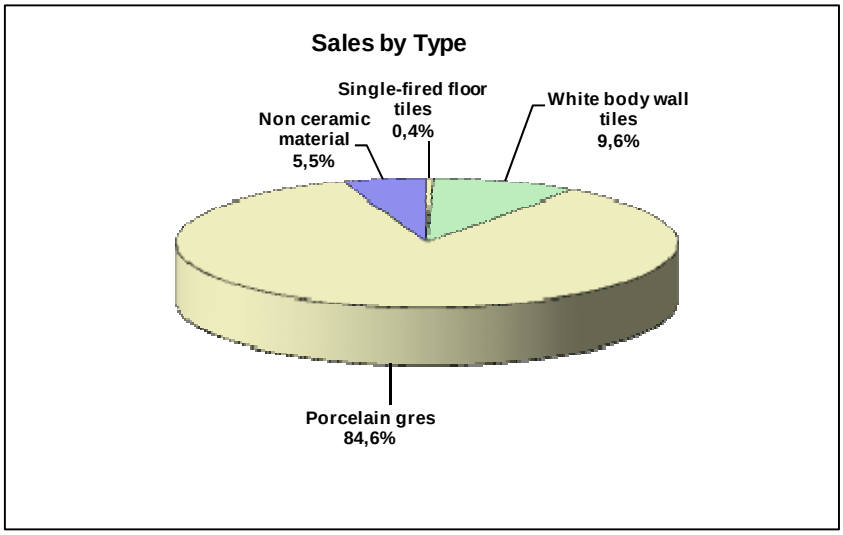
The emerging markets that could represent a good opportunity for the Group thanks to their predictable trend of growth, were also involved, already since the second half of 2008, in the heavy international financial crisis, recording a slowdown in the growth and, in some cases, stronger contractions than in the western countries. In these areas, still marginal for the Group, the decline registered in the revenues is close to 16%.

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

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

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

Type of product	*30/06/2009*	*30/06/2008*	*var.*	*%*
Porcelain gres	128,599	152,118	(23,519)	-15,46%
%	0,1%	84,0%		
White body wall tiles	14,510	16,678	(2,168)	-13,00%
%	0,0%	9,2%		
Single-fired floor tiles	0,532	1,684	(1,152)	-68,42%
%	0,0%	0,9%		
Non ceramic material	8,296	10,664	(2,368)	-22,21%
%	0,0%	5,9%		
Totale	**151.936**	**181**	**(29,208)**	**-16,1%**



Sales of "porcelain grès" fell the least, while stocks of single-fired floor tiles are gradually being run down. These were the main products of Florida Tile Inc., which has now converted all of its product lines of this type to porcelain grès in the new American production line installed during the second half of 2007.

The decline in "White body tiles" reflects the steep contraction reported by Florida Tile Inc., which usually sells this product to large distributors.

“Non-ceramic material” refers to products sold by Florida Tile Inc. in its own shops, namely tile-laying material and natural stones.

Operating results and Net result

The Gross Operating profit amounts to 9.9 million Euros, equal to 7.1% on the Value of Production (23.6 million Euros at June 30th 2008 – 12.9%)

The factors that mainly contributed to the formation of the actual level of profitability are:

- The considerable contraction of the turnover, which represented the higher penalization factor of the semester: the decrease of the Gross operating profit determined by the drop in revenues is estimated in about 10 million Euros.

- The decrease in the volume of production, higher than the reduction of the volume sold, allowed a containment of the level of the stock, limiting the weight of the Net Working Capital and of the Net Financial Position; this improvement is expected to be more marked in the second half of the year.
  The reduction in the volume manufactured has determined a drop in the Value of Production and a penalization in the P/L statement estimated in 2.5 million Euros; the lower production allowed a significant containment of the variable costs but it determined an higher incidence of the fixed costs.

- Starting from the second quarter, it become visible the reduction of the energy cost, even if, due to the indexing contract clauses that transfers the Oil trend on the prices gradually, it was not still reached a saving in respect to the first half of 2008. The first part of the year is still penalized for about 1 million Euro while the expectation for the second half is a saving not lower than 2,0 million Euros.

- The reduction of the personnel costs, mainly due to the reorganization operated in the commercial structures of the US branches and on the manufacturing personnel of the Portuguese plants. In the first Half of 2009 the Group staff passed from 1,871 units in June 2008 to 1,726 in June 2009. The economic effects of this rationalization will be more evident in the second Half, with an expected saving of about 6/7% on the personnel costs.

The actions operated during the first semester on the rationalization of the structure costs, and the gradual effect of decrease of the energy and raw material costs, will allow in the next months a recover of profitability.

A significant contribution to the drop of the profitability of the Group is still derived from the difficulties of the US Business Unit which starting from an economic loss in 2008 had also to face with a further decline in sales during the first half of 2009. We are performing several actions to optimize the organizational structure, in order to reduce significantly the fixed costs, with particular reference to the labour and the lease costs.

Net operating profit is negative for 0.6 million Euros, deriving by the above described trends.

The level of depreciation is in line with the last year, with an higher incidence on the Value of Production, due to the drop in sales.

Between the provisions made during the first semester 2009, we remark the prudential and non-recurring allowance of 0.8 million Euros, related to the operation of relocation of the new Headquarter of the US Company Florida Tile from Lakeland (FL) to Lexington (KY). With this relocation, that will be effected in the last months of the year, the Headquarter will be really close to the industrial plant, allowing an higher organizational efficiency.

Financial expenses decreases in respect with the first half 2008 for 0.9 million Euros (-24.8%); this decrease is due to the reduction in the interest rates.

The estimated tax charge at 30th June 2009 is equal to 1.1 million Euro, mainly deriving from the tax mechanism of the Italian IRAP.

Review of the balance sheet

Reclassified balance sheet

(in thousands of euro)

	30/6/2009	31/3/2009	31/12/2008	30/6/2008
Inventories	139,480	151,912	153,284	147,800
Accounts Receivable	103,070	98,325	96,197	117,042
Other current assets	5,975	7,410	6,769	6,511
CURRENT ASSETS	**248,525**	**257,647**	**256,250**	**271,353**
Accounts Payables	(56,837)	(60,521)	(65,078)	(77,086)
Other current liabilities	(32,509)	(33,908)	(32,642)	(39,373)
CURRENT LIABILITIES	**(89,346)**	**(94,429)**	**(97,720)**	**(116,459)**
NET WORKING CAPITAL	**159,179**	**163,218**	**158,530**	**154,894**
Goodwill	12,989	12,989	12,989	13,002
Intangible assets	3,783	3,758	3,757	3,217
Tangible assets	95,733	97,067	96,944	97,136
Equity Investments and other financial fixed assets	0,004	0,004	0,010	0,004
FIXED ASSETS	**112,509**	**113,818**	**113,700**	**113,359**
Receivables due after the following year	0,282	0,251	0,254	0,268
Provisions for termination benefits	(6,678)	(6,748)	(6,883)	(6,889)
Provisions for risks and charge and deferred taxes	(11,101)	(10,325)	(10,415)	(10,657)
Other payables due after the year	(1,712)	(2,175)	(2,573)	(3,383)
ASSETS AND LIABILITIES DUE AFTER THE YEAR	**(19,209)**	**(18,997)**	**(19,617)**	**(20,661)**
NET CAPITAL EMPLOYED	**252,479**	**258,039**	**252,613**	**247,592**
Short term financial assets	(3,707)	(3,015)	(3,690)	(6,131)
Short term financial debt	54,461	69,459	78,288	74,640
NET SHORT TERM FINANCIAL DEBT	**50,754**	**66,444**	**74,598**	**68,509**
Mid-long term financial debt	54,233	39,165	24,530	27,843
NET FINANCIAL POSITION	**104,987**	**105,609**	**99,128**	**96,352**
Group Shareholders' Equity	147,492	152,430	153,485	151,240
SHAREHOLDERS' EQUITY	**147,492**	**152,430**	**153,485**	**151,240**
TOTAL SOURCES OF FUNDS	**252,479**	**258,039**	**252,613**	**247,592**

(*) Quarterly data are not audited

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

Net working capital

The Net working capital is aligned with the situation at 31st December 2008; the significant decrease in the inventory level is balanced by two factors: the reduction of Trade Payables, determined by the drop of the variable costs and the increase in Trade Receivables mainly due to the high physiological level at the end of June determined by a typical seasonal trend.

We foresee an improvement in the level of Net Working Capital during the second Half of 2009.

Non-current assets

Non-current assets have diminished from the beginning of the year of about 1.3 million Euros. The significant investment equal to 7.3 million Euros, almost exclusively originated by innovation to the production process (thin gres plates, equipment for the digital decoration, etc.) have been more than balanced by the depreciation of the period, equal to 8.3 million Euros.

Net financial position

Financial cash flow
(thousands euro)

	30/6/2009
Net financial position (debt) - beginning	**(99,128)**
Net Result	(4,406)
D & A	8,309
Net Variation Provisions	1,650
Internal operating Cash flow	**5,553**
Change in net working capital	(2,698)
Dividend distribution	(1,348)
Net Investments	(7,326)
Other movements	(0,040)
Net financial position (debt) - final	**(104,987)**

The net financial position shows a negative balance of 105 million Euros, with a negative variation from the beginning of the year of about 6.0 million Euros, mainly determined by the distribution of a dividend, made during the second Quarter for 1.3 million Euros and by the investments effected for a total amount of about 7.3 million Euros.

During the 2009 we concluded with success some operations for a better balancing of the bank indebtedness between short term and medium-long term.

Segment information

The application of IFRS 8 – Operative Sectors is mandatory starting from the 1st January 2009. The accounting principle requires that the Operative Sectors are identified on the basis of the internal reporting that the management use to allocate the resources and to evaluate the performances.

The previous IAS 14 – Sector information, requested the identification of the segments (primary and secondary) on the base of the risks and benefits referable to the same segments; the internal reporting represented only the starting point to do this identification.

The products distributed by the Group doesn't present, in relation with their economic and financial characteristics, elements that are significantly different in term of nature of the product, nature of the manufacturing process, distribution channel, geographic distribution, type of customer. Consequently, basing on the paragraph 12 of the new accounting principle, the split requested is not necessary because considered not significant for the information of the Financial statement's reader.

The following is information is provided following the request of IFRS 8, paragraphs 32-33. In particular:

- For what concern the breakdown of revenues by geographical area and type of product, see please the tables previously provided in the section above called "Revenues".
- The breakdown of total assets by geographical location is shown below:

ASSETS	Italy	Europe	USA	Other	Total
CURRENT ASSETS	**145.911**	**58.971**	**41.454**	**6.495**	**252.831**
Inventories	85.893	25.299	28.288	0	139.480
Trade receivables	54.339	33.198	9.038	6.495	103.070
Due from tax authorities	1.535	73	4	0	1.612
Other current assets	3.166	183	1.613	0	4.962
Cash and cash equivalents	978	218	2.511	0	3.707
NON-CURRENT ASSETS	**45.933**	**49.353**	**28.278**	**0**	**123.564**
Goodwill	900	12.089	0	0	12.989
Intangible assets	1.591	272	1.920	0	3.783
Property, plant and equipment	43.293	36.992	15.448	0	95.733
Financial assets	0	0	10.777	0	10.777
Deferred tax assets					0
Other non-current assets	149	0	133	0	282
TOTAL ASSETS	**191.844**	**108.324**	**69.732**	**6.495**	**376.395**

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

	Italy	Europe	USA	Other	Total
Investments in 2009	**5.149**	**1.658**	**200**	**0**	**7.007**

Research and development activities

Research and development activities, a distinguishing feature of our Group in this sector, continue as before.

The continuing 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 content, which guarantee supremacy in the high-end luxury segment of the ceramics market.

The new product lines created and in process in the 2009 should generate an increase in revenues and profitability.

On the costs sustained for the development of the above mentioned projects, the company will make use of the tax credit allowed by the Italian law also for the 2009.

Transactions with parent companies, affiliates and related parties

Related party transactions are explained in the explanatory notes to the 2009 consolidated half year financial statements.

Furthermore, in compliance with CONSOB Communication DEM/6064293 of 28 July 2006, we can confirm that the related party transactions described in the explanatory notes almost all relate to the lease of industrial facilities used by the Parent Company for the conduct of its business.

Reconciliation of the Parent Company's equity and net profit 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 with the corresponding consolidated amounts reported at June 30th 2009 (in thousands of euro):

	EQUITY	NET RESULT OF THE PERIOD
As per Panariagroup Industrie Ceramiche SpA's financial statements (Parent company)	**136,906**	**0,094**
a) Difference between the book value of equity investments and their value using the equity method	10,720	(4,673)
b) Elimination of unrealised gains arising on the intercompany transfer of inventories	(0,195)	0,051
c) Reversal of exchange losses (gains) on intercompany loan	0,000	0,191
d) Recognition of deferred tax assets and (liabilities) reflecting the tax effect (where applicable) of consolidation adjustments	0,061	(0,069)
Net effect of consolidation adjustments	**10,586**	**(4,500)**
As per consolidated financial statements	**147,492**	**(4,406)**

Treasury shares and/or shares in the ultimate parent company

In accordance with the resolution passed at the Shareholders' Meeting of Panariagroup Industrie Ceramiche S.p.A. on 24 April 2008, and afterwards on April 17th 2009, the Company has initiated a stock buy-back programme which stood as follows at June 30th 2009:

Treasury shares

no of Shares	*Average book value*	*Ampunt*	*% Share Capital*
432,234	**3.735**	**1.614,28**	**0,953%**

Panariagroup Industrie Ceramiche S.p.A., the Parent Company, does not own any shares or quotas in the ultimate parent companies, nor has it owned or traded in such shares or quotas during the period; there are therefore no disclosures to be made in accordance with article 2428 - paragraph 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, we can confirm that there were no atypical and/or unusual transactions as defined in the explanatory notes during 2008.

Significant subsequent events

No significant events have taken place in the period subsequent to the end of June 2009.

Outlook for 2009

The actual economic environment is characterised by a climate of marked uncertainty, in all the market sectors (Banks, Manufactures, Services).

In this context, we will continue to pursue our policies of rationalization of the costs and containment of the Net Working Capital and of the Net Financial Position.

Basing on the financial solidity of our Group, on our 30 years experience in the ceramic industry, and considering the lower decrease in turnover if compared with the average data recorded by the Italian competitors, we are confident to be able to face this hard economic situation, even thanks to our continuous process in R&D of new products and technologies that will allow us the maintaining of the actual position on the market, waiting for the first signs of economic recovery.

In particular, we remark the realization in process of the Italian Plant of Fiorano Modenese, where we are completing the installation of the innovative production line for the manufacturing of thin ceramic tiles (only 3mm thickness) with big sizes (3 meters x 1 meter).

This project is considered strategic for the Group, considering the sales results recorded for this type of products, that are realizing, also in 2009, a significant growth in volumes sold.

Information on the ownership structure and the Report on Corporate Governance

In accordance with regulations issued by Borsa Italiana Spa and Consob, Panariagroup Industrie Ceramiche Spa has drawn up a Report on Corporate Governance which can be found at www.panariagroup.com, under "Company Documents". The same document provides information regarding the ownership structure (in accordance with art. 123-bis del D.L. 58 of 24 February 1998).

Risk management

In compliance with information requirements for listed companies, Law 262/2005 amended Issuer Regulations, introducing the requirement for directors of such companies to identify, evaluate and manage risks relating to the Company's activities. The main types of risk that have been identified are as follows:

GENERAL ECONOMIC RISK

During the course of 2009, and in particular during the last quarter, financial markets became especially volatile, with serious consequences both for financial institutions and for the economy as a whole. The significant and widespread deterioration in market conditions has been accentuated by a severe credit squeeze, both for consumers and for companies. This liquidity shortage will have negative repercussions on the industrial development of many business sectors, ours included. Should this situation of weakness and uncertainty become protracted, the activities, strategy and prospects for our Group could decline, negatively impacting the balance sheet, income statement and cash flow of the Group as a result.

CREDIT AND LIQUIDITY RISK

The Group's exposure to credit and liquidity risk is analysed in a note attached to this balance sheet, which includes the information required by IFRS 7.

RISK OF DEPENDENCE ON KEY PERSONNEL

The Group's performance depends on, among other things, the competence and quality of its *managers* , as well as the ability to ensure continuity in the running of operations. Inasmuch as several of the principal *managers* of Panariagroup are shareholders in Panariagroup Industrie Ceramiche S.p.A. through Finpanaria S.p.A., which holds over 70% of the share capital, it is reasonable to assume that the possibility of the Group's principal managers leaving the company is remote. Should this happen, however, it could have a negative impact on the activities and results of Panariagroup.

MARKET RISK

Competition risks:

The main producers of ceramic materials for floor and wall coverings worldwide, besides Italian producers, are: (i) Far Eastern producers, who are particularly competitive price-wise and target the lower end of the market; (ii) Spanish producers, some of whom are able to compete in the higher end of the market with average prices lower than those of Italian companies, due to lower production costs. Our Group continues to believe that its positioning in the high-end luxury market segment, where it is difficult for low-cost producers to enter, the high visibility of its trademarks, the wide range of product lines offered and the particular care and attention we give to design, all represent competitive advantages over products offered by such competitors. However, the possibility that increased competition may negatively impact the Group's economic and financial results in the medium to long term cannot be excluded.

Raw material risk:

The raw materials used in the production of ceramics for floor and wall coverings such as methane, energy and clay made up over 25% of the value of production both in 2007 and in 2008. An unexpected increase in their prices could therefore have a negative impact on

the Group's results in the short term. However, management believes that the possibility of revising price lists, given the Company's positioning in the high end luxury market which is less sensitive to price variations, should mitigate such effects in the medium term.

Environmental protection, personnel costs and regulations relating to the sector

The production and sale of ceramic materials for floor and wall coverings is not currently subject to specific sector regulations. On the other hand environmental protection regulations are especially relevant, considering the use which is made of certain substances such as lead and fluoride, and in particular for the treatment of such materials, for emissions control and waste disposal.

The Group keenly monitors environmental and personnel risks, and any situations arising in connection with operations are treated in accordance with all regulations.

With regards to its personnel, Panariagroup protects the health and safety of its employees in compliance with current regulations governing health and safety in the workplace.

During 2009, the Group had 1,726 employees.

Other information

The information requested by the Art.248 n.6bis are included in the disclosure to the consolidated financial statement.

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 30/6/2009

Name	Investment held in	Number of shares held at the end of prior year	Number of shares purchased in 2009	Number of shares sold in 2009	Number of shares held at 30/6/2009	Type of holding	Type of ownership
Mussini Giuliano	Panariagroup	281,963	-	-	**281,963**	Direct	Property
		4,400	-	-	**4,400**	Spouse	Property
Mussini Giovanna	Panariagroup	95,482	20,000	20,000	**95,482**	Direct	Property
Pini Giuliano	Panariagroup	38,468	-	-	**38,468**	Direct	Property
		2,880	-	-	**2,880**	Spouse	Property
Mussini Emilio	Panariagroup	90,936	-	1,500	**89,436**	Direct	Property
		3,080	-	-	**3,080**	Spouse	Property
Mussini Giuseppe	Panariagroup	56,400	-	-	**56,400**	Direct	Property
		30,400	-	-	**30,400**	Spouse	Property
Mussini Andrea	Panariagroup	73,715	41,144	-	**114,859**	Direct	Property
Mussini Marco	Panariagroup	22,510	-	-	**22,510**	Direct	Property
		9,340	-	-	**9,340**	Spouse	Property
Mussini Paolo	Panariagroup	30,000	-	-	**30,000**	Direct	Property
Iori Alessandro	Panariagroup	0,440	-	-	**0,440**	Direct	Property
		4,200	-	-	**4,200**	Spouse	Property
Burani Giovanni	Panariagroup	17,000	-	-	**17,000**	Direct	Property
Onofri Paolo	Panariagroup	-	-	-	-	Direct	Property
Ascari Pier Giovanni	Panariagroup	-	-	-	-	Direct	Property
Premoli Trovati Stefano	Panariagroup	-	-	-	-	Direct	Property
Pincelli Vittorio	Panariagroup	-	-	-	-	Direct	Property
		761,214	**61,144**	**21,500**	**800,858**		

ATTACHMENTS

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

Sassuolo, 7 August 2009

The Chairman

Emilio Mussini

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

ATTACHMENT 1

RECONCILIATION BETWEEN THE RECLASSIFIED BALANCE SHEET AND THE IFRS BALANCE SHEET AT 30/06/2009

Reconciliation IFRS Balance Sheet / Reclassified Balance Sheet contained in Directors' Report figures at 30/6/2009

BALANCE SHEET - IFRS

ASSETS	30/6/2009	REF
CURRENT ASSETS	**252,831**	
Inventories	139,480	(A)
Trade receivables	103,070	(B)
Due from tax authorities	1,612	(C)
Other current assets	4,962	(D)
Cash and cash equivalents	3,707	(E)
NON-CURRENT ASSETS	**123,564**	
Goodwill	12,989	(F)
Intangible assets	3,783	(G)
Property, plant and equipment	95,733	(H)
Financial assets	10,777	(I)
Deferred tax assets	-	
Other non-current assets	0,282	(L)
TOTAL ASSETS	**376,395**	

LIABILITIES AND EQUITY	30/6/2009	
CURRENT LIABILITIES	**144,406**	
Due to banks and other sources of finance	55,060	(M)
Trade payables	56,837	(N)
Due to tax authorities	3,622	(O)
Other current liabilities	28,887	(P)
NON-CURRENT LIABILITIES	**84,497**	
Employee severance indemnities	6,678	(Q)
Deferred tax liabilities	3,224	(R)
Provisions for risks and charges	7,877	(S)
Due to banks and other sources of finance	65,006	(T)
Other non-current liabilities	1,712	(U)
TOTAL LIABILITIES	**228,903**	
EQUITY	**147,492**	
Share capital	22,678	(V)
Reserves	129,220	(W)
Net result for the period	(4,406)	(X)
TOTAL LIABILITIES AND EQUITY	**376,395**	

RECLASSIFIED BALANCE SHEET

	30/6/2009	REF
Inventories	139,480	(A)
Trade receivables	103,070	(B)
Other current assets	5,975	(C)+(D)-(*)
CURRENT ASSETS	**248,525**	
Trade payables	(56,837)	(N)
Other current liabilities	(32,509)	(O) + (P)
CURRENT LIABILITIES	**(89,346)**	
NET WORKING CAPITAL	**159,179**	
Goodwill	12,989	(F)
Intangible assets	3,783	(G)
Property, plant and equipment	95,733	(H)
Equity investments and other financial assets	0,004	(I)-(**)
FIXED ASSETS	**112,509**	
Receivables due beyond 12 months	0,282	(L)
Employee severance indemnities	(6,678)	(Q)
Provisions for risks and charges and deferred taxation	(11,101)	(R)+(S)
Other liabilities due beyond 12 months	(1,712)	(U)
ASSETS AND LIABILITIES DUE BEYOND 12 MONTHS	**(19,209)**	
NET CAPITAL EMPLOYED	**252,479**	
Short-term financial assets	(3,707)	(E)
Short-term financial indebtedness	54,461	(M) - (*)
NET SHORT-TERM FINANCIAL INDEBTEDNESS	**50,754**	
Long-term financial indebtedness	54,233	(T) - (**)
NET LONG-TERM FINANCIAL INDEBTEDNESS	**54,233**	
NET FINANCIAL POSITION	**104,987**	
Group interest in equity	147,492	(V)+(W)+(X)
EQUITY	**147,492**	
TOTAL SOURCES	**252,479**	

(*) CURRENT PORTION OF IRB **0,599**
Classified under current assets in the IFRS balance sheet
Included in short-term financial indebtedness in the reclassified balance sheet

(**) NON-CURRENT PORTION OF IRB **10,773**
Classified under financial assets in the IFRS balance sheet
Included in long-term financial indebtedness in the reclassified balance sheet

PANARIAgroup
INDUSTRIE CERAMICHE S.P.A.

ATTACHMENT 2

RECONCILIATION BETWEEN THE RECLASSIFIED BALANCE SHEET AND THE IFRS BALANCE SHEET AT 31/12/2008

Reconciliation IFRS Balance Sheet / Reclassified Balance Sheet contained in Directors' Report figures at 31/12/2008

BALANCE SHEET - IFRS

ATTIVO	31/12/2008	RIF
CURRENT ASSETS	**260,548**	
Inventories	153,284	(A)
Trade receivables	96,197	(B)
Due from tax authorities	3,927	(C)
Other current assets	3,450	(D)
Cash and cash equivalents	3,690	(E)
NON-CURRENT ASSETS	**125,510**	
Goodwill	12,989	(F)
Intangible assets	3,757	(G)
Property, plant and equipment	96,944	(H)
Financial assets	11,566	(I)
Deferred tax assets	-	
Other non-current assets	0,254	(L)
TOTAL ASSETS	**386,058**	

LIABILITIES AND EQUITY	31/12/2008	
CURRENT LIABILITIES	**176,616**	
Due to banks and other sources of finance	78,896	(M)
Trade payables	65,078	(N)
Due to tax authorities	4,757	(O)
Other current liabilities	27,885	(P)
NON-CURRENT LIABILITIES	**55,957**	
Employee severance indemnities	6,883	(Q)
Deferred tax liabilities	3,313	(R)
Provisions for risks and charges	7,102	(S)
Due to banks and other sources of finance	36,086	(T)
Other non-current liabilities	2,573	(U)
TOTAL LIABILITIES	**232,573**	
EQUITY	**153,485**	
Share capital	22,678	(V)
Reserves	125,362	(W)
Net profit for the period	5,445	(X)
TOTAL LIABILITIES AND EQUITY	**386,058**	

RECLASSIFIED BALANCE SHEET

	31/12/2008	RIF
Inventories	153,284	(A)
Trade receivables	96,197	(B)
Other current assets	6,769	(C)+(D)-(*)
CURRENT ASSETS	**256,250**	
Trade payables	(65,078)	(N)
Other current liabilities	(32,642)	(O) + (P)
CURRENT LIABILITIES	**(97,720)**	
NET WORKING CAPITAL	**158,530**	
Goodwill	12,989	(F)
Intangible assets	3,757	(G)
Property, plant and equipment	96,944	(H)
Equity investments and other financial assets	0,010	(I) - (**)
FIXED ASSETS	**113,700**	
Receivables due beyond 12 months	0,254	(L)
Employee severance indemnities	(6,883)	(Q)
Provisions for risks and charges and deferred taxation	(10,415)	(R)+(S)
Other liabilities due beyond 12 months	(2,573)	(U)
ASSETS AND LIABILITIES DUE BEYOND 12 MONTHS	**(19,617)**	
	0,000	
NET CAPITAL EMPLOYED	**252,613**	
Short-term financial assets	(3,690)	(E)
Short-term financial indebtedness	78,288	(M) - (*)
NET SHORT-TERM FINANCIAL INDEBTEDNESS	**74,598**	
Long-term financial indebtedness	24,530	(T) - (**)
NET LONG-TERM FINANCIAL INDEBTEDNESS	**24,530**	
NET FINANCIAL POSITION	**99,128**	
Group interest in equity	153,485	(V)+(W)+(X)
EQUITY	**153,485**	
TOTAL SOURCES	**252,613**	

(*) CURRENT PORTION OF IRB **0,608**
Classified under current assets in the IFRS balance sheet
Included in short-term financial indebtedness in the reclassified balance sheet

(**) NON-CURRENT PORTION OF IRB **11,556**
Classified under financial assets in the IFRS balance sheet
Included in long-term financial indebtedness in the reclassified balance sheet

ATTACHMENT 3

RECONCILIATION BETWEEN THE SUMMARY OF CASH FLOWS AND THE IFRS CASH FLOW STATEMENT

Note:

The summary of cash flows presented in the directors' report measures the change in total net financial indebtedness, while the IFRS cash flow statement measures the change in short-term net financial indebtedness.

		30/06/2009
	Short-term securities	(0,599)
A	Cash and cash equivalents	(3,707)
	Short-term financial assets	**(4,306)**
	Long-term securities	(10,773)
	Long-term financial assets	**(10,773)**
B	Due to banks	45,985
	Current portion of long-term loans	7,823
	Leases	1,252
	Short-term financial indebtedness	**55,060**
	Non-current portion of long-term loans	54,163
	Leases	10,843
	Long-term financial indebtedness	**65,006**
C	**Net indebtedness**	**104,987**

Net short-term financial indebtedness	**42,278**	**= A + B**
(as reported in IFRS cash flow statement)		

Total net financial position	**104,987**	**= C**
(as reported in summary of 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 thousand of euro)	**30/06/2009**	
A - OPERATIONS		
Net profit for the year	(4,406)	**A**
Depreciation and amortisation	8,309	**B**
Deferred tax liabilities (assets)	(0,089)	**C**
Net change in provisions	1,739	**D**
	-	
	-	
Cash flow (absorption) of operations prior to changes in working capital	*5,553*	
(Increase)/decrease in trade receivables	(7,235)	
(Increase)/decrease in inventories	12,997	
Increase/(decrease) in trade payables	(8,241)	
Net change in other assets/liabilities	(0,219)	
Cash flow (absorption) from operations due to changes in working capital	*(2,698)*	**F**
Total (A) Cash flow from operations	**2,855**	
B - INVESTMENT ACTIVITY		
Net investment in property, plant and equipment and intangible assets	(7,326)	**H**
Net investment in financial assets	-	**J**
Exchange difference on property, plant and equipment and intangible assets	0,202	**K**
Business acquisition, gross of short-term net debt of the business acquired	-	**L**
Total (B) Cash flow (absorption) from investment activity	**(7,124)**	
C - FINANCING ACTIVITY		
Increase in capital	-	
Distribution of dividends	(1,348)	**G**
Other changes in equity	-	
(Purchase) Sale of treasury shares	-	**M**
Net change in loans	31,656	
Total (C) Cash flow (absorption) from financing activities	**30,308**	
Opening net cash (indebtedness	**(68,078)**	
Change in the translation reserve	**(0,239)**	**N**
Net change in short-term net cash (indebtedness) (A+B+C)	**26,039**	
Closing net cash (indebtedness	**(42,278)**	**(X)**

Summary of cash flows
(in thousands of Euro)

	31/12/2008	
Financial position - opening balance	**(99,128)**	
Net profit for the period	(4,406)	A
Depreciation and amortisation	8,309	B
Net change in other provisions	1,650	C+D
Self-financing	**5,553**	
Change in net working capital	(2,698)	F
Dividends	(1,348)	G
Net investments	(7,326)	H
Effect of acquisitions	0,000	L
Other changes	(0,037)	M + N + K + J
Financial position - closing balance	**(104,984)**	(Z)