

**PANARIA**group®  
INDUSTRIE CERAMICHE S.P.A.

**Panariagroup Industrie Ceramiche S.p.A.**

**QUARTERLY REPORT  
AS OF MARCH 31<sup>st</sup>, 2007**



Panariagroup Industrie Ceramiche S.p.A.  
Via Panaria Bassa 22/A  
41034 Finale Emilia (MO)  
Fiscal Code, VAT Number: 01865640369  
[www.panariagroup.it](http://www.panariagroup.it)

## **INDEX**

### **1. GROUP STRUCTURE**

### **2. CORPORATE BOARDS**

#### **2.1 Board of Directors**

#### **2.2 Board of Statutory Auditors**

#### **2.3 Independent Auditors**

### **3. CONSOLIDATED P&L AND BALANCE SHEET**

#### **3.1 Profit and loss account – First quarter 2007 and 2006**

#### **3.2 Reclassified balance sheet**

#### **3.3 Net financial position**

### **4. NOTES TO THE ACCOUNTS**

#### **4.1 Accounting standards and criteria**

#### **4.2 Consolidation scope**

#### **4.3 Executive report on operations**

### **5. OPERATIONAL OUTLOOK**

### **6. NOTEWORTHY EVENTS AFTER THE QUARTERLY REPORT DATE**

## 1. GROUP STRUCTURE

As of March 31<sup>st</sup> 2007, the Group was structured as follows:



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

Panariagroup produces and distributes floor and wall ceramic tiles under 4 distinct brand names: Panaria, Lea, Cotto d'Este and Fiordo. All brands are positioned on the high and deluxe market segment, focused on porcelain grès tiles and sell their product lines both on the domestic as well as on foreign markets.

**Gres Panaria Portugal S.A.**, based in Chousa Nova, Ilhavo, Portugal, with a paid-in share capital of Euro 16,500,000.00, is fully owned by Panariagroup Industrie Ceramiche. Gres Panaria Portugal is specialized in white body wall tiles and in porcelain grès products and operates with 2 different brands, Margres and Novagres, both focused on the main European markets.

**Panariagroup USA Inc.**, based in Delaware, USA, with a paid-in capital of USD 34,500,000.00, is fully owned by Panariagroup Industrie Ceramiche S.p.A. The company is the holding for the US market and controls the participations in Florida Tile Inc. and Lea North America LLC.

**Florida Tile Inc.** based in Delaware, USA, with a paid-in capital of USD 6,000,000.00 that is fully owned by Panariagroup USA Inc., manufactures and distributes ceramic tile products in the US market through a directly managed distribution network mainly based on the East Coast.

**Lea North America LLC**, based in Delaware, USA, with a paid-in share capital of USD 20,000, is wholly owned by Panariagroup USA Inc.

The company operates in the marketing and distribution of the Lea brand products in North America.

The structure of the Group has not changed in the first quarter of 2007. Therefore it has to be noted that the first quarter 2006 data included only one month of Panariagroup USA Inc. and Florida Tile Inc., incorporated at the end of February 2006, while the figures as of March 31<sup>st</sup> 2007 include the results of these companies for the whole quarter.

## 2. CORPORATE BOARDS

### 2.1 Board of Directors

<b>Name and surname</b>	<b>Office</b>	<b>Place and date of birth</b>
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 <sup>(*)</sup>	Director	Parma, 20/10/1964
Alessandro Iori <sup>(*)</sup>	Director	Reggio Emilia, 15/6/1943
Paolo Onofri <sup>(*)</sup>	Director	Bologna, 11/11/1946

(\*) Independent non-executive director

### 2.2 Board of Statutory Auditors

<b>Name and surname</b>	<b>Office</b>	<b>Place and date of birth</b>
Giovanni Ascari	Chairman of the Board of Auditors	Modena, 13/10/1935
Vittorio Pincelli	Standing auditor	Frassinoro (MO), 3/8/1943
Francesco Tabone	Standing auditor	Monza, 2/2/1956
Corrado Cavallini	Alternate auditor	Sassuolo (MO), 4/1/1971
Massimiliano Stradi	Alternate auditor	Sassuolo (MO), 16/3/1973

### 2.3 Independent Auditors

Deloitte & Touche S.p.A.

### 3. CONSOLIDATED P&L AND BALANCE SHEET

#### 3.1 Profit and loss account - First quarter 2007 and 2006

(in € / 000)

<b>CUMULATED</b>	<b>31/3/2007</b>	<b>%</b>	<b>31/3/2006</b>	<b>%</b>	<b>var.</b>
<b>Revenues from sales and services</b>	<b>92,646</b>	<b>98,40%</b>	<b>84,126</b>	<b>94,48%</b>	<b>8,520</b>
Changes in inventories of finished products	0,484	0,51%	4,022	4,52%	(3,538)
Other revenues	1,020	1,08%	0,890	1,00%	0,130
<b>Value of Production</b>	<b>94,150</b>	<b>100,00%</b>	<b>89,038</b>	<b>100,00%</b>	<b>5,112</b>
Raw, ancillary and consumable materials	(25,366)	-26,94%	(25,743)	-28,91%	0,377
Services, leases and rentals	(36,236)	-38,49%	(33,559)	-37,69%	(2,677)
Personnel costs	(18,225)	-19,36%	(15,472)	-17,38%	(2,753)
Changes in inventories of raw materials	(0,259)	-0,28%	0,349	0,39%	(0,608)
Other operating expenses	(1,053)	-1,12%	(0,884)	-0,99%	(0,169)
<b>Cost of production</b>	<b>(81,139)</b>	<b>-86,18%</b>	<b>(75,309)</b>	<b>-84,58%</b>	<b>(5,830)</b>
<b>Gross operating profit</b>	<b>13,011</b>	<b>13,82%</b>	<b>13,729</b>	<b>15,42%</b>	<b>(0,718)</b>
D&A expenses	(3,899)	-4,14%	(3,793)	-4,26%	(0,106)
Provisions and impairments	(0,395)	-0,42%	(0,349)	-0,39%	(0,046)
<b>Net operating profit</b>	<b>8,717</b>	<b>9,26%</b>	<b>9,587</b>	<b>10,77%</b>	<b>(0,870)</b>
Financial income and expense	(1,127)	-1,20%	(0,761)	-0,85%	(0,366)
<b>Pre-tax profit</b>	<b>7,590</b>	<b>8,06%</b>	<b>8,826</b>	<b>9,91%</b>	<b>(1,236)</b>
Income taxes	(3,442)	-3,66%	(3,590)	-4,03%	0,148
<b>Net profit for the period</b>	<b>4,148</b>	<b>4,41%</b>	<b>5,236</b>	<b>5,88%</b>	<b>(1,088)</b>

(\*) The consolidation scope as of March 31<sup>st</sup> 2006 includes Florida Tile from the acquisition date (February 26<sup>th</sup> 2006).

### 3.2 Reclassified balance sheet

(in € / 000)

	31/3/2007	31/12/2006
Inventories	132,287	132,392
Accounts Receivable	110,100	100,343
Other current assets	6,800	6,110
<b>CURRENT ASSETS</b>	<b>249,187</b>	<b>238,845</b>
Accounts Payables	(70,933)	(71,626)
Other current liabilities	(35,962)	(32,424)
<b>CURRENT LIABILITIES</b>	<b>(106,895)</b>	<b>(104,050)</b>
<b>NET WORKING CAPITAL</b>	<b>142,292</b>	<b>134,795</b>
Goodwill	12,089	12,089
Intangible assets	2,680	2,639
Tangible assets	89,816	88,833
Equity Investments and other financial fixed assets	0,004	0,005
<b>FIXED ASSETS</b>	<b>104,589</b>	<b>103,566</b>
Receivables due after the following year	2,440	2,505
Provisions for termination benefits	(7,401)	(7,248)
Provisions for risks and charge and deferred taxes	(11,285)	(10,105)
Other payables due after the year	(3,660)	(4,976)
<b>ASSETS AND LIABILITIES DUE AFTER THE YEAR</b>	<b>(19,906)</b>	<b>(19,824)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>226,975</b>	<b>218,537</b>
Short term financial assets	(5,676)	(9,031)
Short term financial debt	53,717	51,952
<b>NET SHORT TERM FINANCIAL DEBT</b>	<b>48,041</b>	<b>42,921</b>
Mid-long term financial debt	23,446	24,003
<b>NET FINANCIAL POSITION</b>	<b>71,487</b>	<b>66,924</b>
Group Shareholders' Equity	155,488	151,613
<b>SHAREHOLDERS' EQUITY</b>	<b>155,488</b>	<b>151,613</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>226,975</b>	<b>218,537</b>

### 3.3 Net financial position

(in € / 000)

	31/03/2007	31/12/2006
Securities	-	-
Cash and cash equivalents	(5,676)	(9,031)
<b>Short term financial assets</b>	<b>(5,676)</b>	<b>(9,031)</b>
Due to banks	52,753	50,586
Financial payables to holding companies	-	-
Due to other lenders	0,964	1,366
<b>Short term financial debt</b>	<b>53,717</b>	<b>51,952</b>
Due to banks	21,781	22,118
Due to other lenders	1,665	1,885
Due to bondholders	-	-
<b>Mid-long term financial debt</b>	<b>23,446</b>	<b>24,003</b>
<b>Net Financial Position</b>	<b>71,487</b>	<b>66,924</b>



## **4. NOTES TO THE ACCOUNTS**

### **4.1 Accounting standards and criteria**

This consolidated quarterly report has been prepared in compliance with art. 82 of the enacting Regulations of Law Decree no. 58 dated February 24<sup>th</sup>, 1998 governing issuers (Consob Resolutions no. 11971 dated May 14<sup>th</sup>, 1999 and following amendments), and specifically in keeping with Appendix 3D of said Resolution.

The Group adopted the International Accounting Standard (IFRS), issued by International Financial Accounting Standards Board. The accounting principles used for the preparation of this quarterly report do not differ from those utilized from the introduction of IFRS

The accounting figures do not contain any estimates other than those normally used when preparing a set of annual accounts.

In connection with the US companies of the Group, no significant differences has been found between local accounting principle (US GAAP) and the accounting principle used for the consolidated financial report (IFRS).

The report has not been audited.

The amount contained herein are shown and commented upon in thousand Euro, unless expressly indicated otherwise.

#### **4.2 Consolidation scope**

The consolidation scope includes:

- **Panariagroup Industrie Ceramiche S.p.A.**, Parent Company;
- **Gres Panaria Portugal S.A.**, 100% owned;
- **Panariagroup USA Inc.**, 100% owned;
- **Florida Tile Inc.**, 100% owned.
- **Lea North America LLC**, 100% owned;

All the subsidiaries are consolidated on a line by line basis.

The consolidation scope has not changed in the first quarter of 2007. Therefore it has to be noted that the first quarter 2006 data included only one month of Panariagroup USA Inc. and Florida Tile Inc., incorporated at the end of February 2006, while the figures as of March 31<sup>st</sup> 2007 include the results of these companies for the whole quarter.

#### 4.3 Executive report on operations

##### Profit and loss analysis

##### *Profit and Loss – Figures as of March 31<sup>st</sup> 2007*

*(in € / 000 )*

	31/3/2007	%	31/3/2006	%	var. €
<b>Revenues from sales and services</b>	<b>92,646</b>	<b>98,40%</b>	<b>84,126</b>	<b>94,48%</b>	<b>8,520</b>
<b>Value of Production</b>	<b>94,150</b>	<b>100,00%</b>	<b>89,038</b>	<b>100,00%</b>	<b>5,112</b>
<b>Gross operating profit</b>	<b>13,011</b>	<b>13,82%</b>	<b>13,729</b>	<b>15,42%</b>	<b>(0,718)</b>
<b>Net operating profit</b>	<b>8,717</b>	<b>9,26%</b>	<b>9,587</b>	<b>10,77%</b>	<b>(0,870)</b>
<b>Pre-tax profit</b>	<b>7,590</b>	<b>8,06%</b>	<b>8,826</b>	<b>9,91%</b>	<b>(1,236)</b>
<b>Net profit for the period</b>	<b>4,148</b>	<b>4,41%</b>	<b>5,236</b>	<b>5,88%</b>	<b>(1,088)</b>

The quarterly results are the follows:

- **Consolidated net sales** amounted to **92.7** million Euros, up by **10.1%** in comparison with the same period of the previous year.
- **Gross operating profit** amounted to **13.0 million Euros** (13.7 in the first quarter 2006) and the **Net operating profit** amounted to **8.7 million Euros** (9.6 in the first quarter 2006).
- **Consolidated net profit is 4.1 million Euros** (5.2 in the first quarter 2006).

2007 results is influenced by the consolidation of Florida Tile that, being in the middle of an important restructuring process, obtained negative results, in line with our expectations and as anticipated and described in the previous quarterly reports.

The dilution of the consolidated profit margins coming from Florida Tile's results represents for the Group a strategic investment for the mid term development plan. The positive effects related to this investment are expected to be positive before the end of the current year and more consistent from the year 2008.

It has to be noted that, net of this effect, Panariagroup obtained excellent results, as shown by the following table:

	31/3/2007	%	31/3/2006	%	var. €
<b>Revenues from sales and services</b>	<b>75,380</b>	<b>100,00%</b>	<b>75,220</b>	<b>100,00%</b>	<b>0,160</b>
<b>Gross operating profit</b>	<b>13,538</b>	<b>17,96%</b>	<b>13,588</b>	<b>18,06%</b>	<b>(0,050)</b>
<b>Net operating profit</b>	<b>9,557</b>	<b>12,68%</b>	<b>9,633</b>	<b>12,81%</b>	<b>(0,076)</b>
<b>Pre-tax profit</b>	<b>8,733</b>	<b>11,59%</b>	<b>8,749</b>	<b>11,63%</b>	<b>(0,016)</b>
<b>Net profit for the period</b>	<b>5,292</b>	<b>7,02%</b>	<b>5,159</b>	<b>6,86%</b>	<b>0,133</b>

The restructuring process of Florida Tile currently in place, as expected, achieved in the first quarter 2007 important results, with a very high strategic and organizational impact and in particular:

- the definitive shut down of the Shannon plant, that realized red body floor tiles, during the month of **February 2007**;
- the launch of the new IT system, in **March 2007**;
- the exit of the previous top management of the Company, with the insertion of a new management team.

In addition, is going to be completed the intervention aimed at the reorganization of the Lawrenceburg plant, that will result in the start up of a new, state of the art, porcelain gres production line in the month of June 2007, in line with the programs defined immediately after the acquisition.

## Revenues

**Net sales** reported a growth rate of **10.1%** going from 84.1 million Euros of March 31<sup>st</sup> 2006 up to 92.6 million Euros as of March 31<sup>st</sup> 2007 (+ 8.5 million Euros); this sales is mainly due to the consolidation of Florida Tile.

It has to be remarked that the first quarter 2006 evidenced very positive results (organic growth of 15.6% in comparison with the first quarter 2005).

### Main reference markets

The three main reference area are the Italian market, the European market and the US market; those markets represent approximately the 96% of the net sales of the Group.

This geographical breakdown gives to Panariagroup a more pronounced risk diversification and a superior focus on markets with bigger development opportunities for the high end and deluxe market segment.

The first quarter 2007 shows different trends: a flat Italian market, an important decrease of the sales in the Us market, in part due to the depreciation of the dollar, and a significant development of the European markets.

The **Italian market**, with a total turnover of 30.6 million Euros and an incidence on the total turnover of about 32%, is on the same level of the previous year; in this context particularly competitive, Panariagroup remarks its significant market share.

On the others **European markets**, the results achieved are really positive: the 6.5% total growth (+ 2.3 million Euros) comes from the excellent performances of important markets such as Germany and France and the maintaining of the results of other very important areas, such as Portugal and Holland.

The incidence of the European markets on the consolidated turnover is around 41%.

The **US market** grew from 15.0 to 21.4 million Euros (+ 6.4 million Euros), exclusively thanks to the 10 months consolidation of Florida Tile (+ 8.3 million Euros). With the same consolidation scope, sales decreased by 1.9 million Euros, in part due to the worsening in the Euro/Dollar exchange rate (-9%), that determined a loss of 0.5 million Euros.

The US market reached an incidence of 23% of total sales.

The breakdown of sales by Panariagroup's major markets is:

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

<i>Nation</i>	<i>31/03/2007</i>	<i>31/03/2006</i>	<i>var.</i>	<i>%</i>
<b>1</b> ITALY	30,557	30,501	0,056	0,2%
<b>2</b> USA	21,350	14,987	6,363	42,5%
<b>3</b> PORTUGAL	9,117	9,297	(0,180)	-1,9%
<b>4</b> FRANCE	8,215	7,633	0,582	7,6%
<b>5</b> BELGIUM	4,871	4,720	0,151	3,2%
<b>6</b> GERMANY	4,763	4,214	0,549	13,0%
<b>7</b> HOLLAND	3,588	3,629	(0,041)	-1,1%
<b>8</b> UNITED KINGDOM	1,224	1,036	0,226	26,5%
<b>9</b> GREECE	1,079	0,853	0,188	18,1%
<b>10</b> SWITZERLAND	1,071	1,043	0,028	2,7%
OTHERS	8,974	8,156	0,818	10,0%
<b>TOTAL</b>	<b>94,809</b>	<b>86,069</b>	<b>8,740</b>	<b>10,2%</b>

Other than the trends described above, it has to be remarked the good results obtained in United Kingdom, Greece and also in minor markets such as Spain, Poland, Croatia, Romania and, in general, in the oriental countries.

The performances of the 7 brands distributed by Panariagroup can be summarized as follows:

- The **Panaria** brand obtained a slight decrease, due to the lower sales in the US market, only partially offset by the increase obtained in other markets, in particular European.
- Even the **Lea** brand was penalized by the negative results obtained in the US market. This caused a small reduction in sales, despite the good performances obtained in the European markets.
- The **Cotto d'Este** brand closes with a growth higher than **4%**, driven by the good results (slightly less than 10%) realized in the export markets, and in particular in Belgium, France and Germany.
- The **Fiordo** brand confirms the good results of the last quarter 2006 and recorded a very positive result, with a growth of about 9%. This result is due almost equally to all the most important markets in which the brand is present (Italy and Western Europe).
- **Margres** continues its development path in the most important European markets: total growth (higher than 17%) comes from the impressive results obtained in French and Spanish market.
- **Novagres** substantially confirms the results of the first quarter 2006: the decrease of the sales in Portugal is offset by the growth in other European markets.
- **Florida Tile** realised in the first quarter sales higher than 22 million dollars, with a decrease in the independent distributors channel (that is characterised by lower profitability) and a substantial maintenance in the sales realised through the network of the 25 branches directly managed.

The product types distributed by the Group are: the porcelain gres (the core business of Panariagroup), the white body wall tiles, the single-fired floor tiles (exclusively of Florida Tile).

The Florida Tile brand sells also non ceramic material.

The breakdown of sales by product class is:

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

<i>Type of product</i>	<i>31/12/2006</i>	<i>31/12/2005</i>	<i>var.</i>
Porcelain gres	74,427	71,243	3,184
%	<b>78,5%</b>	<b>82,8%</b>	
White body wall tiles	10,343	9,654	0,689
%	<b>10,9%</b>	<b>11,2%</b>	
Single-fired floor tiles	3,477	2,473	1,004
%	<b>3,7%</b>	<b>2,9%</b>	
Non ceramic material	6,562	2,699	3,863
%	<b>6,9%</b>	<b>3,1%</b>	
<b><i>Totale</i></b>	<b>94,809</b>	<b>86,069</b>	<b>8,740</b>

The main variations of the period are related to the consolidation of Florida Tile for the whole quarter.

The increase in Porcelain gres is the result of the growth obtained by the historical brands of the Group, mainly oriented on this type of products, and partially of the consolidation of Florida Tile.

In connection to the porcelain, it has to be noted that is already under way the conversion process that will allow Florida Tile to have a significant presence on this segment, characterised by a superior profitability and higher growth rates. Porcelain gres sales of the US company increased in the first quarter 2007 from 13.5% to 21.7%.

The increase in the segment of “White body wall tiles” is due to the complete consolidation of Florida Tile brand in the first quarter 2007.

The sales of “Single-fire floor tiles” are almost exclusively related to Florida Tile and are expected to have a significant decrease in the next few months, thanks to the conversion to porcelain gres currently in progress.

The “non ceramic material” is related to products sold by Florida Tile, supplied to complete tiles’ sale, such as natural stones and laying and fixing tile materials.



## Operating results

The **Gross operating profit** totalled **13.0 million Euros**, showing a decrease of 0.7 million Euros compared with the same period of 2006 (- 5.2%).

The decrease of the gross operating profit reflects the mix between the outstanding results of the European business units (Italy and Portugal), with an 18% margin on net sales, and a negative gross operating profit of the US business unit (Florida Tile).

As broadly explained even in the previous quarterly reports, the US company is penalised by the temporary inefficiencies due to the important restructuring currently in progress: in particular, has to be remarked that during the first quarter 2007 has been completely closed the plant located in Shannon (Georgia).

The worsening in the Euro/Dollar exchange rate (-9%) had a negative impact on sales and profit margins of Italian Brands.

The **Net operating profit**, that equals to 8.7 million Euros, reports a decrease of 0.9 million Euros.

The total amount of Depreciation and amortization expenses and provisions is, in percentage, on the same level of the first 3 months of 2006.

The Financial incomes and expenses show a negative balance of 1.1 million Euros, while in the previous year was 0.8 million Euros. The worsening is mainly due to the increase in the financial position, as a consequence of the acquisition of Florida Tile.

**Net profit** amounts to 4.1 million Euros, 4.3% of the Value of Production.

## **Financial and balance sheet highlights**

### ***Balance Sheet***

***(in € / 000)***

	<b>31/3/2007</b>	<b>31/12/2006</b>
<b>Net Working Capital</b>	<b>142,292</b>	<b>134,795</b>
<b>Fixed assets</b>	<b>104,589</b>	<b>103,566</b>
<b>Assets / Liabilities due after year</b>	<b>(19,906)</b>	<b>(19,824)</b>
<b>NET CAPITAL EMPLOYED</b>	<b>226,975</b>	<b>218,537</b>
<b>Net Financial Position</b>	<b>71,487</b>	<b>66,924</b>
<b>Shareholders' equity</b>	<b>155,488</b>	<b>151,613</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>226,975</b>	<b>218,537</b>

### **Net working capital**

The Net Working Capital increased in the quarter of 7.4 million Euros, mainly due to the increase of the account receivables linked to the normal seasonality of the sales.

### **Investments**

The level of assets increased from the beginning of the year of about 1 million Euros.

The increase is due to:

- The net investments of the period, equal to 4.9 million Euros: these investments are referred for 1.8 million Euros to the US plant, for 1.5 million Euros to the Portuguese plants and for the remaining 1.5 million Euros to the Italian plants. The Portuguese investments include (0.8 million Euros) the second and last quota for the purchase of a show room in Lisbon.
- The amortization of the period of 3.9 million Euros.

## Net financial position

### Financial cash flow

(thousands euro)

31/3/2007

31/3/2007	
<b>Net financial position - beginning</b>	<b>(66,924)</b>
Net Profit	4,148
D & A	3,899
Net Variation Provisions	1,663
<b>Internal operating Cash flow</b>	<b>9,710</b>
Change in net working capital	(9,078)
Dividend distribution	0,000
Net Investments	(4,922)
Florida Tile acquisition effect	0,000
Other movements	(0,273)
<b>Net financial position - final</b>	<b>(71,487)</b>

The Net Financial Position reports a negative balance of 71.5 million Euros, with a negative change from the beginning of the year of about 4.5 million Euros.

The negative variation is due to the change in net working capital, due to the increase of the account receivables linked to the normal seasonality of the sales.

## 5. OPERATIONAL OUTLOOK FOR THE GROUP

It is confirmed the confidence on the Italian market and on the most important European markets. The US market is showing the first signals of recovery. For that reason it is foreseen a good growth in revenues, with the same outstanding profit margins.

It is fully confirmed the confidence on the turnaround program of Florida Tile, currently our most important strategic investment, expected to grant to the Group remarkable results in the next years.

## 6. NOTEWORTHY EVENTS AFTER THE BALANCE SHEET DATE

No noteworthy events took place after the balance sheet date.